East Lindsey
DISTRICT COUNCIL

Treasury Management & Investment Management (Non-Treasury) Principles and Practices

January 2026

TREASURY MANAGEMENT

Key Principles of Treasury Management Practice

East Lindsey District Council (The Council) will conduct its Treasury Management function in a transparent way, giving value for money to the taxpayer while protecting public finances. In doing so it will adhere to the three key principles outlined in the CIPFA Code of Practice. These are:

1. The Council will put in place formal and comprehensive objectives, policies & practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.

2. The Council's policies and practices will make clear that the effective management and control of risk are prime objectives of its treasury management activities and that responsibility for these lies clearly within their organisation. The Council's appetite for risk forms part of its annual strategy, including any use of financial instruments for the prudent management of those risks, and will ensure that priority is given to security and portfolio liquidity when investing treasury management funds.

3. The Council recognises that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools to employ in support of its business and service objectives; and that within the context of effective risk management, its treasury management policies and practices will reflect this.

Treasury Management Practices

The Council has adopted the 12 Treasury Management Practices contained in the CIPFA Code of Practice for Treasury Management.

TMP1 - Risk management
TMP2 - Performance measurement
TMP3 - Decision making and analysis
TMP4 - Approved instruments, methods and techniques
TMP5 - Organisation, clarity and segregation of responsibilities, and dealing arrangements
TMP6 - Reporting requirements and management information arrangements
TMP7 - Budgeting, accounting and audit arrangements
TMP8 - Cash and cash flow management
TMP9 - Money laundering
TMP10 - Training and qualifications
TMP11 - Use of external service providers
TMP12 - Corporate governance

TMP1 - RISK MANAGEMENT

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 robust due diligence procedures cover all external investment.

The Section 151 (S151) 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.

1.1 Credit & Counterparty Risk Management

This Council will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited and will limit its treasury management investment activities to the instruments, methods and techniques referred to in TMP4 *Approved instruments, methods and techniques* and listed in the schedule to this document.

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

1.2 Liquidity Risk Management

This 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 to it which are necessary for the achievement of its business/service objectives.

Other than for cash flow liquidity purposes the Council will only borrow where there is a clear business case for doing so and will only do so for the current capital programme, to refinance internal borrowing of past capital expenditure, to finance future debt maturities or to ensure an adequate level of short-term investments to provide liquidity for the organisation.

1.3 Interest Rate Risk Management

This 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*.

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

policy or budgetary implications. It will ensure that any hedging tools such as derivatives are only used for the management of risk and prudent management of financial affairs, and that the policy for the use of derivatives is clearly detailed in the annual strategy.

1.4 Exchange Rate Risk Management

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

1.5 Inflation Risk Management

The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

1.6 Refinancing Risk Management

This Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised is 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.

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

1.7 Legal and Regulatory Risk Management

This Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[*1] Credit and counterparty risk management*, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may affect with the Council, particularly with regard to duty of care and fees charged.

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

1.8 Operational Risk, including fraud, error, and corruption

This Council will ensure that it has identified the circumstances which may expose it to the risk of loss through inadequate or failed internal processes, people and systems or from external events. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

1.9 Price Risk Management

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

1.10 Environmental, Social and Governance (ESG)

The Council is interested in undertaking actions to reduce climate change and as an ethical investor will consider the environmental, social and governance issues.

Officers continue to work with the Council's external treasury advisors to establish how these issues can be taken into consideration when MUFG Corporate Markets formulate their Suggested Credit List which is used by the Council.

TMP 2 PERFORMANCE MEASUREMENT

This Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document.

The criteria will include measures of effective treasury risk management and not only measures of financial performance (income or savings).

TMP 3 DECISION-MAKING AND ANALYSIS

This Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for accountability, e.g. demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

This Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1 *Risk Management.*

Where it intends to use derivative instruments for the management of risks, these will be limited to those set out in its Annual Treasury Strategy. The Council will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

The Council has reviewed its classification with financial institutions under MIFID II and has set out in the schedule to this document those organisations with which it is registered as a professional client and those with which it has an application outstanding to register as a professional client.

TMP 5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If it intends, as a result of lack of resources or other circumstances, to depart from these principles, the S151 Officer will ensure that the reasons are properly reported in accordance with TMP6 *Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.

The S151 Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The S151 Officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule to this document.

The S151 Officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegations to the S151 Officer in respect of treasury management are set out in the schedule to this document. The S151 Officer will fulfil all such responsibilities in accordance with the Council's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum:

- the full Council will receive:
    a. an annual report on the strategy and plan to be pursued in the coming year.
    b. a mid-year review.
    c. an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Council's treasury management policy statement and TMPs.
- The Executive Board to which some treasury management responsibilities are delegated, will receive regular monitoring reports on treasury management activities and risks.
- The Audit & Governance Committee will have responsibility for the scrutiny of treasury management strategy, policies and practices.
- Local authorities should report the prudential, treasury management and any other indicators as detailed in CIPFA Treasury Management guidance notes.

The present arrangements and the form of these reports are detailed in the schedule to this document.

