	ITEM NO.

REPORT OF THE LEAD MEMBER FOR FINANCE AND SUPPORT SERVICES

TO THE CITY COUNCIL ON WEDNESDAY, 26 FEBRUARY 2020

Subject: 2020/21 Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy Statement

RECOMMENDATION:

Council is asked to approve the strategy for 2020/21 including:

- The Treasury Management Strategy
- Annual Investment Strategy for Treasury management and non- Treasury management investments and specifically:
- Approve the policy for the calculation of Minimum Revenue Provision
- Approve the Treasury Management Policy Statement and Practices

EXECUTIVE SUMMARY:

The Treasury Management Strategy details the expected activities of the treasury function for the coming financial year 2020/21. Its production and submission to the council is required under the CIPFA Code, which requires this to cover non-treasury management investments.

The Annual Investment Strategy is a separate requirement under the Local Government Act 2003. This includes non-treasury management investments.

It is logical, convenient and informative to consider these three strategies together. They are presented to council alongside the budget report for the forthcoming year. Any changes in the budget report could impact on the details of this report.

BACKGROUND DOCUMENTS:

Local Government and Housing Act 1989
Local Government Act 2003
Guidance on Local Government Investments (CLG 2018) (“CLG Investment Guidance”)
Capital finance, guidance on Minimum Revenue Provision (CLG 2018) (“MRP guidance”)
Treasury Management in the Public Services, Code of Practice and Cross-Sectoral Guidance Notes (CIPFA 2018) (“the CIPFA Treasury Management Code”)
Prudential Code for Capital Finance in Local Authorities (CIPFA 2017) (“the Prudential Code”)
Treasury Management Practice statements TMP1 to TMP12
Other working papers within the Finance Division.

KEY DECISION: YES / ~~NO~~

DETAILS: per report continued over

2020/21 Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy

1 INTRODUCTION

1.1 Background

1.1.1 The council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation 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 before considering investment return.

1.1.2 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 commitments. This 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.

1.1.3 CIPFA defines treasury management as:

1.1.4 "The management of the local authority's borrowing, investments and 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."

1.1.5 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

1.1.6 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

2 Capital strategy

2.1.1 The CIPFA revised 2017 Prudential and Treasury Management Codes require all local authorities to prepare an additional report, a capital strategy report, which will provide the following:

- a high-level long term 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

2.1.2 The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

2.1.3 This capital strategy is reported separately from the Treasury Management Strategy Statement; although non-treasury investments will be reported in the TMSS. This brings together the reporting of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

2.1.4 Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

2.1.5 Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

2.1.6 If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

2.1.7 To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

3 <u>Reporting Requirements</u>

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

3.2 Prudential and Treasury Indicators and Treasury Strategy

3.2.1 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).

3.3 A Mid-Year Treasury Management Report

3.3.1 This will update members with the progress of the Capital position, amending prudential indicators as necessary, and whether any policies require revision.

3.4 An Annual Treasury Management Report

3.4.1 This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

3.4.2 The council has adopted the following reporting arrangements in accordance with the requirements of the Code:

Area of Responsibility	**Council/Committee/ Officer**	**Frequency**
Treasury Management Policy Statement	Full council	Annually
Treasury Management Strategy / Annual Investment Strategy / MRP policy	Full council and Overview and Scrutiny Board	Annually before the start of the year
Treasury Management Strategy / Annual Investment Strategy / MRP policy – midyear report	Full council and Overview and Scrutiny Board	Reported in the third quarter
Treasury Management Strategy / Annual Investment Strategy / MRP policy – updates or revisions at other times	Full council and Overview and Scrutiny Board	As required
Annual Treasury Outturn Report	Full council and Overview and Scrutiny Board	Annually by 30th September after the end of the year
Treasury Management Practices	Chief Finance Officer	Whenever amendments are required
Scrutiny of treasury management performance	Overview and Scrutiny Board	As part of mid-year and outturn reports

4 <u>Treasury Management Strategy for 2020/21</u>

4.1.1 The strategy for 2020/21 covers:

4.2 Capital issues

- Capital plans and the prudential indicators
- the minimum revenue provision (MRP) policy

4.3 Treasury management issues

- the current treasury position
- prudential and treasury indicators and treasury limits
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy

- policy on the use of external service providers.

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

4.4 Training

4.4.1 The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny and a training session will be arranged in 2020/21.

4.4.2 The training needs of treasury management officers are periodically reviewed and a record of all training is kept and officers attend Link training events scheduled throughout the year.

4.5 Treasury management consultants

4.5.1 The council uses Link Asset Services as its external treasury management advisors.

4.5.2 The council 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.

4.5.3 It also 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.

5 CAPITAL PRUDENTIAL INDICATORS 2020-21 TO 2023-24

5.1.1 The council's capital expenditure plans are the key driver of treasury management activity. The outputs of the capital expenditure plans are reflected in the prudential indicators, which are designed to assist member overview and confirm Capital expenditure plans.

5.2 Capital Expenditure

5.2.1 This prudential indicator is a summary of the Council's Capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. 2019/20 revised estimates are based on November budget monitoring and 2020/21 figures reflect the potential re-profiling of 2019/20 capital expenditure based on this and the 2020/21 capital programme. This table does not include assets acquired by leases. Members are asked to approve the Capital expenditure forecasts:

Capital expenditure £m	2018/19 Actual	2019/20 Estimate - revised	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Non-HRA	84.5	98.7	160.3	78.3	52.3	20.0
HRA	0.0	0.0	0.0	0.0	0.0	0.0
Total	84.5	98.7	160.3	78.3	52.3	20.0

5.2.2 The table below summarises how the capital expenditure is being financed by capital or revenue resources. Any shortfall of resources results in a funding (borrowing) need (the council's policy is to use capital receipts to pay down debt).

Financing of capital expenditure £m	2018/19 Actual	2019/20 Estimate - revised	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Capital receipts	0.0	0.0	0.0	0.0	0.0	0.0
Capital grants	21.5	21.8	76.9	39.8	13.8	0.0
Capital reserves	0.0	0.0	0.0	0.0	0.0	0.0
Revenue	0.0	0.0	0.0	0.0	0.0	0.0
Net financing need for the year	63.0	76.9	83.4	38.5	38.5	20.0

5.3 The Capital Financing Requirement

5.3.1 The second prudential indicator is the council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding 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 in the table above, which has not immediately been paid for, will increase the CFR. Increases in the CFR will lead to an increase in the budget required for capital financing.

5.3.2 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, and so charges the economic consumption of Capital assets as they are used.

5.3.3 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 £178.8m of such schemes within the CFR.

5.3.4 IFRS 16 is an accounting standard that replaces the current guidance in IAS 17 regarding leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting remaining substantially unchanged from the IAS 17 approach.

5.3.5 In December 2018, CIPFA/LASAAC announced its plans to delay implementation of IFRS 16 in the Code until 1 April 2020. The Council will therefore adopt IFRS 16 from 1 April 2020.

5.3.6 The impact of adopting IFRS 16 will be disclosed in the financial statements for the year ending 31 March 2021. Since it will require all leased assets to be recorded on the council's balance sheet and will need to be applied retrospectively the council's prudential indicators on other long term liabilities will need to reflect these changes. As a consequence the prudential indicators have been revised to take into account an initial estimate of the likely effect of these changes. The assets identified as affected so far are vehicles, the council leases (car club vehicles), multi-function printers and property leases which include the non- financial investments detailed in paragraph 9.7. The anticipated impact of leased in assets on the capital financing requirement is shown below.

Leased in assets affect on CFR £m	2018/19 Actual	2019/20 Estimate - revised	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Assets acquired under leases	0.0	0.0	159.9	0.0	0.0	0.0

5.3.7 The council is asked to approve the CFR projections below:

£m	2018/19 Actual	2019/20 Estimate - revised	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Capital Financing Requirement						
CFR – non housing	642.1	685.7	886.7	881.0	874.2	846.6
CFR – housing	1.5	1.5	1.5	1.5	1.5	1.5
Total CFR	**643.6**	**687.2**	**888.2**	**882.5**	**875.7**	**848.1**
Movement in CFR	**18.1**	**43.6**	**201.0**	**-5.6**	**-6.8**	**-27.6**

Movement in CFR represented by						
Net financing need for the year	63.0	76.9	243.3	38.5	38.5	20.0
Less MRP/ARP and other financing	-44.9	-33.3	-42.3	-44.2	-45.3	-47.6
Movement in CFR	**18.1**	**43.6**	**201.0**	**-5.6**	**-6.8**	**-27.6**

5.4 Core funds and expected investment balances

5.4.1 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions 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 for each resource and anticipated day-to-day cash flow balances. The difference between total core funds and investments arises primarily because timing differences in premiums paid on debt rescheduling and their ultimate recognition in the CIES lead to a deficit in long term capital over the medium term.

Year end resources £m	2018/19 Actual	2019/20 Estimate - revised	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Fund balances/reserves	139.9	139.9	179.1	175.8	167.1	167.1
Capital receipts (are used to pay down debt)	0.2	0.2	0.2	0.2	0.2	0.2
Provisions	21.7	21.7	21.7	21.7	21.7	21.7
Total Core Funds	161.7	161.7	201.0	197.7	189.0	189.0
Working and long term working Capital	-76.3	-75.8	-74.3	-72.8	-71.3	-69.8
(Under)/over borrowing	-9.7	-10.2	-50.1	-47.3	-39.1	-39.7
Expected investments	75.7	75.7	76.7	77.7	78.6	79.6

*Working capital balances shown are estimated year-end; these may be higher mid-year

5.5 Minimum Revenue Provision (MRP) Policy Statement

5.5.1 The council is required to make an annual charge to its income and expenditure account to provide for the repayment of debt incurred as a result of financing Capital expenditure. Local authorities are required to make this charge by regulations issued under statute by central government (Local Government Act 2003). The council's policy for determining the MRP is set out in **Appendix A** to this report.

6 **BORROWING**The treasury management function ensures that the council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet the council's capital payments obligations. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury/prudential indicators, the current and projected debt positions and the annual investment strategy.

6.2 Current Portfolio Position

6.2.1 The council's treasury portfolio position at 31 March 2019, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	2018/19 Actual	2019/20 Estimate - revised	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
External Debt						
Debt at 1 April	432.4	448.7	498.2	508.3	515.1	525.5
Expected Change in debt	16.3	49.5	10.2	6.8	10.4	-18.4
Other long term liabilities	191.8	185.2	178.8	329.8	320.2	311.0
Expected Change in OLTL	-6.5	-6.4	151.0	-9.6	-9.2	-9.8
Actual Gross debt at 31 March	633.9	677.0	838.1	835.3	836.6	808.4
The capital financing requirement	643.6	687.2	888.2	882.5	875.7	848.1
Under/(over) borrowing	9.7	10.2	50.1	47.3	39.1	39.7

6.2.2 The gross debt includes internal fund borrowings as shown in 5.4 which has reduced the amount required to be borrowed externally and as a consequence the capital financing requirement is in excess of the gross debt. By borrowing less externally, the council would save on interest and borrowing costs.

6.3 Treasury Indicators: Limits to Borrowing Activity

6.3.1 The following borrowing limits are detailed in **Appendix B**.

6.4 The Operational Boundary

6.4.1 This is the limit which external debt is not normally expected to exceed.

Treasury Indicators	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Estimate	Estimate	Estimate	Estimate
Operational boundary for external debt	£M	£M	£M	£M	£M
Borrowing	558.7	621.8	626.9	630.8	614.7
Other long term liabilities	215.2	208.8	359.8	350.2	321.0
Total	774.0	830.6	986.7	981.0	935.7

6.5 The Authorised Limit

6.5.1 This prudential indicator represents a control on the maximum level of debt. This is a statutory limit determined under section 3 (1) of the Local Government Act 2003. 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.

Treasury Indicators	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Estimate	Estimate	Estimate	Estimate
Authorised limit for external debt	£M	£M	£M	£M	£M
Borrowing	680.6	698.8	685.4	650.8	614.7
Other long term liabilities	245.2	238.8	389.8	380.2	331.0
Total	925.9	937.5	1,075.2	1,031.0	945.7

6.5.2 The Operational Boundary and Authorised limit are detailed in **Appendix B.**

6.6 Prospects for Interest Rates

6.6.1 The council has appointed Link Asset Services as its treasury advisor and part of the service is to assist the council to formulate a view on interest rates. The following table gives their view.

