

# CABINET AGENDA



**TUESDAY 13 FEBRUARY 2018 AT 7.30 PM  
CONFERENCE ROOM 2 - THE FORUM**

The Councillors listed below are requested to attend the above meeting, on the day and at the time and place stated, to consider the business set out in this agenda.

#### Membership

Councillor Williams (Leader)  
Councillor Griffiths (Deputy Leader)  
Councillor Elliot

Councillor Harden  
Councillor Marshall  
Councillor G Sutton

For further information, please contact [member.support@dacorum.gov.uk](mailto:member.support@dacorum.gov.uk)

## AGENDA

- 11. BUDGET REPORT (ITEM 7) APPENDIX K & L (Pages 2 - 66)**



# Dacorum Borough Council

## Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual  
Investment Strategy

# 2018/19

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# 1 Introduction

## 1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. A primary function of the Treasury Management service is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially, before considering investment return.

The second main function of the Treasury Management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning, to ensure that the Council can meet its capital spending obligations. The management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, any debt previously drawn may be restructured to meet Council risk or cost objectives.

## 1.2 Clauses to be formally adopted

1. Dacorum Borough Council will create and maintain the following for effective treasury management:
  - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
  - suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities
2. Full Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
3. Responsibility is delegated to the Section 151 Officer for the implementation and regular monitoring of its treasury management policies and practices, and for the execution and administration of treasury management decisions. They will act in accordance with the policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
4. This organisation nominates Cabinet to be responsible for ensuring effective scrutiny of the treasury management strategy, policies and monitoring before recommendation to Full Council.

### 1.3 Treasury Management Policy Statement

The Council defines its treasury management activities as:

*The management of the organisation's borrowing, investments, cash flows, banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.*

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The Council acknowledges that effective treasury management will provide support towards the achievement of the Council's business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

### 1.4 Reporting requirements

The Council is currently required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

**Treasury Management Strategy Statement** (this report) - The first, and most important report, covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

**A mid year treasury management report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision.

**An annual treasury report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

**Scrutiny** – The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Cabinet .

## **Capital Strategy**

In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2019-20, all local authorities will be required to prepare an additional report, a Capital Strategy report, which is intended to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this report is to ensure that elected Members fully understand the overall strategy, governance procedures and risk appetite entailed by this strategy.

The Capital Strategy will include capital expenditure, investments and liabilities and treasury management in sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.

### **1.5 Treasury Management Strategy for 2018/19**

The strategy for 2018/19 covers two main areas:

#### **Capital issues:**

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

#### **Treasury management issues:**

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

### **1.6 Training**

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury

management. The training needs of treasury management officers are periodically reviewed.

### **1.7 Treasury management consultants**

The Council uses Link Asset Services, Treasury Solutions as its external treasury management advisors.

The Council recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

The Council also recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

## 2 The Capital Prudential Indicators 2018/19 – 2020/21

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

### 2.1 Capital expenditure

The first prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The table below summarises the capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need. Members are asked to approve the capital expenditure forecasts:

<b>Capital expenditure</b>	<b>2016/17 Actual £m</b>	<b>2017/18 Forecast £m</b>	<b>2018/19 Estimate £m</b>	<b>2019/20 Estimate £m</b>	<b>2020/21 Estimate £m</b>
Non-HRA	19.529	12.142	21.719	13.432	2.849
HRA	19.236	26.314	36.483	35.863	25.670
<b>Total</b>	<b>38.765</b>	<b>38.456</b>	<b>58.202</b>	<b>49.295</b>	<b>28.519</b>
<b>Financed by:</b>					
Capital grants & S106	4.316	1.995	2.648	0.975	0.975
Capital receipts & reserves	26.283	22.846	40.046	41.586	21.332
Revenue contribution to Capital	6.132	8.847	9.140	6.734	6.212
Borrowing	2.034	4.768	6.368	0.000	0.000
<b>Net financing need for the year</b>	<b>38.765</b>	<b>38.456</b>	<b>58.202</b>	<b>49.295</b>	<b>28.519</b>

### 2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which is not immediately paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and

so the Council is not required to separately borrow for these schemes. The Council currently has £0.188m of such schemes within the CFR.

The Council is asked to approve the CFR projections below:

£m	2016/17 Actual £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
<b>Capital Financing Requirement</b>					
CFR – non housing	8.065	12.277	18.281	17.925	17.576
CFR – housing	346.740	346.172	344.104	340.519	335.927
<b>Total CFR</b>	<b>354.804</b>	<b>358.449</b>	<b>362.385</b>	<b>358.444</b>	<b>353.503</b>
<b>Movement in CFR</b>		<b>3.644</b>	<b>3.936</b>	<b>(3.941)</b>	<b>(4.941)</b>

<b>Movement in CFR is represented by</b>					
Net financing need for the year		3.644	3.936	(3.941)	(4.941)
Use of set aside capital receipts		0.00	0.000	0.000	0.000
<b>Movement in CFR</b>		<b>3.644</b>	<b>3.936</b>	<b>(3.941)</b>	<b>(4.941)</b>

### 2.3 Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

DCLG regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:

The MRP policy will be:

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations;

This option provides for a reduction in the borrowing need over approximately the asset's life.

There is no requirement on the HRA to make a minimum revenue provision.

### 2.4 Core funds and expected investment balances

The use of funds to either finance capital expenditure or to support the revenue budget will have an ongoing impact on investments, unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances and anticipated day to day cash flow balances.

<b>Year End Resources</b>	<b>2016/17 Actual £m</b>	<b>2017/18 Estimate £m</b>	<b>2018/19 Estimate £m</b>	<b>2019/20 Estimate £m</b>	<b>2020/21 Estimate £m</b>
Fund balances / reserves	33.266	32.003	29.038	20.109	24.628
Capital receipts	17.182	37.215	30.977	20.559	25.858
Provisions	4.449	4.500	4.500	4.500	4.500
Other	0.000	0.000	0.000	0.000	0.000
<b>Total core funds</b>	<b>54.897</b>	<b>73.718</b>	<b>64.515</b>	<b>45.168</b>	<b>54.986</b>
Working capital		5.000	5.000	5.000	5.000
(Under)/over borrowing		6.368	0.000	0.000	0.000
<b>Expected investments</b>		<b>85.086</b>	<b>69.515</b>	<b>50.168</b>	<b>59.986</b>

## 2.5 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

## 2.6 Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term costs net of investment income) against the net revenue stream.

	<b>2016/17 Actual</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>
Non-HRA	0.79%	1.12%	1.23%	1.20%	1.17%
HRA	20.08%	20.34%	20.14%	20.36%	19.80%

## 2.7 HRA ratios

	<b>2016/17 Actual</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>
<b>HRA debt £m</b>	346.739	346.172	344.104	340.518	335.928
<b>HRA revenues £m</b>	57.148	56.319	55.563	55.265	56.960
<b>Ratio of debt to revenues %</b>	607%	615%	619%	616%	590%
<b>Number of HRA dwellings</b>	10,124	10,069	10,014	9,959	9,909
<b>Debt per dwelling £</b>	34.249	34.380	34.362	34.192	33.901

### 3 Borrowing

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council.

The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities.

#### 3.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2017, with forward projections are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, highlighting any over or under borrowing.

	2016/17 Actual £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
<b>External Debt</b>					
Debt at 1 April	366.519	365.754	364.816	362.383	358.441
Expected change in Debt	(0.765)	(0.938)	(2.432)	(3.942)	(4.939)
Other long-term liabilities	0.188	0.188	0.188	0.188	0.188
<b>Actual gross debt at 31 March</b>	<b>365.942</b>	<b>365.004</b>	<b>362.572</b>	<b>358.630</b>	<b>353.690</b>
The Capital Financing Requirement	354.805	358.449	362.385	358.444	353.503
<b>Under / (over) borrowing*</b>	<b>(11.137)</b>	<b>(6.555)</b>	<b>(0.187)</b>	<b>(0.186)</b>	<b>(0.187)</b>

There are a number of key indicators to ensure that the Council operates its activities within well-defined limits.

One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes. The Council complies with this indicator.

### 3.2 Treasury Indicators: Limits to borrowing activity

**The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed.

Operational boundary	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Debt	364.816	362.383	358.441	353.502
Other long term liabilities	0.188	0.188	0.188	0.188
Total	365.004	362.571	358.629	353.690

**The authorised limit for external debt.** This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

Authorised limit	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Debt	378.000	378.000	375.000	373.000
Other long term liabilities	1.000	1.000	1.000	1.000
Total	379.000	379.000	376.000	374.000

The Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently £354.015m.

#### Treasury management limits on activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

£m	2018/19	2019/20	2020/21
<b>Interest rate exposures</b>			
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
<b>Limits on fixed interest rates based on net debt</b>	100%	100%	100%
<b>Limits on fixed interest rates:</b>			
• Debt only	100%	100%	100%
• Investments only	100%	100%	100%
<b>Limits on variable interest rates</b>			
• Debt only	5%	5%	5%
• Investments only	40%	40%	40%
<b>Maturity structure of fixed interest rate borrowing 2018/19</b>			
	<b>Lower</b>	<b>Upper</b>	
Under 12 months	0%	1%	
12 months to 2 years	0%	1%	
2 years to 5 years	0%	3%	
5 years to 10 years	2%	5%	
10 years and above	5%	90%	
<b>Maturity structure of variable interest rate borrowing 2018/19</b>			
	<b>Lower</b>	<b>Upper</b>	
Under 12 months	0%	1%	
12 months to 2 years	0%	2%	
2 years to 5 years	0%	2%	
5 years to 10 years	0%	0%	
10 years and above	0%	0%	

### 3.3 Borrowing strategy

The Council is currently in a over-borrowed position as described in 3.1. This means that the CFR, has been over funded with loan debt. This was to secure preferential self-financing borrowing rates and maintain General Fund capital balances.