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

The S151 Officer will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 *Risk management*, TMP2 *Performance measurement*, and TMP4 *Approved instruments, methods and techniques*. The S151 Officer will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with TMP6 *Reporting requirements and management information arrangements*.
This Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

TMP 8 CASH AND CASH FLOW MANAGEMENT

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this Council will be under the control of the S151 Officer and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the S151 Officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1 liquidity risk management, and for the purpose of identifying future borrowing needs (using a liability benchmark where appropriate). The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

TMP 9 MONEY LAUNDERING

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties, reporting suspicions and ensuring that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule to this document.

TMP 10 STAFF TRAINING AND QUALIFICATIONS

This Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The S151 Officer will recommend and implement the necessary arrangements.

The S151 Officer will ensure that council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

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

The present arrangements, including a knowledge and skills schedule, are detailed in the schedule to this document.

TMP 11 USE OF EXTERNAL SERVICE PROVIDERS

The Council recognises that responsibility for treasury management decisions remains with the Council at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. It will ensure, where feasible and necessary, that a spread of service providers is used, to avoid

overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the S151 Officer, and details of the current arrangements are set out in the schedule to this document.

TMP 12 CORPORATE GOVERNANCE

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its treasury management activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the schedule to this document, is considered vital to the achievement of proper corporate governance in treasury management, and the S151 Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

Investment Management (Non-Treasury)

This Council 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 categorises their non-treasury investments as;

Service Investments – Investments which are primarily part of service delivery, rather than for income generation or treasury management.

Commercial Investments – Investments primarily for financial return.

Schedule 2 to this document sets out the investment objectives, investment criteria, risk-management arrangements, decision-making and reporting arrangements, performance measures and management, and arrangements for training and qualifications.

Investments Management (Non-Treasury) Practices

The Investment Management Practices are mainly aligned to the Treasury Management Practices and listed below.

IMP1 - Investment Objectives
IMP2 - Investment Criteria
IMP3 - (TMP1) Risk management
IMP4 - (TMP2) Performance measurement
IMP5 - (TMP3) Decision Making & Analysis
IMP6 - (TMP 5) Organisation, clarity and segregation of responsibilities, and dealing arrangements
IMP7 - (TMP6) Reporting requirements and management information arrangements
IMP8 - (TMP10) Training and qualifications

Schedule 1

Application of Treasury Management Practices

TMP1 RISK MANAGEMENT

The Council acknowledges that there are nine principle risks involved with the operation of the Councils Treasury Management Function.

Credit and Counterparty Risk

The risk of failure by a counterparty to meet its contractual obligations to the Council 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.

Criteria to be used for creating/managing approved counterparty lists/limits

- The *Section 151 Officer (S151)* will formulate a suitable criterion for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising time, type, sector and specific counter-party limits.
- Treasury management staff will add or delete counterparties to / from the approved counter-party list in line with the policy on criteria for selection of counterparties.
- The Council will use credit criteria to select creditworthy counterparties for placing investments with.
- The Council uses credit ratings from the following credit rating agencies supplied via its Treasury Management advisers, MUFG Corporate Markets:
    i) Fitch
    ii) Standard & Poor's
    iii) Moody's

- Institutions approved for investment purposes for use by the Council are set out in the Annual Treasury Management Strategy.

Approved methodology for changing limits and adding/removing counterparties

Credit ratings for individual counterparties can change at any time. The S151 Officer is responsible for applying the stated credit rating criteria outline above for selecting approved counterparties and will add or delete counterparties as appropriate to/from the approved counterparty list when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers. This is delegated daily to Treasury Management staff.

The S151 Officer will also adjust lending limits and periods when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers in accordance with the criteria.

Liquidity Risk

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 mitigates this risk by having.

- **Bank Overdraft Facilities** - under the terms of the banking agreement the Council is charged at 1% above the bank base rate for an overdraft up to £400,000. The overdraft is assessed on a group basis for the Council's accounts.
- **Short-term Borrowing** - Any borrowing requirements will be highlighted in the cash flow projections prepared for the annual Treasury Management Strategy. Borrowing will then either be sourced from the money markets or by using the above overdraft facilities as necessary.
- **Standby facilities** - Should the Barclays online banking system fail; the Council may request large electronic transfers to be made by the Council's bank.

Interest Rate Risk

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.

Within the annual treasury and investment strategies the Council will stipulate:

- Details of approved interest exposure limits.
- Trigger points and other guidelines for managing changes to interest rate levels.
- Minimum / maximum proportions of variable rate debt / interest.
- Minimum / maximum proportions of fixed rate debt / interest.
- Policies concerning the use of financial derivatives and other instruments for interest rate management.

Adherence to the above limits and any deviations from them will be reported to Council in the Annual Treasury Report.

Exchange Rate Risk

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.

The Council will carry out transactions in currencies other than 'pound sterling' from time to time. The S151 Officer should be conscious of the effect exchange rate fluctuations, particularly in times of economic uncertainty, have on budgetary expenditure and control.

Inflation Risk

Inflation risk, also called purchasing power risk, is the chance that the cash flows from an investment won't be worth as much in the future because of changes in purchasing power due to inflation.

The Council recognises that there is a risk that inflation will be significantly different from that used to determine the level of Capital and Revenue budgets. Inflation, both current and projected will form part of the debt and investment decision-making criteria both within the strategy and operational considerations.

The key consideration is that investments reap the highest real rate of return, with debt costing the lowest real cost, consistent with other risks mentioned within this section.

