

## **TREASURY MANAGEMENT POLICY**

Presented by the Head of Finance

### **EXECUTIVE SUMMARY**

Treasury management is the management of the organisation'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.

Treasury management activity is governed by the Authority's Treasury Management Policy which has the aim of managing risk, avoiding volatility and optimising returns, whilst maintaining a high degree of accessibility from the accounts to enable the cash requirements of the Authority to be met. Members of the Authority last reviewed and approved the Treasury Management Policy in July 2015 (Paper A/4214/15).

The purpose of this report is to provide Members with an update to the existing Treasury Management Policy, which has been drawn up in line with the CIPFA code of best practice.

### **RECOMMENDATION**

Members Recommend to Authority: (1) the revised Treasury Management Policy and Procedures as set out at Appendix A to this report.

### **BACKGROUND**

- 1 The Authority continues to adopt the key recommendations of the Chartered Institute of Public Finance & Accountancy's (CIPFA) Treasury Management in the Public Services: Code of Practice (the code), as described in Section 5 of the Code.
- 2 The primary requirements of the Code are the:
  - (i) creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Authority's treasury management activities;
  - (ii) creation and maintenance of treasury management practices which set

out the manner in which the Authority will achieve those policies and objectives;

- (iii) receipt by the Executive Committee of an annual strategy report for the year ahead and an annual review report of the previous year; and
  - (iv) delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- 3 The Authority will approve the Treasury Management Policy. The Authority will delegate to the Executive Committee the implementation and monitoring of its treasury management policies and practices; and Executive will receive reports on all activities, including, as a minimum, an annual strategy/plan and an annual report. The administration of treasury management will be the responsibility of the Head of Finance, or, in his absence, the Chief Executive or Deputy Chief Executive.
- 4 Treasury management in this context is defined as:
- “The management of the Authority’s cash flows, its banking and money market transactions: the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.
- 5 The Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

#### **REVISED TREASURY MANAGEMENT POLICY AND PROCEDURES**

- 6 Treasury management and procedures should be relevant and up to date and continue to meet requirements under the Chartered Institute of Public Finance & Accountancy’s (CIPFA) Treasury Management in the Public Services: Code of Practice (the code), as described in Section 5 of the Code.
- 7 The last full review of the Treasury Management Policy was completed in July 2015 following establishment of the Lee Valley Leisure Trust Ltd. To ensure that the Policy remains current and relevant and to reflect the change in S151 officer responsibility following the retirement of the Director of Finance & Resources a review of the Policy has been completed.
- 8 The proposed changes fall into the categories below:
- change in S151 responsibilities;
  - change in day-to-day treasury management;
  - update with regards borrowing arrangements; and
  - minor corrections.

Specific amendments are highlighted in the attached appendix.

#### **ENVIRONMENTAL IMPLICATIONS**

- 9 There are no environmental implications arising directly from the recommendations in this report.

## **FINANCIAL IMPLICATIONS**

- 10 Executive Committee usually set a target return on investment for the year ahead in May when the Annual Treasury Management report is laid before this committee. A target for investment returns of 0.25% was set for 2020/21 with all funds invested, following 2019/20 annual investment performance and use of resources required to fund revenue and the capital programme activity in 2020/21 (which requires relatively instant access to monies). The reduction in income due to closure of venues as a result of the Covid-19 lockdown, and the lack of potential interest rate movements, have had an impact on the return for 2020/21. This will be reported to Members in May when the target return for 2021/22 will also be set.

## **HUMAN RESOURCE IMPLICATIONS**

- 11 There are no human resource implications arising directly from the recommendations in this report.

## **LEGAL IMPLICATIONS**

- 12 There are no legal implications arising directly from the recommendations in this report.

## **EQUALITY IMPLICATIONS**

- 13 There are no equality implications arising directly from the recommendations in this report.

## **RISK MANAGEMENT IMPLICATIONS**

- 14 The underlying principle within the Authority's Treasury Management Policy is to minimise the risk that investments are exposed to through investing in major banks and building societies. It is important that Members adopt a prudent approach and are confident that the Policy sets a robust framework to discharge their own fiduciary duty. This in part limits the capacity to achieve higher interest rate returns but safeguards public money. This mitigates against strategic risk 4 (SR4) "Insufficient resources to meet objectives" and SR10 "Failure to comply with statutory requirements".
- 15 Each year Members receive an annual report on the performance of existing investments during the year. In addition the Treasury Management function is independently audited on an annual basis.
- 16 The approach proposed is cautious but reflects the current economic and organisational uncertainty that exists. If adopted this will mean other investment opportunities may need to be put on hold.
- 17 Treasury management is audited by the internal auditors to ensure procedures and investment decisions comply with the Policy and Investment Strategy approved by Members.

