TREASURY MANAGEMENT PRACTICES

North Norfolk District Council

Revised May 2025

Contents

TMP1 Risk Management

The 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 Treasury Officers will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives in this respect, all in accordance with the procedures set out in 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 and Counterparty Risk Management

Credit and counter-party risk is 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 Council'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 Councils with which funds may be deposited, and will limit its 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. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those Councils from which it may borrow, or with whom it may enter into other financing arrangements.

1.1.1 Policy on the use of credit risk analysis techniques

This Council will use the Treasury solutions 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 Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds 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.

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 responsible 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. 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. This 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 an
    - The credit ratings of that government support
7. Maximum maturity periods and amounts to be placed in different types of investment instrument are outline in the Council's annual Treasury Management Strategy and will be agreed by Full Council prior to the start date of each financial year.

8. Diversification: this 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 - £5m (excluding central government DMADF which will be a last resort for investing unexpected surpluses of cash. This is to protect large amounts of cash above the Council's bank account guarantee).
    - Group limits where a number of institutions are under one ownership is also a maximum of £5m.
    - A sector limit will be calculated annually as part of the Council's Treasury Management Strategy and will be authorised by Full Council prior to the start date of each financial year. These sector limit will be dependent on the Council's current total levels of investment and future treasury management plan. Sector limits will be revised annually to ensure a diverse portfolio is maintained and allow for any policy changes to safeguard the risk management of the Council's portfolio which is the main priority of the investments.
    - Country limits – a minimum sovereign rating of AA+ is required for an institution to be placed on our approved lending list. The list of countries which currently meet this criterion will be shared with members bi-annually as part of the treasury strategy, treasury mid-year and treasury outturn reports.

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 in schedule 1. The Council's **external fund manager(s) wil**l adhere to the counterparty credit criteria and maximum individual limits set by the Council; however, it is understood that the fund manager(s) may use a subset of the counterparty list so derived.

11. Full individual listings of counterparties and counterparty limits can be seen in the Council's Annual Treasury Management Strategy (TMS) and will be reviewed on an annual basis.

1.1.2. Policy on environmental, social and governance (ESG) considerations

The Council's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the Council's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level.

The Council's ESG policy can be found below in Appendix 1.

1.2 Liquidity Risk Management

This is the risk that cash will not be available when it is needed, ineffective management of liquidity can create additional unbudgeted costs (such as borrowing) which can lead to the Council's business/service objectives being 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 to it which are necessary for the achievement of its business/service objectives. The treasury will aim for a balance in same day access investments of £1m to keep liquidity and avoid unplanned borrowing costs from payment runs.

This 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 following reasons: -

- to fund the current capital programme
- to finance future debt maturities, or
- to ensure an adequate level of short-term investments to provide liquidity for the Council.

1.2.1. Amounts of approved minimum cash balances and short-term investments

The Treasury Management section shall seek to minimise the balance held in the Council's main bank accounts at the close of each working day to minimize risk by making sure funds are guaranteed. This will be from either investing or lending surplus cash as part of the daily treasury management activities.

1.2.2. Details of:

a. Standby facilities
   At the end of each financial day any unexpected surplus funds are transferred to the Council's FIBCA account with The bank (Fixed Interest-Bearing Current Account) which is accessed by bank transfer from the Council's main bank (comparable to a bank savings accounts). The balance on this account is instantly accessible if the group bank account becomes overdrawn.
b. Bank overdraft arrangements
   The Council does not currently have an overdraft facility with The bank as the annual cost to retain this facility was deemed higher than externally borrowing when required. The bank does not offer an overdraft facility over £250,000.

c. Short-term borrowing facilities
The Council can access temporary loans through approved brokerage companies, the Council is only authorised to take loans from other public sector bodies (local government authorities, police, authorities, fire authorities, government pension authorities).

Currently six brokers are approved for use. When borrowing/lending is undertaken multiple brokers will be contacted to ensure competitive rates are obtained. These four brokers are:

- King & Shaxson
- Tradition
- Imperial
- BGC
- MUFG
- Barclay's

The approved borrowing limit for short term debt is reviewed annually as part of the Council's treasury management strategy.

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. Borrowing and lending through brokers is secured through counterparty agreement. In the event of late payment by either counterparty a compensation pay is due to the amount of any borrowing expense occurred or loss of investment income.

e. Emergency Payments
The treasury will arrange for emergency payments outside of the standard BACS process (payment through finance system) in the below circumstances:

- CHAPS (sterling guaranteed same-day payment) shall be used for any high value payments (over £100k) that must be made on an agreed date to meet contractually obligations. By not guaranteeing these payments, the Council could incur fines from counterparties for late payment. This payment method typically incurs a £5 transaction fee. This includes:
  - Treasury Investments
  - Treasury Repaid Borrowing
  - Monthly Council Tax and Business Rates shares due to other government bodies.
  - Property Purchases (set date agreed by Solicitors)
  - High-value faster payments (see below)
- Faster Payments shall be used for any low value payments (under £100k). This is only done in situations where a payment cannot wait for three-day BACS payment clearing. This payment method typically incurs a £0.15 transaction fee. This includes:
  - Support Payments (including but not limited to; COVID test & trace, Household Support, Hardship Support, Council Tax Support, Flood Support).
  - Exceptional by circumstance Council Tax refunds.
  - Homelessness rent deposits
  - Payment of VAT only invoices (as these cannot be processed by the Council's finance system).
  - Discretion is reserved to facilitate any other faster payment when it is deemed not to be payable by BACS.
- International Payments shall be used where a service is rendered by an international organisation. Any international payment/service must be pre-agreed by the treasury in advance of receiving any goods or services. This is

because all international payments incur a £20 bank transaction and so it must be ensured that agreement provides value for money to the Council. The treasury must also ensure that the bank is able to facilitate payment of the required currency.

1.3 Interest Rate Risk Management

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

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 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.

For appropriate interest rate risk management, the below factors will be reviewed annually and approved as part the annual treasury management strategy:

1.3.1 Interest rate exposure limits.
1.3.2 Trigger points for managing changes to interest rate levels.
1.3.3 Upper limit for fixed interest rate exposure.
1.3.4 Upper limit for variable interest rate exposure.

1.3.5 Policies concerning the financial instruments for interest rate management.

a. *Forward Dealing:*
Consideration will be given to dealing from forward periods dependent upon market conditions. Forward dealing must be approved by either the S151 or Deputy S151 of the Council.

b. *Callable Deposits*
The Council does not permit the use of 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 not considered as part of the annual borrowing strategy.

1.4 Exchange Rate Risk Management

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

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

1.4.1 Approved criteria for managing changes in exchange rate levels

International Payments shall be used where a service is rendered by an international organisation. Any international payment/service must be pre-agreed by the treasury in advance of receiving any goods or services. This is to ensure the exchange rates are known perform any contractual agreement is made. The treasury must also ensure that the bank is able to facilitate payment of the required currency.

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 Council's inflation exposures.

1.6 Refinancing Risk Management

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

This Council will ensure that its borrowings are negotiated, structured and documented. The maturity profile of agreements will be managed with a view to obtaining offer terms for renewal or refinancing which are competitive and as favourable to the Council 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 to limit risk exposure unless no other alternative is available.

