

# APPENDIX 1

## GBSLEP FUTURE OPERATING MODEL

### APPENDIX A - FINANCE CONTROLS POLICY

#### 1. Introduction

This document sets out the policy and process of GBSLEP in relation to any activity that commits the LEP to financial expenditure. It ensures that:

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- Purchase of goods and services made do not exceed the limits of approved budgets
- Goods and services are purchased only with proper authorisation
- Appropriate and compliant tender processes are used where appropriate and in line with delegated budgets
- Goods and services are correctly ordered and recorded
- LEP can demonstrate best value for money when spending public money

No Individual who works for the LEP may commit the company to any financial commitment unless they follow this policy.

In support of this policy GBSLEP will:

- Assign responsibility to named individuals and provide adequate management oversight
- Measure and monitor the application of this policy
- Review this policy at least once every two years
- Ensure that all GBSLEP staff are aware of this policy and associated procedures

## 2. Overview of accountabilities for procurement

**The COO is** accountable for establishing process, policy and governance relating to financial matters, along with the management of risk. This includes the following: -

- Recommending delegation limits for sign off by the GBSLEP Board
- Management of the Finance System
- Mitigating financial risk arising from contract risk during procurement and tendering process
- Standardisation of purchases where possible across high volume items
- Introduction and review of processes

The Head of Governance is accountable for ensuring periodic audits of finance systems and activity

The Head of Delivery is accountable for monitoring financial spend and risk for capital programs and reporting this to the COO and Programme Delivery Board.

The following are accountable for allocating capital expenditure – LEP Director (up to £2.5m); Program Delivery Board (up to £10m); GBSLEP Board (over £10m).

The finance team provides assurance; remaining aware of and reporting any misconduct, or offence of fraud under the Fraud Act 2006 and the Bribery Act 2010.

All staff have a responsibility to work within the terms laid out; as well as acting legally and ethically.

All staff and officers whose role may make them liable to have a conflict of interests with their duties must declare this. They will be required to sign a declaration which will be held with HR records. Should circumstances change, HR must be notified immediately.

### **3. COMMITTING THE LEP TO FINANCIAL EXPENSE**

The aim of the annual budgeting process is to ensure annual requirements are adequately considered, and appropriate budgets awarded. Repeated expenditure that is not within budget, will result in disciplinary action, and may result in the withdrawal of financial and budgeting responsibilities.

#### **3.1 Procurement items and services under £200**

As long as purchase is within the approved budget, commitments may be made and / or authorised by budget holders.

Purchase values may not be split to bring them under the limit.

#### **3.2 Procurement of larger value items and services**

The thresholds apply to budgeted expenditure only. They exclude recruitment; additional posts must be signed off by the CEO, replacement posts can be filled immediately.

The following financial limits/procedures must be followed, and the total value must not be artificially split to avoid the appropriate approach.

£201 to £999	One written quotation
£1,000 to £10,000	Three written quotations
£10,001 to OJEU limits	Open tender, advertised on GBSLEP website, signed off by the COO and GBSLEP Board

The thresholds apply to the total order and in the case of contracted services to the annual contract cost.

These limits may be overridden only with agreement of the CEO or COO. The use of delegated authority must be reported to the GBSLEP Board.

All expenditure over £100k must be reported to the Board.

### 3.3 Non-budgeted expenditure

All non-budgeted expenditure should be for exceptional items only. ***Additional staff posts must be approved by the CEO.***

Individual expenditure below £500.00 must be approved by the budget holder and recorded as an extraordinary expense.

Cumulative expenditure in one budget, over £1000.00 must be approved and a discussion will be held around budgeting capability. Individual purchases over £1000.00 must be approved accompanied by a business case and explanation of why the expenditure was not accounted for during budgeting processes.

A record of the budget request will be retained for the full financial years and a cumulative report given to the budget holder and GBSLEP Board.

## 4. USE OF COMPANY CHARGE CARDS

4.1 GBSLEP will receive a debit card as part of the account facility. The company will hold up to two cards. These cards will only be used by the COO or Director and within budget allocations. Each cardholder will have a single transaction limit of £500.00 (exclusive of VAT) and a total monthly credit limit of £2,000.00 (exclusive of VAT). In exceptional circumstances this limit may be increased by the Chair.

