

**CITY OF LINCOLN COUNCIL  
TREASURY MANAGEMENT POLICY –  
CODE OF PRACTICE FOR TREASURY  
MANAGEMENT  
(January 2024)**

<b>KEY PRINCIPLES</b>
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The City of Lincoln Council adopts the following three key principles identified within the *CIPFA Treasury Management in the Public Services Code of Practice* (The Code).

**Key Principle 1**

Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.

**Key Principle 2**

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

**Key Principle 3**

They should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

## ADOPTED CLAUSES

In accordance with *CIPFA's Treasury Management in the Public Services Code of Practice* (The Code), the City of Lincoln Council adopts the following four clauses:

1. The City of Lincoln Council will create and maintain, as the cornerstones for effective treasury and investment management:
  - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
  - suitable treasury management practices (TMP's), setting out the manner in which it will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMP's will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the City of Lincoln Council materially deviating from the Code's key principles.

2. The Performance Scrutiny Committee of the City of Lincoln Council will receive reports on its treasury management policies, practices and activities, including, a quarterly review and an annual report after its close, in the form prescribed in its TMP's. The Audit Committee of the City of Lincoln Council will receive on at least an annual basis a report of the treasury management strategy before approval by the Executive and full Council. Revised strategies may be prepared and presented within the quarterly monitoring report.
3. The City of Lincoln Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Performance Scrutiny Committee, and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the organisation's policy statement and TMPs.
4. The City of Lincoln Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

## **TREASURY MANAGEMENT POLICY STATEMENT**

1. The City of Lincoln Council defines its treasury management activities as:  
  
*“The management of the organisation’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*
2. The City of Lincoln Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
3. The City of Lincoln Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The City of Lincoln Council's Treasury Management Practices (TMPs) set out the manner in which the Council will seek to achieve its treasury management policies and objectives and how it will manage and control those activities. The schedules below follow the TM Code and have been suitably amended where necessary to reflect the Council's particular needs and circumstances.

<b>TREASURY MANAGEMENT PRACTICES (2024-25)</b>
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## Contents

<b>TMP1 - TREASURY RISK MANAGEMENT .....</b>	<b>5</b>
<b>TMP2 - PERFORMANCE MANAGEMENT.....</b>	<b>20</b>
<b>TMP3 - DECISION-MAKING AND ANALYSIS .....</b>	<b>23</b>
<b>TMP4 - APPROVED INSTRUMENTS, METHODS AND TECHNIQUES .....</b>	<b>26</b>
<b>TMP5 - ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS .....</b>	<b>30</b>
<b>TMP6 - REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS .....</b>	<b>37</b>
<b>TMP7 - BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS .....</b>	<b>40</b>
<b>TMP8 - CASH AND CASH FLOW MANAGEMENT.....</b>	<b>42</b>
<b>TMP9 - MONEY LAUNDERING .....</b>	<b>45</b>
<b>TMP10 - STAFF TRAINING AND QUALIFICATIONS .....</b>	<b>48</b>
<b>TMP11 - USE OF EXTERNAL SERVICE PROVIDERS .....</b>	<b>50</b>
<b>TMP12 - CORPORATE GOVERNANCE .....</b>	<b>53</b>
<b>INVESTMENT MANAGEMENT PRACTICES FOR NON-TREASURY INVESTMENTS .....</b>	<b>54</b>

<b>TMP1 - TREASURY RISK MANAGEMENT</b>
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### **General statement**

The City of Lincoln 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 investments including investment properties.

The Chief Finance Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the City of Lincoln Council's objectives in this respect, all in accordance with the procedures set out in *TMP6 Reporting requirements and management information arrangements*.

### **[1] Credit and counterparty risk management**

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

The City of Lincoln Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments Methods and Techniques and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

### **Policy on the use of credit risk analysis techniques**

#### **[1] Credit and counterparty risk management (reviewed and updated annually as part of the Council's Treasury Management Strategy)**

- **Debt Management Office** – The council to use at the discretion of the Chief Finance Officer.
- **Criteria to be used for creating/managing approved counterparty lists/limits** – the type of institutions that are included on the Council's counterparty list are based on the Council's ethical policy and by reference to investment guidance. The Council uses the creditworthiness service provided

by its treasury management advisors, Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies, Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with overlays of credit watches and credit outlooks from credit rating agencies; Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings; and sovereign ratings to select counterparties from creditworthy countries. The criteria used for the counterparty list are based on the Council's attitude to investment risk and advice from the Council's treasury management consultants. Typically, the minimum credit ratings criteria the Council use will be a short-term rating (Fitch or equivalent) of F1 (highest credit quality) and a long-term rating A- (high credit quality). There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but the counterparty may still be used if consideration of the whole range of ratings available and other topical market information supports their use.

The Link Group modelling approach described above combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

<b>Yellow</b>	<b>5 years</b>
<b>Purple</b>	<b>2 years</b>
<b>Blue</b>	<b>1 year (only applies to part-government owned UK banks)</b>
<b>Orange</b>	<b>1 year</b>
<b>Red</b>	<b>6 months</b>
<b>Green</b>	<b>100 days</b>
<b>No colour</b>	<b>Not to be used</b>

The current minimum criteria for inclusion of counterparties on the list using the colour coding are as shown below, along with the allowable time and money limits.

### **Investment Counterparty Limits**

Institution	Minimum credit criteria/colour band	Maximum limit per group or institution £ million	Maximum maturity period
<b>SPECIFIED INVESTMENTS</b>			
UK Bank <sup>*1</sup>	Orange/Blue Red Green	£7 million	Up to 1 year Up to 6 months Up to 100 days
Non-UK Banks <sup>*1</sup> Sovereign rating AA	Orange Red Green	£7 million	Up to 1 year Up to 6 months Up to 100 days
Building Society <sup>*2</sup>	Orange Red Green	£5 million	Up to 1 year Up to 6 months Up to 100 days
Money Market Fund CNAV <sup>*3</sup>	Yellow	£7 million	Liquid
Money Market Fund LVNAV <sup>*3</sup>			
Money Market Fund VNAV <sup>*3</sup>			
UK Government <sup>*4</sup>	Yellow	unlimited	Up to 6 months
UK Local Authority <sup>*4</sup>	Yellow	£3 million	Up to 1 year
<b>UNSPECIFIED INVESTMENTS</b>			
UK Bank <sup>*1</sup>	Purple	£7 million	Up to 2 years
Non-UK Banks <sup>*1</sup> Sovereign rating AA	Purple	£7 million	Up to 2 years
Building Society <sup>*2</sup>	Purple Yellow	£2 million	Up to 2 years Up to 5 years
UK Local Authority <sup>*4</sup>	Yellow	£3 million	Up to 5 years
Lincoln Credit Union	N/A	£10K	N/A
Council's own bank <sup>*5</sup> (operational cash limit in addition to the investment group limit)	N/A	£500K	Overnight

<sup>\*1</sup> Where the term 'Bank' is used this denotes a UK or European Bank authorised to accept deposits through a bank account incorporated within the UK banking sector. The maximum amount indicated is the 'Group total' and covers the total amount that can be invested when spread over any number of subsidiaries within that group.

<sup>\*2</sup> Where the term Building Society is used this denotes a UK Building Society.

<sup>\*3</sup> Money market funds are mutual funds that invest in short-term high quality debt instruments. The assets are actively managed within very specific guidelines to offer safety of principal, liquidity and competitive returns. Although money funds are regarded as short-term investments the rating agencies use a classification system based on long-term debt ratings.

<sup>\*4</sup> The UK Government (i.e. HM Treasury and its Executive Agency the Debt Management Office) and Local Authorities, although not rated as such, are classified as having the equivalent of the highest possible credit rating.

<sup>\*5</sup> This limit covers normal treasury management activities but excludes any deposits received after money market trading has closed. It allows up to £500K operational cash to be held in the Council's main bank account in addition to the group investment limit for the bank, if the bank is included on the Council's counterparty list.

- **Approved methodology for changing limits and adding/removing counterparties** - The Council's treasury management consultants compile a full list of counterparties, with their appropriate colour coding, designated as the "Credit list". This list is issued to the Council and renewed on a weekly basis. Notifications of any changes are received as they occur. The latest position is also available on Link's Passport system. The credit rating

position is updated on this system as soon as any changes are made to credit ratings. The latest position will be checked and is used as a source of reference before any investments are undertaken. If the change to a counterparty is a downgrade and no longer meets the Council's minimum criteria then its further use as a new investment will be withdrawn immediately.

