

Appendix 2: Treasury Management Policy

Policy Statement

North Devon Council defines treasury management activities as:

The management of the authority'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.

Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principle of achieving value for money in treasury management, and to employing suitable and comprehensive performance measurement techniques, within the context of effective risk management.

Council's high level policies for borrowing and investments will be set out and reviewed each year as part of the Council's Annual Treasury Management Strategy Statement.

Treasury Management Practices (TMPs)

The Council's treasury management practices are as follows:

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TMP1 - Risk Management

This Council regards a key objective of its treasury management and other investment activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures covering all external investment including investment properties.

The Chief Finance officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting Requirements and Management Information Arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

TMP1 [1] Credit and counterparty risk management

Credit and counter-party risk is the risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources

This Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited and will limit investment activities to the instruments, methods and techniques referred to in TMP4: *Approved instruments methods and techniques* listed in the schedule to this document.

We recognise the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which we may borrow, or with whom it may enter into other financing arrangements.

This organisation will use the Treasury Services creditworthiness service based on using colours determined by minimum combinations of ratings to derive maturity limits as follows: -

- Yellow 5 years
- Dark pink 5 years for Ultra-Short Dated Bond Fund with a credit score of 1.25

- Light pink 5 years for Ultra-Short Dated Bond Fund with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No Colour not to be used

In addition a credit default swap overlay is used as a further safeguard to give early warning of potential creditworthiness problems which may only belatedly lead to actual changes in credit ratings.

As this methodology is complex, readers are referred to the document "Treasury Solutions Credit Policy Guide December 2015" for a full explanation. This document can be obtained from the Chief Finance Officer.

1. The Council will use credit criteria in order to select creditworthy counterparties for placing investments with.
2. Credit ratings will be used as supplied from all three rating agencies - Fitch, Moodys and Standard & Poors
3. Treasury Management Consultants will provide regular updates of changes to all ratings relevant to the council.
4. The Chief Finance Officer will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising maturity periods, type, group, sector, country and counterparty limits.

5. Credit ratings for individual counterparties can change at any time. The Chief Finance Officer is responsible for applying approved credit rating criteria for selecting approved counterparties. Treasury management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties.

6. The Council will not rely solely on credit ratings in order to select and monitor the creditworthiness of counterparties. In addition to credit ratings it will therefore use other sources of information including: -
 - The quality financial press
 - Market data
 - Information on government support for banks
 - The credit ratings of that government support

7. Maximum maturity periods and amounts to be placed in different types of investment instrument will be reviewed annually and form part of the annual investment strategy (AIS). 2018/19 limits were as follows: -

Specified and Non-Specified Investment Instruments – Authorised Limits

Organisation	Minimum credit criteria / colour band	£ Limit per institution	Max maturity period
Debt Management Account Deposit Facilities - UK Government	N/A	Unlimited	6 months
UK Government Gilts	UK sovereign rating	£2m	1 year
UK Government Treasury Bills	UK sovereign rating	£2m	1 year
Bonds issued by multilateral development banks	AAA	£2m	6 months
Money Market Funds	AAA	£3m	Liquid
Local Authorities	N/A	£2m	1 year
Term deposit with Banks and Building Societies	Purple + Blue only Green +	£1m £4m £3m	2 years 1 year 1 year

CDs or corporate bonds with banks and building societies	Green +	£2m	1 year
Gilt funds	UK sovereign rating	£2m	1 year
Ultra-Short Dated Bond funds with a credit score of 1.25	AAA	£2m	Liquid
Ultra-Short Dated Bond funds with a credit score of 1.5	AAA	£2m	Liquid
<p>Local Authority Mortgage Scheme. Under this scheme the Council is required to place funds for a five year period. This is classified as being a service investment, rather than a treasury management investment, and is therefore outside of the specified / non specified categories above.</p>			

(+) Above the minimum colour band given. The colour band will place its own maturity limit on the investment so only the maximum maturity period is given.

8. Diversification: the Council will avoid concentrations of lending and borrowing by adopting a policy of diversification. It will therefore use the following: -
 - Maximum amount to be placed with any one institution - £3m (unless more than 30% government owned - £4m)
 - Group limits where a number of institutions are under one ownership – maximum of £5m
 - No limit will be set on placing funds with the Council's own bank due to volatility / fluctuations in day to day cash flows.
9. Investments will not be made with counterparties that do not have a credit rating in their own right.
10. The definition of **'high credit quality'** in order to determine what are specified investments as opposed to non specified investments which do not have high credit ratings is set out at the end of TMP1[8].
11. Full Individual Listings of Counterparties as at 12th November 2018 is appended to the schedules. (See page 51)

TMP1 [2] *Liquidity risk management*

This is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will be thereby compromised.

The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available, which are necessary for the achievement of its business/service objectives.

The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

The Finance Team shall seek to minimise the balance held in the Council's main bank accounts at the close of each working day. Borrowing or lending shall be arranged in order to achieve this aim.

- a) *Standby facilities*
At the end of each financial day any unexpected surplus funds are transferred to the Liquidity Select account which is available from the Council's main bank. The balance on this account is instantly accessible if the group bank account becomes overdrawn.
- b) *Bank overdraft arrangements*
A £0.5m overdraft at 1% over base rate has been agreed as part of the banking services contract. The overdraft is assessed on a group basis for the Council's accounts.
- c) *Short-term borrowing facilities*
The Council accesses temporary loans through approved brokers on the London money market. The approved borrowing limit for short-term debt will be approved in the annual investment strategy. Borrowing limit for 2018/19 was £10.5m.
- d) *Insurance/guarantee facilities*
There are no specific insurance or guarantee facilities as the above arrangements are regarded as being adequate to cover all unforeseen occurrences.
- e) *Special payments*
Requirement for notice to be given to the Exchequer Manager for all special payments above £100,000

TMP1 [3] Interest rate risk management

The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with *TMP6 Reporting requirements and management information arrangements*.

