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South Somerset District Council

Notice of Meeting

Audit Committee

Making a difference where it counts

Thursday 25th October 2018

10.00 am

Main Committee Room, Council Offices, Brympton Way, Yeovil BA20 2HT

(disabled access and a hearing loop are available at this meeting venue)

The following members are requested to attend the meeting:

Chairman: Derek Yeomans
Vice-chairman: Tony Lock

Jason Baker	Carol Goodall	Jo Roundell Greene
Mike Best	Graham Middleton	Colin Winder
Nigel Gage	David Norris	

If you would like any further information on the items to be discussed, please contact the Case Services Officer (Support Services) on 01935 462596 or democracy@southsomerset.gov.uk

This Agenda was issued on Wednesday 17 October 2018.

Alex Parmley, *Chief Executive Officer*

This information is also available on our website www.southsomerset.gov.uk and via the mod.gov app

INVESTORS IN PEOPLE

Information for the Public

The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

The Audit Committee should review the Code of Corporate Governance seeking assurance where appropriate from the Executive or referring matters to management on the scrutiny function.

The terms of reference of the Audit Committee are:

Internal Audit Activity

1. To approve the Internal Audit Charter and annual Internal Audit Plan;
2. To receive quarterly summaries of Internal Audit reports and seek assurance from management that action has been taken;
3. To receive an annual summary report and opinion, and consider the level of assurance it provides on the council's governance arrangements;
4. To monitor the action plans for Internal Audit reports assessed as "partial" or "no assurance;"
5. To consider specific internal audit reports as requested by the Head of Internal Audit, and monitor the implementation of agreed management actions;
6. To receive an annual report to review the effectiveness of internal audit to ensure compliance with statutory requirements and the level of assurance it provides on the council's governance arrangements;

External Audit Activity

7. To consider and note the annual external Audit Plan and Fees;
8. To consider the reports of external audit including the Annual Audit Letter and seek assurance from management that action has been taken;

Regulatory Framework

9. To consider the effectiveness of SSDC's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements and seek assurance from management that action is being taken;
10. To review the Annual Governance Statement (AGS) and monitor associated action plans;
11. To review the Local Code of Corporate Governance and ensure it reflects best governance practice. This will include regular reviews of part of the Council's Constitution and an overview of risk management;
12. To receive reports from management on the promotion of good corporate governance;

Financial Management and Accounts

13. To review and approve the annual Statement of Accounts, external auditor's opinion and reports to members and monitor management action in response to issues raised;

14. To provide a scrutiny role in Treasury Management matters including regular monitoring of treasury activity and practices. The committee will also review and recommend the Annual Treasury Management Strategy Statement and Investment Strategy, MRP Strategy, and Prudential Indicators to Council;

15. To review and recommend to Council changes to Financial Procedure Rules and Procurement Procedure Rules;

Overall Governance

16. The Audit Committee can request of the Section 151 Officer, the Monitoring Officer, or the Chief Executive (Head of Paid Services) a report (including an independent review) on any matter covered within these Terms of Reference;

17. The Audit Committee will request action through District Executive if any issue remains unresolved;

18. The Audit Committee will report to each full Council a summary of its activities.

Meetings of the Audit Committee are usually held monthly including at least one meeting with the Council's external auditor, although in practice the external auditor attends more frequently.

Agendas and minutes of this committee are published on the Council's website at www.southsomerset.gov.uk

Agendas and minutes can also be viewed via the mod.gov app (free) available for iPads and Android devices. Search for 'mod.gov' in the app store for your device and select 'South Somerset' from the list of publishers and then select the committees of interest. A wi-fi signal will be required for a very short time to download an agenda but once downloaded, documents will be viewable offline.

Members questions on reports prior to the Meeting

Members of the Committee are requested to contact report authors on points of clarification prior to the Committee meeting.

Recording and photography at council meetings

Recording of council meetings is permitted, however anyone wishing to do so should let the Chairperson of the meeting know prior to the start of the meeting. The recording should be overt and clearly visible to anyone at the meeting, but non-disruptive. If someone is recording the meeting, the Chairman will make an announcement at the beginning of the meeting. If anyone making public representation does not wish to be recorded they must let the Chairperson know.

The full 'Policy on Audio/Visual Recording and Photography at Council Meetings' can be viewed online at:
http://modgov.southsomerset.gov.uk/documents/s3327/Policy%20on%20the%20recording%20of%20council%20meetings.pdf

Audit Committee

Thursday 25 October 2018

Agenda

Preliminary Items

1. Minutes

To approve as a correct record the minutes of the previous meeting held on Thursday 19th July 2018.

2. Apologies for absence

3. Declarations of Interest

In accordance with the Council's current Code of Conduct (as amended 26 February 2015), which includes all the provisions relating to Disclosable Pecuniary Interests (DPI), personal and prejudicial interests, Members are asked to declare any DPI and also any personal interests (and whether or not such personal interests are also "prejudicial") in relation to any matter on the agenda for this meeting.

4. Public question time

5. Date of next meeting

Councillors are requested to note that the next Audit Committee meeting is scheduled to be held at 10.00am on Thursday 22nd November in the Main Committee Room, Brympton Way, Yeovil.

Items for Discussion

Internal Audit Annual Activity Report 2018/19

Head of Service: *Gerry Cox, Chief Executive - SWAP*
Lead Officer: *Alastair Woodland - Assistant Director*
Contact Details: *Alastair.Woodland@swapaudit.co.uk*

Purpose of the Report

To update members on the Internal Audit Plan 2018-19 progress and bring to their attention any significant findings identified through our work. The report aims to provide assurance to the Audit Committee regarding the effectiveness of the control environment operated by and on behalf of the council and highlight any significant matters to be addressed by management.

Recommendation

Members are asked to note progress made in delivery of the 2018/19 internal audit plan and that no significant findings have been identified since the previous update in June 2018.

Background

The Internal Audit function plays a central role in corporate governance by providing assurance to the Audit Committee over the effectiveness of internal controls, governance and risk management. The 2018-19 Annual Audit Plan was approved by the Audit Committee at its March 2018 meeting and is to provide independent and objective assurance on SSDC's Internal Control Environment and this work will support the Annual Governance Statement.

Financial Implications

There are no financial implications associated with these recommendations.

Background Papers: *None*

SWAP
SOUTH WEST AUDIT PARTNERSHIP
Delivering Audit Excellence

South Somerset District Council

Report of Internal Audit Activity

2018-19 Progress Update October 2018

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Contents

The contacts at SWAP in connection with this report are:

Gerry Cox
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Ian Baker
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Alastair Woodland
Assistant Director
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SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS and the CIPFA Local Government Application Note.

Internal Audit Plan Progress 2018/19

Our audit activity is split between:

- **Operational Audit**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**

Role of Internal Audit

The Internal Audit service for the South Somerset District Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter which was approved by the Audit Committee at its meeting in March 2018.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Governance Audits
- IT Audits
- Grants
- Other Special or Unplanned Reviews

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Senior Leadership Team. The 2018-19 Audit Plan was reported to this Committee and approved at its meeting in March 2018.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

Outturn to Date:

We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action

Internal Audit Work Programme

The schedule provided at **Appendix B** contains a list of all audits as agreed in the Annual Audit Plan 2018/19. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective "assurance opinion" rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit "Audit Framework Definitions" as detailed in **Appendix A.**

Since the last update in June 2018 the following audits have been completed:

Audit Area	Quarter	Status	Opinion
Bank and Cash Procedures at Octagon and Westlands	1	Final	Advisory
Boden Mill	1	Final	Advisory
Yeovil Cemetery & Crematorium Accounts	1	Final	Advisory
Data Protection Query	1	Final	Advisory

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service risks, a summary of the key audit findings that have resulted in them receiving a 'Partial Assurance Opinion' are reported; there are no Partial Opinion reports this time.

A number of audits have been pushed back to later in the year for a variety of reasons, which are documented below in the 'approved Changes to the Audit Plan' section. We will endeavour to manage these changes and ensure all key areas of work are completed to inform the annual audit opinion.

We keep our audit plans under regular review so as to ensure that we audit the right things at the right time.

Approved Changes to the Audit Plan

The audit plan for 2018/19 is detailed in **Appendix B**. Inevitably changes to the plan will be required during the year to reflect changing risks and ensure the audit plan remains relevant to South Somerset District Council. Members will note that where necessary any changes to the plan throughout the year will have been subject to agreement with the appropriate Manager and the Section 151 Officer.

Since the previous update the following changes have been made:

- The Section 106 Audit has been moved from quarter 2 to quarter 4. The reason for this is due to the implementation of a new system at this point in time. The new system will be operational in quarter 4 and will be included within the scope of the review. To accommodate this review being moved, the Lone Working Arrangements review has been brought forward to quarter 2.

- Leisure East Devon (LED) Contract Compliance has moved from quarter 1 to quarter 2 with a request not to start until September 2018 due to personnel changes as a result of transformation.

- Accounts Payable was originally planned to commence in quarter 3 but has now been moved to quarter 4. The reason for this was to accommodate the implementation of the new system that will be included within the scope of the review.

- Procurement & Contract Management (Supply Chain) has been moved from quarter 1/2 to quarter 4 at the request of management as the procurement officer had not been appointed at that point in time.

- The Commercial Strategy/Income Generation review has been brought forward to quarter 3 from quarter 4.

At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- **Substantial**
- **Reasonable**
- **Partial**
- **No Assurance**
- **Non-Opinion/Advisory**

Audit Framework Definitions

Control Assurance Definitions

Substantial	▲★★★	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	▲★★★	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	▲★★★	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
None	▲★★★	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Non-Opinion/Advisory – In addition to our opinion based work we will provide consultancy services. The "advice" offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

Recommendation are prioritised from 1 to 5 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Audit Framework Definitions

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

- Priority 5: Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.
- Priority 4: Important findings that need to be resolved by management.
- Priority 3: The accuracy of records is at risk and requires attention.
- Priority 2: Minor control issues have been identified which nevertheless need to be addressed.
- Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Definitions of Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Minor Recommendation 1	2	3	Comments
FINAL									
Cross cutting, Governance, Fraud and Corruption	Bank and Cash Procedures at Octagon and Westlands	1	Final	Advisory					
Annual Accounts Certification	Boden Mill	1	Final	Advisory					
Annual Accounts Certification	Yeovil Cemetery & Crematorium Accounts	1	Final	Advisory					
Cross cutting, Governance, Fraud and Corruption	Data Protection Query	1	Final	Advisory					
DRAFT/REVIEW									
Cross cutting, Governance, Fraud and Corruption	EU General Data Protection Regulations	1	Drafting						
Cross cutting, Governance, Fraud and Corruption	Lone Working Arrangements	2	Drafting						
Cross cutting, Governance, Fraud and Corruption	Financial Resilience/Contract Monitoring	2	Draft						

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Minor Recommendation 1	2	3	Comments
IN PROGESS									
Cross cutting, Governance, Fraud and Corruption	Transformation Programme - Re-engineering workshops	1,2,3	In Progress						
Cross cutting, Governance, Fraud and Corruption	Transformation Programme - Petters Way Front of House	1,2,3	In Progress						
Cross cutting, Governance, Fraud and Corruption	Transformation Programme - Benefit Realisation Strategy	1,2,3	In Progress						
Operational	LED Leisure Contract Compliance	2	In Progress						
Key Financial Controls	Cash Receipting	3	In Progress						
Cross cutting, Governance, Fraud and Corruption	Commercial Strategy/Income Generation	3	In Progress						
NOT STARTED									
IT Audit	Agile Working	1,2,3							
Key Financial Controls	Main Accounting, Budgetary Control and Capital Accounting	3							Scope agreed due to commence November.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Minor Recommendation 1	2	3	Comments
Key Financial Controls	Treasury Management and Bank Reconciliations	3							Scope and dates agreed for October.
Key Financial Controls	Payroll	3							Scope and dates agreed November.
Key Financial Controls	Accounts Receivable	3							Scope agreed due to commence November.
Key Financial Controls	Accounts Payable	4							Scope Agreed
Cross cutting, Governance, Fraud and Corruption	Procurement/Contract	4							
Cross cutting, Governance, Fraud and Corruption	Housing Benefit Subsidy Claims	4							
Operational	S106/CIL	4							
Cross cutting, Governance, Fraud and Corruption	Risk Management	4							
Cross cutting, Governance, Fraud and Corruption	Benefits Realisation	4							
IT Audit	Disaster Recovery	4							

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Summary of Significant Findings

APPENDIX C

Schedule of significant findings identified from Internal Audit work Since the 2018 June Audit Committee Update

No	Name of Audit	Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Agreed Date of Action
No significant Findings to bring to your attention.						

