



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Treasury Management Policy Statement and Practices (incorporating TMP Schedules and Annual Investment Strategy) 2019-20

CONTENTS

1	INTRODUCTION	3
1.1	BACKGROUND	3
1.2	TREASURY MANAGEMENT REPORTING	3
1.3	DELEGATED RESPONSIBILITY	3
2	TREASURY MANAGEMENT POLICY STATEMENT	3
3	TREASURY MANAGEMENT PRACTICES	4
3.1	INTRODUCTION	4
3.2	TMP1 - RISK MANAGEMENT	4
3.3	TMP2 - PERFORMANCE MEASUREMENT	6
3.4	TMP3 - DECISION MAKING & ANALYSIS.....	6
3.5	TMP4 - APPROVED INSTRUMENTS, METHODS AND TECHNIQUES	6
3.6	TMP5 - ORGANISATION, CLARITY & SEGREGATION OF RESPONSIBILITIES, & DEALING ARRANGEMENTS	7
3.7	TMP6 - REPORTING REQUIREMENTS & MANAGEMENT INFORMATION ARRANGEMENTS.....	7
3.8	TMP7 - BUDGETING, ACCOUNTING & AUDIT ARRANGEMENTS	8
3.9	TMP8 - CASH & CASH FLOW MANAGEMENT	8
3.10	TMP9 - MONEY LAUNDERING	9
3.11	TMP10 - TRAINING & QUALIFICATIONS.....	9
3.12	TMP11 - USE OF EXTERNAL SERVICE PROVIDERS.....	9
3.13	TMP12 - CORPORATE GOVERNANCE.....	9
4	TREASURY MANAGEMENT PRACTICE SCHEDULES.....	10
4.1	INTRODUCTION	10
TMP 1	RISK MANAGEMENT	10
TMP 2	PERFORMANCE MEASUREMENT	11
TMP 3	DECISION-MAKING AND ANALYSIS.....	11
TMP 4	APPROVED INSTRUMENTS, METHODS & TECHNIQUES	12
TMP 5	ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING.....	14
TMP 6	REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS	15
TMP 7	BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS.....	16
TMP 8	CASH AND CASH FLOW MANAGEMENT.....	16
TMP 9	MONEY LAUNDERING	17
TMP 10	TRAINING AND QUALIFICATIONS/EXPERIENCE.....	17
TMP 11	USE OF EXTERNAL SERVICE PROVIDERS	17
TMP 12	CORPORATE GOVERNANCE	19
TMP 13	NON TREASURY MANAGEMENT INVESTMENTS.....	19
APPENDIX 1 - ANNUAL INVESTMENT AND TREASURY MANAGEMENT STRATEGY.....		20

1 INTRODUCTION

1.1 Background

The Authority must have formally adopted a Treasury Management Policy Statement, which complies with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice.

The purpose of this document is to outline those procedures that cover the whole range of treasury management activities. As such, the Authority will adopt the key recommendations of the code.

The Authority will create and maintain, as the cornerstones for effective treasury management:

- ◆ A treasury management policy statement, stating the policies and objectives of its treasury management activities;
- ◆ Suitable treasury management practices (TMPs), setting out the manner in which the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

1.2 Treasury Management Reporting

The Authority will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year statement and an annual report after its close, in the form prescribed in the TMPs.

The Annual Strategy required by this code will also incorporate the requirements of the “Guidance on Local Government Investments” issued by the Department for Communities and Local Government.

The Annual Investment Strategy will be produced as Appendix 1 to this document, and updated and varied from time to time, as appropriate.

1.3 Delegated Responsibility

This Authority has delegated responsibility for the implementation and monitoring of its treasury management policies and practices and for the execution and administration of treasury management decisions to the Treasurer who will act in accordance with the Authority’s policy statement and TMPs and CIPFA’s *Standard of Professional Practice on Treasury Management*.

2 TREASURY MANAGEMENT POLICY STATEMENT

The Authority defines its treasury management activities as:

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

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 organisation.

The 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 value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

3 TREASURY MANAGEMENT PRACTICES (TMPs)

3.1 Introduction

The Code of Practice recommends that an authority adopts a number of Treasury Management Practices (TMPs) to reflect its treasury management powers and the scope of its treasury management activities. The TMPs relevant to the Authority are outlined in the rest of the section and are supported by the schedules in Section 4, which explain the present arrangements.