The Corporate Director (Finance & Operations) will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances, specifically in relation to refinancing, delaying capital expenditure and taking on new borrowings.

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

### 3.4 Policy on borrowing in advance of need

The Council will not borrow more than, or in advance of, its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Borrowing in advance will be made within the constraints that the Council would not look to borrow more than 36 months in advance of need. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

### 3.5 Prospects for Interest Rates

The Councils Treasury Advisors provided the following as their view for interest rates.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB Rate	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB View	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB View	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2nd November. This removed the emergency cut in August 2016 after the EU referendum.

The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year.

The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.

#### Investment and borrowing rates

- Investment returns are likely to remain low during 2018/19 but to be on a gently rising trend over the next few years.
- Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Since then, borrowing rates have eased back again somewhat. Apart from that, there has been little general trend in rates during the current financial year.

The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to

be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;

- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

### **3.6 Debt rescheduling**

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling and early repayment of debt will be reported to Cabinet, at the earliest meeting following its action.

## 4 Annual Investment Strategy

### 4.1 Investment policy

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second and then return.

The strategy generates a list of highly creditworthy counterparties which will also enable diversification and the avoidance of concentration risk.

In order to minimise the risk to investments, the Council clearly stipulates the minimum acceptable credit quality of counterparties for inclusion on the lending list.

The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by the three main ratings agencies (Fitch, Moody's and Standard and Poor's) with a full understanding of what these reflect in the eyes of each agency. These are monitored on a real time basis with knowledge of any changes notified electronically to Dacorum as the agencies notify modifications.

The Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Officers continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate.

The Council will engage with its advisors to monitor market pricing such as "credit default swaps" (CDS) and overlay that information on top of the credit ratings. This is fully integrated into the credit methodology provided by the advisors, Link Asset Services in producing its colour codings which show the varying degrees of suggested creditworthiness.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Investment instruments identified for use in the financial year are listed in appendix 2 under the 'specified' and 'non-specified' investments categories.

## 4.2 Creditworthiness policy

Dacorum uses the creditworthiness service provided by Link Asset Services. This service employs a modelling approach using credit ratings from the three main credit rating agencies.

The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This approach produces a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will use counterparties within the following durational bands:

- Yellow        5 years
- Purple        2 years
- Blue          1 year (Nationalised or semi nationalised UK Banks only)
- Orange       1 year
- Red           6 months
- Green        100 days
- No colour    not to be used

All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of Link's creditworthiness service. If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, new investments will not be placed with the counterparty.

Sole reliance will not be placed on the use of this external service. In addition the Council will also use market data and market information, information on government support for banks and the credit ratings of that supporting government.

## 4.3 Country limits

The Section 151 Officer will determine approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent) as appropriate, with durations following the same colour coded criteria, details of which are set out in 4.2. Officers will remove counterparties from this list should ratings change in accordance with this policy, and counterparties will only be added with approval from the Section 151 Officer.

#### 4.4 Investment strategy

**In-house funds:** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

**Investment returns expectations:** Bank Rate is forecast to stay flat at 0.50% until quarter 4 2018 and not to rise above 1.25% by quarter 1 2021. Bank Rate forecasts for financial year ends (March) are:

- 2017/18 0.50%
- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.25%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year are as follows:

	<b>Now</b>
2017/18	0.40%
2018/19	0.60%
2019/20	0.90%
2020/21	1.25%
2021/22	1.50%
2022/23	1.75%
2023/24	2.00%
Later years	2.75%

The overall balance of risks to these forecasts is currently skewed to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

**Investment treasury indicator and limit:** Total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit:

<b>Maximum principal sums invested &gt; 364 &amp; 365 days</b>			
£m	2018/19	2019/20	2020/21
Principal sums invested > 364 & 365 days	20% of portfolio	20% of portfolio	20% of portfolio

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated

deposits (overnight to 100 days) in order to benefit from the compounding of interest.

#### **4.5 Investment risk benchmarking**

These benchmarks are simple guides to minimise risk; so they may be breached from time to time, depending on movements in interest rates and counterparty criteria.

The purpose of the benchmark is that officers will monitor the position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported to Cabinet, with supporting reasons in the mid-year and annual report.

Security - The Council's maximum security risk benchmark for the current portfolio, when compared to historic default tables is 0.014%.

Liquidity – in respect of this area the Council seeks to maintain:

- Maximum bank overdraft - £0.25m
- Liquid deposits of at least £5m available with a week's notice.
- Weighted average life benchmark is expected to be around 100 days

Yield - local measures of yield benchmarks for investments is to achieve internal returns above the 7 day LIBID rate.

#### **4.6 External fund managers**

The Council does not currently use fund managers. If deemed appropriate to use fund managers in the future, the decision will be passed through Cabinet for recommendation to Full Council.

#### **4.7 Non- Treasury Investments**

The Council recognises that investment in other financial assets and property primarily for financial return, taken for non- treasury management purposes, requires careful investment management. Such activity may include loans to support service outcomes, investment in subsidiaries and investment property portfolios.

This type of activity is covered by the Council's normal approvals processes for revenue and capital expenditure.

The Council holds a portfolio of investment properties. These are managed as part of the Council's asset management strategy.

The Council will maintain a schedule setting out a summary of existing material investments and liabilities, investment management practices in relation to these and the organisation's risk exposure.

## **Appendix 1: Economic Background (provided by Link Asset Services)**

### **UK**

After the UK surprised on the upside with strong economic growth in 2016, growth in 2017 has been disappointingly weak; quarter 1 came in at only +0.3% (+1.8% y/y), quarter 2 was +0.3% (+1.5% y/y) and quarter 3 was +0.4% (+1.5% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the Monetary Policy Committee, (MPC), meeting of 14 September 2017 managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting. (Inflation actually came in at 3.1% in November so that may prove now to be the peak.)

At Its 2nd November meeting, the MPC delivered a 0.25% increase in Bank Rate. It also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020.

However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the coming fall in inflation, (as the effect of the effective devaluation of sterling after the EU referendum drops out of the CPI statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If this scenario was indeed to materialise, then the MPC would be likely to accelerate its pace of increases in Bank Rate during 2018 and onwards.

It is also worth noting the contradiction within the Bank of England between action in 2016 and in 2017 by two of its committees. After the shock result of the EU referendum, the Monetary Policy Committee (MPC) voted in August 2016 for emergency action to cut Bank Rate from 0.50% to 0.25%, restarting £70bn of QE purchases, and also providing UK banks with £100bn of cheap financing. The aim of this was to lower borrowing costs, stimulate demand for borrowing and thereby increase expenditure and demand in the economy. The MPC felt this was necessary in order to ward off their expectation that there would be a sharp slowdown in economic growth.

Instead, the economy grew robustly, although the Governor of the Bank of England strongly maintained that this was because the MPC took that action. However, other commentators regard this emergency action by the MPC as being proven by events to be a mistake.

Then in 2017, we had the Financial Policy Committee (FPC) of the Bank of England taking action in June and September over its concerns that cheap borrowing rates, and easy availability of consumer credit, had resulted in too rapid a rate of growth in consumer borrowing and in the size of total borrowing, especially of unsecured borrowing. It, therefore, took punitive action to clamp down on the ability of the main banks to extend such credit. Indeed, a PWC report in October 2017 warned that credit card, car and personal loans and student debt will hit the equivalent of an average of £12,500 per household by 2020.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that some consumers may have over extended their borrowing and have become complacent about interest rates going up after Bank Rate had been unchanged at 0.50% since March 2009 until falling further to 0.25% in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and gradual increases in Bank Rate in the coming years. However, consumer borrowing is a particularly vulnerable area in terms of the Monetary Policy Committee getting the pace and strength of Bank Rate increases right - without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually pan out.

### **Brexit timetable and process**

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: initial two-year negotiation period on the terms of exit. In her Florence speech in September 2017, the Prime Minister proposed a two year transitional period after March 2019.
- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy will leave the single market and tariff free trade at different times during the two year transitional period.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.

- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.

## Appendix 2: Credit and Counterparty Risk Management

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

**Specified Investments:** All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' quality criteria where applicable.

	* Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	--	In-house
Term deposits – UK Government (including other local authorities)	--	In-house
Term deposits – banks and building societies –Banks carrying a credit rating and the Cooperative Bank	See 4.2	In-house
UK Government Gilts	UK sovereign rating	In-house and Fund Managers
Money Market Funds	AAA	In-house and Fund Managers
Cash Fund Management	See 4.2	In-house and Fund Managers
UK Government Treasury bills	UK sovereign rating	In-house and Fund Managers

### Term deposits with nationalised banks and banks and building societies

	* Minimum Credit Criteria	Use	*** Max % of total investments	Max. maturity period
UK part nationalised banks	See Link's Creditworthy list	In-house	12.5M per institution	12 months

**Non-specified Investments:** These are any investments which do not meet the specified investment criteria. A maximum of the lower of 30%of the portfolio, or £20m will be held in aggregate in non-specified investment

	* Minimum Credit Criteria	Use	Max. maturity period
Term deposits – UK Government and Other	--	In-house	5 years

Local Authorities			
Term deposits – banks and building societies	See 4.2	In-house	5 years
Certificates of deposit issued by banks and building societies covered by UK Government (explicit) guarantee	UK sovereign rating	In-house	5 years
Certificates of deposit issued by banks and building societies	See 4.2	In-house	5 years
Fixed term deposits with variable rate and variable maturities -Callable deposits -Callable range trade accounts	See 4.2	In-house and Fund Managers	5 years
Short term funds	See 4.2	In-house and Fund Managers	5 years
Cash Fund Management	See 4.2	In-house and Fund Managers	5 years
Gilt Funds, Bond Funds and Government Liquidity Funds	See 4.2	In-house and Fund Managers	5 years
UK Government Gilts	UK sovereign rating	In-house and Fund Managers	10 years
Bonds issued by multilateral development banks	AAA	In-house and Fund Managers	10 years
Corporate Bonds	See 4.2	In-house and Fund Managers	10 years

## **Appendix 3: Treasury management roles and scheme of delegation**

### **Full Council**

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy;
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;

### **Cabinet**

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

### **The S151 (responsible) officer**

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- approving the selection of external service providers and agreeing terms of appointment.
- approving the use of non-UK counterparties as appropriate
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management.
- provision to Members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- publication of a schedule that sets out the Council's investment management practices for non- treasury activity.