Treasury Management Practices

Director: *Netta Meadows, Director – Strategy and Support Services*
Lead Officer: *Paul Matravers, Specialist - Finance*
Contact Details: *paul.matravers@southsomerset.gov.uk or 01935 462275*

Purpose of the Report

1. To request members of the Audit Committee approve the attached Treasury Management Practices (TMPs).

Recommendation

2. Audit Committee is recommended to:

   a) Note the TMPs have been reviewed and updated to reflect both organisational changes and the requirements of updated Codes of Practice, in particular the new TMP 13 concerning Non-Treasury Investments.

   b) Approve the Treasury Management Practices included in this report.

Background

3. The CIPFA Treasury Management in the Public Services Code of Practice (the Code) was revised in December 2017. The Code has been reviewed and updated following recent developments in the marketplace and the introduction of the Localism Act 2011 for English local authorities.

4. The Code requires the setting out of the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management.

5. As in previous versions, the Code recommends the creation and maintenance of suitable Treasury Management Practices setting out the manner in which the organisation will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.

6. The recommended Treasury Management Practices for South Somerset District Council comprise:

   TMP 1: Risk management
   TMP 2: Performance measurement
   TMP 3: Decision-making and analysis
   TMP 4: Approved instruments, methods and techniques
   TMP 5: Organisation, clarity and segregation of responsibilities and dealing arrangements
   TMP 6: Reporting requirements and management information arrangements
   TMP 7: Budgeting, accounting and audit arrangements
   TMP 8: Cash and cash flow management
   TMP 9: Money laundering
   TMP 10: Training and qualifications
   TMP 11: Use of external service providers

TMP 12: Corporate governance
TMP 13: Management Practices for Non-Treasury Investments

7. TMP 13 is a new TMP which has been included as a result of the revision to the Code in December 2017. The TMP is concerned with "non-treasury investments", examples of which are:

- Loans supporting service outcomes
- Investments in subsidiaries
- Investment property portfolios

8. The Treasury Management Practices principles and schedules document follows the same format as previous years in that the schedules supporting these practices are at a higher level giving an overview of the processes to be followed. The detail specifying the systems and routines to be employed, the records to be maintained in fulfilling the Council's treasury functions and any other documents supporting the processes are held at an operational level within an operations manual.

9. The Treasury Management Practices principles and schedules document includes highlighted text; the highlighted text identifies the major changes to the TMP's. As detailed in the recommendations, the major changes are required in order to comply with the updated Code of Practice and to incorporate organisational changes.

Financial Implications

10. There are no financial implications in accepting this report and the associated recommendations.

Background Papers:

Treasury Management Strategy Statement

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Treasury Management Practices

Principles and Schedules

September 2018

South Somerset District Council

Introduction

The CIPFA Treasury Management in the Public Services Code of Practice (the Code) was last revised in December 2017. The Code has been reviewed and updated following recent developments in the marketplace and the introduction of the Localism Act 2011 for English local authorities ***which gives local authorities the 'general power of competence' and enhances the freedoms within which local authorities operate. Regulations require local authorities to have regard to the Code in respect of its treasury management arrangements.***

The Code requires for the setting out of the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management. This includes recommendations for the authority to create and maintain:

- A Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities;
- Suitable Treasury Management Practices setting out the manner in which the organisation will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.

The Treasury Management Practices (TMPs) comprise:

TMP 1:	Risk management
TMP 2:	Performance management
TMP 3:	Decision-making and analysis
TMP 4:	Approved instruments, methods and techniques
TMP 5:	Organisation, clarity and segregation of responsibilities and dealing arrangements
TMP 6:	Reporting requirements and management information arrangements
TMP 7:	Budgeting, accounting and audit arrangements
TMP 8:	Cash and cash flow management
TMP 9:	Money laundering
TMP 10:	Training and qualifications
TMP 11:	Use of external service providers
TMP 12:	Corporate governance
TMP 13:	***Management Practices for non-treasury investments***

TMP 1: Risk management

All treasury management activities involve both risk and the pursuit of reward or gain for the Council. The Council's policies and practices emphasise that the effective identification, management and containment of risk are the prime objectives of treasury management activities.

The responsible officer will design, implement and monitor all arrangement for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP 6: Reporting requirements and management information arrangements.

1. **Credit and counterparty risk management:**

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

Principle: The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. ***Accordingly, it will ensure that robust due diligence procedures cover all external investment.*** It will also ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP 4: Approved instruments, methods and techniques. The Council also recognises the need to maintain a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

Schedules:

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

- The S151 Officer is responsible for setting prudent criteria, ***taking appropriate advice, guidance and assistance from the Council's treasury advisors***.
- The criteria will be agreed by Audit Committee and Full Council.
- The current criteria is contained within the operations manual.
- The Council's treasury management advisors will advise on credit policy and creditworthiness related issues.
- The Council will maintain a counterparty list based on its criteria and will monitor and update the credit standing of the institutions on a regular basis. This assessment will include consideration of credit ratings from all 3 ratings agencies and other alternative assessments of credit strength (for example, statements of potential government support which now includes resolution mechanisms for failing financial institutions, Credit Default Swap information, the composition of an institution's balance sheet liabilities). The Council will also take into account information on corporate developments of and market sentiment towards investment counterparties.
- The credit rating criteria will also apply to securities issued by financial and non-financial institutions, which in some instances, might be higher than that of the issuing institution.
- Higher time and cash limits may be set for secured investments (e.g. those with underlying collateral or which are by regulation excluded from being bailed-in/restructured in the event of financial distress).
- Where there is no investment-specific rating, but collateral upon which the investment secured is rated, then the higher of the collateral and counterparty rating will be used to determine time and cash limits.

B. Approved methodology for changing limits and adding/removing counterparties

- The S151 Officer has delegated responsibility to add or delete counterparties and to review limits within the parameters of the criteria detailed above
- Where an entity's credit rating is downgraded so that it fails to meet the minimum criteria then:
  - No new investments will be made
  - Any existing investments that can be recalled or sold at no cost will be
  - Full consideration will be given to the recall or sale of other existing investments with the affected counterparty.

Where a credit rating is placed on review for possible downgrade (also termed 'rating watch negative' or 'credit watch negative') so that it may fall below the minimum approved credit criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the rating review has been completed and its outcome known.

C. Counterparty list and limits

- A full individual listing of banking counterparties based on the criteria will be maintained. As credit ratings etc. are subject to change without notice, an up-to-date lending list will be maintained on an ongoing basis within the operations manual.

D. Country, sector and group listings of counterparties and overall limits applied to each where appropriate

- Investments will be displayed so as to show total group exposure, total country exposure and total sector exposure. Group limits have been set for the above in terms of monetary value/percentage of overall portfolio, where appropriate. Group limits for organisation under the same ownership will be set at the same level as the lead institution in that group.

E. Details of credit rating agencies' services and their application

- The Council considers the ratings of all 3 ratings agencies (Standard & Poor's, Moody's and Fitch) when making investment decisions. Credit rating agency information is just one of a range of instruments used to assess creditworthiness of institutions.
- No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the minimum credit rating criteria.

F. Description of the general approach to collecting/using information other than credit ratings for counterparty risk assessment

- The Council's Treasury Advisor, Arlingclose, provides timely information on counterparties, in terms of credit rating updates and economic summaries. Credit default swap information is received monthly, as well as information of share price. The Council's Treasury Advisor also undertakes analysis on the balance sheet structure of key banking institutions to help inform the potential restructure (i.e. bail-in) of a bank's unsecured liabilities should this be required by the regulatory authorities. In addition the S151 Officer reads quality financial press for information on counterparties

2. Liquidity Risk Management:

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

Principle: The S151 Officer will ensure the Council 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 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 approved capital programme or to fund future debt maturities.

Schedules:

A. Cash flow and cash balances

- The Council will aim for effective cash flow forecasting and monitoring of cash balances and will maintain a rolling minimum 6 month cash flow forecast.
- The treasury team will seek to optimise the balance held in the Council's main bank accounts at the close of each working day in order to minimise the amount of bank overdraft interest payable or maximise the amount of interest that can be earned.
- In order to achieve the maximum return from investments, a daily cash balance of +/- £100,000 is the objective for the Council's current account

B. Short term investments

- The Council uses various Reserve Accounts and Money Market Funds to manage its liquidity requirements. These accounts/funds are named on the Council's approved counterparty list. The maximum balance on each of these accounts is reviewed and set as part of the Council's investment strategy.

C. Temporary Borrowing

- Temporary borrowing up to 364 days through the money market is available should there be a cash flow deficit at any point during the year.
- At no time will the outstanding total of temporary and long-term borrowing together with any bank overdraft exceed the Council-approved Prudential Indicator for the Authorised Borrowing Limit.

D. Bank overdraft and standby facilities

- The Council has an authorised overdraft limit with Natwest of £500,000 at an agreed rate of 1% over base rate. The facility is used as a contingency when temporary borrowing is difficult or more expensive, or for amounts of less than £200,000.

3. Interest Rate Risk Management:

Interest Rate risk is 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.

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

Schedules:

A. Minimum/maximum proportions of fixed/variable rate debt/interest

- Borrowing/investments may be at a fixed or variable rate

- The Prudential Code requires the Council to determine each year the maximum proportion of interest payable on net borrowing which is subject to fixed and variable interest rates. This is set each year within the Treasury Management Strategy.
- In setting its Treasury Strategy on an annual basis, the Council will determine the necessary degree of certainty required for its plans and budgets but will, at the same time, allow sufficient flexibility to enable it to benefit from potentially advantageous changes in market conditions and level of interest rates and also to mitigate the effect of potentially disadvantageous changes.
- The Council 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.

B. Managing changes to interest rate levels

- The main impact of changes in interest rate levels is to monies borrowed and invested at variable rates of interest.
- The Council will consider matching borrowing at variable rates with investments similarly exposed to changes in interest rates as a way of mitigating any adverse budgetary impact.
- The Council may determine it is more cost effective in the short-term to fund its borrowing requirement through the use of internal resources ('internal borrowing') or through borrowing short-term loans. The benefits of such borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing or refinancing in future years when interest rates are expected to be higher.
- Alternatively, the Council may consider forward starting loans where the interest rate is fixed in advance but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a 'cost of carry' in the intervening period.
- Interest rate forecasts are provided by the Council's advisors and are closely monitored by the treasury team. Variations from original estimates and their impact on the Council's debt and investments are notified to the Audit Committee as necessary.
- For its investments, the Council also considers dealing from forward periods dependent upon market conditions. The Council's counterparty term limits will apply and will include the forward period of the investment.