1.6.1. 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 Full Council as part of the mid-year treasury or treasury outturn reports.

1.6.2. Projected Capital Investment Requirements

The responsible officer will prepare a five-year plan for capital expenditure for the Council. The capital plan will be used to prepare a five-year revenue budget for all forms of financing charges.

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.

1.6.3. 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 three following years. Including the impact these will have on council tax.

The Council will also consider affordability in the longer term and assess the risks/rewards of significant investments to ensure the long-term financial sustainability of the authority (10 year +).

The Council will does not undertake commercial investments at the current time.

The Council will use the definitions provided in the Prudential Code for borrowing (88), capital expenditure (89), capital financing requirement (90), commercial property (91), debt (92), financing costs (93), investments (95), net revenue stream (96), other long-term liabilities (97), treasury management (98) and transferred debt (99).

1.6.4. PFI, Partnerships, ALMOs and guarantees

The Council will not enter into any long-term agreement with another organisation that will incur future debt.

1.7 Legal and Regulatory Risk Management

There is a risk that the Council itself or another organisation with which it is dealing in its treasury management activities (borrowing/lending/grant administration) fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

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 effect 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 Council.

1.7.1. References to Relevant Statutes and Regulations

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

English Authorities

Statutes

- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- Requirement to set a balanced budget - Local Government Finance Act 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*

- S.I. 2017 no. 536 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2017
- S.I. 2018 no. 1207 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2018
- Statutory Guidance on Investments 2018
- Statutory Guidance on MRP 2018
- 2019 No. 394 Exiting the European Union financial services: The Money Market Funds (Amendment) (EU Exit) Regulations 2019
- S.I. 2019 no. 396 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2019
- S.I. 2020 no. 1212 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020
- S.I. 2021 no. 611 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2021

Guidance and codes of practice

- CIPFA Local Authority Capital Accounting - a reference manual for practitioners' latest year 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 2021,
- CIPFA Prudential Code for Capital Finance in Local Authorities and Guidance Notes revised 2021

- LAAP Bulletins
- IFRS - Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice

- PWLB circulars on Lending Policy
- The UK Money Markets Code (issued by the Bank of England – it was formerly known as the Code of Market Conduct issued by the Financial Conduct Authority.)

- The Council's Standing Orders relating to Contracts
- The Council's Financial Regulations
- The Council's Scheme of Delegated Functions

1.7.2 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. A list of treasury officers which states the lead staff authorised to carry out treasury activities.
b. A standard settlement instruction confirming the bank details of the Council and providing a list of officers authorised to carry out transactions with counterparties.

These documents are saved in: \\fs\Accounts\Banking and Treasury\Treasury Management\Standard Settlement Instructions

Required Information on Counterparties
Lending shall only be made to approved counterparties, any new or removed counterparties must be approved annually as part of the Council's treasury management strategy. This list has been compiled using advice from the Council's treasury advisers based upon credit ratings supplied by Fitch, Moodys and Standard & Poors.

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

The Director and Assistance Director of Resources 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 the majority group, leadership in the Council, change of Government etc.

1.7.4. Monitoring Officer

The monitoring officer is the Assistant Director of Legal and Governance, the duty of this officer is to ensure that the treasury management activities of the Council are lawful.

1.7.5. Chief Financial Officer

The Chief Financial Officer is the Director 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.

1.8 Operational risk, including fraud, error and corruption

The risk that a Council 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.

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

The Council will therefore: -

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.

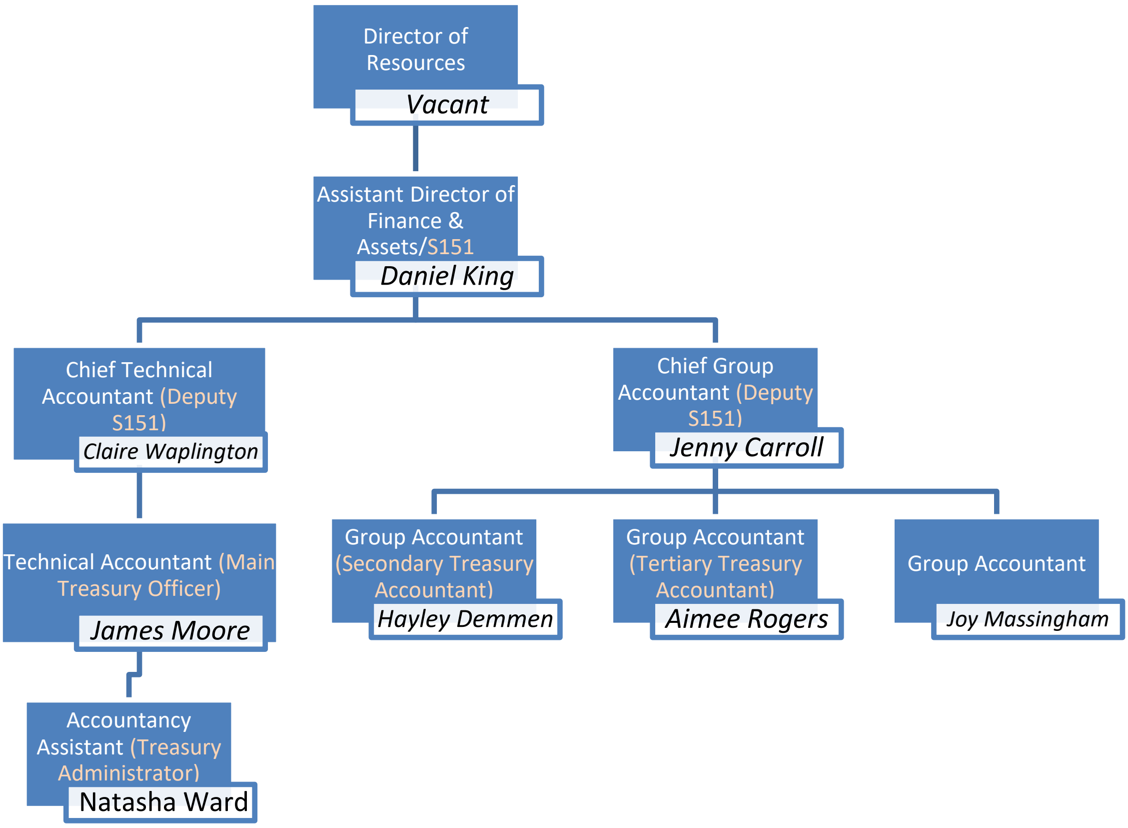
c) Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.

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.

1.8.1. 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 and is shown below.
- All loans and investments are negotiated by the treasury officer and must be authorised by an accounting manager (Director of Resources, Assistant Director of Finance & Assets, Chief Technical Accountant, Chief Group Accountant) before any transaction is made.