- ***Full individual listings of counterparties and counterparty limits*** – the minimum creditworthiness (indicated by the colour coding) for inclusion of a counterparty is shown in the table above. Investments are categorised as specified and non-specified (in line with the investment guidelines issued in March 2010) and the maximum amounts and periods to be invested within the two categories are shown in the table above (based on the current Treasury Management Strategy).
- ***Details of credit rating agencies' services*** – The creditworthiness service provided by Link Group and used by the Council uses the three credit rating agencies, Fitch, Standard and Poor's and Moody's, which are recognised worldwide. Each of them is established in most countries and has a universal credit rating scale. These three leading international rating agencies have established a universal and open methodology of drawing up rating reports. Activities of the rating agency are public and all necessary information of rating decisions is available on the Internet.
- **Country and sector considerations** - Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part the country selection will be chosen by the credit rating of the Sovereign state. In addition:
  - No investments to be placed in non-EU banks.
  - No more than 50% will be placed with any non-UK country.
  - Group limits have been set to ensure that the Council is not exposed to excessive risk due to concentration of investments within any one institution or group. These are detailed in the Investment Counterparty Limits table.
- **Use of additional information other than credit ratings** - Additional requirements under the Code of Practice now require the Council to supplement credit rating information. The creditworthiness service provided by Link Group now employed by the Council fully meets this requirement as the sophisticated modelling approach combines credit ratings, credit watches and credit outlooks and then overlays CDS spreads to produce a final creditworthiness score. However, sole reliance is not placed on the use of this external service. In addition, the Council will also use market data and market information, information on government support for banks and the credit ratings of that supporting government.

In preparing the annual strategy, the City of Lincoln Council will:

- Produce a list of approved investment instruments for both Specified and Non-specified Investments,
- Identify criteria for inclusion on the Council's Counterparty List,
- Determine the minimum credit ratings required for both Specified and Non-Specified Investments and the maximum amounts and periods to be invested in Specified and Non-specified Investments.

### **Policy on environmental, social and governance (ESG) considerations**

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

Councils are currently recommended to consider their credit and counterparty policies in light of ESG information and develop their own ESG investment policies and treasury management practices consistent with their organisation's own relevant policies, such as environmental and climate change policies.

The prime consideration when assessing the suitability of counterparties and investments must continue to be Security, Liquidity and then Yield, in that order. Only then will ESG factors be considered. The Council does not invest in bond or equity markets, therefore there is currently a lack of data available on which to base ESG considerations relevant to the Council's investments. The main ratings agencies are increasingly including ESG risks alongside more traditional financial risk metrics when assessing counterparty ratings. Therefore, the incorporation of ESG risks is already being considered, to an extent, by the use of mainstream rating agencies. Our treasury advisors Link also continue to look at ways in which ESG factors can be incorporated into their creditworthiness assessment service, and they have advised clients that they will review the options and will update clients as progress is made. As the Council develops its environmental and climate change policies, including the net zero carbon target by 2030, ESG investment policies and procedures can then be developed to align with these.

### **[2] Liquidity risk management**

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

The City of Lincoln Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, 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 City of Lincoln Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

The Treasury Management section shall seek to minimise the balance held in the Council's main bank accounts at the close of each working day at £500,000. Borrowing or lending shall be arranged in order to achieve this aim.

- ***Minimum cash balances and short-term investments*** – the Council has a policy of a minimum of £5m to be deposited in instruments that can be accessed within a week but does not have set amounts for minimum cash balances to cover shortages in cash flow. A twelve-month cash flow forecast model is used as a tool to forecast cash inflows and outflows, and investments are made for specific periods, which take into account when money is required to fund cash outflows, thereby keeping short-term borrowing to an absolute minimum. However, short-term borrowing will be incurred, if it is deemed prudent to take advantage of good investment rates.
- ***Standby facilities*** – these relate to any tools that the Council has to manage its liquidity and as such are covered by short-term borrowing facilities (see below). In addition, the Council also maintains several Money Markets Funds and five Deposit accounts. These are exceptionally liquid investment instruments that offer same day access to any funds placed therein. The Council does not have a Policy of maintaining a minimum balance within any of these funds but in reality, these funds are used as an alternative to overnight and other short-term periods of investment.
- ***Bank overdraft arrangements*** – the Council does not currently have an overdraft facility with its bankers (currently Lloyds Bank). Accurate cash flow forecasting and immediate access to funds in Money Market Funds mean that under normal circumstances an overdraft facility is not required. On the very rare occasions that the bank balance may be overdrawn the fees charged are considerably less than the annual overdraft fee. The need for an overdraft facility is reviewed annually on August 30<sup>th</sup> and forms part of the 'Overdraft and other Facilities' agreement with the Bank.
- ***Short-term borrowing facilities*** – When the Council has a need to borrow short-term (up to 1 year), Money Market Brokers are contacted (currently Tradition, BGC or King and Shaxson) to obtain the necessary funds. The broker will quote a rate that is based on current market conditions. A fee is payable to the broker for this service, typically between 3 and 10 basis points.
- ***Insurance/guarantee facilities*** – the Council is insured in respect of loss of money or other property belonging to it or in its trust or custody under a Fidelity Guarantee with Travelers. This only relates to loss occurring as a direct result of any act of fraud or dishonesty on the part of an employee (as specified under the Policy Schedule). This Policy is renewable annually in April. The full terms and conditions of the Fidelity Guarantee and Policy

schedule including the designated Officers, the employees and sums for which they are covered are available from the Financial Services Manager.

- **Other contingency arrangements** – in line with investment guidance the Council has set maximum amounts and periods for which funds may prudently be committed to ensure it has sufficient liquidity in its investments. The limits are shown above (Investment counterparty limits) - limits are based on the current Treasury Management Strategy.

The Council has adopted the following Prudential Indicator to limit the amount that can be invested over 1 year as shown below:

Prudential Indicator No.14	2024/25 £m	2025/26 £m	2026/27 £m
Maximum principal sums invested for longer than 1 year	7	7	7

### [3] Interest rate risk management

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

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

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

**Approved interest rate exposure limits** – in order to minimise the risk of wide fluctuations in interest rates the Council sets annually upper limits on variable and fixed interest rate exposure (based upon the debt position net of investments), please refer to the Annual Treasury Management Strategy for the current limits which are based on the following limits on borrowing and investment exposures:

- Upper limit on fixed rate investments – 100%
- Upper limit on variable rate investments – 75%
- Upper limit on fixed rate borrowing – 100%
- Upper limit on variable rate borrowing – 40%

The indicators above are set as part of the Council's annual Prudential Indicators and Treasury Management Strategy.

- ***Trigger points and other guidelines for managing changes to interest rate levels*** – the Council's current Treasury Management consultants provide regular interest rate forecasts and economic advice, which assists the Council to manage changes in interest rate levels. This forecasting and economic advice includes:
  - Regular forecasts of PWLB rates and imminent changes are given to the Council, with particular regard to the agreed underlying strategy. Continuous updates on market conditions and trends affected by economic, fiscal and political factors are also provided
  - A weekly and monthly newsletter
  - A quarterly 'Economic and Interest Rate Forecast' bulletin
- ***Minimum/maximum proportions of variable rate debt/interest*** – the Council has set the maximum proportion of variable interest rate exposure.

The Council also sets a minimum level for the proportions of variable rate debt and interest. These limits feed into the limit on the net debt position, which is based on estimated levels of debt and investments.

***Policies concerning the use of instruments for interest rate management.***

- a. Forward dealing  
Consideration will be given to dealing from forward periods dependent upon market conditions. When forward dealing is more than 1 month forward then the approval of the Chief Finance Officer is required.
- b. Callable deposits  
The Council will use callable deposits as part as of its Investment Strategy. The credit criteria and maximum periods are set out in the Schedule of Specified and Non-Specified Investments in the Investment Strategy.
- c. LOBOS (borrowing under lender's option/borrower's option)  
Use of LOBOs are not currently considered as part of the annual borrowing strategy. All borrowing for periods in excess of 364 days must be approved by Chief Finance Officer.

