

Treasury Management Practices

Reference	Title	Practice
TMP01.0	Risk Management - General Statement	The responsible officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives in this respect, all in accordance with the procedures set out in TMP06 <i>Reporting requirements and management information arrangements</i> .
TMP01.1	Credit and Counterparty Risk Management	The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 <i>Approved instruments methods and techniques</i> . It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.
TMP01.2	Liquidity Risk Management	<p>The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, and 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.</p> <p>The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.</p>

Reference	Title	Practice
TMP01.3	Interest Rate Risk Management	<p>The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP06 <i>Reporting requirements and management information arrangements</i>.</p> <p>It will achieve this by the 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. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.</p>
TMP01.4	Exchange Rate Risk Management	<p>It will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.</p>
TMP01.5	Re-financing Risk Management	<p>The Council will ensure that its borrowing arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or re-financing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.</p> <p>It will actively manage its relationships 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.</p>

Reference	Title	Practice
TMP01.6	Legal and Regulatory Risk Management	<p>The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP01.1 <i>Credit and counterparty risk management</i>, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.</p> <p>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 it.</p>
TMP01.7	Fraud, Error and Corruption, and Contingency Management	<p>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.</p>
TMP01.8	Market Risk Management	<p>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.</p>
TMP02	Performance Measurement	<p>The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.</p> <p>Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements.</p>

Reference	Title	Practice
TMP03	Decision-Making and Analysis	<p>The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.</p>
TMP04	Approved Instruments, Methods and Techniques	<p>The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in this document, and within the limits and parameters defined in TMP01 <i>Risk management</i>.</p> <p>Approved instruments:</p> <ol style="list-style-type: none"> 1. Sterling money market deposits; 2. Loans under the Isle of Man Government-backed Local Authority Borrowing Scheme. <p>There are presently no approved methods or techniques.</p>

Reference	Title	Practice
TMP05	Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements	<p>The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.</p> <p>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.</p> <p>If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with TMP06 <i>Reporting requirements and management information arrangements</i>, and the implications properly considered and evaluated</p> <p>The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The responsible officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out.</p> <p>The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.</p> <p>The responsible officer will fulfil all delegations to them in accordance with the Council's policy statement and TMPs.</p>

Reference	Title	Practice
TMP06	Reporting Requirements and Management Information Arrangements	<p>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.</p> <p>The Policy and Resources Committee will receive:</p> <ol style="list-style-type: none"> 1. An annual report on the strategy and plan to be pursued in the coming year 2. A mid-year review 3. An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs. <p>The Policy and Resources Committee will receive regular monitoring reports on treasury management activities and risks and will have responsibility for the scrutiny of treasury management policies and practices.</p>
TMP07	Budgeting, Accounting and Audit Arrangements	<p>The responsible officer will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget including costs involved in running the treasury management function and associated income. The matters to be included in the budget will at a minimum be those required by statute or regulation. The responsible officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP06 <i>Reporting requirements and management information arrangements</i>.</p> <p>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.</p>

Reference	Title	Practice
TMP08	Cash and Cash Flow Management	<p>Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the responsible officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with TMP01.2 <i>Liquidity risk management</i>.</p>
TMP09	Money Laundering	<p>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, and will ensure that staff involved in this are properly trained.</p>
TMP10	Training and Qualifications	<p>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 responsible officer will recommend and implement the necessary arrangements.</p> <p>The responsible officer will ensure that members tasked with treasury management responsibilities, have access to training relevant to their needs and those responsibilities.</p> <p>Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.</p>

Reference	Title	Practice
TMP11	Use of External Service Providers	<p>The Council recognises that responsibility for treasury management decisions remains with the Council at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one or a small number of companies. 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 responsible officer.</p>
TMP12	Corporate Governance	<p>The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and 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.</p> <p>The Council has adopted and has implemented the key principles of the Treasury Management Code. This is considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.</p>