# **Dacorum Borough Council**

## **Treasury Management Principles and Practices**

### **Treasury Management Policy Statement**

Dacorum Borough Council defines the policies and objectives of its treasury management activities as follows:

1. This Authority defines its treasury management activities as: *“The management of the authority’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks”*.
2. This Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Authority.
3. This Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

### **Treasury Management Practices**

Treasury Management Practices (TMPs) set out the manner in which Dacorum Borough Council will seek to achieve its treasury management policies and objectives, and how it will manage and control those activities.

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## **Treasury Management Practice 1**

### **Risk Management**

*The responsible officer will, in accordance with the procedures set out in TMP6 Reporting Requirements and Management Information Arrangements:*

- *Design, implement and monitor all arrangements for the identification, management and control of treasury management risk;*
- *Report at least annually on the adequacy/suitability thereof;*
- *Report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect;*

*In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in this document.*

#### **1. Liquidity Risk Management**

*Dacorum Borough Council (DBC) will ensure it has adequate, though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available which are necessary for the achievement of its business/service objectives.*

*DBC will only borrow in advance of need where there is a clear business case for doing so, and will only do so for the current capital programme or to finance future debt maturities.*

Liquidity risk is the risk that cash will not be available when it is required. This can jeopardise the ability of the Council to carry out its functions, or disrupt those functions being carried out in the most cost-effective manner. The Council will therefore have adequate standby facilities to ensure that there is always sufficient liquidity to deal with unexpected occurrences. It will also seek to ensure that its cash flow forecasting gives as accurate a picture as possible of income and expenditure, and the resulting daily cash balances.

#### **Amounts of Approved Minimum Cash Balances and Short-term Investments**

The Treasury Management team shall seek to minimise the balance held in the Council's main bank accounts at the close of each working day, in order to minimise both the credit interest foregone and overdraft interest payable. Borrowing and lending shall be arranged, in conjunction with 'auto-sweeping' of balances, in order to achieve this aim.

#### **Investment of Short-Term Funds**

Each morning the Bank's forecast figures for the day are aggregated with any other anticipated cash flows (e.g. cash courier receipts, RTB funds flows income) to produce a consolidated forecast balance for the end of the day. Any short-term credit balance will be either:

- Transferred in to the Council's Call Account with its bankers NatWest plc (RBS); or
- Placed in a Business Reserve Account with selected approved counterparties who offer this facility;
- Placed into a Money Market Fund.

All funds lodged in these ways are instantly available if required.

The Council receives interest if its consolidated balance on any particular night shows a credit balance.

### **Bank Overdraft Arrangements**

A £0.25m net overdraft facility is available with the Council's bankers. Overdraft charges are only applicable if the Council's consolidated balance on any particular night is overdrawn, and are charged in line with the Bank Contract.

### **Short-Term Borrowing Facilities**

Short-term borrowing is very rarely required. If ever any short-term borrowing is undertaken, this is done through brokers on the London Money Market, or through the Public Works Loan Board. The approved borrowing limits are set out in the Treasury Management Strategy Statement.

### **Insurance/Guarantee Facilities**

There are no specific insurance on guarantee facilities as the above arrangements are regarded as being adequate to cover all unforeseen occurrences.

## **2. Interest Rate Risk Management**

*DBC will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements, as described in TMP6 Reporting Requirements and Management Information Arrangements.*

*The Council will achieve this objective by the prudent use of its approved financing and investment instruments, methods and techniques. This will be done primarily to create stability and certainty of costs and revenues, whilst at the same time retaining a sufficient degree of flexibility to take advantage of unexpected (potentially advantageous) changes in the level or structure of interest rates. The above is subject at all times to the consideration and, if required, approval of any policy or budgetary implications.*

Interest rate risk is the risk that unexpected changes in interest rates expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council will seek to minimise this risk by seeking expert advice on forecasts of interest rates from treasury management consultants and discussing with them its strategy for the coming year for the investments and debt portfolios. It will also determine appropriate limits and trigger points as set out below.

The limits and strategy are set out in the annual Treasury Management Strategy Statement. This strategy will be periodically reviewed during the relevant year to see whether any modifications are required in the light of actual movements in interest rates.

### **Details of Approved Interest Rate Exposure Limits**

The Council's strategy regarding interest rate exposure is described in the Treasury Management Strategy Statement which is produced shortly before the start of each financial year.

### **Trigger Points and Other Guidelines for Managing Changes to Interest Rate Levels**

The Treasury Management Strategy Statement outlines the Council's policy for each financial year regarding interest rates and their movements.

### **Minimum/Maximum Proportions of Variable/Fixed Rate Debt/Interest**

The Treasury Management Strategy Statement outlines the Council's policy for each financial year regarding borrowing limits.

### **Forward Dealing**

Consideration will be given to dealing on forward periods dependent upon market conditions. Investments may be agreed weeks or months in advance if market conditions suggest that this course of action is appropriate. Any forward deals of this nature, whose maturity date is over one year hence at the time the investment is agreed, will only be undertaken with the approval of the Section 151 Officer. Occasionally investments are also agreed a few days in advance for administrative convenience (e.g. due to annual leave etc).

### **Callable Deposits**

The Council will use callable deposits as part of its Treasury Management Strategy. The credit criteria and maximum periods are set out in the Schedule of Specified and Non-Specified Investments included within the Treasury Management Strategy Statement.

## **3. Exchange Rate Risk Management**

*Dacorum Borough Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.*

Exchange rate risk is the risk that unexpected changes in exchange rates expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council has a minimal exposure to exchange rate risk as it has no powers to enter into loans or investments in foreign currency for treasury management purposes. It will also seek to minimise what risk it does have by using the policies below.

### **Approved Criteria for Managing Changes in Exchange Rate Levels**

As a result of the nature of the Council's business, the Council may have an exposure to exchange rate risk from time to time. This will mainly arise from the receipt of income or the incurring of expenditure in a currency other than sterling.

The Council will adopt a full hedging strategy to control and add certainty to the sterling value of any foreign currency transactions above £10,000 in value (at the prevailing exchange rate). This will mean that the Council will eliminate all material foreign exchange exposures as soon as they are identified.

Where there is a contractual obligation to receive income or make a payment in a currency other than sterling at a date in the future, forward foreign exchange transactions will be considered, with professional advice, to comply with this full cover hedging policy for material foreign currency transactions. Unexpected receipt of foreign currency income will be converted to sterling at the earliest opportunity unless the Council has a contractual obligation to make a payment in the same currency at a date in the future. In this instance, the currency will be held on deposit to meet this expenditure commitment

#### **4. Credit and Counterparty Risk Management**

*Dacorum Borough Council regards the primary objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, the Council will ensure that robust due diligence procedures cover all external investments. The Council will ensure that its counterparty lists and limits reflect a prudent attitude towards counterparties with whom funds may be deposited. Furthermore, the Council will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments, Methods and Techniques and listed in the schedule to this document.*

*The Council also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.*

Credit and counterparty risk is the risk of failure by a third party to meet its contractual obligations under an investment, loan or other commitment, especially due to deterioration in its creditworthiness, which causes the Council an unexpected burden on its capital or revenue resources.

As a holder of public funds, the Council recognises its prime responsibility to always put first the preservation of the principal of the sums which it invests. Consequently, it will optimise returns commensurate with the management of the associated risk.

##### **Criteria to be used for Creating/Managing Approved Counterparty Lists/Limits**

The Council places a strong reliance on its treasury adviser (Link Asset Services formally known as Capita Asset Services) to help manage credit and counterparty risk. Link has much greater market expertise and direct access to market knowledge than the Council itself possesses. None the less, the Council recognises that all advice provided by its treasury adviser is precisely that, and that full responsibility for all counterparties used, and investments placed, rests entirely with the Council.

The three elements to managing credit and counterparty risk are:

- 1) Determining 'Specified and 'Non-Specified' Investments criteria;
- 2) Determining 'Approved Lending Policy', which sets out minimum credit criteria, duration and monetary amount limits;
- 3) Managing the *Approved Lending List* (or list of counterparties).

##### **Specified and Non-Specified Investments**

The Council will determine through its Treasury Management Strategy the credit criteria for various investment instruments in the 'Specified' and 'Non-Specified' Investments categories. Specified Investments are sterling investments of not more than one year maturity (or the ability to be repaid within one year), meeting the minimum 'high' rating criteria and require '*minimal procedural formalities*'. Non-specified investments are any other type of investment. The maximum amounts and maturity periods along with the overall limits are set out in the Treasury Management Strategy Statement.

##### **Lending Policy**

The Lending Policy is based on Link guidance. This uses different ratings combinations and allocates those which meet the minimum criteria a colour as set out in the Treasury Management Strategy Statement. The Council has allocated each of these colour bands a maximum duration and amount. Any changes to the Treasury Management Statement require the approval of Full Council.

##### **Money Market Funds**

Money Market Funds will be used in line with the Council's Treasury Management Strategy. The funds used will be reviewed on at least an annual basis in March, unless market conditions, trends and external advice suggests reviews should be undertaken sooner than this.

### **Approved Lending List**

The list of approved counterparties is derived from applying the limits in the Treasury Management Strategy to the weekly ratings list of deposit takers provided by Link. The list includes domestic and foreign banks, building societies, supranational institutions and multi-lateral development banks. It is supplemented by a ratings alert service for changes to the ratings of individual counterparties.