Refinancing Risk

The risk that maturing borrowings, capital schemes, projects 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 treasury team will carry out:

- Continuous appraisal of debt rescheduling

Debt rescheduling opportunities are always being sought. The reasons for considering a rescheduling of debt will include: -

a) the generation of cash savings at minimum risk.
b) to reduce the average interest rate.
c) to enhance the balance of the long-term portfolio (adjust the maturity profile and/or the balance of volatility).

The Council's treasury advisors are consulted and will advise the Council when such opportunities arise.

- Prepare medium term cash flow forecasts

Annual cash-flows and 3 yearly budgets are prepared with reference to proposed capital projects and their impact on cash-flow and subsequent investment income.

- Policy concerning limits on revenue consequences of capital financing

The revenue budget for loan charges is based on the capital plan and expenditure consents. The main source of borrowing for the Council is the PWLB (Public Works Loan Board). The maximum amount that can be borrowed externally is one if the Council's Prudential Indicators and is reported annually as part of the Treasury Management Strategy Statement. The limits on revenue consequences are therefore controlled by the consent for which budget resources have been provided.

Legal and Regulatory Risk

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 must:

1. Comply with relevant statutes and regulations including:

- The requirements of The Non-Investment Products Code (formerly known as The London Code of Conduct) for principles and broking firms in the wholesale markets.
- The balanced budget requirement per the Local Government Finance Act 1992 Section 33. S32 also requires a local authority to calculate its budget requirement for each financial year including the revenue costs which flow from capital financing decisions.
- Only use investment instruments that are in accordance with The Local Organisations (Capital Finance) (Approved Investments) Regulations 1990 and subsequent amendments.
- As required by section 45 of the Local Government and Housing Act, 1989, the Council must approve before the beginning of each financial year the overall borrowing limit, the amount of the overall borrowing limit which may be outstanding by way of short-term borrowing and the maximum proportion of interest on borrowing which is subject to variable rate interest.

2. Comply with procedures for evidencing the organisations powers/authorities to counterparties.

The Council will prepare, adopt and maintain, as the cornerstones for effective treasury management:

- A Treasury Management Policy statement, stating the overriding principles and objectives of its treasury management activities and, as an integral part of that Statement.
- Treasury Management practices, setting out the manner in which the Council will achieve those principles and objectives, and prescribing how it will manage and control those activities.

3. Require information from counterparties concerning their powers/authorities

Lending shall only be made to counterparties on the authorised list. This list has been compiled from advice from the Council's Treasury Advisors, who have fully researched the background and credit of counterparties using ratings of Fitch, Moody's Investor Services and Standard & Poors.

4. Review and document the organisations political risks and management of the same.

The S151 Officer shall take the appropriate action with the Council, the Chief Executive and the Leader of the Council to respond and manage appropriately political risk such as change of majority group, leadership etc.

Fraud, Error and Corruption, and Contingency 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 treasury team will keep;

1. Details of systems and procedures to be followed, including internet services

- The Council only uses recognised brokers.
- The internet is not used for borrowing and investing, except through approved internet broker dealing sites.
- There are strict controls in place to ensure only valid payments are made. Investments and borrowings require authorisation from the S151 Officer or their designated substitute.

2. Emergency and contingency planning arrangements.

3. Keep and regularly review appropriate insurance cover

- Fidelity cover is incorporated at a limit of £5m.
- Cash and Transit is covered for carriage by a security up to £40k.
- Non-Negotiables are covered up to £250k.

Price Risk

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.

To mitigate market fluctuations the Treasury Team will monitor interest rates and rate projections from its official treasury advisors and take action where appropriate and incorporate these into its budgetary forecasts and planning. (see also inflation risk above).

In house investments are only in money market investments within approved limits.

TMP 2 PERFORMANCE MEASUREMENT

Performance measurement is a process designed to calculate the effectiveness of a portfolios or manager's investment returns or borrowing costs, and the application of the resulting data for the purposes of comparison with the performance of other portfolios or managers, or with recognised industry standards or market indices.

The benefits and applications of performance measurement in the public services include:

- using past experience beneficially to future treasury management policies and practices.
- by developing an appreciation of the factors influencing performance, improving the future processes of treasury decision making.
- allowing organisations to assess the potential for adding value through changes to the existing ways in which a portfolio is managed.
- demonstrating an awareness of the need to review regularly the value attached to the treasury management function and enhancing accountability.
- enhancing the information available to organisations when seeking to review an existing manager's performance or when selecting a new manager.
- permitting an informed judgement and decision about the merits or otherwise of using new treasury management instruments or techniques.

The Council will adopt the following methods of measuring performance:

- Performance measured against Annual Treasury Strategy Statement targets.
- Compliance to CIPFA Code of Practice for Treasury Management.
- Expenses contained within approved budget.
- Review of benchmarking club data.
- Review of performance indicators.

TMP3 DECISION MAKING & ANALYSIS

It is vital that the treasury management decisions of organisations in the public services should be subjected to prior scrutiny. The treasury management strategy is approved annually by Council. This should be supplemented by the provision of monitoring information and regular review by Audit & Governance members/ councillors in both executive and scrutiny functions. The Council will put into place a process designed to give stakeholders confidence in its decision making.

The Council will use the following tools to help evaluate decisions being considered:

- Cash flow analysis.
- Maturity analysis.
- Ledger reconciliations.
- Review of borrowing requirement.
- Monitoring of projected loan charges, interest and expenses costs.
- Review of opportunities for debt rescheduling.
- Collation of monthly performance information.