3.2 TMP1 - Risk Management

The Authority regards a key objective of its treasury management and other investment activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment, including investment properties.

The Treasurer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Authority's objectives in this respect. This will be done in accordance with the procedures set out in *TMP6 - Reporting Requirements and Management Information Arrangements*. In respect of each of the following risks, the arrangements that seek to ensure compliance with these objectives are set out in the schedules to this document.

3.2.1 Credit and Counterparty Risk Management

The Authority regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investments activities to the instruments, methods and techniques referred to in *TMP4 - Approved Instruments, Methods and Techniques* and listed in the schedule to this document. It 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.

3.2.2 Liquidity Risk Management

The Authority 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 levels of funds available to it which are necessary for the achievement of its business/service objectives.

The Authority 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.

3.2.3 Interest Rate Risk Management

The Authority 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 amended in accordance with *TMP6 Reporting requirements and management information arrangements*.

It will achieve these objectives by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but 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. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

3.2.4 Exchange Rate Risk Management

The Authority will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

3.2.5 Refinancing Risk Management

The Authority 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 favourable to the Authority as can be reasonably achieved in the light of market conditions prevailing at the time.

It will 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.

3.2.6 Legal and Regulatory Risk

The Authority 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[1] - 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 Authority, particularly with regard to duty of care and fees charged.

The Authority 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.

3.2.7 Fraud, Error and Corruption, and Contingency Management

The Authority will ensure that it has identified the 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.

3.2.8 Market Risk Management

The Authority 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.

3.3 TMP2 - Performance Measurement

The Authority is committed to the pursuit of value for money 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 policy statement.

Accordingly, the treasury management function will be the subject of on-going analysis of the value it adds in support of the Authority'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 criteria set out in the schedule to this document.

3.4 TMP3 - Decision Making and Analysis

The Authority 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 the schedule to this document.

3.5 TMP4 - Approved Instruments, Methods and Techniques

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

3.6 TMP5 - Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

The Authority considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based 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, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when this Authority intends, as a result of lack of resources or other circumstances, to depart from these principles the Treasurer 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 Treasurer will ensure that there are clear written statements of the responsibilities of each post engaged in treasury management, and the arrangements for absence cover. The Treasurer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule to this document.

The Treasurer will ensure that there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegations of the Treasurer in respect of treasury management are set out in the schedule to this document. The Treasurer will fulfil all such responsibilities in accordance with the Authority's policy statement and TMPs, and, CIPFA's "*Standard of Professional Practice on Treasury Management*".

3.7 TMP6 - Reporting Requirements and Management Information Arrangements

The Authority will ensure that regular reports are prepared and considered in the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, the Authority will receive:

- ◆ An annual report on the strategy and plan to be pursued in the coming year;
- ◆ A mid-year review;
- ◆ 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 Authority's treasury management policy statement and TMPs.

The Finance and Governance Committee will receive periodic monitoring reports on treasury management activities and risks. The Committee will also have responsibility for the scrutiny of treasury management policies and practices.

The Authority should report the treasury management indicator as detailed in the sector specific guidance notes.

The present arrangements and the form of these reports are detailed in the schedule to this document.

3.8 TMP7 - Budgeting, Accounting and Audit Arrangements

The Treasurer will prepare, and the Authority will approve and, if necessary, from time to time amend, an annual budget for treasury management, which will bring together all 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 Treasurer will exercise effective controls over this budget and will report upon and recommend any changes in accordance with TMP6 - *Reporting Requirements and Management Information Arrangements*.

The Authority 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. These will be subject to an annual internal audit, on which reliance may be placed by external audit in formulating their audit opinion.

3.9 TMP8 - Cash and Cash Flow Management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Authority will be under the control of the Treasurer 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 Treasurer will ensure that these are adequate for the purposes of monitoring compliance with TMP1[1] *Liquidity Risk Management*.

3.10 TMP9 - Money Laundering

The Authority 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 staff involved in this, are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are referred to in the schedule to this document.

3.11 TMP10 - Training and Qualifications

The Authority 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 Treasurer will recommend and implement the necessary arrangements.

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

The present arrangements are detailed in the schedule to this document.