If the Council uses external fund managers, they will adhere to the counterparty credit criteria and maximum individual limits set by the Council; however it is understood that the fund managers may use a subset of the derived counterparty list.

The Regulatory and Financial Accounting Team is responsible for maintaining the Approved Lending List on the Council's Investment System and for ensuring any changes are communicated to the fund manager, where appropriate.

A full copy of the Council's approved counterparties, along with their individual amount and duration limits, will be included in the Treasury Management Annual Report produced shortly after the end of each financial year.

## **5. Refinancing Risk Management**

*Dacorum Borough Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favorable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time.*

*The Council will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.*

Refinancing risk is the risk that when loans or other forms of capital financing mature, that they cannot be refinanced where necessary on terms that reflect the assumptions made in formulating revenue and capital budgets.

### **Debt / Other Capital Financing Maturity Profiling, Policies and Practices**

The Council holds debt that arises from the Housing Self Financing transactions in March 2012. This transaction was subject to detailed reports and approvals, and a specific audit. Debt has been acquired over a thirty year period as fixed term loans from the Public Works Loan Board (PWLb).

The Council acquired new borrowing in May 2015 to support General Fund Capital Expenditure. Borrowing activities and strategies and limits are identified within the Treasury Management Strategy Statement.

### **Projected Capital Investment Requirements**

Regular updates are made to the Authority's 5 year revenue and capital budget projections. These projections identify the key capital items (both expenditure and income) that are forecast for forthcoming years, and this analysis is used to ensure that the Council will have sufficient funds available in forthcoming years to fulfill its capital expenditure requirements.

The definition of capital expenditure and long-term liabilities will follow recommended accounting practice.

#### **Policy Concerning Limits on Revenue Consequences of Capital Financing**

The Council will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue forecasts for the forthcoming year and the two following years and the impact these will have on council tax and housing rent levels. It will also take into account affordability in the longer term beyond this three year period. *(Note: the Prudential Code gives examples of matters relevant to the consideration of affordability, although this is not an exhaustive list).* The Council will use the definitions provided in the Prudential Code for borrowing, capital expenditure, financing costs, investments, net borrowing, net revenue stream, and other long-term liabilities.

Whenever major capital projects are planned, a full examination is undertaken of the potential revenue impact of the project. Issues considered include the revenue costs/benefits that will result directly from the project, and the impact on revenue of interest receipts foregone as a consequence of undertaking the capital investment.

#### **Capital Receipts Generated by the HRA**

The Council pools a portion of Capital Receipts arising from Housing Assets; it also retains a non-poolable share, known as '1-4-1' receipt, which can be match-funded against new build expenditure. Any unused '1-4-1' receipts are to be returned to Government.

The Council also has the ability to recycle 100% of its non Right to Buy Housing receipts if used for purposes set out in the pooling regulations (Affordable Housing and Regeneration). Receipts under £10,000 are not subject to pooling.

### **6. Legal and Regulatory Risk Management**

*Dacorum Borough Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[4] Credit and Counterparty Risk Management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.*

*The Council also recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.*

Legal and regulatory risk is the risk that either the Council or a third party which it is dealing with in its treasury management activities, but acts outside of its legal powers or regulatory requirements and as a result the Council incurs loss.

#### **References to Relevant Statutes and Regulations**

The treasury management activities of the Council shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council. These are:

## **Legislation**

### **Statutes**

- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.
- Local Government Act 2003
- S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03
- S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04
- S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- S.I. 2004 no. 3055 The Local Authorities (Capital Finance and Accounting) (Amendment) (England) (No. 2) Regulations 2004
- S.I. 2006 no. 521 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006
- S.I. 2007 no. 573 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007
- Local Government and Public Involvement in Health Act 2007 s238(2) – power to issue guidance; to be used re: MRP
- S.I. 2008 no. 414 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2008
- S.I. 2009 no. 321 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2009
- S.I. 2009 no. 2272 The Local Authorities (Capital Finance And Accounting) (England) (Amendment) (No.2) Regulations 2009
- S.I. 2009 no. 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009
- S.I. 2010 no. 454 (Capital Finance and Accounting) (Amendment) (England) Regulations 2010
- Localism Act 2011
- S.I. 2012 no. 265 Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012
- S.I. 2012 No. 711 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2012
- S.I. 2012 No. 1324 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.3) Regulations 2012
- S.I. 2012 No. 2269 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 4) Regulations 2012
- S.I. 2013 no. 476 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2013
- S.I. 2015 no. 234 Accounts and Audit Regulations 2015
- There has not been an issue of a Local Authorities (Capital Finance and Accounting) (England) Regulations statutory instrument in 2005, 2011 and 2016

### **Guidance and codes of practice**

- CLG Revised Guidance on Investments 1.4.2010
- CLG guidance on minimum revenue provision – Feb 2012

- CIPFA's Treasury Management in the Public Services: Code of Practice and Cross- Sectoral Guidance Notes 2017
- CIPFA Prudential Code for Capital Finance in Local Authorities 2017
- CIPFA Prudential Code for Capital Finance in Local Authorities – guidance notes for practitioners 2013
- CIPFA Local Authority Capital Accounting - a reference manual for practitioners 2014 Edition
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 2002
- CIPFA Standard of Professional Practice on Continuous professional Development 2005
- CIPFA Standard of Professional Practice on Ethics 2006
- The Good Governance Standard for Public Services 2004
- LAAP Bulletins
- IFRS - Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice
- PWLB circulars on Lending Policy
- The Non Investment Products Code (NIPS) - (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.
- Financial Conduct Authority's Code of Market Conduct

#### **Dacorum Borough Council**

- The Council's Standing Orders;
- The Council's Financial Regulations;
- The Council's Scheme of Delegation;
- The Council's Treasury Management Strategy;
- The Council's Treasury Management Practices – Principles & Practices;

#### **Procedures for Evidencing the Council's Powers / Authorities To Counterparties**

The Council's powers to borrow and invest are contained in legislation as follows:

Investing: Local Government Act 2003, section 12;  
Borrowing: Local Government Act 2003, section 1;

#### **Required Information from Counterparties Concerning their Powers / Authorities**

Lending shall only be made to counterparties on the Council's Approved Lending List. This list has been compiled using advice from the Council's treasury advisers based upon credit ratings supplied by various credit agencies and Capita's own data.

#### **Statement on the Council's Political Risks and Management of these Risks**

The Chief Financial Officer shall take appropriate action with the Council, the Chief Executive and the Leader of the Council to respond to, and manage appropriately, political risks such as a change of the majority Group, in the Leader of the Council or a change of Government.

#### **Monitoring Officer**

The Monitoring officer is the Solicitor to the Council (Legal Governance). The duty of this officer is to ensure that the treasury management activities of the Council are lawful.

### **Chief Financial Officer/ S151 Officer**

The Chief Financial Officer and S151 Officer is the Corporate Director (Finance & Operations). The duty of this officer is to ensure that the financial affairs of the Council are conducted in a prudent manner and to make a report to the Council if he/she has concerns as to the financial prudence of its actions or its expected financial position.

The Deputy S151 Officer is the Assistant Director (Finance & Resources), who can deputise fully for the S151 Officer.

## **7. Fraud, Error and Corruption, and Contingency Management**

*Dacorum Borough Council will ensure that it has identified any circumstances that may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.*

Fraud, error and corruption risk is the risk that the Council may fail to employ adequate systems, procedures and other arrangements which identify and prevent losses through such occurrences. The Council will therefore:

- a) Seek to ensure that an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks;
- b) Fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are;
- c) Ensure staff will not be allowed to engage in treasury management activities until they have had proper training in procedures; and are then subject to an adequate and appropriate level of supervision
- d) Ensure records are maintained of all treasury management transactions, so there is a full audit trail and evidence of the appropriate checks being carried out.

### **Details of Systems and Procedures to be Followed, Including Internet Services**

#### **Authority**

The Council's Financial Regulations sets out the Council's delegation arrangements with regard to Treasury Management. These are also summarised in *TMP5: Organisation, clarity and segregation of responsibilities, and dealing arrangements*.

#### **Investment and Borrowing Transactions**

Adequate and effective cash flow forecasting records are maintained on the Council's Investments system to support any decisions made to place investments. Records are also kept for each investment recording the reasoning behind the duration to maturity chosen for that investment.

A detailed register of all investments is maintained within the Council's Investments system. This system includes full details of counterparty limits, along with other information including investment amounts, value and maturity dates, interest rates, and gross interest receivable.

All transactions placed through brokers or via direct dealing are confirmed, showing details of the transaction. Written confirmation is received from both broker and borrower and checked against the dealer's records for the transaction. Any discrepancies are immediately reported to the Senior Financial Accountant (Team Leader) for resolution. The Council does not currently send any confirmations of its own.

## **Regularity and Security**

All lending, for investment purposes, is only made to counterparties on the Council's Approved Lending List. This list provides individual authorisation limits for each counter party.

Investments are paid direct into the appropriate counterparty's bank account (as advised by the broker or counterparty as appropriate), and investments are repaid direct from the counterparty into the Council's General Account.

Counterparty limits are set for every institution that the Council invests with.

Brokers have been provided with a list of named Council officials who are authorised to place investments on the Council's behalf.

The Council's Bank holds a list of Council officials who are authorised signatories. The list of authorised bank account signatories has previously been agreed with the Council's current bankers, and updates of this list are notified to the bank as appropriate when current authorised signatories leave, or new signatories join, the Council.

Notifications of amendments are only accepted by the bank if they are signed by an existing (non-departing) authorised signatory. The only member of the treasury management team that is an authorised signatory is the Senior Financial Accountant (Team Leader). There is a separation of duties in the section between the officer placing the deals and the officer checking counterparty confirmations. In addition, if an authorising officer were to create a payment transaction online, the transaction would still need the usual approval by one/two other authorising officers.