In respect of every decision made the Council will:

- Above all be clear about the nature and extent of the risks to which the Council 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 Council's objectives and protect the organisation's interests, and to deliver good housekeeping.
- Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded.
- 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 funding decisions, the Council will:

- Evaluate the economic and market factors that might influence the manner and timing of any decision to fund.
- Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships.
- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.
- Consider the ongoing revenue liabilities created, and the implications for the Council's future plans and budgets.

In respect of investment decisions, the Council will:

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

All decisions made in relation to Treasury Management will be recorded. Deal documentation and all paperwork supporting the decision to select a certain deal is retained and filed in the Financial Services Unit. This documentation will show evidence of authorisation and evidence of the transactions.

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

The Council's Treasury Management function has clearly defined boundaries and regulations under which it operates. These govern the activities and instruments which are to be undertaken and utilised.

The approved activities that the Council's Treasury Management Function can undertake are;

- 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.
- Leasing
- Managing the underlying exchange rate risk associated with the Council's business activities.

In accordance with The Local Organisations (Capital Finance) (Approved Investments) Regulations 1990 and subsequent amendments, the instruments approved for investment and commonly used by local authorities are:

- Deposits with banks, building societies, local authorities, Public Corporation (and certain other bodies).
- AAA rated bonds deposit facility.
- AAA Rated Money Market Funds & Property Funds (as listed in the counterparty schedule).
- Local Companies wholly owned by the Council.
- Debt Management Account (run by DMO/PWLB).
- Listed Securities (organisations listed in the counterparty schedule only).

The Council will only make deposits with those bodies that fulfil the criteria laid down in the approved Annual Treasury Management Strategy.

The Treasury Team can place investments by either direct investment of funds on the money market, or via a broker.

Approved methods and sources of raising capital finance - Finance will only be raised in accordance with the Local Government and Housing Act, 1989, 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	●	●
Local Authorities	●	●
Banks	●	●
Pension Funds	●	●
Insurance Companies	●	●
UK National Wealth Fund	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock Issues	●	●

Local Temporary	●	●
Local / Community Municipal Bonds	●	
Local Authority Bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Leases	●	●

The S151 Officer has delegated powers in accordance with Financial Regulations, Standing Orders, the Scheme of Delegation to Officers and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

TMP 5 ORGANISATION, CLARITY & SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS

Limits to Responsibilities/Discretion

- The Full Council will approve the Treasury Management Strategy (including the Investment Management Strategy) and all prudential and treasury indicators.
- The Full Council will approve the Mid-Year and Annual Treasury Management Report.
- The Audit & Governance Committee will receive and review reports on treasury management policies, practices and activities and the annual Treasury Management Strategy Statement (which is then approved by full council).
- The S151 Officer will be responsible for amendments to the Council's adopted clauses, Treasury Management Policy Statement and Treasury Management Practices.
- The Full Council will consider and approve Treasury Management Budgets as part of the Council's budget setting process.
- The S151 Officer will approve the segregation of responsibilities.
- The S151 Officer will receive and review external audit reports and put recommendations to the Executive Board.

Principles and Practices Concerning Segregation of Duties

Deals in respect of short-term borrowings and temporary investments are conducted by telephone or email either directly with money market dealers or via brokers.

Official authorisation of the transaction is done by the S151 Officer or his deputy.

The officer who inputs into the Barclays online banking system is unable to then authorise the transaction.

The S151 Officer authorises all new long-term borrowing.

STATEMENT OF DUTIES/RESPONSIBILITIES OF EACH TREASURY POST

Section 151 Officer

The S151 Officer will:

- Implement and monitor the Treasury Management Policy, revising and resubmitting the Policy for consideration to the Audit & Governance Committee and Executive Board, for approval by full Council, periodically if changes are required.
- Draft and submit a Treasury Management Strategy to Audit & Governance Committee in advance of each financial year prior to submission to Council for approval as part of the budget setting report.
- Draft and submit an annual report on treasury management activity to Audit & Governance Committee prior to submission to Council, by the deadline prescribed by statute.
- Submit Treasury Management Policy reports.
- Implement and monitor the strategy, reporting to Audit & Governance and the Executive Board any material divergence from budgets or necessary revisions as and when required.
- Receive and review management information reports.
- Review the performance of the Treasury Management function and promote best value reviews.
- Ensure the adequacy of Treasury Management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensure the adequacy of internal audit and liaising with external audit.
- Recommend the appointment of external service providers in accordance with the Council's Standing Orders.

The S151 Officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to take the most appropriate form of investments in approved instruments.

The S151 Officer may delegate his power to borrow and invest to members of his staff or the PSPSL Finance Team. The Head of Finance Delivery (Tech & Corp) PSPSL, Deputy Chief Finance Officer (Delivery) PSPSL or Treasury & Investments Manager (x2) PSPSL must conduct all dealing transactions. The S151 Officer may authorise other officers to act as temporary cover for leave / sickness. Where Barclays on-line banking system is used to place investments or make other payments, then only the officers so designated by the S151 Officer can authorise these transactions. These transactions must be authorised by one of the following officers:

- Head of Finance Delivery (Tech & Corp) PSPSL
- Deputy Chief Finance Officer (Delivery) PSPSL
- Treasury & Investments Manager (x2) PSPSL
- Finance Analyst Treasury (x2) PSPSL

The S151 Officer and the Monitoring Officer will ensure that the Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.

Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the S151 Officer to be satisfied, by reference to the Monitoring Officer, 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.

It is also the responsibility of the S151 Officer to ensure that the Council complies with the requirements of The Non-Investment Products Code (formerly known as The London Code of Conduct) for principles and broking firms in the wholesale markets.

Head of Finance Delivery (Tech & Corp) PSPSL, Deputy Chief Finance Officer (Delivery) PSPSL, Treasury & Investments Manager (x2) PSPSL,

The responsibilities of these posts will be: -

- Execution of transactions.
- Adherence to agreed policies and practices on a day-to-day basis.
- Maintaining relationships with third parties and external service providers.
- Monitoring performance on a day-to-day basis.
- Submitting management information reports to the S151 Officer.
- Identifying and recommending opportunities for improved practices.

Chief Executive

The responsibilities of this post will be: -

- Ensuring that the S151 Officer reports regularly to the Audit & Governance Committee on treasury policy, activity and performance.

Monitoring Officer

The responsibilities of this post will be: -

- Ensuring compliance by the S151 Officer with the treasury management policy statement and treasury management practices and that they comply with the law.
- Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
- Giving advice to the S151 Officer when advice is sought.

Internal Audit (currently carried out by external providers Lincolnshire County Council)

The responsibilities of Internal Audit will be: -

- Reviewing compliance with approved policy and procedures.
- Reviewing division of duties and operational practice.
- Assessing value for money from treasury activities.
- Undertaking probity audit of treasury function.

ABSENCE COVER ARRANGEMENTS

Within the segregation of duties there is a pool of officers able to cover for unforeseen absences as much as possible. Alternative arrangements to cover for annual leave and other known days of unavailability are agreed in advance.

DEALING LIMITS

- The borrowing limits are set in the Annual Treasury Management Strategy.
- PWLB loans are governed by the Councils Prudential Indicator Limits.
- Investment limits are set out in the Annual Treasury Management Strategy.

LIST OF APPROVED BROKERS

The Council currently uses the following brokers for short term investments and occasional short term borrowing:

- King & Shaxson
- ICAP
- Imperial Treasury Services
- Tradition UK
- BGC Sterling Treasury
- MUFG Corporate Markets (Agency Treasury Service)

POLICY ON BROKERS' SERVICES

It is the broker's policy to obtain the best deal possible available on the market for the Council.

POLICY ON TAPING OF CONVERSATIONS

It is not Council policy to tape brokers or dealers' conversations.

DIRECT DEALING PRACTICES

The officers carry out direct dealing with some of the financial institutions on the Council's approved counterparty list.

SETTLEMENT TRANSMISSION PROCEDURES

Settlements are undertaken using the Council's on-line banking system, Barclays iPortal. Details of all transactions are held in the Financial Services Unit.

DOCUMENTATION REQUIREMENTS

Full details of procedures are documented in the Treasury Management procedure notes.

ARRANGEMENTS CONCERNING THE MANAGEMENT OF THIRD-PARTY FUNDS

The Council receives S106 monies from developers. The Council maintains a separate cost centre for these funds and budget holders ensure funds are spent in accordance with the S106 agreements. Service accountants and budget holders monitor the income and expenditure on this code.

TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

The Council will report periodically throughout the year to the Audit & Governance Committee. The reports will be designed to give those with ultimate responsibility for the treasury management function full appreciation of the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

1) Annual reporting requirements before the start of the year

- review of the organisation's approved clauses, treasury management policy statement and practices.
- strategy report on proposed treasury management activities for the year.

2) Quarterly Reviews

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

3) Annual reporting requirements after the year-end

- transactions executed and their revenue (current) effects.
- report on risk implications of decisions taken and transactions executed.
- compliance report on agreed policies/practices, and on statutory/regulatory requirements.
- performance report.
- report on compliance with CIPFA Code recommendations.
- monitoring of treasury management indicators for local authorities.

TMP 7 BUDGETING ACCOUNTING AND AUDIT ARRANGEMENTS

The Financial Services Team will prepare an annual budget taking into account and clearly identifying the following;

- staffing numbers and related costs.
- premises and other administrative costs.
- interest and other investment income.
- debt and financing costs.
- bank and overdraft charges.
- broker fees, commissions and other transaction costs.
- external advisors and consultants' charges.

The annual treasury management budget should be available for both internal and external auditors to confirm that correct accounting procedures and codes of practice have been adopted and adhered to.

Any breaches in the accounting recommendations and/or treasury policies & strategies should be brought to the attention of the Audit & Governance Committee.

TMP 8 CASH AND CASH FLOW MANAGEMENT

The Council has in place robust procedures for cash flow management preparing forecasts and actuals, the arrangements for which are:

1) Arrangements for preparing and submitting cash flow statements

Cash flow projections are prepared annually, monthly and daily. The cash flow projections are prepared from the previous year's daily cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates.

2) Content and frequency of Cash flow budgets

A cash-flow spreadsheet is produced in advance of each financial year. It shows the estimated cash position of the Council for the financial year and is updated daily with actuals obtained from the Council's bank statements, as the year progresses. The cash-flow summarises all income being deposited in the Council's bank accounts and all payments from these accounts for each working day of the year.