C. Details of approved interest rate exposure limits

- The upper limits on net fixed interest rate and net variable interest rate exposures are determined each year as part of the Treasury Management indicators included in the Treasury Management Strategy.

D. Details of hedging tools used to manage risk

- The Council's legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the Localism Act is not sufficiently explicit. Consequently, the Council does not intend to use derivatives to manage interest rate risk.
- Should this position change, the Council will develop a detailed risk management framework governing the use of derivatives, which will require full Council approval.

4. <u>Exchange Rate Risk Management:</u>

The risk that the 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.

Principle: The Council will ensure that it protects itself adequately against the risk of fluctuations in foreign exchange rates creating an unexpected or unbudgeted burden on the Council's finances. It will manage any exposure to fluctuation in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

Schedule:

A. Exchange rate risk management

- This Council does not, on a day to day basis, have foreign currency transactions or receipts. Unexpected receipt of foreign currency will be converted to sterling at the earliest opportunity.
- If the Council has a contractual obligation to make a payment in a currency other than sterling then forward foreign exchange transactions will be considered, with professional advice.
- At the present time statute prevents the Council borrowing in currencies other than Sterling. The Council has determined that all its investments will be in sterling.

5. Inflation risk (also called purchasing power risk):

The risk that the cash flows from an investment won't be worth as much in the future because of changes in purchasing power due to inflation.

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

Schedule:

A. Inflation rate risk management

- In the current era of relatively low inflation, its impact on future income and expenditure streams is minimal.
- Although inflation is currently relatively low, consideration of this risk will continue to be part of the overall treasury strategy.

6. Refinancing Risk Management:

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

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

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

Schedules:

A. Projected capital investment requirements

- 3 to 5 year projections are maintained for capital expenditure and financing. Financing will be from capital receipts, reserves, revenue contributions, grants or contributions received, internal or external borrowing.

- As required by the Prudential Code, the Council will undertake options appraisal to evaluate the best capital expenditure financing route.
- The Council's projected long-term borrowing requirement will be linked to the projected Capital Financing Requirement.

B. Debt profiling, policies and practices

- Any longer term borrowing will be undertaken in accordance with the Prudential Code and will comply with the Council's Prudential Indicators, the approved Treasury Management Strategy and Capital Strategy.
- The Council will maintain through its treasury and capital systems reliable records of the terms and maturities of its borrowing, capital, project and partnership funding and, where appropriate, plan and successfully negotiate terms for its refinancing.
- Where the lender to the Council is a commercial body the Council will aim for diversification in order to spread risk and avoid over-reliance on a small number of counterparties.

C. Policy concerning limits on revenue consequences of capital financing

- The revenue consequences of financing the capital programme are included in cash flow models, annual revenue budget estimates and medium term forecasts.

7. <u>Legal and Regulatory Risk Management:</u>

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

Principle: The 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 (A) 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.

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

Schedules:

A. References to relevant statutes and regulations

- The treasury management activities of the Council shall comply fully with legal statute and the regulations of the Council. These are:
    - CIPFA's Treasury Management Code of Practice 2001 and subsequent amendments
    - CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities
    - CIPFA Prudential Code for Capital Finance in Local Authorities and subsequent amendments
    - CIPFA Standard of Professional Practice on Treasury Management
    - The Local Government Act 2003
    - The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 SI 2003 No 3146, and subsequent amendments
    - The CLG's statutory Guidance on Minimum Revenue Provision (MRP)
    - The ODPM's (now CLG's) Guidance on Local Government Investments in England issued March 2004 and subsequent amendments

- The Local Authorities (Contracting out of Investment Functions) Order 1996 SI 1996 No 1883
- LAAP Bulletins
- Code of Practice on Local Authority Accounting in the United Kingdom based on International Financial Reporting Standards (from 2010/11 onwards)
- Accounts and Audit Regulations 2003, as amended together with CLG's Guidance
- The Localism Act 2011
- The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets
- Council's Constitution including:-
  - Standing Order relating to Contracts
  - Financial Regulations
  - Scheme of Delegation

B. Procedures for evidencing the organisation's powers/authorities to counterparties

- The Council's Financial Procedure Rules contain evidence of the power/ authority to act as required by section 151 of the Local Government Act 1972, under the general direction of the Audit Committee.
- The Council will confirm, if requested to do so by counterparties, the powers and authorities under which the Council effects transactions with them.
- Where required, the Council will also establish the powers of those with whom they enter into transactions, including any compliance requirements in respect of a duty of care and best practice.

C. Required information from counterparties concerning their powers/ authorities

- Lending shall only be made to institutions on the Council's authorised lending list or in securities which meet the Council's approved credit criteria.
- The Council will only undertake borrowing from approved sources such as the PWLB, organisations such as the European Investment Bank and from any other bank or building society authorised to operate in the UK thereby minimising legal and regulatory risk. The list of approved sources of borrowing is contained in TMP 4.

D. Statement on political risks and management of the same

- Political risk is managed by:
  - adoption of the CIPFA Treasury Management Code of Practice
  - adherence to Corporate Governance (TMP 12 – Corporate Governance)
  - adherence to the Statement of Professional Practice by the S151 Officer
  - the roles of the Audit Committee

8. Fraud, Error and Corruption, and Contingency Management:

This is the risk that the 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 referred to as operational risk.

Principle: The 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.

Schedule:

A. Details of systems and procedures to be followed, including Internet services

- Segregation of duties minimises the possibility of fraud and loss due to error and is detailed in TMP 5 Organisation, Clarity and segregation of responsibilities and, dealing arrangements.

  1. Electronic Banking and Dealing
     a) The Council's online banking service provided by Natwest is subject to separate log-on and password control allowing varying levels of access. Details of transactions and balances are available as required, and the system also holds historic data.
     b) Access to the Council's Treasury management drive is limited to those roles listed below, each having a separate log-on and password.
        S151 Officer
        Lead Specialist - Finance
        Finance Specialists x 3
        Support Services Case Services Officers x 2
     c) Full procedure notes covering the day to day operation of the on-line banking system and the treasury management systems are documented and included within the operations manual.

  2. Standard Settlement Instructions
     a) A list is maintained of named officers who have the authority to transact loans and investments.
     b) Brokers and counterparties with whom the Council deals direct are provided a copy of the Standard Settlement Instructions list.

  3. Payment authorisation
     a) Payments can only be approved by authorised signatories of the Council, the list of signatories having previously been agreed with the Council's bank.
     b) Inflow and outflow of monies borrowed and invested will only be from the counterparty's bank accounts.

B. Verification

- Loans and investments will be maintained in registers which will include fees and brokerage paid.
- Transactions will be cross checked against broker notes, counterparty confirmations and PWLB loan schedules by verifying dates, amounts, interest rates, maturity, interest payment dates etc.
- When receiving requests for change of payment details. Due care will be exercised to ascertain the bona fide of the request and avoid potential fraud. Additional checks will be made through pre-existing contact details for the payee before amending payment details.

C. Substantiation

- The Treasury Management spreadsheets are reconciled with financial ledger codes at the end of each month and at the financial year end.
- Working papers are retained for audit inspection.
- The bank reconciliation is carried out monthly from the bank statement to the financial system.

D. Internal Audit

- Internal Audit carry out regular reviews of the treasury management function including probity testing. See TMP7 Budgeting, accounting and audit arrangements.

E. Contingency Management

- All treasury spreadsheets are retained on the Council's network. Daily back-ups are taken and maintained and network back-ups can be used by the IT department to restore files, if necessary.
- If the electronic banking system fails the Council have to contact the bank via telephone who will provide balances for the day. If any CHAPS payments are to be made manual forms are completed and faxed/taken to the bank before 12 noon so they can be processed on the Council's behalf.

F. Insurance Cover details

- The Council has Fidelity guarantee insurance cover. Details of the provider and cover are held by the Support Services Case Services Officer.

9. <u>Price Risk Management:</u>

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

Principle: 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.

Schedules:

A. Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (gilts, CDs etc)

- Investment instruments used by the external fund managers are subject to fluctuation in capital movements and exposed to interest rate risk. In order to minimise these risks, capital preservation is set as the primary objective and pursuit of investment performance should be commensurate with this objective.

- Additionally, should the Council have segregated fund management arrangements, then risk control guidelines will be set for each fund management agreement to control market risk:
    - (a) Maximum weighted average duration of the fund;
    - (b) Maximum permitted exposure to gilts/bonds;
    - (c) Maximum maturity of any instrument.

B. Accounting for unrealised gains/losses

- The method of accounting for unrealised gains or losses on the valuation of financial assets comply with the Accounting Code of Practice
- Variable Net Asset Value pooled funds will be treated as Available for Sale Assets. Segregated fund with external managers will be treated as Fair Value through Profit or Loss.

TMP 2: Performance Measurement

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

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

Schedules:

A. Policy concerning methods for testing value for money

- Best value reviews will include the production of plans to review the way services are provided in order to pursue continuous improvement in the way the Council's functions are exercised, having regard to a combination of value for money, efficiency and effectiveness, by:
    a) Challenging
    b) Comparing performance
    c) Consulting with other users and interested parties
    d) Applying competition principles

B. Policy concerning methods for performance measurement

- Performance measurement is intended to calculate the effectiveness of treasury activity in delivering the strategic objectives set through the Treasury Management Strategy and the Council's Prudential Indicators and to enhance accountability.
- Prudential Indicators are local to the Council and are not intended as a comparator between authorities.
- The performance review will be made in the light of general trends in interest rates during the year and how the decisions made corresponded with these trends and the Council's agreed strategy, i.e. the Council will avoid hindsight analysis.
- Any comparison of the Council's treasury portfolio against recognised industry standards, market indices and other portfolios is intended to:
    a) Allow the Council the opportunity to assess the potential to add value through changes to the existing ways in which its portfolio is managed and
    b) Permit an informed judgement about the merits or otherwise of using new treasury management techniques or instruments.

- In drawing any conclusions the Council will bear in mind that the characteristics of its treasury operations may differ from those of other Councils, particularly with regard to the position on risk.

C. Methodology to be applied for evaluating the impact of treasury management decisions

- Monitoring of the outcome of treasury management activity against Prudential Indicators approved by the Council will be carried out by the Lead Finance Specialist, with financial implications included in budget monitoring reports.
- The mid-year and year-end Treasury Performance Reports will also include performance and narrative in meeting the approved Prudential Indicators.
- The Council's Treasury Management advisors compare the performance of the Council's in-house funds against all its other clients and submits the results quarterly to the S151 Officer.

D. Benchmarks and calculation methodology with regard to risk and return

- Investment returns are compared to the 7-day LIBID benchmark. For Internally Managed Investment Returns - total interest accruing during the month or year on average daily balances invested during the calendar month.

E. Best Value

- The treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated corporate and service objectives.

- When tendering for treasury-related or banking services, the Council adheres to its Financial Regulations.

TMP 3: Decision Making and Analysis

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

Schedules:

A. Major treasury decisions

- As a public service organisation, there is a requirement to demonstrate openness and accountability in treasury management activities. Accordingly, the Council will create and maintain an audit trail of major treasury management decisions which comprise either:
  a) Changes to Prudential Indicator(s) during the course of the financial year
  b) Options Appraisal to determine a funding decision
  c) Raising a new long-term loan / long-term source of finance
  d) Prematurely restructuring/redeeming an existing long-term loan(s)
  e) Investing longer-term (i.e. in excess of 1 year)
  f) Utilisation of investment instruments which constitute capital expenditure (i.e. loan capital/share capital in a corporate body)
  g) Leasing
  h) Change in banking arrangements
  i) Appointing/replacing a treasury advisor
  j) Appointing/replacing a fund manager

B. Process

- The Council's strategy for the application of its treasury policy is set out in the Treasury Management Strategy.

