

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

TREASURY MANAGEMENT PRACTICES 2019/20

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 The Council is required to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services (The Code) as revised in 2017.
- 1.2 In order to comply with the key requirements of the Code, the Council should create and keep under review
 - A Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities, as approved by Council.
 - Suitable Treasury Management Practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.
- 1.3 Audit Committee is responsible for ensuring effective scrutiny of the treasury management arrangements.
- 1.4 This report contains updated TMPs to reflect service structure changes during 2018-19.

2. BACKGROUND INFORMATION

The legal and regulatory framework

- 2.1 The Local Government Act 2003 requires local authorities to have regard to such guidance as the Secretary of State may by regulations specify. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 specify the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance (The Code) as such guidance.
- 2.2 CIPFA has adopted the following as its definition of treasury management activities:

The management of the organisation's investments, borrowing 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.

- 2.3 The High Level objectives of the Council's treasury management activities are set out in the Treasury Management Policy Statement (Appendix 1).
- 2.4 The Code also requires the Council to maintain suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve its Treasury Management policies and objectives, and prescribing how it will manage and control those activities. The Treasury Management Practices (Appendix 2) adopted by the Council are reviewed on a regular basis.

3 OPTIONS FOR CONSIDERATION

- 3.1 To consider the Treasury Management Policy Statement and note the revised Treasury Management Practices in Appendix 1 and 2.

4 ANALYSIS OF OPTIONS

- 4.1 Link Asset Services Ltd were appointed as our Treasury Advisors during 2017 and our existing TMPs have been cross-referenced to their guidance with changes only being made where there was material difference with those based on previous advice.
- 4.2 As a principle, a common set of Practices have been adopted for both North East and North Lincolnshire Council activity under the Shared Service offering but where wider structures necessitate, alternate Practices have been drafted. These variances have been minimised wherever possible to ensure efficiencies are realised.

5 RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 5.1 The financial implications include primarily staffing considerations but also IT software and the retention of advisors. Adequate budgets for all these areas already exist so no additional resource requirement is created by this report.

6 OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 - CRIME AND DISORDER, RISK AND OTHER)

- 6.1 Risks are covered within the Treasury Management Practices.

7 **OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)**

7.1 Not applicable

8. **OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

8.1 Not applicable

9 **RECOMMENDATIONS**

9.1 That the Audit Committee considers the assurance provided by this report on the effectiveness of arrangements for treasury management, and:

9.2 That the Audit Committee notes the Treasury Management Practices for the 2019-20 financial year

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Background Papers used in the preparation of this report

[2019-20 Treasury Management Strategy](#)

[2019-22 Capital Programme](#)

CIPFA-Code of Practice in the Public Service Fully Revised 2017

CIPFA-The Prudential Code Fully Revised 2017

MHCLG Guidance

Local Government Act 2003

The Treasury Management Policy Statement

1. The Council defines its treasury management activities as:

The management of the Council'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."

2. 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 Council, and any financial instruments entered into to manage these risks.
3. This 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 value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
4. The Council's high level policies for borrowing, borrowing in advance and investments.
 - The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.
 - This organisation 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.
 - The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Council's investments followed by the yield earned on investments remain important but are secondary considerations.

Treasury Management Practices

Version Number	1.0	Approved By:	Audit Committee
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TREASURY MANGEMENT PRACTICES
PRINCIPLE AND SCHEDULES

Revised November 2019

This document has been prepared in the sequence provided by CIPFA. For ease of use, the key areas for North Lincolnshire Council treasury operations are referenced below:

	TMP Number	Page
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Electronic Banking and Dealing: <ul style="list-style-type: none"> • Authorised dealers • Dealing limits • Settlement transmission procedures 	TMP 5	21
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TMP1 Schedule 1 - Risk Management

1. Credit and Counterparty Policies

- 1.1.1 All treasury management activities present risk exposure for the Council. The council's policies and practices emphasise that the effective identification, management and containment of risk are the prime objectives of treasury management activities.
- 1.1.2 The Section 151 Officer will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties in consultation with the Council's advisors.
- 1.1.3 The criteria will be agreed by Audit Committee.
- 1.1.4 Investment with government offers the least risk but lower yields
- 1.1.5 The Council selects countries and the institutions within them for the counterparty list after analysis and careful monitoring of:
- Credit Ratings - the Council will use credit rating criteria as the main means of assessing the creditworthiness of counterparties for placing investments with – where available this Rating information will be supplemented by additional risk indicators such as Credit Default Swap Rates.
 - Sovereign credit ratings/sovereign support mechanisms (which now includes resolution mechanisms for failing financial institutions)
 - The Council's Treasury Advisor also undertakes analysis on the balance sheet structure of key banking institutions to help inform the potential restructure (i.e. bail-in) of a bank's unsecured liabilities should this be required by the regulatory authorities.
 - The credit rating criteria will also apply to securities issued by financial and non-financial institutions, which in some instances, might be higher than that of the issuing institution.
 - Financial limits for individual counterparties and sectors will be set to ensure a sound diversification policy.
 - Longer term and cash limits may be set for secured investments (e.g. those with underlying collateral or which are by regulation excluded from being bailed-in/restructured in the event of financial distress.)
 - Where there is no investment-specific rating, but collateral upon which the investment secured is rated, then the higher of the collateral and counterparty rating will be used to determine time and cash limits.
 - Credit Default Swap (CDS) information
 - Macro-economic indicators

- Asset values - consideration of the use of building societies that do not meet credit rating criteria for banks may be based on asset size rather than a formal rating.
- Corporate developments, news and articles, market sentiment
- Where one or more counterparties are part of a group a limit will be set for the aggregate for all investments with the group.

1.1.6 Treasury Advisors will construct a lending list comprising time, type, sector and specific counterparty limits based on the Councils approved Annual Investment Strategy. The counterparty list will be agreed and confirmed by the Section 151 officer.

1.1.7 It may be impractical to determine a specific list of non-financial counterparties in whose securities investments might be made. The minimum credit rating criteria and whether the security is secured or unsecured will determine its selection for investment

1.1.8 The counterparty list will be checked in accordance with the Annual Investment Strategy.

Credit ratings for individual counterparties can change at any time.