We will achieve this by the prudent use of approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

The Council will fix maximum borrowing limits and the maximum proportion of interest on borrowing which is subject to variable interest rate each year. This will be calculated each year in conjunction with the Annual Investment Strategy (AIS).

Decisions to borrow at low, variable rates of interest, will be taken after considering the absolute level of longer term interest rate equivalents and the extent of variable rate earnings on the Council's investment balances. Should longer-term rates move below the cost of variable rate borrowing, any strategic exposure to variable interest rates must be reviewed, and, if appropriate, reduced. Variable rate borrowing will be limited to a proportion of the Council's portfolio as determined in the AIS.

The Council currently uses Treasury Solutions as its treasury advisor to help formulate a view on interest rates.

Policies concerning the use of instruments for interest rate management.

- a) forward dealing
Consideration will be given to dealing from forward periods dependant upon market conditions. When forward dealing is more than 3 months forward then the approval of the Chief Finance Officer is required.
- b) callable deposits
The Council will use callable deposits as part as of its Annual Investment Strategy (AIS).

- c) LOBOS (borrowing under lender's option/borrower's option)
Use of LOBOs are considered as part of the annual borrowing strategy. All borrowing for periods in excess of 364 days must be approved by Chief Finance Officer.

TMP1 [4] Exchange rate risk management

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

We will manage exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

The Council limits its investments and borrowing to sterling transactions avoiding exposure to exchange rate variations.

TMP1 [5] Refinancing risk management

The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

The Council will ensure that borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

We will actively manage our relationships with counterparties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

Debt/Other Capital Financing, Maturity Profiling, Policies and Practices

The Council will establish through its Prudential and Treasury Indicators the amount of debt maturing in any year/period.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most

advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

- a) the generation of cash savings at minimum risk;
- b) to reduce the average interest rate;
- c) to amend the maturity profile and /or the balance of volatility of the debt portfolio.

Rescheduling will be reported to the Council in the annual Review Report.

Projected Capital Investment Requirements

The Chief Finance Officer will prepare a three year plan for capital expenditure for the Council. The capital plan will be used to prepare a three year revenue budget for all forms of financing charges. In addition, the Chief Finance Officer will draw up a capital strategy report which gives a longer term view.

The definition of capital expenditure and long term liabilities used in the Code will follow recommended accounting practice as per the Code of Practice on Local Authority Accounting.

Policy Concerning Limits on Affordability and Revenue Consequences of Capital Financing

In considering the affordability of its capital plans, the Council will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on council tax. It will also take into account affordability in the longer term beyond this three year period.

The Council will use the definitions provided in the Prudential Code for borrowing (65), capital expenditure (66), capital financing requirement (67), debt (68), financing costs (69), investments (70), net borrowing (71), net revenue stream (72), other long term liabilities (73).

TMP1 [6] Legal & regulatory risk management

The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

The Council will ensure that all treasury management activities comply with its statutory powers and regulatory requirements. We will demonstrate such compliance, if required to do so, to all parties

with whom we deal in such activities. In framing our credit and counterparty policy under TMP1 [1]: *credit and counterparty risk management*, we will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.

The Council recognises that future legislative or regulatory changes may impact on treasury management activities and, so far as it is reasonably able to do so, will seek to minimize the risk of these impacting adversely on the organisation.

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:

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's Treasury Management Codes of Practice and Guidance Notes 2011,
- CIPFA Prudential Code for Capital Finance in Local Authorities revised 2011
- CIPFA Prudential Code for Capital Finance in Local Authorities – guidance notes for practitioners 2013
- CIPFA Local Authority Capital Accounting - a reference manual for practitioners 2014 Edition
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 2002
- 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 Market 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

Procedures for Evidencing the Council's Powers/Authorities to Counterparties

The Council's powers to borrow and invest are contained in legislation.

Investing: Local Government Act 2003, section 12

Borrowing: Local Government Act 2003, section 1

In addition, it will make available on request the following: -

- a) the scheme of delegation of treasury management activities which is contained in the Constitution and states which officers carry out these duties
- b) the document which sets which officers are the authorised signatories.

Required Information on Counterparties

Lending shall only be made to counterparties on the Approved Lending list. This list has been compiled using advice from the Council's treasury advisers based upon credit ratings supplied by Fitch, Moodys and Standard & Poors.

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

The Chief Finance 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.

Monitoring Officer

The monitoring officer is the Head of Corporate & Community; the duty of this officer is to ensure that the treasury management activities of the Council are lawful.

Chief Financial Officer

The Chief Financial Officer is the Head of Resources; 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.

TMP1 [7] *Fraud, error and corruption, and contingency risk management*

The risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

The Council will ensure that it has identified the circumstances which may expose us to the risk of loss through fraud, error, corruption or other eventualities in treasury management dealings. Accordingly, we will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

The Council will:-

- a) seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.
- b) Fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.
- c) Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.
- d) Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

Details of Systems and Procedures to be Followed, Including Internet Services

Authority

- The Scheme of Delegation to Officers sets out the delegation of duties to officers.
- All loans and investments are negotiated by the Chief Finance Officer or authorised persons.

- Loan procedures are defined in the Council's Financial Regulations.

Procedures

- Daily bank balances are obtained via the on-line banking service or by contacting the Council's bank directly.
- The internal records and controls are updated daily and cash flow / investment opportunities monitored.
- Funds can be transferred between the Council's bank accounts.
- Funds can be invested externally. The Exchequer Manager will contact the broker for details of available rates and periods or liaise directly with the bank or building society where appropriate.
- Chaps payments will be used for external investments. Two authorised signatories are required to approve these payments.
- Investment details are entered onto the Council's investment register and details reconciled to the confirmation letter received from the borrower.
- The Council uses its own 'cash flow manager' spreadsheet to perform cash flow forecasts and compile details of all investments and borrowing.