- Based on the Treasury Management Strategy, the Specialist - Finance will on a monthly basis prepare 24 month rolling forecasts of the financing, borrowing and surplus cash requirements of the Council, for the purpose of:
  - applying the strategy on a day to day basis
  - monitoring the results of the strategy
  - recommending amendments to the strategy to the Audit Committee where applicable during the course of the year.

C. Delegated powers for treasury management

- The S151 Officer has delegated powers to carry out the Council's strategy for debt management, capital finance and borrowing, depositing surplus funds and managing the cash flows of the Council.

D. Issues to be addressed, evaluation, authorisation

- In exercising these powers, the S151 Officer and those to whom the treasury activity have been delegated will
  - Have regard to the nature and extent of any associated risks to which the Council may become exposed
  - Be certain about the legality of the decision reached and that the necessary authority to proceed has been obtained
  - Be satisfied that the documentation is adequate to deliver the Council's objectives, protect the Council's interests, and to maintain an effective audit trail
  - Ensure that the perceived credit risk associated with the approved counterparties is judged satisfactory and is within agreed limits
  - Be satisfied that the terms of any transactions have been fully checked against the market, and have been found to be competitive
  - Follow best practice in implementing the treasury transaction.

- In exercising Borrowing and Funding decisions, the responsible person will

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

- In exercising Investment decisions, the responsible person will

  - Determine that the investment is within the Council's strategy and pre-determined instruments and criteria;
  - Consider the optimum period, in the light of core balances and reserves, cash flow availability and prevailing market conditions;
  - Consider the risk associated with unsecured investments with banks and building societies
  - Consider the alternative investment products and techniques available if appropriate.

E. Processes to be followed

- The processes to be followed will be in keeping with TMP 4: The Council's Approved, Instruments, Methods and Techniques.

F. Evidence and records to be kept

- The Council will maintain a record of all major treasury management decisions, the processes undertaken and the rationale for reaching the decision made. These will allow for a historical assessment of decisions made and verification that any checks and safeguards are indeed in place and operating correctly.

- Records and working papers will be securely stored and maintained in line with proper accounting practice and the Council's record management policies.

TMP 4: Approved Instruments, Methods and Techniques

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

The Council has reviewed its classification with financial institutions under MiFID II and has set out in the schedule those organisations with which it is registered as a professional client. If not registered as a professional client the Council, by default is treated as a retail client by financial institutions.

Schedules:

A. Approved treasury management activities

- The Council is permitted to undertake the following activities
  - Managing cash flow
  - Capital financing
  - Borrowing including debt restructuring and debt repayment
  - Lending including redemption of investments
  - Banking
  - Leasing
  - Managing the underlying risk associated with the Council's capital financing and surplus funds activities.

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

B. Approved capital financing methods and types/sources of funding

- <u>On balance sheet</u>
  - Public Works Loans Board (PWLB) loans and any successor body
  - Long term money market loans including forward starting loans and LOBOs
  - Temporary money market loans (up to 364 days).
  - Bank overdraft
  - Loans from bodies such as the European Investment Bank (EIB)
  - Stock issues
  - Deferred Purchase
  - Government and EU Capital Grants
  - Lottery monies
  - Other Capital Grants and Contributions
  - Private Finance Initiative
  - Operating and finance leases

    - Hire Purchase
    - Sale and leaseback

- <u>Internal Resources</u>
    - Capital Receipts
    - Revenue Balances
    - Reserves

- <u>Approved sources of long-term and short-term borrowing include</u>
    - Public Works Loan Board (PWLB) and its successor body
    - Any institution approved for investments
    - Any other bank or building society authorised to operate in the UK
    - UK public and private sector pension funds
    - UK Municipal Bonds Agency and other special purpose vehicles created to enable local authority bond issues

- The level of debt will be consistent with the Treasury Management Strategy and the Prudential Indicators.

C. Approved investment instruments

- The Council will determine through its Annual Investment Strategy (AIS) which instruments it will use, giving priority to the security and liquidity (in that order) of its invested monies. The investments will be categorised as ‘Specified’ or ‘Non Specified’ based on the criteria set out in the MHCLG Investment Guidance 2018 (as amended).

- The Council will determine through the AIS which instruments will be used in-house and which will be used by the appointed external fund manager(s) including the maximum exposure for each category of non-specified investments. Where applicable, the Council’s credit criteria will also apply.

    - Deposits with the UK government, the Debt Management Account Deposit Facility (DMADF), and UK local authorities
    - Banks and building societies unsecured short-term (call and notice accounts, deposits, certificates of deposit)
    - Investments in Money Market Funds , i.e. ‘AAA’ liquidity funds with a 60-day Weighted Average Maturity (WAM)
    - Treasury Bills
    - Gilts
    - Bonds issued by multilateral development banks
    - Sterling denominated bonds by non-UK sovereign governments
    - Covered bonds (i.e. those with underlying collateral)
    - Unsecured corporate bonds
    - Reverse Repurchase Agreements (‘reverse repos’)
    - Investments with Registered Providers of Social Housing (i.e. housing associations)
    - Commercial paper
    - Floating Rate Notes
    - Pooled funds, i.e. Collective Investment schemes as defined in SI 2004 No 534 and subsequent amendments
    - Pooled funds i.e. Collective Investment Schemes which do not meet the definition of Collective Investment Schemes in SI 2004 No 534 and subsequent amendments

- The use of the above instruments by the Council’s fund manager(s) will be by reference to the fund guidelines contained in the agreement between the Council and the manager

D. Use of Derivatives

- The Council intends to use derivative instruments for the management of risks, limited to those set out in the annual treasury strategy. The Council will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

- Currently, Local Authorities' legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the Localism Act is not sufficiently explicit. Consequently, the Authority does not intend to use derivatives. Should this position change, the Authority may seek to develop a detailed and robust risk management framework governing the use of derivatives, but this change in strategy will require full Council approval.

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

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

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

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

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

The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule below.

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

Schedules:

A. Limits to responsibilities at Executive levels

Council

- Budget consideration and approval.
- Approval of amendments to the Treasury Management Strategy, the organisation's adopted clauses and treasury management policy statement
- Approval of annual report on Treasury Management

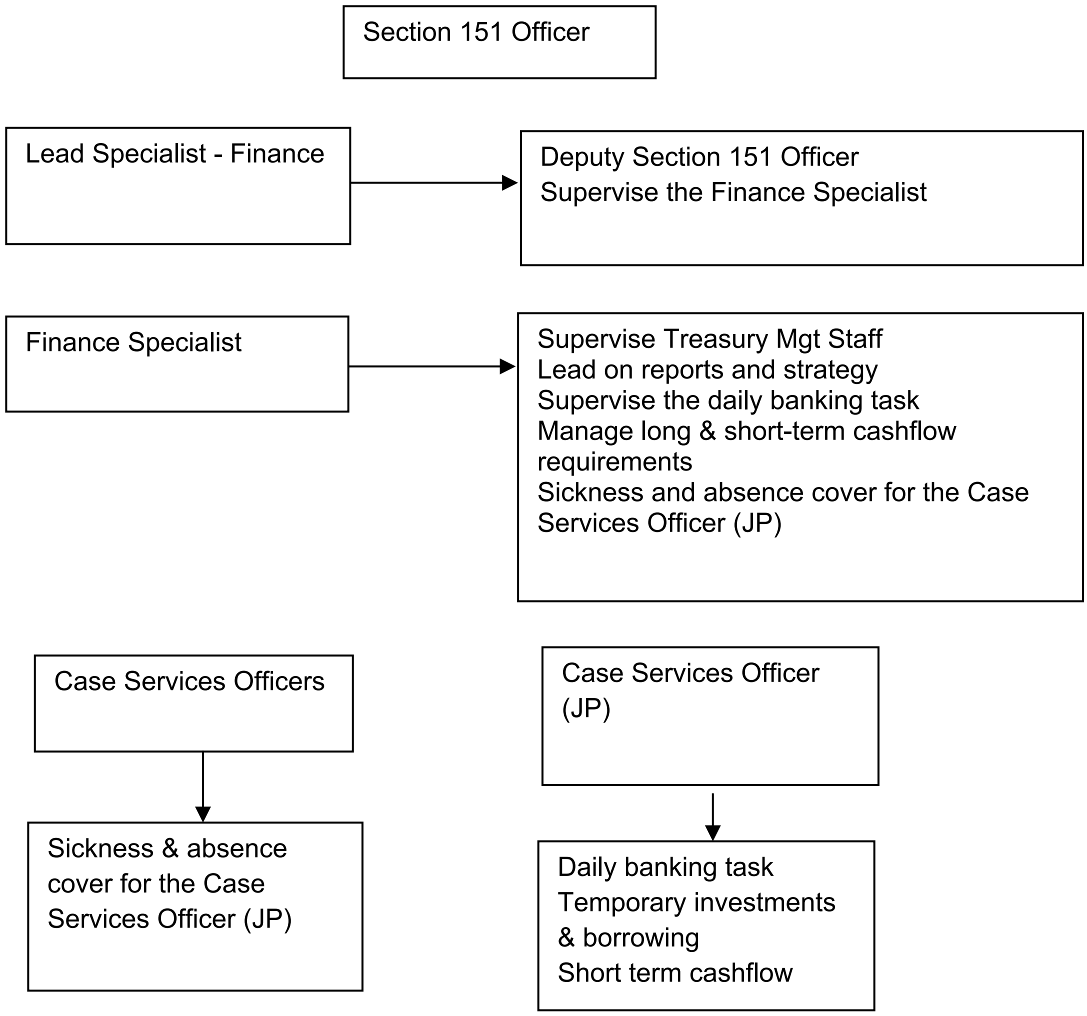
Audit Committee

- Receiving and reviewing reports on treasury management policies, practices and activities
- Receiving and reviewing Prudential Indicators as part of the budget setting process
- Receiving and reviewing external audit reports and acting on recommendations
- Approving the Treasury Management Practices
- Approving the selection of external service providers and agreeing terms of appointment
- Overview of Treasury Management function

B. Principles and practices concerning segregation of duties

- Officers involved in the daily banking task are not to undertake bank reconciliation duties.
- Authorised signatories signing CHAPS forms are not to authorise that payment on the Bankline system.

C. *Statement of duties/responsibilities of each treasury post*



S151 Officer

- The S151 Officer will:
  a) Regularly review and recommend treasury management policy and practices for approval, and monitor compliance
  b) Determine Prudential Indicators, Treasury Management Strategy (including the Annual Investment Strategy) and Capital Strategy
  c) Submit regular treasury management policy reports
  d) Submit budgets and budget variations
  e) Receive and review management information reports
  f) Review the performance of the treasury management function and promote best value reviews
  g) Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
  h) Ensure the adequacy of internal audit
  i) Liaise with external audit
  j) Recommend the appointment of external service providers.

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

- The S151 Officer may delegate powers to borrow and invest to specified staff members. The Lead Specialist - Finance, Finance Specialist, Case Services Officers or other staff authorised by the S151 Officer to act as temporary cover for leave/sickness, must conduct all dealing transactions. All transactions must be authorised by at least two of the named officers above.

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

- Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the S151 Officer to be satisfied, by reference to the Monitoring Officer (Lead Specialist - Legal), the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations.