The Treasury Advisors notify the Council of credit rate changes which affect the Councils counterparty list and any consequent change in limits. They also provide economic summaries, CDS information (monthly) and share price information.

1.1.9 In addition, Treasury Management Officers will use their own means to monitor market sentiment (via Treasury Live software) and rating changes.

1.1.10 The Section 151 Officer will amend the approved list in line with the policy on criteria for selection of counterparties

1.1.11 Where an entity's credit rating is downgraded so that it fails to meet the minimum criteria, then only with the explicit approval of the S151 officer will a lower level of investment be permitted within the Non-Specified category. This is particularly apposite for the Council's own bankers where overnight deposits may be required for Operational purposes

1.1.12 Where a credit rating is placed on review for possible downgrade (also termed 'rating watch negative') so that it may fall below the minimum approved credit criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the rating review has been completed and its outcome known. This will not apply for 'negative outlooks' which indicate a long-term direction of travel rather than a possibility of an imminent downgrade

1.1.13 Credit ratings will be used as supplied from one or more of the following credit rating agencies

- Fitch Ratings Ltd
- Moody's Investors Services
- Standard & Poor's

1.1.14 Operationally the Section 151 Officer may take measures to restrict (but not extend) the criteria approved in the Annual Investment Strategy.

1.1.15 Advisers will be informed of changes to the Counterparty List where necessary.

1.2 Liquidity

1.2.1 The Council will seek to maintain sufficient cash balances to meet its daily cash requirements without recourse to short-term borrowing.

1.2.2 Should unforeseen circumstances arise short-term borrowing will be undertaken to ensure liabilities are met as they fall due.

1.2.3 The Treasury Accountant maintains cash flow forecasts (see TMP8)

1.2.4 Approved sources of short-term borrowing are:-

- The Council agrees an overdraft facility if necessary with its bankers.
- The Council accesses temporary loans either through money brokers or directly from financial institutions/other local authorities

1.2.5. 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 programme or to finance future debt maturities

1.3 Interest Rate Risk Management

1.3.1 Treasury management strategies are prepared in consultation with treasury advisors to take account of interest rate forecasts (see TMP6). Trigger points for consideration of borrowing are included within the strategy where appropriate. The treasury management advisors periodically update the forecasts and any impact on trigger points. The Council may determine it is more cost effective in the short-term to fund its borrowing requirement through the use of internal resources ('internal borrowing') or through borrowing short-term loans. The benefits of such borrowing will be monitored regularly against the potential for incurring additional costs by deferring or refinancing in future years when interest rates are expected to be higher.

1.3.2 For its investments, the Council also considers dealing from forward periods dependent upon market conditions. The Council's counterparty term limits will apply and will include the forward period of the investment.

1.3.3 The Prudential Code requires the Council to determine each year upper limits on net fixed interest rate and net variable interest rate exposures are determined each year as part of the Treasury Management Indicators included in the annual Treasury Management Strategy Statement.

1.3.4 The upper limits on net fixed interest rate and net variable interest rate are reviewed at least annually and are approved by Council within the Treasury Management Strategy reports. The Treasury Accountant maintains a spreadsheet to monitor compliance which is subject to regular review as part of the assurance arrangements.

1.3.5 Policies concerning the use of financial derivatives¹ and other instruments for interest rate management are set out in TMP4-

- a. Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The CIPFA Code requires authorities to clearly detail their policy on the use of derivatives in the annual strategy. The authority does not currently intend to use derivatives. Should this position change, the Council will seek to develop a detailed and robust risk management framework governing the use of derivatives.
- b. Forward Dealing – consideration will be given to forward lending or borrowing for a period up to 12 months in advance of the transaction subject to the Section 151 Officer's approval on each occasion.
- c. Lenders Option/Borrowers Option² - no new LOBO loans will be entered into.

1.4 Exchange Rate

1.4.1 Borrowing and Lending will only be undertaken in £ Sterling.

1.4.2 The Authority may have some exposure to exchange rate movements from time to time because expenditure or income is denominated in a foreign currency but these transactions will generally be small and will normally be converted out of or into sterling at the time of the transaction.

1.5. Refinancing

1.5.1 The Council will seek to limit refinancing exposure by ensuring that only a limited amount of loan debt will mature in any one year. This limit will be kept under review and reported annually as part of the Annual Treasury Strategy. The Prudential Code requires as a specific treasury management indicator, upper and lower limits for the maturity structure of the Council's debt.

The Section 151 Officer will by the 31 March of each year produce a borrowing strategy detailing the projected borrowing requirement for the subsequent year.

¹ Derivatives are financial instruments whose value is derived from the value of something else. They generally take the form of contracts under which the parties agree to payments between them based upon the value of an underlying asset or other data at a particular point in time. The main types of derivatives are futures, forwards, options and swaps.

² Lender Option Borrower Option (LOBO's) are typically very long-term loans - for example 40 to 60 years - and the interest rate is initially fixed. However, in the LOBO facility the lender has the option to call on the facilities at pre-determined future dates, such as every 6 months after an initial fixed period. On these call dates, the lender can propose or impose a new fixed rate for the remaining term of the facility and the borrower has the 'option' to either accept the new imposed fixed rate or repay the loan facility in most cases with a penalty.

- 1.5.2 The opportunities for debt restructuring will be kept under review in line with market conditions.
- 1.5.3 All loan debt rescheduling will be reported to the Council as part of the outturn report.
- 1.5.4 The Director of Governance and Partnerships will prepare as a minimum a three year plan for capital expenditure for the Council. The Capital Investment Strategy and capital programme will be used as a basis for estimating the anticipated financing requirement and a three year revenue budget for loan charges consisting of principal repayments, interest and expenses as well as loan repayments and forecast interest rates.
- 1.5.5 The Council sets affordable limits for borrowing to inform the capital investment plans. The main source of borrowing for the authority is the Public Works Loan Board (PWLB) and estimates shall be prepared using forecast PWLB rates.