Delegated treasury powers are as below for the above structure:

- The daily treasury officer is primarily the Technical Accountant, in the absence of the Technical Accountant the Chief Technical Accountant is the secondary Treasury Officer. Both Officers should be fully trained with all Treasury procedures.
- For emergency cover at least one Group Accountant is trained in the core treasury procedures (investing/borrowing, but not administration and reconciliation).
- The Accountancy Assistant is not authorised to be a treasury officer but will be fully aware of the administrative work to support the treasury accountant of each day.
- The Technical Accountant will ensure that all required Officers are up to date with treasury knowledge and ensure a scheme of delegation is in place including; the updating of change in procedures, facilitate access to external treasury training to officers from advisors, ensuring all treasury officers regularly practice to maintain

knowledge and experience (recommended each officer to be delegated as treasury officer at last once a fortnight).

- An accounting manager must authorise any daily investments before the treasury officer enacts and proposed dealings. This could be the Chief Technical Accountant, Chief Group Accountant, Assistant Director of Finance & Assets or the Director of Resources and is to ensure that adequate control is in place before the Council is committed to any monetary agreements.
- The treasury officer is responsible for proposing the daily transactions and facilitating them once agreed by the senior officer.
- For any new long-term investments or borrowing (short & long-term) the transaction is again proposed by the treasury officer but must be authorised by the S151 or Deputy S151 before any counterparty agreement is made. This is to ensure that the revenue borrowing cost of any agreement is considered because of potential the long-term costs to the council and impacts on setting a balanced budget.
- All qualified accountants have the authorised signatory power to authorise the release of funds from the Council's bank account. For any payment, the transaction must be authorised by two officers on the bank account to ensure that high-value payments are thoroughly checked. Both authorisers must be separate from the treasury officer (deal proposer) and the senior officer who approved the deal (deal approver). This is to prevent complacency and potential fraud from one officer completing multiple roles.

Procedures

- Treasury and banking procedures are kept with all other accountancy procedures: \\fs\Accounts\Procedures

Investment and borrowing transactions

- A detailed register of all treasury transactions made (loans, investments, lending and borrowing) is saved in the treasury management folder under the corresponding financial year \\fs\Accounts\Banking and Treasury\Treasury Management
- A dealing record for each transaction is also saved in the above folder under the corresponding financial year "dealing records" folder.
- A written acknowledgement of each deal is sent promptly to the lending or borrowing institution where transactions are done directly with the Council.
- Written confirmation is received and checked against the dealer's records for the transaction.
- Any discrepancies are immediately reported to the Technical Accountant 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 Technical Accountant for resolution.

Regularity and security

- Lending is only made to institutions on the Approved List of Counterparties with is reviewed and approved as part of the annual treasury management strategy.
- The cash flow is reviewed and updated daily by the treasury officer and is fed from separate investment and borrowing records to keep a schedule of money borrowed, lent, invested or due to be repaid.
- All loans raised and repayments made go directly to and from the bank account of approved counterparties. No treasury activity money due to/from the Council is to be held by a third party.

- Counterparty limits are set for every institution (see 1.5.1.6.) that the Council invests with, these are reviewed and authorised annually as part of the treasury management strategy.
- Brokers have a list of named officers authorised to agree deals (standard settlement instructions, see 1.7.2.)
- There is a separation of duties in the section between dealers and the checking and authorization of all deals (see 1.8.1.)
- The Council's bank holds a list of Council officials who are authorised signatories for treasury management transactions (standard settlement instructions, see 1.7.2.)
- No member of the treasury management team for the day is also an authorised s signatory for the day (singular roles, see 1.8.1.)
- Payments can only be authorised in an electronically recorded format (email, PIN sentry etc.) by an authorised signatory, the list of signatories having previously been agreed with the current provider of our banking services.
- The treasury management records can only be accessed by a password to prevent unauthorised access and potential fraud (such as unlawful changing of bank details).
- There is adequate insurance cover for employees involved in treasury activity and accounting.

Checks

- Bank reconciliations are carried out monthly from the bank statement to the financial ledger.
- Treasury balances are proved to the balance sheet ledger codes at the end of each month and at the financial year end.
- A separate listing for each type of debt and investments is produced every month where a review is undertaken against the full year budget for interest receivable and interest payable. Any significant future shortfall/benefit is then reported to the finance Directors.
- The valuations and investment income statements received monthly from the Council's fund managers will be checked and retained for audit inspection. The authority will ensure that the external funds we invest in, are accounted for in accordance with proper accounting practices.
- The Council has complied with the requirements of the Code of Practice on Local Authority Accounting and will account for the fund as Fair Value through Profit or Loss. As a result, all gains and losses and interest (accrued and received) will be taken to the Comprehensive Income and Expenditure Statement.

Calculations

- The calculation of short-term principal and interest to be repaid notified by the lender or borrower is checked for accuracy by the treasury officer using the borrowing records.
- The PWLB with calculate and notify the Council of periodic interest payments of PWLB and other long-term loans. This is also checked by the treasury officer using the borrowing records.
- Interest rates and debt management expenses are calculated monthly using information from the financial ledger and the treasury records as part of the monthly reconciliation process.
- The average interest and expense rates are used at year end to calculate the principal, interest and debt management expense charges to any other service area of the Council as required (currently grassed deposits, leisure and client holding accounts, legal).

1.8.2. Emergency and Contingency Planning Arrangements

Disaster Recovery Plan.

All accounting staff are issued laptop to allow for remote working and continued access to banking portals and treasury records in the event of a disaster that prevents access to the Council offices buildings.

In the event of a failure/blocked access to the Council servers, the banking portal is still accessible as a separate internet portal. Although records can not be documented, this allows the bank account to be accessed for emergency treasury actions.

A staff text group is maintained between the accounting staff to allow proper authorisation and delegation of duties to continue without access to the Council's servers.

In the event of a bank portal failure, emergency phone numbers will be retained by treasury officers. So that any essential treasury activity can be carried out directly with a banking operative in an emergency.

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

The Council's IT team hold back-up servers to retain a copy of the previous day's treasury records in the event of an IT disaster. This back-up is refreshed at the end of every day to ensure that essential records are retained in emergencies.

1.8.3. Insurance Cover Details

Fidelity Insurance

The Council has 'Fidelity' insurance cover with Zurich Municipal PLC. This covers the major losses of cash from the fraud or dishonesty of employees.
This cover is limited to £3m for any one event with an excess of £5,000 for any one event.

Professional Indemnity Insurance

The Council also has a 'Professional Indemnity' insurance policy with Zurich which covers losses to the Council from the actions and advice of its officers which are negligent and without due care. This cover is limited to £5m for any one event an excess of £2,500 for any one event.

Business Interruption

The Council also has a 'Business Interruption' cover as part of its property insurance with Zurich which covers losses to the Council across all its occupied premises in the event of a major disaster causing loss of income or incur penalty expenses. This cover is limited to £5m for any one event. This policy has no excess but has a maximum cover duration of 36 months per event.

1.9 Price Risk Management

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

This 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. The main method of protection will be to ensure that a diverse portfolio of investment is maintained, to reduce the chance of experience large losses. Only funds that are deemed not required for use in the next three years will be invested long-term to reduce the chances of losses from the fall in capital value of investments. Short-term cash will be invested in fixed deposits or on call funds to protect the capital values and allow for appropriate cash flow liquidty.

