

Treasury Management Practices

DRAFT

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TREASURY MANGEMENT PRACTICES
PRINCIPLE AND SCHEDULES

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:

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TMP1 - 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 Director Governance and Partnerships 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.
 - 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
 - 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 team will construct a lending list comprising time, type, sector and specific counterparty limits based on the Council's approved Treasury Management Strategy Statement.
- 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 Treasury Management Strategy Statement. Credit ratings for individual counterparties can change at any time. The Treasury Advisors notify the Council of credit rate changes which affect the Council's counterparty list and any consequent change in limits. They also provide economic summaries, CDS information (monthly) and share price information.
- 1.1.9 The treasury management officer will amend the approved list in line with the policy on criteria for selection of counterparties.
- 1.1.10 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 Director Governance and Partnerships will a lower level of investment be permitted within the Non-Specified category. This is particularly appropriate for the Council's own bankers where overnight deposits may be required for Operational purposes.
- 1.1.11 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.
- 1.1.12 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
- 1.1.13 Operationally the Director Governance and Partnerships may take measures to restrict (but not extend) the criteria approved in the Treasury Management Strategy Statement.
- 1.1.14 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 Specialist 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 Specialist monitors compliance which is subject to regular review as part of the assurance arrangements.
- 1.3.5 Policies concerning the use of financial derivatives and other instruments for interest rate management are set out in TMP4-
- a. 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 no more than 60 months in advance of the transaction.

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 Treasury Management Strategy. The Prudential Code requires as a specific treasury management indicator, upper and lower limits for the maturity structure of the Council's debt.
- 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 Audit Committee as part of the outturn report.
- 1.5.4 The council will prepare as a minimum a three-year plan for capital expenditure. 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 MRP, 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.
- 1.5.6 In addition to PWLB, any other source providing best value for money and favourable terms for borrowing will be considered.

1.6 Legal and Regulatory

1.6.1 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.
- Local Government Act 2003
- Localism Act 2011
- S.I. 2020 no. 1212 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020
- S.I. 2015 no. 234 Accounts and Audit Regulations 2015
- S.I. 2021 no. 263 Accounts and Audit Regulations 2021
- All other relevant regulations/ codes of practice etc.

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
- The Prudential Code for Capital Finance in Local Authorities: Guidance Notes for Practitioners (2018 edition)
- Practitioners' Guide to Capital Finance (2019 Edition)
- LAAP Bulletins
- Code of Practice On Local Authority Accounting In The United Kingdom
- PWLB circulars on Lending Policy
- The UK Money Markets Guide. Financial Conduct Authority's Code of Market Conduct
- The Council's Standing Orders
- The Council's Financial Regulations
- The Council's Scheme of Delegated Functions

1.6.2 Where required, the Council will 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

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

Contingency management

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.
- Payments can be given by instruction by hand to the Bank.
- Balances can also be obtained over the telephone.
- Capability exists to make payments off-site through 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. The Dealer will obtain daily 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 investment 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 types of instrument.
- Every effort is made to maintain balances within approved limits.
- 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 functions discussed in detail in TMP5

Security

- All Investment Payments should be authorised by a bank signatory.
- NLC Faster Payments –Payments should be authorised by relevant budget head.
- 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 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.

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.

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

- Monitoring of Prudential, treasury indicators and compliance treasury strategy.
- Mid-year and annual report to Audit Committee and Full 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 at least every 5 years depending on type of contract.

2.3.2 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.

Currently, council deals with following 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 will be reviewed periodically. 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.

2.3.3 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.

2.3.4 Policy on External Managers

The Authorities' current policy is not to appoint external investment managers, but this will be kept under review.

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 authority's 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, following activities will be carried out.

- Evaluation of the economic and market factors that might influence the manner and timing of any decision to borrow.
- Consideration of the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships.
- Consideration of the use of internal resources and/or the most appropriate periods to fund and repayment profiles to use.
- Consideration of 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, following activities will be carried out:

- Determination of that the investment is within the Council's strategy and pre-determined instruments and criteria.
- Consideration of the optimum period, in the light of cash flow availability and prevailing market conditions.
- Consideration of 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.
- Evaluating the credit risk associated with unsecured investments with banks and building societies.
- Determination of appropriate credit policy limits and criteria to minimise the Authorities exposure to credit worthiness and other investment risks.

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

Institution Type	Professional Status Required	Via
Banks	None	N/A
Money Market Funds	Black Rock	ICD
	Goldman Sachs	ICD
Bond Funds	None	N/A
Others	Link Asset Services	N/A
	King and Shaxson	N/A
	BGC Partners /RP Martin	N/A
	Tradition UK	N/A
	Imperial Treasury Brokers	N/A

SCHEDULE FOR EXEMPTIONS

4.3 Approved Techniques include

Forward dealing up to 5 years in advance. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Director Governance and Partnerships 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.

Finance will only be raised in accordance with the Local Government Act 2003.

