

TREASURY MANAGEMENT POLICY

(To be adopted by the Police and Crime Commissioner for Cleveland)

The Police and Crime Commissioner for Cleveland (PCC) adopts as part of its Financial Regulations the following four clauses of the CIPFA Code of Practice for Treasury Management and the Treasury Policy Statement as set out below. When considering the contents of this document it should be remembered that the responsibility for Treasury Management **must always** stay with the PCC and cannot be passed to an external party.

CLAUSE 1

The PCC will create and maintain, as the cornerstones for effective treasury management:

- A treasury management policy statement (see Appendix 1), stating the policies, objectives and approach to risk management of its treasury management activities.
- Suitable treasury management practices (TMPs)(see Appendix 2), setting out the manner in which the PCC will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in the Code, subject only to amendment where necessary to reflect the particular circumstances of the PCC. Such amendments will not result in the PCC materially deviating from the Code's key principles.

CLAUSE 2

The PCC will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

CLAUSE 3

The PCC retains the responsibility for the implementation and regular monitoring of its treasury management policies and practices, and delegates the execution and administration of treasury management decisions to the Chief Financial Officer of the Office of the Police and Crime Commissioner (OPCC), who will act in accordance with the PCC's policy statement and TMPs.

CLAUSE 4

The PCC nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

THE TREASURY MANAGEMENT POLICY STATEMENT (see Clause 1)

The treasury management policy statement defines the policies and objectives of the PCC's treasury management activities:

1. The PCC defines its treasury management activities as:
The management of the PCC'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 PCC 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 PCC, and any financial instruments entered into to manage these risks.
3. The PCC 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.
4. The PCC's specific borrowing objective is to achieve the lowest level of interest paid on debt as prudently possible, while at the same time minimising the potential volatility of the average rate of interest.
5. The PCC's specific investment objective is to achieve an overall return on total deposits above the seven day notice London Interbank Bid Rate (LIBID) – the rate at which a bank will bid to borrow money in the London money market – with the minimum risk of capital loss.

THE TREASURY MANAGEMENT PRACTICES (TMPs) and INDICATORS

INDICATORS

There are 4 specific treasury management Prudential indicators. The PCC must set these annually and they must be approved by the PCC prior to the start of the financial year. Their purpose is to restrict the activity of the Treasury function to within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. They are:

- Upper Limits on Variable Interest Rate Exposure
- Upper Limits on Fixed Interest Rate Exposure
- Maturity Structures of Borrowing
- Total Principle Funds invested for greater than 364 days

PRACTICES

There are 12 TMPs specified in the Code and all public sector organisations are expected to include those that are relevant to their Treasury Management powers and the scope of their activities as part of their detailed operational procedures. They cover the following:

- TMP1 – Risk Management
- TMP2 – Performance Management
- 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 – Training and Qualifications
- TMP11 – Use of External Service Providers
- TMP12 – Corporate Governance

GUIDANCE ON INVESTMENTS

The PCC must produce an Investment Strategy, which must be approved by the PCC, prior to the start of the financial year. It may be revised during the year, but must be approved again.

The strategy must consider the investment policy in terms of **Security – Liquidity – Yield** and must also define the approach to the use of both “specified” and “non-specified” investments.

Specified Investments are those that offer high security and liquidity and include investments with the UK Government and other local authorities and must be for less than one year and made in sterling.

The Strategy should deal in more detail with non-specified investments, identify the types of such investments, set a limit on the amounts held in them at any time in the year, and have guidelines for making decisions on such investments.