1.9.1. 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 (part of the treasury strategy).

1.10 Liability Benchmark

The Council will adopt the Liability Benchmark as a core treasury risk management tool in accordance with the CIPFA Prudential Code 2021. The Liability Benchmark provides a long-term projection of the Council's future borrowing needs and will be used to support decisions on the timing and structure of external borrowing. The Liability Benchmark will be incorporated into the annual and mid-year Treasury Management reports to provide greater transparency over debt planning and risk exposure.

TMP 2 PERFORMANCE MEASUREMENT

2.1 Evaluation and Review of Treasury Management Decisions

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

a. monthly reviews carried out by the treasury management team
b. bi-annual reviews with our treasury management consultants
c. annul review as part of the budget setting process
d. annual review after the end of the year as reported to full council (outturn)
e. quarterly monitoring reports to Cabinet and Full Council
f. comparative reviews (benchmarking)

2.1.1 Periodic reviews during the financial year

The Assistant Director of Finance & Assets holds a treasury management review meeting with the Technical Accountant every quarter to review actual activity against the Treasury Management Strategy Statement and cash flow forecasts. This is as part of the quarterly non-service income and expenditure budget monitoring.
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.

2.1.2 Reviews with our treasury management consultants

The treasury management team holds reviews with our consultants bi-annually to review the performance of the investment and debt portfolios. Extra meetings are organised when additional support is needed (e.g. to seek advice on new legislation, or to see advice on new-long term investment, borrowing or diversification).

2.1.3 Review reports on treasury management

An Annual Treasury Report is submitted to the Council each year after the close of the financial year (outturn) which reviews the performance of the investment and debt portfolios with a CFR statement. This report contains the following:

a. total external debt (gross external borrowing plus other long-term liabilities such as finance leases) and average interest rates at the beginning and close of the financial year compared to the Capital Financing Requirement
b. borrowing strategy for the year compared to actual strategy
c. whether or not a decision was made to defer borrowing or to borrow in advance
d. comment on the level of internal borrowing and how it has changed during the year
e. assumptions made about interest rates
f. investment strategy for the year compared to actual strategy
g. explanations for variance between original borrowing and investment strategies and actual
h. debt rescheduling done in the year
i. actual borrowing and investment rates available through the year
j. the performance and return of all investments by type of investment, evaluated against the stated investment objectives
k. the Report shall identify investments where any specific risks have materialised during the year and report on any financial consequences of that risk; together will details of any remedial action take. This includes reporting any short-term borrowing costs incurred to remediate any liquidity problem.
l. the Report shall include details of any review of long-term investments, held by the authority, which was undertaken in the year in accordance with the Annual Investment Strategy.

m. compliance with Prudential and Treasury Indicators

In addition, a detailed half yearly report will be submitted to the Council each year to provide a projected year end forecast on the above.

2.1.4 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
- MUFG Benchmarking – Norfolk County group
- Room 151 Local Authority Treasurers Investment Forum (LATIF)

2.2 Benchmarks and Calculation Methodology:

2.2.1 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
- Debt portfolio compared to the debt liability benchmark

2.2.2 Investment.

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

Investments:

- Average daily SONIA
- Backward-looking compounded SONIA

Performance will also be measured against other local authority funds with similar benchmark and parameters managed by other fund managers.

2.3 Policy Concerning Methods for Testing Value for money in Treasury Management

2.3.1 Frequency and processes for tendering

Tenders are normally awarded on *a five-year basis* with the option to extend for one plus one further years. The process for advertising and awarding contracts will be in line with the Council's procurement guidelines.

2.3.2 Banking services

The Council's banking arrangements are to be subject to competitive tender every ten years unless it is considered that there will be significant 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.

2.3.3 Brokerage Services

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

The Council has a list of four approved brokers that have been reviewed and confirmed that they offer value for money to the authority. These approved brokers are outlined in 1.2.2.

2.3.4 Treasury advisory services

This Council's policy is to appoint full-time professional treasury management consultants. This contract will be reviewed every five years with two one plus one optional extensions.

2.3.5 Policy on External Managers

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

TMP 3 DECISION-MAKING AND ANALYSIS

3.1 Funding, Borrowing, Lending, and New Financial Instruments:

3.1.1 Records to be kept

The Treasury section has electronic dealing records alongside investment, borrowing and loans summaries where all treasury transactions are recorded. These records are all retained in the treasury management folder under the Council's network.

- Cashflow (daily cash management and future forecasting).
- Investment Return (monthly summary of investment income).
- Benchmarking records from the Council's treasury advisors.
- Bank savings account reconciliation (i.e. FIBCA).
- Interest and Borrowing budget working papers.
- Investment Record (treasury officers daily investment record).
- Borrowing Record.
- Investment Record, long-term investments.
- Investment Record, short-term investments.
- Loans Summary.
- Treasury Reconciliation.
- Treasury Strategy.
- Treasury Management Procedures (this document).
- Dealing records for all treasury transactions (including; a dealing record, dealing confirmation from counterparties, broker confirmation (if applicable), bank authorisation, senior accountant authorisation and a copy of the treasury accountants investment record).
- Payments schedules & remittances (actual debits/credits relating to the Council's Collection Fund).

All treasury management records, benchmarking and monitoring is to be updated monthly to allow for stringent monitoring of the Council's investments and borrowing. The goals of the monthly monitoring are highlighted below in the "processes to be pursued".

All strategic documents (strategy, budget, procedures) are updated at minimum on an annual basis to ensure that proper future planning of the Council's portfolio is maintained.

3.1.2 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).

3.1.3 Issues to be addressed.

3.1.3.1. 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 required approvals 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.

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

a) Consider the ongoing revenue liabilities created, and the implications for the Council's future plans and budgets to ensure that capital plans and investment plans are affordable, proportionate to the Council's overall financial capacity and are within prudent and sustainable levels. This evaluation will be carried out in detail for a minimum of three budget years ahead.
b) Less detailed evaluation/consideration will also be carried out longer period (up to 30 years) to ensure that plans continue to be affordable, proportionate, prudent and sustainable in the longer term.
c) Not borrow to invest primarily for financial return as this is illegal.
d) Not borrow earlier than required to meet cash flow needs unless there is a clear and evidence cashflow forecast identifying a need (to reduce borrowing costs to the revenue budget).
e) Not borrow unless it is to finance the current capital programme or to fund future debt maturities, or to ensure an adequate level of short-term investments to provide liquidity for the Council. This limit will be monitored through the prudential indicator, the CFR (Capital Financing Requirement). The Council's borrowing should not exceed the Council's CFR as this would indicate the authority is borrowing to fund revenue expenditure which should instead be funded through Council tax by setting a balanced annual budget.
f) Not increase its CFR and borrowing solely for purposes directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose (will not take on risky ventures and will not take on ventures that do not support the Council's four-year Corporate Plan set by members).
g) Undertake an annual review of any investments in commercial (debt for yield) schemes with a view to identify whether such assets should be sold to provide resources to finance capital expenditure plans or refinance maturing debt with the support of the Estates team.
h) Monitor and evaluate the economic and market factors that might influence the manner and timing of any financial decisions that will impact the treasury.
i) Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships when applicable.
j) Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.
k) Ensure that treasury management decisions are made in accordance with good professional practice and follow the Council's agreed constitution and delegated powers.