6.6.2 The implications have been factored into the council’s revenue budget projections.

Link Asset Services Interest Rate View													
	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.80	0.80	0.90	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.90	1.00	1.00	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	0.90	0.90	1.00	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.30	2.40	2.40	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.00	3.10
10yr PWLB Rate	2.50	2.50	2.60	2.60	2.70	2.80	2.90	3.00	3.10	3.10	3.20	3.20	3.30
25yr PWLB Rate	3.00	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.70	3.80	3.80	3.90	3.90
50yr PWLB Rate	2.90	2.90	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.70	3.70	3.80	3.80

6.6.3 A more detailed view on interest rate forecasts is contained within **Appendix C** to this report.

6.6.4 The forecasts above are based on assumptions that there is an agreed deal on Brexit, including agreement on the terms of trade between the UK and EU, at some point in time. The result of the general election has removed much uncertainty around this major assumption. However, it does not remove uncertainty around whether agreement can be reached with the EU on a trade deal within the short time to December 2020, as the prime minister has pledged.

6.6.5 The longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

6.6.6 In addition, PWLB rates are subject to ad hoc decisions by H.M. Treasury to change the margin over gilt yields charged in PWLB rates: such changes could be up or down. It is not clear that if gilt yields were to rise back up again by over 100bps within the next year or so, whether H M Treasury would remove the extra 100 bps margin implemented on 9 October 2019.

6.6.7 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. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

6.7 Investment and borrowing rates

6.7.1 Investment returns are likely to remain low during 2020/21 with little increase in the following two years subject to the caveats highlighted earlier regarding wider factors such as Brexit.

6.7.2 Borrowing interest rates were on a major falling trend during the first half of 2019-20 but then jumped up by 100 bps on 9 October 2019 due to HM Treasury direction. In recent years the council's strategy has been to utilise cash balances and use temporary borrowing whilst recognising the need to use PWLB borrowing, where appropriate, to finance elements of the capital programme. The increase in the PWLB rate makes is less likely that long term borrowing will be pursued, however, decision-making would be supported by a robust business case.

6.7.3 A detailed view of the current economic background is contained within Appendix H to this report.

6.8 Borrowing Strategy

6.8.1 The gross debt of the council at £838.1m is estimated to be lower than the capital financing requirement, at £888.2m. The councils investments at the year end are estimated at £76.7m to be below the level of its forecast reserves and provisions £179.1m. The main factor is a deficit on long term working capital, due to the balance of outstanding premiums of £66m which will be amortised until 2058/59 and also the use of additional reserves to increase the amount of under borrowing.

6.8.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2020/21 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

6.8.3 *If it was felt that there was a significant risk of a sharp FALL in long and short term rates* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

6.8.4 if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years. This would increase the budget required by capital financing for interest costs.

6.9 Policy on Borrowing in Advance of Need

6.9.1 The council will not borrow more than, or in advance of, its needs purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the council can ensure the security of such funds.

6.9.2 In determining whether borrowing will be undertaken in advance of need the council will:

- Ensure that there is a clear link between the Capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need
- Ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered
- Evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- Consider the merits and demerits of alternative forms of funding
- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.
- Consider the impact of borrowing in advance on temporarily increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them.

6.10 Debt Rescheduling

6.10.1 As short term borrowing rates will continue to be considerably cheaper than longer term rates, there may be 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.

6.10.2 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
- Enhancing the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

6.10.3 The nature of the council's current debt portfolio is such that the opportunities for debt rescheduling are likely to be extremely limited. Should any rescheduling be undertaken it will be reported to the Lead Member for Finance and Support Services at the earliest briefing meeting thereafter.

6.11 New financial institutions as a source of borrowing

6.11.1 Following the increase in PWLB rates on 9 October 2019 to increase their margin over gilt yields by 100 bps to 180 basis points on loans lent to local authorities, consideration will also need to be given to sourcing funding at cheaper rates from the following:

- Local authorities (primarily shorter dated maturities)
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of spot or forward dates)
- Municipal Bonds Agency (no issuance at present but there is potential)

6.11.2 The degree which any of these options proves cheaper than PWLB Certainty Rate is still evolving at the time of writing but our advisors will keep us informed.

7 <u>ANNUAL INVESTMENT STRATEGY (Treasury management)</u>

7.1 Investment policy – management of risk

7.1.1 The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This section deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are at section 9

7.1.2 The Council's investment policy has regard to the following: -

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

7.1.3 The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

7.1.4 The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

7.1.5 Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

7.1.6 **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to 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 assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **“credit default swaps”** and overlay that information on top of the credit ratings.

7.1.7 **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.

7.1.8 This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix D under the categories of ‘specified’ and ‘non-specified’ investments.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

7.1.9 However, this authority will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

7.1.10 There have been no changes in risk management policy from last year.

7.2 Creditworthiness Policy

7.2.1 The council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody’s and Standard and Poor’s. The credit ratings of counterparties are supplemented with the following overlays:

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

7.2.2 This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is 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 therefore use counterparties within the following durational bands:

- Yellow/dark pink/light pink 5 years
- Purple 2 years
- Blue 1 year (nationalised or semi nationalised UK banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

7.2.3 The Link Asset Services' creditworthiness service uses a wider array of information than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

7.2.4 All credit ratings will be monitored weekly, and also on each decision to transact with any counterparty. The council is alerted to changes to ratings from all three agencies through its use of the Link Asset Services creditworthiness service.

7.2.5 If a downgrade results in the counterparty or investment scheme no longer meeting the council's minimum criteria, its further use as a new investment will be withdrawn immediately. Conversely, if a counterparty is upgraded to a level that meets the council's criteria it will be added to the list.

7.2.6 In addition to the use of credit ratings the council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in a downgrade of an institution or removal from the council's lending list.

7.2.7 Sole reliance will not be placed on the use of this external service. In addition the council will also use market data and information, information on government support for banks and the credit ratings of that government support. The Chief Finance Officer, in consultation with the Lead Member for Finance and Support Services, currently has delegated authority to approve investments outside of the above parameters. This will be subject to the counterparties satisfying all due diligence with regard to security of the invested sums and the investment period being commensurate with the overall Treasury Management Strategy.

7.3 Country Limits

7.3.1 The council has determined that it will only use approved counterparties from countries with a minimum sovereign rating of AA- with Fitch or equivalent from any of the three major rating agencies.

7.3.2 Appendix E sets out the countries that currently satisfy these criteria.

7.3.3 In addition to approving the above sovereign ratings members are asked to approve the continued use of local authorities and financial counterparties registered in the UK which meet the criteria for inclusion on Link Asset Services' creditworthiness list.

7.3.4 For example, the Lloyds Banking Group is comprised of Lloyds TSB, Halifax, and Bank of Scotland. The limit of funds which may be placed in any of those three institutions was originally £15M but the group limit means that it may be invested with any one or in combination up to an overall maximum of £15M.

7.4 Investment Strategy

7.4.1 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.

7.4.2 The city council currently has no treasury management investments with a duration of more than 12 months.

7.4.3 Investment returns expectations. On the assumption that the UK and EU agree a Brexit deal including the terms of trade by the end of 2020 or soon after, then Bank Rate is forecast to increase only slowly over the next few years to reach 1.00% by quarter 1 2023. Bank Rate forecasts for financial year ends (March) are:

- Q1 2021 0.75%

- Q1 2022 1.00%
- Q1 2023 1.25%

7.4.4 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

- 2019/20 0.75%
- 2020/21 0.75%
- 2021/22 1.00%
- 2022/23 1.25%
- 2023/24 1.50%
- 2024/25 1.75%
- Later years 2.25%

7.4.5 The overall balance of risks to these forecasts is currently, interest rates rising but this depends on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

7.4.6 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.

7.4.7 The investment limits are detailed in Appendix B.

7.5 Investment risk benchmarking

7.5.1 Investments – internal returns above the 7 day LIBID (London Interbank bid rate) rate.

7.6 End of Year Investment Report

7.6.1 At the end of the financial year, the council will report on its investment activity as part of its Annual Treasury Report.

7.7 Scheme of Delegation

7.7.1 Please see Appendix F

7.8 Role of the S151 Officer

7.8.1 Please see Appendix G

8 <u>TREASURY MANAGEMENT POLICY STATEMENT AND PRACTICES</u>

8.1.1 In accordance with the Code, it is recommended that the council approve a treasury management policy statement.

8.1.2 'The policies and objectives of treasury management activities in Salford City Council are defined as follows:-

8.1.3 Salford City Council defines its treasury management activities as:

> "The management of the local authority's borrowing, investments and 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".

8.1.4 Salford City 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 City.

8.1.5 Salford City Council 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.'

8.1.6 Treasury Management Practices (TMPs) set out the manner in which the council will seek to achieve its treasury management policies and objectives (as set out in the Treasury Management Policy Statement) and how it will manage and control its treasury management activities.

8.1.7 The Chief Finance Officer has reviewed the council's treasury management practices (TMPs), they are detailed in Appendix I.

9 ANNUAL INVESTMENT STRATEGY GUIDANCE (Non-treasury investments- Loans and non-financial investments)

9.1 Loans

9.1.1 The council has 2 types of loans on its balance sheet, those originally forming part of the capital programme and other loans. The council is required to set limits for the types of loans it will make.

	Current position £m	Maximum position £m
Capital	46.6	100.0
Non-capital	10.9	21.3
Total Loans	**57.5**	**121.3**

9.1.2 The limit for non-capital loans is lower because if these loans are not repaid they represent a charge to the general fund. The maximum position is set as the forecast value of the earmarked reserves relating to loans and general fund balances for that year.

9.1.3 The limit for capital loans is higher as the charge to the revenue account on these loans if they were not repaid would be the MRP due over the remaining useful asset life of the asset the loan was initially provided for.

9.1.4 The total loan book is proportionate to the council's current total asset base at its current level and at its maximum level, with loans representing less than 6% of the council's long term asset base.

Loans to asset base ratio	Current position	Maximum position
Loans £m	57.524	121.320
Long term assets £m	994.216	994.216
Loans to asset base %	5.8%	12.2%

9.2 Recognising Expected losses

9.2.1 The council's statement of account are prepared under IFRS 9. IFRS 9 uses an "expected credit loss model" for all financial instruments that are subject to impairment accounting. It requires that the council shall recognise a loss allowance for expected credit losses on an asset that is measured at amortised cost or fair value through other comprehensive income. IFRS 9 will be applied to the council's financial assets which would include loans.

9.3 When to recognise credit losses;

- Under IFRS9, expected losses would be recognised from the point at which the loan is originated. This means that, an event does not have to occur that would result in a default payment before expected losses are recognised.
- With limited exceptions, a 12month expected credit losses must be recognised initially for all assets subject to impairment. This means that the council would recognise a loss allowance at the initial recognition of the loan or loan commitment.

9.4 Overview of the model

9.4.1 The expected credit loss model comprises of three stages for recognising losses based on the changes in credit quality of the borrower from the initial dates to maturity

9.4.2 Stage 1- As soon as a financial instrument is originated, a 12month expected credit loss is recognised in the income statement, and a loss allowance is given. This stage also includes financial instruments that have not had a significant increase in credit risk since initial recognition or, have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL is the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.

9.4.3 Stage 2- includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but interest, revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight.

9.4.4 Stage 3- includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL is recognised and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

9.5 Debt Recovery Process

9.5.1 The council has a debt recovery process in place, which would apply to loans. If a debt remains unpaid, after reminder notices have been issued, a proactive approach will be taken. It is important to note that as debts are raised for a variety of services, some of which may have contractual or lease obligations, a uniform approach to collection may not be possible. Therefore, the following information acts as a guide only:

9.5.2 Debts over £500 are referred to Manchester and Salford collaborative legal teams for action, with agreement from the relevant service group. It is important that the council retain all back-up documentation relating to the charge, as this will be required by legal services to support the claim. Once a County Court Judgement has been obtained, legal services will look to enforce the judgement.

9.6 Write-offs

9.6.1 The council accepts that not all debts will be paid in full and may have to be written-off. Non-payment may for many reasons and are categorised as follows:

- Bankruptcy or liquidation
- Debtor absconded
- Special circumstances
- Debtor deceased
- Uneconomical
- Irrecoverable after legal action
- Statute barred

9.6.2 The billing and recovery service seeks approval to have debts written off on a quarterly basis. Approval to write off a debt has to be obtained either from the Chief Finance Officer or from the Lead Member for Finance and Support Services. Write offs are then charged to the corporate business bad debt provision

9.7 Non-financial assets

9.7.1 The council has the following types of non-financial asset on its balance sheet at the 31/03/2019:

	£m
Land at the airport	9.515
telecom equipment	0.249
Other land	4.123
Total	**13.886**

9.7.2 As the land, land at the airport and the telecom equipment are made up of numerous smaller plots these are not considered to be material and are not referred to further in this report.

9.7.3 In addition to these assets the council has lease agreements for 1 New Bailey and a multi storey car park that are operational and will be accounted for in the 2019/20 statement of accounts. A further lease at 2 New Bailey is expected to be accounted for in the 2020/21 statement of accounts.

