

## The MPA Treasury Management Policy Statement 2011/12

### Treasury Management Policy and Objectives

1. The MPA defines its treasury management activities as:

“The management of the organisation’s 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.”
2. The MPA regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the authority.
3. The MPA 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.

### Responsibilities for Treasury Management

4. Under MPA Financial Regulations all decisions on borrowing, investments or financing (including leasing arrangements) are delegated by the Authority to the Treasurer who is required to act in accordance with the CIPFA Code of Practice for Treasury Management in Local Authorities. The Treasurer has responsibility to secure appropriate banking arrangements and treasury management loans and investments. The Authority has agreed that through the Commissioner the MPS Director of Resources will exercise the day-to-day operation of this function under the direction of the Treasurer.

The Financial Regulations state the Treasurer will, in consultation with the Director of Resources, make arrangements for the day to day operation of the treasury management function. The Policy Statement, the Treasury Management Practice Notes and the Treasury Management Systems Document set out the Framework for the day to day operation of the treasury management function under delegation.

5. The roles and responsibilities of the MPA and MPS are defined below.

#### MPA Full Authority

- Review and approve the annual treasury and investment strategy and changes to the treasury policy

- Receive mid year and annual reviews of treasury management operations

#### MPA Finance and Resources Committee or relevant sub committee

- Review and approve the annual treasury and investment strategy and changes to the treasury policy
- Review and challenge the quarterly reports on treasury performance presented by the Treasurer
- Request information on treasury activities and performance as required
- Approve changes to the lending list in accordance with the agreed framework

#### MPA Treasurer

- Secure appropriate banking arrangements and treasury management including loans and investments
- Ownership of the treasury policy and investment strategy
- Agree the framework for the day-to-day management of the treasury management function in accordance with the treasury policy and strategy and notify the Director of Resources of any changes.
- Present all treasury related papers to the Authority
- Meet with the Director of Exchequer Services to review treasury operations on a monthly basis
- Advise the authority of risk management issues relating to treasury management
- Ensure that the treasury operations comply with the requirements of CIPFA's Treasury Management in the Public Services: Code of Practice
- Ensure that the MPA obtains best value for its treasury management services
- Make decisions on external borrowing following consultation with the Director of Finance Services and the MPS Treasury Management team.
- To remove (pending formal committee approval) institutions from the lending list

#### MPS Director of Resources:

- Ensure that the day-to-day treasury operations are appropriately resourced and managed
- Ensure that the Treasury Management team comply with the treasury management policy and investment strategy and the framework agreed with the MPA Treasurer
- Review all treasury related papers (including the treasury policy and investment strategy) to be presented to the Authority
- Discuss treasury activities with the Treasurer on a monthly basis
- Discuss treasury activities with the Director of Finance Services and the Director of Exchequer Services on a monthly basis

#### MPS Director of Finance Services:

- Ensure that the day-to-day treasury operations operate effectively

- Ensure that the Director of Exchequer Services' department has the required level of resources and experience in place to provide the day-to-day treasury operations
- Ensure that effective internal controls are in place over treasury activities
- Review all treasury related papers (including treasury policy and investment strategy) to be presented to the Authority and provide comments to the Director of Resources
- Discuss treasury activities with the Director of Resources and the Director of Exchequer Services on a monthly basis
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MPS Director of Exchequer Services:

- Ensure that the day-to-day treasury operations are performed efficiently and in a controlled manner
- Ensure that investments are made in compliance with the treasury management policy and investment strategy
- Discuss treasury activities with the Director of Resources on a quarterly basis and the Director of Finance Services on a monthly basis
- Meet with the Treasury and Control Manager, Investment and Fund Manager and Senior Investments Officer on a monthly and ad-hoc basis to plan investment and borrowing decisions
- Discuss treasury operations with the MPA Treasurer on a monthly basis

MPS Treasury and Control Manager: *(responsibilities covered by Deputy Director of Exchequer Services)*

- Ensure that the treasury operations are undertaken effectively each day
- Ensure that all trades are confirmed, settled and accounted for on a timely basis
- Review changes to the lending list
- Prepare treasury papers for the MPA Treasurer to present to the Authority and review with Director of Exchequer Services, Director of Finance Services and Director of Resources
- Meet with the Director of Exchequer Services, Investment and Fund Manager and Senior Investments Officer on a monthly and ad-hoc basis to plan investment and borrowing decisions

MPS Investment and Fund Manager:

- Authorised dealer within limits set by treasury policy
- Execute investment trades in accordance with the investment strategy and treasury policy
- Review credit ratings and other market data, such as CDS points and share prices
- Review market information on counterparties including share prices, credit default swap prices and news items
- Maintain lending list for changes in credit ratings

- Meet with the Director of Exchequer Services, Treasury and Control Manager and Senior Investments Officer on a monthly and ad-hoc basis to plan investment decisions
- Provide cover for the Treasury and Control Manager

#### MPS Senior Investments Officer

- Authorised dealer within limits set by treasury policy
- Provide cover for the Investment and Fund Manager
- Support the Investment and Fund manager in his day to day activities
- Meet with the Director of Exchequer Services, Treasury and Control Manager and Investment and Fund Manager on a monthly and ad-hoc basis to plan investment and borrowing decisions

### Reporting

6. In line with respective roles and responsibilities set out above the MPS Treasury and Control Manager shall prepare reports that are reviewed by MPS Directors, for approval by the MPA Treasurer for consideration by the Authority.