3.1.3.3 In respect of investment decisions, the Council will:

a) Consider the optimum period of investment, in the light of cash flow availability and prevailing market conditions. The treasury will look to maintain liquidity, keep a low risk and receive a high yield in this listed order of priority.
b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the capital values of its investments.
c) Ensure that any long-term treasury investment is supported by a business case to be approved by members.

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 Approved Activities of the Treasury Management Operation:

- Borrowing;
- Lending;
- Short-term investing.
- Long-term investing.
- Investment diversification.
- 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.

4.2 Approved Instruments for Investments

The instruments for investments will be approved as part of the annual treasury management strategy. This is to allow for annual review and modification based on the Council's financial situation.

4.2.1 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.

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

The Council has applied to be a professional investor with its corporate banking provider, and all investment funds.

As part of the Council's current financial instruments, and to keep open access to alternative investment choices, it opted to the status of "professional client" in 2018 with all counterparties where applicable. To retain professional status, the Council is required to maintain a minimum level of investment of £10m at any given time. Failure to maintain this threshold will result in loss of access and forced diversification of the portfolio.

4.3 Approved Techniques

- Forward dealing where required.

4.4 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	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Leasing (not operating leases)	●	●
Deferred Purchase	●	●

Other Methods of Financing

- Government capital grants
- Lottery monies
- PFI/PPP
- Operating leases
- Capital Receipts (sale of assets)
- Use of reserves set aside for capital purposes
- External contributions (i.e. from non-department body or private developer)
- RCCO (revenue contribution to capital outlay)

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 responsible 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. Where borrowing is undertaken, proper review will be undertaken to ensure that multiple brokers are used to ensure borrowing offers the best deal available under the circumstances.

4.5 Investment Limits

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument. Limits will be dependent on the Council's current total levels of investment and future treasury management plan. Sector limits will be revised annually to ensure a diverse portfolio is maintained and allow for any policy changes to safeguard the risk management of the Council's portfolio which is the main priority of the investments.

4.6 Borrowing Limits

See the Treasury Management Strategy Statement and Prudential and Treasury Indicators. Limits will be dependent on the Council's current total and future forecasted levels of capital spend, alongside the current debt portfolio and impact on revenue of the debt portfolio. Sector limits will be revised annually to ensure a diverse portfolio is maintained and allow for any policy changes to safeguard the risk management of the Council's level of debt.

4.7 Non-treasury management investments

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 Council's investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the Council'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 Council's risk exposure.

Please see Appendix 2 at the bottom of this document for full consideration into non-treasury investments.

TMP 5 Council, Clarity and Segregation of Responsibilities, and Dealing Arrangements

5.1 Allocation of responsibilities

(i) Full Council:

- Approval of the annual Treasury Management Strategy.
- Approval of the half-yearly and outturn treasury reports.
- Approval of the quarterly budget monitoring reports (including non-service treasury monitoring).
- Approval of the annual treasury management budgets (interest receivable & interest payable).

(ii) Cabinet:

- Secondary Review of the annual treasury management strategy and making recommendations to Full Council.
- Secondary review of the half-yearly and outturn treasury reports and making recommendations to Full Council.
- First review of the quarterly budget monitoring reports (including non-service treasury monitoring).
- First review of the annual treasury management budgets (interest receivable & interest payable) and making recommendations to Full Council.
- Approving of external service providers and new funds when required.

(iii) Overview & Scrutiny:

- Reviewing the treasury management policy and procedures when required.
- Reviewing the annual treasury management strategy and making recommendations to Cabinet
- Reviewing the half-yearly and outturn treasury reports and making recommendations to Cabinet.

5.2 Principles and Practices Concerning Segregation of Duties

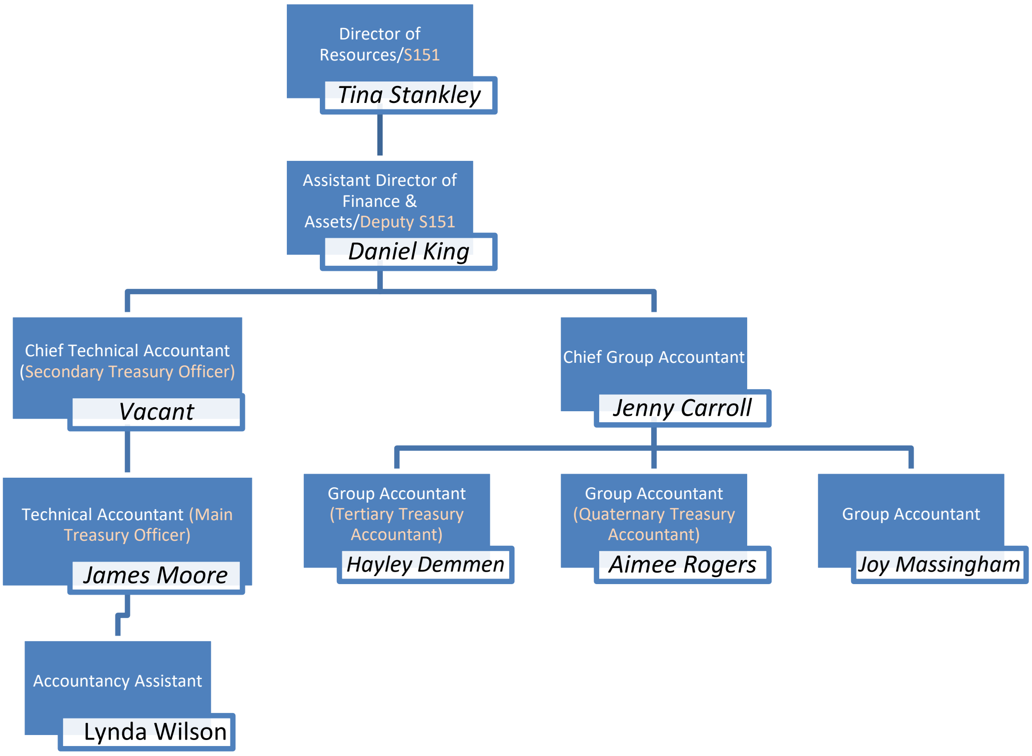
5.2.1 The following duties must be undertaken by separate officers for any treasury dealing to allow for appropriate control measures and prevent misappropriation:

- An accounting manager must authorise any daily investments before the treasury officer enacts and proposed dealings. This could be the Chief Technical Accountant, Chief Group Accountant, Assistant Director of Finance & Assets or the Director of Resources and is to ensure that adequate control is in place before the Council is committed to any monetary agreements.
- The treasury officer is responsible for proposing the daily transactions and facilitating them once agreed by the senior officer.
- For any new long-term investments or borrowing (short & long-term) the transaction is again proposed by the treasury officer but must be authorised by the S151 or Deputy S151 before any counterparty agreement is made. This is to ensure that the revenue borrowing cost of any agreement is considered because of potential the long-term costs to the council and impacts on setting a balanced budget.
- All qualified accountants have the authorised signatory power to authorise the release of funds from the Council's bank account. For any payment, the transaction must be authorised by two officers on the bank account to ensure that high-value payments are thoroughly checked. Both authorisers must be separate from the treasury officer (deal proposer) and the senior officer who approved the deal (deal

approver). This is to prevent complacency and potential fraud from one officer completing multiple roles.

