

ARDS AND NORTH DOWN BOROUGH COUNCIL

POLICY COVER SHEET

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2.0	Head of Finance	09/02/2023	Updated in line with the revised Code of Practice published Dec-21 effective for 23/24 financial year

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Treasury Management Policy Statement

Background

Regulation 19 of the Local Government (Capital Finance and Accounting) Regulations (Northern Ireland) 2011 requires the Council, in carrying out its capital finance functions, to have regard to the CIPFA Treasury Management in the Public Services Code of Practice 2021.

The Local Government Finance Act (Northern Ireland) 2011, section 25(1), also requires a Council to have regard to guidance issued by the Department of the Environment on Local Government Investments.

In setting this policy, Ards and North Down Borough Council will thereby adhere to the aforementioned guidance and Regulations and adopt the key principles detailed in section 4 of CIPFA's Treasury Management Code of Practice (2021 Edition), which are as follows:

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

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Treasury Management Policy Statement, Continued

Actions

Accordingly, the Council will create and maintain, as the cornerstones for effective treasury and investment management:

1. a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
 2. suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities
 3. investment management practices (IMPs) for investments that are not for treasury management purposes
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Definition

The Council defines its treasury management activities as “the management of its borrowings, investments and cash flows, including 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”.

Objectives and Approach to Risk Management

This 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 Council, and any financial instruments entered into to manage these risks.

The 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.

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Treasury Management Policy Statement, Continued

Delegated Responsibilities

The Council delegates responsibility:

- for the implementation, regular monitoring and approval of its treasury management strategy, policies and practices to the Corporate Services Committee;
- for the execution and administration of treasury management decisions to the *Director of Corporate Services*,
- *for making long-term investment and borrowing decisions to any two of the following postholders:*
 - *Chief Executive as Chief Financial Officer*
 - *Director of Corporate Services*
 - *Head of Finance*
- *for making short-term investment and borrowing decisions to any two of the following postholders:*
 - *Chief Executive as Chief Financial Officer*
 - *Director of Corporate Services*
 - *Head of Finance*
 - *Capital, Corporate, Performance and Financial Operations Accountants*
- *For the effective scrutiny of the treasury management strategy and policies to the Audit Committee.*

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Treasury Management Policy Statement, Continued

Director's Responsibilities

The Director of Corporate Services duties will include:

- acting in accordance with the Council's policy statement, TMPs and IMPs and (if a CIPFA member) CIPFA's Standard of Professional Practice on treasury management;
- recommending treasury management policy and practices for approval, reviewing the same regularly and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budgets variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skill, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit and liaising with external audit;
- recommending the appointment of external service providers.

Reporting Requirements

The Council will receive reports on its treasury and investment management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after the close of the financial year in the form prescribed in the TMPs and IMPs.

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Treasury Management Policy Statement, Continued

Practices

CIPFAs Treasury Management Code of Practice recommends that an organisation's treasury management practices (TMPs) include those, from the following list, that are relevant to its treasury management powers and activities: -

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

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TMP 1 Risk Management

Introduction The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment.

The Director of Corporate Services will:

- design, implement and monitor all arrangements for the identification, management and control of treasury management risk;
- report at least annually on the adequacy of these arrangements; and
- report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives in respect of risk management.

In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out annually in the Council's Annual Treasury Management Strategy.

Credit and Counterparty The Council will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited. The Council will limit its investment activities to the instruments, methods and techniques listed in its annual Treasury Management Strategy and only with counterparties who are approved in accordance with the approach stated within the same 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 whom it may enter into other financing or derivative arrangements.

The Council's credit and counterparty policies also set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. However, as this is currently a developing area, any policies will not include ESG scoring or other real-time ESG criteria at individual investment level.

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TMP 1 Risk Management, Continued

Liquidity

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

The Council will not borrow earlier than required to meet cash flow needs unless there is a clear business case for doing so and will only do so for the current capital programme, to fund future debt maturities, or to ensure an adequate level of short-term investments to provide liquidity for the Council.