**BACKGROUND REPORTS**

CIPFA "Treasury Management in the Public Services Code of Practice & Cross Sectoral Guidance Notes" 2017

**PREVIOUS COMMITTEE REPORTS**

Executive	E/671/20	Annual Report on Treasury Management Activity 2019/20 and Annual Investment Strategy 2020/21	21 May 2020
Executive	E625/19	Annual Report on Treasury Management Activity 2018/19 and Annual Investment Strategy 2019/20	23 May 2019
Authority	A/4214/15	Treasury Management Policy and Annual Investment Strategy 2015/16	9 July 2015

**APPENDIX ATTACHED**

Appendix A Treasury Management Policy

**LIST OF ABBREVIATIONS**

CIPFA Chartered Institute of Public Finance and Accountancy



# Treasury Management Policy

April 2021

Reference: [Version 2.2]



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## I Document Information

**Title:** Treasury Management Policy**Status:** Live**Current Version:** v2.1

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<b>Consultation:</b>	Finance
<b>Approved</b>	<b>Approved by:</b> Authority <b>Approval Date:</b> April 2015  <b>Review Frequency:</b> Every 5 years or earlier if there is a significant change in circumstances  <b>Next Review:</b> April 2025

Version History		
Version	Date	Description
1.0	22 March 2012	Authority meeting approved. Paper A/4139/12
2.0	24 April 2014	Authority meeting approved. Paper A/4183/14
2.1	09 July 2015	Authority meeting approved. Paper A/4214/15
	21 May 2015	Updated Director of Finance & Resources to accept tracked changes and change in post titles.
2.2	29 April 2021	Updated to reflect change of Section 151 officer and management responsibilities

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## **1. Context**

- 1.1 The Authority defines its treasury management activities as the management of the its 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.
- 1.2 The Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
- 1.3 The Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management

## **2. Policy Aims**

- 2.1 The Authority's Treasury Management Policy is a key element underpinning the Authority's medium term financial plan and a requirement of this Authority's Financial Regulations; as well as complying with best practice requirements. Ensuring that the Authority's funds are managed effectively will support the Authority's business strategy.

## **3. Content**

- 3.1 The Authority adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice.
- 3.2 This Treasury Management Policy Statement to be adopted by the Authority and thereafter its implementation and monitoring shall be delegated to Executive Committee.
- 3.3 All money in the hands of the Authority shall be under the control of the officer designated for the purposes of Section 151 of the Local Government Act 1972.

- 3.4 The Authority's section 151 officer is currently employed under a service level agreement with London Borough of Enfield.
- 3.5 For the purposes of operational management, authority for Treasury Management is delegated to the Head of Finance.
- 3.6 It is the responsibility of the Head of Finance to report to the Executive Committee on the Annual Investment Strategy (AIS) for treasury management for the coming financial year.
- 3.7 All executive decisions on investment shall be delegated to the Head of Finance, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in the Public Services.
- 3.8 The Authority's policy is to use a mix of in-house investment decision combined with external Investment Managers' advice wherever possible.
- 3.9 Security of the Authority's funds is of the highest priority and only the organisations and the limits on investments set out in the specified investments may be used. Investment by Officers of the Authority is restricted to the Specified Investment List of the Authority.
- 3.10 The Head of Finance will report to the Executive Committee not less than once in each financial year on the activities of the treasury management operation and on the exercise of any delegated treasury management powers. The report shall comprise an annual report on treasury management by 30 June of the succeeding financial year.
- 3.11 Should the Head of Finance wish to depart in any material respect from the main principles of the CIPFA Code, the reasons should be disclosed in a report to the Executive Committee. Changes in the policy statement shall be delegated to the Head of Finance in consultation with the section 151 officer.
- 3.12 In accordance with the CIPFA Code of Practice this Authority defines its treasury management activities as:
- "The management of the 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.
- 3.13 This Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on the risk implications for the Authority.
- 3.14 This Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service

objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

#### **4. Responsibilities**

- 4.1 The administration of Treasury Management will be the responsibility of the section 151 officer or, in his absence, the Chief Executive. Day to day management of the treasury management function will be delegated to the Head of Finance.