1.5 Legal and Regulatory

References to Relevant Statutes and Regulations

The treasury management activities of the Council shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council. These are:

English Authorities

Statutes

- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.
- Local Government Act 2003
- S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03
- S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04
- S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- S.I. 2004 no. 3055 The Local Authorities (Capital Finance and Accounting) (Amendment) (England) (No. 2) Regulations 2004
- S.I. 2006 no. 521 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006
- S.I. 2007 no. 573 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007
- Local Government and Public Involvement in Health Act 2007 s238(2) – power to issue guidance; to be used re: MRP

- S.I. 2008 no. 414 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2008
- S.I. 2009 no. 321 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2009
- S.I. 2009 no. 2272 The Local Authorities (Capital Finance And Accounting) (England) (Amendment) (No.2) Regulations 2009
- S.I. 2009 no. 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009
- S.I. 2010 no. 454 (Capital Finance and Accounting) (Amendment) (England) Regulations 2010
- Localism Act 2011
- S.I. 2012 no. 265 Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012
- S.I. 2012 No. 711 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2012
- S.I. 2012 No. 1324 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.3) Regulations 2012
- S.I. 2012 No. 2269 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 4) Regulations 2012
- S.I. 2013 no. 476 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2013
- S.I. 2015 no. 234 Accounts and Audit Regulations 2015
- There has not been an issue of a Local Authorities (Capital Finance and Accounting) (England) Regulations statutory instrument in 2005, 2011 and 2016

Guidance and codes of practice

- CIPFA Standard of Professional Practice on Continuous professional Development 2005
- CIPFA Standard of Professional Practice on Ethics 2006
- The Good Governance Standard for Public Services 2004
- CIPFA's Treasury Management Codes of Practice and Guidance Notes 2017,
- CIPFA Prudential Code for Capital Finance in Local Authorities revised 2017
- CIPFA Prudential Code for Capital Finance in Local Authorities – guidance notes for practitioners 2013
- MHCLG Revised Guidance on Investments Feb 2017
- MHCLG guidance on minimum revenue provision – Feb 2017
- LAAP Bulletins
- IFRS - Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice
- PWLB circulars on Lending Policy

- The UK Money Markets Guide. Financial Conduct Authority's Code of Market Conduct
- The Council's Standing Orders relating to Contracts
- The Council's Financial Regulations
- The Council's Scheme of Delegated Functions

1.6.2 The Council will confirm, if requested to do so by counterparties, the powers and authorities under which the Council effects transactions with them.

1.6.3 Statement on the Council's Political Risks and Management of Same

The responsible officer shall take appropriate action with the Council, the Chief Executive and the Leader of the Council to respond to and manage appropriately political risks such as change of majority group, leadership in the Council, change of Government etc.

1.6.4 Monitoring Officer

The monitoring officer is the Head of Legal and Democratic Services the duty of this officer is to ensure that the treasury management activities of the Council are lawful.

1.6.5. Chief Financial Officer

The Chief Financial Officer is the Director of Governance and Partnerships the duty of this officer is to ensure that the financial affairs of the Council are conducted in a prudent manner and to make a report to the Council if he has concerns as to the financial prudence of its actions or its expected financial position.

1.6.6 Where required, the Council will also establish the powers of those with whom they enter into transactions, including any compliance requirements in respect of a duty of care and best practice.

1.7 Fraud, error and corruption, and contingency management

1.7.1 TMP5 and TMP6 and supporting Schedules set out the Council's arrangements for clarity of organisation, reporting arrangements, and management information systems and controls.

1.7.2 Emergency and Contingency Planning Arrangements
Disaster Recovery Plan.

Under established agile working practises, all members of the Treasury Management team have remote access to the required systems to enable continuity

- An electronic record is kept of all necessary treasury management data
- CHAPS payments can be given by instruction by hand to the Bank.
- Balances can also be obtained over the telephone All computer files are "backed up" to enable files to be accessed from remote sites
- Capability exists to make payments off-site following the adoption of agile working practices.

1.7.3 Details of systems and procedures to be followed:

Authority

- The scheme of delegation to Officers set out the appropriate delegated levels. All loans and investments, including PWLB, are negotiated by authorised persons.

Occurrence

- A detailed register of loans and investments is maintained as part of the treasury management arrangements (Treasury Live). This is confirmed to the ledger balance.
- Adequate and effective cash flow forecasting records are maintained within the treasury management arrangements to support the decision to lend or borrow
- Confirmation of a deal is received from the counterparty or trading portal. This could be in electronic or hardcopy format.
- A broker note showing details of the loan arranged confirming all transactions placed through brokers

Completeness

- The loans register (Treasury Live) is updated to record all lending and borrowing this includes the date of the transaction and its terms.

Measurement

- The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the Authority.

Timeliness

- The Treasury Live system highlights when money borrowed or lent is due to be repaid. On a daily basis the Dealer will obtain from the Authority's bankers the intraday balance and ensure that allowance will be made for the repayment/ receipt of loans/ investment due.

Procedure

- All lending is only made to institutions on the approved list
- All loans raised and repayments made go directly to and from the authority's designated bank account.

- Authorised limits are set for every institution, grouped entities and certain types of instrument.
- Transactions are cross-checked against broker notes, counterparty confirmations and schedules by dates, amounts, interest rates, maturity, interest payment dates, etc.
- Brokers will have a list of named officers authorised to perform loan transactions
- There is adequate insurance cover for employees involved in loans management and accounting.
- The control totals on the Treasury Live system are reconciled quarterly with the ledger
- There is a clear separation of duties between the authorisation, inputting and releasing a payment processing of a payment and its checking and authorisation
- Bank reconciliation is carried out regularly from bank statement to financial ledger.

Security

- Investment Payments should only be authorised by an authorised signatory and payments over £3m require a second authoriser and should be countersigned by an officer of Accountant level (or above) officer with appropriate knowledge and experience
- NLC Faster Payments –Payments should be authorised by a signatory from HR/Payroll services manager or an authorised signatory
- Passwords, PIN's and readers are required for Bankline transactions.
- Cards, PINs and card readers are required for Barclays.net transactions.
- When receiving requests for change of payment details, due care will be exercised to ascertain the bona fide of the request and avoid potential fraud. Additional checks will be made through independently obtained contact details for the payee before altering payment details.