Investment and borrowing transactions

- A detailed register of all loans and investments is maintained in the cash flow manager spreadsheet.
- A written acknowledgement of each deal is sent promptly to the lending or borrowing institution where transactions are done directly with the organisation.
- Written confirmation is received and checked against the dealer's records for the transaction.
- Any discrepancies are immediately reported to the Head of Resources for resolution.
- All transactions placed through brokers are confirmed by a broker note showing details of the loan arranged. Written confirmation is received and checked against the dealer's records for the transaction. Any discrepancies are immediately reported to the Head of Financial Services for resolution.

Regularity and security

- Lending is only made to institutions on the Approved List of Counterparties.
- The cash flow manager spreadsheet prompts the Treasury staff that money borrowed or lent is due to be repaid.
- All loans raised and repayments made go directly to and from the bank account of approved counterparties.
- Counterparty limits are set for every institution (see pages 5-6) that the Council invests with.
- Brokers have a list of named officials authorised to agree deals.
- There is a separation of duties in the section between dealers and the checking and authorisation of all deals.

- The Council's bank holds a list of Council officials who are authorised signatories for treasury management transactions.
- Payments can only be approved by two authorised signatories, the list of signatories having previously been agreed with the current provider of our banking services.
- The cash flow manager spreadsheet can only be accessed by a password.
- There is adequate insurance cover for employees involved in loans management and accounting.

Checks

- The bank reconciliation is carried out monthly from the bank statement to the financial ledger by Accountancy Services.
- The cash flow manager spreadsheet balances are proved to the balance sheet ledger codes at the end of each month and at the financial year end.
- A debt charge/investment income listing is produced every quarter when a review is undertaken against the budget for interest earnings and debt costs.

Calculations

- The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the cash flow manager spreadsheet.
- The cash flow manager spreadsheet automatically calculates periodic interest payments of PWLB and other long-term loans. This is used to check the amount paid to lenders.
- Average weighted capital loans fund interest rates and debt management expenses are calculated monthly using information from the financial ledger and the Cash Flow Manager spreadsheet.
- These interest and expense rates are then used to calculate the principal, interest and debt management expense charges to the Loans Fund.

Emergency and Contingency Planning Arrangements

Disaster Recovery Plan.

The Council has an approved Business Continuity Plan and also has a Disaster Recovery Centre at Brynsworthy Environment Centre.

All members of the treasury management team are familiar with this plan and new members will be briefed on it.

All computer files are backed up on the server to enable files to be accessed from remote sites. Loss of internet connection would result in banking operations being done via telephone or local branch of bank.

Insurance Cover Details

Fidelity Insurance

The Council has 'Fidelity' insurance cover with QBE (via Risk Management Partners). This covers the loss of cash by fraud or dishonesty of employees.

This cover is limited to £5m for any one event with no excess any one event

Officials Indemnity Insurance

The Council also has an 'Officials Indemnity' insurance policy with Zurich Municipal which covers loss to the Council from wrongful errors or acts or omissions by its officers. This cover is limited to £5m for any one event with an excess of £5,000 for any one event.

Business Interruption

The Council also has a 'Business Interruption' cover as part of its property insurance with QBE (via Risk Management Partners).

TMP1 [8] Market risk management

The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect against the effects of such fluctuations.

Details of Approved Procedures and Limits for Controlling Exposure to Investments Whose Capital Value May Fluctuate (Gilts, CDs, Etc.)

These are controlled through setting limits on investment instruments where the principal value can fluctuate. The limits are determined and set through the Annual Investment Strategy

SPECIFIED AND NON SPECIFIED INVESTMENTS

Specified investments offer high security and high liquidity. They are defined as:

- (a) denominated in sterling
- (b) repayable within 12 months of making the investment (or one which the local authority can request repayment within 12 months);
- (c) not defined as capital expenditure; and
- (d) made with:
 - i. a body (or investment scheme) which has a high credit rating awarded by a credit rating agency;
 - ii. the UK government;
 - iii. a local authority in England, Wales, Scotland or Northern Ireland; or
 - iv. a parish or community council

Non-specified investments are those investments not meeting the definition of specified investments and are therefore of greater potential risk. The Council will consider using this category only for investments that would come under the Specified list, except that they are greater than for 364 days period.

TMP2 – PERFORMANCE MANAGEMENT

Evaluation and Review of Treasury Management Decisions

The Council has a number of approaches to evaluating treasury management decisions: -

- a) quarterly reviews carried out by the treasury management team
- b) reviews with our treasury management consultants
- c) annual review after the end of the year as reported to full council
- d) half yearly monitoring reports to overview & scrutiny committee and full council
- e) Quarterly use of resources reports to Executive
- f) comparative reviews
- g) strategic, scrutiny and efficiency value for money reviews

Periodic reviews during the financial year

The Chief Finance Officer holds a treasury management review meeting with the treasury management team quarterly to review actual activity against the Treasury Management Strategy Statement and cash flow forecasts.

This will include:

- a) Total debt (both on-and off balance sheet) including average rate and maturity profile
- b) Total investments including average rate and maturity profile and changes to the above from the previous review and against the TMSS.

Reviews with our treasury management consultants

The treasury management team holds reviews with our consultants every six months to review the performance of the investment and debt portfolios.

Annual Review after the end of the financial year

An Annual Treasury Report is submitted to the Council each year after the close of the financial year which reviews the performance of the treasury portfolios. This report contains the following: -

- a) total debt and investments at the beginning and close of the financial year and average interest rates
- b) borrowing strategy for the year compared to actual strategy
- c) investment strategy for the year compared to actual strategy
- d) explanations for variance between original strategies and actual
- e) debt rescheduling done in the year
- f) actual borrowing and investment rates available through the year
- g) comparison of return on investments to the investment benchmark
- h) compliance with Prudential and Treasury Indicators

In addition half yearly reports will be submitted to Council each year to provide updates on the above.