3.12 TMP11 - Use of External Service Providers

The Authority recognises the responsibility for treasury management decisions remains with the Authority at all times. It recognises the potential value in 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 have been submitted to a 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. And it 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 and re-tender arrangements, legislative requirements will be observed. The monitoring of such arrangements rests with the Treasurer, and details of current arrangements are set out in the schedule to this document.

3.13 TMP12 - Corporate Governance

The Authority is committed to the pursuit of proper corporate governance throughout its business 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.

This Authority has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the schedule to this document, is considered vital to the achievement of proper corporate governance in treasury management, and the Treasurer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

3.14 TMP13 – Investment Management Practices for Non-Treasury Investments

This Authority recognises that investments taken for non-treasury management purposes require careful investment management. Such investments include loans supporting service outcomes, investments in subsidiaries, or investment property portfolios. The Authority's annual treasury management strategy, investment strategy and similar documents will cover all the organisation's investments, and will set out, where relevant, specific policies and arrangements for non-treasury investments. This schedule will include a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and contingent liabilities and the Authority's risk exposure. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

4 TREASURY MANAGEMENT SCHEDULES

4.1 Introduction

The schedules outlined in this section present the current arrangements in place with the Authority, in respect of its treasury management function. They are provided in support of the treasury management practices (TMPs) outlined in Section 3.

TMP 1 Risk Management

Credit and Counterparty Risk Management

Key schedules/points of reference:

- i) Approved counterparties for lending list 2019-20
- the lending list is agreed annually as part of the Annual Investment Strategy, is subject to periodic review throughout the year. It lists those financial institutions with which the Authority can invest funds. The institutions included on the list are split into different ranges of maximum investment, in accordance with their credit ratings.

Liquidity Risk

Key schedules/points of reference:

- i) Schedule of known payments and receipts 2019-20
- compiled at the beginning of the year and updated through the year for any changes to the cashflow, including investments fixed to dates where known payment must be made.
- ii) Cashflow forecast
- completed on a daily basis with bank balance figures taken from HSBC and known payments and receipts for that day. Action is then taken to either invest or recall funds depending on whether there is a surplus or a shortfall of funds.
- iii) Overdraft arrangement
- the Authority does not have an authorised overdraft arrangement therefore any overdraft balance would attract the standard debit interest rate which is subject to change.

The Authority 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.

Interest Rate, Exchange Rate Risk Management

Key schedules/points of reference:

- i) Budgeted investment income and reserves 2019-20
- ii) Bank charges budget (incl. Interest) 2019-20
- iii) Prudential Indicators for 2019-20

Refinancing Risk Management

The prudential code is designed to assist authorities in avoiding large concentrations of fixed rate debt that has the same maturity and would therefore need to be replaced at the same time. Limits have therefore been established for debt maturity, with the overall aim to achieve, as far as possible, a flat maturity structure over the long term.

Key schedules/points of reference include the debt maturity profile i.e. maturity structure of fixed rate borrowing during 2019-20.

Fraud, Error and Corruption and Contingency Management

Key schedules/points of reference:

- Insurance Policy documents detailing the Fidelity Guarantee Insurance Policy

Market Risk Management

There are no key schedules for this risk

TMP 2 Performance Measurement

Internally Invested Funds

A spreadsheet is kept which details the daily outstanding investments and the Local Authority Seven-Day Rate.

The target for returns on internal investments is the average daily interest receivable, using the average Local Authority Seven-Day rate for a period.

Funds are monitored on a quarterly basis in a report to the Treasurer from the Chief Accountant.

TMP 3 Decision-making and Analysis

On a daily basis, a cashflow forecast is completed, taking bank balance figures from HSBCnet and any known payments and receipts for each day. Electronic copies of bank balances and the daily cashflow forecast are retained as a permanent record.

As a general rule, a small balance is maintained in the current account to cover unexpected payments, such as advances on payroll, which may arise at any time. This avoids the need to make minor recalls of investment sums. In a climate of low interest rates, the loss of interest is negligible compared with the potential costs of going overdrawn. An interest-earning bank deposit account is also available for sums of this nature. It must be borne in mind that to invest even reasonably large sums for short periods could cost the Authority more in Clearing House Automated Payment Scheme (CHAPS) fees than it would receive in investment interest.