Internal Audit

1.7.4 Internal Audit carries out an annual regulatory review of the treasury management function. (See TMP 7)

1.7.5 The Council has “Crime Stop” insurance cover. This covers the loss of cash by fraud or dishonesty of employees.

1.8` Market Risk Management

- 1.8.1 This is the risk that, through adverse market fluctuations in the value of the principal sums the Council borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.
- 1.8.2 The Council will from time to time access instruments in which there is an active secondary market (Certificates of Deposit, Treasury Bills etc.). The capital value of these instruments will fluctuate depending on the remaining period to maturity and prevailing market conditions. However, when using such instruments the Council will always do so on the basis that it intends to hold them to maturity and thereby secure a fixed capital value .
- 1.8.3 Legislation around Money Market Funds is changing and the Council may consider Variable Net Asset Value (VNAV) funds, as appropriate, in line with its TMSS
- 1.8.4 The method for accounting for unrealised gains or losses on the valuation of financial assets will comply with the Accounting Code of Practice.

1.9 Management practices for non-treasury investments

This organisation recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

This organisation will ensure that all the organisation's investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

The organisation will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisation's risk exposure.

Schedule 2 – TMP2 Performance measurement

Methodology to be applied for Evaluating the impact of Strategic Treasury Management Decisions

All strategic treasury decisions are to be evaluated to determine:

- The impact on the Council's finances
- Any resultant change in the treasury management risk characteristics.

2.1 Methods to be employed for measuring the performance of the authorities Treasury Management activities

- Prudential Indicators are local to the Council and are not intended as a comparator between authorities.

- Benchmarking information can be obtained from Advisors (where applicable), Treasury Live and/or CIPFA.
- The performance review will be made in the light of general trends in interest rates during the year and how the decisions made corresponded with these trends and the Council's agreed strategy, i.e. the Council will avoid hindsight analysis.
 - For debt management the following Performance Indicators (PI's) will be used
 - Average rate on all external debt
 - Average rate on external debt borrowed in previous financial year
 - Average period to maturity of external debt
 - For new borrowing, the average PWLB borrowing rate for the period for the same maturity profile.
- For investments the following performance indicator within the TMSS regarding Security will be monitored - a portfolio credit rating of A and for liquidity total cash available with 3 months of £10m.

2.2 To assist in evaluating the impact of strategic treasury management decisions the following will be carried out

- The Treasury Accountant will produce regular updates to the Treasury Management Strategy Group (TMSG)
- Mid-year report to Audit Committee and Cabinet.
- Annual Report to Council
- Reviews with the treasury management advisors.
- Internal audit reviews

2.3 Policy Concerning Methods for Testing Value in Treasury Management

2.3.1 Frequency and Processes for tendering

Banking services and other treasury services provided by external providers shall be subject to review by the Director of Governance and Partnerships at least every 5 years depending on type of contract.

2.3.2. Banking Services

Banking services will be re-tendered or renegotiated at least every 5 years to ensure that the level of prices reflect efficiency savings achieved by the supplier and current pricing trends

2.3.3. Money Broking Services

Except for approved direct dealing the Council uses money broking services in order to make deposits or to borrow from the market, and will establish charges for all services prior to using them.

The Section 151 Officer has established the under noted list of brokers, which takes account of both prices and quality of services, to obtain funds from the money markets and to place investments in accordance with the Approved list.

- Martin Brokers
- Tullett Prebon
- ICAP (restricted to Borrowing transactions only)
- King and Shaxson Limited
- BGC Sterling
- Tradition UK
- Imperial Treasury Brokers

This list may be revised at any time by the Section 151 Officer. Use of individual brokers will be determined by the need to access the services which they provide in the first instance and by performance/cost assessment thereafter.

2.3.4 Consultants/Advisors Services

NLC's policy is to appoint full-time professional treasury management advisors; the contract will be reviewed at least every three years.

2.3.5 Policy on External Managers

The Authorities' current policy is not to appoint external investment managers but this will be kept under review by the Section 151 officer.

Schedule 3 - TMP3 Decision making and analysis

Documents will be retained to evidence the processes and rationale behind all decisions:

3.1 Funding, Borrowing, Lending, and New Instruments / Techniques

3.1.1 Records to be kept

The Treasury team maintains a daily electronic record of bank balances, statements and cash flow calculations and uses specialist computer software to record all cash flow and treasury management transactions which are authorised independently. The record will have the following details relative to each loan or investment.

- Brokers (if applicable)
- Counterparty
- Interest rate
- Repayment date
- Term of loan
- Loan type
- Commission

- Transfer arrangement
- Basis on which a particular deal was judged to be the correct one
- Confirmation of compliance with Counterparty List

In addition the following records will be kept:-

- Broker Confirmations
- Counterparty Confirmations
- Deal Tickets

3.1.2 Processes to be pursued

- Cash flow forecasting – 6 months ahead (daily breakdown), period of Medium Term Financial Forecast (Monthly breakdown).
- Investment of surplus cash balances
- Temporary borrowing to cover cash deficits
- Long term borrowing to finance capital expenditure
- Obtaining other forms of financing where that offers best value
- Managing the investment and debt portfolio – maturity profile, debt rescheduling opportunities etc.:
- Monitoring of actual against budget for debt charges, interest earnings and debt management expenses

3.1.3 Issues to be addressed

In respect of every decision made the Council will have regard to the nature and extent of the risks to which the authority may become exposed

- Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained.
- Be content that the documentation is adequate both to deliver the Authorities objectives and protect the authorities interests, and to deliver good housekeeping
- Ensure that third parties are judged satisfactory in the context of the Authorities creditworthiness policies, and that limits have not been exceeded.
- Be content that the terms of any transactions are competitive

3.1.4 In respect of borrowing and other funding decisions, the Director of Governance and Partnerships will:

- Evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships
- Consider the use of internal resources and/or the most appropriate periods to fund and repayment profiles to use
- Consider the ongoing revenue liabilities created, and the implications for the Authorities future plans and budgets
- Where applicable, monitor regularly the benefits of internal borrowing against the potential for incurring additional costs by deferring borrowing into future years.