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

Finance Specialist

The responsibilities of this post will be:-

a) Adherence to agreed policies and practices on a day-to-day basis
b) Supervising activities of treasury management staff
c) Monitoring performance on a day-to-day basis
d) Monitoring the Treasury Management Budget
e) Managing long and short term cash flow
f) Overseeing and authorising execution of transactions
g) Submitting management information reports to the responsible officer

Chief Executive Officer

The responsibilities of this post will be: -

a) Ensuring that the system is specified and implemented
b) Ensuring that the S151 Officer reports regularly to the responsible committee/the Council on treasury policy, activity and performance.

Monitoring Officer

The responsibilities of this post will be: -

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

Internal Audit (SWAP)

The responsibilities of Internal Audit will be: -

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

D. Absence cover arrangements

- In the absence of the S151 Officer, the Lead Specialist – Finance (Deputy S151 Officer) shall take on board the responsibilities and duties of the S151 Officer.

- Under the supervision of the Specialist Finance, the general day to day activities shall be undertaken by the Case Services Officer (JP). However, this may from time to time passed to other Case Services Officers.

- In the absence of the Specialist Finance, the responsibilities and duties will be undertaken by the Lead Specialist - Finance or other Finance Specialist (or officers authorised by the S151 Officer to act as temporary cover) supported by the rest of the Treasury Management team.

E. Dealing limits

- Currently there is a £6m upper limit in the total value of out-going CHAPS transactions in any one day without reference to the National Westminster Bank plc. Transactions that will exceed the £6m limit will be referred back to the Treasury team for explanation.

F. List of approved brokers

- Martins Brokers (UK) plc, 25 Dowgate Hill, London, EC4R 2BB
- London Currency Brokers, LCB House, 3 Scrutton Street, London, EC2A 4HF
- Prebon Yamane (UK) Ltd, 155 Bishopsgate, London, EC2N 3DA
- Tradition (UK) Ltd, Beaufort House, 15 St Botolph Street, London, EC3 7QA

G. Policy on brokers' services

- It is the Council's policy to utilise the services between at least two brokers. The Council will maintain a register of business between them in order to avoid relying on the services of any one broker. Any changes to the list of approved brokers will not be made without prior consultation with the S151 Officer.

H. Policy on recording of conversations

- In line with good practice, all conversations relating to deals with either brokers or direct dealing institutions are recorded. The recordings are to be kept for a minimum period of one year.

I. Direct dealing practices

- Direct dealing is carried out with institutions identified in the Operations Manual subject to counterparty and maturity limits and dealing limits. Prior to undertaking direct dealing, the Council will ensure that each counterparty has been provided with the Council's list of authorised dealers and the Council's Standard Settlement Procedures.

J. Settlement transmission procedures

- The preferred method of transmitting information relating to deals is by email.

K. Documentation requirements

- Copy of CHAPS form confirming transmission of funds to counterparty
- Broker/direct dealer documentation confirming counterparty, deal amount, maturity date and rate.

L. Arrangements concerning the management of third-party funds.

- The following funds are managed by South Somerset District Council:
    - Joint Burial Committee
    - Dorcas House Trust
    - ACI Chard Regeneration Scheme

However, there are small amounts of money held on behalf of third parties that have been held for many years. These sums are immaterial and absorbed into the cash balances of the Council. There being no further interest payable, the principal will be repaid to the third party on the production of appropriate documentation.

TMP 6: Reporting Requirements and Management information arrangements

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

As a minimum, Full Council will receive:

a) An annual report on the strategy and plan to be pursued in the coming year
b) A mid-year review
c) An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

In line with the Prudential Code 2017, Council may choose to delegate (b) and (c) to the Audit Committee (or other committee).

The Audit Committee will receive regular monitoring reports on treasury management activities, performance and risks usually in the form of the mid-year and annual reports subsequently presented to Full Council.

The Audit Committee will have responsibility for the scrutiny of treasury management policies, practices and performance.

Schedules:

A. Frequency of executive reporting requirements

- The responsible officer will annually submit budgets and will report on budget variations as appropriate.

- The responsible officer will submit the Treasury Strategy Statement (including Annual Investment Strategy) and report on the projected borrowing and investment strategy and activity for the forthcoming financial year to Full Council before the start of the year.

- A Mid-Year Treasury Report will be prepared by the responsible officer, which will report on treasury management activities for the first part of the financial year. The report will also provide a forecast for the current year. The Mid-Year Report will be submitted to Full Council during the year.

- The Annual Treasury Report will be prepared as soon as practicable after the financial year end.

- All of the above reports will also be submitted to Audit Committee, who will be responsible for the scrutiny of treasury management policies and practices.

B. Content of Reporting: 1. Prudential Indicators

- The Council will set the following Prudential Indicators, revise if necessary, and following the year end publish actual (where appropriate) in respect of:

  - Financing costs as a proportion of net revenue stream (estimate; actual)
  - Capital expenditure (estimate; actual)
  - Capital Financing Requirement (estimates; actual)

- Authorised limit for external debt
- Operational boundary for external debt
- Actual external debt
- Upper and lower limits to maturity structure of fixed rate borrowing
- Upper limit to total of principal sums invested longer than 364 days.

- The Prudential Indicators are approved and revised by Full Council and are integrated into the Council's overall financial planning and budget process.

- The Audit Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.

C. Content of Reporting: 2. Treasury Strategy Statement including the Annual Investment Strategy

- The Treasury Strategy Statement integrates with the Prudential Indicators being set and will include the following:

  - Link to Capital Financing and Treasury Management Prudential Indicators for the current and ensuing three years
  - Strategy for financing new borrowing requirements (if any) and refinancing maturing borrowing (if any) over the next three years and for restructuring of debt
  - the extent to which surplus funds are earmarked for short term requirements
  - the investment strategy for the forthcoming year(s)
  - the minimum to be held in short term/specified investments during the coming year
  - the interest rate outlook against which the treasury activities are likely to be undertaken.

  Note: The MHCLG Investment Guidance 2018 requires the Council to prepare an annual Capital Strategy for 2019/20 onwards. Most if not all Prudential Indicators will be included in the Capital Strategy which will be considered for approval in February 2019.

- Based on the MHCLG's Guidance on Local Authority Investments, the Council will produce an Annual Investment Strategy (AIS) which sets out
  - the objectives, policies and strategy for managing its investments;
  - the determination of which Specified and Non Specified Investments the Council will utilise during the forthcoming financial year(s) based on the Council's economic and investment outlook and the expected level of investment balances;
  - the limits for the use of Non-Specified Investments.

- The AIS will be integrated into the Treasury Strategy Statement.

- The Audit Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.

D. Content of Reporting: 4. Mid-Year Treasury Report

- The Finance Specialist will produce a mid-year report for Full Council on the borrowing and investment activities of the treasury management function (including performance of fund managers) for the first six months of the financial year.

- The main contents of the report will comprise:

  - Economic background
  - Economic forecast (including interest rates forecast)
  - Treasury Management Strategy Statement update
  - Performance versus benchmarks

- Borrowing information (including premature repayment, new loans information)
- Information on investments, including current lending list
- Prudential indicators relating to treasury management
- Governance framework and scrutiny arrangements

- The Audit Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.

E. Content of Reporting: 3. Annual Treasury Report

- The Finance Specialist will produce an annual report for Full Council on all activities of the treasury management function as soon as practicable after year end and in all cases no later than 30 September of the succeeding financial year.

- The main contents of the report will comprise:

  - confirmation that the Council calculated its budget requirements and set a balanced budget for the forward year;
  - the prevailing economic environment
  - a commentary on treasury operations for the year, including their revenue effects;
  - commentary on the risk implications of treasury activities undertaken and the future impact on treasury activities of the Council
  - compliance with agreed policies/practices and statutory/regulatory requirements
  - compliance with Prudential Indicators;
  - performance measures.

- The Audit Committee will also receive a copy of this report to carry out its scrutiny role of treasury management.

F. Content and frequency of management information reports

- Management information reports will be prepared each quarter by the Finance Specialist and will be presented to the S151 Officer.

- These reports will contain the following information: -

  - Summary cash flow forecasts
  - Information on investment in Bonds, Certificates of Deposits and Treasury Bills.
  - Details of in-house investments, including interest to date, benchmark rate and rate achieved, and forecast of interest for the remainder of the year.
  - Details of fees payable.
  - Current and forecast borrowing requirement, analysed between internal and external borrowing
  - Forecast of surplus/deficit for the financial year against treasury budgets (interest costs and income).
  - Narrative highlighting performance, opportunities, risks and any areas of concern or areas of note.

TMP 7: Budgeting, accounting and audit arrangements

Principle: The Responsible Officer will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 Risk management, TMP2

Performance measurement, and TMP4 Approved instruments, methods and techniques. The form which the Council's budget will take is set out in the schedule below.

The Responsible Officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 Reporting requirements and management information arrangements.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of the Council's accounts is set out in the schedule.

The Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements is detailed below.

Schedule:

A. Statutory/regulatory requirements

- The framework for accounting in local government comes from the Code of Practice on Local Authority Accounting in the UK and related Guidance issued by CIPFA.

B. Proper accounting practice

- CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom constitutes "proper accounting practice under the terms of S21 (2) of the Local Government Act 2003".

C. Financial Statements

- The Council's financial statements are produced annually, reported to the Audit Committee for approval and published on the Council's website.

D. Treasury-related information requirements of external auditors

- The following information is specifically requested by the external auditor and should be considered an initial request for information. It is usually followed by more detailed audit testing work which often requires further information and/or explanations from the Council's officers. Information in this context includes internally generated documents including those from the Council's Treasury Management System, externally generated documents, observation of treasury management practices which support and explain the operation and activities of the treasury management function.

    - Determination of Affordable Borrowing Limit under Section 3 of the Local Government Act 2003.
    - Prudential Indicators.
    - Treasury Management Strategy including Annual Investment Strategy.

- Investments:

    - Investment transactions during the year including any transaction-related costs
    - Cash and bank balances at year end
    - Short-term investments at year end
    - Long-term investments at year end (including investments in associates and joint ventures) by asset type, including unrealised gains or losses at year end

- Calculation of (i) interest received (ii) accrued interest
- Actual interest received
- External fund manager valuations including investment income schedule and movement in capital values, transaction confirmations received (if any)
- Basis of valuation of investments
- Evidence of existence and title to investments (e.g. Custodian's Reports
- Schedule of any investments in companies together with their latest financial statements); statement of transactions between the company and the Council.

- Cash Flow:

  - Reconciliation of the movement in cash to the movement in net debt
  - Cash inflows and outflows (in respect of long-term financing)
  - Cash inflows and outflows (in respect of purchase/sale of long-term investments)
  - Net increase/decrease in (i) short-term loans (ii) short-term deposits (iii) other liquid resources

E. Internal Audit

- Internal Audit generally conducts an annual review of the treasury management function and probity testing***, as one of the key control audits included in the Audit Plan. This may be reviewed less frequently if the level of assurance is "Substantial"***.

- The internal auditors will be given access to treasury management information/documentation as required by them.

F. Compliance with CIPFA Treasury Management and Prudential Codes

- Auditors may require evidence/demonstration of compliance with external and internal treasury management policies and strategy.

- Any serious breach of the TM Code's recommendations or Prudential Indicators should be brought to the attention of the external auditor.

TMP 8: Cash and cash flow management

Principle: Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the responsible officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1 [2] liquidity risk management. The present arrangements for preparing cash flow projections and their form are set out in the schedule below.