TMP 4 Approved Instruments, Methods & Techniques

The TMP should be read in conjunction with the Annual Investment and Borrowing Strategy, a copy of which is attached as Appendix 1.

A financial instrument is any contract which gives rise to a financial asset in an entity and a financial liability or equity instrument of another, in the context of treasury management referred to as investments and borrowings.

The Authority can use a large variety of financial instruments for its investments and borrowings, which allow us to actively manage our interest rate exposures and to reduce interest costs. The Authority, at this current time intends not to use any instruments, methods and techniques such as Gilts, Treasury Deposits, Derivatives (Swaps, Forwards, Options), as the level of cash available for investment or the risks associated does not warrant such use. The instruments, methods and techniques adopted should such cash investment opportunities become available would be under the advice of external advisers (see TMP11 – The Use of External Providers).

Internally Managed Funds:

Specified & Non Specified Investments

The Authority may use the following types of investment for internally managed investments:

- Fixed Term Deposits
- On Call Deposits

Definition of Approved Organisations for Investment

The Authority may lend funds to the following organisations:

- Other Local Authorities;
- Major clearing banks incorporated in the UK and their subsidiaries;
- UK Building Societies;
- British Merchant Banks and Securities House Association members;
- Secondary banking sector
- Foreign Banks with an F1 Rating

With the exception of Other Local Authorities, the Authority may invest with these bodies to the extent that they have “high” credit ratings¹, which have been defined by the Authority in the following section.

Internal Investment Policy

The following limits apply on the amount of money that can be invested with any one of the institutions mentioned above at any one time, by the internal team:

Highest Quality UK and Overseas	
Financial Institutions	£5m
Other Local Authorities	£3m
100% Owned Subsidiaries of Clearing Banks	£3m
Other F1/A Rated Banks/Building Societies	£1.5m

The highest quality financial institutions must have a minimum short-term Fitch IBCA rating of F1 and long-term rating of A. The rating criterion was reassessed in 2012-13 in light of the global and national economic position. This criterion is used in conjunction with the lending lists maintained by the fund managers and only institutions on these lists will be used.

The Authority shall review the above list of institutions and limits attached thereto on an on-going basis, and at least annually as part of the overall strategy review. Authority is delegated to Treasurer to vary the list and limits applying as circumstances dictate, such variations to be reported to the Authority at the earliest opportunity. Counter party risk assessment is carried out through media review, alongside the Fitch IBCA ratings, and consideration is given to other rating agencies i.e. Standard and Poor’s, Moody’s.

Borrowing

The uncertainty over future interest rates increases the risks associated with treasury management activity. Due to this uncertainty the Authority will take a cautious approach to its treasury management strategy.

Long term fixed interest rates are at risk of being higher over the medium term. The Treasurer will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks. It is likely that short term fixed rates may provide better opportunities. This may include borrowing in advance of anticipated future requirements.

The option of postponing borrowing and running down investment balances will also be considered. This would reduce counterparty risks and hedge against expected falls in investment rates.

The Authority’s policy is to raise finance from any of the following only:

- Public Works Loan Board
- Market Temporary (including borrowing from other Local Authorities)
- Overdraft

¹ Draft “Guidance on Local Government Investments”

- Internal Capital Receipts and Balances
- Leasing

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

The Authority's treasury management function is managed within the Service headed by the Treasurer. The various responsibilities of the treasury management function shall be allocated as follows:

The Authority

- Approval of the initial Treasury Management Policy Statement & Practices
- Determination of the annual borrowing limit, the annual temporary borrowing limit, and the maximum level of borrowing on which variable interest is payable
- Approval of amendments to and reviews of the Authority's adopted clauses, Treasury Management Policy Statement and Practices
- Budget consideration and approval
- Approval of the Annual Investment and Treasury Management Strategy
- Annual review of treasury management activity

Treasurer

- Variations to approved investment institutions and associated lending limits
- Approval of investments in foreign/overseas banks
- Approval of leasing transactions and other credit arrangements
- Approval of all longer-term borrowing and lending transactions (over 364 days)
- Obtaining confirmation of the legality of proposed actions and instruments to be obtained
- Report to elected members and advise the monitoring officer when appropriate
- Review and amendments of the Treasury Management Policy Statement & Practices and Annual Investment and Treasury Management Strategy
- Organisation of the treasury management function
- Approval of the use of all new brokers
- Monitoring and implementation of the treasury management policy and strategy reports to the Authority on future treasury management strategies and performance reviews
- Review of the performance of the treasury management function
- Regular review of the treasury management systems documentation
- Ensure compliance with policies, limitations and directions
- Manage the overall treasury management function
- Ensure appropriate division of duties