3.1.5 In respect of investment decisions, the Director of Governance and Partnerships will:

- Determine that the investment is within the Council's strategy and pre-determined instruments and criteria;
- Consider the optimum period, in the light of cash flow availability and prevailing market conditions
- Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Authority to changes in the value of its capital.
- Evaluate the credit risk associated with unsecured investments with banks and building societies.
- Determine appropriate credit policy limits and criteria to minimise the Authorities exposure to credit worthiness and other investment risks

Schedule 4 - TMP4 Approved instruments, methods and techniques

4.1 Approved activities of the Treasury Management operation

- Borrowing
- Investing
- Capital Financing
- Debt Repayment and rescheduling
- Consideration, approval and use of new financial instruments and treasury management techniques
- Managing the underlying financial risk associated with the Council's capital financing and surplus funds activities
- Managing Cash Flow
- Managing any underlying exchange rate risk associated with the Council's business activities

The above list is not finite and the Council would, from time to time, consider and determine new financial instruments and treasury management techniques; however, the Council will consider carefully whether the officers have the skills and experience to identify and manage the advantages and risks associated with using the instruments/techniques before undertaking them, more so as some risks may not be wholly or immediately transparent.

4.2 Approved Instruments for Investments

Investments will be with those bodies identified by the Council for use through the Treasury Management Strategy and may include using the following instruments:

- Deposits with the UK government, the Debt Management Agency Deposit Facility (DMADF), and UK local authorities, Term deposits, callable deposits, and forward deals with high rated banks and building societies.
- Treasury Bills, Gilts and other Government issued securities
- Certificates of deposit with high rated banks and building societies.
- AAA-rated Money Market Funds.
- Highly rated corporate bonds
- Covered bonds (i.e. those with underlying collateral)

- Unsecured corporate bonds
- Reverse Repurchase Agreements ('reverse repos')
- Floating Rate Notes
- Pooled funds i.e. Collective Investment schemes meeting the criteria in SI 2004 No 534 and subsequent amendments
- Pooled funds i.e. Collective Investment Schemes which do not meet the definition of Collective Investment Schemes in SI 2004 No 534 and subsequent amendments – these will be capital expenditure investments.

4.2.1 Implementation of MIFID II requirements

Since 3 January 2018, UK public sector bodies are defaulted to “retail” status under the requirements of MiFID II. However, for each counterparty it is looking to transact with, (e.g. financial institution, fund management operator, broker), there remains the option to opt up to “professional” status, subject to meeting certain requirements specified by MIFID II and that it has the appropriate level of knowledge and experience and decision making processes in place in order to use regulated investment products.

MIFID II does not cover term deposits so local authorities should not be required to opt up to professional status. However, some non-UK banks do not have the necessary regulatory permissions to deal with retail clients, so opting up to professional status would be required.

For investing in negotiable investment instruments, (e.g. certificates of deposit, gilts, corporate bonds), money market funds and other types of investment funds, which are covered by MIFID II, a schedule is maintained of all counterparties that the treasury management team are authorised to place investments with. This specifies for each investment instrument and for each counterparty, whether the authority has been opted up to professional status. (N.B. some money markets funds will deal with both retail and professional clients.)

A list is maintained for all permissions applied for and received for opt ups to professional status specifying name of the institution (please see below)

SCHEDULE FOR OPT UPS TO PROFESSIONAL STATUS

Banks

None

Money Market Funds

Blackrock)
) via ICD
Goldman Sachs)

Bond Funds

None

Others

Link Asset Services

BGC Partners/RP Martins

King and Shaxson

Tradition UK

Imperial Treasury Brokers

SCHEDULE FOR EXEMPTIONS

4.3 Approved Techniques include

Forward dealing up to 3 years in advance. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Section 151 Officer has delegated powers in accordance with Financial Regulations, Standing Orders, and the Scheme of Delegation and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

4.4 Approved Methods and Sources of Raising Finance

Finance will only be raised in accordance with the Local Government Act 2003 and within this limit the Authority has a number of approved methods and sources of raising capital finance be it for long, short or temporary term. These include:

- Public Works Loan Board (PWLB)
- Any institution approved for investments
- Any other bank or building society authorised to operate in the UK
- UK public and private pension funds (except East Riding Pension Fund)
- Local Capital Finance Company and other special purpose vehicles created to enable local authority bond issues
- Other local authorities
- Overdraft
- Internal (Capital Receipts, Revenue Balances & use of reserves)
- Private Finance Initiative
- Operating and Finance leases
- Deferred purchase
- Hire Purchase
- Sale and leaseback

Other Methods of Financing include:

- Government and EU capital Grants
- Contributions from other bodies

Use of Derivatives

The authority will not use standalone derivatives

4.5 Investment Limits

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument.

4.6 Borrowing Limits

See the Treasury Management Strategy Statement and Prudential and Treasury Indicators.

Schedule 5 - TMP5 Organisation, clarity and segregation of responsibilities and dealing

North Lincs Council

5.1 Limits to Responsibilities / Discretion at Authority Level

Council

- Formal Approval of the delegation of responsibilities (Constitution).
- Budget consideration and approval.
- Set the Prudential Indicators and revise them as and when necessary
- Formal Approval of The Treasury Management Strategy Statement, Annual Investment Strategy and Prudential Code indicators.
- Receive annual report and mid-year review on treasury management.

Cabinet

- Receive reports on treasury management arrangements and activities and the approval of decisions not reserved to Council
- Recommend the annual report and mid-year review on treasury management to Council

Audit Committee

-Scrutiny and overview of treasury management arrangements and Treasury Management Activity,
Recommend the Annual Report and mid-year review to Cabinet (as per TMP6).
Recommend the Treasury Management Strategy (TMSS) and Practices (TMPs) and Schedules to Cabinet
Receiving and reviewing internal and external audit reports and reviewing progress on the implementation of recommendations.

Portfolio Holder

- Scrutiny and overview of treasury management activities on a monthly basis in conjunction with the Section 151 Officer.

5.2 Principles and Practices concerning Segregation of Duties.

The following duties must be undertaken by separate officers:-

- Dealing
- Authorisation of deal
- Release payment from online banking system.