All investments are paid by CHAPS instruction through the online banking system. This is undertaken by two of the authorised bank account signatories, but the officer agreeing an investment cannot be one of the signatories for that particular investment.

## **Checks**

The Investment System balances are reconciled to the balance sheet ledger codes at the end of each month and at the financial year-end. The Investment System includes comprehensive reconciliation checks back to the Council's banking system to ensure that all investments transactions are correctly recorded and processed.

An investment income listing is produced every month and summarised on a monthly report so that a review may be undertaken against the budget for interest earnings

## **Emergency and Contingency Planning Arrangements**

All computer files are backed up on the server to enable files to be accessed from remote sites.

The Council's Investment and banking systems are both internet based so can be accessed from any site or computer, subject to the user having the appropriate access, security information, and security key.

### **Insurance Cover Details**

The Council has Crime insurance cover provided by Travelers Insurance Co Ltd. This policy covers the loss of cash by fraud or dishonesty of employees. The total limit of indemnity provided is £5,000,000, a policy excess of £25,000 for each and every claim applies.

The Council also has Officials Indemnity cover with Aspen Insurance UK Ltd. This provides cover in respect of the Council's legal liability to pay claimant's damages and costs for financial losses arising as a result of the negligent acts or accidental errors and omissions of Council employees, occurring in the course of their duties. The limit of indemnity is £5,000,000, a policy excess of £75,000 for each and every claim applies.

The Council also has Business Interruption cover as part of its property insurance with Travelers Insurance Co Ltd. This provides cover in respect of additional cost of working and loss of revenue if an insured event occurs.

### **8. Market Risk Management**

*Dacorum Borough Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.*

Market risk is the risk that, through adverse market fluctuations in the value of principal sums, the Council borrows and invests, that its stated policies and objectives are compromised, against which it had failed to protect itself adequately.

The Council does not currently have exposure to investments whose capital may fluctuate (gilts, Corporate Deposits), and will only undertake such activities on discussion with the S151 Officer and Portfolio Holder (Finance & Resources), and if the current Investment Strategy allows such investments.

## **Treasury Management Practice 2**

### **Performance Management**

*Dacorum Borough Council is committed to the pursuit of best value in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Strategy.*

*Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the set criteria.*

### **Methodology to be applied for Evaluating the Impact of Treasury Management Decisions**

The Council has an ongoing programme of review of service plans, and Treasury Management is incorporated within this programme as part of the Financial Services service plan.

Treasury Management is also subject to an annual review through the Council's Service and Financial Planning process, and all of the key procedures followed are subject to annual examination from both the Council's internal and external auditors.

The Council is also a member of CIPFA's Treasury Management Club, which provides comparison of the Council's interest returns with those of a large number of other Local Authorities across the country.

Dacorum also receives ongoing investment guidance and advice from its external treasury consultants.

Should the Council appoint an external Fund Manager; its treasury management consultants will assist the Council with quarterly and annual reviews of the performance of these external managers.

### **Policy Concerning Methods for Testing Best Value in Treasury Management**

#### **Frequency and Processes for Tendering**

Tenders are normally awarded on a 3-yearly basis, with the option to extend for one or two further years if approved by Cabinet. The process for advertising and awarding contracts will be in line with the Council's Standing Orders and Financial Regulations.

#### **Banking Services**

Dacorum's current contract began on 1<sup>st</sup> February 2015. This is a 4-year contract. It is anticipated that this contract will then be re-tendered as appropriate.

A basic duration for this contract of 4 years has been chosen because of the considerable effort that is involved in changing the Council's banking contractor. Where such a change to be undertaken every 3 years, the costs of transition would significantly erode any savings achieved as a result of the tender process.

### **Money-Broking Services**

Dacorum Borough Council does not have a list of approved money brokers. This is because the Council does not enter into contractual relationships with brokers. As the Council operates in the market solely as a lender (borrowing undertaken by the Council has been with the PWLB), brokers do not charge the Council for their services.

Records are kept for all investments placed by the Council of which broker (if any) assisted the Council.

### **Consultants'/Advisers' Services**

Dacorum Borough Council employs Link Asset Services (formerly known as Capita Asset Services) as its external treasury management consultants.

### **Policy on External Managers**

The Council does not currently employ any external Fund Managers and the approval of Cabinet will be sought should the Chief Financial Officer consider it to be in the Council's best interests to employ one or more Fund Managers.

### **Methods to be employed for Measuring the Performance of the Council's Treasury Management Activities**

#### **Performance Measured Against Annual Treasury Strategy Statement Targets**

The annual Treasury Management Strategy does not include specific targets for the appropriate forthcoming year. However, it does provide a description of the intended approach for the year, and the reasons for this. The budgeted income from Investments is included within the annual budget report and this is monitored on a monthly basis in the form of a monthly report, and also the use of the Council's performance measurement system Rocket.

The Treasury Management Annual Performance Report then describes what actually happened, and explains any key differences between the final reality and what was foreseen in the original strategy.

#### **Compliance with CIPFA's "Treasury Management in the Public Services" Code of Practice**

The Council complies with CIPFA's Treasury Management in the Public Services Code of Practice.

All of the documents and practices required by CIPFA's code are open to examination by the Council's internal and external auditors. Consequently, independent verification of compliance with the code of practice should occur at least bi-annually.

#### **Expenses Contained Within Approved Budget**

The staffing and daily administration costs of the Treasury Management function are included within the costs of the Council's Accountancy service. Consequently, budget monitoring for the Treasury Management function takes place as part of the Council's monthly and quarterly processes, within the umbrella of the Accountancy and Treasury Management as a whole.

Certain specific costs, such as payments made to the Council's external treasury advisers, are separately identified within the Council's general ledger, and hence these items are monitored throughout the year.

**Review of CIPFA's Benchmarking Club Data**

Benchmarking data is submitted quarterly. The data supplied by the Club is reviewed by the Senior Financial Accountant (Team Leader) but no formal reports are presented to Cabinet.

**Benchmarks and Calculation Methodology**

**Debt Management**

Borrowing is monitored on at least a monthly basis, comparing rates of current borrowing to new rates available.

**Investment**

The Council's (in-house) investment returns are compared with the average 7 day LIBID Rate each year.

The first of these targets is included entirely due to historic precedent within the Authority. Should performance in an entire financial year ever under-perform the Bank of England Base Rate, a clear explanation of the reasons for this will be included within the Treasury Management Annual Report. Also, if appropriate, changes will be described in the report with a view to avoiding a repetition of this under-performance.

### **Treasury Management Practice 3**

#### **Decision Making and Analysis**

*Dacorum Borough Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in this document.*

#### **Funding, Borrowing, Lending, and New Instruments / Techniques**

##### **Records**

The Council's Treasury Management section uses a computerised Investments System. This system includes records of all of the following:

- Daily cash flow forecasts;
- Rate quotations received;
- Historic interest rates;
- Full details of the Council's Approved Lending List, and changes thereof;
- Investment details, including principal, value/maturity dates, interest rate, gross interest broker (if any), and bank authorisation/security details.

A scanned copy of all appropriate details is also kept for each investment, and all confirmations received from brokers/counterparties are checked against these details and then filed with the original documentation for that investment.

All of the above records will be retained for at least a period of 6 financial years plus the current year. Where records relate to a specific investment, the above period will only commence from the date of maturity of the investment.

##### **Processes to be pursued**

##### **Cash Flow Analysis**

The Council's Investments System includes details of all key items that impact on the Council's short and medium term cash flow. This includes items such as (please note this is not a comprehensive list):

- Direct Debit income and cash receipts, for Council Tax, NNDR and Housing Rents;
- Receipt of Benefit Subsidy;
- Precept Payments to HCC/HPC;
- Net payments to DCLG for Grants and Business Rates Retention Scheme;
- Monthly payment of salaries to Council employees.

In addition, the Assistant Accountant is made aware of any ad-hoc large cash flows which are incorporated into the investments system. These include, (but are not limited to):

- Right to Buy receipts (notified by Legal Services);
- Purchase/sale of property (notified by the appropriate Group Manager through the Service Accountant).

### **Maturity Analysis**

The Council's Investments System ensures that the Assistant Accountant is aware of all forthcoming maturities. This ensures that plans can be made in advance regarding the management of forthcoming liabilities, and the investment of surplus funds.

### **Ledger Reconciliations**

Comprehensive ongoing reconciliations ensure that all treasury management transactions are fully and accurately processed and recorded.

### **Collation of Monthly Performance Summary**

At the end of each month, the Assistant Accountant provides an investments summary via Rocket for the current financial year to the:

- Resources Portfolio Holder;
- Chief Financial Officer;
- Deputy Chief Financial Officer;
- Group Manager – Financial Services;
- Senior Financial Accountant (Team Leader);
- Team Leader – Financial Planning & Analysis;
- Financial Accountant.

This summary includes (but not limited to):

- Interest to date and forward forecasts;
- Money Market Fund analysis;
- Borrowing analysis;
- Market updates;
- Updates to the approved lending list;
- Counter-party risk analysis.

### **Issues to be addressed**

In respect of every decision made the Council will:

- Above all be clear about the nature and extent of the risks to which the Council may become exposed;
- Be certain about the legality of the decision reached, the nature of the transaction, and that all authorities to proceed have been obtained;
- Be content that the documentation is adequate to deliver the Council's objectives, protect its interests, and deliver good housekeeping;
- Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded;
- Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

Should the Council find itself in the position of having to borrow monies, it will:

- Evaluate the economic and market factors that might influence the manner and timing of any decision to fund;
- Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships;
- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use;
- Consider the ongoing revenue liabilities created, and the implications for the Council's future plans and budgets.