**[4] Exchange rate risk management**

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

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

The Council only invests and borrows funds in sterling; thereby avoiding any risk associated with fluctuations in exchange rates.

#### ***[5] Inflation risk management***

*This is “The chance that the cash flows from an investment won’t be worth as much in the future because of changes in purchasing power due to inflation,”*

The City of Lincoln 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.

#### **[6] Refinancing risk management**

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

The City of Lincoln 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 City of Lincoln Council as can reasonably be achieved in the light of market conditions prevailing at the time.

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

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

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

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous, and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

- the generation of cash savings at minimum risk;
- to reduce the average interest rate;

- to amend the maturity profile and /or the balance of volatility of the debt portfolio.

Rescheduling will be reported to the Executive at the meeting immediately following its action in the quarterly report and in the annual review report.

### **Projected Capital Investment Requirements**

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

In addition, the Chief Finance Officer will draw up a capital strategy report which will give a longer-term view.

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

### **Policy Concerning Limits on Affordability and Revenue Consequences of Capital Financing**

In considering the affordability of its capital plans, the Council will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on council tax and housing rent levels. It will also consider affordability in the longer term beyond this three-year period and assess the risks and rewards of significant investments to ensure the long-term financial sustainability of the authority.

The Council will use the definitions provided in the Prudential Code for borrowing, capital expenditure, capital financing requirement, commercial property, debt, financing costs, investments, net revenue stream, other long-term liabilities, treasury management and transferred debt.

### **[7] Legal and regulatory risk management**

*This is “The risk that the organisation itself, 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 organisation suffers losses accordingly.”*

The City of Lincoln Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] *Credit and counterparty risk management*, it will ensure that there is

evidence of counterparties' powers, authority and compliance in respect of the transactions they may affect with the City of Lincoln Council, particularly with regard to duty of care and fees charged.

The City of Lincoln 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 City of Lincoln Council.

### **References to Relevant Statutes and Regulations**

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

#### **Statutes**

- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.
- Local Government Act 2003
- S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03
- S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04
- S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- S.I. 2004 no. 3055 [The Local Authorities \(Capital Finance and Accounting\) \(Amendment\) \(England\) \(No. 2\) Regulations 2004](#)
- S.I. 2006 no. 521 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006
- S.I. 2007 no. 573 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007
- Local Government and Public Involvement in Health Act 2007 s238(2) – power to issue guidance; to be used re: MRP
- S.I. 2008 no. 414 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2008
- S.I. 2009 no. 321 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2009
- S.I. 2009 no. 2272 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.2) Regulations 2009
- S.I. 2009 no. 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009

- S.I. 2010 no. 454 (Capital Finance and Accounting) (Amendment) (England) Regulations 2010
- Localism Act 2011
- S.I. 2012 no. 265 Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012
- S.I. 2012 No. 711 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2012
- S.I. 2012 No. 1324 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.3) Regulations 2012
- S.I. 2012 No. 2269 [The Local Authorities \(Capital Finance and Accounting\) \(England\) \(Amendment\) \(No. 4\) Regulations 2012](#)
- S.I. 2013 no. 476 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2013
- S.I. 2015 no. 234 Accounts and Audit Regulations 2015
- *There has not been an issue of a Local Authorities (Capital Finance and Accounting) (England) Regulations statutory instrument in 2005, 2011 and 2016*
- S.I. 2017 no. 536 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2017
- S.I. 2018 no. 1207 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2018
- Statutory Guidance on Investments 2018
- Statutory Guidance on MRP 2018
- 2019 No. 394 Exiting the European Union financial services: The Money Market Funds (Amendment) (EU Exit) Regulations 2019
- S.I. 2019 no. 396 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2019
- S.I. 2020 no. 1212 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020
- S.I. 2021 no. 611 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2021

### ***Guidance and codes of practice***

- CIPFA Local Authority Capital Accounting - a reference manual for practitioners' latest year Edition
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 2002
- CIPFA Standard of Professional Practice on Continuous professional Development 2005
- CIPFA Standard of Professional Practice on Ethics 2006
- The Good Governance Standard for Public Services 2004
- CIPFA's Treasury Management Codes of Practice and Guidance Notes 2021,
- CIPFA Prudential Code for Capital Finance in Local Authorities and Guidance Notes revised 2021

- LAAP Bulletins
- IFRS - Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice
- PWLB circulars on Lending Policy
- The UK Money Markets Code (issued by the Bank of England – it was formerly known as the Code of Market Conduct issued by the Financial Conduct Authority)
- The Council's Standing Orders relating to Contracts
- The Council's Financial Procedure Rules
- The Council's Scheme of Delegated Functions

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

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

Investing: Local Government Act 2003, section 12

Borrowing: Local Government Act 2003, section 1

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

- the scheme of delegation of treasury management activities which is contained in Financial Procedure Rules
- the document which sets out which officers are the authorised signatories [TMP5]

#### Required Information on Counterparties

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

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

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

#### Monitoring Officer

The monitoring officer is the City Solicitor; the duty of this officer is to ensure that the treasury management activities of the Council are lawful.

#### Chief Financial Officer

The Chief Financial Officer is the S151 Officer, the duty of this officer is to ensure that the financial affairs of the Council are conducted in a prudent manner and to make a report to the Council if she has concerns as to the financial prudence of its actions or its expected financial position.

### **[8] Operational Risk, including Fraud, Error and Corruption**

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

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

The Council will therefore: -

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

***Systems and procedures to be followed*** – in order to minimise the possibility of fraud, error or corruption, procedures for carrying out and monitoring treasury management activities involve rigorous requirements for audit, checking, control and reporting. These requirements are detailed in the relevant schedules i.e. TMP5 – Organisation, Clarity and Segregation of Duties and Dealing Arrangements. In the event of any fraud or corruption this will be immediately reported to either the Financial Services Manager or Chief Finance Officer who will determine the appropriate course of action. Similarly, any errors, which result in the breach of procedures set down in these schedules, will be reported either to the Financial Services Manager or Chief Finance Officer.

***Emergency and contingency planning arrangements*** – Procedures to be implemented in the event of a disaster will be contained in the Council's Business Continuity Plans and I.T. Disaster Recovery Plan.

***Insurance cover details*** – see TMP 1[2] for details.

## **[9] Price risk management**

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

The City of Lincoln 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.

***Approved procedures and limits for controlling exposure to investments whose capital value may fluctuate*** - the Council does not expose itself to this risk as it does not use investments whose capital value may fluctuate; in addition the Council does not use Fund Managers who may use investments whose capital value may fluctuate.

<b>TMP2 - PERFORMANCE MANAGEMENT</b>
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The City of Lincoln Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

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

### **Evaluation and Review of Treasury Management Decisions**

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

- quarterly reviews carried out by the treasury management team
- reviews with our treasury management consultants
- annual review after the end of the year as reported to full Council
- half yearly / quarterly / other monitoring reports to committee / full Council
- comparative reviews
- strategic, scrutiny and efficiency value for money reviews

### **Reviews with our treasury management consultants**

The treasury management team holds reviews with our consultants every 6 months to review the performance of the investment and debt portfolios.

### **Review reports on treasury management**

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

- total external debt (gross external borrowing plus other long-term liabilities such as finance leases) and average interest rates at the beginning and close of the financial year compared to the Capital Financing Requirement
- borrowing strategy for the year compared to actual strategy
- whether or not a decision was made to defer borrowing or to borrow in advance
- comment on the level of internal borrowing and how it has changed during the year
- assumptions made about interest rates
- investment strategy for the year compared to actual strategy

- explanations for variance between original borrowing and investment strategies and actual
- debt rescheduling done in the year
- actual borrowing and investment rates available through the year
- compliance with Prudential and Treasury Indicators
- other

In addition, quarterly reports will be submitted each year to provide updates on the above.

### **Comparative reviews**

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

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

### **Benchmarks and Calculation Methodology:**

#### **Debt management**

- Average rate on all external debt
- Average rate on external debt borrowed in previous financial year
- Average rate on internal borrowing
- Average period to maturity of external debt
- Average period to maturity of new loans in previous year
- Debt portfolio compared to the debt liability benchmark

#### **Investment**

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

- In house investments - Average daily SONIA

### **Policy Concerning Methods for Testing Value for money in Treasury Management**

#### **Frequency and processes for tendering**

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

#### **Banking services**

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

**Money-broking services**

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

An approved list of brokers has been established which takes account of both prices and quality of services [TMP11].