4.3 Immediate revocation of the Card will be made, and treated a gross misconduct, if any of the following occur:

- Splitting charges to avoid the single purchase transaction limit
- Loaning the card, or giving the card details to another employee for subsequent use
- Using the card for personal purchases
- Failure to reconcile statements with receipts

### 4.4 Conditions of Use

- The cardholder is responsible at all times for the proper use of the credit card in line with this policy
- A cardholder is responsible for the safe custody of the card and the security of the card information.
- Reasonable precautions should be taken to prevent fraudulent use of the card
- Cards may only be used for bona fide business purposes

- Cards must not be used for personal expenditure
- Cards must not be used to withdraw cash
- Any expenditure must in compliance with procurement policies and procedures and in compliance with other policies for example the Travel and Subsistence
- Expenditure must be within budgetary limitations and in accordance with any prior approval requirements
- The credit card limit must not be exceeded.

Monthly statements, along with receipts and credit card expenses form must be submitted to finance within 5 days of receipt so payment can be made and avoiding the accrual of interest. Failure to abide by this may result in the card being removed.

## **5. EXPENSES**

The following limits apply to all travel and subsistence:

- Breakfast £4.48
- Lunch £6.17
- Tea £2.43
- Evening meal £7.64

It is preferable to book train tickets via the finance team. However, GBSLEP will reimburse staff and Non-Executive Directors for business critical train travel, booked in standard class, upon production of receipts and/or the tickets used.

The following mileage can be claimed:

- Mileage between the employee's administration centre (usual place of work) and another official location.
- Additional mileage between employees home address and an official location
- All mileage from the first additional office locations including three miles to obtain lunch.

In all cases, mileage from the employee's home address to the administration centre cannot be claimed for and will be deducted

Administrative centre - The appropriate centre for administrative purposes for the approved car user (this will normally be the office, depot or centre from which they regularly operate as determined by the respective Chief Officer).

Official location - A place other than the administrative centre where the approved car user may carry out their official duties.

## **6. COMMITTING FINANCIAL EXPENDITURE THROUGH THE CONTRACTING OF SERVICES**

- All contracts must be processed in accordance with the contract approval process and in line with authorised limits and delegated authorities
- Contract initiation may be delegated to other Staff members, however, signing authority for contracts is reserved for those staff identified in the Schedule of Financial Delegations of Authority
- Contracts must not be entered into without receiving legal advice

## **7. AUTHORISATION OF INVOICES FOR PAYMENT**

It is not permissible under any circumstances for the staff member requisitioning and authorising purchase orders to also authorise the invoice.

*Segregation of duties will ensure that individuals are clear on their role and responsibilities and it is up to every person to ensure they abide by them. Failure to do so will be treated as gross misconduct.*

## **8 . AUTHORISATION OF OWN EXPENDITURE**

Employees must not approve the incurring of, or the reimbursement of, their own expenditures even if it falls within their delegation limit. Such expenditure must be approved by that person's immediate manager, or by the COO (with a written delegation from the CEO, which remains in effect until otherwise revoked).

## 9. AUDIT

The Audit & Risk Committee should set the degree of assurance it requires concerning the management of financial risk.

At least one internal and one external audit of financial activity will be undertaken each year.

GBSLEP reserve the right to request and view any documents and ask any question to employees that may be relevant to the audit of their financial activities.

## 10. GBSLEP SCHEME OF DELEGATION

The Schedule set out below represents authority delegated by the Board. It endeavours to balance a suitable level of control, with practical requirements need to run day to day operations, efficiently.

It details where authority rests within GBSLEP for financial related matters.

This schedule will be confirmed annually by the CEO and filed with Finance. Limits may be amended at any time by the CEO with approval of the GBSLEP Board.

The finance team will maintain the *Schedule of Financial Delegations*, for the purpose of verifying expenditure.

This Policy also applies to transactions that do not involve a monetary amount, but nonetheless legally commit GBSLEP or incur liabilities for GBLSEP.

- All delegations relate to the delegate's position, not to the individual in that position.
- A delegation of authority under this policy may be wholly or partially withdrawn or restricted (either permanently or temporarily) at any time by the CEO or COO, or Board.
- A delegate's manager may exercise the same level of authority as the delegate; levels of authority are hierarchical through relevant lines of responsibility
- Notwithstanding these delegations, delegates should keep their managers informed of significant initiatives and projects, even if the cost of those initiatives and projects are below the delegated amount and within budget.