9.7.4 The table below summarises the position for 1 New Bailey and the multi-storey car park.

	One New Bailey	MSCP 2
Contribution toward service delivery objectives and/or place making role of the local authority	Support the economic development of the New Bailey area of Salford central	Support the economic development of the New Bailey area of Salford central
Amount invested	25 year lease only transferable to another LA or government department development	35 year lease
If the fair value of the is not sufficient to provide against loss, the mitigating actions that the council is taking or proposes to take	Use of a inducement fund to cover the costs of initial rent free periods and an assumed level of voids	Use of a inducement fund to cover an assumed level of usage
How it has assessed the market that it is/will be competing in, the nature and level of competition, how it thinks that the market/customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements.	property consultants were commissioned and the findings of the report were built into the financial model	property consultants, on behalf of English Cities fund, have provided market and investment advice
Whether and, if so how, a local authority uses external advisors be they treasury management advisors, property investment advisors or any other relevant persons	property consultants were commissioned and the findings of the report were built into the financial model	property consultants, on behalf of English Cities fund, have provided market and investment advice
should set out the procedures for ensuring that the funds can be accessed when they are needed, how can the asset be liquidated	25 year lease only transferable to another LA or government department development	The risk of business failure has been assessed as minimal. Should this unlikely event occur, the Council could market the site to other operators, and the market analysis above suggests the market will remain strong, or operate the car park itself for the residual period of the lease and benfit from all income.
management of the risks, for example, of not achieving the desired profit	Use of the inducement fund to manage void periods	Use of a inducement fund to manage an assumed level of usage
steps taken to ensure that those elected members and statutory officers involved in the investments decision making process have appropriate capacity, skills and information to enable them to take informed decisions as to whether to enter into a specific investment, to assess individual assessments in the context of the strategic objectives and risk profile of the local authority and to enable them to understand how the quantum of these decisions have changed the overall risk exposure of the local authority.	Report to City Mayor 15/07/2013	Report to Property and regeneration Nov 2017

9.8 Proportionality

9.8.1 The council is required to set a limit that cannot be exceeded for gross debt compared to the net budget. The limit for gross debt to net budget has been set as a multiplier of 5. The forecast for this measure over the coming years is shown below.

	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Net revenue budget £m	202.8	205.2	217.8	210.3	214.9	214.9
gross debt £m	633.9	677.0	838.1	835.3	836.6	808.4
limit for gross debt to revenue budget at x5	1,013.9	1,026.2	1,089.1	1,051.6	1,074.6	1,074.6

9.8.2 The council is required to set a limit for commercial income as a percentage of net service expenditure. The Council is below the limit which has been set at 25%.

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
Commerical income £m	1.277	3.067	4.395	5.289	7.320	13.011
net budget £m	202.779	205.241	217.015	210.325	214.910	214.910
investment cover ratio	0.630%	1.494%	2.025%	2.515%	3.406%	6.054%

9.9 Liquidity

9.9.1 For financial investments that are not treasury management investments or loans the maximum period that funds maybe committed is the useful economic life of the asset. At present the council’s investment property has been obtained by lease that can only be assigned to another local authority or government department, so the asset is relatively illiquid but the council has an inducement fund which can be used to cover unforeseen void periods.

10 RECOMMENDATIONS

10.1.1 Council is asked to approve the strategy for 2020/21 including:

- The Treasury Management Strategy
- Annual Investment Strategy and specifically:
- Approve the policy for the calculation of Minimum Revenue Provision
- Approve the Treasury Management Policy Statement and Practices

Councillor Bill Hinds
Lead Member for Finance & Support Services

KEY COUNCIL POLICIES: Budget Strategy, Treasury Management Policy

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EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS: N/A

ASSESSMENT OF RISK: The monitoring and control of risk underpins treasury management activities. The main risks are of adverse or unforeseen fluctuations in interest rates and loss of Capital. Risk control measures mitigate these risks.

LEGAL IMPLICATIONS Supplied by: Tony Hatton, Principal Solicitor Tel. 219 6323

The Treasury Management Strategy, Minimum Revenue Provision Policy and Annual Investment Strategy set out the Council's policies for managing its investments which includes giving priority to security and liquidity. It is effectively the management of the Council'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.

The Local Government Act 2003 (the Act) and supporting regulations require the Council to 'have regard to' the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code and to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The Council also has an obligation to comply with the Ministry for Housing, Communities and Local Government (MHCLG) Guidance under section 15(1)(a).

The Act therefore requires the Council to set out its Treasury Management Strategy at the start of each new financial year and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and referred to at section 7 of this report); this sets out the Council's policies for maintaining capital security whilst managing its investments and for giving priority to the security and liquidity of those investments to enable it to carry out its business. The borrowing strategy (at section 6 of the report) aims to minimise the revenue cost of debt whilst securing the Council from revenue pressures in the event of interest rate volatility.

One revenue consequence of borrowing is the statutory requirement to set aside an amount for repayment of debt, known as Minimum Revenue Provision (MRP). Regulations require the authority to determine annually a principle by which MRP will be determined.

FINANCIAL IMPLICATIONS Supplied by: May Sung (Finance Manager)

There is revenue budget provision for all TMSS related expenditure and there are no additional financial commitments resulting from this report.

PROCUREMENT IMPLICATIONS Supplied by: Christine Flisk Procurement Manager

There are no procurement implications arising from this report

HR IMPLICATIONS Supplied by: Steve Hulme Strategic HR & OD Manger

There are no direct employee relations matters arising from this report. The Leading Salford leadership development programme includes the Management Essentials programme for newly appointed managers which includes a financial management module to ensure that all managers and officers are aware of the financial regulations and their responsibilities, in addition further training is being delivered to existing managers to enhance their financial skills.

CLIMATE CHANGE IMPLICATIONS Supplied by: Michael Hemingway, Principal Officer Climate Change

When we make investments, they fully support the ethos of socially responsible investments. And therefore, where consistent with our fiduciary responsibilities, we will avoid direct investment in institutions with material links to environmentally harmful activities including fossil fuels.

OTHER DIRECTORATES CONSULTED: N/A

CONTACT OFFICER: Tony Thompstone TEL NO: 0161 793 2016
May Sung TEL NO: 0161 793 2851

WARDS TO WHICH REPORT RELATES: N/A

APPENDICES

A MRP policy statement

B Prudential and Treasury indicators

C Interest rate forecasts

D Specified and Non-Specified investments

E Approved countries for investments

F Treasury management scheme of delegation

G The treasury management role of the Chief Finance Officer as Section 151 officer

H Economic background

I Treasury Management Practices

J Treasury Management Policy Statement

APPENDIX A

1.1. Minimum Revenue Provision Policy Statement 2020/21

1.1.1. Minimum Revenue Provision (MRP) is an annual charge to the income and expenditure account to provide for the repayment of debt incurred as a result of financing Capital expenditure. Local authorities are required to make this charge by regulations issued under statute by central government (Local Government Act 2003).

1.1.2. The council will determine MRP in accordance with the following policy:

1.1.3. For the historic debt liability up to 31 March 2008, or subsequent supported Capital expenditure, as with previous years, we will adopt option 1 of The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, which allows for MRP to be charged at the rate of 4% of the reducing debt balance, with an adjustment to align the charge to the amount provided in the previous year, where that is greater.

1.1.4. For unsupported Capital expenditure, MRP will be charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the annuity method, in accordance with option 3 of the above regulation.

1.1.5. Estimated life periods will be determined by the Chief Finance Officer. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the council. However, the council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

1.1.6. As some types of Capital expenditure incurred by the council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more components with substantially different useful economic lives.

1.1.7. There is no requirement on the Housing Revenue Account to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

1.1.8. Repayments included in annual PFI or finance leases are applied as MRP.

APPENDIX B

1.1. Prudential and Treasury Indicators

Prudential Indicators	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
	£M	£M	£M	£M	£M
Capital Expenditure					
Non-HRA	84.5	98.7	160.3	78.3	52.3
HRA	0.0	0.0	0.0	0.0	0.0
Total	84.5	98.7	160.3	78.3	52.3
Capital financing requirement (CFR)					
Non-HRA	642.1	685.7	886.7	881.0	874.2
HRA	1.5	1.5	1.5	1.5	1.5
Total	643.6	687.2	888.2	882.5	875.7
Annual Change in CFR					
Non-HRA	63.0	76.9	243.3	38.5	38.5
HRA	0.0	0.0	0.0	0.0	0.0
Debt repayment provision MRP	-44.9	-33.3	-42.3	-44.2	-45.3
Total	18.1	43.6	201.0	-5.6	-6.8

1.2. The Operational Boundary

1.2.1. This is the limit which external debt is not normally expected to exceed.

Treasury Indicators	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Estimate	Estimate	Estimate	Estimate
Operational boundary for external debt	£M	£M	£M	£M	£M
Borrowing	558.7	621.8	626.9	630.8	614.7
Other long term liabilities	215.2	208.8	359.8	350.2	321.0
Total	774.0	830.6	986.7	981.0	935.7

1.2.2. The operational boundary limits for external debt reflect the estimate of the most likely, prudent, but not worst case, scenario without the additional headroom included within the authorised limit.

1.3. The Authorised Limit

1.3.1. This prudential indicator represents a control on the maximum level of debt. This is a statutory limit determined under section 3 (1) of the Local Government Act 2003. 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.

Treasury Indicators	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Estimate	Estimate	Estimate	Estimate
Authorised limit for external debt	£M	£M	£M	£M	£M
Borrowing	680.6	698.8	685.4	650.8	614.7
Other long term liabilities	245.2	238.8	389.8	380.2	331.0
Total	925.9	937.5	1,075.2	1,031.0	945.7

1.4. **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.

	2019/20	2020/21	2021/22		Estimated position at year end
Upper Limit for Investments beyond 365 days	£40m	£40m	£40m		£0

1.5. Maturity structure of borrowing

1.5.1. 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

Treasury Indicators				
				Estimated position at year end
	All Years			
Maturity structure for fixed rate borrowing	**Upper Limit**	**Lower Limit**	%	£M
Under 12 months	75%	0%	32%	268.1
12 and within 24 months	50%	0%	8%	65.2
24 months and within 5 years	50%	0%	13%	110.9
5 years and within 10 years	50%	0%	19%	157.4
10 years and above	100%	25%	28%	236.5
Maturity structure for variable rate borrowing	**Upper Limit**	**Lower Limit**	%	£M
Under 12 months	10%	0%	0%	0.0
12 and within 24 months	0%	0%	0%	0.0
24 months and within 5 years	0%	0%	0%	0.0
5 years and within 10 years	0%	0%	0%	0.0
10 years and above	0%	0%	0%	0.0

1.5.2. These indicators should be considered together. Whilst all the councils borrowing is fixed, the amount due to mature in the next 12m looks high at £268.1m, this is partly explained because the figure includes £83m of LOBO loans that are callable in 2020/21, it is unlikely that LOBO loans will be called over the next few years as the LOBO interest rates already exceed current market rates and the option to change lies with the banks. Temporary borrowing of £175.5m is due for renewal within the next 12 months; this is in-line with the council's current strategy.

1.5.3. There is currently a 1.71% differential between short term interest rates and 10 year maturity PWLB rates. Although the current strategy is to utilise very low short term rates, as rates start to rise the case for switching from short term debt will need to be considered. With £175.5m of temporary borrowing, the additional call on the revenue budget of switching from temporary borrowing to a 10 year fix would be £3.0m per year. Each 0.25% rise in base rate increases the annual interest cost on a total of £178.5m in temporary borrowing by £0.439m.

1.5.4. For exceptional reasons only, such as a large scale voluntary transfer of assets, the indicators may be temporarily flexed to allow repayment and rescheduling of borrowing.

APPENDIX C

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services in paragraph 6.5.2 are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU.** On this basis, while GDP growth is likely to be subdued in 2019 and 2020 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement on the detailed terms of a trade deal is likely to lead to a boost to the rate of growth in subsequent years. This could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit in December 2020**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- If there was a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

Link Asset Services Interest Rate View	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably relatively even due to the weight of all the uncertainties over post-Brexit trade arrangements and the impact of an expansionary government spending policy (as expected in the Budget on 11th March).
- The balance of risks to increases or decreases in Bank Rate and shorter term PWLB rates are also broadly even.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Post Brexit trade negotiations –** if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England monetary policy** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

- A resurgence of the **eurozone sovereign debt crisis.** In 2018**, Italy** was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new coalition based on an unlikely alliance of two very different parties will endure.
- Weak capitalisation of some **European banks,** particularly Italian banks.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The SPD has done particularly badly in state elections since then which has raised a major question mark over continuing to support he CDU. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until 2021.
- **Other minority EU governments.** Austria, Finland, Sweden, Spain, Portugal, Netherlands and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was **potential for a rerun of the 2008 financial crisis**, but this time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on **some $19trn of corporate debt in major western economies,** if world growth was to dip further than just a minor cooling. This debt is mainly held by the shadow banking sector i.e. pension funds, insurers, hedge funds, asset managers etc., who, when there is $15trn of corporate and government debt now yielding negative interest rates, have been searching for higher returns in riskier assets. Much of this debt is only marginally above investment grade so any rating downgrade could force some holders into a fire sale, which would then depress prices further and so set off a spiral down. The IMF's answer is to suggest imposing higher capital charges on lending to corporates and for central banks to regulate the investment operations of the shadow banking sector. In October 2019, the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.
- **Geopolitical risks,** for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit –** if a comprehensive agreement on a trade deal was reached that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

APPENDIX D

1.1. Credit and Counterparty Risk Management Specified and Non-specified Investments

1.1.1. **Specified Investments** will be sterling denominated and fulfil the following criteria were judged by treasury officers to be appropriate having regard to the security of the principal sum invested and advice taken from Link Asset Services, as described in paragraph 7.1.