**Consultants'/advisers' services**

This Council has appointed Link Group as its professional treasury management advisers.

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

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

<b>TMP3 - DECISION-MAKING AND ANALYSIS</b>
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The City of Lincoln 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.

**Records to be kept:**

Detailed records are maintained of all borrowings and investments made by the Council.

**Processes to be pursued:**

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

**Issues to be addressed:**

In respect of every Treasury Management decision made, the Council will:

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

With the need to realise significant General Fund revenue savings to ensure that the budget is balanced and sustainable in the long term and the need to achieve efficiency savings in the Housing Revenue Account, the main theme of the borrowing and debt strategy is to reduce the individual average interest rates paid by each fund. The reduction in interest rates will be undertaken through debt restructuring opportunities and taking new borrowing with lower interest rates than the rates that have been projected in the budget estimates. However,

restructuring that increases the interest rate payable may be considered if it offers the Council the opportunity to take a discount, as part of the rescheduling exercise.

In respect of borrowing decisions, the Council will:

- consider the ongoing revenue liabilities created, and the implications for the organisation's future plans and budgets to ensure that its capital plans and investment plans are affordable, proportionate to the Council's overall financial capacity, and are within prudent and sustainable levels. This evaluation will be carried out in detail for three budget years ahead.
- Less detailed evaluation will also be carried out over a longer period to ensure that plans continue to be affordable, proportionate, prudent and sustainable in the longer term.
- not borrow to invest primarily for financial return.
- not borrow earlier than required to meet cash flow needs unless there is a clear business case for doing so.
- not borrow unless it is to finance the current capital programme or to fund future debt maturities, or to ensure an adequate level of short-term investments to provide liquidity for the Council.
- increase its CFR and borrowing solely for purposes directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.
- undertake an annual review of any investments in commercial (debt for yield) schemes with a view to identify whether such assets should be sold to provide resources to finance capital expenditure plans or refinance maturing debt.
- evaluate the economic and market factors that might influence the manner and timing of any decision to fund.
- consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing, external grants and private partnerships.
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use and, if relevant, the opportunities for foreign currency funding.
- ensure that treasury management decisions are made in accordance with good professional practice.

The main theme of the investment strategy is to ensure the security of the sums invested as a first priority and secondly to ensure that the Council has access to sufficient liquid funds. Then thirdly to maximise interest from investments, within the constraints imposed by having regard to security and liquidity, in order to contribute towards any General Fund and Housing Revenue Account savings targets as detailed above. The increase of investment income will be sought through actively undertaking investments with higher interest rates than the rates that have been projected in the budget estimates.

In respect of investment decisions, the Council will:

- consider the optimum period, in light of cash flow availability and prevailing market conditions
- consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital. The Council does not use such products
- ensure investments are included in the Councils 'approved investment instruments' (see TMP4 below)
- consider financial institutions and ensure they meet the minimum requirements for inclusion in the Council's counterparty list (see TMP1 schedule [1] above)
- ensure that the counterparty individual/group investment limits are not exceeded (see TMP1 [1] above)
- ensure the non-specified investment limit is not exceeded. The current limit is as approved in the Prudential Indicators and Treasury Management Strategy
- ensure that investments over 1 year do not exceed the limit as approved in the Treasury Management Strategy (see TMP1 schedule [1] above). This includes forward deals.

A meeting will be held for the Finance Business Partner to advise the Financial Services Manager when it is necessary to make investment and borrowing decisions where the length of the deal to be brokered has a maturity period greater than 3 months, and as necessary when other issues arise. A briefing note is prepared giving details of the proposed deal and supporting information which is discussed at the meeting. It will be signed off by the Financial Services Manager (or the Chief Finance Officer or City Solicitor in their absence) before the investment is made or any borrowing is taken.

Any investments with a maturity period greater than 364 require Chief Finance Officer approval.

**TMP4 - APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**

The City of Lincoln 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*.

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

#### **Approved Activities of the Treasury Management Operation**

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

#### **Approved instruments for investments**

- ***Listings and individual limits for the use of approved instruments*** – In accordance the Council's current treasury management strategy, the instruments (split between specified and non-specified investments) that the Council will consider investing surplus funds in are shown below (individual limits are not set for approved investment instruments):

#### **Instruments of Specified Investments \*1**

1. Gilt-edged securities issued by the United Kingdom Debt Management Office (UK DMO), an Executive Agency of HM Treasury.
2. Treasury Bills issued by the UK DMO.
3. Deposits with the Debt Management Office Debt Management Account Deposit Facility (DMADF).
4. Deposits with a Local Authority, Parish Council or Community Council.
5. Deposits with Banks and Building Societies (Including opening Business Accounts).
6. Certificates of deposit issued by Banks and Building societies.
7. Investment Schemes i.e. a Money Market Fund.

**\*1** To be defined as a Specified Investment the above instruments will have these features common to all:

- Be denominated in Sterling,
- Of not more than 1 year maturity,
- Of longer than 1 year maturity but the Council has the right to be repaid within 12 months,
- For instruments numbered 5 to 7 these must be with institutions that have been awarded a high credit rating by a Rating Agency.

### **Instruments of Non-Specified Investments \*2**

1. Deposits with Banks, Building Societies and their subsidiaries.

**\*2** To be defined as a Non-Specified Investment the above instruments will have these features common to all:

- Denominated in Sterling,
- Of more than 1-year maturity,
- Of less than 1-year maturity with an institution that does not meet the basic security requirements under Specified Investments e.g. a deposit with a non-credit rated Bank or Building Society.

### **Implementation of MIFID II Requirements**

Since 3 January 2018, UK public sector bodies have been defaulted to 'retail' status under the requirements of MIFID II. However, for each counterparty it is looking to transact with (eg financial institution, fund management operator, broker), there remains the option to opt up to 'professional' status, subject to meeting certain requirements specified by MIFID II and that it has the appropriate level of knowledge and expertise and decision making processes in place in order to use regulated investment products.

MIFID II does not cover term deposits so local authorities should not be required to opt up to professional status. However some non-UK banks do not have the necessary regulatory permissions to deal with retail clients, so opting up to professional status would be required.

For investing in negotiable investment instruments (eg certificates of deposit, gilts, corporate bonds), money market funds and other types of investment funds, which are covered by MIFID II, a schedule is maintained of all counterparties that the treasury management team are authorized to place investments with. Records are held of each counterparty where the Council has opted up to professional status, with details of permissions applied for, instrument and date received, and similarly a record is held of those counterparties/investments where there is no requirement to opt up to professional status.

- **MIFID II** – the council has opted for professional status for the purposes of MIFID II. The council is registered as a professional client with:

Link Group  
King and Shaxson  
BGC  
Tradition  
Institutional Cash Distributors Ltd

### Approved Techniques

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

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

	Fixed	Variable
PWLB	●	●
Market Loans (long-term)	●	●
Local Bonds	●	
Negotiable Bonds	●	●
Finance Leases	●	●
Internal (capital receipts & revenue balances)	●	●

Other methods of financing include Government and European Capital Grants, Lottery monies, Private Finance Initiative (PFI), Public-Private Partnerships (PPP), operating leases and other capital contributions from relevant partners and stakeholders.

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Chief Finance Officer has delegated powers, in accordance with the Officers' Scheme of Delegation within the Constitution and the Treasury Management Strategy, to borrow using the most appropriate sources.

### Investment Limits

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

### Borrowing Limits

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

**Non-Treasury Management Investments**

Please see Non-Treasury Management Investments Schedule at the end of this document.

**TMP5 - ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS**

The City of Lincoln 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 a clarity of treasury management responsibilities at all times.

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 those policies, particularly regarding 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 City of Lincoln Council intends, as a result of lack of resources or other circumstances to depart from these principles, the Chief Finance 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 Chief Finance 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 Chief Finance Officer will also ensure that those engaged in treasury management will, at all times, follow the policies and procedures set out.

The Chief Finance Officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

The Chief Finance Officer will fulfil all responsibilities in accordance with the City of Lincoln Council's policy statement and TMP's.