### Signoff for Core Business Activities

ACTIVITY	SUM	AUTHORISED BY
Purchase	Under £200.00	Budget Holder
Approval of purchases, invoice, or total contract value, funded from authorised budget	≤ £10,000 ≤ £200,000 > £200,000	Budget Holders or COO COO or CE CE and Chair/ Deputy Chair
Approval of purchases, invoice, or total contract value, outside of authorised budget	≤ £10,000 ≤ 100,000 > £100,000	COO COO and Chair / Deputy Chair COO and GBSLEP Board
Signing contracts (total value) within authorised budgets	≤ £200,000 > £200,000	CEO CEO and Chair/ Deputy
Bank signatories – cheques. Funded from authorised budget	≤ £1000.00 > £1000.00	1 signatory COO/CE/Chair/Deputy Chair 2 signatories COO/CE/Chair/Deputy Chair
Approval to apply for grant funding that would commit the LEP to additional resource and / expenditure that extends into the next financial period	GBSLEP Board on the basis of a full business case In exceptional circumstances, the CEO or COO may take the decision and confirm the basis of this to the GBSLEP Board.	
Sign off of business Internet Banking Payments	£50,000 per week Over £50,000	COO or CEO CEO & either COO or Senior Manager
Authorisation to award purchase cards	ANY VALUE	CEO or COO
Authorisation of purchase card spend above authorised limit	ANY VALUE	CEO or COO
Authorisation of expenses	Within limits Outside of limits	Line manager Line manager and COO
Approving write-offs	ANY VALUE	BOARD
Authorisation to purchase within budget	ANY VALUE	Budget holder
* Procurement must also comply with company procurement procedure and limits.		



### Strategic context for financial decision making

What	Accountable	Oversight & involvement	Approval
Set the overarching vision and strategy for economic growth in the GBSLEP that underpins financial plans and determine key priorities for Investment	CEO	All committees	GBSLEP Board
Corporate policies (that is, those which have a material financial impact on GBSLEP staff or strategy) e.g. pay policy	COO	CEO	GBSLEP Board
Investment strategy	CEO	COO	GBSLEP Board
Prioritisation criteria for financial spend	CEO	COO	GBSLEP Board
Strategy for capital programs	CEO	COO	GBSLEP Board

### Budgets

Function	Accountable	Responsible	Sign off where required	Advice and guidance
Setting priorities for allocation of operating budgets	CEO	COO	GBSLEP Board	S151
Setting annual operational budgets	COO	Budget holders	GBSLEP Board	S151
Approval of annual LEP budget	CEO	COO	GBSLEP Board	S151
Approval to move funds between budget headings	COO	Finance team	n/a	CEO

### Finance processes and management

Function	Accountable	Responsible	Sign off where required	Oversight
Financial processes for daily operations e.g. including expenses, draw down of funds from BCC	CEO	COO	GBSLEP Board	All staff

Monitoring and reporting on budgets	COO	Budget holders	n/a	GBSLEP Board
Ensuring GBSLEP finances are managed within legal and legislative requirements	CEO	Head of Governance	n/a	GBSLEP Board
Monthly evaluation and reporting of spend	COO	Budget holders	n/a	Board CE
Annual review of procurement and finance processes	CEO	COO	GBSLEP Board	n/a
Authorising systems of internal financial management, control and accountability	COO	Head of Governance	GBSLEP Board	n/a
Ensuring adequate records are maintained	COO	All staff	Head of Governance	GBSLEP Board Audit & Risk Committee
Appointment of Bank, opening bank accounts and designation of bank signatories	CE	COO	GBSLEP Board	n/a
The maintenance of records, the security and regular reconciliation of petty cash	COO	Admin team	Finance team	COO
Ensuring segregation of duties	CE	CO	Head of Governance	Audit & Risk Committee
Drawing down revenue from BCC	CEO	COO	n/a	GBSLEP Board

### **Recruitment, pay and reward**

<b>Function</b>	<b>Accountable</b>	<b>Responsible</b>	<b>Sign off where required</b>	<b>Oversight</b>
Authority to appoint/terminate Chief Executive post, in line with company policy	GBSLEP Board	Nominations Committee	GBSLEP Board	n/a
Establishing base pay	GBSLEP Board	Remuneration Committee	GBSLEP Board	n/a

Review and agree main features of terms and conditions of employment including pay	GBSLEP Board	Remuneration Committee	GBSLEP Board	Union
Approval of early retirement/Severance	CE	COO	GBSLEP Board	n/a
Authorise appointment of staff (interim, secondments, permanent) within authorised budget	Line Manager	Line Manager	n/a	CEO COO
Authorise appointment of staff (interim, secondments, permanent) additional to authorised budget	Line Manager	Line Manager	COO on receipt of business case	CEO Board
Authorisation of payroll	COO	Finance team	COO	n/a