Interest Rate

The Council will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs or revenues in accordance with its treasury management policy and strategy and in accordance with TMP6 Reporting requirements and management information arrangements

It will achieve this by the prudent use of its approved investments, 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 will be subject to the consideration and, if required, approval of any policy or budgetary implications.

Exchange

This is not considered to be a material risk for the Council.

Inflation

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

Refinancing

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

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TMP 1 Risk Management, Continued

Legal and Regulatory

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

Operational

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

Price

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

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TMP2 Performance Measurement

Practice

The Council is committed to the pursuit of value for money in its treasury management activities, within the framework set out in its treasury management policy statement.

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TMP3 Decision-making and analysis

Practice

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

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TMP4 Approved Instruments, methods and techniques

Practice

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in its annual Treasury Management Strategy, and within the limits and parameters defined in TMP1 Risk management

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TMP5 Organisation, clarity, segregation of responsibilities and dealing arrangements

Practice

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

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

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

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TMP6 Reporting requirements and management information arrangements

Practice

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

As a minimum the Corporate Services committee will receive:

- an annual report on the strategy and plans to be pursued in the coming year
 - a mid-year review and
 - an annual report, after the close of the financial year, on the performance of the treasury management function, the effects of the decisions taken and the transactions executed in the past year, and any circumstances of non-compliance with this treasury management policy statement and TMPs.
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TMP7 Budgeting, accounting and audit arrangements

Practice

The Director of Corporate Services will prepare, and the Council will approve and amend if necessary, an annual budget for treasury management as part of its annual Rate setting process. The budget will include both the costs involved in running the treasury management function and associated income. The Director of Corporate Services will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with TMP6 Reporting requirements and management information arrangements.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

The Audit Committee will have responsibility for the scrutiny of treasury management practices.

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TMP8 Cash and cash flow management

Practice

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Director of Corporate Services 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 Director of Corporate Services will ensure that these are adequate for the purposes of monitoring compliance with TMP1(2) Liquidity risk management, and for the purpose of identifying future borrowing needs (using a liability benchmark where appropriate).

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TMP9 Money Laundering

Practice

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff involved in this are properly trained.

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TMP10 Training and qualifications

Practice

The Council recognises the importance of ensuring that staff, and elected Members, involved in treasury management are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to provide training to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

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TMP11 Use of external service providers

Practice

The Council recognises that responsibility for treasury management decisions remain within the organisation. The Council also recognises that there is value in employing external providers in order to acquire access to specialist skills and resources. In such cases, the Council will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits, and where services are subject to formal tender, legislative requirements will always be observed.

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TMP12 Corporate governance

Practice

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

The Council has adopted and has implemented the key principles of CIPFAs Treasury Management Code. This is considered vital to the achievement of proper corporate governance in treasury management, and the Director of Corporate Services will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

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Investment Management Policy Statement

Policy Statement

The CIPFA Prudential Code for Capital Finance in Local Authorities 2021 requires investments to be analysed between investments for treasury management and those that are not part of the treasury management activities ie

- investments for service purposes; and
 - investments for commercial purposes
-

Service Purposes

Investments for service purposes are those that are taken or held primarily and directly for the delivery of public services (including housing, regeneration and local infrastructure) or in support of joint working with others to deliver such services. Service investments may or may not involve financial returns, however, obtaining those returns will not be the primary purpose of the investment. Service investments will normally constitute capital expenditure and it may be appropriate to borrow to finance service investments.

Commercial Purposes

Investments for commercial purposes are those that are taken or held primarily for financial return and are not linked to either the treasury management activities or for delivery of services. They include non-financial assets such as commercial property held primarily for financial return. The Council is not permitted to borrow for such investments

Objectives

The Council does not currently hold any service or commercial investments.

Should such investments be considered in future, the policy will be updated in line with the requirements of the both the CIPFA Prudential Code and Treasury Management Code.