Comparative reviews

When data becomes available, comparative reviews are undertaken to see how the performance of the authority on debt and investments compares to other authorities with similar size portfolios (but allowing for the fact that Prudential and Treasury Indicators are locally set). Data used will be sourced from: -

- . CIPFA Treasury Management statistics published each year for the last complete financial year
- . CIPFA Benchmarking Club

Benchmarks and Calculation Methodology:

Debt management

- . Average rate on all external debt
- . Average rate on external debt borrowed in previous financial year
- . Average rate on internal borrowing
- . Average period to maturity of external debt
- . Average period to maturity of new loans in previous year

Investment.

The performance of investment earnings will be measured against the following benchmarks: -

7 day LIBID uncompounded

Policy Concerning Methods for Testing Value for money in Treasury Management

Frequency and processes for tendering

The process for advertising and awarding contracts will be in line with the Council's Contract Procedure Rules / Standing Orders.

Banking services

The Council's considers that banking arrangements should be subject to competitive tender every 5 years unless it is considered that there will be changes in the volume of transactions in the foreseeable future which renders a shorter period appropriate.

If tendering is not considered appropriate a specialist banking company must be appointed to ensure that the terms offered represent value for money.

Money-broking services

The Council will use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them.

An approved list of brokers will be established which takes account of both prices and quality of services.

Consultants'/advisers' services

This Council's policy is to appoint full-time professional treasury management consultants and separate leasing advisory consultants.

Policy on External Managers (Other than relating to Superannuation Funds)

The Council's policy is not to appoint external investment fund managers.

TMP3 – DECISION MAKING & ANALYSIS

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

Records to be kept

The Treasury section has a Cash Flow Management spreadsheet in which all investment and loan transactions are recorded. Full details of the system are covered in the user manual. The following records will be retained: -

- Daily cash balance forecasts
- Money market rates obtained by telephone from brokers
- Dealing slips for all money market transactions
- Brokers' confirmations for investment and temporary borrowing transactions
- Confirmations from borrowing /lending institutions where deals are done directly
- PWLB loan confirmations
- PWLB debt portfolio schedules.
- Certificates for market loans, local bonds and other loans

Processes to be pursued

- Cash flow analysis.
- Debt and investment maturity analysis
- Ledger reconciliation
- Review of opportunities for debt restructuring
- Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer value for money)
- Performance information (e.g. monitoring of actuals against budget for debt charges, interest earned, debt management; also monitoring of average pool rate, investment returns, etc).

Issues to be addressed.

In respect of every treasury management decision made the Council will:

- a) Above all be clear about the nature and extent of the risks to which the Council may become exposed
- b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
- c) Be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interests, and to deliver good housekeeping
- d) Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded
- e) Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

In respect of borrowing and other funding decisions, the Council will:

- a) consider the ongoing revenue liabilities created, and the implications for the organisation's future plans and budgets
- b) evaluate the economic and market factors that might influence the manner and timing of any decision to fund
- c) consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships
- d) consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use and, if relevant, the opportunities for foreign currency funding.

In respect of investment decisions, the Council will:

- a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions;
- b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital;

TMP4 – APPROVED INSTRUMENTS METHODS & TECHNIQUES

Approved Activities of the Treasury Management Operation

- borrowing;
- lending;
- debt repayment and rescheduling;
- consideration, approval and use of new financial instruments and treasury management techniques;
- managing the underlying risk associated with the Council's capital financing and surplus funds activities;
- managing cash flow;
- banking activities;
- the use of external fund managers (other than Pension Fund)
- leasing.

Approved Instruments for Investments

Refer to the Annual Investment Strategy.

Implementation of MIFID II requirements

Since 3 January 2018, UK public sector bodies have been 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. Investing in negotiable investment instruments, (e.g. certificates of deposit, gilts, corporate bonds), money market funds and other types of investment funds are covered by MIFID II.

Should the Council opt up to professional status then a schedule will be maintained of all counterparties that the Finance 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 file will also be maintained for all permissions applied for and received for opt ups to professional status specifying name of the institution, instrument, date applied for and date received.

A separate record will also be maintained for confirmations that there is an exemption from having to opt up to professional status for a regulated investment, (e.g. to use a money market fund which will deal with retail clients).

Approved Techniques

- Forward dealing
- LOBOs – lenders option, borrower's option borrowing instrument
- The use of structured products such as callable deposits

Approved Methods and Sources of Raising Capital Finance

Finance will only be raised in accordance with the Local Government Act 2003 and within this limit the Council has a number of approved methods and sources of raising capital finance. These are:

On Balance Sheet	Fixed	Variable
PWLB	●	●
Municipal bond agency	●	●
EIB	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Leasing (not operating leases)	●	●
Deferred Purchase	●	●

Other Methods of Financing

Government and EC Capital Grants
 Lottery monies
 PFI/PPP
 Operating leases

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Chief Finance Officer has delegated powers in accordance with Financial Regulations, Standing Orders, the Scheme of Delegation to Officers Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

Investment Limits

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

Borrowing Limits

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

TMP5 – ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

Allocation of responsibilities

(i) Full council

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual treasury management strategy.
- approval of capital strategy

(ii) Executive

- approval of amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Overview & Scrutiny

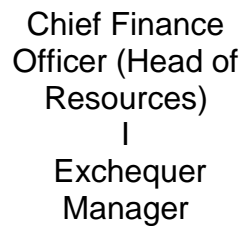
- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

Principles and Practices Concerning Segregation of Duties

The following duties must be undertaken by separate officers: -

Dealing	Negotiation and approval of deal. Receipt and checking of brokers confirmation note against loans diary. Reconciliation of cash control account. Bank reconciliation
Accounting Entry	Production of transfer note. Processing of accounting entry
2 nd Authorisation/Payment of Deal	Entry onto system. Approval and payment.