Schedules:

A. Arrangements for preparing /submitting cash flow statements

- The Case Services Officer (JP) prepares the monthly cash flow statement and the daily cash flow statement in liaison with the Finance Specialist. Information from both statements is then used to plan investments and borrowing. The forecasts should be maintained for a minimum of six months ahead.

- The Finance Specialist also prepares a long-term cash flow forecast covering the current financial year and the next two financial years.

- The cash flow forecasts and statements are held at operational level.

- The accuracy and effectiveness of the Council's cash flows are dependent on the accuracy of estimating expenditure, income and their corresponding time periods.

B. Content and frequency of cash flow projections

- The detailed annual cash flow model includes the following:
  - revenue income and expenditure based on the budget as updated for known material variances.
  - profiled capital income and expenditure as per the capital programme
  - profiled collection fund tax revenues and distribution schedules

C. Monitoring, frequency of cash flow updates

- The annual cash flow statement is updated monthly with the actual cash inflows and outflows after taking account of any revisions including those relating to grant income and capital expenditure and will be reconciled with:
  - net funding through Government Grants and business rates receipts and payments as notified;
  - precept payments
  - actual salaries and other employee costs paid from account bank statements;
  - actual payments to Inland Revenue from general account bank statements;
  - actual council tax received
  - actual rent allowances paid
  - actual housing benefit payments and subsidy income;
  - actual capital programme expenditure and receipts.

D. Bank statements procedures

- The Council has access to view bank statements on its banking system as required. These are reconciled to the general ledger on a monthly basis.

E. Payment scheduling

- Major payments to creditors are pre-arranged and usually bypass the normal creditors payment processing, ie they are paid via the CHAPS system. Of the remaining creditors, statute requires that invoices are paid within 30 days of receipt. Current agreed practice is that invoices will be paid within 10 working days or in accordance with the creditor's supplier terms, this is in line with the prompt payment code we have signed up to.

F. Monitoring debtor and creditor levels

- Debtor levels are monitored by a monthly Sundry Debtors Monitoring Report to the service managers which includes an analysis of debt by age.

- The level of Creditor invoices being processed is monitored on a monthly basis by the responsible staff within the Exchequer function.

G. Banking of funds

- Instructions for the banking of income are set out in the Financial Regulations. Cash and cheques received are banked daily.

- Staff are advised of the requirement to bank on a regular basis in order to comply with recommended best practice and also remain within the particular insurance limits for the Council's premises.

H. Listing of sources of information

- The treasury function receives cash flow information for the following:-
  - Government information eg NNDR/RSG/RSDG/NHB payments and dates
  - Information from other outside bodies eg Somerset County Council precepts and dates
  - Debtor payments
  - Creditor payments
  - Housing Benefit payments
  - Direct Debit payments
  - Monthly salaries & wages
  - Capital Programme

I. Practices concerning prepayments to obtain benefits

- Income received in advance from debtors is credited to their respective account. No interest or discount is given for early settlement.

TMP 9: Money Laundering

Background: The Proceeds of Crime Act (POCA) 2002 consolidated, updated and reformed criminal law in the UK in relation to money laundering. The principal offences relating to money laundering 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.

Other offences include failure to disclose money laundering offences, tipping off a suspect either directly or indirectly, and doing something that might prejudice an investigation.

Organisations pursuing relevant businesses were required to appoint a nominated officer and implement internal reporting procedures; train relevant staff in the subject; establish internal procedures with respect to money laundering; obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken and report their suspicions.

In June 2017, the UK Government published the Money Laundering Regulations 2017, replacing previous regulations.

CIPFA believes that public sector organisations should “embrace the underlying principles behind the money laundering legislation and regulations and put in place anti money laundering policies, procedures and reporting arrangements appropriate and proportionate to their activities”.

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

Schedules:

A. Anti money laundering policy

- This Council's policy is to prevent, wherever possible, the organisation and its staff being exposed to money laundering, to identify the potential areas where it may occur and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.

- The Council has accepted responsibility to ensure that those of its staff who are most likely to be exposed to money laundering can make themselves fully aware of the law and, where necessary, are suitably trained.

B. Treasury documentation

- The Council will reflect the anti-laundering measures it has in place as part of its treasury documentation. Such measures include:
  - Awareness of what constitutes money laundering
  - The obligation to report knowledge of/having reasonable grounds to believe an offence might be committed
  - Maintaining up-to-date direct dealing and SSI mandates with counterparties

C. Nomination of Responsible Officer

- The Council has nominated the Section 151 Officer to be the Money Laundering Responsible Officer (MLRO) to whom any suspicions relating to transactions involving the Council will be communicated.

- The responsible officer will be conversant with the requirement for the Proceeds of Crime Act 2002 and will ensure relevant staff are appropriately trained and informed so they are alert for suspicious transactions.

- The responsible officer will make arrangements to receive and manage the concerns of staff about money laundering and their suspicion of it, to make internal enquiries and to make reports, where necessary, to National Criminal Intelligence Services (NCIS).

D. Procedures for establishing the Identity of Lenders and Borrowers

- In the course of its treasury activities, the Council will only borrow from permitted sources identified in TMP 4.

- The Council will not accept loans from individuals.

- In the course of its treasury activities, the Council will only invest with those counterparties which are on its approved lending list.

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

- All receipts/disbursements of funds will be undertaken by CHAPS settlement.

- Direct Dealing mandates: The Council will provide (in the case of lending) / obtain (in the case of borrowing) and maintain on file dealing mandates with any new money market counterparty. The mandates should be on letter-headed paper, dated and signed.

- All banking transactions will only be undertaken by the staff authorised to operate the Council's banks accounts.

- If the Council takes/provides loans from individuals, it will establish robust procedures for verifying and recording the appropriate financial and personal information of such individuals.

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

TMP 10: Training and qualifications

Principle: The 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 Lead Specialist – Finance will recommend and implement the necessary arrangements.

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 responsibilities.

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

Schedule:

A. Qualifications/ experience for treasury staff

- CCAB part or fully qualified
- Member of the Association of Accounting Technicians part or fully qualified

B. Details of approved training courses

The courses/events the Council would expect its treasury staff to consider are

- Certificate in International Treasury Management – Public Finance
- Training courses for Accounting, Auditing, Best Value/Competition, Budgeting, Capital Finance & Borrowing, Financial Management run by CIPFA and IPF
- Any courses/seminars run by Treasury Management Consultants/Advisors.
- Attending CIPFA Conference
- Training attended by those responsible for scrutiny of the treasury function

Records of training received by treasury staff

- The Council participates in the CIPFA/ACCA/CIMA Employer Accreditation Schemes for CPD purposes which is based on planning, recording and evaluating development. Employees are required to register with the scheme and declare participation in the CPD scheme annually.

TMP 11: Use of external service providers

Principle: The Council recognises that responsibility for the treasury management decisions remains with the organisation at all times. It recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the responsible officer, and details of the current arrangements are set out in the schedule below.

Schedule:

A. Banking services

- Service provided by: National Westminster Bank plc
- Contract commenced 1/10/14 and runs until 31/3/20.
- Payments due quarterly in arrears and monthly for the electronic banking service.
- Terms for early termination of the contract: The organisation may terminate the agreement at any time by 3 months' written notice to the Manager and the Manager may terminate the agreement on 3 months' written notice to the organisation.

B. Money-broking services

- Providers of service:-
  - Martin Brokers (UK) plc
  - Prebon Yamane
  - London Currency Brokers
  - Tradition UK

C. Cash/fund management services

- None

D. Consultants'/advisers' services

- Name of supplier of service – Arlingclose Ltd.
- Contract commenced 1 March 2015 and expires on 28th February 2018, with the option to extend for a further two years in accordance with the relevant terms of the agreement
- Payments due annually on 1 April
- Terms for early termination of the contract: The Council may terminate the agreement by giving three months notice after 28th February 2018.

E. Bribery Act

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

TMP 12: Corporate governance

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

The Council applies the key recommendations of the Treasury Management Code of Practice. This, together with the other arrangements detailed in the schedule below, are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

Schedule:

A. List of documents to be made available for public inspection.

- Annual Statement of Accounts
- Treasury Management Policy
- Treasury Management Strategy
- Budget Reports
- Budget Monitoring Reports
- Annual and Half-Year Treasury Report
- Council Committee Agendas and Minutes

B. Council's website

- Financial information is additionally available on the Council's website

C. Procedures for consultation with stakeholders

- Members and senior officers of the Council are consulted via reports to Senior Leadership Team, Leadership Meeting, District Executive and officer/member briefing sessions.

TMP13: Non-Treasury Management Investments

Principle: The 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.

The Council will ensure that all of its investments are covered in the capital strategy (to be produced in February 2019), investment strategy or equivalent, and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

Schedule:

- A published schedule agreed by Council setting out the organisation's investment management practices for non-treasury investments will be complied with by all officers responsible for such investments.

- A schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the Council's risk exposure.

- CIPFA suggests that authorities should replicate TMP 1-12 under the TMP for non-treasury management investments, as far as this is relevant, practicable and applicable. It particularly listed TMPs 1, 2, 5, 6, and 10. Details of the relevant TMP's are below: -

    - Risk management (TMP1) including investment and risk management criteria for material non-treasury investment portfolios
    - Performance management (TMP2) including methodology and criteria for assessing the performance and success of non-treasury investments
    - Decision-making and analysis (TMP5) including a statement of the governance requirements for decision-making in relation to non-treasury investments, and

arrangements to ensure that appropriate professional due diligence is carried out to support decision making

- Reporting requirements and management information arrangements (TMP6) including where and how often monitoring reports are taken
- Training and qualifications (TMP10) including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

Treasury Management Strategy Statement and Investment Strategy 2018/19 – Mid-year review

Director	*Netta Meadows, Strategy & Support Services*
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Purpose of the Report

1. To present the Council's 2018/19 mid-year treasury management performance and seek support of Members for updates to the Treasury Management Strategy for the remainder of the financial year.

Recommendation(s)

2. The Audit Committee are asked to note the actual and forecast treasury performance, and endorse the updated Treasury Management Strategy (strategy attached with amendments highlighted) for recommendation to Council.

Introduction

3. The Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services Code of Practice which requires the Council to approve an annual Treasury Management Strategy and report treasury performance mid-year and at the year end.

4. The Treasury Management Strategy Statement (TMSS) for 2018/19 was approved at a meeting of the full Council on 22 February 2018. The Council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the treasury management strategy.

5. Following consultation in 2017, CIPFA published new versions of the Prudential Code for Capital Finance in Local Authorities (Prudential Code) and the Treasury Management Code of Practice but has yet to publish the local authority specific Guidance Notes to the latter. The MHCLG published its revised Investment Guidance which came into effect from April 2018.

6. The updated Prudential Code includes a new requirement for local authorities to provide a Capital Strategy, which is to be a summary document approved by full council covering capital expenditure and financing, treasury management and non-treasury investments. The Council will be producing its Capital Strategy for 2019/20 for approval by full Council in February.

Background

7. The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators (PIs) on an annual basis. The TMSS also includes the Annual Investment Strategy (AIS) that is a requirement of the CLG's Investment Guidance.

8. CIPFA has defined Treasury Management as:

"the management of the organisation's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

9. 'Investments' in the definition above covers all the financial assets of the organisation, as well as other non-financial assets which the organisation holds primarily for financial returns, such as investment property portfolios. This may therefore include investments which are not managed as part of normal treasury management or under treasury management delegations.

10. The Council has delegated responsibility for the implementation and monitoring of its treasury management policies and practices to Audit Committee, and for the execution and administration of treasury management decisions to the S151 Officer who will act in accordance with the organisation's policy statement and Treasury Management Practices (TMPs), and CIPFA's standard of Professional Practice on Treasury Management.

11. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Specific risks are identified in the Council's approved Treasury Management Practices. The risks include:

    - Liquidity Risk (Adequate cash resources)
    - Market or Interest Rate Risk (Fluctuations in the value of investments and borrowing).
    - Inflation Risks (Exposure to inflation)
    - Credit and Counterparty Risk (Security of Investments)
    - Refinancing Risks (Impact of debt maturing in future years).
    - Legal & Regulatory Risk (Compliance with statutory and regulatory requirements).

12. The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy; this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

13. When the strategy for 2018/19 was written it took into account the Council's current treasury position and drew upon the forecasts for interest rates provided by the Council's treasury advisers, leading to the proposed Prudential Indicators included. This has been amended with the most recent forecast provided by the Council's treasury advisers.

14. The Strategy is attached at Appendix 1 and is split into the following main areas:

    - Background
    - Credit Outlook and Interest Rate Forecast
    - Balance Sheet and Treasury Position
    - Borrowing Requirement and Strategy
    - Investment Strategy
    - Policy on use of financial Derivatives
    - Balanced Budget Requirement
    - 2018/19 MRP Statement
    - Monitoring and Reporting on Treasury Management
    - Other Items

Regulatory Updates

15. As referred above, in 2017 CIPFA consulted on proposed changes, and in December 2017 published updated editions of the:

    - The Prudential Code for Capital Finance in Local Authorities (Prudential Code)
    - Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes (Treasury Management Code)

16. A summary of the major changes are provided below.

    a. **Capital Strategy** – The Prudential Code includes a requirement to produce a Capital Strategy which provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services, and a long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability.

    b. **Prudence and Prudential Indicators** – The requirement on prioritising security and liquidity has been revised: “Authorities should consider a balance between security, liquidity and yield which reflects their own risk appetite but which prioritises security and liquidity over yield.” The range of Prudential Indicators has been updated including deletions and a recommendation of potential indicators to include in the Capital Strategy.

    c. **Treasury Management Practices (TMPs)** – TMPs set out the operational procedures and ‘rules’ followed by its treasury management staff in managing day to day decisions in respect of the council’s banking, investment and borrowing arrangements. The updated Codes bring recommended wording change for TMPs.

    d. **Management Practices for Non-Treasury Investments** – New requirement for management practices (similar to TMPs) to be developed and implemented for non-treasury investments (such as commercial investment properties) – providing clearly documented procedures for our approach to commercial investment such as the scope of due diligence to be completed. In practice this is covered in our existing governance arrangements but these will be reviewed to provide further assurance.

    e. **Definition of investments** –, the definition of ‘investments’ has been widened to include not only financial assets (e.g. cash placed in Money Market Funds) but also non-financial assets held primarily for financial returns such as investment property.

17. A report on the code changes was presented to Audit committee in June 2018 along with an action plan detailing the required actions, key dates and officer responsibility.

18. MHCLG also issued updated Statutory Guidance on Minimum Revenue Provision in February 2018, as previously reported to Audit Committee. This included a number of changes and clarifications regarding the approach to and calculations of a prudent provision for repayment of capital borrowing. This included specific guidance in respect of investment properties and we have added specific content into an updated MRP Policy Statement that is recommended for approval. This is included in Appendix 1C to this report.

Financial Implications

19. There are no additional financial implications in reviewing the attached treasury management strategy.

Background Papers: *Treasury Management Strategy 2018/19 (Full Council February 2018)*
Practical Implications of the Revised Prudential Code, Treasury Management Code, Local Authority Investments and Minimum Revenue Provision (Audit Committee June 2018)

Appendix 1

Treasury Management Strategy Statement 2018/19 (Updated)

Introduction

The Chartered Institute of Public Finance and Accountancy (CIPFA) *Treasury Management in the Public Services: Code of Practice* (the Treasury Code) requires the Council to approve a treasury management strategy before the start of each financial year, and review it mid-year.

In addition, the Ministry of Housing, Communities and Local Government (MHCLG) revised guidance on Local Authority Investments and Minimum Revenue Provision (MRP) in February 2018. The guidance requires the Council to approve an investment strategy before the start of each financial year.

This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the MHCLG Guidance.

The Council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

Revised strategy: In accordance with the MHCLG Guidance, the Council will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, in the Council's capital programme or in the level of its investment balance.

External Context

Economic background: The major external influence on the Council's treasury management strategy for 2018/19 continues to be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The EU Withdrawal Bill, which repeals the European Communities Act 1972 that took the UK into the EU and enables EU law to be transferred into UK law, narrowly made it through Parliament.

Very little progress was made in finalising negotiations with the EU (these have now been pushed into autumn 2018, with a UK-EU special summit on the Brexit deal expected in November). Nor was much progress made on future trading arrangements with non-EU countries, extending the period of uncertainty.

UK Consumer Price Inflation (CPI) index fell to 2.4% in June, a 12-month low. CPI ticked back up marginally to 2.5% in July. The Bank of England made no change to monetary policy at its meetings in May and June, however hawkish minutes and a 6-3 vote to maintain rates was followed by a unanimous decision for a rate rise of 0.25% in August, taking Bank Rate to 0.75%.

It is the view of the Council's treasury advisor that the UK economy still faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. Central bank actions and geopolitical risks, such as prospective trade wars, have and will continue to produce significant volatility in financial markets, including bond markets.

Financial markets: Gilt yields displayed marked volatility during the period, particularly following Italy's political crisis in late May when government bond yields saw sharp moves akin to those at the height of the European financial crisis with falls in yield in safe-haven UK, German and US government bonds. Over the period, despite the volatility, the yield on the 5-year benchmark gilt only rose slightly from 1.13% to 1.14%, the 10-year from 1.37% to 1.39% and the 20-year gilt from 1.74% to 1.85%. Money markets rates remained low: 1-month, 3-month and 12-month LIBID rates averaged 0.45%, 0.60% and 0.87% respectively over the period.

Credit background: High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans.

The big four UK banks are progressing well with ringfencing. Barclays Bank plc and HSBC Bank plc have created new banks (Barclays Bank UK and HSBC UK Bank) and transferred ringfenced (retail) business lines into the new companies. Lloyds Bank plc has created Lloyds Bank Corporate Markets as a new non-ringfenced (investment) bank. RBS has renamed existing group entities and transferred accounts to leave NatWest Markets as the non-ringfenced bank and NatWest Bank, Royal Bank of Scotland and Ulster Bank as the ringfenced banks.

There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Council; returns from cash deposits however remain very low.

Interest rate forecast: The Council's treasury adviser Arlingclose's central case is for UK for Bank Rate is to rise twice in 2019 (see below).

	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Ca:	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Downside risk	0.00	0.00	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75

Having raised policy rates in August 2018 to 0.75%, the Bank of England's Monetary Policy Committee (MPC) has maintained expectations of a slow rise in interest rates over the forecast horizon. The market's reaction to the rate hike suggests that investors expect both the relatively weak economic environment and political developments (Brexit negotiations and US trade relations) to limit the speed of rises in Bank Rate.

The MPC has a definite bias towards tighter monetary policy. While policymakers are wary of domestic inflationary pressures over the next two years, it is believed that the MPC members consider both that:

1) ultra-low interest rates result in other economic problems, and that
2) higher Bank Rate will be a more effective weapon should downside Brexit risks crystallise.

Local Context

On 31 March 2018, the Council held £52m of investments and had no external borrowing. During the first half of 2018/19, the balances available for investment have increased by £3m.

An additional £2m has been invested in pooled funds; this is in line with the financial strategy of increasing level of strategic investments and further diversifying into more secure and/or higher yielding asset classes.

This is set out in further detail at ***Appendix 1A***. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.18 Actual £'000	**31.3.19 Estimate £'000**	**31.3.20 Forecast £'000**	**31.3.21 Forecast £'000**
CFR	17,439	45,425	65,393	84,113
Usable Capital Receipts	(25,268)	(14,064)	(10,357)	(10,354)
Balances & Reserves	(23,575)	(23,575)	(23,575)	(23,575)
Borrowing	0	(20,000)	(50,000)	(75,000)
Net Balance Sheet Position **	**(31,404)**	**(12,214)**	**(18,539)**	**(24,816)**

***excluding working capital.*

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Council is currently "debt free" (no external borrowing) although it has an increasing CFR due to the capital programme, and will therefore be required to borrow a minimum of £75m over the forecast period. Maintaining strategic investments as part of the treasury strategy will mean the borrowing requirement is expected to exceed this sum, potentially up to a maximum £124m. It should be noted that the Council has also agreed to progress with significant regeneration programmes. The financing approach agreed in the governance for these programmes is quite elastic meaning the CFR could grow further in line with supported business cases.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2018/19.

Borrowing Strategy

The Council didn't hold any external loan finance at 31 March 2018, and this remains the case as at 30 September 2018. The balance sheet forecast in table 1 shows that the Council expects to borrow in 2018/19. The Council may decide to borrow to pre-fund future years' requirements as well, providing this does not exceed the authorised limit for borrowing of £124 million. Recent increases in PWLB borrowing rates indicates it may be appropriate to externalise some or all of the current CFR in the near future in order to secure favourable long term borrowing rates. This is currently being reviewed by the S151 Officer.

Objectives: The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead of long-term.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal/short term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2018/19 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Council may arrange forward starting loans during 2018/19, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.

Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- Any institution approved for investments (see below)
- Any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except the Somerset County Council Pension Fund)
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

The Council has previously raised all of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, which may be available at more favourable rates.

Municipal Bonds Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a joint and several guarantee to refund their investment in the event that the agency is unable to for any reason;

and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Full Council.

Short-term and variable rate loans: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Investment Strategy

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the last financial year, the Council's investment balance ranged between £35 million and £75 million. As capital expenditure plans are implemented the investment balances are likely to fall unless these are supported through external funding or borrowing.

Objectives: Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Strategy: Given the increasing risk and very low returns from short-term unsecured bank investments, the Council will further diversify into more secure and/or higher yielding asset classes during 2018/19. A proportion of the Council's surplus cash is currently invested in short-term unsecured bank deposits, certificates of deposit and money market funds. The financial strategy seeks to increase and maintain higher levels of investment income and we are therefore actively increasing funds held in strategic treasury investments.

MHCLG released a consultation on statutory overrides relating to the introduction of IFRS 9 Financial Instruments accounting standard from 2018/19. The consultation recognises that the requirement in IFRS 9 for certain investments to be accounted for at fair value through profit and loss (income and expenditure statement for local authorities) may introduce "more income statement volatility" which may impact on budget calculations. The consultation proposes a time-limited statutory override and has sought views whether it should be applied only to pooled property funds. The Council has responded to the consultation which closed on 30th September, strongly encouraging Government to implement the statutory override without a time limit.

Approved counterparties: The Council may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown. There are no proposals to change the limits through the mid-year review of the strategy.

Table 2: Approved investment counterparties and limits

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£3 m 5 years	£6 m 20 years	£6 m 50 years	£3 m 20 years	£3 m 20 years
AA+	£3 m 5 years	£6 m 10 years	£6 m 25 years	£3 m 10 years	£3 m 10 years
AA	£3 m 4 years	£6 m 5 years	£6 m 15 years	£3 m 5 years	£3 m 10 years
AA-	£3 m 3 years	£6 m 4 years	£6 m 10 years	£3 m 4 years	£3 m 10 years
A+	£3 m 2 years	£6 m 3 years	£3 m 5 years	£3 m 3 years	£3 m 5 years
A	£3 m 13 months	£6 m 2 years	£3 m 5 years	£3m 2 years	£3 m 5 years
A-	£3 m 6 months	£6 m 13 months	£3 m 5 years	£3 m 13 months	£3 m 5 years
None	n/a	n/a	£6 m 25 years*	n/a	£3 m 5 years
Pooled funds	£10m (nominal value) per fund				

This table must be read in conjunction with the notes below
*includes unrated UK Local Authorities

Credit rating: Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Banks secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made following an external credit assessment as part of a diversified pool in order to spread the risk widely.