- The treasury management reconciliations must be reviewing and authorised by an accountant who did not partake in completing the reconciliation.

5.3 Treasury Management Council Chart



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

5.4.1. The responsible officer - Director of Resources & S151

The responsible officer is the person charged with professional responsibility for the treasury management function and in this Council is the Director of Resources & S151 Officer. 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 responsible 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 responsible officer may delegate his power to borrow and invest to members of his staff. The Treasury Manager, the Senior Officer Treasury Management Team or the Accountancy Assistants Treasury Management Team must conduct all dealing transactions, or staff authorised by the responsible 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 responsible 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 responsible 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 responsible officer to ensure that the Council complies with the requirements of The UK Money Markets Code (formerly known as the Non-Investment Products Code) for principals and broking firms in the wholesale markets.

5.4.2. The Treasury Manager

The main Treasury Manager will be the Chief Technical Accountant. In the absence of this role, this duty will fall to the Technical Accountant in the interim.

The responsibilities of the Treasury Manager 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) supervising treasury management staff
e) monitoring performance on a day-to-day basis
f) submitting management information reports to the responsible officer
g) identifying and recommending opportunities for improved practices
h) opportunities for improved practices
i) approval of daily treasury management transactions

One of the qualifications for upgrading to professional status under MIFID II is that there must be one treasury Officer with at least 1 years' experience in professional financial markets with direct experience of transactions or services envisaged.

5.4.3. 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 responsible officer reports regularly on treasury policy, activity and performance.

5.4.4. The Monitoring Officer – the Head of Legal Services

The responsibilities of this post will:

a) Ensure compliance with the responsible officer of the treasury management policy statement and treasury management practices and that they comply with the law.
b) Be satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
c) Give advice to the responsible officer when advice is sought.

5.4.5. Internal Audit

The responsibilities of Internal Audit will be:

a) To review compliance with approved policy and treasury management practices.
b) To review the division of duties and operational practice.
c) To assess value for money from treasury activities.
d) Undertaking probity audit of treasury function.

5.5 Absence Cover Arrangements

The Council's current finance department structure allows for two cover officers under each circumstance.

For governing duties: in the absence of the responsible officer/Director of Resources, the Assistant Director for Finance & Assets will assume the governing duties. In the absence of both Directors, then the Chief Executive will assume governing duties.

For managing duties: in the absence of the Chief Technical Accountant, the Technical Accountant will assume the managerial duties. In the absence of both the Technical Accountants, the Group Accountants and Chief Group Accountant will cover are trained to cover core duties until the appointment of new officers.

5.6 Dealing Limits

There are no dealing limits for individual posts. The responsibility for arranging deal will fall to the designated treasury officer of the day. With all deals to be authorised by a senior accountant and any borrowing to be authorised by a director. This prevents any single point of risk.

5.7 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 11.1.2. These brokers are:

- King & Shaxson
- Tradition
- Imperial
- BGC
- MUFG
- Barclay's

5.8 Policy on Brokers' Services

It is this Council's policy to regularly contact all brokers in the event of investing/borrowing to ensure that the best deal is obtained.

5.9 Policy on Taping of Conversations

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

5.10 Direct Dealing Practices

The Council will consider dealing directly with counterparties if it is appropriate and the Council believes that better terms will be available. At present all borrowing ang long-term investing is arranged through brokers as they have a wider access to the market. There are certain types of accounts and facilities, however, where direct dealing is required, as follows:

- Business Reserve Accounts:
- Call Accounts:
- Money Market Funds.
- Bank Fixed Interest-Bearing Current Accounts (FIBCA).

5.11 Settlement Transmission Procedures

A formal letter/email signed by an agreed bank mandate signatory setting out each transaction must be sent to the local authority's bankers where preliminary instructions have been given by telephone. For payments a transfer will be made to the banking counterparty before 12noon to allow time for facilitation.

5.12 Documentation Requirements

For each deal undertaken a record should be prepared giving details of dealer, authoriser, amount, period, counterparty, interest rate, dealing date, payment date(s), broker. This is retained in the Council's electronic dealing records as mentioned in 3.1.1.

5.13 Arrangements Concerning the Management of Third-Party Funds.

The Council can hold money in a client holding account until it can be used (as legally outlined) or must be returned to a client. The cash in respect of these funds is held as part of the Council's cash, but transactions are separately identified on the ledger. Interest is given on credit balances at year end dependent on the highest rate for money market fund (on-call investment) balances over the year.

TMP 6 Reporting Requirements and Management Information Arrangements

6.1 Annual programme of reporting

a) Annual reporting requirements before the start of each financial year:
- **Treasury management principles and schedules** - review of the Council's approved clauses and delegation, although this may remain the same between years.
- **Treasury management strategy -** proposed treasury management activities for the upcoming year comprising of the Treasury management strategy statement, Annual Investment Strategy, Capital Strategy and Minimum Revenue Provision Policy Statement. This should:
    i. Give a view of the capital programme and treasury management implications both short-term and long-term.
    ii. Show an overview of treasury and non-treasury investments and highlight the risks and returns involved in each and the balance, (proportionality), between both types of investments.
    iii. Outline the authorities risk appetite and specific policies and arrangements for treasury and non-treasury investments.

b) Mid-year treasury report.

c) Quarterly treasury monitoring (non-service income and expenditure) as part of the authorities' budget monitoring reports.

d) Annual outturn report after the financial year end.

6.2 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 Overview & Scrutiny, then Cabinet and then to Full Council for final 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 based on the anticipated movement in both fixed and short-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 issues
    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.

6.3 The Annual Investment Strategy Statement

At the same time as the Council receives the Treasury Management Strategy Statement it will include 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) Whether they will be used by the in-house team, external managers or both (if applicable)
e) 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
f) Which credit rating agencies the Council will use
g) How the Council will deal with changes in ratings, rating watches and rating outlooks
h) Limits of value and time for individual counterparties and groups
i) Country limits
j) Maximum value and maximum periods for which funds may be prudently invested
k) Levels of cash balances and investments over the same time period (as a minimum) as the authority’s capital investment plans and how the use of internal borrowing and borrowing in advance will influence those levels
l) Interest rate outlook
m) Budget for investment earnings
n) A review of the holding of longer-term investments
o) Use of a cash fund manager (if applicable)
p) Policy on the use of external service providers

6.4 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 as part of the Annual Treasury Management Strategy Statement.

6.5 Policy on Prudential and Treasury Indicators

1. Before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.
2. The responsible 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 Full Council during the financial year.

6.6 Quarterly and Mid-year reviews

The Council will review its treasury management activities and strategy on a quarterly and six-monthly basis. A detailed mid-year 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 and prudential indicators
f) Liability benchmark

The quarterly review will monitor the treasury management and prudential indicators on a lesser basis as part of the authority's general revenue income/expenses and capital budget monitoring.