Administration of user profiles on cash management and banking systems

5.3 Treasury Management Organisation Chart

The Director of Governance and Partnership /Section 151 Officer

Shared Service Manager

Treasury Accountant

Senior Dealer, Dealer and Reserve Dealers

5.4 Statement of Duties / Responsibilities for Each Treasury Post

5.4.1 The Director of Governance and Partnership /Section 151 Officer ***(Extract from Rule 7.3 of the Constitution)***

7 DELEGATIONS TO DIRECTOR: GOVERNANCE & PARTNERSHIPS

7.3 To ensure the proper administration of the Council's financial affairs including the accounting arrangements of the Council including (but not limited) to the following:

7.3.1 All officer decisions on borrowing, investment or financing in accordance with the approved Treasury Policy Statement.

7.3.2 The investment of the Council's funds in accordance with such policy as the Council may from time to time approve and with a view to achieving such enhanced returns as is consistent with security and liquidity.

7.3.3 To adjust where necessary the authorised and operational limits agreed each year for external debt, and to effect movement between the separately agreed figures for borrowing and long-term liabilities. Any such changes to be reported to the Council at its next meeting following the change.

7.3.4 Management of the Collection Fund, General and other Funds and accounts and the disbursement of monies therefrom.

7.3.5 Raising of finance including leasing of vehicles, plant and equipment where the acquisition of the item concerned has all necessary approvals.

7.3.6 Administration of Housing Benefits, and Council Tax Benefits and recovery including Business Rates (NNDR) and to write off sums outstanding in respect thereof as irrecoverable.

7.3.7 The grant of rate relief to charities within principles laid down by the Council.

7.3.8 To write off all types of debtor account save where the total for any one debtor account exceeds £5000 the Director shall first consult with the Cabinet Member : Business Transformation and Finance.

7.3.9 To make mortgage advances to applicants fulfilling conditions set by the Council.

7.3.10 Approve any individual loan or loan scheme.

7.3.11 Make applications for funding, receive grants and act as accountable officer.

7.3.12 Act in receivership of the property of the mentally ill.

Ensures the organisation of the treasury management function is adequate to meet current requirements.

One of the officers who can approve investments

5.4.2 Shared Service Manager /Deputy s151 officer

- a) Provides absence cover for the Section 151 Officer on policy issues and undertakes the day to day treasury management duties of the Section 151 Officer
- b) Maintains a strategic overview of the treasury management function
- c) One of the officers who can approve investments
- d) Ensures that treasury management practices are documented and are regularly reviewed
- e) Provide oversight of the day to day treasury management operations
- f) To ensure that adequate resources are available,
- g) Ensure Training is up to date for all roles,
- h) Submitting management information reports to the Section 151 officer. Review compliance with Assurance Targets and report and exceptions. Agree reconciliation of Treasury transactions to the ledger

5.4.3 Treasury Accountant (Advanced Practitioner +).

- a) Oversee the execution of transactions and ensure adequate recording takes place.
- b) Adherence to agreed policies and practices on a day by day basis.
- c) Maintaining relationships with banking and treasury related third parties and external service Providers.
- d) Monitoring performance on a day to day basis.
- e) Identifying and recommending opportunities for improved practices.
- f) Ensure Dealers and Reserve Dealers are kept up to date with market developments
- g) Horizon scanning for macro-economic factors

5.4.4 Senior Dealer/Dealer

- a) Execution of Transactions and their recording.
- b) Maintenance of Dealer Duties
- c) The dealer may enter payment details into online banking platforms and transfer funds between the Council's own accounts.

5.4.5 Authoriser

- Authorise deals and reviewing their compliance with treasury management arrangements and strategy.

5.4.6 Funds Releaser

- Authorisation of release of deal via online banking platform.

5.4.7 Monitoring Officer- Assistant Director, Legal and Democratic Services

- Ensures compliance by the Section 151 Officer with the legislative and regulatory requirements for treasury management
- Satisfies himself that any proposal to vary treasury practice complies with the law or any code of practice
- Advises the Section 151 Officer where his advice is sought.

5.4.8 Internal Audit

- a) Reviews and makes recommendations in respect of compliance with approved policy and procedures
- b) Reviews and makes recommendations in respect of duties and operational practice
- c) Assesses the value for money of treasury activities
- d) Undertakes the probity audit of the treasury function

5.5 Absence cover arrangements

- All roles will be covered by at least two persons who have received sufficient training.

5.6 Dealing limits:

Long term funding and investment (where the period is in excess of 364 days)

All long term funding and investment decisions shall be authorised by the Section 151 Officer either within the minuted forum of Treasury Management Strategy Group or by separate discussion and appropriate (email/Decision notice) confirmation.

Short term funding and investment

In respect of the daily surplus or loan decision required the following limits shall apply to the approval of short term funding and investment decisions.

1. Dealer - up to £5 million
2. Over £5 million and longer than 31 days - approval required from Treasury Accountant or above.

5.7 Direct Dealing Practices

Direct dealing is carried out with institutions and with external pooled funds identified on the counterparty list and subject to maturity limits and dealing limits.

Deal Ticket Proforma

Deals will be recorded as per the deal ticket proforma
(Proforma maintained at Operational level)

Deal Transactions

By telephone or via online dealing portal

5.8 Settlement Transmission Procedures

The transfer of funds for deals arranged shall normally be made via the Council's online banking platform.

All CHAPS payments relating to settlement transactions require authorisation by at least one bank signatory

All Single CHAPS payments over £3m relating to settlement transactions require authorisation by 2 bank signatories or 1 bank signatory and countersigned by an officer of Accountant level or higher with appropriate knowledge and experience

Single payments over £3m require 2 individual Releaser confirmations within the Barclays.net system

5.9 Documentation Requirements:

For each deal undertaken the following will be prepared:

Investments

- Investment Deal ticket authorising the investment
- Confirmation from the broker
- Contract notes for purchase and sale of shares/units in pooled funds from the fund's manager/administrator

Loans

- Borrowing Deal ticket with signature to agree loan
- Confirmation from the broker OR
- Confirmation from PWLB/market counterparty

5.10 Arrangements concerning the management of counterparty risk

- The Treasury Accountant has responsibility for updating the Council's records with any credit developments
- The Shared Service Manager is tasked with the responsibility for checking that records have been correctly updated to reflect any credit developments.