Sector	Maximum Investment	Maximum Period
UK Banks	£15M	364 days
UK Building Societies	£15M	364 days
European banks	£15M	364 days
Money-Market Funds; CNAV, LVNAV, VNAV	£15M	Callable
Local Authorities	£15M	364 days
Debt Management Office	£15M	364 days

1.1.2. The aim is to have callable investments of £25m in order to manage the council's liquidity.

1.1.3. In accordance with the guidance, all local authorities and the Government's Debt Management Office will count as specified investments, even though local authorities may not carry a formal rating.

1.2. **Non-Specified Investments** are any investments which do not meet the Specified Investments criteria. They must be with counterparties rated at least A by Fitch or equivalent, and include products such as callable deposits, range accruals, UK government gilts, Treasury Bills, Certificates of Deposit (CDs). Although not included in the lists issued by the credit rating agencies, approval to invest in property funds was given by members as part of the TM mid-year update 2015/16 presented to council on 18 November 2015.

1.3. The main reasons for making a non-specified investment would be:

1.4. **Yield**: in a circumstance where advantageous interest rates could be secured at a negligible risk;

1.5. **Practicalities**: for example, a counterparty's rating does not satisfy the minima set out above, but may be the only available option for late deals should, for example, the council receive funding late in the day and unannounced. In such cases, balances will be held overnight only.

1.6. The main types of institutions that the council may wish to deal with for the reasons outlined above are UK and Irish clearing banks. However, currently the Irish Republic is not AA- rated so no investments will be made with Irish banks unless the AA- rating is restored.

1.7. In the event that treasury officers consider an investment outside of these parameters, then advice will be taken from Link Asset Services, the council's treasury management consultants. Any such decision will be made by the Chief Finance Officer and reported to the Lead Member for Finance and Support Services.

1.8. Investment strategy: in-house funds

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

1.8.2. For its cash flow generated balances, the council will seek to utilise its business reserve accounts, money market funds and short-dated deposits (1-3 months) in order to benefit from the compounding of interest.

1.9. Investment strategy: managed funds

1.9.1. The council no longer uses external fund managers to manage any part of its investments, but will keep under review whether conditions become favourable to use them.

1.10. Socially responsible investments

1.10.1. Salford City Council, in making investments through its treasury management function, fully supports the ethos of socially responsible investments. Salford City Council will therefore, where consistent with its fiduciary responsibilities, avoid direct investment in institutions with material links to environmentally harmful activities including fossil fuels.

APPENDIX E

Approved Countries for Investments

This list is based on those countries which have sovereign ratings of AA- or higher, (the lowest rating from Fitch, Moody's and S&P are shown) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link Asset Services credit worthiness service.

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- Hong Kong
- France
- U.K.

AA-

- Belgium
- Qatar

APPENDIX F

Treasury Management Scheme of Delegation

(i) Council

- Receiving and reviewing reports on treasury management policies, practices and activities
- Approval of the annual strategy.
- Approval of/amendments to the council's adopted clauses and treasury management policy statement
- Receiving and reviewing the mid-year update report
- Receiving and reviewing the outturn report
- Budget consideration and approval

(ii) Overview and Scrutiny Board

- Receiving and reviewing regular monitoring reports and making recommendations

(iii) Lead Member for Finance and Support Services

- Receiving and reviewing the mid-year update report
- Receiving and reviewing the outturn report

(iv) Chief Finance Officer

- Reviewing the treasury management policy and procedures and making recommendations to the council.
- Adopting the treasury management policy and procedures in day-to-day treasury management transactions.

APPENDIX G

The Treasury Management Role of the Section 151 Officer

The S151 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.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following -
    - *Risk management (TMP1), including investment and risk management criteria for any material non-treasury investment portfolios;*
    - *Performance measurement and management (TMP2), including methodology and criteria for assessing the performance and success of non-treasury investments;*
    - *Decision making, governance and organisation (TMP5), 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), including where and how often monitoring reports are taken;*

- *Training and qualifications (TMP10), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

APPENDIX H

ECONOMIC BACKGROUND

UK. Brexit. There will continue to be uncertainty as the detail of a trade deal will need to be negotiated by the current end of the transition period in December 2020, which the Prime Minister has pledged he will not extend.

GDP growth has taken a hit from Brexit uncertainty during 2019; quarter three 2019 surprised on the upside by coming in at +0.4% q/q, +1.1% y/y. However, the peak of Brexit uncertainty during the final quarter appears to have suppressed quarterly growth to probably around zero. The economy could experience tepid growth around about 1% until there is more certainty after the trade deal deadline is passed.

The Bank made a change in their Brexit assumptions to now include a deal being eventually passed. Possibly the biggest message that is worth taking note of from the Monetary Policy Report, was an increase in concerns among MPC members around weak global economic growth and the potential for Brexit uncertainties to become entrenched and so delay UK economic recovery. Consequently, the MPC voted 7-2 to maintain Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or Brexit uncertainties intensify, then a rate cut was now more likely. Conversely, if risks do recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for trade between the UK and EU and by how much global growth rates pick up. The Bank revised its inflation forecasts down – to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence the MPC views inflation as causing little concern in the near future.

The **MPC meeting of 19 December** repeated the previous month's vote of 7-2 to keep Bank Rate on hold. Their key view was that there was currently 'no evidence about the extent to which policy uncertainties among companies and households had declined'. The two members who voted for a cut were concerned that the labour market was faltering. On the other hand, there was a clear warning in the minutes that the MPC were concerned that "domestic unit labour costs have continued to grow at rates above those consistent with meeting the inflation target in the medium term".

If economic growth were to weaken considerably, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%. It would therefore, probably suggest that it would be up to the Chancellor to provide help to support growth by way of a **fiscal boost** by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy. The Government has already made moves in this direction and it made significant promises in its election manifesto to increase government spending by up to £20bn p.a., (this would add about 1% to GDP growth rates), by investing primarily in infrastructure.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell again in October to 1.5%. It is likely to remain close to or under 2% over the next two years and so it does not pose any immediate concern to the MPC at the current time.

With regard to the **labour market,** growth in numbers employed has been quite resilient through 2019 until the three months to September where it fell by 58,000. However, this was about half of what had been expected. The unemployment rate fell back again to a 44 year low of 3.8% on the Independent Labour Organisation measure in September, despite the fall in numbers employed, due to numbers leaving the work force. Wage inflation has been edging down from a high point of 3.9% in July to 3.8% in August and now 3.6% in September, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 1.9%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.

APPENDIX I

SALFORD CITY COUNCIL

TREASURY MANAGEMENT PRACTICES

TMPs 1 to 12

CONTENTS

TREASURY MANAGEMENT PRACTICES (TMPs 1 to 12)

INTRODUCTION

Treasury Management Practices (TMPs) set out the manner in which Salford City Council (the Council) will seek to achieve its treasury management policies and objectives (as set out in the Treasury Management Policy Statement) and how it will manage and control its treasury management activities.

This 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 includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

This council will ensure that all the organisation's investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

TMP1 - RISK MANAGEMENT

1.1 LIQUIDITY

1.1.1 Amounts of approved minimum cash balances and short-term investments

The balance sheet cash figure includes credit bank balances, bank balances overdrawn and short-term investments.

In daily dealings the Treasury Manager will attempt to ensure that the expected net bank balance for the day remains between 0 and £200,000cr. Overdraft arrangements, if required, are set out in 1.1.2 b below. There is no approved minimum amount for short-term investments, which may therefore be nil, but in order to maintain liquidity a balance of £25m in callable investments is targeted.

Cash-in-transit and sums held in delegated schools' bank accounts are also included in the Council's balance sheet as 'cash', but these do not contribute to treasury management daily dealing procedures and decisions. These sums are outside of central control and there is no approved minimum balance.

1.1.2 Details of:

a. Standby facilities

In an emergency, an extension to the bank overdraft facilities outlined in b below may be arranged with Barclays Bank plc. Apart from that, the provisions outlined in 1.1.1 above, and b to e below, are considered to be sufficient.

b. Bank overdraft arrangements

Net: £0.5m (the aggregate of *all* balances on the main pooled accounts).

Gross: no limit (the aggregate of *debit* balances on the main pooled accounts).

c. Short-term borrowing facilities

Use is made of short term funds on the money market.

d. Insurance/guarantee facilities

See paragraph 1.8.3.

e. Other contingency arrangements.

The Treasury Manager shall make use of borrowing and lending facilities to ensure that the Council has sufficient, but not excessive, cash resources.

1.2 INTEREST RATE

1.2.1 Details of approved interest rate exposure limits

The Council has no control over interest rates and no set minimum or maximum allowable in its dealings. However, the Treasury Manager will take advice from its treasury management consultants and senior managers if necessary, particularly for long-term borrowing, and make a judgement on the most appropriate timing of borrowing and lending to ensure that the most favourable rates are achieved, while having regard to service needs, cash flow and maturity profiles.

1.2.2 Trigger points and other guidelines for managing changes to interest rate levels

See 1.2.1

1.2.3 Minimum/maximum proportions of variable rate debt

In accordance with CIPFA Code of Practice on Treasury Management as adopted by the Council on 20th March 2002, before each financial year the Council shall set a limit on the maximum proportion of borrowing which is subject to variable rate interest. The limit set shall not exceed 10%, set by Council in February 2018.

In preparing the maturity structure PIs lender option borrower option (LOBOs) have been treated as fixed borrowing with a maturity date as the next call date. When setting the previous limit for variable rate borrowing, the year with the most callable LOBOs in was used to determine the percentage of loans that were variable.

The current maximum proportion is 10%. The minimum is 0%.

1.2.4 Minimum/maximum proportions of fixed rate debt/interest

This is the converse of 1.2.3. The minimum proportion of borrowing which is subject to fixed rate interest is 90%. The maximum is 100%.

1.2.5 Policies concerning the use of financial derivatives and other instruments for interest rate management.

a. Forward dealing - At the discretion of the Treasury Manager, if it secures advantageous rates, and having consideration to cash flow and security of investment.
b. Callable deposits (fixed investments for up to 5 years at borrower's option)
c. LOBOs (borrowing under lender's option/borrower's option)

While providing the potential for a favourable return, LOBO loans are considered to exacerbate exposure to interest rate risk and to lessen the Council's control of its portfolio. Treasury officers shall not borrow under LOBO agreements without obtaining approval from the S151 Officer (in consultation with the Lead Member for Finance and Support Services).

1.3 EXCHANGE RATE

1.3.1 Details of approved exchange rate exposure limits for cash investments/debt

Not applicable to local authorities.

1.3.2 Policies concerning the use of financial derivatives for exchange rate risk management

Not applicable to local authorities.

1.3.3 Approved criteria for managing changes in exchange rate levels

10.1.2 a. As a result of the nature of the Council's business, there may be 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. Where material, the Council will adopt a full hedging strategy to control and add certainty to the sterling value of these transactions. This will mean that the Council will eliminate all foreign exchange exposures as soon as they are identified.

10.1.3 b. 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. Unexpected receipt of foreign currency income will be converted to sterling at the earliest appropriate opportunity.

1.4 INFLATION

1.4.1 Details of approved inflation exposure limits for cash investments/debt

During the current period of low and stable worldwide inflation there is little requirement for an active consideration of the impact of inflation. The key consideration is that investments reap the highest real rate of return, with debt costing the lowest real cost, consistent with other risks mentioned within this section.

1.4.2 Approved criteria for managing changes in inflation levels

Inflation both current and projected will form part of the debt and investment decision-making criteria both within the strategy and operational considerations.

1.4.3 Policies concerning the use of financial derivatives for inflation risk management

Not applicable to local authorities.