Treasury Management Organisation Chart



Statement of the treasury management duties/responsibilities of each treasury post

The Chief Finance Officer

The Chief Finance Officer is the person charged with professional responsibility for the treasury management function. This person will carry out the following duties: -

- a) recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- b) submitting regular treasury management policy reports
- c) submitting budgets and budget variations
- d) receiving and reviewing management information reports
- e) reviewing the performance of the treasury management function
- f) ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- g) ensuring the adequacy of internal audit, and liaising with external audit
- h) recommending the appointment of external service providers.
- i) The Chief Finance Officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
- j) The Chief Finance Officer may delegate his power to borrow and invest to members of his staff. Approved dealing Officers will conduct all dealing transactions, or staff authorised by the Chief Finance Officer to act as temporary cover for leave/sickness. All transactions must be authorised by at least two of the named officers above.
- k) The Chief Finance Officer will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
- l) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Chief Finance Officer to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations
- m) It is also the responsibility of the Chief Finance Officer to ensure

that the Council complies with the requirements of The UK Money Markets Code (formally known as the Non-Investment Products Code) for principals and broking firms in the wholesale markets.

- n) Preparation of a capital strategy to include capital expenditure, capital financing and treasury management, with a long term timeframe
- o) Ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- p) supervising treasury management staff
- q) monitoring overall treasury performance

Exchequer Manager

The responsibilities of this post will be:

- a) execution of transactions
- b) adherence to agreed policies and practices on a day-to-day basis
- c) maintaining relationships with counterparties and external service providers
- d) submitting management information reports to the Chief Finance Officer
- e) identifying and recommending opportunities for improved practices
- f) monitoring performance on a day-to-day basis

The Head of the Paid Service – the Chief Executive

The responsibilities of this post will be: -

- a) ensuring that the system is specified and implemented
- b) ensuring that the Chief Finance Officer reports regularly to the full Council / Executive / Overview & Scrutiny on treasury policy, activity and performance.

The Monitoring Officer – the Head of Corporate & Community

The responsibilities of this post will be: -

- a) ensuring compliance by the Chief Finance Officer with the treasury management policy statement and treasury management practices and that they comply with the law.
- b) being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
- c) giving advice to the Chief Finance Officer when advice is sought.

Internal Audit

The responsibilities of Internal Audit will be: -

- a) reviewing compliance with approved policy and treasury management practices.
- b) reviewing division of duties and operational practice.
- c) assessing value for money from treasury activities.

- d) undertaking probity audit of treasury function.

Absence Cover Arrangements

The Chief Finance Officer may delegate his power to borrow and invest to members of his staff to act as temporary cover for leave/sickness. All transactions must be authorised by at least two authorised signatories.

Dealing Limits

The following posts are authorised to deal: -

- Chief Executive
- Chief Finance Officer
- Exchequer Manager
- Officers acting under delegated powers of Chief Finance Officer.

There are no dealing limits for individual posts

List of Approved Brokers

A list of approved brokers is maintained within the Treasury Team and a record of all transactions recorded against them. See TMP 11

Policy on Brokers' Services

It is this Council's policy to rotate business between brokers.

Policy on Taping of Conversations

It is not this Council's policy to tape brokers conversations

Direct Dealing Practices

The Council will consider dealing direct with counterparties if it is appropriate and the Council believes that better terms will be available. There are certain types of accounts and facilities, however, where direct dealing is required, as follows;

- Business Reserve Accounts:
- Call Accounts:
- Money Market Funds.

Settlement Transmission Procedures

Settlement will be made via CHAPS requiring approval by two authorised signatories. These payment will be made through the NatWest Bank-line system and must be completed by 3.00 pm on the same day.

Documentation Requirements

For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker.

TMP6 – REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

Annual programme of reporting

- a) Annual reporting requirements before the start of the year: -
- review of the organisation's approved clauses, treasury management policy statement and practices
 - **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

Annual Treasury Management Strategy Statement

1. The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to full Council for approval before the commencement of each financial year.
2. The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter -term variable interest rates. For instance, this Council may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.

3. The Treasury Management Strategy Statement is concerned with the following elements:
- a) Prudential and Treasury Indicators
 - b) current Treasury portfolio position
 - c) borrowing requirement
 - d) prospects for interest rates
 - e) borrowing strategy
 - f) policy on borrowing in advance of need
 - g) debt rescheduling
 - h) investment strategy
 - i) creditworthiness policy
 - j) policy on the use of external service providers
 - k) any extraordinary treasury issue
 - l) the MRP strategy
4. The Treasury Management Strategy Statement will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

The Annual Investment Strategy Statement

At the same time as the Council receives the Treasury Management Strategy Statement it will also receive a report on the Annual Investment Strategy which will set out the following: -

- a) The Council's risk appetite in respect of security, liquidity and optimum performance
- b) The definition of high credit quality to determine what are specified investments as distinct from non specified investments
- c) Which specified and non specified instruments the Council will use
- d) The Council's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
- e) Which credit rating agencies the Council will use
- f) How the Council will deal with changes in ratings, rating watches and rating outlooks
- g) Limits for individual counterparties and group limits
- h) Country limits
- i) Levels of cash balances
- j) Interest rate outlook
- k) Budget for investment earnings
- l) Policy on the use of external service providers

The Annual Minimum Revenue Provision Statement

This statement will set out how the Council will make revenue provision for repayment of its borrowing using the four options for so doing and

will be submitted at the same time as the Annual Treasury Management Strategy Statement.

Policy on Prudential and Treasury Indicators

1. The Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.
2. The Chief Finance Officer is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to the full Council

Mid year review

The Council will review its treasury management activities and strategy on a six monthly (*or other*) basis. This review will consider the following: -

- a) activities undertaken
- b) variations (if any) from agreed policies/practices
- c) interim performance report
- d) regular monitoring
- e) monitoring of treasury management indicators for local authorities.