TMP 6

Schedule 6 - TMP6 Reporting requirements and management information arrangements

6.1a Annual reporting requirements before the start of the year

- **treasury management strategy report** on proposed treasury management activities for the year comprising of the Treasury management strategy statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement
- **capital strategy** to cover the following: -
 - i. give a long term view of the capital programme and treasury management implications thereof beyond the three year time horizon for detailed planning.
 - ii. an overview of treasury and non-treasury investments to highlight the risks and returns involved in each and the balance, (proportionality), between both types of investments.
 - iii. The authorities risk appetite and specific policies and arrangements for non-treasury investments
 - iv. Schedule of non-treasury investments
- b) Mid-year review
- c) Annual review report after the end of the year

6.2 Treasury Management Strategy Statement

The Treasury Management Strategy Statement (TMSS) sets out the specific expected treasury activities for the forthcoming financial year. This Strategy will be submitted by the Section 151 Officer to the Council for approval before the commencement of each financial year.

The Treasury Management Strategy is concerned with the following elements:

- The current treasury portfolio position
- The prospects for interest rates
- The expected borrowing strategy
- The expectations for debt rescheduling
- The Annual Investment Strategy (see below)The Prudential Limits placed by the Council on treasury management activities (currently included in the Prudential Indicators report).

6.3 Annual Investment Strategy

As part of its annual TMSS for the following year, the Section 151 Officer will prepare an Annual Investment Strategy covering the identification and approval of the following:

- The strategy guidelines for decision making on investments.
- The maximum periods for which funds can be committed.
- Specified investments the Council will use. These are high security (defined by the Council), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

6.4 Prudential Indicators

Under the prudential system, the Council must determine the level of their affordable borrowing, having regard to the CIPFA Prudential Code.

The prudential indicators for the forthcoming and following years must be set before the beginning of the forthcoming year. These are included as an Appendix to the TMSS.

The Section 151 Officer is responsible for ensuring compliance with these limits. Should it prove necessary to amend these limits, the Section 151 Officer shall submit the changes for approval to Council.

6.5 Annual reporting requirements after the year end

An annual report will be presented to Council at the earliest practical meeting after the end of the financial year, but in any case by the end of September.

The report will include

- A comprehensive picture for the financial year of all treasury policies, plans, activities and results.
- Report on risk implications of decisions taken and transactions executed.
- Compliance report on approved policy, practices and statutory/regulatory requirements.
- Measurements of performance.
- Report on compliance with CIPFA code recommendations.

6.6 In year reporting requirements

A mid-year report on treasury management activity will be presented to Audit Committee and Cabinet by the Section 151 Officer.

The reports will include

- Report on risk implications of decisions taken and transactions executed.
- Measurements of performance.
- Treasury Management Indicators

6.7 Management information requirements

The Treasury Accountant will provide to the Shared Service Manager (in accordance with agreed timetable):

- Monitoring and forecast information in respect of revenue budgets
- Loan and investment balances
- Information demonstrating compliance with prudential indicators.
- Extent of compliance with Treasury Strategy and reasons for variance (if any)

The Treasury Accountant will produce for each meeting of the Treasury Management Strategy Group (TMSG)

- Borrowing and lending balances
- Cash flow report
- Market Intelligence

The Treasury Accountant will bring any major issues to the attention of the Section 151 officer outside of scheduled meetings.

Schedule 7 - TMP7 Budgeting, accounting and audit Arrangements

7.1 Statutory/Regulatory Requirements

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices.

The Council has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to this Council's treasury management activities.

7.2 Budgets/Accounts

The Shared Service Manager) in consultation with the Treasury Accountant will prepare revenue estimates for treasury management activity and function for the forthcoming year and following two years.

This will bring together all the costs involved in running the function, together with associated income, i.e.:

- Interest payable
- Interest receivable
- Debt management expenses (including bank charges, external advisors etc)

The Treasury Accountant will monitor and report on these estimates throughout the year in accordance with the Council's budget monitoring arrangements.

7.3 List of information requirements of External Auditors

- Calculation of the Minimum Revenue Provision

- Copy of report to Members where Council determined Prudential Indicators
- Analysis of cash and bank balances at 31 March
- Year-end bank reconciliations (including cheque book schools)
- Schedule of outstanding borrowing at year end including confirmation from lenders
- Demonstrate compliance with FRS25, FRS 26 & FRS29
- Reconciliation of loan interest, discounts received and premiums paid to the financial ledger by loan type
- Maturity analysis of loans outstanding
- Reconciliation of loans outstanding in the financial ledger to Treasury Live
- Calculation of loan interest and debt management expenses
- Schedule of all investments
- Copy of approved lending list
- Details of interest applied to internal investments
- Interest accrual calculation
- Treasury Management Strategy
- Annual Investment Strategy
- Annual treasury report
- Reports from Treasury Live system

Schedule 8 - TMP8 Cash and cash flow management

8.1 Arrangements for preparing /submitting cash flow statements

The Treasury Accountant shall keep up to date 3 year annual, and daily rolling cash flow projections.

The projections are prepared from the annual Medium Term Financial Forecast and accumulated knowledge on individual cash flow items, adjusted for known changes in levels of income and expenditure (revenue and capital) and changes in payments and receipts dates.

Daily Cash flow records are maintained on the Treasury Live system.

Analysis of the accuracy of forecasts is monitored by comparing rolling actuals to original projections on a monthly basis and reported to the Treasury Accountant by the Senior Dealer.

8.2 Bank reconciliation procedure

Bank reconciliations are a key financial control aimed at ensuring:

- All financial transactions through the Council's bank accounts are reflected in the financial ledger
- All income and expenditure is properly and promptly banked and reflected in the appropriate bank account
- All queries are promptly resolved and a record of items that need further investigation
- Evidencing that the reconciliations are undertaken regularly throughout the year and are subject to monitoring and review

Bank reconciliations are carried out by another team within the Accountancy function to ensure clear separation of duties from those responsible for treasury activity.