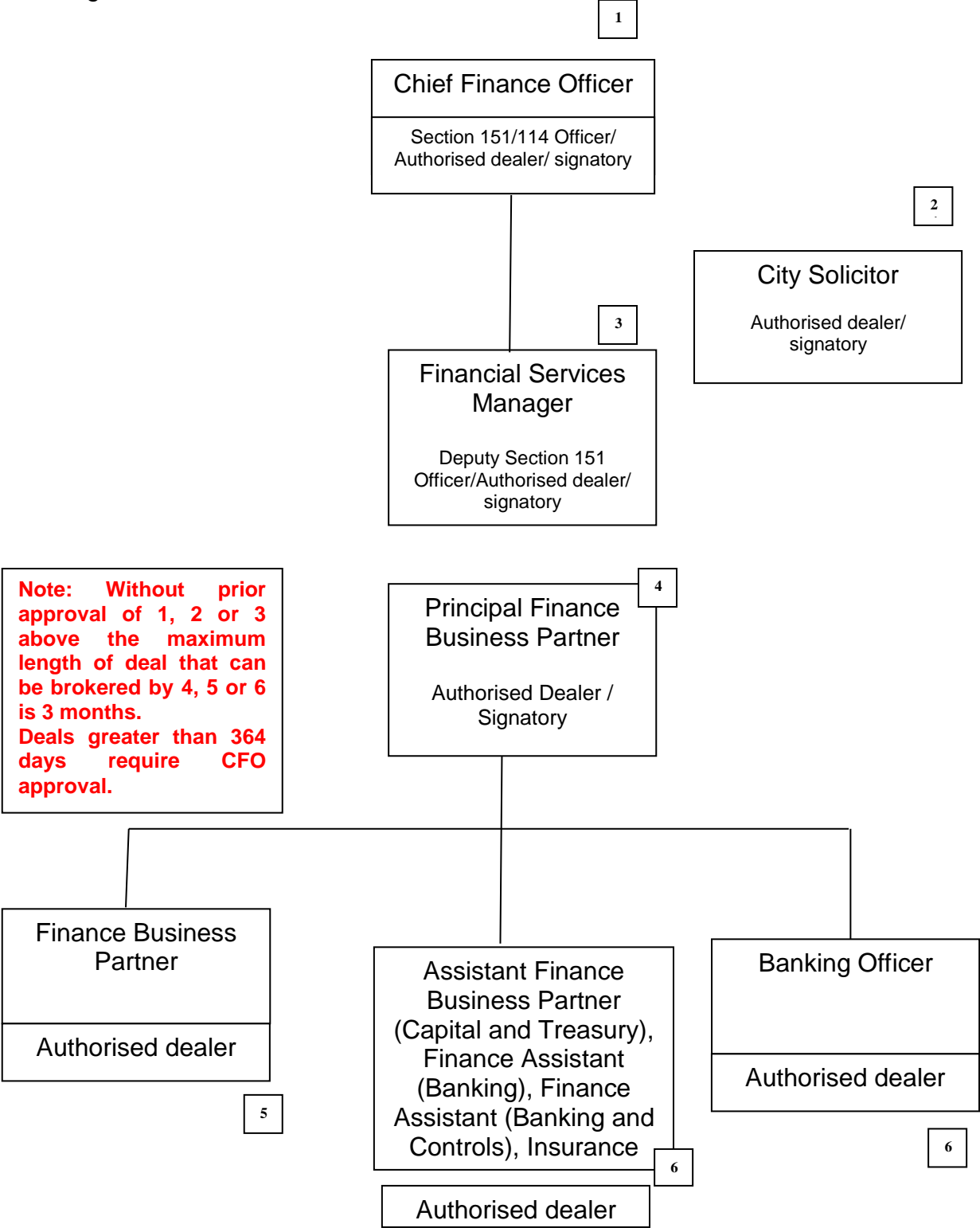
### **Full Board / Council**

- ***Limits to responsibilities/discretion at committee/executive levels*** – in accordance with the Council's financial procedure rules, full Council is responsible for approving the annual prudential indicators and treasury management strategy, which is proposed to full Council by the Executive. All decisions on borrowing, investment or financing are delegated to the Chief Finance Officer, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in Local Authorities. A mid year report and end of year report detailing the performance against the Prudential indicators, local indicators and treasury management activities are submitted to the

Council's Performance Scrutiny Committee, Executive and full Council. Quarterly treasury management reports will be submitted to the Council's Executive and Performance Scrutiny Committee, to update Members as to the actual position against the local and Statutory Prudential Indicators, and to summarise the treasury management activities undertaken during the previous quarter.

- ***Principles and practices concerning segregation of duties*** – in order to reduce the risk of fraud and corruption, the following duties are divided between different staff:
  - As part of the procedures for making CHAPS payments (i.e. repayment of loans, depositing investments and urgent payments) three different members of staff undertake the stages of setting up the payment, approval and authorisation
  - The Financial Services Manager (or Chief Finance Officer or City Solicitor in their absence) must approve investments or borrowing for periods greater than 3 months (up to 364 days). Deals greater than 364 days require Chief Finance Officer approval. A briefing document giving all the details of the investment or borrowing will be presented for approval for sign off.
  - The principles and practices concerning segregation of duties is set out in the hierarchical responsibilities/duties of each post, as set out below:

**Treasury Management organisation chart** – the Council's current organisational chart is as follows:



▪ ***Statement of duties/responsibilities of each treasury post –***

**1. Chief Finance Officer**

- Duties in line with S151 and S114 responsibilities
- Authorised Dealer (i.e. authorised to invest and borrow in line with the Council's Treasury Management Strategy)
- Authorised Signatory

**2. City Solicitor**

- Authorised Dealer (i.e. authorised to invest and borrow in line with the Council's Treasury Management Strategy)
- Authorised signatory

**3. Financial Services Manager**

- Duties in line with deputy S151 responsibilities
- Advise the Chief Finance Officer on Treasury Management matters
- Receive and review Treasury Management investment and borrowing proposals
- Review and appoint Treasury Management consultants
- Ensure that staff involved in treasury management receive appropriate training
- Ensure that the treasury management function is adequately resourced to meet current requirements
- Absence cover for the Chief Finance Officer for responsibilities detailed above.
- Ensure there is adequate internal checking and control
- Ensure the Treasury Management Strategy, the Treasury Management Outturn Report and Quarterly Monitoring Reports are prepared and complied with
- Ensure implementation of Treasury Management actions agreed by the Chief Finance Officer
- Ensure Treasury Management Practices are complied with and are reviewed at least annually
- Ensure the appropriate division of duties within the section
- Identify and recommend opportunities for improved Treasury Management Practices
- Implementation of the Treasury Management Strategy
- Authorised Dealer (i.e. authorised to invest and borrow in line with the Council's Treasury Management Strategy)
- Authorised signatory

#### **4. Principal Finance Business Partner (PFBP)**

- Advise Financial Services Manager on Treasury Management matters
- Receive and review Treasury Management investment and borrowing proposals
- Oversee the compilation of the yearly cash flow
- Oversee the monitoring, update, revision and reporting on the authorities cash flow
- Prepare the annual Treasury Management Strategy and Outturn Reports
- Compile mid-year treasury management reports to the Council's Performance Scrutiny Committee
- Monitor and calculate the prudential indicators/local indicators and performance against budget targets (i.e. borrowing and investment interest)
- Prepare an annual budget for Treasury Management activities (i.e. borrowing and investment interest, debt management expenses)
- Ensure implementation of Treasury Management actions agreed by the Financial Services Manager and Chief Finance Officer
- Assist the Financial Services Manager in implementation of the Treasury Management Strategy
- Authorised Dealer (i.e. authorised to invest and borrow in line with the Council's Treasury Management Strategy)