Registered providers: Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing, formerly known as housing associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

Pooled funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Operational bank accounts: The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £200,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified investments: The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of "high credit quality".

The Council defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

Non-specified investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-specified investment limits

	Cash limit
Total long-term investments	£50m
Total investments without credit ratings or rated below A- (except UK Government and local authorities)	£5m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+	£4m
Total non-specified investments	£59m

Investment limits: The Council's revenue general reserves available to cover investment losses were £4.3 million on 31st March 2018. The maximum that will be lent to any one organisation (other than the UK Government) will be £10 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£10m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£20m per group
Any group of pooled funds under the same management	£20m per manager
Negotiable instruments held in a broker's nominee account	£30m per broker
Foreign countries	£12m per country
Registered providers	£8m in total
Unsecured investments with building societies	£8m in total
Loans to unrated corporates	£4m in total
Money Market Funds	£20m in total

Liquidity management: The Council maintains cash flow forecasts, updated on a daily basis, to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium term financial plan and cash flow forecast.

Non Treasury Investments

The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

The value of the Council's existing non-treasury investments are listed in **Appendix 1A**.

The Council's commercial strategy seeks to build its investment property portfolio in order to increase income available to maintain services, in response to reductions in general grant funding from Government. Most if not all of the proposed investment will require financing to be raised through borrowing. This will require the Council to disregard the statutory guidance in respect of 'borrowing in advance of need', and report the rationale for this. The purpose was clearly set out in the Council's approved Commercial Strategy prior to the release of the latest Guidance, and this will be clarified further within the Capital Strategy that is brought to Members in February 2019.

Treasury Management Indicators

The Council measures and manages its exposure to treasury management risks using the following indicators.

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	Target
Portfolio average credit score	5.0

Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	Target
Total cash available within 3 months	£10m

Interest rate exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	2018/19	2019/20	2020/21
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	100%	100%	100%

The indicator has been set at 100% to maximise opportunities as they arise.

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Maturity structure of borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower
Under 12 months	100%	100%
12 months and within 24 months	100%	100%
24 months and within 5 years	100%	100%
5 years and within 10 years	100%	100%
10 years and above	100%	100%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

As the council doesn't have any fixed rated external borrowing at present the above upper and lower limits have been set to allow flexibility to borrow within any of the maturity bands.

Principal sums invested for periods longer than 365 days: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2018/19	2019/20	2020/21
Limit on principal invested beyond year end	£50m	£30m	£20m

Other Items
There are a number of additional items that the Council is obliged by CIPFA or MHCLG to include in its Treasury Management Strategy.

Policy on the use of financial derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Investment training: The needs of the Council's treasury management staff for training in investment management are assessed annually as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

Investment advisers: The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is monitored by measuring:

- The timeliness of advice
- The returns from investments
- The accuracy of technical advice
- Regular market testing
- Regular internal meetings to discuss performance
- Direct access to a nominated advisor
- The quality and content of training courses

Investment of money borrowed in advance of need: The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £124 million. The maximum period between borrowing and expenditure is expected to be three years, although the Council is not required to link particular loans with particular items of expenditure.

Minimum revenue provision (MRP): MHCLG published updated Minimum Revenue Provision guidance in February 2018. This includes clarification regarding the application of the guidance in respect of investment properties. A 2018/19 updated SSDC MRP Policy Statement is included in **Appendix 1C**, to include specific provisions for investment properties.

Financial Implications

The budget for investment income in 2018/19 is £727,820, based on an average investment portfolio of £48 million at an interest rate of 1.52%. The budget for minimum revenue provision (MRP) for debt repayment in 2018/19 is £186,200. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

The interest received as at 30 September 2018 and the projected year-end position is included in **Appendix 1B**.

Other Options Considered

The MHCLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Section 151 Officer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain

Appendix 1A – Existing Investment & Debt Portfolio Position

EXISTING PORTFOLIO PROJECTED FORWARD

	31/03/17 Actual £'000	31/03/18 Actual £'000	30/09/18 Actual £'000	31/3/19 Estimate £'000	31/3/20 Estimate £'000
External Debt:					
Total External Borrowing	0	0	0	30,000	50,000
Long-term liabilities					
• *Finance Leases**	227	138	138*	138*	138*
Total External Debt	**227**	**138**	**138**	**30,138**	**50,138**
Investments:					
• Short term Deposits	20,000	8,000	6,000	2,000	2,000
• Monies on call and Money Market Funds	1,000	2,230	260	1,000	1,000
• Long term Deposits	3,000	3,000	3,000	3,000	2,000
• Bonds/CDs	22,175	8,814	14,200	4,000	3,000
• Property Fund & Other pooled funds	6,000	13,000	15,000	25,000	25,000
Total treasury investments	**42,175**	**35,044**	**38,460**	**35,000**	**33,000**
Non-treasury investments:					
• Investment property	6,004	17,633	18,475	47,000	67,000
Total non-treasury investments	**6,004**	**17,633**	**18,475**	**47,000**	**67,000**
Total Investments	**48,179**	**52,677**	**56,935**	**82,000**	**100,000**
(Net Borrowing Position)/ Net Investment position	**47,952**	**52,539**	**56,797**	**51,862**	**49,862**

*Proposed changes to IFRS 16 (Leases) come into effect from 1 April 2019. The revised IFRS 16 retains the concept of operating and finance leases for lessors, but adopts a new accounting model for lessees that will see most leases come onto the balance sheet.

This will have a significant impact upon local authorities' accounting and capital finance frameworks, work is ongoing to identify and implement the changes required. The figures included in the table do not take account the potential impact of the revised IFRS 16.

Appendix 1B – Half Year Interest position & Year end Projection

INTEREST AS AT 30 SEPTEMBER 2018 & YEAR END PROJECTION

	Income as at 30 Sept 18	**2018/19 Projected**
	£'000	**£'000**
Investments advised by Arlingclose:		
Money Market Funds (VNAV)	4	10
Diversified Income Fund (Investec)	62	210
Property Fund (CCLA)	124	250
Pooled Funds	111	320
Total	**301**	**790**
Internal Investments:		
Certificates of Deposit (CD's)	7	10
Corporate Bonds	22	30
Floating Rate Notes (FRNs)	8	10
Fixed Term Deposits	47	60
Money Market Funds (CNAV) & Business Reserve Accounts	15	20
Total	**99**	**130**
Other Interest:		
Miscellaneous Loans	78	150
Total	**78**	**150**
Total Treasury Investment Income	**478**	**1070**
Treasury Income Budget	**364**	**728**
Surplus	**114**	**342**

Appendix 1C

Minimum Revenue Provision Policy Statement 2018/19 (Updated)

1. Introduction

1.1. Where the Authority finances capital expenditure through borrowing it must put aside resources to repay it. This is usually undertaken by a charge to the annual revenue budget known as Minimum Revenue Provision (MRP).

1.2. It is also possible to use or 'set aside' capital receipts to repay capital borrowing. This may be in lieu of and/or additional to a charge to the revenue budget.

1.3. The Local Government Act 2003 requires the Authority to 'have regard' to the Ministry for Housing, Communities and Local Government (MHCLG) Statutory Guidance on Minimum Revenue Provision. The Regulations gives local authorities flexibility in how they calculate MRP, providing the calculation is 'prudent'.

1.4. The Guidance was updated in February 2018, with the requirement that it is fully implemented from 2019/20 financial year, however early adoption is encouraged. This latest edition provides specific guidance related to investment properties. The duty to make MRP extends to investment properties where their acquisition has been partially or fully funded by an increase in borrowing or credit arrangements. However the Guidance states that as depreciation is not charged on investment properties the Depreciation method is not a suitable approach for calculating the MRP to be charged in respect of investment properties

1.5. The broad aim of prudent provision is to require local authorities to put aside revenue over time to cover their CFR. In doing so, local authorities should align the period over which they charge MRP to one that is commensurate with the period over which their capital expenditure provides benefits.

1.6. A full revision of the MRP Policy will be provided for consideration at Full Council in February 2019. In the meantime, a minor revision is proposed now in respect of Investment Properties.

2. The Policy

2.1. For capital expenditure incurred before 1st April 2008, MRP will be determined in accordance with the former regulations that applied on 31st March 2008, incorporating an "Adjustment A" of £9,113,000.

2.2. For capital expenditure on operational assets incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset by either of the following methods:

a) In equal instalments
b) Using an annuity basis

2.3. For freehold land, MRP will be applied over 50 years, except where there is a structure on the land which the Council considers to have a life of more than 50 years where in such cases the longer life may also be applied to the land.

2.4. For capital expenditure not related to council assets but which has been capitalised by regulation or direction (e.g. capital grants to third parties) will be charged in equal instalments over a period of up to 25 years.

2.5. For assets acquired by finance leases, MRP will be determined as being equal to the element of the rent or charge that goes to write down the lease obligation.

2.6. For investment properties, MRP will be calculated over a period of no more than 50 years, and MRP may be calculated by either of the following methods:

a) In equal instalments
b) Using an annuity basis
c) Weighted to reflect projected net income cash flows over the expected life of investment (up to 50 years)

2.7. MRP will normally be charged from the start of the financial year after the expenditure is incurred.

2.8. The Section 151 Officer is responsible for calculating the Minimum Revenue Provision in line with the policy approved by Full Council.

Risk Management Strategy Update

Director: *Netta Meadows - Director Strategy and Support Services*
Lead Officer: *Brendan Downes – Specialist Officer (Procurement)*
Contact Details: *Brendan.downes@southsomerset.gov.uk or (01935) 462076*

Purpose of the Report

The Specialist Officer (Procurement) will provide a presentation on the Risk Management Strategy.

Audit Committee Forward Plan

Lead Officer: *Kelly Wheeler, Case Services Officer*
Contact Details: *Kely.wheeler@southsomerset.gov.uk or 01935 462038*

Purpose of the Report

This report informs Members of the agreed Audit Committee Forward Plan.

Recommendation

Members are asked to comment upon and note the proposed Audit Committee Forward Plan as attached.

Audit Committee Forward Plan

The forward plan sets out items and issues to be discussed over the coming few months and is reviewed annually.

Items marked in italics are not yet confirmed.

Background Papers: *None*

Audit Committee Forward Plan

Committee Date	Item	Responsible Officer
22 Nov 18	External Audit – Certification of Housing benefit Subsidy Claim External Audit – Annual Audit Letter Annual Fraud Programme Update	Finance Specialist (GT) Finance Specialist (GT) Legal Specialist
24 Jan 19	Internal Audit Plan Progress Q3 Treasury Management Strategy Statement 19/20 – **Needs to go on to Full Council** Health and Safety Report	Alastair Woodland (SWAP) Finance Specialist Shirley Courage
28 Mar 19	Internal Audit Plan 2019/20 - approve 2019/20 plan Internal Audit – Charter External Audit Plan for 2017/18 Accounts External Audit Progress Report 2017/18 Accounts	Alastair Woodland (SWAP) Alastair Woodland (SWAP) Finance Specialist (GT) Finance Specialist (GT)