6.7 Annual Outturn Report on Treasury Management Activity

An annual outturn report will be presented to Full Council at the earliest practicable meeting after the end of the financial year, but legislation wise at a minimum by the end of September. This report will include the following:

a) transactions executed and the final revenue impacts
b) report on risk implications of any 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, approved policies and practices, the member approved treasury management strategy and on statutory/regulatory requirements
f) monitoring of treasury management prudential indicators

6.8 Management Information Reports

Management information reports will be prepared every month by the Technical Accountant and will be presented to the Chief Technical Accountant.

These reports will contain the following information: -
a) a summary of transactions executed and the current impact on revenue
b) measurements of rate performance including effect on loan charges/investment income
c) forecasting of any year-end revenue impacts from rate forecasts and the authorities cashflow forecast.
d) The degree of compliance with original strategy and explanation of variances.
e) any non-compliance with Prudential limits or other treasury management limits.

6.9 Publication of Treasury Management Reports

All reports submitted to members are made publicly available.

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 Statutory/Regulatory Requirements

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices.
The Council has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to this Council's treasury management activities.

7.2 Sample Budgets / Accounts / Prudential and Treasury Indicators

The Assistant Director of Finance & Assets will prepare at minimum 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 Assistant Director 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.

7.3 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 from the <<system >>
- 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
- External fund manager(s) valuations including investment income schedules and movement in capital values.

7.4 Monthly Budget Monitoring Report

Monthly Budget Monitoring reports are produced for the Chief Technical Accountant which is shared with Directors if a significant favourable/adverse impact is identified. Whilst a quarterly budget monitoring report goes to Cabinet and Full Council. The budget monitoring reports are intended to highlight any variances between budgets and spend in order that the Council can assess its revenue financial position.

TMP 8 Cash and Cash Flow Management

8.1 Arrangements for Preparing/Submitting Cash Flow Statements

Cash flow projections are prepared annually, monthly and daily. Future cash flow projections are prepared from the previous years' cash flow records, adjusted for known and anticipated changes in levels of income and expenditure and for changes in payments and receipts dates. These details are reviewed and updated regularly by the Technical Accountant from information received of new or revised amounts to be paid or received as and when they are known.

8.2 Bank Statements Procedures

The Council receives daily bank statements from its bank. All amounts on the statement are checked to source data from Payroll, Creditors etc. by the Exchequer team.

Formal bank reconciliations are undertaken on a monthly basis by financial officers.

8.3 Payment Scheduling and Agreed Terms of Trade with Creditors

Our policy is to pay creditors on the last day of terms that fit with the Council's bi-weekly BACS runs (Tue & Fri). This effectively schedules the payments to allow a maximum cash benefit for investing to the Council, in particularly around large payments for capital schemes. General terms are accepted to be 30 days, although shorter durations may be agreed with contractors where this is deemed not to come at a cost to the Council.

8.4 Arrangements for Monitoring Debtors / Creditors Levels

The Chief Group Accountant is responsible for monitoring the levels of debtors and creditors (BACS run values) through effective management of the Exchequer team. Details are passed to the treasury team on a bi-weekly basis at the earliest opportunity to assist in updating the cash flow models and allow for effective debt management.

8.5 Procedures for Banking of Funds

All money received by an officer on behalf of the Council will without unreasonable delay must be passed to the cashiers who are part of the Customers Services mailroom team. Approved offices are then to deposit the funds into the Council's banking accounts and record the amounts collected. The cashiers will notify the exchequer and treasury team each morning of cash and cheques banked the previous day so that the figures can be considered in the daily cash flow.

8.6 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 responsible officer.

TMP 9 Money Laundering

9.1 Proceeds of Crime Act 2002

Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are:

- concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland
- being concerned in an arrangement which a person knows, or suspects facilitates the acquisition, retention, use or control of criminal property
- acquiring, using or possessing criminal property.

These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include:

- failure to disclose money-laundering offences
- tipping off a suspect, either directly or indirectly
- doing something that might prejudice an investigation – for example, falsifying a document.

9.2 The Terrorism Act 2000

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

9.3 The Money Laundering Regulations 2012, 2015 and 2017

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

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

9.4 Local authorities

Public service Councils 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 the 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 the monitoring officer and it shall be a requirement that all services and departments implement this corporate policy and procedures.

9.5 Procedures for Establishing Identity / Authenticity of Lenders

It is not a requirement under POCA for local authorities to require identification from every person or Council 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.

It is no longer Council policy to 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 FCA website on www.fca.gov.uk.

When repaying loans, the procedures in 9.6 will be followed to check the bank details of the recipient.

9.6 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 FCA register can be accessed through their website on www.fca.gov.uk).

All transactions will be carried out by CHAPS for making deposits or repaying loans to secure payment on an agreed date and allow for automated bank detail checking.

TMP 10 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 responsible officer will recommend and implement the necessary arrangements, including the specification of the expertise, knowledge and skills required by each role or member of staff.

The responsible 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.

All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time.

Additionally, training may also be provided on the job, and it will be the responsibility of the Chief Technical Accountant to ensure that all staff involved with treasury proceedings 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.

10.1 Details of Approved Training Courses

Treasury management staff and members will go on courses provided by treasury management consultants, CIPFA, money brokers etc.

10.2 Records of Training Received by Treasury Staff

The finance team will maintain records on all staff and the training they receive.

10.3 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.

10.4 Members charged with governance

Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

TMP 11 Use of External Service Providers

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

This Council will employ the services of other Councils to assist it in the field of treasury management. In particular, it will use external consultants to provide specialist advice. However, it will ensure that it fully understands what services are being provided and that they meet the needs of this Council, 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 an
- The credit ratings of that government support

11.1.1 Banking Services

a) The Council's current banking provider is Barclay's Bank PLC.
b) Regulatory status – banking institution authorised to undertake banking activities by the FCA
c) The branch address is:
Barclay's Bank PLC
5/7 Red Lion Street
Norwich
Norfolk
NR1 3QH

The general contact details for the Council's banking services are:

- Customer Services Email: client.support@barclays.com

- Bank Service Manager Email: mark.a.kerr@barclays.com
- Bank Service Manager Telephone: 07775 546543

- Assistant Bank Service Manager Email: stephanie.a.farley@barclays.com / taslima.hannan@barclays.com
- Assistant Bank Service Manager Telephone: 07384 239627 / 07392 135497

d) Contract commenced on the 1st February 2025 and runs for ten years until the 31st January 2025.
e) Cost of service is variable depending on schedule of tariffs and volumes
f) Payments are due quarterly by direct debit.

The Council may terminate the agreement at any time with six months' written notice to the Manager and the Manager may terminate the agreement with six months' written notice to the Council.

11.1.2 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 is reviewed by the Chief Technical Accountant every year as part of the treasury strategy to see if any should be taken off the approved list and replaced by making appropriate recommendations to change the approved brokers list to the Director of Resources & S151 Officer.