TMP 9 Money Laundering

9.1 Proceeds of Crime Act 2002

- Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are:
 - Concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland
 - Being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property
 - Acquiring, using or possessing criminal property.
- These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include:
 - Failure to disclose money-laundering offences
 - Tipping off a suspect, either directly or indirectly
 - Doing something that might prejudice an investigation – for example, falsifying a document.

9.2. The Terrorism Act 2000

- This act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment

9.3 The Money Laundering Regulations, 2012, 2015 and 2017

Organisations pursuing relevant business (especially those in the financial services industry regulated by the FCA) are required to do the following: -

- identify and assess the risks of money laundering and terrorist financing
- have policies, controls and procedures to mitigate and manage effectively the risks of money laundering and terrorist financing identified through the risk assessments
- appoint a nominated officer
- implement internal reporting procedures
- train relevant staff in the subject
- obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken
- report their suspicions

9.4 Local authorities

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and may commit most of the principal offences under the POCA, but are not legally obliged to apply the provisions of the Money Laundering Regulations, 2012, 2015 and 2017. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly this Council will do the following: -

- a. evaluate the prospect of laundered monies being handled by them
- b. determine the appropriate safeguards to be put in place
- c. require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness
- d. make all its staff aware of their responsibilities under POCA
- e. Appoint a member of staff to whom they can report any suspicions.
- f. in order to ensure compliance is appropriately managed, this Council will require senior management to give appropriate oversight, analysis and assessment of the risks of clients and work/product types, systems for monitoring compliance with procedures and methods of communicating procedures and other information to personnel.
- g. The officer responsible for the creation and monitoring the implementation of a corporate anti money laundering policy and procedures is the Director of Governance and Partnerships and it shall be a requirement that all services and departments implement this corporate policy and procedures.

9.5 Procedures for establishing Identity of Lenders/Borrowers

The Council does not accept loans from individuals.

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000.

The identity and authenticity of commercial institutions (banks, building societies and other financial institutions) authorised to carry out borrowing and lending activity in the UK will be checked via the Bank of England/Prudential Regulation Authority's website.

The Council will only borrow from permitted sources identified in TMP4

All banking transactions will only be undertaken by the personnel authorised to operate the Council's bank accounts.

When receiving requests for change of payment details due care is exercised to ascertain the bona fide of the request and avoid potential fraud. Checks will be made through pre-existing contact details for the payee before altering payment details.

9.5 Methodologies for identifying deposit takers

In the course of its treasury activities, the council will only lend money to or invest with those counterparties that are on its approved lending list.

Schedule 10 - TMP10 Training and Qualifications

10.1 The Section 151 officer will ensure that Council members tasked with Treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their need and those responsibilities

10.2 Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively

10.3 The Section 151 Officer is committed to professional responsibilities through both personal compliance and by ensuring that relevant staffs are appropriately trained. Other staff involved in Treasury Management activities who are members of CIPFA must also comply with the SOPP (Statement of Professional Practice).

10.4 Details of staff training needs will be identified, as part of the training needs analysis undertaken as part of the Council's Performance Management Framework.

10.5 In addition all treasury management staff will receive appropriate training relevant to the requirements and duties of their role prior to undertaking those duties.

10.6 The training needs of each of the following roles is documented, reviewed and delivered by the Treasury Manager or his nominee:

- Dealing staff
- Releasers
- Authorising Staff

10.7 Training updates will be provided as required. Regular meetings will be co-ordinated by the Treasury Accountant with Dealing Staff to ensure they are up to date with developments on Treasury issues (e.g. Strategy decisions arising from TMSG).

10.8 Treasury management seminars will be attended as appropriate and will be open to all Financial Analysis staff

10.9 The Shared Service Manager will ensure that there are sufficient trained staff in each of the roles to ensure:

- No disruption of effective treasury management service or standards,
- That there is adequate cover and succession arrangements in the event of departure of key staff
- That there are opportunities for staff to develop their skills

Schedule 11 - TMP11 Use of external service providers

Responsibility for Treasury management decisions remains with the Council at all times

11.1.1 Banking Services

Barclays Bank PLC
PO Box No 3333
1 Snow Hill
Snow Hill Queensway
Birmingham
B3 2WN

11.1.2 Money Broking Services

a. Tullet Prebon Ltd
155 Bishopgate
London
EC2N 3DA

b.BGC Partners / Martin Brokers (UK) plc
One Churchill Place
Canary Wharf
LONDON
E14 5RD

c..King & Shaxson Ltd
Candlewick House
120 Cannon Street
London
EC4N 6AS

Tradition UK
15 St. Botolph St.
London EC3A 7QX

11.1.3 Treasury Advisers

Link Asset Services

11.1.4 Deals Recording

Public Sector Live
31 Southampton Row
London
WC1B 5HJ30 day

Rolling 30 day contract

11.1.5 Bank Balances

Barclays.net

11.1.6 Money Market Funds Dealing

Institutional Cash Distributors Ltd
9 Devonshire Square
LONDON
EC2N 4YF

Bribery Act

The council is mindful of the requirements of the Bribery Act 2011 in its dealings with external providers.

Schedule 12 – TMP12 Corporate Governance

a) List of Documents to be made available for public inspection

- a. Medium Term Financial Forecast
- b. Council Approved Capital Programme
- c. Prudential Indicators
- d. Treasury Management Strategy Statement (including Annual Investment Strategy)
- e. Annual Treasury Report
- f. Treasury Management Policy Statement (TMPS)
- g. Access to Council/Committee minutes on Council's website
- h. Annual Accounts

Note that in order to maintain commercial confidentiality, requests for more detailed information should be referred to the Council's Freedom of Information Officer.

Management practices for non-treasury investments

This organisation recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

This organisation will ensure that all the organisation's investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

The organisation will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisation's risk exposure.

The Authority intends that TMP 1-12 are replicated/applicable as far as this is relevant and practicable to its non-financial investment activity.. This particularly applies to TMPs 1, 2, 5, 6, and 10..

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