

## TREASURY MANAGEMENT PLAN (TMP)

Updated on the 20 March 2023  
Next review by 30 March 2024

### 1. INTRODUCTION

- 1.1 The Treasury Management Plan (including the Investment Strategy TMP13) was adopted at a meeting of the Finance Working Group on 21 April 2016 and is to be reviewed annually by the Finance Committee before 1 April each year.
- 1.2 Chesham Town Council (the Council) defines its treasury management activities as: The management of the organisation'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.
- 1.3 The 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 organisation.
- 1.4 The 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.

### 2. RISK MANAGEMENT (TMP1)

- 2.1 The Responsible Finance Officer (RFO) will design, implement and monitor all arrangements for the identification, management and control of treasury management risk. The RFO will report annually on treasury management risk in accordance with the procedures set out in TMP6 (Reporting requirements and management information arrangements).
- 2.2 To ensure compliance the following risks are to be considered:
  - (1) **Liquidity risk management** - the Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.
  - (2) **Interest rate risk management** – the Council will consider short, medium and long term investments/borrowings, together with interest rates (both fixed and variable) and their proportions.
  - (3) **Inflation risk management** – the Council will manage the effects of varying levels of inflation, insofar as they can be identified as impacting directly on its treasury management activities, will be controlled by the organisation as an integral part of its strategy for managing its overall exposure to inflation. It will achieve these objectives by prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates, exchange rates or inflation. The above

subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

- (4) Investment risk management** – the Council regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 (Approved instruments, methods and techniques).
- (5) Refinancing risk management** – the Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining terms for renewal or refinancing which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time. It will actively manage its relationship with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.
- (6) Legal and regulatory risk management** – the Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance to all parties with whom it deals in such activities. The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.
- (7) Fraud, error and corruption, and contingency management** – the Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.
- (8) Market risk management** – the Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.”

### **3. BEST VALUE AND PERFORMANCE MEASUREMENT (TMP2)**

- 3.1 The Council is committed to the pursuit of best value in its treasury management activities, and to the use of performance methodology in support of that aim. Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation’s stated business or service objectives. It will be the subject of regular examination methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements.

### **4. DECISION-MAKING AND ANALYSIS (TMP3)**

- 4.1 The Council will maintain full records of its treasury management decisions, and the processes applied in reaching those decisions, both for the purpose of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were considered at the time.

### **5. APPROVED INSTRUMENTS, METHODS AND TECHNIQUES (TMP4)**

- 5.1 The Council will undertake its treasury management activities by employing only those instruments, methods and within the limits and parameters defined in TMP1 (Risk Management).

## **6. CLARITY AND SEGREGATION OF RESPONSIBILITIES (TMP5)**

- 6.1 The Council considers it essential that its treasury management activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities. The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.
- 6.2 If and when this Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the RFO will ensure that the reasons are properly reported in accordance with TMP6 (Reporting requirements and management information arrangements), and the implications properly considered and evaluated.
- 6.3 The RFO will ensure there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover.
- 6.4 The RFO will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.
- 6.5 The RFO will fulfil all such responsibilities in accordance with the Treasury Management Plan and if a CIPFA member, the Standard of Professional Practice on Treasury Management.

## **7. REPORTING AND MANAGEMENT INFORMATION ARRANGEMENTS (TMP6)**

- 7.1 The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.
- 7.2 As a minimum, the Finance Committee will receive an annual treasury management report covering:
- Year-end accounting position
  - Investment performance and any change recommendations
  - Borrowing levels and any change recommendations
  - A list of non-compliance against the treasury management plan
  - A finance risk register

## **8. BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS (TMP7)**

- 8.1 The RFO will prepare an annual budget for the Council to consider and approve. The matters to be included in the budget will be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 Risk Management, TMP2 Best value and performance measurement, and TMP4 Approved instruments, methods and techniques.

- 8.2 The RFO will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 Reporting and management information arrangements.
- 8.3 The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.
- 8.4 The Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

## **9. CASH AND CASH FLOW MANAGEMENT (TMP8)**

- 9.1 Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the RFO, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a monthly basis, and the RFO will ensure that these are adequate for the purposes of monitoring compliance.

## **10. MONEY LAUNDERING (TMP9)**

- 10.1 The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions.

## **11. STAFF TRAINING AND QUALIFICATIONS (TMP10)**

- 11.1 The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The RFO will recommend and implement the necessary arrangements.

## **12. USE OF EXTERNAL SERVICE PROVIDERS (TMP11)**

- 12.1 The Council recognises the value of employing external providers of treasury management services. When it employs such service providers, it will ensure a full evaluation of costs and benefits have been undertaken. It will also ensure that the terms of their appointment and the methods by which their value was assessed are properly agreed and documented. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the RFO.

## **13. CORPORATE GOVERNANCE (TMP12)**

- 13.1 The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

13.2 This Council has adopted the key recommendations of the Treasury Management in the Public Services Code of Practice. This is considered vital to the achievement of proper corporate governance in treasury management, and the RFO will monitor and report upon the effectiveness of these arrangements.

#### **14.1 ANNUAL INVESTMENT STRATEGY (TMP13)**

14.1 The Annual Investment Strategy states which investments the Council may use for prudent management of its treasury balances during the financial year.

14.2 The Council's investment objectives are:

- a) this Council is more concerned to avoid risks than to maximise returns.
- b) all investments will be in sterling.
- c) make the most of its treasury balances by placing in suitable interest accounts.
- d) investments can be brought back to the Councils current account in a suitable timeframe
- e) security of its investments.
- f) liquidity of its investments.

14.3 The ODPM maintains that the borrowing of monies purely to invest or to lend and make a return is unlawful and this Council will not engage in such activity.

14.4 Before committing any investment the Council will take into consideration its current level of balances, estimated levels of future balances, the current interest rate, market forecasts; the need for liquidity, its spending commitments and provision for contingencies. In order to maintain sufficient security and liquidity the Council will manage any surplus funds through the major High Street banks and building societies which provide a secure high yield rate of interest.

14.5 The Finance Committee is delegated to deal with any future reviews and investment issues, including the receiving of any company presentations. The Finance Committee will consider both short and long term investments in order to achieve an optimum return. During the budget process the RFO will report on investment received and forecasts to the Finance Committee.