Chief Accountant

- Execution of transactions
- Adherence to agreed policies and practices on a day-to-day basis
- Maintaining relationships with third parties and external service providers
- Supervising treasury management staff
- Monitoring performance on a day to day basis
- Submitting management information reports to the responsible officer

- Identifying and recommending opportunities for improved practices
- Produce regular performance reports to the Treasurer
- Monitor the performance of brokers and recommend new ones as appropriate
- Prepare and implement the treasury management systems documentation

Finance Team

- To carry out the daily cashflow forecast and arrange any investment or recalling of funds as necessary
- To perform monthly reconciliations of treasury management records with the information recorded on the General Ledger
- To assist the Chief Accountant (as Treasury Manager) with other general treasury management duties
- To obtain and record regular reports of interest rates for borrowing and investments

Internal Audit

- Review compliance with approved policies and procedures
- Review division of duties and operational practice
- Undertake probity audit of the treasury management function

TMP 6 Reporting Requirements and Management Information Arrangements

Treasurer Reporting

Exception reporting – The Treasurer will report to Authority and the Authority’s Clerk and Monitoring Officer if irregularities occur which require this.

Prudential Indicator Report - The Treasurer should recommend borrowing limits required by Local Government Act 2003 and the Prudential Code of Practice, to the Authority in time to enable these matters to be approved by Authority prior to the commencement of the relevant financial year.

Annual Treasury Management Strategy Report - The Treasurer should report to the Authority before each year on the proposed treasury management strategy for the ensuing year.

Annual Report on Treasury Management - The Treasurer should report on the activities of the treasury management function by 30th September after the year-end of the year in question. This report will include reference to the original strategy, and a comparison of performance. A mid-year review should also be undertaken and reported.

Exceptional Items - The Treasurer should also report on any other unusual treasury management activity, and on any changes made to the strategy, or to other items of policy brought about by exceptional circumstances.

Treasury Manager – Chief Accountant

The Chief Accountant will be responsible for the preparation of quarterly monitoring statements for the Treasurer including loans and investments made, interest rate movements, treasury management activities in general and recommendations for the ensuing quarter. The report will also include any unusual items or concerns.

TMP 7 Budgeting, Accounting and Audit Arrangements

Budgeting

As part of the annual budget setting process, budgets for investment interest and bank charges are set.

Accounting Arrangements

The accounting arrangements in place for the treasury management function have been constructed in accordance with the Code of Practice. In accordance with the latest Code the following financial codes are in place on the Authority's main accounting system: -

Cost Centre Detail	Account Detail
9000 (Balance Sheet)	9400 (Short Term Investments)
7001 (Corporate Finance)	7009 (Interest on Treasury Deposits)

Audit Arrangements

The Authority has an annual Internal Audit Strategy and Plan which will include an audit of the treasury management activity, which, for 2019-20, is managed and implemented by agreement by an external provider (as agent). The treasury management function is considered to be a high-risk area and is therefore audited on an annual basis.

Internal Audit reports on treasury management will be issued to the Treasurer and Chief Accountant and will be reported through to Senior Management.

TMP 8 Cash and Cash Flow Management

Standard Operating Procedures

Standard operating procedural documentation detailing the operational procedures and responsibilities is maintained (reviewed regularly) and is readily accessible to all relevant staff within the Service. These procedures include:

- Obtaining bank balances from HSBCnet
- Preparing the Daily Cashflow Forecasts
- Making Investments
- Recalling Investments
- CHAPS Payments
- Reconciling Investments
- Constructing the Quarterly Report

TMP 9 Money Laundering

The Authority's Anti-Fraud and Corruption, and Bribery Strategy contains a section relating to money laundering, the Bribery Act and the controls in place to prevent this within the Authority.