3) Listing of sources of information

The main sources of information used to prepare and update the daily cash-flow are as follows:

- Direct Debit collection files for Council Tax, Business Rates and Accounts Receivable.
- Repaid Investment Loans.
- Grants Received from all Government Bodies etc.
- Monthly VAT repayments.
- Estimates for Car Park Income and Other Income.
- Precept payments to Lincolnshire County Council, Police & Crime Commissioner for Lincolnshire, Drainage Boards, and payments into the Lincolnshire Business Rates Pool if elected in.
- Revenue Support Grant and Business Rates Retention Payments to Government.
- Investment loans issued.
- Scheduled Bank Automated Clearing System (BACS) files for payment of Housing Benefit, Salaries and Accounts Payable.
- Estimates for capital programme expenditure for the financial year.

4) Bank statement procedures

Currently bank statements are downloaded daily from the Barclays online banking facility. The authority's income is processed through the Pay360 cash receipting system.

Bank reconciliations are carried out by the Senior Finance Assistant, Finance Assistant or Finance Analyst Treasury with the overall responsibility for the system control reconciliations being undertaken by the Treasury & Investments Manager. Copies of the signed off reconciliations are held in Sharepoint.

5) Payment Scheduling and agreed terms of trade with creditors

The Council's policy is to pay creditors within 30 days of the invoice date or other terms agreed with the creditor. Certified payments to sub-contractors must be paid within 14 days. The proportion of creditors paid within the 30-day target is measured by one of the Council's Key Performance Indicators.

6) Arrangements for monitoring debtors and creditor levels

The officers in charge of debtors are actively reducing debt levels and managers should review outstanding debts.

All invoices are paid by the due date, unless the invoice is in dispute. Every endeavour is made to ensure that discounts for early repayment are taken.

The Accounts Payable Team is able to determine the value of creditors ready for payment at any point in time accurately.

7) Procedures for banking funds

Kings Armoured Security Services Limited are used for collecting and transporting cash and cheques to the Council's bankers from the following locations:

- All car parks.
- The Hub, Horncastle.
- Kingfisher Caravan Park, Ingoldmells (during season).

TMP 9 MONEY LAUNDERING

The Council has robust and diligent procedures and protocols for identifying the origins of funds and prevent contravention of the money laundering laws.

1) Procedures for establishing identity and authenticity of lenders

The Council does not accept loans from individuals. All loans are obtained from the PWLB, other Local Authorities or from authorised institutions under the Banking Act 1987: (the names of these institutions appeared on the Bank of England quarterly list of authorised institutions until 1.12.2001 when the Financial Services Authority (FSA) took over the responsibility for maintaining a register of authorised institutions. This register can be accessed through their website on www.fsa.gov.uk).

2) Methodology for identifying sources of a deposit

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, which is approved annually as part of the Treasury Management Strategy.

TMP 10 TRAINING & QUALIFICATIONS

Officers involved in Treasury activities shall undertake regular updates and courses which are relevant to their duties.

- The Council's Treasury Management advisers offer free training courses (included within annual fee to PSPSL). Staff involved in Treasury Management activities will attend these courses as appropriate.
- Other relevant courses either free or appropriately priced should be considered when available.
- Training and training updates will be provided as appropriate on Treasury Management processes.
- Where the S151 Officer is a member of CIPFA, there is a professional need for them to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained. Other staff involved in treasury management must also comply with the Code of Practice.

TMP 11 USE OF EXTERNAL SERVICE PROVIDERS

The Council and PSPSL have contractual arrangements with a number of external service providers in order to perform the treasury management function in an effective manner.

1) Treasury Advice and Consultancy Services

The Chief Finance Officer (PSPSL) in liaison with the S151 Officer will appoint appropriate consultants and advisors to advise the Council on treasury matters.

The current advisors to the Council are;

- MUFG Pension & Market Treasury Limited (previously Link Asset Services) of 65 Gresham Street, London EC2V 7NQ.

Any contract taken out for treasury advice shall be re-tendered/quoted for at least every five years in order to guarantee value for money for the taxpayer while achieving continuity of advice over a sustained period.

2) The Council's banking services

The Council's banking services are carried out by;

- Barclays Plc of 3rd Floor, Cubo, 38 Carver Street, SHEFFIELD. S1 4FS.

The banking contract should be reviewed at least every five years in order to make sure the Council and taxpayers retain value for money. External advisors may be used to assist with this where appropriate.

TMP 12 CORPORATE GOVERNANCE

In order to demonstrate its commitment to the Code of Practice and transparency by making available on request the following documents.

- The Council's Annual Statement of Accounts for the previous six financial years.
- The Council's Annual Governance Statement.
- The Treasury Management Policy.
- The Treasury Management Strategy.
- The Investment Strategy.
- Medium Term Financial Strategy.
- The Capital Strategy and Asset Management Plan.

The Council will also consult annually during the budget setting process with stakeholders including local business rate payers. This should be done before setting the annual budget and Council Tax.

Schedule 2

Application of Investment Management Practices

IMP1 INVESTMENT OBJECTIVES

The Investment policy has two underlying objectives:

- Security – protecting the capital sum invested from loss; and
- Liquidity – ensuring the funds invested are available for expenditure when needed.