#### **5. Legal Considerations**

- 5.1 This policy complies with Section 151 of the Local Government Act 1972.

#### **6. Relevant Policy & Procedures**

- 6.1 This policy will be implemented through the Treasury Management Procedures for In-House Funds, which are attached as an appendix.

#### **7. Policy Implementation**

- 7.1 This policy will be implemented through the relevant procedures.

#### **8. Monitoring & Evaluation**

- 8.1 Executive Committee will receive reports on all activities, including, as a minimum, an annual strategy and plan for the year ahead and an annual review report of the previous year.

#### **9. Review**

- 9.1 This policy will be reviewed in light of any significant changes in circumstances or every five years, whichever is the earlier.

#### **10. Glossary of Terms**

<b>Term</b>	<b>Definition</b>
CIPFA	Chartered Institute of Public Finance & Accountancy
AIS	Annual Investment Strategy

## 11. Appendix

### **TREASURY MANAGEMENT PROCEDURES FOR IN-HOUSE FUNDS AND EXTERNAL BORROWING**

#### 1. Introduction

- 1.1 The Authority has adopted CIPFA's "Code of Practice on Treasury Management in the Public Services". One of the requirements of this code is that Treasury Systems should be fully documented so that all who are involved are clear on the procedures and on any limits that apply to their activities.
- 1.2 This Treasury Management Procedures covers both the lending of surplus funds, and external borrowing if required for specific capital purposes.
- 1.3 If the Authority wishes to borrow against specific capital schemes a report would be required to go to Executive Committee and would need to be consistent with our own agreed Prudential Indicators which are updated annually.
- 1.4 The Authority uses an Investment Firm and its own bank to advise on and invest surplus cash balances of the Authority. The Investment firm invests surplus cash funds via the top seven Building Societies under instruction from the Head of Finance. A record of all the investments are made with a statement sent to the Head of Finance showing all transactions.
- 1.5 The Authority, under the Service Level Agreement with London Borough of Enfield, are able to access Enfield's Treasury Management service for advise on borrowing.
- 1.6 This document, except where stated, relates to the placing of surplus cash by officers of the Authority.

#### 2. Delegation

- 2.1 All investment and borrowing matters are delegated to the Executive Committee.
- 2.2 The role of the Section 151 Officer (Responsible Financial Officer) is currently employed under a Service Level Agreement with London Borough of Enfield.
- 2.3 Under such agreement, the Head of Finance, under support of the section 151 officer, has delegated authority to deal with the investment of surplus cash in hand.
- 2.4 The Head of Finance will regularly monitor investments with support from the Senior Finance Officer.

- 2.5 The day to day transactions are carried out by the Head of Finance and the Senior Finance Officer within the terms of reference set by this policy.
- 2.6 The Head of Finance and the Senior Finance Officer will establish the balances held in the Authority's bank account each morning via internet link to the bank and ascertain what money is available for investment.
- 2.7 When considering the period for investment the following points should be taken into consideration:
  - future movements in daily/weekly/monthly and annual cash flow;
  - Levy dates;
  - repayment of borrowing;
  - LSC contract payment dates;
  - rates of interest being offered; and
  - anticipated future trends in interest rates.
- 2.8 In order to meet any unexpected requirements for cash part of the Authority funds must be kept on call. Placing of sums in excess of one month will be undertaken by the Head of Finance, and must be approved by the Chief Executive, or Deputy Chief Executive for Authority Funds.
- 2.9 In the absence of the Head of Finance, the decision falls to the Chief Executive or Deputy Chief Executive in consultation with the Section 151 officer and the Senior Finance Officer.

### **3. Dealing Procedures**

- 3.1 The principle behind the management of the Authority's cash balances is to meet all liabilities without resort to unnecessary borrowing. This means having regard to payment dates, particularly levy dates, when placing monies longer term.
- 3.2 The aim in managing the Authority's cash balances is to ensure the availability of sufficient funds to meet the liquidity requirements of the Authority. This is achieved by placing surplus cash at call or overnight or up to the next levy date.
- 3.3 For periods beyond one month the authority of the Chief Executive, or Deputy Chief Executive is required. These decisions are made in the light of general guidance on periods of investment having regard to expected cash flows and the need to avoid an overdraft situation when making the decision.