TMP 10 Staff Training and Qualifications/Experience

Staff who are currently involved in the treasury management function have the following relevant qualifications:

Position	Name	Qualifications
Treasurer	Ian Cotter	FCCA, MAAT
Chief Accountant	Martin Platt/Samantha Harris	MA, CPFA/CPFA
Accountancy Team	Charlotte Windebank/ Amanda Ali/ Oliver Woodward	CIMA (part), AAT/ MAAT/ AAT
Financial Systems Manager	Graham Howard	BA, CIMA(part)

TMP 11 Use of External Service Providers

Internally Invested Funds

Policy on the use of Brokers

The Authority employs a number of brokers who must demonstrate adherence to the standards set by the Financial Conducts Authority (FCA).

The policy is to use at least a number of brokering providers to promote competitiveness and allow comparisons of service provided, and to avoid any accusations of favouritism. The brokering providers commonly used include: -

- Tullett Prebon/ICAP
- Tradition UK
- Capita

Due to the frequency of use of brokering, the selection criteria for selecting brokers is limited. Current instructions are to use brokers in turn however experience has shown no benefit is gained by using this methodology, therefore discretion is adopted. Brokers will be reviewed based on performance and if service falls short of expected standards, or gives grounds for concern, then a new broker will be substituted. Due to the infrequency of use of brokering there are negligible gains to be made by operating a more selective criteria based process.

Policy on Dealing Direct

The Authority will not only deal through Brokers. In some circumstances the Authority will deal with organisations directly with the expectation that better rates will be achieved by dealing in this way.

Externally Invested Funds (Not currently relevant)

Fund Managers General

The Authority may use external fund managers should the level of funds available for investment become too large for the in-house appointed staff to manage. No one fund manager will have funds greater than £20m at the time funds are placed and the performance of the managers will be reviewed at least every 3 years.

The objective of the funds managed by external fund managers would be to achieve a maximum rate of return consistent with minimum capital risk.

Fund managers will agree to be bound by the Authority's Treasury Management Policy Statement unless the Authority determines to alter the Treasury Management Policy Statement on their advice.

Fund Manager Performance Review

Fund Managers performance will be judged against a set standard return based on market rates, and regular reports would be made to the Treasurer who would report the results annually to the Authority, or more often when exceptional circumstances require this.

Fund Manager Selection Process

The process of selection of Fund Managers will involve the creation of a long-list, with responses to an Expression of Interest Questionnaire being used to reduce this number to a shortened long-list. Following presentations to officers, a final short-list will be produced, and candidates will be expected to carry out presentations to Members after which final selection will be made. This process will be in compliance with any procurement procedures and policies.

TMP 12 Corporate Governance

There are no specific schedules for this item. All other schedules for TMPs 1 to 11 are in place to ensure proper corporate governance within the treasury management function of the Authority.

TMP 13 Non Treasury Management Investments

Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios. Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments. Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision-making in relation to non-treasury investments, and arrangements to ensure that appropriate professional due diligence is carried out to support decision making. Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken. Training and qualifications (TMP10 and schedules), including how the relevant knowledge skills in relation to non-treasury investments will be arranged.

**Dorset & Wiltshire Fire and Rescue Authority
Annual Investment and Treasury Management
Strategy 2019-20**

1. INTRODUCTION

When deciding its treasury management policies and strategies, the Authority will give priority to the security and liquidity of the investments, rather than to the yield of the investments. The general policy objective is that the Authority should prudently invest any temporarily surplus funds. The strategy laid down in this document has been prepared in accordance with these priorities and objectives.

The strategy will also be consistent with Authority's Treasury Management Statement and in particular, TMP 4 - Approved Investments, Methods and Techniques.

The strategy has been prepared with due regard to:

- The Local Government Act 2003 and regulations made under the Act;
- CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes; and,
- CIPFA Prudential Code for Capital Finance in Local Authorities

The strategy should be read in conjunction with TMP 4 - Approved Investments, Methods and Techniques, which outlines the types of investment that may be used, the organisations that may be used and also details the Authority's definition of "*high credit rating*".

The strategy provides details on the expected activity of the treasury management function in the financial year 2019-20. The production and submission of the strategy is a requirement of the Authority's treasury management policy statement.

The strategy covers:

- Investments
- Borrowing
- Prospects for interest rates

2. INVESTMENT STRATEGY

2.1 Specified Investments

Specified Investments are those investments made either with the UK Government or other UK local authority, or with a body that has been awarded a high credit rating. In addition, the investment must have a period to maturity of no longer than 1 year. Specified investments exclude the acquisition of share capital or loan capital in a body corporate (e.g. Corporate Bonds).