The generation of yield is distinct from these prudential objectives. However, this does not mean that local authorities are recommended to ignore potential revenues. Once proper levels of security and liquidity are determined, the Council will consider what yield can be obtained consistent with these priorities.

In relation to non-property investment the following classifications apply;

Service Investments

To utilise delivery models which support our core objectives, and which may deliver a return for the Council.

InvestEL, a wholly owned subsidiary of the Council, was incorporated in December 2019. The Business of the Company shall be to operate as an economic development company and its activities shall include some or all of the following:

- operate a caravan sales and lettings business at Kingfisher Caravan Park in Ingoldmells, Skegness;
- develop and operate a lettings business for a number of eco-lodges within the Council's administrative area (if viable);
- undertake a mixed portfolio of development to address unmet housing need in the Council's administrative area; and
- deliver a financial return for the benefit of the Council.

The Council supports this objective with the provision of loan funding. Interest from these loans supports the Council's revenue budget and service delivery.

Commercial Investments

Commercial investments are those investments which are purely for income generation.

The Council has investments in Commercial Property Funds which are long-term investments which generate a return which supports the revenue budget. The value of the capital invested can go up and down in value.

IMP2 INVESTMENT CRITERIA

The main criteria for non-treasury investments are.

- Any housing development meets the approved InvestEL Business Model.
- There is an approved business case.
- Each scheme has a satisfactory viability model.
- The longer-term investment loan demonstrates adequate finance cover.
- Total financial exposure to these types of loans/acquisitions is proportionate.
- Returns are kept under review.

IMP 3 RISK MANAGEMENT

The Council acknowledges that investments in financial assets comes at a risk.

For Non-Treasury Investments these risks are managed as below:

Credit and Counterparty Risk

The risk of failure by a counterparty to meet its contractual obligations to the Council 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.

- The S151 Officer will formulate a suitable criterion for assessing and monitoring the credit risk of investment counterparties.

- The Council will adopt the credit loss model for recognising the value of financial assets (loans).

The S151 Officer will also adjust lending limits and periods when there is a change in the financial status, credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers in accordance with the criteria.

There are appropriate credit control arrangements to recover overdue repayments in place; and

The Council has formally agreed the total level of loans by type that it is willing to make, and their total loan book is within their self-assessed limit.

Annual reviews of investments are undertaken.

Interest Rate Risk

Loans held as Long-Term Debtors are to be issued at a fixed rate of interest and term.

Commercial Investments (Property Funds) have a variable interest rate. No new investments are to be made in Property Funds due to changes in access to PWLB loans and changes to Minimum Revenue Provision guidance.

Legal and Regulatory Risk

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 must:

1. Comply with relevant statutes and regulations including:

    - The Localism Act 2011 grants Local Authorities a general power of competency allowing them to do anything that individuals generally may do, which includes lending money and investing in property.

    - As required by section 45 of the Local Government and Housing Act, 1989, the Council must approve before the beginning of each financial year the overall borrowing limit, the amount of the overall borrowing limit which may be outstanding by way of short term borrowing and the maximum proportion of interest on borrowing which is subject to variable rate interest.

    - Comply with the Local Government Act 2003, and CIPFA Prudential Code.

IMP4 PERFORMANCE MEASUREMENT

Performance measurement is a process designed to calculate the effectiveness of a portfolios or manager's investment returns or borrowing costs, and the application of the resulting data for the purposes of comparison with the performance of other portfolios or managers, or with recognised industry standards or market indices.

The benefits and applications of performance measurement in the public services include:

- using past experience beneficially to future policies and practices.
- by developing an appreciation of the factors influencing performance, improving the future processes of decision making.
- allowing organisations to assess the potential for adding value through changes to the existing ways in which an investment is managed.

The Council will adopt the following methods of measuring performance

- Performance measured against Annual Treasury Strategy Statement targets.
- Compliance to CIPFA Code of Practice for Treasury Management.
- Expenses contained within approved budget.
- Review of performance indicators.

IMP5 DECISION MAKING & ANALYSIS

It is vital that investment decisions of organisations in the public services should be subjected to prior scrutiny. The Investment Strategy is approved annually by full council. This is supplemented by the provision of monitoring information and regular review by both the Audit & Governance Committee and Executive Board in both executive and scrutiny functions. The Council will put into place a process designed to give stakeholders confidence in its decision making.

The Council will use the following tools to help evaluate decisions being considered:

- Cash flow analysis.
- Maturity analysis.
- Ledger reconciliations.
- Review of borrowing requirement.
- Monitoring of projected loan charges, interest and expenses costs.
- Collation of monthly performance information.

In respect of every decision made the Council will:

- Above all be clear about the nature and extent of the risks to which the Council 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 Council's objectives and protect the organisation's interests, and to deliver good housekeeping.
- Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded.
- 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 investment decisions, the Council will:

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

All decisions made in relation to Investment Management will be recorded with all documentation retained and filed in the Financial Services Unit. This documentation will show evidence of authorisation and evidence of the transactions.

IMP6 ORGANISATION, CLARITY & SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS.