1.5 CREDIT AND COUNTERPARTY POLICIES

1.5.1 Criteria to be used for creating/ managing approved counterparty lists/limits

a. There is no risk to the Council regarding sums which it has borrowed and accordingly the policy is that monies can be borrowed from any counterparty.

b. The security of any Capital sums which are available for investment is of paramount importance and is the overriding issue whenever investments are made.

c. The S151 Officer will formulate criteria for assessing and monitoring the credit risk of investment counterparties and will determine time, type, sector and specific counterparty limits. The criteria/limits are outlined at d - l below.

d. Guidance on Local Authority Investments issued by the Secretary of State under Section 15(1)(a) of the Local Government Act 2003 distinguishes between Specified and Non-specified investments. Specified investments are those that offer high security and high liquidity in sterling for no more than one year. They include investments with central or local government or in a body with a "high credit rating". Non-specified investments have a higher potential risk.

e. The Council's treasury management advisors, Link, provide information on a regular basis regarding creditworthiness of potential counterparties. This information includes the credit ratings ascribed by Fitch, Moody's and Standard and Poor's together with a further measure based on the traded price of credit default swaps in the financial markets. A credit default swap is, in essence, an insurance against the counterparty defaulting on a deal. The price of credit default swap is used as an indicator of the market sentiment towards an individual institution's likelihood of defaulting on a deal.

   Sector use the credit rating and credit default swap information to construct a matrix and assign a colour code to indicate the relative credit worthiness of institutions which have varying ratings. The colour code relates to the suggested maximum period for which monies should be invested with a counterparty.

f. Minimum requirements for Specified investments are as follows:

	Fitch Rating	Fitch Rating	Fitch Rating	Fitch Rating	Maximum Investment	Maximum Period
Sovereign – European Union and Scandanavia	AA-					
Sovereign – rest of the world	AAA					
UK Clearing Banks	A	F1	B/C	2	£15m	364 days
UK Building Societies	A	F1	B/C	2	£15m	364 days
European Banks	A	F1	B/C	2	£15m	364 days
Money Market Funds; CNAV,	AAA				£15m	3 months

LVNAV, VNAV						
Local Authorities :	n/a	n/a	n/a	n/a	£15m	364 days
Debt Management Office	n/a	n/a	n/a	n/a	£15m	364 days

In accordance with the guidance all local authorities and the Debt Management Office count as specified investments even though they do not carry a formal rating.

g. Non-specified investments are those which are not in sterling or of greater than 365 days duration or not satisfying the creditworthiness criteria above. Non specified investments will be made in compliance with the following guidelines.

   1. The investment will be in sterling

   2. The duration will be less than 365 days unless approved by the S151 Officer.

   3. The sovereign rating of the country in which the institution is domiciled must be AA- if within the European Union or Scandanavia or AAA if elsewhere.

   4. Up to £15M in aggregate at any time may be invested for periods up to 364 days with the Council's bank, Barclays Bank plc.

   5. In addition, up to £30M in aggregate at any time may be invested in UK banks and building societies with a minimum credit rating of A/F1/C/3. No more than £15M at any time may be invested in any one such institution. Any such investment should secure an additional interest yield when compared with the best available specified investment.

   6. Investments of up to £5M for up to 6 months may be invested in Irish banks or building societies with a minimum credit rating of A/F1/C/3 subject to the sovereign rating. Again, any such investment should secure an additional interest yield when compared with the best available specified investment.

h. No more than 20% of investments shall be with any one organisation.

i. No more than half of the total investment limit for an individual institution shall be invested for more than 6 months.

j. The total investment in institutions within a trading group shall be limited to £15M.

k. The Treasury Manager will maintain an approved counterparty list in line with these criteria/limits. The complete list of approved counterparties will be included in the annual report.

l. Where the Council contracts with an external cash fund manager, the contract shall include an investment policy statement approved by the S151 Officer. This will take into consideration the Council's own policies, flexibilities to be allowed the fund manager, and the advice of the Council's treasury management consultants.

1.5.2 Approved methodology for changing limits and adding / removing counterparties

Credit ratings for individual counterparties can change at any time. The Treasury Manager will adjust the counterparty list as appropriate when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers.

The S151 Officer may, from time to time, amend the limits in 1.5.1 d to i above, taking into account advice from the Treasury Manager. The Treasury Manager shall on such an occasion update the counterparty list.

1.6 REFINANCING

1.6.1 Debt/other Capital financing maturity profiling, policies and practices

As a general principle, treasury management officers should seek to ensure an ‘even’ maturity profile, particularly in the short to medium term. However, the Treasury Manager shall determine actual borrowing, having regard to the Council’s funding needs, current borrowing strategy and achievable interest rates.

The Treasury Manager shall bear in mind the opportunity for rescheduling of debt, having regard to the potential interest savings and risk, the maturity profile, and taking advice from the Council’s treasury management advisers.

The approval of the S151 Officer is required for any debt rescheduling, which shall be reported to the Lead Member for Finance and Support Services at the meeting following its action.

1.6.2 Projected Capital investment requirements

The Treasury Manager shall liaise with Capital Accountants and have regard to the Capital financing requirement arising from the Capital programme in making subsequent borrowing and lending decisions.

1.6.3 Policy concerning limits on revenue consequences of Capital financing.

Treasury management staff shall have full regard to the CIPFA Prudential Code for Capital Finance in Local Authorities.

1.7 LEGAL AND REGULATORY

1.7.1 References to relevant statutes and regulations

Officers and members involved in treasury management shall have regard to:

a. The CIPFA Code of Practice 'Treasury Management in the Public Services', of which TMPs form an important part;

b. The 'Non-Investment Products Code;

c. Overarching primary and secondary legislation such as the Local Government Act 2003.

d. The CIPFA Standards of Professional Practice.

e. The UK Money Markets Code

1.7.2 Procedures for evidencing the organisation's powers/authorities to counterparties

As a local authority, the Council's powers to borrow and lend are widely known by counterparties, and it is not necessary to have specific procedures to evidence them.

Where he/she considers it to be appropriate, at the request of a counterparty, the Treasury Manager will sign documentation classifying the Council as a 'Professional Client'.

1.7.3 Required information from counterparties concerning their powers/authorities

Those organisations which meet the criteria set out in 1.5.1 will, by definition, have powers to borrow from the Council.

The regulatory risk is not relevant in the case of the Council borrowing monies (the risk is with the lender), however treasury management officers shall have regard to TMP9 *Money Laundering*.

1.7.7 Statement on the organisation's political risks and management of same.

The risk of a change in Council policy sufficient to have a significant impact on the treasury management function is considered to be negligible.

1.8 FRAUD, ERROR AND CORRUPTION AND CONTINGENCY MANAGEMENT

1.8.1 Details of systems and procedures to be followed, including internet services

To reduce the risk of fraud in its dealing with other bodies, treasury management officers shall deal only with certain corporations and public bodies, and through recognised brokers, each regulated by legislation and code. Details are found in paragraph 1.5 and in *TMP9 Money Laundering*.

All treasury management activities include requirements for checking and authorisation, and adhere to the principle of division of duties. Details can be found in TMP4 *Approved Instruments, Methods and Techniques* and TMP5 *Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements.*

Likewise Barclays.net, the Council's on-line banking and dealing system, is subject to comprehensive password and authorisation controls.

Recruitment procedures ensure that the integrity of treasury management staff is of the highest level.

Treasury management shall not be conducted via internet dealing with the exception of the use of the ICD Portal to place or draw down funds with approved City Council counter parties. In the event of a change in this policy (to be authorised by the S151 Officer), the risk will be assessed and appropriate procedures developed.

1.8.2 Emergency and contingency planning arrangements

Arrangements for staff cover are set out in TMP5 *Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements.*

In the event of failure of the Barclays.net system, treasury management officers shall follow the documented back-up procedures. These also include requirements for checking and authorisation, and adhere to the principle of division of duties.

1.8.3 Insurance cover details.

The Council's insurance is arranged by Insurance Officers of the Risk Management Section.

Fidelity Guarantee insurance with AIG cover the Council's legal liability to pay compensation through the fraud or corruption of its employees to the sum of £5m, subject to an excess of £100,000.

Officials Indemnity insurance through AIG covers the Council's legal liability to pay compensation to third parties caused by the error of Council officers to the sum of £5m, subject to an excess of £250,000.

1.9 MARKET VALUE OF INVESTMENTS

1.9.1 Details of approved procedures and limits for controlling exposure to investments whose Capital value may fluctuate (gilts, CDs, etc)

Treasury management officers shall not invest in instruments whose Capital value may fluctuate with the exception of property funds as approved by Council on 18 November 2015. In the event of a change in this policy (to be authorised by the S151 Officer), the risk will be assessed and appropriate procedures developed.

Where external fund managers invest on behalf of the Council, they shall be required to submit an annual strategy which includes plans and procedures for dealing with this kind of instrument. This strategy shall be submitted to the S151 Officer who will take into consideration advice from the Council's treasury management advisors.

10 Non-Treasury risk management

For non-treasury investments the council should be clear as to what powers have been used for each non-treasury investment. The council should record, normally in the report approving the investment:-

- Date investment made
- Cost
- Expected income
- Approval by which committee / full council / officer (if using delegated authority)
- Legal power used
- Purpose e.g. income generation
- Service (where relevant)
- The extent to which the capital invested is placed at risk
- The impact of any potential losses on the financial sustainability of the organisation
- Dates for periodic review to take account of changes in market and other conditions.
- Title of posts outside of the treasury management team who are responsible for each non treasury investment and periodic monitoring

TMP2 - PERFORMANCE MEASUREMENT

Annual Review

Treasury management officers shall prepare for Overview and Scrutiny Board and Council an annual report on treasury management activities, as set out in TMP6.

Achievement of the investment interest earned budget will be measured as part of the budget monitoring process.

POLICY CONCERNING METHODS FOR TESTING BEST VALUE IN TREASURY MANAGEMENT

Frequency and processes for tendering

Treasury management tenders will follow standard Council practice as set down in Standing Orders and Financial Regulations and, where appropriate, OJEU procedures.

Banking services

The Chief Finance Officer will negotiate a contract for banking services that balances a level of service provision with a competitive pricing structure to ensure best value. The contract may contain break clauses and is to be capable of re-tendering and/or renegotiation at suitable intervals in order to preserve the best interests of the Council.

The current contract, with Barclays Bank plc, is for 5 years with the option of a two year extension, operative from 1st February 2015.

Money-broking services

The Council shall use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them.

An approved list of brokers will be established which takes account of quality of service and standing in the market.

On a daily basis, treasury management officers shall compare rates available from different brokers and bank rates and also consider the use of money market funds in order to obtain the most competitive rate.

Cash/Fund Management Services

The Council's current policy is that treasury management is a key, corporate function that should be retained within the Council. However, from time to time the Chief Finance Officer shall consider the advantages and disadvantages of alternative means of providing the treasury management function, as part of a best value review of the service.

Consultants'/advisers' services

The Council's policy is to appoint professional treasury management consultants to provide impartial advice and add value to the treasury management function. See TMP11 *Use of External Service Providers* for further details.

Policy on External Managers

The Council's policy is to appoint professional cash/external investment fund managers for a proportion (to be determined by the Chief Finance Officer) of its investments where appropriate. It will comply with the Local Organisations (Contracting Out of Investment Functions) Order 1996 (SI 1996 No 1883).

a. The delegation of investment management to external managers will entail the following:
b. A formal contractual agreement and documentation;
c. Agreement on terms for early termination of the contract;
d. Setting of a benchmark of 7 day LIBID with a performance target of at least 15% in excess of this
e. Setting of investment counterparty constraints;
f. Quarterly reporting of performance;
g. Quarterly meetings with investment managers;
h. Setting of other constraints/parameters/conditions as are considered to be necessary to preserve the best interests of the Council.

i. The Code of Practice places an obligation on the organisation to monitor the performance of the fund managers. This organisation has appointed Link Asset Services Limited to assist in this.

J See TMP11 *Use of External Service Providers* for further details.

METHODS TO BE EMPLOYED FOR MEASURING THE PERFORMANCE OF THE ORGANISATION'S TREASURY MANAGEMENT ACTIVITIES

Benchmarking

The Treasury Manager shall attend the Greater Manchester Treasury Management Group and any other appropriate forums to discuss and compare the performance of the Council's treasury management activities.

Performance Indicators

The GM Treasury Management Group uses the CIPFA Benchmarking Club to compare performance in the following areas:

a. Size of portfolio;
b. Numbers of transactions;
c. Service costs (absolute and in relation to overall budget);
d. Consolidated rate of interest;
e. Average daily investments managed;
f. Investment rate achieved;
g. Tolerance for daily bank balance (and proportion of days within tolerance);
h. Proportion of debt subject to variable interest rates.

BENCHMARKS AND CALCULATION METHODOLOGY

Debt management

Treasury management officers shall produce indicators based on the following benchmarks

a. Average rate on all external debt
b. Average rate on external debt borrowed in previous financial year
c. Average period to maturity of external debt
d. Average period to maturity of new loans in previous year

Investment.

The performance of investment earnings for both in-house and cash fund manager's investments will be measured against 7 day LIBID.

Non-Treasury

The report approving the non-treasury investment should detail the person responsible for monitoring non treasury investment and the review periods

TMP3 - DECISION-MAKING AND ANALYSIS

Decision Records to be kept

Council, Cabinet, Committee or Lead Member minutes and decision notices will record all treasury management decisions taken by members.