#### **5. Finance Business Partner (FBP)**

- Construction of yearly cash flow
- Advise Financial Services Manager and PFBP on Treasury Management matters
- Monitor, update, revise and report on the authority's cash flow
- Monitor and calculate the prudential indicators/local indicators and performance against budget targets (i.e. borrowing and investment interest)
- Maintain the Council's Money Market Funds and Call accounts
- Liaise with brokers on a day to day basis and monitor interest rates
- Invest short-term cash surpluses in line with Councils investment policy/strategy
- Take short-term borrowings to cover cash flow shortages in line with Council's investment policy/strategy.
- Maintain the Councils Counterparty list in line with Council's investment policy/strategy
- Action periodic interest payments on long term loans
- Instigate year-end accruals for investments and loans.
- Assist in the preparation of mid-year treasury management reports and Annual Treasury Management Strategy and Outturn Reports.
- Administer the Council's 3% Stock, war stock and local bonds

- Monitor the Councils approved Prudential Indicators/Local Indicators and percentage of investments held as Specified/Non-Specified Investments
- Authorised Dealer (i.e. authorised to invest and borrow in line with the Council's Treasury Management Strategy)
- Production of quarterly reconciliations for all Treasury Management ledger accounts

**6. Assistant Finance Business Partner (Capital and Treasury), Finance Assistant (Banking), Finance Assistant (Banking and Control) and Insurance Assistant, Banking and Controls Officer**

- Authorised Dealer (i.e. authorised to invest and borrow in line with the Council's Treasury Management Strategy)
  - Absence cover for Finance Business Partners
  - Download on a daily basis the Council's bank statements in order to monitor Council's cash position.
- **Absence cover arrangements** – The Banking Team (within the Technical and Exchequer section) provides absence cover for the Finance Business Partner (Capital, Treasury and VAT) and the Assistant Finance Business Partner (Capital and Treasury).
  - **Dealing Limits** – all staff authorised to deal on behalf of the Council must comply with the Council's Counterparty list limits set out in the Treasury Management Strategy as detailed in TMP schedule 1
  - **List of approved brokers** –BGC Brokers, Tradition, King and Shaxson and Link Group
  - **Policies on recording of conversations** – Calls to Brokers are currently recorded by the Brokers only. Taping facilities from the main Council switchboard are not available at present.
  - **Direct dealing practices** – interest rates/risks are evaluated through comparing the rates offered by brokers and those offered direct from institution e.g. Debt Management Office. Should deals from direct institutions prove to be better value this option will be preferred.
  - **Settlement transmission procedures** – all funds to be remitted in respect of a treasury management transaction are via CHAPS. The Council uses the Lloyds Commercial Banking online Electronic Payments System provided by the Council's Bankers. The procedure is as follows:
    - The officer setting up the payment completes a pro-forma detailing the agreed transaction(s) together with a batch header
    - An officer with the appropriate level of access (see below) sets up the transaction(s) on Lloyds Commercial Banking online

- The transaction is approved by a separate officer with the appropriate level of access (see below) on Lloyds Commercial Banking online
- The transaction is then authorised by a separate officer with the appropriate level of access (see below) on Lloyds Commercial Banking online
- Finally, the transaction is submitted via Lloyds Commercial Banking online for onward transition to the borrower/lender

### **Lloyds Commercial Banking Online Authorisation Levels**

<b>Post</b>	<b>Lloyds Commercial Banking Online Level *</b>
Chief Finance Officer	Authorisation
City Solicitor	Authorisation
Financial Services Manager	Authorisation
Principal Finance Business Partners	Authorisation
Finance Business Partner(s)	Set up, verify and first level of approval
Assistant Finance Business Partner	Setup
Banking Officer	Set up, verify and first level of approval
Exchequer Officer	Set up, verify and first level of approval

Lloyds Commercial Banking online is the electronic banking system of the Council's bank, Lloyds.

- **Documentation requirements** – Money market deals are confirmed using either the Institutional Cash Distributors (ICD) treasury portal, this is an online independent trading platform, or verbally with the money market fund, counterparty or broker. All the Money market funds currently in use by the Council are registered with ICD. All deals are followed by written confirmation of the transaction from the borrower/lender i.e. amount, interest rate, period, bank account details, proceeds or liability on maturity. Deposit accounts require an email/fax instruction when placing or withdrawing funds and this must be signed by one of the Council's Authorised signatories. The Debt Management Office requires all deposits and withdrawals to be agreed verbally. In the event of the Council having temporary borrowing, the Council will confirm in writing the transaction. In addition, for those deals carried out via a broker, the broker will send their own confirmation of the transaction.

**TMP6 - REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS**

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

As a minimum, the full Council will receive:

- an annual report on the strategy and plan to be pursued in the coming year. Revised strategies may be presented to full Council at any point in the year if deemed necessary.
- a mid-year review;
- an annual report on the performance of the treasury management function, the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with its treasury management policy statement and TMP's.

The Performance Scrutiny Committee will receive regular monitoring reports on treasury management activities and risks. It will receive an annual report on the treasury management activities before approval by the Executive and full Council.

The Audit Committee will have responsibility for the scrutiny of treasury management policies and practices. It will receive an annual report on the treasury management strategy before approval by the Executive and full Council.

The Executive will receive the Treasury Management Strategy prior to submission to Full Council, regular monitoring reports and an annual report on the Treasury Management function, on the effects of the decisions taken and the transactions executed in the past year.

The City of Lincoln Council will report the treasury management indicators as detailed in the local authority guidance notes.

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

***Content and frequency of board/committee reporting requirements*** – the annual Treasury Management Strategy sets out the expected treasury activities for the forthcoming financial year. This Strategy is submitted to the Audit Committee for review and scrutiny then onto the Executive who in turn

recommends it to full Council, before the beginning of each financial year. The formation of the annual Strategy involves determining the appropriate treasury management decisions in light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, this Council may decide to postpone borrowing if fixed interest rates are expected to fall or borrow early if fixed interest rates are expected to rise. The Strategy is concerned with the following elements:

- Prudential and Treasury Indicators
- current Treasury portfolio position
- borrowing requirement
- prospects for interest rates
- borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- investment strategy
- creditworthiness policy
- policy on the use of external service providers
- any extraordinary treasury issues
- the MRP strategy

The Treasury Management Strategy will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios

### **The Investment Strategy**

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

- The Council's risk appetite in respect of security, liquidity and optimum performance
- The definition of high credit quality to determine what are specified investments as distinct from non-specified investments
- Which specified and non-specified instruments the Council will use
- Whether they will be used by the in-house team, external managers or both (if applicable)
- The Council's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
- Which credit rating agencies the Council will use
- How the Council will deal with changes in ratings, rating watches and rating outlooks
- Limits of value and time for individual counterparties and groups
- Country limits
- Maximum value and maximum periods for which funds may be prudently invested

- Interest rate outlook
- Investment return expectations
- A review of the holding of longer-term investments
- Policy on the use of external service providers

### **The Annual Minimum Revenue Provision Statement**

This statement will set out how the Council will make revenue provision for repayment of its borrowing using the four options for so doing and will be submitted at the same time as the Annual Treasury Management Strategy Statement.

### **Policy on Prudential and Treasury Indicators**

The Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.

The Chief Finance Officer is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the Chief Finance Officer shall submit the changes for approval to the full Council

### **Quarterly and Mid-Year Reviews**

The Council will review its treasury management activities and strategy on a quarterly and six monthly basis. The mid-year review will go to Full Council. This review will consider the following: -

- activities undertaken
- variations (if any) from agreed policies/practices
- interim performance report
- regular monitoring
- monitoring of treasury management and prudential indicators

The quarterly review will monitor the treasury management and prudential indicators as part of the authority's general revenue and capital monitoring.

### **Annual Review Report on Treasury Management Activity**

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

**TMP7 - BUDGETING, ACCOUNTING AND AUDIT  
ARRANGEMENTS**

The Chief Finance 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 as a 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 City of Lincoln Council's budget will take, is set out in the schedule to this document. The Chief Finance 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 City of Lincoln 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.

#### **Statutory/Regulatory Requirements**

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices.

The Council has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to this Council's Treasury Management activities.

#### **Budgets / Accounts / Prudential and Treasury Indicators**

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

#### **List of Information Requirements of External Auditors**

- Reconciliation of loans outstanding in the financial ledger to Treasury Management records
- Maturity analysis of loans outstanding
- Certificates for new long-term loans taken out in the year

- Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Calculation of interest on working balances
- Interest accrual calculation
- Principal and interest charges reports
- Analysis of any deferred charges
- Calculation of loans fund creditors and debtors
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential and Treasury Indicators
- Review of observance of limits set by Prudential and Treasury Indicators
- Calculation of the Minimum Revenue Provision
- External fund manager(s) valuations (where used) including investment income schedules and movement in capital values.