Prohibited sources of Finance:

- Lenders Option/Borrowers Option - no new LOBO loans will be entered into.
- The authority will not use standalone derivatives.

4.5 Investment & Borrowing Limits

All investment and borrowing decisions will be made within limits set in TMSS.

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TMP5 Organisation, clarity and segregation of responsibilities and dealing

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 which incorporates the Minimum Revenue Provision Policy 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

Audit Committee

- Scrutiny and overview of treasury management arrangements and Treasury Management Activity,
- Receive the Annual Report and mid-year review.
- Approve the Treasury Management Practices (TMPs).
- Receiving and reviewing internal and external audit reports and reviewing progress on the implementation of recommendations.

Portfolio Holder

- Oversight of treasury management activities in conjunction with the Director Governance and Partnerships.

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

Head of Finance and Commissioning / Deputy Section 151 Officer

Chief Accountant

Strategic Lead (Finance Service Desk)

Specialist (Treasury)

Finance Practitioner (Treasury)/ Reserve Finance Practitioner

5.4 Statement of Duties / Responsibilities for Each Treasury Post

5.4.1 The Director Governance and Partnership /Section 151 Officer

As per PART D Rule 6 – Financial Regulations of the Constitution

5.4.2 Head of Finance and Commissioning /Deputy s151 officer

- a) Provides absence cover for the Director Governance and Partnership on policy issues and undertakes the day-to-day treasury management duties of the Director Governance and Partnership.
- b) Maintains a strategic overview of the treasury management function.

5.4.3 Chief Accountant/ Strategic Lead (Finance Service Desk)

- a) One of the officers who can approve investments.
- b) Ensures that treasury management practices are documented and are regularly reviewed.
- c) Provide oversight of the day-to-day treasury management operations.
- d) To ensure that adequate resources are available,
- e) Ensure Training is up to date for all roles,
- f) Submitting management information reports to the Director Governance and Partnerships.
- g) Review compliance with Assurance Targets and report any exceptions.
- h) Agree reconciliation of Treasury transactions to the ledger.

5.4.4 Treasury Specialist

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

5.4.5 Finance Practitioner

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

5.4.6 Treasury Management Group

- Chief Accountant, Treasury Strategic Lead and Practitioner
- Monthly operational decision-making group within the Treasury Management Strategy Statement
- Reporting quarterly to Head of Finance and Commissioning with exception reporting more frequently as needed and to include Director Governance and Partnerships.

5.4.7 Head of Legal and Democracy

- Ensures compliance by the Director Governance and Partnerships 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 Director Governance and Partnerships where his advice is sought.

5.4.8 Internal Audit

- Reviews and makes recommendations in respect of compliance with approved policy and procedures.
- Reviews and makes recommendations in respect of duties and operational practice.
- Assesses the value for money of treasury activities.
- 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 (where the period is in excess of 364 days)

Investments

All long-term investment decisions shall be authorised by the Director Governance and Partnerships by discussion and appropriate (email/Decision notice) confirmation.

Borrowing

All long-term borrowing decisions shall be approved by the Treasury Management Group (paragraph 5.4.6) by recording in minutes of the meeting setting out compliance with the Treasury Management Strategy Statement.

Settlement transmission (paragraph 5.8) to be authorised by a different bank signatory.

Short term funding and investment

In respect of the daily surplus or loan decision, approval of Bank Signatories would be required prior to making commitment with counterparty.

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 email, via online dealing portal or telephone.

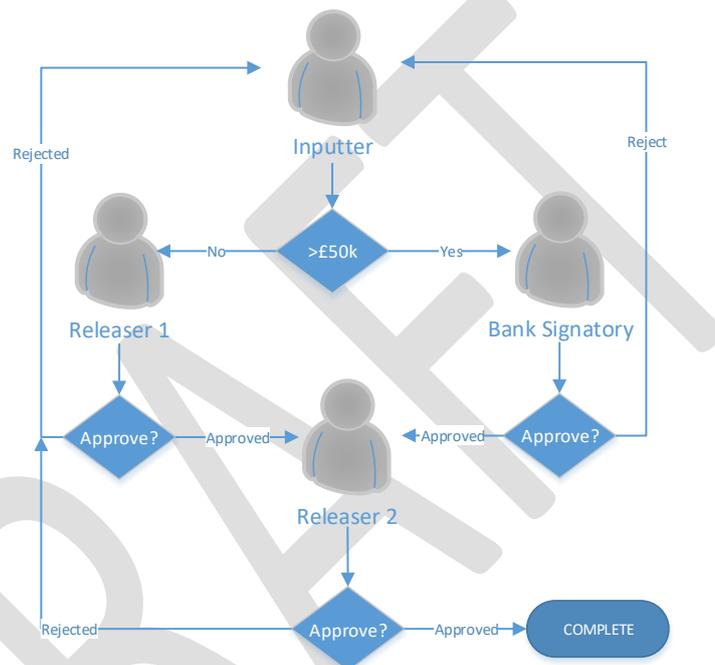
5.8 Settlement Transmission Procedures

The transfer of funds for deals arranged shall normally be made via the Council's online banking platform. Every payment on Barclays.net would require 3 different individuals for

processing. This would include Inputter, and two releasers, where over £50,000 one of the releasers will be a bank signatory:

- Bank Signatory – (strategic leads and senior staff within finance, 7 in total), authorise deals/payments on online banking system, manually or, as appropriate and reviewing their compliance with treasury management arrangements & strategy
- Releaser (Finance team, grade 8 and above) - authorisation of release of payments via online banking platform
- Inputter – treasury management team

Below process flow chart explains the online payment process on Barclays.net



5.9 Documentation Requirements:

For each deal undertaken the following will be prepared:

Investments

- Investment Deal ticket providing the investment details.
- Confirmation from the broker
- Contract notes for purchase and sale of shares/units in pooled funds from the fund's manager/administrator
- Signed standard settlement instructions (SSI) for investment of principal along with list of authorised signatories of counter parties, except DMO.

Loans

- Borrowing Deal ticket with signature to agree loan
- Confirmation from the broker OR
- Confirmation from PWLB/market counterparty
- Signed standard settlement instructions (SSI) for repayment of principal and interest along with list of authorized signatories of counter parties, except DMO.
- Completed call back for repayment of principal and interest on maturity.

TMP6 Reporting requirements and management information arrangements.

6.1 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 / Capital Investment Strategy** to cover the following: -
 - give a long-term view of the capital programme and treasury management implications thereof beyond the three-year time horizon for detailed planning.
 - 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.
 - The authorities risk appetite and specific policies and arrangements for non-treasury investments
 - Schedule of non-treasury investments
- Mid-year review
- 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 Director Governance and Partnerships 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.

6.3 Annual Investment Strategy

As part of its annual TMSS for the following year, the Director Governance and Partnerships will present 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 Director Governance and Partnerships is responsible for ensuring compliance with these limits. Should it prove necessary to amend these limits, the Director Governance and Partnerships 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 Director Governance and Partnerships.

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 Specialist will provide to the Treasury Management Group.

- Monitoring and forecast information in respect of relevant treasury 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 Specialist will produce for each meeting of the Treasury Management Group

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

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

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

Chief Accountant in consultation with the Treasury Specialist will prepare revenue estimates for treasury management activity and function for the medium-term financial planning period.

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

7.3 Information requirements of Auditors

- Related treasury information/ records will be provided upon request.

TMP8 - Cash and cash flow management

8.1 Arrangements for preparing /submitting cash flow statements

The Treasury Specialist shall keep up to date annual and daily rolling cash flow projections. The projections are prepared from the Medium Term Financial Plan 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.

TMP9 Money Laundering

9.1 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 Proceeds of Crime Act (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: -

- evaluate the prospect of laundered monies being handled by them
- determine the appropriate safeguards to be put in place
- require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness
- make all its staff aware of their responsibilities under POCA
- Appoint a member of staff to whom they can report any suspicions.
- 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.
- 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.

9.2 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.

Banking details for invoices above £50,000.00 from new vendors should be reconfirmed thorough appropriate means such as call back.

9.3 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.

TMP10 - Training and Qualifications

- 10.1.1 The Director Governance and Partnerships 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
- 10.1.2 Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.
- 10.1.3 The Director Governance and Partnerships is committed to professional responsibilities through both personal compliance and by ensuring that relevant staff 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).
- 10.1.4 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.
- 10.1.5 In addition all treasury management staff will receive appropriate training relevant to the requirements and duties of their role prior to undertaking those duties.
- 10.1.6 The training needs of each of the following roles is documented, reviewed and delivered by the Chief Accountant or his nominee:
 - Dealing staff
 - Releasers
 - Authorising Staff
- 10.1.7 Training updates will be provided as required. Regular meetings will be co-ordinated by the Treasury Specialist with Dealing Staff to ensure they are up to date with developments on Treasury issues (e.g. Strategy decisions arising from TMG).

- 10.1.8 Treasury management seminars will be attended as appropriate and will be open to all relevant staff.
- 10.1.9 The Chief Accountant 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.

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

- Tullet Prebon Ltd
155 Bishopgate
London
EC2N 3DA
- BGC Partners / Martin Brokers (UK) plc
One Churchill Place
Canary Wharf
LONDON
E14 5RD
- King & Shaxson Ltd
Candlewick House
120 Cannon Street
London
EC4N 6AS
- Tradition UK
15 St. Botolph St.
London EC3A 7QX
- Imperial Treasury Services
5 Port Hill, Hertford
SG14 1PJ

Additional money brokerage service providers may be added subject to approval of Treasury Management Group.

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 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.

TMP12 - Corporate Governance

All applicable treasury related documents will be available on council's website such as Treasury Management Strategy statement etc.

Note that in order to maintain commercial confidentiality, requests for more detailed information should be made to inforequest@northlincs.gov.uk clearly explaining the information you would like and providing a contact email or postal address.