When making investment decisions, the Council will:

- Consider the optimum period of investment, in the light of cash flow availability and prevailing market conditions;
- Consider the alternative investment products and techniques available, especially the implications of using any, which may expose the Council to changes in the value of its capital.

**Treasury Management Practice 4**

**Approved Instruments, Methods & Techniques**

*Dacorum Borough Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in this document, and within the limits and parameters defined in TMP1 Risk Management.*

**Approved Activities of the Treasury Management Function**

- Lending;
- Managing the underlying risks associated with the Council's capital financing and surplus funds activities;
- Managing cash flow;
- Banking activities;
- Consideration, approval, and use of, new financial instruments and treasury management techniques;
- Borrowing;
- Debt repayment and rescheduling;
- Managing the underlying exchange rate risk associated with the Council's business activities.

**Approved Instruments for Investments**

All investments will comply with the Local Authorities Capital Finance Approved Investment Regulations 1990 SI 426 and subsequent amendments. The instruments used will be outlined in the Treasury Management Strategy.

**Approved Techniques**

The primary method to be used when placing investments will be standard fixed-term deposits. However, callable deposits and forward dealing will also be employed as and when this is considered appropriate and allowable in the Treasury Management Strategy.

**Approved Methods and Sources of Raising Capital Finance**

Should the Council need to undertake borrowing in the future to finance capital expenditure, this finance will only be raised in accordance with the Local Government Act 2003 and Housing Act 1989 (or subsequent legislation where appropriate). This Act offers the Council a number of approved methods and sources of raising capital finance:

<b><i>On Balance Sheet</i></b>	<b><i>Fixed</i></b>	<b><i>Variable</i></b>
<i>PWLB</i>	●	●
<i>EIB</i>	●	●
<i>Market (Long-Term)</i>	●	●
<i>Market (Temporary)</i>	●	●
<i>Market (LOBOs)</i>	●	●
<i>Stock Issues</i>	●	●
<i>Local Temporary</i>	●	●
<i>Local Bonds</i>	●	
<i>Overdraft</i>		●
<i>Negotiable Bonds</i>	●	●
<i>Internal (Capital Receipts &amp; Revenue Balances)</i>	●	●
<i>Commercial Paper</i>	●	
<i>Medium Term Notes</i>	●	
<i>Leasing (not Operating Leases)</i>	●	●
<i>Deferred Purchase</i>	●	●
 <b><i>Other Methods of Financing</i></b>		
<i>Government and EC Capital Grants</i>		
<i>Lottery Monies</i>		
<i>PFI / PPP</i>		
<i>Operating Leases</i>		

All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Chief Financial Officer has delegated powers in accordance with Standing Orders, Financial Regulations, scheme of Delegation to Officers and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

## TMP 5: Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

### **Treasury Management Practice 5**

#### **Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements**

*Dacorum Borough Council considers it essential for the:*

- *purposes of the effective control and monitoring of its treasury management activities;*
- *reduction of the risk of fraud or error;*
- *pursuit of optimum performance.*

*It is essential that these activities are structured and managed in a fully integrated manner, and that there is at all times clarity of treasury management responsibilities.*

*The principles on which this will be based, is that there is a clear distinction between those charged with setting treasury management policies, and those charged with implementing and controlling these policies, particularly with regard to the:*

- *execution and transmission of funds;*
- *recording and administering of treasury management decisions;*
- *audit and review of the treasury management function.*

*If and when Dacorum Borough Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting Requirements and Management Information Arrangements, and the implications properly considered and evaluated.*

*The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover.*

*The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.*

*The responsible officer will fulfil all such responsibilities in accordance with the organisation's Treasury Management Strategy, Treasury Management Practices and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.*

#### **Limits to Responsibilities/Discretion at Member/Executive Levels**

The Cabinet will receive, review and approve (as appropriate) the following reports:

- Treasury Management Strategy Statement;
- Treasury Management mid-year Performance Report;
- Treasury Management Annual Performance Report.

The key responsibilities of the Chief Financial Officer regarding Treasury Management are to:

- Review and approve the above reports, and present them to Cabinet;
- Ensure that all of the Council's borrowing and investment activities are made in accordance with the relevant legislation, codes of practice, associated requirements, and the Council's Financial Regulations. Should this fail to be the case, the Chief Financial Officer will notify members as soon as is reasonably possible;

## *TMP 5: Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements*

- Ensure that the Council complies with the requirements of The Non-Investment Products Code for principals and broking firms in the wholesale markets;
- Ensure that sufficient staff resources, with adequate skills, are employed in the Treasury Management function;
- Approve and monitor the segregation of duties;
- Ensure that adequate control and accounting systems are in place to adequately control the activities of the Treasury Management function;
- Receive and review external audit reports and act upon any recommendations that may be received;
- Approve, in accordance with Financial Regulations, the selection of external service providers such as treasury consultants, Fund Managers and Money Market Funds.

### **Principles and Practices Concerning Segregation of Duties**

The key responsibilities of the Assistant Accountant and Financial Accountant regarding Treasury Management are to:

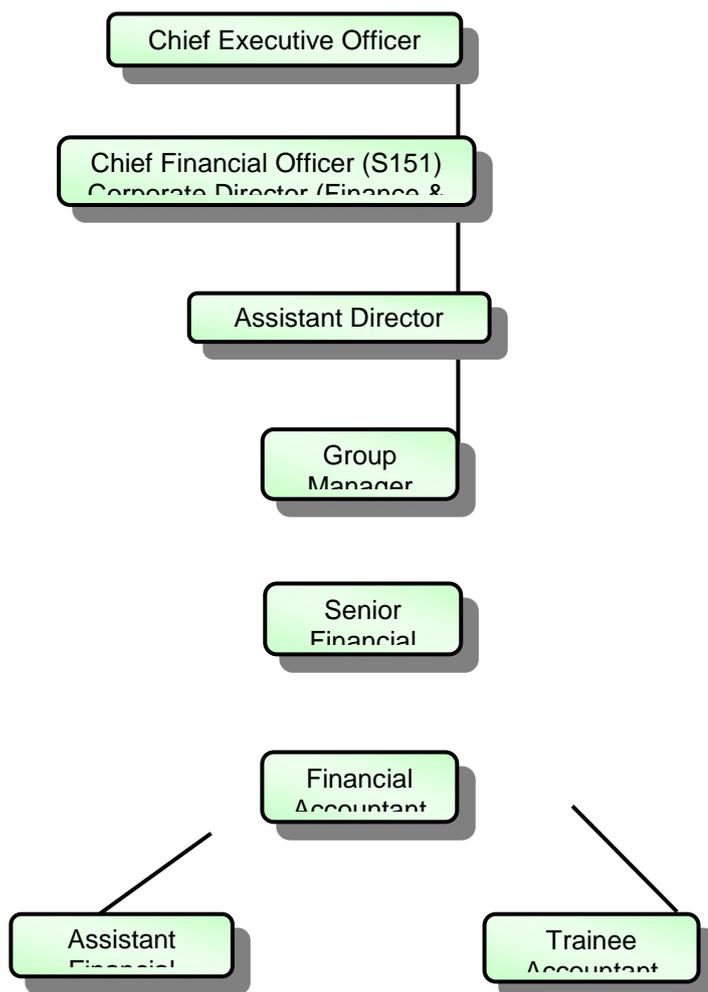
- Assist the Chief Financial Officer with the production of the reports listed above;
- Implement the Council's borrowing and investment strategy on a day-to-day basis;
- Conduct, in accordance with this strategy, all of the Council's money market dealings;
- Produce monthly reports reviewing the Council's investments performance;
- Identify and recommend opportunities for improved practices;
- Maintain relationships with third parties and external service providers.

All new investments (or borrowing) must be approved by two of the Council's approved bank account signatories. If an investment is placed by an approved signatory, this individual cannot also be one of the two approvers of the deal.

The approval described above must be given by two bank account signatories, because the Council's bankers require (as instructed by the Council) that all payments above £40,000 in value must be approved by two approved signatories.

The key reconciliations for Treasury Management are undertaken by the Financial Accountant). The Assistant Accountant (Regulatory & Financial Accounting) is responsible for most of the day-to-day cash flow management and investments. The general ledger processing of investment transactions is an automated process and if the general ledger totals differ from those expected by the Council's Investments system, this will show up in the reconciliations.

**Treasury Management Organisation Chart**



**Statement of Duties/Responsibilities of Each Treasury Post**

**Chief Financial Officer (and Deputy Section 151 Officer)**

The key responsibilities of the Chief Financial Officer are described in TMP5 above.

The Chief Financial Officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.

The Chief Financial Officer may delegate their power to borrow and invest to other members of staff within the Treasury Management hierarchy. The Assistant Accountant (Regulatory & Financial Accounting), or any member of the Accountancy & Treasury Management team who have been approved by the Chief Financial Officer, must conduct all dealing transactions. These arrangements will provide sufficient flexibility in the event of staff leave or sickness.

**Senior Financial Accountant (Team Leader)**

The responsibilities of this post will be:

- Adherence to agreed policies and limits;
- Managing the overall Treasury Management function;
- Supervising treasury management staff;
- Ensuring appropriate segregation of duties;
- Submitting management information reports to the Chief Financial Officer;
- Review of Reconciliations.

**Financial Accountant**

The responsibilities of this post will be:

- Adherence to agreed policies and limits;
- Supervising Assistant Accountants;
- Completion of Reconciliations;
- Preparing management information reports to the Chief Financial Officer.

**Assistant Financial Accountant**

The key responsibilities of the Assistant Accountant will be:

- Assist the Chief Financial Officer with the production of the reports listed above;
- Implement the Council's borrowing and investment strategy on a day-to-day basis;
- Conduct, in accordance with this strategy, all of the Council's money market dealings;
- Produce monthly reports reviewing the Council's investments performance;
- Identify and recommend opportunities for improved practices;
- Maintain relationships with third parties and external service providers.