Annual Review Report on Treasury Management Activity

An annual report will be presented to the Executive and then to the full Council at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following: -

- a) transactions executed and their revenue (current) effects
- b) report on risk implications of decisions taken and transactions executed
- c) compliance report on agreed policies and practices, and on statutory/regulatory requirements
- d) performance report
- e) report on compliance with CIPFA Code recommendations
- f) monitoring of treasury management indicators

Management Information Reports

Management information reports will be prepared every quarter by the Treasury Team and will be presented to the Chief Finance Officer.

These reports will contain the following information: -

- a) a summary of transactions executed (may want to add brokers used and fees paid) and their revenue (current effects);

- b) measurements of performance including effect on loan charges/investment income;
- c) degree of compliance with original strategy and explanation of variances.
- d) any non compliance with Prudential limits or other treasury management limits.

Publication of Treasury Management Reports

All treasury management report to Executive, Overview and Scrutiny and full council will be available to the public via the Council's website.

TMP7 – BUDGETING, ACCOUNTING & AUDIT ARRANGEMENTS

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.

Sample Budgets / Accounts / Prudential and Treasury Indicators

The Chief Finance Officer will prepare a three year medium term financial plan with Prudential and Treasury Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the function, together with associated income. The Chief Finance Officer will exercise effective controls over this budget and monitoring of performance against Prudential and Treasury Indicators, and will report upon and recommend any changes required in accordance with TMP6.

List of Information Requirements of External Auditors.

- Reconciliation of loans outstanding in the financial ledger to Treasury Management records
- Maturity analysis of loans outstanding
- Certificates for new long term loans taken out in the year
- Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Calculation of interest on working balances
- Interest accrual calculation
- Principal and interest charges reports
- Analysis of any deferred charges
- Calculation of loans fund creditors and debtors
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential and Treasury Indicators
- Review of observance of limits set by Prudential and Treasury Indicators
- Calculation of the Minimum Revenue Provision

Monthly Budget Monitoring Report

Monthly Budget Monitoring reports are produced for the Chief Finance Officer, whilst a quarterly budget monitoring report goes to Executive. The report is intended to highlight any variances between budgets and spend in order that the Council can assess its financial position. Details of treasury management activities are included within this report.

TMP8 – CASH & CASH FLOW MANAGEMENT

Arrangements for Preparing/Submitting Cash Flow Statements

Cash flow projections are prepared annually, monthly and daily. The annual and monthly cash flow projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

Bank Statements Procedures

The Council receives daily bank statements and a daily download of data from its bank. All amounts on the statement are checked to source data from Payroll, Creditors etc. A formal bank reconciliation is undertaken on a monthly basis by Accountancy Services.

Payment Scheduling and Agreed Terms of Trade With Creditors

The Councils performs a weekly payment run. Our policy is to pay creditors within 30 days of the invoice date and this effectively schedules the payments. However, where possible, local creditors will be paid in the next available payment run. Certificated payments to sub-contractors must also be paid in next available payment run where possible.

Arrangements for Monitoring Debtors / Creditors Levels

The Exchequer Manager is responsible for monitoring the levels of debtors and creditors. Details are passed to the treasury team on a monthly basis to assist in updating the cash flow models.

Procedures for Banking of Funds

All money received by an officer on behalf of the Council will without unreasonable delay be passed to the cashiers to deposit in the Council's banking accounts. The cashiers will notify the Treasury Team each morning of cash and cheques banked the previous day so that the figures can be taken into account in the daily cash flow.

Practices Concerning Prepayments to Obtain Benefits

The Council has no formal arrangement in place. Where such opportunities arise, the prepayment would be sought and authorised by the Chief Finance officer.

TMP9 – MONEY LAUNDERING

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.

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

The Money Laundering Regulations 2012, 2015 and 2017

Organisations pursuing relevant business (especially those in the financial services industry regulated by the FSA) 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.

Local authorities

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and subsequent Terrorism Acts 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. This person is Monitoring Officer
- 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 Monitoring Officer and it shall be a requirement that all services and departments implement this corporate policy and procedures.

Procedures for Establishing Identity / Authenticity Of Lenders

It is not a requirement under POCA for local authorities to require identification from every person or organisation it deals with. However, in respect of treasury management transactions, there is a need for due diligence and this will be effected by following the procedures below.

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. This register can be accessed through the FSA website on www.fsa.gov.uk.

When repaying loans, the procedures below will be followed to check the bank details of the recipient.

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. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The FSA register can be accessed through their website on www.fsa.gov.uk).

All transactions will be carried out by BACS/CHAPS for making deposits or repaying loans.

TMP10 –TRAINING & QUALIFICATIONS

The Council recognises that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity. There are two categories of relevant individuals: -

- a) Treasury management staff employed by the Council
- b) Members charged with governance of the treasury management function

All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Council operates a performance appraisal system, which identifies the training requirements of individual members of staff engaged on treasury related activities.

Additionally, training may also be provided on the job and it will be the responsibility of the Chief Finance Officer to ensure that all staff under his authority receive the level of training appropriate to their duties. This will also apply to those staff who from time to time cover for absences from the treasury management team.

Records of Training Received by Treasury Staff

The Chief Finance Officer will maintain records on all staff and the training they receive. Treasury management staff and members will go on courses provided by our treasury management consultants, CIPFA, money brokers etc.

Record of Secondment of Senior Management

Records will be kept of senior management who are seconded into the treasury management section.

Statement of Professional Practice (SOPP)

1. Where the Chief Financial Officer is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.
2. Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

Member training records

Records will be kept of all training in treasury management provided to members. Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

TMP11 – USE OF EXTERNAL SERVICE PROVIDERS

Details of Contracts with Service Providers, Including Bankers, Brokers, Consultants, Advisers

This Council will employ the services of other organisations to assist it in the field of treasury management. In particular, it will use external consultants to provide specialist advice in this ever more complex area. However, it will ensure that it fully understands what services are being provided and that they meet the needs of this organisation, especially in terms of being objective and free from conflicts of interest.

