

## **Treasury Management Practices**

*Director:* Nicola Hix, Support Services  
*S151 Officer:* Jo Nacey  
*Lead Officer:* Paul Matravers, Specialist - Finance  
*Contact Details:* paul.matravers@southsomerset.gov.uk or 01935 462275

### **Purpose of the Report**

1. To request members of the Audit Committee approve the attached Treasury Management Practices (TMPs).

### **Recommendation**

2. Audit Committee is recommended to approve the Treasury Management Practices included in this report.

### **Background**

3. The CIPFA Treasury Management in the Public Services Code of Practice (the Code) requires the setting out of the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management.
4. As in previous versions, the Code recommends the creation and maintenance of suitable Treasury Management Practices setting out the manner in which the organisation will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.
5. The recommended Treasury Management Practices for South Somerset District Council comprise:
  - TMP 1: Risk management
  - TMP 2: Performance measurement
  - TMP 3: Decision-making and analysis
  - TMP 4: Approved instruments, methods and techniques
  - TMP 5: Organisation, clarity and segregation of responsibilities and dealing arrangements
  - TMP 6: Reporting requirements and management information arrangements
  - TMP 7: Budgeting, accounting and audit arrangements
  - TMP 8: Cash and cash flow management
  - TMP 9: Money laundering
  - TMP 10: Training and qualifications
  - TMP 11: Use of external service providers
  - TMP 12: Corporate governance
  - TMP 13: Management Practices for Non-Treasury Investments
6. The Treasury Management Practices principles and schedules document follows the same format as previous years in that the schedules supporting these practices are at a higher level giving an overview of the processes to be followed. The detail specifying the systems and routines to be employed, the records to be maintained in fulfilling the Council's treasury functions and any other documents supporting the processes are held at an operational level within an operations manual.

## **Amendments to Treasury Management Practices**

7. There are a number of changes to the 2020 TMP's. However, it should be noted that none of the changes are as a result of changes in legislation. The amendments to the TMP's are highlighted in the document.
8. A significant section that has been amended is in respect of the key principles and the clauses to be adopted. The 2020 schedules have included the detail in this area whereas previously it referred to the key principles. Details of the amendments to the specific TMP's are summarised below.

### **TMP1 – Risk Management**

#### **Section 2** (Liquidity & Risk Management) – **(d)** Borrowing in advance of need

**Change** – additional wording explaining the concept and the associated risk

#### **Section 3** (Interest Rate Risk Management) – **(a)** Minimum/maximum portions of fixed/variable rate debt/interest

**Change** – detail included on the determination of the fixed and variable rate debt and the ongoing monitoring of this.

#### **Section 3** (Interest Rate Risk Management) – **(b)** Managing changes to interest rate levels

**Change** – narrative in respect of negative interest rates and the impact on investments

#### **Section 5** (Inflation Rate Risk Management) – **(a)** Inflation risk management

**Change** – detail included on how the risk is managed including the monitoring of the financial impact of inflation rate changes.

#### **Section 6** (Refinancing Rate Risk Management) – **(b)** Debt profiling, policies and practices

**Change** – additional information on identifying the long term borrowing need and how the Council's treasury advisors assist in identifying the need.

#### **Section 9** (Price Risk Management) – **(a)** Details of approved procedures

**Change** – clarification on pooled fund investments and further details on valuation changes of such investments.

### **TMP2 – Performance management**

#### **Schedule** – **(c)** Evaluating the impact of treasury management decisions

**Change** – Inclusion of how advisors input into the treasury management decision making processes.

### **TMP3 – Decision Making and Analysis**

#### **Schedule** – **(a)** Capital expenditure and investment plans

**Change** – new schedule providing detailed information on how capital expenditure fits with the organisations strategy and the governance and appraisal processes.

#### **TMP 4 - Approved Instruments, Methods and Techniques**

**Schedule** – (d) Investments that are not part of treasury management activity

**Change** – new schedule providing detailed information non treasury investments and summary narrative on the management of risks.

#### **TMP 6 – Reporting requirements and management information arrangements**

**Schedule** – (a) Capital strategy

**Change** – schedule providing information on the capital strategy including aims of the strategy and the content.

#### **TMP 7 – Budgeting, accounting and audit arrangements**

**Schedule** – (d) Treasury-related information requirements of external auditors

**Change** – requirements of external auditors in respect of external borrowing.

9. Other changes to the TMP's are amendments intended to improve the readability of the document.

#### **Financial Implications**

10. There are no financial implications in accepting this report and the associated recommendations.

#### **Background Papers:**

*Treasury Management Strategy Statement 2020-21*

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