### Financial accounting and reporting

Function	Accountable	Responsible	Sign off where required	Oversight
Preparation of annual accounts	CEO	COO	S151	Head of Governance GBSLEP Board
Monthly reconciliations	COO	Finance team	n/a	CEO
Submission of VAT returns	COO	Finance team	n/a	n/a
Approval of Annual Accounts	CEO	COO	GBSLEP Board	n/a
Appointment of Accountants	CEO	COO	GBSLEP Board	n/a
To monitor the regulations on VAT, ensuring compliance with financial regulations	COO	n/a	n/a	n/a
To complete and submit Vat returns	COO CEO	n/a	n/a	n/a
Submission of annual returns	GBSLEP Board	COO	n/a	n/a

Report on income held by BCC on behalf of the LEP	COO	S151	n/a	Audit & Risk Committee GBSLEP Board
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### Finance risk and reporting

Function	Accountable	Responsible	Sign off where required	Oversight
Monitoring business performance against strategic objectives and reporting associated risks	CEO	COO	n/a	Audit & Risk Committee GBSLEP Board
Monitoring budgets on a weekly basis & reporting risk where needed and working to mitigate risks	COO	All budget holders	n/a	CEO

### Audit

Function	Accountable	Responsible	Sign off where required	Oversight
Appointment of Financial Auditors	COO	Head of Governance	Audit & Risk Committee	GBSLEP Board
Annual compliance check for all matters including segregation of duties and internal controls	Head of Governance	COO	CEO	Audit & Risk Committee GBSLEP Board
Arranging and delivering and reporting of annual audits	CEO	Head of Governance	n/a	Audit & Risk Committee

### Capital Finance, Performance, Risk and Monitoring

<b>Function</b>	<b>Accountable</b>	<b>Responsible</b>	<b>Sign off where required</b>	<b>Oversight</b>
Design of funded programme (e.g. LGF, GPF, EZ)	CEO	Head of Delivery	Programme Delivery Board	GBSLEP Board
Prioritisation criteria for funding (e.g. LGF, GPF, EZ)	COO	Head of Delivery	Pillar Boards	GBSLEP Board
Prioritisation and allocation of funding to projects (e.g. LGF, GPF, EZ)	CEO	Head of Programs	Programme Delivery Board	GBSLEP Board
Award of funding to specific projects in line with previously agreed allocations; subject to independent scrutiny of business cases offering vfm and satisfying the GBSLEP Assurance Framework requirements	CEO	Head of Delivery	GBSLEP Board / Programme Delivery Board / CEO (as per delegations)	GBSLEP Board Programme Delivery Board
Payment of funding to projects on receipt of valid and authorised claim form in line with project offer letter and/or project contract	CEO	Head of Delivery	CEO / COO following sign off policy	Programme Delivery Board
Monitoring the delivery, outputs and spend of the projects funded under the Growth Deal Programme or other funding programmes including Growing Places Fund, Birmingham City Enterprise Zone programme, and SEF/BRP programme	CEO	Head of Delivery	n/a	Programme Delivery Board GBSLEP Board Audit & Risk Committee
Ensuring the risk registers for the Growth Deal. Growing Places Fund, are reviewed and that all mitigations are up to date/ appropriate, Birmingham City Enterprise Zone programme, and SEF/BRP programme	Head of Governance	Head of Delivery	Audit & Risk committee	Audit & Risk Committee Programme Delivery Board GBSLEP Board
If a Project is at risk of non-delivery that it is brought to the attention of the GBSLEP Board, if appropriate with recommendations for action	CEO	Head of Delivery	n/a	Audit & Risk Committee GBSLEP board Programme Delivery Board

## SECTION TWO PROCUREMENT PROCESSES

### 11. Procurement within approved budgets

The following financial limits/procedures should be observed, regardless of how purchases are made. These may be overridden by agreement of the Chief Executive but all exceptions will be reported to the GBSLEP Board. Repeated exceptions will result in the CEO and COO having to account to the Board. The thresholds apply to the total order and in the case of contracted services to the total contract cost. Contracts must not be artificially split in order to avoid the specified approach.

Under £200.00	Own judgement
£201 to £999	One written quotation
£1,000 to £10,000	Three written quotations
<b>£10k and EU threshold (£181,302)</b>	Tender, advertised on GBSLEP website, signed off by the COO and GBSLEP Board
	<ul style="list-style-type: none"><li>• Detailed Specification</li><li>• Evaluation Criteria of Quality and Price</li><li>• Quality Questions</li><li>• Pricing Summary</li></ul>

### 12. PURCHASING PRINCIPALS

Purchasing decisions should not be solely judged on obtaining goods or services for the lowest possible price, rather on value for money, taking into account the total cost to procure and the lifecycle of the goods or services by considering:

- Price
- Quality of product or service

- Fit of product with need
- Reputation and capacity of provider
- Range of goods and services and suppliers available
- Reliability
- Responsiveness
- Delivery times
- Environmental impact

### **13. PURCHASE PROCESSES**

13.1 Prior to purchase enquiries should be made with the Finance team as to whether GBSLEP has a preferred supplier for the goods or services.