Limits to Responsibilities/Discretion for the Executive Board

- The Full Council will approve the Treasury Management Strategy (including the Investment Management Strategy) and all prudential and treasury indicators.
- The Full Council will approve the Mid-Year and Annual Treasury Management Report.
- The Audit & Governance Committee will receive and review reports on treasury and investment management policies, practices and activities and the annual Treasury Management Strategy Statement (which is then approved by full council).
- The S151 Officer will be responsible for amendments to the Council's adopted clauses, Treasury Management Policy Statement and Treasury and Investment Management Practices.
- The Full Council will consider and approve Treasury Management Budgets as part of the Council's budget setting process.
- The S151 Officer will approve the segregation of responsibilities.
- The S151 Officer will receive and review external audit reports and put recommendations to the Executive Board.

Principles and Practices Concerning Segregation of Duties

The Executive Board will approve any investment in line with the Capital Programme.

Official authorisation of the transaction is done by the S151 Officer or his deputy.

STATEMENT OF DUTIES/RESPONSIBILITIES OF EACH TREASURY POST (all duties stated as Treasury include non-treasury investments)

Section 151 Officer

The S151 Officer will:

- Implement and monitor the Treasury Management Policy, revising and resubmitting the Policy for consideration to the Audit & Governance Committee and Executive Board, for approval by full Council, periodically if changes are required.
- Draft and submit a Treasury Management Strategy to Audit & Governance Committee in advance of each financial year prior to submission to Council for approval as part of the budget setting report.
- Draft and submit an annual report on treasury management activity to Audit & Governance Committee prior to submission to Council, by the deadline prescribed by statute.
- Submit Treasury Management Policy reports.
- Implement and monitor the strategy, reporting to Audit & Governance and the Executive Board any material divergence from budgets or necessary revisions as and when required.

- Receive and review management information reports.
- Review the performance of the Treasury Management function and promote best value reviews.
- Ensure the adequacy of Treasury Management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensure the adequacy of internal audit and liaising with external audit.
- Recommend the appointment of external service providers in accordance with the Council's Standing Orders.

The S151 Officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to take the most appropriate form of investments in approved instruments.

The S151 Officer may delegate his power to borrow and invest to members of his staff or the PSPSL Finance Team. The Head of Finance Delivery (Tech & Corp) PSPSL, Deputy Chief Finance Officer (Delivery) PSPSL or Treasury & Investments Manager (x2) PSPSL must conduct all dealing transactions. The S151 Officer may authorise other officers to act as temporary cover for leave / sickness. Where Barclays on-line banking system is used to place investments or make other payments, then only the officers so designated by the S151 Officer can authorise these transactions. These transactions must be authorised by one of the following officers:

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- Treasury & Investments Manager (x2) PSPSL
- Finance Analyst Treasury (x2) PSPSL

The S151 Officer and the Monitoring Officer will ensure that the Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.

Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the S151 Officer to be satisfied, by reference to the Monitoring Officer, 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.

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The responsibilities of these posts will be: -

- Execution of transactions.
- Adherence to agreed policies and practices on a day-to-day basis.
- Maintaining relationships with third parties and external service providers.

- Monitoring performance on a day-to-day basis.
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- Identifying and recommending opportunities for improved practices.

Chief Executive

The responsibilities of this post will be: -

- Ensuring that the S151 Officer reports regularly to the Audit & Governance Committee on treasury policy, activity and performance.

Monitoring Officer

The responsibilities of this post will be: -

- Ensuring compliance by the S151 Officer with the treasury management policy statement and treasury management practices and that they comply with the law.
- Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
- Giving advice to the S151 Officer when advice is sought.

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The responsibilities of Internal Audit will be: -

- Reviewing compliance with approved policy and procedures.
- Reviewing division of duties and operational practice.
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ABSENCE COVER ARRANGEMENTS

Within the segregation of duties there is a pool of officers able to cover for unforeseen absences as much as possible. Alternative arrangements to cover for annual leave and other known days of unavailability are agreed in advance.

DEALING LIMITS

- The borrowing limits are set in the annual Treasury Management Strategy.
- PWLB loans are governed by the Councils Prudential Indicator Limits.
- Investment limits are set out in the Annual Treasury Management Strategy.

IMP7 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

The Council will report periodically throughout the year to the Audit & Governance Committee. The reports will be designed to give those with ultimate responsibility for the treasury management function full appreciation of the implications of treasury and investment management policies and activities, and that those

implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

1) Annual reporting requirements before the start of the year

- review of the organisation's approved clauses, treasury management policy statement and practices.
- strategy report on proposed treasury and investment management activities for the year.

2) Quarterly Reviews

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

3) Annual reporting requirements after the year-end

- transactions executed and their revenue (current) effects.
- report on risk implications of decisions taken and transactions executed.
- compliance report on agreed policies/practices, and on statutory/regulatory requirements.
- performance report.
- report on compliance with CIPFA Code recommendations.
- monitoring of treasury management indicators for local authorities.

IMP8 TRAINING & QUALIFICATIONS

Officers involved in Treasury and investing activities shall undertake regular updates and courses which are relevant to their duties.

- The Council's Treasury Management advisers offer free training courses (included within annual fee to PSPSL). Staff involved in Treasury Management activities will attend these courses as appropriate.
- Other relevant courses either free or appropriately priced should be considered when available.
- Training and training updates will be provided as appropriate on Treasury Management processes.
- Where the S151 Officer is a member of CIPFA, there is a professional need for them to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained. Other staff involved in treasury and investment management must also comply with the Code of Practice.