It will also ensure that the skills of the in house treasury management team are maintained to a high enough level whereby they can provide appropriate challenge to external advice and can avoid undue reliance on such advice.

Treasury management staff and their senior management will therefore be required to allocate appropriate levels of time to using the following sources of information so that they are able to develop suitable levels of understanding to carry out their duties, especially in challenge and avoiding undue reliance.

- The quality financial press
- Market data
- Information on government support for banks and
- The credit ratings of that government support

Banking Services

- a) Name of supplier of service is the National Westminster Bank.
- b) Regulatory status – banking institution authorised to undertake banking activities by the FSA
- c) The branch address is: High Street, Barnstaple, North Devon.
- d) Cost of service is variable depending on schedule of tariffs and volumes

Money-Broking Services

The Council will use money brokers for temporary borrowing and investment and long-term borrowing. It will seek to give an even spread of business amongst the approved brokers. The performance of brokers will be regularly reviewed to see if any should be taken off the approved list and replaced by another choice and will make appropriate recommendations to change the approved brokers list to the Chief Finance Officer.

Consultants'/Advisers' Services

Treasury Consultancy Services

The Council will seek to take expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to put on its approved lending list etc.

The performance of consultants will be reviewed by the Chief Financial Officer to check whether performance has met expectations.

- a) Name of supplier of service is Treasury Solutions. Their address is 65 Gresham Street, London, EC2V 7NQ
- b) Regulatory status: investment adviser authorised by the FSA
- c) Contract commenced 1st April 2017 and runs for three years.

Leasing Consultancy Services

Treasury Solutions also provide leasing consultancy services as part of the above contract.

Other Consultancy services may be employed on short-term contracts as and when required.

Credit Rating Agency

The Council receives a credit rating service through its treasury management consultants, the costs of which is included in the consultant's annual fee.

TMP12 – CORPORATE GOVERNANCE

List of Documents to be Made Available for Public Inspection

- a) The Council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.
- b) It has adopted the CIPFA Code of Practice on Treasury management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.
- c) The following documents are available for public inspection: -

Treasury Management Policy Statement
Treasury Management Strategy Statement
Annual Investment Strategy
Minimum Revenue provision policy statement
Annual Treasury Review Report
Treasury Management monitoring reports (e.g. half yearly, quarterly)

Annual accounts and financial instruments disclosure notes
Annual budget
3 Year Capital Plan
Capital Strategy

Minutes of Council / Executive / Overview & Scrutiny Committee meetings

APPENDIX 2a: Investment 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 Council 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 Council 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. Whilst the Council recognises the new definition of an investment would cover most capital expenditure items, the traditional service led investment such as fleet and ICT, which aren't driven by a commercial objective, will not form part of the schedule and non-treasury practices, as these investments will be covered by the existing capital programme and associated risk management framework already in place.

Where relevant, practicable and applicable the Council will apply the Treasury Management TMPs to the non-treasury activities, but some particular specific non-treasury TMPs are listed below:

TMP 1 Risk management

Risk Appetite, Legal Powers & Records of Decisions

The Council will adopt a low risk, immaterial, approach to non-treasury (commercial) investments as set out by the risk management practices below.

The Council acknowledges that statutory guidance makes it clear that local authorities "must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed" and that this applies to both treasury and non-treasury investments. For that reason the authority must be clear as to what powers have been used for each non treasury investment. Therefore the following summary listing will be used for each non-treasury investment-

- Project / Scheme Name
- Date investment made
- Cost
- Expected income

- Approval by (committee / full council / officer if using delegated authority)
- Legal power used
- Purpose (e.g. income generation)
- Service (where relevant)

The following should also be documented for each investment: -

- The extent to which the capital invested is placed at risk
- The impact of any potential losses on the financial sustainability of the organisation
- Dates for periodic review to take account of changes in market and other conditions.
- Names of officers or title of posts who are responsible for each non treasury investment and periodic monitoring

Non-Treasury investments – Authorised limits

The approved schedule for non-treasury investments are as follows:

Category	Type	Limit per asset
Commercial Investment	Inside ND area	
	Retail	£0.5m
	Industrial	£1m
	Offices	£0.5m
	Land	£0.5m
	Other	£0.5m
	Outside ND area	
	Retail	£0m
	Industrial	£0m
	Offices	£0m
	Other	£0m
	Subsidiaries	£0m
	Council owned companies	£0m
	Council owned industrial estates	£1m
Loans	Third Parties	£0.25m
	Employees	£0.10m
	Other	£0.05m
Loan Guarantees		£0m

**The above schedule does not include service investments items as these are covered by the capital programme and associated risk framework.*

Diversity & Proportionality

As part of the low risk strategy, the Council's approach to commercial activities will be proportional to its overall resources. The Section 151 Officer will be responsible for reviewing the level of risk compared to its financial resources when considering non-treasury investments.

Where possible the Council will consider a diversified approach to commercial activities to spread the investment risk.

Money Laundering

The Monitoring Officer will be responsible for any additional money laundering considerations in relation to commercial activities.

Credit quality of tenants

The Property Team will consider the credit quality of potential tenants.

TMP 2 Performance Management

Evaluation and Review of Non-Treasury Management Decisions

The authority will assess the risks and rewards of significant investments over the long term in order to ensure the long term financial sustainability of the authority. This infers 20-30 years in line with the financing time horizon and the expected life of the assets, while medium term financial planning, at a higher level of detail, is aimed at around a 10 year time frame and to focus on affordability in particular.

The monitoring of performance and voids will be carried out by the Property Team and reported as a key performance indicator within the Quarterly Performance and Financial Management report to Executive and Full Council.