#### **Quarterly Budget Monitoring Report**

Quarterly Budget Monitoring reports are produced for the Performance Scrutiny Committee. The report is intended to highlight any variances between budgets and spend in order that the Council can assess its financial position. Details of Treasury Management activities are included within this report.

<b>TMP8 - CASH AND CASH FLOW MANAGEMENT</b>
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Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the City of Lincoln Council will be under the control of the Chief Finance 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 Chief Finance Officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1 *liquidity risk management*. The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

***Arrangements for Preparing/Submitting Cash Flow Statements -***

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

– An up to date cash flow estimate will be maintained in order to effectively manage cash balances. The cash flow forecasts will be reviewed and discussed regularly among treasury staff (as above) and will influence the treasury management decision-making and analysis processes detailed in TMP3.

***Arrangements for preparing/submitting medium to long-term forecasts of the organisation's net debt (or net investment) requirements consistent with its approved plans, eg through development of a liability benchmark -***

A debt liability benchmark will be monitored on a quarterly basis to inform a long-term view of liquidity requirements. The benchmark will be analysed as part of the annual treasury management strategy and any substantial mismatches between actual loan debt outstanding and the liability benchmark will be explained.

***Content and frequency of cash flow budgets***

An annual cash flow forecast is produced prior to the beginning of the financial year. This forecast is reconciled to the closing ledger balance of the Council's Summary account bank statement on a daily basis. Cash flow forecasts are continually updated and revised in line with information received from a variety of sources.

The annual cash flow forecast consists of an estimate of the total income, total expenditure and Treasury Management transactions in the financial year.

**Income receipts can be broken down into the following types:**

- NNDR, Council Tax and Council House Rents
- Grants and Subsidy

- Capital Receipts from sale of assets
- VAT
- Debtor bills and other miscellaneous income from services provided by the Council

**Expenditure can be broken down as follows:**

- NNDR to DLUHC and Lincolnshire County Council
- Precepts to Lincolnshire County Council and Police and Crime Commissioner for Lincolnshire
- Pooling of Housing Capital Receipts to DLUHC
- General creditor payments for goods and services received
- Payment of Benefit to claimants
- Capital programme spend
- Monthly salary payments
- Income Tax and other deductions from salary (to HM Revenue and Customs)
- Grants
- Levies
- Insurance premiums

Treasury Management can be broken down as follows:

Investments

- Interest from maturing investments, Money Market Funds and Bank accounts
- Deposits to borrowers and investment maturities

Borrowing

- Interest payments on the Council's outstanding long-term debt
- Repayment of maturing debt including debt restructuring
- Receipt and repayment of short and longer-term loans

***Listing of sources of information*** – the sources of information used to initially compile and regularly update the cash flow are as follows:

Income:

- DLUHC grant schedules (i.e. RSG)
- Other grant schedules (i.e. Home Office, DWP,)
- Internal Systems (i.e. Council Tax, Council House Rents, Capital Receipts, VAT, Debtors, Short and longer-term loans, Investment maturities and interest.)

Expenditure:

- DLUHC and Lincolnshire County Council payment schedules (i.e. NNDR payable)

- Lincolnshire County Council and Police and Crime Commissioner for Lincolnshire precept schedules
- Drainage Board schedules (Levies)
- Grant Forms (i.e. DLUHC pooling of Right To Buy capital receipts)
- Internal Systems (Housing Benefit Payments, Revenue and Capital Creditors, Payroll, Insurance premiums, Interest payments on the Council's outstanding debt, Investments, Maturing Debt)
- The Council's 5-year Financial Strategy to calculate the creditor payments for goods and services received (capital and revenue)

**Bank statements procedures** – Bank statements are available to be downloaded electronically on a daily basis from the Lloyds Commercial Banking online system. All amounts on the statements are checked to source data. Bank reconciliations are the responsibility of the Banking Team.

**Payment scheduling and agreed terms of trade with creditors** – Creditor payment runs are currently scheduled twice weekly. The majority of these payments (approximately 95% by total value) are paid by electronic means (primarily by BACS direct credit). The City Council aims to pay 100% of its creditors within their agreed payment terms or if no terms are quoted within 30 days of receipt of their demand for payment. The exception to this would be if the Council deems itself to be in dispute with its creditor; in which case the invoice will be paid within 30 days of that dispute being resolved. Furthermore, no invoice that is paid within 30 days to its creditor will be deemed to have been paid late for performance monitoring purposes even if the creditor's terms are less than 30 days.

**Arrangements for monitoring debtor/creditor levels** – The Exchequer Section is responsible for monitoring the levels of debtors and creditors. The recovery of outstanding Debtor invoices is undertaken by the Recovery Team within the Revenue and Benefits Shared Service, who follow strict recovery procedures. Recovery of debtors will be closely coordinated with the invoice issuing service area who will assist with recovery if possible.

**Procedures for banking of funds** – All money received by an officer on behalf of the Council will without unreasonable delay be deposited in the Council's bank account.

**Practices concerning prepayments to obtain benefits** - The Council has no formal arrangement in place. Where such opportunities arise, the prepayment would be sought and authorised by the Chief Finance Officer.

<b>TMP9 - MONEY LAUNDERING</b>
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The City of Lincoln 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, procedures are maintained for verifying and recording the identity of counterparties, and reporting suspicions ensuring that staff involved in treasury activities and accepting payments are properly trained.

Money Laundering is defined as “*a process where the identity of the proceeds of criminal proceedings (dirty money) is changed through apparently legitimate transactions so that the money appears to originate from a legitimate source*”.

The City of Lincoln Council last updated its Anti-Money Laundering Policy Statement and Procedures in February 2023. The Policy is reviewed and presented to Audit Committee every two years.

The City of Lincoln Council is committed to prevent the Council and its employees being exposed to money laundering, to identify the risks where it may occur, and to comply with legal and regulatory requirements, especially with regards to reporting suspected cases.

The key message of this Policy is that if you suspect that money laundering activity may be taking place or proposed in relation to anything you are dealing with you should immediately disclose those suspicions to the Council’s Money Laundering Reporting Officer (the Chief Executive). If the suspicion involves a proposed transaction (e.g. the sale of property or a significant cash receipt) you should not proceed with the transaction without approval from the Money Laundering Reporting Officer. You should defer the transaction in such a way as not to alert anyone else to your suspicions. If you believe you cannot reasonably do so, you should immediately contact the Money Laundering Reporting Officer or the Council’s Monitoring Officer. There are two forms to complete depending on circumstances but in the first instance you should contact a deputy MLRO (City Solicitor or Chief Finance Officer) for advice.

### **Key Points**

- The Council is committed to the prevention, detection and reporting of money laundering
- All employees should be vigilant for signs of money laundering
- An employee who suspects money laundering activity should report this promptly to the Money Laundering Reporting Officer
- The Council will not accept payments in cash that exceed £2,000

## **Proceeds of Crime Act 2002**

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

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

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

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

## **The Terrorism Act 2000**

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

## **The Money Laundering Regulations 2012, 2015 and 2017**

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

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

## Local authorities

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and subsequent Terrorism Acts and may commit most of the principal offences under the POCA but are not legally obliged to apply the provisions of the Money Laundering Regulations 2012, 2015 and 2017. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly, this Council will do the following: -

- evaluate the prospect of laundered monies being handled by them
- determine the appropriate safeguards to be put in place
- require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness
- make all its staff aware of their responsibilities under POCA
- appoint a member of staff to whom they can report any suspicions.
- in order to ensure compliance is appropriately managed, this Council will require senior management to give appropriate oversight, analysis and assessment of the risks of clients and work/product types, systems for monitoring compliance with procedures and methods of communicating procedures and other information to personnel.
- The officer responsible for the creation and monitoring the implementation of a corporate anti money laundering policy and procedures is the City Solicitor and it shall be a requirement that all services and departments implement this corporate policy and procedures.

### ▪ ***Procedures For Establishing Identity / Authenticity of Lenders***

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

The City of Lincoln Council will not accept loans from individuals. All loans are obtained from the Public Works Loan Board, other local authorities, or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FCA web site on [www.fca.gov.uk](http://www.fca.gov.uk). When repaying loans, the procedures below will be followed to check the bank details of the recipient.