Treasury management officers shall record the reason for daily dealing transactions on the sheet daily summary sheet from PS Live. They are not required to record the reasons behind the choice of a particular deal over another one that might be available, except where the transaction is exceptional or unusual.

Treasury management officers shall record all transactions on the PS Live database and in the diary, and retain documents for each individual transaction.

Processes to be pursued

In respect of funding decisions:

a. the Chief Finance Officer will consult with the Council's treasury management advisors and formulate a strategy;
b. the strategy will be set down in an annual report as outlined in TMP6 *Reporting requirements and management information arrangements*;
c. treasury management officers will conduct their activities in line with the strategy and the practices set out in TMP5 *Organisation, clarity and segregation of responsibilities, and dealing arrangements.*

In respect of borrowing and investment decisions, treasury management officers will:

a. consult with brokers on a daily basis to determine the availability, duration and interest rates of deals;
b. decide upon and conduct the most favourable deals for the Council;
c. carry out the transactions in accordance with the practices set out in TMP5 *Organisation, clarity and segregation of responsibilities, and dealing arrangements.*

Issues to be addressed

In respect of *every* decision made, appropriate members or officers of the Council will:

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

In respect of borrowing and other funding decisions, appropriate members or officers of the Council will:

a. evaluate the economic and market factors that might influence the manner and timing of any decision to fund;
b. consider the advantages and disadvantages of alternative forms of funding, including funding from revenue, leasing and private partnerships;
c. consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use;
d. consider the ongoing revenue liabilities created, and the implications for the Council's future plans and budgets.

In respect of investment decisions, appropriate members or officers of the Council will:

a. consider the optimum period, in the light of cash flow availability and prevailing market conditions;
b. 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.

TMP4 - APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

11 GENERAL

12

The following paragraphs specify the wider activities, instruments and techniques permitted by law and adopted by the Council.

Where there is a conflict with another TMP which details a narrower range of permitted activities, instruments or techniques than that shown below, the other TMP shall have priority. In particular, this may be the case with TMP1 *Treasury risk management* where the Council may restrict activities beyond the limits permitted by this TMP in order to ensure even greater control over risks.

13 APPROVED ACTIVITIES OF THE TREASURY MANAGEMENT OPERATION

- Borrowing
- Lending
- Debt repayment and rescheduling

- Consideration, approval and use of new financial instruments and treasury management techniques
- Managing the underlying risk associated with the Council's Capital financing and surplus funds activities
- Managing cash flow
- Banking activities
- Leasing
- Use of external fund managers
- Managing the underlying exchange rate risk associated with the Council's business activities

14 APPROVED INSTRUMENTS FOR INVESTMENTS

- Gilts
- Treasury Bills
- Deposits with banks, building societies or local authorities and money market funds
- Certificates of deposits with banks or building societies
- Euro-Sterling issues by certain supra-national bodies listed on the London and Dublin Stock Exchanges
- AAA-rated money market funds
- Debt Management Account (run by DMO/PWLB)
- Property funds

APPROVED TECHNIQUES

- Forward dealing
- Callable deposits

APPROVED METHODS AND SOURCES OF RAISING CAPITAL FINANCE

On Balance Sheet	Fixed	Variable
PWLB	●	●
EIB	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Overdraft		●
Negotiable Bonds	●	●
Internal (Capital receipts & revenue balances)	●	●

Commercial Paper	●	
Medium Term Notes	●	
Off Balance Sheet		
Leasing (not finance leases)	●	●
Deferred Purchase	●	●

All forms of funding will be considered dependent on the prevailing regulations, economic climate and local considerations. The S151 Officer has the power (through the scheme of delegation) to take the most appropriate form of borrowing from approved sources.

LIMITS

Limits on the value of borrowing and investment through different instruments are set out in TMP1 *Treasury risk management*

15 IMPLEMENTATION OF MIFID II REQUIREMENTS

Since 3 January 2018, UK public sector bodies have been defaulted to "retail" status under the requirements of MiFID II. However, for each counterparty it is looking to transact with, (e.g. financial institution, fund management operator, broker), there remains the option to opt up to "professional" status, subject to meeting certain requirements specified by MIFID II and that it has the appropriate level of knowledge and experience and decision making processes in place in order to use regulated investment products.

MIFID II does not cover term deposits so local authorities should not be required to opt up to professional status. However, some non-UK banks do not have the necessary regulatory permissions to deal with retail clients, so opting up to professional status would be required.

For investing in negotiable investment instruments, (e.g. certificates of deposit, gilts, corporate bonds), money market funds and other types of investment funds, which are covered by MIFID II, a schedule is maintained of all counterparties that the treasury management team are authorised to place investments with. This specifies for each investment instrument and for each counterparty, whether the authority has been opted up to professional status. (N.B. some money markets funds will deal with both retail and professional clients.)

SCHEDULE FOR OPT UPS TO PROFESSIONAL STATUS

TP-ICAP
BGC Brokers
Link Asset services
ICD
FIS
Federated
Deutsche Bank

TMP5 - ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

5.1 LIMITS TO RESPONSIBILITIES/DISCRETION AT COMMITTEE/EXECUTIVE LEVELS

5.1.1 General

Salford City Council has an elected City Mayor. The elected City Mayor is democratically accountable to all residents of the City of Salford and has adopted the 'leader and cabinet' style of executive. In general, this means that policies within the 'policy framework' are approved at full Council. All other functions are the responsibility of the Cabinet. The Treasury Management Policy falls within the policy framework, and its adoption by Cabinet has been approved by Council.

Through the Council Constitution's Scheme of Delegation, responsibility for the implementation and monitoring of treasury management policies and practices is delegated from the City Mayor to the Lead Member for Finance and Support Services, responsibility for the execution and administration of treasury management decisions is delegated to the S151 Officer, and authority to execute transactions is delegated to the Strategic Finance Manager.

5.1.2 Full Council

Full Council shall:-

a. receive the annual review of treasury management activities;
b. approve the annual budget, including the revenue consequences of Capital financing;
c. receive and review Audit Committee recommendations and require appropriate action of Cabinet.

5.1.3 The City Mayor

The City Mayor shall:-

a. approve the Council's adopted clauses (of the treasury management code of practice);
b. approve the Treasury Management Policy Statement;
c. approve treasury limits and the annual Treasury Management Strategy;
d. receive recommendations from theOverview and Scrutiny Board.

5.1.4 Lead Member for Finance and Support Services

The Lead Member for Finance and Support Services is responsible to Cabinet for all financial activities, including treasury management, and shall:

a. require the S151 Officer to make arrangements for treasury management in accordance with the policy and strategy approved by the City Mayor;
b. monitor performance against the approved policy and strategy;
c. submit reports prepared by the S151 Officer to the City Mayor where approval or note is required;
d. approve the selection of external service providers and agree terms of appointment.

5.1.5 Audit and Accounts Committee

Audit and Accounts Committee shall:-

a. receive reports of Internal and External Audit;
b. recommend appropriate actions to the Lead Member, City Mayor, and/or full Council.

5.1.6 Overview and Scrutiny Board

Overview and Scrutiny Board shall:-

a. receive half-yearly reports on treasury management activities;

b. recommend appropriate actions to the Lead Member, City Mayor, and/or full Council.

5.2 PRINCIPLES AND PRACTICES CONCERNING SEGREGATION OF DUTIES

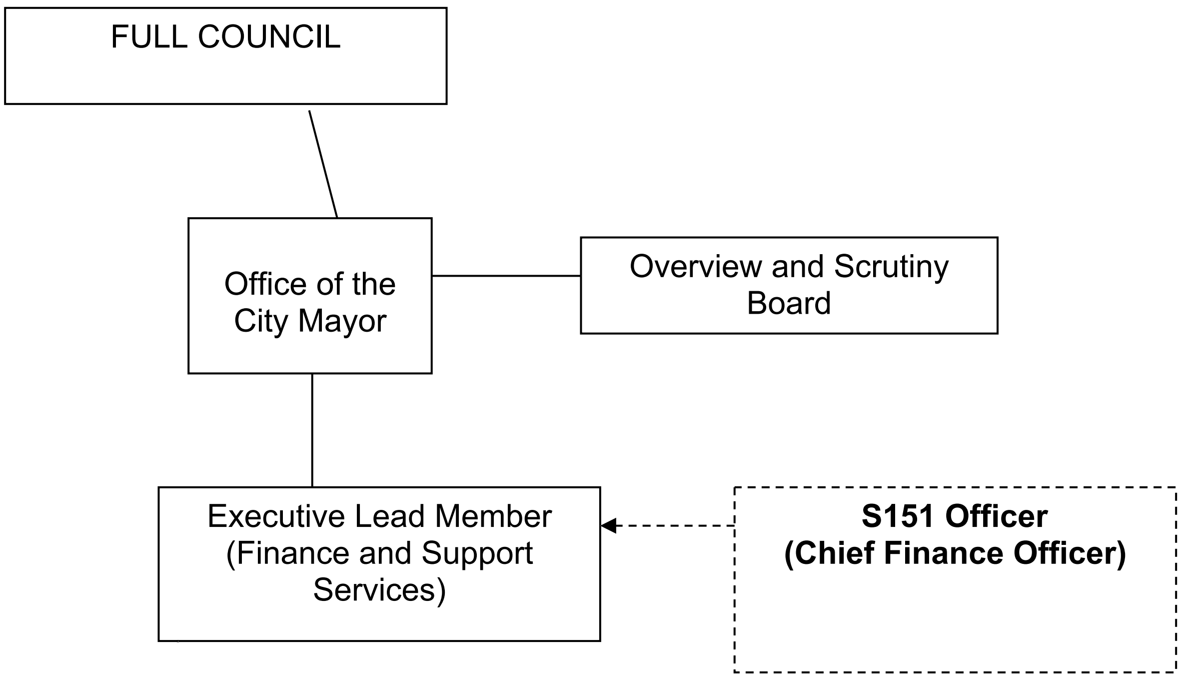
5.2.1 The main principle is that those officers with the authority and ability to authorise, effect and verify Treasury Management transactions shall in each case be different officers.

5.2.2 All transactions shall be authorised by one of the officers delegated by the S151 Officer (i.e. one of the designated strategic finance or finance managers).

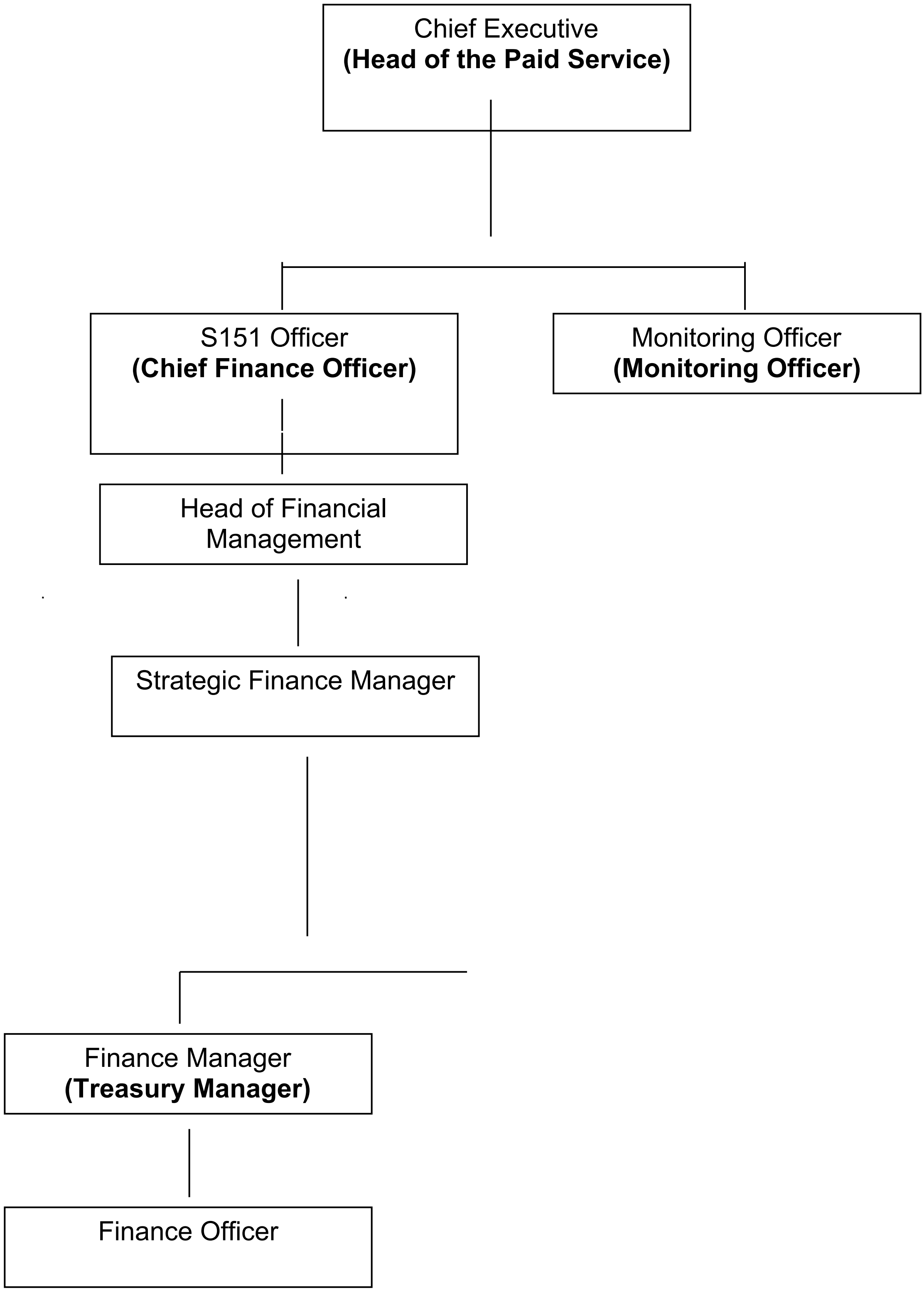
5.2.3 The S151 Officer (or a delegated member of his/her team) shall be responsible for effecting transactions..