TMP 5 Organisation, clarity and segregation of responsibilities, and dealing arrangements

Non-Treasury Organisation Chart

Chief Finance
Officer (Head of
Resources)
|
Estate Officers

Statement of the additional duties/responsibilities regarding non-treasury investments

The Chief Finance Officer

The Chief Finance Officer is the person charged with professional responsibility for all non-treasury investments. This person will carry out the following duties:

- a) recommending clauses, non-treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- b) reviewing the performance of the non-treasury investments
- c) ensuring the adequacy of non-treasury resources and skills, and the effective division of responsibilities within the non-treasury investment function
- d) ensuring that due diligence has been carried out on all non-treasury investments and is in accordance with the risk appetite of the authority
- e) ensuring that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- f) ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- g) provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- h) ensuring that members are adequately informed and understand the risk exposures taken on by the authority
- i) supervising staff involved in non-treasury investments and capital expenditure
- j) monitoring overall non-treasury investment performance

Estates Officers

The responsibilities of this post will be:

- a) execution of transactions
- b) adherence to agreed policies and practices on a day-to-day basis
- c) maintaining relationships with tenants and external service providers
- d) submitting management information reports to the Chief Finance Officer
- e) submitting information for the annual strategy, mid-year and annual review reports for full Council
- f) identifying and recommending opportunities for improved practices
- g) monitoring performance on a day-to-day basis

The Monitoring Officer – the Head of Corporate & Community

The responsibilities of this post will be: -

- a) giving advice to the Chief Finance Officer on the legal power to borrow for non-treasury investments.

Documentation Requirements

For each deal undertaken a record should be prepared giving details as listed in Appendix TMP1

TMP 6 Reporting requirements and management information arrangements

Any recommendation for non-treasury investments will be subject to a business case reported to the Executive and Full Council for approval.

Non-treasury investments will be included within the annual programme of reports:

- a) Annual reporting requirements before start of the year
- b) Mid-year review
- c) Annual report after the end of the year

Management information reports will be prepared quarterly by the Property Team and will be reported via the Quarterly Performance and Financial Management Report to Executive, Overview and Scrutiny Committee and Full Council.

TMP 10 Training and qualifications

The Council recognises that relevant individuals will need appropriate levels of training in all areas of non-treasury investment and capital expenditure. There are two categories of relevant individuals: -

- a) Estate Officers employed by the Council
- b) Members charged with governance of the investment function

All necessary staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Council operates a performance appraisal system, which identifies the training requirements of individual members of staff engaged on treasury related activities.

Additionally, training may also be provided on the job and it will be the responsibility of the Chief Finance Officer to ensure that all staff under his authority receive the level of training appropriate to their duties. This will also apply to those staff who from time to time cover for absences.

Records of Training Received by Estate Officer

The Chief Finance Officer will maintain records on all staff and the training they receive.

Member training records

Records will be kept of all training on investments and capital expenditure provided to members. Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role so they can make properly informed decisions on such investments.

APPENDIX 2b: List of Approved Counterparties for Lending for North Devon District Council.

Counterparty	Fitch Ratings			Moody's Ratings			S&P Ratings			Suggested Duration	(Watch/ Outlook Adjusted)	CDS Price	CDS Status	(CDS Adjusted with manual override)	
	Long Term	Short Term		Long Term	Short Term		Long Term	Short Term							
Banks	Abbey National Treasury Services PLC	SB	A	F1	SB	Aa3	P-1				R - 6 mths	R - 6 mths		R - 6 mths	
	Bank of Scotland PLC (RFB)	SB	A+	F1	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	54.84	●	O - 12 mths
	Barclays Bank PLC (NRFB)	PW	A	F1	SB	A2	P-1	SB	A	A-1	R - 6 mths	R - 6 mths	75.72	●	R - 6 mths
	Barclays Bank UK PLC (RFB)	PW	A	F1	SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	Close Brothers Ltd	SB	A	F1	SB	Aa3	P-1				R - 6 mths	R - 6 mths			R - 6 mths
	Goldman Sachs International Bank	SB	A	F1	NO	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths	68.14	●	R - 6 mths
	HSBC Bank PLC (NRFB)	SB	AA-	F1+	SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths	37.25	●	O - 12 mths
	HSBC UK Bank Plc (RFB)	SB	AA-	F1+				SB	AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
	Lloyds Bank Corporate Markets Plc (NRFB)	SB	A	F1	SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	Lloyds Bank Plc (RFB)	SB	A+	F1	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	54.10	●	O - 12 mths
	Santander UK PLC	PW	A	F1	SB	Aa3	P-1	SB	A	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	Standard Chartered Bank	SB	A+	F1	SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths	52.77	●	R - 6 mths
	Sumitomo Mitsui Banking Corporation Europe Ltd	SB	A	F1	SB	A1	P-1	PO	A	A-1	R - 6 mths	R - 6 mths	54.23	●	R - 6 mths
	UBS Ltd.	SB	AA-	F1+	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	39.48	●	O - 12 mths
	Svenska Handelsbanken AB	SB	AA	F1+	SB	Aa2	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
Building Society	Coventry Building Society	SB	A	F1	SB	A2	P-1				R - 6 mths	R - 6 mths			R - 6 mths
	Leeds Building Society	SB	A-	F1	SB	A3	P-2				G - 100 days	G - 100 days			G - 100 days
	Nationwide Building Society	SB	A	F1	NO	Aa3	P-1	PO	A	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	Skipton Building Society	SB	A-	F1	PO	Baa1	P-2				G - 100 days	G - 100 days			G - 100 days

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	Yorkshire Building Society	SB	A-	F1	SB	A3	P-2					G - 100 days	G - 100 days			G - 100 days
Nationalised and Part Nationalised Banks	National Westminster Bank PLC (RFB)	PO	A-	F2	PO	A1	P-1	PO	A-	A-2		B - 12 mths	B - 12 mths			B - 12 mths
	The Royal Bank of Scotland Plc (RFB)	PO	A-	F2	PO	A1	P-1	PO	A-	A-2		B - 12 mths	B - 12 mths			B - 12 mths