Broker	Primary Contact	Backup Contact	Phone Number
Tradition UK	Lauren.Sewell@tradition.com	Locals.london@tradition.com	020 7422 3566
King & Shaxson	Camila.Schmid@kasl.co.uk	Teddy.McLaren@kasl.co.uk	020 7929 8497
Imperial	dcoverdale@imperialtreasury.co.uk	jcatterall@imperialtreasury.co.uk	078 0888 0708
BGC	sterlingtreasury@bgpartner.com	alex.matthew-jones@bgcpartners.com	020 7894 7742

11.1.3 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 annually by the responsible officer to check whether performance has met expectations.

a) The current advisors are MUFG Corporate Markets Treasury Limited.

b) Address:
65 Gresham Street
London
EC2V 7NQ

- Client Director Email: chris.scott1@uk.mpms.mufg.com
- Client Director Telephone: 0330 300 1927 / 07770 380582

- Assistant Client Director Email: kim.barrowcliffe@uk.mpms.mufg.com
- Assistant Client Director Telephone: 07592 119311

c) Regulatory status: investment adviser authorised by the FCA

d) Contract commenced on the 1st of April 2023 and runs for five years to the 31st of March 2028.

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

11.1.4 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.

11.2 Procedures and Frequency for Tendering Services

See TMP2

TMP 12 Corporate Governance

12.1.1 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 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 Strategy including capital and investment strategy
- Annual Treasury Outturn Report
- Treasury Management mid-year report
- Quarterly budget monitoring reports
- Annual budget setting report
- Annual accounts, including financial instruments disclosure notes

- Corporate Plan
- Minutes of all Council meetings

Appendix 1. Environmental, Social and Governance risk management

Policy on ESG issues

ESG is an area that CIPFA is still working on after the 2022 revised codes. In particular, work will be needed to coordinate the priority which needs to be given to issues of security, liquidity and yield (SLY) while also accommodating ESG principles as a fourth priority and principle to apply.

The assessment and implementation of ESG considerations are better developed in equity and bond markets than for short-term cash deposits, primarily due to the wider scope of potential investment opportunities. Furthermore, there is a diversity of market approaches to ESG classification, analysis and integration. This means that a consistent and developed approach to ESG for public service Councils, focussed on more typical Treasury-type investments, is currently difficult to achieve. CIPFA, therefore, recommends authorities to consider their credit and counterparty policies in light of ESG information and develop their own ESG investment policies and treasury management practices consistent with their Council's own relevant policies, such as environmental and climate change policies.

CIPFA does not expect that the Council's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level. At the current time the requirement is to bring awareness to the ESG impacts of investments.

The Council will need to consider that anything too restrictive in its ESG approach could have a material impact on potential counterparties, which could limit diversification and / or security considerations in investments processes. Risk management should always be first consideration for any investment. It will also have to be considered that any ESG policy may lead to a lower investment rate. Currently investments that pass the ESG requirements do not produce as high a rate of return as other investments, ESG investments are not widely available due to their lower return, and so the current CIPFA policy does not yet mark ESG a mandatory criterion with local authorities' investment portfolios.

Theses credit ratings provided are typically used by rating agencies as the basis for selecting suitable counterparties by Councils:

- ***Environmental:*** *Emissions and air quality, energy and waste management, waste and hazardous material, exposure to environmental impact.*

- ***Social:*** *Human rights, community relations, customer welfare, labour relations, employee wellbeing, exposure to social impacts.*

- ***Governance:*** *Management structure, governance structure, group structure, financial transparency.*

This Council is supportive of the Principles for Responsible Investment (www.unpri.org) and will consider ESG (environmental, social and governance) factors into the decision-making process for investments although this will not yet be a leading consideration over security and yield. The Council is also appreciative of the Statement on ESG in Credit Risk and Ratings which commits signatories to incorporating ESG into credit ratings and analysis in a systemic and transparent way. The Council can use ratings from Fitch, Moody's and Standard & Poor's to support its assessment of suitable counterparties. Each of these rating agencies is a signatory to the ESG in credit risk and ratings statement, which is as follows:

"We, the undersigned, recognise that environmental, social and governance (ESG) factors can affect borrowers' cash flows and the likelihood that they will default on their debt obligations. ESG factors are therefore important elements in assessing the creditworthiness of borrowers. For corporates, concerns such as stranded assets linked to climate change, labour relations challenges or lack of transparency around accounting practices can cause unexpected losses, expenditure, inefficiencies, litigation, regulatory pressure and reputational impacts.

At a sovereign level, risks related to, inter alia, natural resource management, public health standards and corruption can all affect tax revenues, trade balance and foreign investment. The same is true for local governments and special purpose vehicles issuing project bonds. Such events can result in bond price volatility and increase the risk of defaults.

In order to more fully address major market and idiosyncratic risk in debt capital markets, underwriters, credit rating agencies and investors should consider the potential financial materiality of ESG factors in a strategic and systematic way. Transparency on which ESG factors are considered, how these are integrated, and the extent to which they are deemed material in credit assessments will enable better alignment of key stakeholders.

In doing this the stakeholders should recognise that credit ratings reflect exclusively an assessment of an issuer's creditworthiness. Credit rating agencies must be allowed to maintain full independence in determining which criteria may be material to their ratings. While issuer ESG analysis may be considered an important part of a credit rating, the two assessments should not be confused or seen as interchangeable.

With this in mind, we share a common vision ***to enhance systematic and transparent consideration of ESG factors in the assessment of creditworthiness****."*

For short term investments with counterparties, this Council utilises ratings which do include analysis of ESG factors when assigning ratings. The Council will continue to evaluate additional ESG-related metrics and assessment processes that it could incorporate into its investment process, including the addition of any new funds that have a high ESG rating without significantly reducing the yield of the Council's investment portfolio.

The Council will not invest in companies whose core activities pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the Council's mission and values e.g.:

a. Human rights abuse (e.g., slave or child labour, political oppression).
b. Activities that damage the environment by extraction of fossil fuels, destruction of habitat, or creation of pollutants.
c. Socially harmful activities (e.g., tobacco, gambling).
d. Terrorism, including but not limited to the Manufacture of weapons.

Appendix 2 - Investment Management Practices for non-treasury investments

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 Council's investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the Council'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 Council's risk exposure.

1.1 Risk management

The Council does not approve investing in non-treasury investments to safeguard funds and generated a yield to the Council.

Currently the only non-treasury investments authorised by the Council are those that have been approved as part of its four-year Corporate Plan. For the 2023 -2027 Corporate Plan, the only approved instrument is the administration of housing loans to support the provision of affordable accommodation across the district, facilitated by the Strategic Housing Manager in tandem with the Treasury Officers.

These loans are approved by Full Council before being paid as there is a financial risk of a private company going bust which would cause a financial loss to the Council (no security of funds). Statements of accounts and received from all housing companies where loans have been issued on a minimum of an annual basis to monitor if there is any going concern to the Council's loans.

To ensure that there is no borrowing cost to the Council (and therefore taxpayer) of any housing loans (to prevent taxpayer money being used to fund a private business) all housing loans are issued at the current PWLB rate (the rate at which the Council would borrow to replenish the capital value of the loan agreed).