5.3 TREASURY MANAGEMENT ORGANISATION CHARTS

5.3.1 Members



5.3.2 Officers



5.4 STATEMENT OF DUTIES/RESPONSIBILITIES OF EACH TREASURY POST

5.4.1 Chief Finance Officer

The Chief Finance Officer is the S151 Officer. He/she has overarching responsibilities under s151 of the Local Government Act 1972 to make proper arrangements for financial affairs.

In relation to treasury management he/she shall:

a. recommend for adoption the clauses of the treasury management code of practice;
b. recommend for approval the treasury management policy;
c. approve Treasury Management Practices;
d. regularly review and monitor compliance against the treasury management policy and Treasury Management Practices;
e. report non-compliance to the Lead Member;
f. submit budgets and budget variations to the Lead Member;
g. receive and review management information reports;
h. review the performance of the treasury management function and promote best value reviews;
i. ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
j. ensure the adequacy of internal audit, and liaising with external audit;
k. recommend to the Lead Member the appointment of external service providers.

In practice, the S151 Officer may delegate any or all of these functions to the Head of Financial Management.

5.4.2 Head of Financial Management

The Head of Financial Management has delegated power to take the most appropriate form of borrowing from the approved sources and to take the most appropriate form of investments in approved instruments.

Prior to entering into any Capital financing, lending or investment transaction, it is the responsibility of the Head of Financial Management to be satisfied, by reference to the S151 Officer, the Monitoring Officer, the Council's legal team and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation, Standing Order, Financial Regulation or other part of the Council's constitution.

The Head of Financial Management may delegate his/her power to borrow and invest to members of staff. All transactions must be conducted by officers authorised by the Head of Financial Management, and all transactions must be authorised by officers given that power by the Head of Financial Management.

It is also the responsibility of the Head of Financial Management to ensure that the Council complies with the requirements of The Non-Investment Products Code for principals and broking firms in the wholesale markets.

5.4.3 Treasury Manager

The Finance Manager (Treasury Management) on the Corporate Accountancy team is assigned the role of Treasury Manager. His/her duties shall include:-

a. Administration of the Treasury Management function on a day-to-day basis
b. Calculation of cash flow;
c. Execution of Treasury Management transactions;
d. Ensuring adherence to agreed policies and practices;
e. Maintaining good relationships with third parties and external service providers;
f. Supervising Treasury Management staff;
g. Monitoring and reporting on performance;
h. Preparation and submission of management information;
i. Identification of opportunities for improving practices.

The Treasury Manager may delegate any non-supervisory duties to the Finance Officer on his/her team.

5.4.4 Strategic Finance Manager

This position has a management role over the treasury management team. They shall act for the S151 Officer to ensure that the treasury management team has sufficient resources to carry out its functions effectively.

The Strategic Finance Manager shall control access and passwords on the Barclays.net and ICD on line systems.

5.4.5 Senior Finance Support Officer

The Senior Finance Support Officer on the treasury management team shall conduct all treasury management activities under the direction of the Treasury Manager.

5.4.6 Finance Support Officer

The responsibilities of this post in respect of Treasury Management shall be: -

a. Verifying that authorised Treasury Management transactions (only) have taken place;
b. Reporting any variations to the Strategic Finance Manager direct, **not** through a member of the Treasury Management team.

5.4.7 Head of the Paid Service (City Director)

The responsibilities of this post in respect of Treasury Management shall be:

a. Ensuring that a treasury management system is specified and implemented by the S151 Officer
b. Ensuring that the City Treasurer reports regularly to Lead Member for Finance and Support Services on treasury policy, activity and performance.

5.4.8 Monitoring Officer

The Monitoring Officer role is currently assigned to the City Solicitor.

The responsibilities of this post in respect of Treasury Management shall be: -

a. To be satisfied that the Treasury Management Policy Statement and Treasury Management Practices, and any proposals to vary them, comply with the law, any appropriate codes of practice and the Council's Constitution;

b. Ensuring that the S151 Officer complies with the Treasury Management Policy Statement and Treasury Management Practices;
c. To give advice to the S151 Officer when it is sought.

5.4.9 Internal Audit

Internal audit shall be carried out by the Audit and Risk Management Unit (ARMU). The responsibilities of AMRU shall be to: -

a. Review compliance with the approved Treasury Management Policy Statement and Treasury Management Practices;
b. Review division of duties and operational practice;
c. Assess value for money from treasury activities;
d. Undertake probity audits of the treasury function.

5.5 ABSENCE COVER ARRANGEMENTS

5.5.1 Daily money-market dealing is to be carried out by a member of the Treasury team. The team comprises the Finance Manager and the Finance Officer and they will endeavour to plan leave so that their absence is not concurrent.

5.5.2 In the absence of both members of the Treasury team, cover will be provided by other members of the accountancy team.

5.5.3 Transaction authorisation is to be given out by one of the Strategic Finance Managers

5.5.4 If operational requirements dictate, the S151 Officer may give other officers temporary powers to conduct or authorise transactions.

5.6 DEALING LIMITS

5.6.1 Overall limits are set out in TMP4 Approved instruments, methods and techniques.

5.6.2 There are no further limits placed on the powers of individual officers to conduct or authorise transactions.

5.7 LIST OF APPROVED BROKERS

5.7.1 Approved brokers:

a. ICAP;
b. Martin Brokers (UK) plc;
c. Prebon Yamane;
d. Tradition UK Ltd;
e. Sterling International Brokers Limited;
f. ICD Institutional Cash Distributors

5.7.2 Brokers are regulated by the Financial Conduct Authority (FCA) and also governed by the Non-Investments Products Code. The Treasury Manager may add properly-registered brokers to the approved list as he/she sees fit.

5.8 POLICY ON BROKERS' SERVICES

5.8.1 Apart from the following transactions all treasury management deals shall be conducted through brokers:

a. Deals with the Barclays Bank plc;
b. Investments with the DMO;
c. Loans from PWLB;
d. Investments in call accounts (Svenska / Barclays FIBCA).
e. Investments in Money Market Funds (Prime Rate/Standard life/Blackrock/Deutsche)
f. Investments with Bank of Ireland / Anglo Irish Bank
g. Rescheduling of market loans directly with existing lenders

5.9 POLICY ON TAPING OF CONVERSATIONS

5.9.1 Officers undertaking treasury management activities may have their telephone conversations taped by other organisations.

5.9.2 Some telephone conversations may be recorded by Council Voice Communications staff as a matter of routine, but Finance and Support Services staff are not required to tape conversations.

5.10 DIRECT DEALING PRACTICES

5.10.1 See 5.8.1

5.11 SETTLEMENT TRANSMISSION PROCEDURES

5.11.1 Investments shall be transmitted via the Barclays.net system. There are three steps to this process:

a. Set the payment up in Barclays.net;
b. Electronic approval in Barclays.net;
c. Verification of the payment post authorisation

5.11.2 Steps a and c are to be conducted by the treasury management team, step b by an officer with power to approve a treasury management transaction (see 5.4 above). Access restrictions on the system, maintained by the Strategic Finance Manager shall ensure the division of duties.

5.11.3 In the case of failure of the Barclays.net system, transactions may be actioned directly in the local branch of Barclays Bank. Documents shall be signed by the officer arranging the transaction and by the authorising officer (who shall have the appropriate signatory level on the authorised signatory list of the bank account) so that the same authorities and divisions of duties apply.

5.11.4 Investments with Barclays Bank may be conducted by treasury management officers manually, subject to the normal authority.

5.12 DOCUMENTATION REQUIREMENTS

5.12.1 Each treasury management transaction shall be evidenced by a dealing slip, containing the details of the transaction and signed by:

the officer who carries out the transaction and inputs it into the Barclays.net system;
the officer who authorises the transaction and electronically approves it in the Barclays.net system.

5.12.2 The Financial Support Officer shall file dealing slips and check them against confirmation slips received from the other parties in treasury management transactions.

5.13 ARRANGEMENTS CONCERNING THE MANAGEMENT OF THIRD-PARTY FUNDS

5.13.1 The treasury management policy and practices shall apply to the funds of Salford Community Leisure Ltd (SCL) and any similar organisation created for the provision of services on behalf of the City Council, where such funds are managed by the treasury management team. The Council's treasury management team shall manage these funds as part of their overall activities.

5.13.2 In general, any trust fund monies or other third-party funds managed by the Council's treasury management team shall be consolidated with the Council's monies for treasury management purposes and the treasury management policy and practices shall apply.

5.13.3 Where officers of the Council, acting as trustees of any fund (and not as officers of the Council) manage trust fund monies, the policy and practices of the trust fund shall apply, not those of the Council.

5.14 ARRANGEMENTS FOR LOCALLY-MANAGED SCHOOLS TO ENSURE COMPLIANCE WITH THE CODE AND THE AUTHORITY 'S POLICIES AND PRACTICES.

5.14.1 The School Bank Accounts Scheme enables schools to operate bank accounts with those high street banks and building societies listed on the 'approved institutions list maintained by the City Treasurer'.

5.14.2 Schools are not permitted to lend, invest or otherwise place funds except in accordance with the Scheme without the prior permission of the S151 Officer, to be obtained via the Treasury Manager, nor are schools permitted to borrow money except from the Council.

5.14.3 The approved institutions list maintained by the S151 Officer shall include those banks and building societies set out in the counterparty list in TMP1 *Treasury Risk Management.*

Non-Treasury
Non- treasury investments should be approved in accordance with the council constitution.

TMP6 - REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

Annual programme of reporting

a) Annual reporting requirements before the start of the year: -
   - review of the organisation's approved clauses, treasury management policy statement and practices
   - **treasury management strategy report** on proposed treasury management activities for the year comprising of the Treasury management strategy statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement
   - **capital strategy** to cover the following: -
     i. give a long term view of the capital programme and treasury management implications thereof.
     ii. an overview of treasury and non-treasury investments to highlight the risks and returns involved in each and the balance, (proportionality), between both types of investments.
     iii. The authorities risk appetite and specific policies and arrangements for non-treasury investments
     iv. Schedule of non-treasury investments

b) Mid-year review
c) Annual review report after the end of the year

16 <u>**Annual Treasury Management Strategy Statement**</u>

The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to overview and scrutiny board and then to the full Council for approval before the commencement of each financial year.

The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter -term variable interest rates. For instance, this Council may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.

The Treasury Management Strategy Statement is concerned with the following elements:

a) Prudential and Treasury Indicators
b) current Treasury portfolio position
c) borrowing requirement
d) prospects for interest rates
e) borrowing strategy
f) policy on borrowing in advance of need
g) debt rescheduling
h) investment strategy
i) creditworthiness policy
j) policy on the use of external service providers
k) any extraordinary treasury issue
l) the MRP strategy

The Treasury Management Strategy Statement will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

17 The Annual Investment Strategy Statement

At the same time as the Council receives the Treasury Management Strategy Statement it will also receive a report on the Annual Investment Strategy which will set out the following: -

a) The Council's risk appetite in respect of security, liquidity and optimum performance
b) The definition of high credit quality to determine what are specified investments as distinct from non-specified investments
c) Which specified and non-specified instruments the Council will use
d) Whether they will be used by the in house team, external managers or both (if applicable)
e) The Council's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
f) Which credit rating agencies the Council will use
g) How the Council will deal with changes in ratings, rating watches and rating outlooks
h) Limits for individual counterparties and group limits
i) Country limits
j) Levels of cash balances
k) Interest rate outlook
l) Budget for investment earnings
m) Use of a cash fund manager (if applicable)
n) Policy on the use of external service providers

18 The Annual Minimum Revenue Provision Statement

This statement will set out how the Council will make revenue provision for repayment of its borrowing using the four options for so doing and will be submitted at the same time as the Annual Treasury Management Strategy Statement.