These reports are:

- Treasury management annual strategy and Policy Statement (Resources and Productivity Sub Committee, Finance and Resources Committee and Full Authority)
- Quarterly financial reports on treasury operations (Resources and Productivity Sub-Committee and Finance and Resources Committee)
- Mid year review and an annual outturn review of treasury operations (Resources and Productivity Sub Committee, Finance and Resources Committee and Full Authority)

Also a monthly activity report is provided to the MPA Treasurer, Director of Resources and Director of Finance

The minimum contents of the monthly and quarterly reporting requirements are:

- Investments in the period
- Investment income in the period
- Average size and length of investments
- Changes in the lend list
- Brokers – usage and performance
- External borrowing in the period
- Interest paid on debt
- Interest rate structure/maturity profile
- Prudential Code indicators

### Treasury Management Strategy

7. Investments will be made in accordance with the provisions set out in the Annual Treasury Management Strategy Statement as approved by the MPA Finance and Resources Committee. Specifically, however,

investments will not include the purchase of equities, the use of derivatives, or any other form of speculation in the money markets.

### **Delegation and Security**

8. The Treasury Systems working document sets out the scheme of delegation at an operational level. This meets the requirement for a segregation of duties between authorised dealing to undertake trades; the recording and administrative functions and reconciliation.
9. Policy formulation and review is undertaken in the MPS by the Treasury and Control Manager and submitted to MPS Director of Resources for approval by the MPA Treasurer.
10. Treasury Management advisors (currently Arlingclose) will advise the Treasurer and the MPS on Treasury Management activity.

### **Treasury Management Practices (TMPs)**

11. The following set of Treasury Management Practices have been adopted as recommended in the CIPFA Code of Practice and will form part of the framework for treasury management activities:

TMP1	Risk management
TMP2	Best value performance measurement
TMP3	Decision making and analysis
TMP4	Approved instruments, methods and techniques
TMP5	Organisation, clarity and segregation of responsibilities and dealing arrangements
TMP6	Reporting requirements and management information arrangements
TMP7	Budgeting, accounting and audit arrangements
TMP8	Cash and cash flow management
TMP9	Money Laundering
TMP10	Staff training and qualifications
TMP 11	Use of external service providers
TMP 12	Corporate Governance

12. A set of schedules have been produced to detail the systems and routines to be employed and the records to be maintained, for each of the TMPs.

## **Capital Financing and Borrowing**

13. Under Part 1 of the Local Government Act 2003, the MPA is required to have regard to the Prudential Code for Capital Finance including the setting of Prudential Indicators. These indicators are approved by the Authority and relevant treasury management indicators will be included in the annual treasury management strategy for consideration by the Finance and Resources Committee. The prudential indicators specific to treasury management are designed to ensure that treasury management is carried out in accordance with good professional practice.
14. The treasury management prudential code indicators will include indicators that determine if capital finance investment plans are affordable, prudent and sustainable. The indicators will include:
  - Interest rate exposure of net principal sums (fixed versus variable rate)
  - Interest rate exposure on gross borrowings and on gross investments
  - Maturity profile of the loans portfolio
  - A limit to sums invested for periods longer than 364 days
15. The prudential code indicators will make provision for the possibility that the MPA may need to undertake short term borrowing to cover cash flow commitments. This is additional to any overdraft arrangements in place with the MPA banker.

## **Management of long term debt operations**

16. Finance and Resources Committee consider the Capital Programme and, within the treasury management strategy an amount of additional external borrowing will be recommended. In line with the Committee's approval, decisions on whether to undertake external borrowing, and the terms of such borrowing, will be taken by the MPA Treasurer following consultation with the Director of Finance Services and the MPS Treasury Management team.
17. Decisions to borrow will be made with regard to:
  - Cash flow requirements
  - Other options such as use of overdraft facilities
  - Prudential code indicators for fixed versus variable rates and maturity profile
  - An assessment of prevailing and future interest rates for borrowing
18. Borrowing will be undertaken directly with the Public Works Loan Board (PWLB), commercial banks through money brokers or the European Investment Bank (EIB). The Treasury Systems Working Document sets out the scheme of delegation at an operational level for the negotiation of loans.