**Chief Executive**

The key responsibility of the Chief Executive is to ensure that the Chief Financial Officer reports regularly to Cabinet on Treasury Management's policy, activity and performance.

**Solicitor to the Council (Legal Governance) - in the role of Monitoring Officer**

The responsibilities of this post will be to:

- Ensure compliance by the Chief Financial Officer with the Treasury Management Strategy (TMS);
- Be satisfied that any proposal to vary the TMS complies with law or any code of practice;
- Give advice to the Chief Financial Officer when advice is sought.

**Internal Audit**

The responsibilities of Internal Audit will be to:

- Review compliance with the approved Treasury Management policy and procedures;
- Review segregation of duties and operational practice;
- Assess value for money from treasury activities;

## *TMP 5: Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements*

- Undertake probity audit of the Treasury Management function.

### **Absence Cover Arrangements**

The post-holders listed below are fully competent in the daily administration of the Council's cash flow and investments:

- Assistant Financial Accountant
- Trainee Accountant

In the absence of both the above, the Financial Accountant can undertake the download of data and cash flow management.

In the absence of all three staff, the Senior Financial Accountant (Team Leader) can undertake the whole function, but this would require two separate authorised officers to authorise any investments placed, and the reconciliation for the period would need review by the Group Manager.

In the event that the above officers are unavailable on a particular day, the ultimate responsibility for ensuring that the Council's Treasury Management functions are completed lies with the Chief Financial Officer.

### **Dealing Limits**

The officers listed individually are authorised to undertake all treasury management dealings required by the Council. There is not a specific limit on the amount of such activity that may be undertaken on any one day, but all dealings are expected to comply in full with the requirements of the various schedules contained within this document.

### **List of Approved Brokers**

The Council's brokers are:

- Sterling International Brokers;
- Intercapital Europe;
- Tradition.

Because the Council does not enter into any contractual obligations with any of its brokers, no formal approval has been, or will be, obtained with regard to these brokers.

Should changes to the list of brokers used by the Council be considered appropriate, these will be introduced as required.

Whenever a broker is used in agreeing a money market deal, this is recorded within the Council's Investments System.

### **Policy on Brokers' Services**

The Council does not have a formal policy regarding the use of broker's services.

In practice, most of the Council's business is split roughly evenly between the brokers listed above.

### **Policy on Taping of Conversations**

The Council does not tape conversations with brokers, and it has no 'taping' policy.

### **Direct Dealing Practices**

These relationships generally offer slightly higher rates than can be obtained through brokers. Also, some of these relationships enable access to counterparties who do not accept Council investments via brokers.

Where an investment has been dealt direct, this fact is recorded on the Council's Investments System.

### **Settlement Transmission Procedure**

For each investment agreed by the Council, the payment details are entered on the Council's online banking system. This is then approved by account signatories using their individual logins and security keys.

### **Documentation Requirements**

For each investment that is undertaken, the following details are stored electronically and kept on file:

- Investment Reference
- Counterparty
- Broker
- Principal
- Value Date
- Maturity Date
- Interest Rate
- Counterparty Sort-Code
- Counterparty Bank Details
- Counterparty Account Number
- Gross Interest
- Interest Analysed by Financial Year

An electronic version of the above details is signed (electronically via Adobe Acrobat) by the dealing officer. It is also electronically signed by the two authorised signatories who authorise the CHAPS payment.

In addition to the above, reasons behind selecting the duration of each investment are recorded as notes electronically by the dealing officer.

### **Arrangements Concerning the Management of Third-Party Funds**

The Council does not manage any material third-party funds; and are managed in line with the Council's own funds

### **Treasury Management Practice 6**

#### **Reporting Requirements and Management Information Arrangements**

*Dacorum Borough Council will ensure that regular reports are prepared and considered on the:*

- *implementation of its treasury management policies;*
- *effects of decisions taken and the transactions executed in pursuit of those policies;*
- *implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities;*
- *performance of the treasury management function.*

*As a minimum, the organisation (i.e. the Full Council) will receive:*

- *An annual report on the strategy and plan to be pursued in the coming year;*
- *An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's Treasury Management Strategy Statement and Treasury Management Practices.*

#### **Annual Treasury Management Strategy Statement**

The Treasury Management Strategy Statement sets out the expected treasury activities for the appropriate forthcoming financial year. The strategy will be submitted to Cabinet for approval before the commencement of each financial year, usually along with the Budget Setting Report.

The formulation of the annual Treasury Management Strategy involves determining the Council's borrowing and investment decisions in the light of anticipated movements in interest rates. For example, the Council may decide to place longer-term investments if it is anticipated that future interest rate movements will demonstrate current longer-term interest rates to be higher than would be achieved by rolling-over shorter term investments.

The Strategy will propose guiding principles for the forthcoming financial year, but it will also describe potential alternative courses of action given the occasional volatility of the money markets. Should major variations from the central strategy prove necessary, the Portfolio Holder (Finance & Resources) will be kept fully informed.

In preparing and reporting the proposed strategy, all appropriate sources of information will be used, including independent interest rate forecasts and guidance from the Council's external treasury advisers.

The Treasury Management Strategy is concerned with the following elements:

- The current Treasury portfolio position;
- The prospects for interest rates;
- The limits placed by the Council on treasury activities;
- The expected borrowing strategy (if this becomes appropriate in the future);
- The strategy for the year for the Council's investments;
- Borrowing requirements (if appropriate);
- Any extraordinary treasury issues.

### **Policy on Interest Rate Exposure**

The Council approves before the beginning of each financial year the following treasury limits:

- The amount of the overall borrowing limit which may be outstanding by way of short term borrowing;
- Where borrowing is envisaged, the maximum proportion of interest on borrowing which will be subject to variable rate interest.

The Chief Financial Officer is responsible for incorporating these limits into the annual Treasury Management Strategy, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the Chief Financial Officer will submit the changes to Cabinet for approval.

The Treasury Management Strategy describes the Council's policy for each financial year regarding exposure to changes in interest rates for the investment portfolio.

### **Annual Report on Treasury Management Activity**

An annual report will be presented to Cabinet at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following:

- A comprehensive review for the financial year of all treasury policies, activities and results;
- A summary of the interest returns achieved (including comparison with standard benchmarks) and the impact of these returns on the Council's revenue budget;
- An assessment of the degree of compliance with the original strategy, and an explanation of any deviations;
- An overview of the potential impact of any Treasury Management decisions (e.g. long-term investments) taken during the year that may impact materially on future years;
- Notification, and explanation, of any breaches of the Council's Treasury Management Statement, Treasury Management Practices, or Approved Lending List;
- A report on compliance with CIPFA recommendations in its "Treasury Management in the Public Services" Code of Practice;
- Prudential Indicators.

### **Management Information Reports**

A management information report will be prepared at the end of each month by the Assistant Financial Accountant. This report will be sent to the Portfolio Holder (Finance & Resources), the Corporate Director (Finance & Operations), the Assistant Director (Finance & Resources), Group Manager (Financial Services), Senior Financial Accountant (Team Leader) and the Team Leader (Financial Planning & Analysis).

The report will contain the following information:

- Interest to date and forward forecasts
- Money Market Fund Analysis
- Borrowing Analysis
- Market Updates
- Updates to the approved lending list
- Counterparty Risk

## TMP 6: Reporting requirements and Management Information Arrangements

Should the Council appoint external fund managers, the above reports will consider funds managed internally and externally separately, before comparing the returns achieved and reporting the combined impact of these returns upon the Council.

### **Periodic Reports to Cabinet**

Each year, Cabinet will receive and consider (as a minimum) the following Treasury Management reports:

- An annual Treasury Management Strategy before the commencement of the new financial year;
- A mid-year review by the end of December of each year.
- An annual Treasury Management Activity Report within six months of the financial year-end.

### **Treasury Management Practice 7**

#### **Budgeting, Accounting and Audit Arrangements**

*The responsible officer will prepare, and the Council will approve (and, if necessary, amend), an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1: Risk Management, TMP2: Performance Measurement, and TMP4: Approved Instruments, Methods and Techniques.*

*The responsible officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6: Reporting Requirements and Management Information Arrangements.*

*The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.*

*The Council will ensure that its auditors and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfillment of their roles. Such information and papers will demonstrate compliance with external and internal policies and approved practices.*

#### **Statutory/Regulatory Requirements**

The Council's accounts are drawn up in accordance with the "Code of Practice on Local Authority Accounting" ('the code') and the "Service Reporting Code of Practice". This code of practice is recognized by statute as representing proper accounting practices.

#### **Accounting Practices and Standards**

Due regard is given to the International Accounting Standards as they apply to Local Authorities in the United Kingdom, as defined by the code. The Council adopts in full the principles set out in CIPFA's "Treasury Management in the Public Services" Code of Practice, together with specific recommendations within the accompanying "Guidance Notes for Local Authorities" that are relevant to the Council's treasury management activities.

#### **Sample Budgets / Accounts**

The staffing and daily administration costs of the Treasury Management function are included within the costs for the Council's Accountancy service. This budget is prepared by the Financial Planning and Analysis (FPA) team in advance of each financial year, and then approved by Full Council.

Given the above, budget monitoring for the Treasury Management function takes place as part of the Council's monthly and quarterly processes within the umbrella of the Accountancy service as a whole.

Certain specific costs, such as payments made to the Council's external treasury advisers, are separately identified within the Council's general ledger, and hence these items are monitored throughout the year.

#### **List of Information Requirements of External Auditors**

- Verification with counterparties of investments and loans at year-end;
- Reconciliation between the Council's Investments System and its general ledger of principal and interest amounts received during the year, and accrued at year-end;
- Verification of receipt of previous year accruals;
- A copy of the year-end Treasury Management Annual Report;
- Should it become appropriate in the future, external fund manager(s) valuations including investment income schedules and movement in capital values.