19 Policy on Prudential and Treasury Indicators

1. The Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.
2. The responsible officer is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to the full Council

20 Mid-year review

The Council will review its treasury management activities and strategy on a six monthly basis. This review will consider the following: -

a) activities undertaken
b) variations (if any) from agreed policies/practices
c) interim performance report
d) regular monitoring
e) monitoring of treasury management indicators for local authorities.

21 Annual Review Report on Treasury Management Activity

An annual report will be presented to overview and scrutiny board 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) transactions executed and their revenue (current) effects
b) report on risk implications of decisions taken and transactions executed

c) compliance report on agreed policies and practices, and on statutory/regulatory requirements
d) performance report
e) report on compliance with CIPFA Code recommendations
f) monitoring of treasury management indicators

Non-Treasury

The report approving the non-treasury investment should detail the person responsible for monitoring non treasury investment and the review periods

TMP7 - BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

Statutory/Regulatory Requirements

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices.
The Council has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to this Council's treasury management activities.

Sample Budgets / Accounts / Prudential and Treasury Indicators

The treasury manager will prepare a three year treasury management medium term financial plan with Prudential and Treasury Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the function, together with associated income. The treasury manager will exercise effective controls over this budget and monitoring of performance against Prudential and Treasury Indicators, and will report upon and recommend any changes required in accordance with TMP6.

The Council's budget is set out annually in the document 'Revenue Estimates and Capital Programme', also published on the internet at www.salford.gov.uk

The Council's Statement of Accounts is published annually and is also included on the internet at www.salford.gov.uk

Comprehensive backing papers to all sets of accounts are maintained on the Corporate Accountancy team of the Finance Division of the Finance and Support Services Directorate.

List of Information Requirements of External Auditors.

- Reconciliation of loans outstanding in the financial ledger to treasury management records
- Maturity analysis of loans outstanding
- Certificates for new long term loans taken out in the year
- **Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type**
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Calculation of interest on working balances
- Interest accrual calculation
- Principal and interest charges reports from the <<system >>
- Analysis of any deferred charges
- Calculation of loans fund creditors and debtors
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential and Treasury Indicators
- Review of observance of limits set by Prudential and Treasury Indicators
- Calculation of the Minimum Revenue Provision
- External fund manager(s) valuations including investment income schedules and movement in capital values.

Monthly Budget Monitoring Report

Monthly Budget Monitoring reports are produced for the corporate management team, the report is intended to highlight any variances between budgets and spend in order that the Council can assess its financial position. Details of treasury management activities are included within this report.

TMP8 - CASH AND CASH FLOW MANAGEMENT

Arrangements for Preparing/Submitting Cash Flow Statements

Cash flow projections are maintained on a daily basis to determine daily funding requirements. This is to be checked by another member of staff and authorised by an appropriate officer as set out in TMP5 *Organisation, clarity and segregation of responsibilities, and dealing arrangements.* The cash flow projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known using PSlive software. A regular report is sent to the Head of Finance/Strategic Finance Manager. A record of loan transactions and investments is maintained on the pslive database

Bank Statements Procedures

The Council receives a daily electronic bank statements. A formal bank reconciliation is undertaken on a monthly basis.

Payment Scheduling and Agreed Terms of Trade With Creditors

The Council has two standard contract conditions documents – one for goods and one for services – however, these may be modified for individual contracts. The standard payment terms are 30 days after receipt of goods or services.

The creditors (SAP accounts payable or AP) system is run to generate BACS payments and cheques every working day.

The system prepares a payment for an invoice whenever the payment terms for that particular supplier cause it to fall due. The default payment term is 30 days, but these can be overridden for particular suppliers (or for certain invoices) to terms of 7 days or 'for immediate payment'.

Arrangements for Monitoring Debtors / Creditors Levels

Treasury management staff have access to the SAP AP system. Creditor levels are monitored on a daily basis to inform daily cash-flow decisions.

Debtors staff are instructed to inform treasury management staff when significant payments are expected.

Procedures for Banking of Funds

There are no longer any significant cash collection facilities run by the Council. Those establishments that do collect cash and cheques for fees and charges are required to make adequate arrangements for the security of monies and regular banking arrangements.

The Council has Post Office-run giro accounts to collect the majority of the cash and cheques previously paid into Council cash offices. The funds in these accounts are transferred into the Council's bank accounts on a weekly basis. Various other cashless collection facilities administered by Allpay are used and funds are transferred to the Council on a daily basis.

The most important of the funds with regard to the collection of income are:

a. Council Tax;
b. NNDR;
c. Housing rents;
d. Sundry debtors.

The Council encourages the majority of payers to use means of direct payment into the Council's bank accounts.

PRACTICES CONCERNING PREPAYMENTS TO OBTAIN BENEFITS

When procuring goods and services under a contract, the Council's standard tendering procedures include a question on possible discounts for early payment.

At their discretion, directorates' administrative staff may accelerate payment of creditor invoices through the urgent payments system in order to secure a discount.

On request, treasury management officers provide analyses of the cash flow benefits of earlier collection of income or later payment of creditors to cost centre managers, in order to inform budgeting/savings decisions.

TMP9 - MONEY LAUNDERING

Proceeds of Crime Act 2002

Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are:

- concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland
- being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property
- acquiring, using or possessing criminal property.

These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include:

- failure to disclose money-laundering offences
- tipping off a suspect, either directly or indirectly
- doing something that might prejudice an investigation – for example, falsifying a document.

The Terrorism Act 2000

This act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment

The Money Laundering Regulations 2012, 2015 and 2017

Organisations pursuing relevant business (especially those in the financial services industry regulated by the FCA) are required to do the following: -

- identify and assess the risks of money laundering and terrorist financing
- have policies, controls and procedures to mitigate and manage effectively the risks of money laundering and terrorist financing identified through the risk assessments
- appoint a nominated officer
- implement internal reporting procedures

- train relevant staff in the subject
-
- obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken
- report their suspicions.

Local authorities

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and subsequent Terrorism Acts and may commit most of the principal offences under the POCA, but are not legally obliged to apply the provisions of the Money Laundering Regulations 2012, 2015 and 2017. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly the Council has done the following: -

a) Devised a money laundering policy, supported by anti-money laundering procedures

b) appoint a member of staff to whom they can report any suspicions. This person is the chief internal auditor

Procedures for Establishing Identity / Authenticity Of Lenders

It is not a requirement under POCA for local authorities to require identification from every person or organisation it deals with. However, in respect of treasury management transactions, there is a need for due diligence and this will be effected by following the procedures below.

The Council does not accept loans from individuals.

The Council uses brokers to obtain some loans. Initially, the source of a particular deposit is unidentified, as is required by the codes of conduct under which brokers are required to operate.

The Council is able to place reliance on the brokers because of the codes under which they operate and their monitoring by the FSA. Brokers use only recognised sectors, ie banks, building societies, universities, local government and large corporate organisations. Any new accounts must first be approved by brokers' compliance officers. Their experience and knowledge of the market further protects the Council against money laundering activities.

TMP10 -TRAINING AND QUALIFICATIONS

The Council recognises that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity. There are two categories of relevant individuals: -

a) Treasury management staff employed by the Council
b) Members charged with governance of the treasury management function

All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Council operates a Professional Development Review system which identifies the training requirements of individual members of staff engaged on treasury related activities.

Additionally, training may also be provided on the job and it will be the responsibility of the treasury manager to ensure that all staff under his / her authority receive the level of training appropriate to their duties. This will also apply to those staff who from time to time cover for absences from the treasury management team.

DETAILS OF APPROVED TRAINING COURSES

Approved courses are those provided by Link, the Council's treasury management consultants, including:

a. Introduction to treasury management;
b. Treasury management for practitioners;
c. Other relevant courses.

Other approved courses include any provided by CIPFA or any other considered suitable by the S151 Officer.

Internal training through periodic accountants briefings and, where relevant, on-the-job training, is also provided.

RECORDS OF TRAINING RECEIVED BY TREASURY STAFF

The Strategic Finance Manager shall arrange for the review of training needs via regular appraisal and for a record to be kept of training delivered to treasury management staff.

The Finance Division of the Finance and Support Services Directorate has adopted a scheme of continuing professional development for all senior accountancy staff. This scheme applies to all staff engaged on treasury management activities.

CAREER DEVELOPMENT / SUCCESSION ARRANGEMENTS

The Council's equal opportunities policy requires that all vacancies are filled by the standard recruitment and selection procedures. The policy does not allow for succession arrangements.

The Head of Financial Management and Strategic Finance Manager shall be responsible for the development of treasury management staff to help ensure that they are capable of competing with other applicants in pursuit of career advancement.

APPROVED QUALIFICATIONS FOR TREASURY STAFF

Approved qualifications are:

a. AAT;
b. CIPFA (or other CCAB).

RECORD OF SECONDMENT OF SENIOR MANAGEMENT (not applicable)

STATEMENT OF PROFESSIONAL PRACTICE (SOPP)

Where the Chief Financial Officer is a member of CIPFA, he must be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

Non treasury investments

The council has professionally qualified staff across a range of disciplines including finance, legal and property that follow continuous professional development (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills.

The council establishes project teams from all the professional disciplines from across the council as and when required. External professional advice is taken where required and will always be sought in consideration of any major commercial property investment decision.

TMP11 - USE OF EXTERNAL SERVICE PROVIDERS

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

This Council will employ the services of other organisations to assist it in the field of treasury management. In particular, it will use external consultants to provide specialist advice in this ever more complex area. However, it will ensure that it fully understands what services are being provided and that they meet the needs of this organisation, especially in terms of being objective and free from conflicts of interest.

It will also ensure that the skills of the in house treasury management team are maintained to a high enough level whereby they can provide appropriate challenge to external advice and can avoid undue reliance on such advice.

Treasury management staff and their senior management will therefore be required to allocate appropriate levels of time to using the following sources of information so that they are able to develop suitable levels of understanding to carry out their duties, especially in challenge and avoiding undue reliance.

- The quality financial press
- Market data
- Information on government support for banks an
- The credit ratings of that government support

Banking services

a. Name of supplier of service: Barclays Bank plc
b. Contract commenced: 1 February 2015 and runs for 60 months to 30 January 2020 with the option of a further year 2 years.
c. Cost of service: the cost is partly transaction-based, full details are available
d. Payments due: quarterly
e. Terms for early termination of the contract: either party may terminate the contract at the break points.

Money-broking services

a. Names of supplier of service:

b. ICAP
c. ICD
d. Martin Brokers (UK) plc
e. Prebon Yamane
f. Tradition UK Limited
g. Sterling International Brokers LimitedFor all of these brokers the council has opted up to professional status under MIFID II.

Cash/fund management services

a. Name of supplier of service: Not applicable

Consultants'/advisers' services

a. Name of supplier of service: Link Asset Services Ltd.
b. Contract commenced 1st January 2016 for twenty seven months to 31st March 2018 with the option of a one year extension.
c. Cost of service: £14,250 p.a.
d. Payments due: bi-annually
e. Terms for early termination of the contract: by agreement

PROCEDURES AND FREQUENCY FOR TENDERING SERVICES

Treasury management tenders will follow standard Council practice as set down in Standing Orders and Financial Regulations and, where appropriate, OJEC procedures.

The City Treasurer shall consider an appropriate contract length during the tendering process.

TMP12 - CORPORATE GOVERNANCE

The Council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.

It has adopted the CIPFA Code of Practice on Treasury Management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.

The following documents are available for public inspection: -

Treasury Management Policy Statement
Treasury Management Strategy Statement
Annual Investment Strategy
Minimum Revenue provision policy statement
Annual Treasury Review Report
Treasury Management monitoring reports

Annual accounts and financial instruments disclosure notes
Annual budget
Capital Strategy

Minutes of Council / Cabinet / committee meetings

Schedule of all external funds managed by the Council on behalf of others and the basis of attributing interest earned and costs of these investments.

PROCEDURES FOR CONSULTATION WITH STAKEHOLDERS.

Stakeholders include:

a. Members of the Council;
b. Citizens of Salford;
c. The partners discussed in TMP11 *Use of external service providers*;
d. Other directorates of the Council.

The Lead Member shall be accountable to the Council for treasury management. The annual report is to be submitted to Council.

Members shall be accountable to the citizens of Salford through the normal democratic procedures. Interested parties may question Members through forums such as Councillors' surgeries and Community Committees.

The Treasury Manager shall maintain good relationships with the Council's partners.

Treasury management is a specialist financial activity and the S151 Officer shall direct it as he sees fit within his s151 duties. Where other directorates have an interest through the budget process, details of cost and activities shall be made available to them.

APPENDIX J
TREASURY MANAGEMENT POLICY STATEMENT

‘The policies and objectives of treasury management activities in Salford City Council are defined as follows:-

Salford City Council 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”.

Salford City 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 City.

Salford City Council 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.’