### • ***Methodology For Identifying Sources Of Deposit***

In the course of its treasury activities, the Council will only lend money to, or invest with, those counterparties that are on its approved lending list and meet minimum criteria (TMP schedule 1). The Council only places deposits with counterparties which have been credit checked by the Rating Agencies Fitch,

Moody's or Standard and Poor's. All transactions will be carried out by Direct Debit, BACS or CHAPS for making deposits or repaying loans.

## **TMP10 - STAFF TRAINING AND QUALIFICATIONS**

The City of Lincoln 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 Chief Finance Officer will recommend and implement the necessary arrangements, including the specification of the expertise, knowledge and skills required by each role or member of staff.

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

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

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

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

### ***Details of approved training courses***

Treasury management staff and Councillors will undertake training, principally using seminars and training, where appropriate, provided by the Council's external treasury management advisors, CIPFA, money brokers etc.:

- bi-annual seminars, including workshops
- regional training
- specific training or individual briefing sessions

### **Records of Training Received by Treasury Staff**

A record will be maintained of all training courses and seminars attended by staff engaged in treasury management activities.

### **Experience and Approved qualifications for treasury staff**

All staff engaged on treasury management activities will undergo regular professional development reviews to assist in career development.

The Chief Finance Officer, Financial Services Manager and Principal Finance Business Partners will be professionally qualified accountants:

- Chartered Institute of Public Finance and Accountancy (CIPFA)
- Other CCAB qualifications i.e.
  - Institute of Chartered Accountants in England and Wales (ICAEW),
  - Chartered Institute of Management Accountants (CIMA)
  - and Association of Certified Chartered Accountants (ACCA).
- Association of Accounting Technicians (AAT).

Those staff that are CIPFA members are required by their Institute to act in accordance with CIPFA's Standard of Professional Practice on Treasury Management and the Chief Finance Officer also has a responsibility to ensure that the relevant staff are appropriately trained.

#### **Member training records**

Records will be kept by Democratic Services of all training in treasury management provided to Members.

#### **Members charged with governance**

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

<b>TMP11 - USE OF EXTERNAL SERVICE PROVIDERS</b>
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**Details of contracts with service providers, including bankers, brokers, consultants, advisers and details of services provided**

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

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

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

- quality financial press
- market data
- information on government support for banks
- the credit ratings of that government support

**Banking Services**

- Name of supplier of service is Lloyds Bank.
  - Regulatory status – banking institution authorised to undertake banking activities by the FCA
  - The branch address is:  
202 High Street, Lincoln LN5 7AP  
Tel :-0345 602 1997
  - Contract commenced Jan 2022 and runs for 7 years until 2029 with an option to extend for a further 3 years.
  - Cost of service is variable depending on schedule of tariffs and volumes
  - Payments due monthly
  - The organisation may terminate the agreement at any time by giving one months' written notice to the Bank.
- Allpay provide services for the collection of Council Tax, Rent and sundry debtors through Post Office and Paypoint facilities.

***Procedures and frequency for tendering services*** – The Council's main banking services are subject to tender.

The Allpay contract is due to be renewed for two years from 1<sup>st</sup> February 2024 with an option to extend for a further two years utilising a framework agreement.

### **Money-broking services**

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

<b>Name of broker</b>	<b>Address and tel. no.</b>
BGC Brokers	5 Churchill Place, London, E14 5HU 0207 894 7742
King & Shaxson Ltd	1st Floor Cutlers Court, 115 Houndsditch, London, EC3A 7BR 020 7426 5950
Tradition (UK) Ltd	Beaufort House, 15 St. Botolph Street, London, EC3A 7QX 020 7422 3566
Link Group	65 Gresham St, London, EC2V 7NQ 020 7204 7624
Imperial Treasury Services	Imperial House, 5 Port Hill, Hertford SG14 1PJ 01992 945550
Munix Municipal Exchange	9 Ainslie Place, Edinburgh EH3 6AT 07985 106188

The City Council does not have a formal written contract with any of these organisations, therefore the Council is not restricted to using these brokers.

### **Treasury Consultancy Services**

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

The performance of consultants will be reviewed as part of regular contract management meeting to check whether performance has met expectations.

- Name of supplier of service is Link Group, Treasury solutions. Their address is 65 Gresham Street London EC2V 7NQ

- Regulatory status: investment adviser authorised by the FCA
- Contract is reviewed and renewed annually, running from 1<sup>st</sup> January to 31<sup>st</sup> December.

**Leasing Consultancy Services**

The Council's Treasury Consultants Link Group provide leasing advice upon request as part of their contract.

**Credit rating agency**

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

**Procedures and frequency for tendering services**

See TMP 2 Performance measurement.

<b>TMP12 - CORPORATE GOVERNANCE</b>
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The City of Lincoln 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 City of Lincoln Council has adopted the CIPFA Code of Practice on Treasury Management and has implemented the key principles of the Code. These are considered vital to the achievement of proper corporate governance in treasury management, and the Chief Finance Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

The following documents are available for public inspection:

- Treasury Management Policy Statement
- Treasury Management Strategy Statement
- Investment Strategy
- Minimum Revenue provision policy statement
- Annual Treasury Outturn Report
- Quarterly Treasury Management monitoring reports
- Annual accounts and financial instruments disclosure notes
- Medium Term Financial Strategy
- Capital Programme
- Capital Strategy
- Minutes of Council / Cabinet / committee meetings

<p style="text-align: center;"><b>INVESTMENT MANAGEMENT PRACTICES FOR NON-TREASURY INVESTMENTS</b></p>
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City of Lincoln 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 outcome, investments in subsidiaries, and investment property portfolios.

City of Lincoln Council will ensure that all its investments are covered in the capital strategy or equivalent, and will set out, where relevant, its risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

The City of Lincoln Council will maintain a schedule setting out a summary of existing material investments.

The Council recognises that many of the principles underlying TMPs 1 to 12 will apply to non-treasury investments as they do to treasury investments. However, some aspects are likely to differ, these are laid out below.

**Risk Management [TMP1]**

Due diligence processes and procedures are undertaken to reflect the additional risk the Council is taking on.

**Independent and expert advice**

Independent expert advice is sought for property purchases as part of the due diligence.

In carrying out due diligence, potential project risks are identified and relevant mitigation measures documented prior to approval. All risks are then managed in line with the Council's risk management policy which includes documenting risks on a risk register, assigning owners, regular review of risks and Red Amber Green (RAG) rating.

Verification of purchase price by external suitably qualified RICS Approved Valuers is obtained prior to any investment.

**Performance measurement and management - including methodology and criteria for assessing the performance and success of non-treasury investments [TMP2]**

The relevant aspects of TMP 2 will be applied when considering non-treasury investments.

**Decision making, governance and organisation [TMP5]**

The Financial Procedure Rules detail how capital projects are approved and added to the capital programme. For non-treasury investments the appropriate professional due diligence is carried out to support the decision making.

### **Reporting and management information [TMP6]**

The relevant aspects of TMP 6 will be applied when considering non-treasury investments.

With regard to the specific non-treasury investments:

- Commercial Investment Properties within the Local Authority Area / Council Owned Commercial/Industrial Estates -

Details are reported in the Council's Capital Strategy.

### **Training and qualifications [TMP10]**

Relevant knowledge and skills in relation to non-treasury investments will be arranged and maintained.

The relevant aspects of TMP10 will be applied when considering non-treasury investments. Treasury Management staff are either AAT or CCAB qualified and all CCAB qualified staff must complete the annual CPD requirements of their professional accountancy bodies. Training courses run by CIPFA and seminars and updates provided by Link Group are also attended.

With regard to non-treasury investments, the Council employs qualified and experienced staff such as accountants, solicitors and surveyors. It is fully supportive in providing access to courses both internal and external to enable those staff to complete their Continuing Professional Development (CPD) requirements.

The Council ensures that its Members are qualified to undertake their governance role by providing training opportunities and access to workshops, etc. Members will also required to undertake a self-assessment against the required competencies as set out in CIPFA's 'Effective Scrutiny of Treasury Management' assessment tool. The Council also procures expert advice and assistance such as financial and legal advice as and when required.