### **4. Documentation**

- 4.1 All deals must be documented at the time of dealing, and detailed on the spreadsheet file following the deal being made.
- 4.2 The spreadsheet must show the amount, period, the counterparty and the interest rate. When any written confirmation is received it is essential



that this is checked against the spreadsheet immediately with any discrepancies investigated without delay.

- 4.3 The spreadsheet should be balanced with the interest received shown in the general ledger on a quarterly basis. A monthly statement of reconciliation should be produced by the Senior Finance Officer and be signed off by the **Head of Finance**.

5. Transmission Procedures

- 5.1 Where funds need to be transferred to a counterparty the following procedure will need to be undertaken:

5.1.1 Where payments made to counterparties can be transmitted using electronic/internet banking the **Head of Finance** or Senior Finance Officer must approve and release the transaction.

5.1.2 In cases where CHAPS payments are made via the bank two separate officers must prepare and then authorise the payment.

5.1.3 Deposits made with the Authority's bank through the special interest bearing account will be made via internet transfer between the Authority's bank accounts.

6. Limits on Decision Making

The following limits must be strictly adhered to and under no circumstances may they be exceeded:

<b>Head of Finance</b>	All matters delegated by the Authority & Executive Committee.
Chief Executive Officer	To cover in the absence of the <b>Head of Finance</b>
Senior Finance Officer	Investment of all surplus balances within limits applicable to counter-parties, subject to the limitations set out in these procedure notes

7. Limits Applicable to Counterparties

- 7.1 Investment of Authority funds has one overriding principle - **SECURITY**. With this in mind funds may only be placed with the following institutions:

- i. UK based Clearing Banks; and
- ii. Top Seven Building Societies (or where Society assets exceed Ten Thousand million Pounds).

7.2 Limits

The general limit for total investment in one institution is £5 million. **There may be times when, due to borrowing, investment, and payment**

timings, the total sum held at any one institution will exceed £5 million. For security and risk reasons, this should be kept to a minimum term.

8. **Borrowing**

8.1 Borrowing may be undertaken in line with the Lee Valley Park Act 1966, and require Executive Committee approval, plus under sections 46(1) of the Act, Secretary of State consent.

8.2 The limit for borrowing from individual institutions will be approved by Executive Committee, but should be for specific capital investment for core business purposes, and exclude borrowing for commercial gain. The borrowing should be consistent with the Authority's Prudential Indicators, Medium Term Financial Plan for Capital and Revenue, and Capital Financing programme.

8.3 The approved sources for long term and short term borrowing are

- Public Works Loans Board (PWLB) and any successor body;
- Any institution approved for investments (see 7.1 above);
- Any other bank or building society authorised to operate in the UK, subject to further risk analysis;
- Any other UK public sector body; and
- Any other body subsequently approved by Authority for borrowing.

9. **Reporting Lines and Frequency**

9.1 On a quarterly basis and as part of the Revenue Monitoring report the Senior Finance Officer is to report to the Head of Finance with the reconciliation statement detailed in 4.3 above.

9.2 On a quarterly basis the Head of Finance is to present to the Chief Executive, a statement showing the monthly and cumulative returns from all investments earned for the quarter and year to date.

9.3 On a quarterly basis, the Head of Finance should produce a statement detailing cash holding at individual institutions, and highlight any time where a single institute holds in excess of £5 million of Authority funds.

9.4 The Senior Finance Officer should produce on a quarterly basis a statement comparing interest returns with the budget and a forecast for the year based upon the latest information available.

9.5 On an annual basis the Head of Finance will produce a report on Investment Performance to present to the Executive Committee by the end of June.

9.6 An Annual Investment Strategy is to be presented by the Head of Finance to the Executive Committee.

9.7 Annually after the closure of the financial year the Head of Finance is to report to the Executive Committee on matters regarding the previous year's activities.

10. Cash Flow

- 10.1 Details of cash needs are to be kept by the **Head of Finance** showing movement in cash flow.
- 10.2 A detailed cash flow statement is to be produced on an annual basis that forecasts the next twelve month period.

11. Review of Treasury Systems Document

- 11.1 While it is not expected that the actual procedures in this document will need to be revised very often, such aspects as limits, risk spreading and possibly data recording may require amendment. The **Head of Finance** is authorised to approve such amendments.
- 11.2 In some instances, such as where limits for counterparties need to be changed during the year, periodic supplements to this document may have to be issued. However, there should be a full review by the **Head of Finance** of the contents of the document annually and any amendments reported to the Executive Committee.