Those funds managed and invested internally by the Authority may only be invested in Specified Investments and in line with the requirements of TMP 4 - Approved Investments, Methods and Techniques.

The Authority may use the following categories of investment (where the maturity is for no longer than 1 year):

- Fixed Term Deposits
- On Call Deposits

These investments may be made with the following organisations:

- Other UK Local Authorities
- Major Clearing banks incorporated in the UK and their subsidiaries
- UK Building Societies
- British Merchant Banks and Securities House Association Members
- The Secondary Banking Sector
- Foreign Banks

TMP 4 - Approved Investments, Methods and Techniques provides details of the credit ratings that each of these organisations must have in order for the Authority to invest with them.

The Authority may also use the UK Government (such as the Debt Management Office, UK Treasury Bills or Gilts with less than one year to maturity) under advice from externally appointed specialists.

2.2. Non Specified Investments

Non-specified investments are those investments which do not meet the criteria for specified investments. In particular, this would include investments with a maturity of more than one year.

In deciding which categories of non-specified investments the Authority may prudently use, the following procedures should be used:-

- a) Seek the advice of an external adviser/specialists.
- b) Evaluate the category of investment with regard to the Authority's policy of maximising the security and liquidity of its investments.
- c) Make recommendations based on the information obtained from the external adviser/specialist, to Members, agree that the category of investment may be added to the list of non-specified investments that may be used by the Authority.
- d) Limit total long term investments to £4m of the total investment portfolio with regard to forecasts of future cash flow.

2.3 Liquidity of Investments

The Authority acknowledges the importance of the liquidity of its investments when determining its investment strategy. Therefore, the following guidelines have been agreed:

- All internally managed funds (100%) are to be invested in specified investments that have a period to maturity of no more than 1 year;

In determining the liquidity guidelines of the Authority's investments, the following points should be borne in mind:

- The cash flow requirements of the Authority
- Is the category of investment negotiable (i.e. can it be freely bought and sold on the markets)

2.4 Internal Managed Investments – Cash Flow Management

The Authority's Internal Investment Strategy for the forthcoming twelve months is as follows:

- To invest surplus funds, in specified investments, to achieve maximum liquidity and security and minimum risk.
- To invest surplus funds to achieve maximum returns, whilst fulfilling short-term cash flow requirements.

3. BORROWING STRATEGY

3.1 Short Term Borrowing Strategy

The Authority's strategy for the forthcoming twelve months will be as follows:

- The Authority will only borrow short-term (up to twelve months) for the purpose of maintaining sufficient cash flow.
- The limit set on the total amount of outstanding borrowing at any time in 2019-20 will be an Operational Boundary of £37.583m and an Authorised Limit of £40.083m.

3.2 Long Term Borrowing Strategy

Long term borrowing costs have been higher than the investment income rates over the past few years and are forecast to be so for the next few years.

Officers have therefore given due consideration to a strategy of avoiding external borrowing and using internal borrowing where surplus funds are made available. This strategy has eased pressure on the revenue budget and reduced exposure to credit risk. However, given the relatively high level of internal borrowing, attention will be turned to adjusting the balance between internal and external borrowing, whilst maintaining adequate cash resources and minimising the costs of carry, i.e. the difference between the rate of interest earned on investments and the cost of borrowing. The Treasurer will continue to monitor borrowing costs and interest rates and adopt a pragmatic approach to changing circumstances when making borrowing and investment decisions.

The Authority's strategy for the forthcoming twelve months therefore will be:

- To only carry out long-term prudential borrowing for the purposes of financing capital expenditure, if internal borrowing is exhausted, as approved by the Authority.
- The limit set on the total amount of outstanding borrowing at any time in 2019-20 will be an Operational Boundary of £37.583m and an Authorised Limit of £40.083m.

The Authority 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 but will monitor changes throughout the year.

4. PROSPECTS FOR INTEREST RATES

Based on current known base rate plus information from other sources, an estimate of the base rate and trend over the year and beyond, is as follows:

	Base Rate %
March 2017	0.25%
November 2017	0.5%
August 2018	0.75%
April 2019	0.75%
2020-21	1%-1.5%
2021-22	1.5%-2%