### **Monthly Budget Monitoring Report**

TMP 6 describes the monthly reporting arrangements for the Council's investment and borrowing portfolio, whilst TMP 7 describes the arrangements for monitoring the costs of the Treasury Management service within the Council.

### **Budget Setting Exercise**

All budgets for Treasury Management, including both returns achieved and running expenses incurred, are prepared annually by the Financial Planning & Analysis team in conjunction with the Treasury Management team, and then approved by Full Council.

### Treasury Management Practice 8

#### Cash and Cash Flow Management

*Unless statutory or regulatory requirements demand otherwise, all monies in the hands of Dacorum Borough Council will be under the control of the responsible officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1 Liquidity Risk Management.*

#### Arrangements for Preparing and Submitting Cash Flow Statements

As part of the Council's budget and medium term financial plan processes, revenue and capital budgets for the next 5 years are prepared. This process identifies key expenditure and income flows that are expected in forthcoming years, and any major items that need to be considered when long-term investment decisions are made.

Detailed day-by-day cash-flow projections are produced before the start of each financial year. These projections are produced using the Council's Investments System, and are calculated using a variety of sources of income and expenditure.

#### Content and Frequency of Cash-Flow Budgets, and Sources of Information

Examples of items included in the cash flow, and basis of amount included are shown below.

##### Income

###### Direct Debit Income (CT, NNDR, Housing Rents)

*Monthly receipt on the 1<sup>st</sup> of the month, or the first working day thereafter*      *Previous Year + Appropriate Increase*

###### Housing Benefit Subsidy Received from the DSS (BACS)

*Monthly receipt on the 15<sup>th</sup> of the month, or the first working day thereafter*      *DSS Schedule>Returns*

###### Miscellaneous Cash (CT, NNDR, Housing Rents, Customer Accounts)

*Daily*      *Based on prior year trends*

###### Ad-hoc and Right to Buy Receipts

*Ad-hoc*      *Information provided by services and Service Accountants*

##### Expenditure

###### Precept Payments to HCC / HPC (BACS)

*Approximately 10 payments per year are made, roughly once every 5 weeks.*      *Schedule Received from HCC*

###### Business Rates Retention Scheme Payments to the Government (BACS)

*Approximately 25 payments per year are made, roughly once a fortnight.*      *Schedule Received from DCLG*

###### Payments to Sundry Creditors (BACS)

*BACS runs clear each Friday.*      *Approximate figure of £1.2m; varies each week*

###### Salaries Payments to Employees (BACS)

*Monthly payment on the 25<sup>th</sup> of the month, or the last working day preceding this*      *Previous Year + Pay Rise*

### Income Tax / NI Payments to the Inland Revenue (DBC-Originated CHAPS)

*Monthly payment on the 22<sup>nd</sup> of the month, or the last working day preceding this*

*Previous Year + Pay Rise*

In addition to the above, all investment payments and maturities (including interest) are automatically added to the cash flow diary as appropriate.

### Bank Statement Procedures

All bank statement data is exported daily from the computer system provided by the Council's bankers into the Council's Investment System.

Some of the entry types listed above result from processing undertaken in other Council systems. As such, the Council's banking system simply records the fact that these particular transaction types have occurred. However, it should be noted that all entries are reconciled as part of the ongoing bank reconciliation procedures.

Other entry types shown above require entries to be passed through to the Council's general ledger system. This involves an Assistant Accountant assigning one or more ledger codes to the appropriate payment or receipt, and then confirming that the entry is ready for processing. These transactions are then batched at the end of the day, and processed through to the Council's general ledger system.

### Payment Scheduling and Agreed Terms of Trade with Creditors

All of the Council's invoices are paid by a central Creditors team. This team currently produces one BACS run per week, and all invoices due that have been received by the team in advance of their weekly deadline will be paid at this time.

Invoices are paid in accordance with their due date. The Council will seek to pay all undisputed invoices within the Payment terms. The Council also seeks to pay all undisputed invoices within 30 days of receipts.

### Arrangements for Monitoring Debtors / Creditors Levels

The monthly key controls report details arrears levels by type of debtor. This analysis also includes an 'Aged Debt Analysis'.

Other than the weekly control totals that are maintained for reconciliation purposes, no standard reports are currently produced with regard to the payment of creditors. However, the calculation of the performance indicator is updated monthly.

### Procedures for Banking of Funds

Most funds received by the Council that require banking are received either at one of the Council's offices, or at an income-taking location such as a Car Parking Centre. All such receipts are collected between daily and weekly (depending on the location) by the Council's Cash Collection contractor, and are then passed by this contractor to the Council's bank.

Where money is received by an officer who does not work in any of the locations mentioned above, these receipts will be aggregated by the appropriate officer and then passed to the Central Admin Team. These receipts are then processed in the usual way.

**Treasury Management Practice 9**

**Money Laundering**

*Dacorum Borough Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that the appropriate staffs are properly trained.*

**Procedures for Establishing Identity / Authenticity of Lenders**

Borrowing will only be undertaken in consultation with the Council's external treasury advisers. Furthermore, loans will only be undertaken with either:

- The PWLB;
- Other Local Authorities;
- Authorised Institutions under the Banking Act 1987 (as shown on the Financial Services Authority's register of authorised institutions).

**Methodologies for Identifying Sources of Deposit**

When lending money for Treasury Management purposes, the Council will only place investments with counterparties who appear on its Approved Lending List. This list is subject to stringent criteria in its construction, as detailed in TMP1.

Counterparty bank details are maintained on the Councils Bankers website and the in house system. Any amendments on the banking system to counterparty bank accounts need to be approved by an authorised signatory.

## **Treasury Management Practice 10**

### **Staff Training and Qualifications**

*Dacorum Borough Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced, and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer will recommend and implement the necessary arrangements.*

*The responsible officer will ensure that the Council Members tasked with Treasury Management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.*

*Those charged with Governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.*

### **Details of Approved Training Courses**

There are no formally recognised training courses for the Council's Treasury Management staff. However, basic courses are offered periodically by the Council's external treasury advisers and also, at a charge, by the money market brokers. In addition CIPFA provide an accredited course on Treasury Management. These courses are utilised if and when appropriate so as to ensure that all Treasury Management staff have a solid grounding to underpin their treasury duties.

### **Records of Training Received by Treasury Staff**

No formal records are maintained specifically for treasury purposes.

However, all Council employees complete a Training Log as part of their appraisal process. This process includes an annual Appraisal Interview, part of which reviews progress (including training) during the previous 12 months, and then identifies future training requirements. The record of this interview is signed by both parties to confirm its accuracy, and to demonstrate commitment to fulfilling the training needs etc. that have been identified.

### **Career Development / Succession Arrangements**

Within the Accountancy service, all staff are actively encouraged to continually develop their skills. However, there are no formal arrangements regarding career development or succession arrangements; tasks are transferred between staff from time-to-time with a view to developing staff.

If specific posts become available, internal staff can apply for them if they wish. However, external applicants are also welcome, and the decision of whom to appoint is based solely upon consideration of who should best be able to do the job.

### **Approved Qualifications for Treasury Staff**

There are no Treasury Management qualifications that have been formally approved by the Council for its staff. However, employees are encouraged to take professional accountancy qualifications.

**Secondment of Staff**

Various secondments are undertaken within the Council from time-to-time. Given that there are always at least two, and usually three, staff who are familiar with the daily Treasury Management procedures, the secondment of a member of the Treasury Management team would not materially impact on the daily undertaking of treasury duties.

## **Treasury Management Practice 11**

### **Use of External Service Providers**

*Dacorum Borough Council recognises that the responsibility for Treasury Management decisions remain with the Council at all times. It recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.*

*The Council will also ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the responsible officer.*

### **Details of Contracts with Service Providers, Including Bankers, Brokers, Consultants and Advisers**

#### **Banking Services**

The Council's current bankers are NatWest plc (who are a subsidiary of RBS).

The contract for this service is a 4-year contract starting on 1<sup>st</sup> February 2015, with the option to extend after this.

The Council's account balances are consolidated each night, and funds are swept into the call account (Corporate Cash Manager Plus account). Interest on credit and debit balances is applied in line with the contract.

#### **Money-Broking Services**

The Council's money market brokers are:

- Sterling International Brokers
- Intercapital Europe
- Tradition

No contractual obligations exist between the Council and any of these brokers. Consequently, the Council is free to change the brokers it uses without providing any notice, or in any way compensating, the existing brokers.

#### **Consultants' / Advisers' Services**

The Council does not employ any external Fund Managers.

The Council's external treasury management consultants are:

Link Asset Services  
40 Duke's Place  
London  
EC3A 7NH

The Council's current contract with Link is a 3-year contract starting on May 1<sup>st</sup> 2013, with the option to extend for up to two years. The contract has been extended for the two years and the next tender exercise will be during 2018/19.

Other consultants may be employed on short term contracts as and when required.

**Procedures and Frequency for Tendering Services**

The process for advertising and awarding contracts will be in line with the Council's Commissioning and Procurement Standing Orders and Financial Regulations.

**Treasury Management Practice 12**

**Corporate Governance**

*Dacorum Borough Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.*

*Dacorum Borough Council has adopted and implemented the key recommendations of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.*

**List of Documents to be Made Available for Public Inspection**

The following core financial documents are available to the public:

- Annual Budget Book (on website);
- Statement of Accounts (on website);
- Auditors Opinion (on website);
- Auditors Management Letter (on website);
- Capital Strategy (on website).

In addition to the above, all key treasury management reports to members (Policy, Practices, Strategy and Annual Report) are available to the public on the Council's website.

**Procedures for Consultation with Stakeholders**

The Council undertakes a series of consultation methods to inform members of the views of the public when making their key budget and Council Tax decisions. These methods include:

- Questionnaires;
- Public events;
- Highlighting the main budget issues on the Council's website, and inviting feedback;
- Direct contact with the Council's many partners.