All purchases must be supported by a VAT receipt

#### **13.2 Purchase via the finance team**

A purchase requisition should be passed to the budget holder for sign off

For spend that is not within budget see also 13.6

Any documents such as quotes, sole supplier forms or emails, along with a completed requisition order, is then passed to the finance team

All documents will be scanned into the system

The finance team will raise a purchase order and make the order

If payment is made after receipt of goods / services, the budget holder must confirm that the goods / services received are satisfactory and authorise payment

#### **13.3 Purchase using the company purchase card.**

**The company purchase cards will be held by the Director and COO who will authorise their use**

All receipts and statements relating to a purchase must be supplied to finance

Within 3 days of receiving a credit card bill, a credit card expenses form must be completed, signed off by the line manager who will reconcile receipts against spend. The statement, credit card expense form and receipts must be given immediately to finance so payment can be made before interest is accrued

Employees will be liable to incur expenses themselves if they cannot provide proof of purchase  
For spend that is not within budget see also 13.6

#### **13.4 Expenses – purchases using personal money**

These items will usually be for travel and subsistence and should not exceed the amounts laid out in the policy  
Any documents relating to a purchase must be retained and supplied to finance with your monthly expense claim. These must be submitted to finance by the 5<sup>th</sup> working day of each month  
Expense submissions must be signed off by the line manager who must validate the items claimed against the receipts provided  
Payments of expenses will be made via payroll / BACs. Late submissions will not be paid until the following month. Employees will be liable to incur expenses themselves if they cannot provide proof of purchase

#### **13.5 Purchase via contract**

Procurement must follow the general rules laid out in 3.2.

On completion of the work; supply of goods or services, the Contractor will be required to submit applications for payment in arrears for works completed to the satisfaction of GBSLEP.

Suppliers will be paid in accordance with agreed payment terms as set out in their contractual agreement, on the basis that each invoice contains the following minimum information:

- Account Number
- Reference number
- Charges and total due including a deduction for any applicable discounts
- Total value excluding VAT
- VAT
- Grand total

Invoices without all relevant information will not be processed. Payment will be made to the Contractor within 30 days of receipt.

#### **13.6 PURCHASE OF NON-BUDGETED EXPENDITURE**

All non-budgeted expenditure should be for exceptional items only.



Individual expenditure below £500.00 must be approved by the budget holder and recorded as an extraordinary expense.  
All none budgeted expenditure with an individual value of over £500.00, or a cumulative value to a single budget of over £500.00, must be approved by the COO using the form

### **13.7 REQUEST FOR ADDITIONAL BUDGET FUNDS**

For items over £1000.00, a full business case must be completed  
The budget holder will approve the application and submit to the COO or in their absence the CEO  
Approval will be approved or declined within 5 working days.  
Budgeted expenditure that is of sufficient value to go to OJEU, will be approved by the COO or CEO and then the GBSLEP Board before procurement starts.  
Once approved, the value will determine the next steps, according to the table above.  
A record of the budget request will be retained for the full financial years and a cumulative report given to the budget holder and GBSLEP Board.

### **14. 1 APPLICATION FOR A COMPANY PURCHASE CARD**

All applications for use and ownership of a Purchasing Card will be requested by authorised by the Director or Chair. The Finance team will arrange for a cardholder application form to be completed.

Card holders will –

- Complete the application form
- Not disclose the card number, expiry date, 3-digit security code and PIN number to any other person.
- Sign an agreement to:
  - Agree to abide by the spending limits
  - Agree not to use the card for personal use.
  - Agree to the completion and timely returns of the statement and receipts
  - Acknowledge understanding of the process for submitting statements
  - Acknowledge understanding of the process for lost/stolen cards

- The Finance Department will retain a copy of the signed form along with financial records for a period of 7 years
- The Finance Office will retain the card details and PIN number along with records of spending and associated receipts

#### **14.4.2 Lost credit cards**

On finding the card has been lost or stolen, the card holder must immediately put a stop on the card by:

Notifying Lloyds via their 24 hour hotline 0800 096 9779 or visiting the nearest branch.

The cardholder must then complete a lost card notification and send to Finance

#### **ASSOCIATED DOCUMENTS**

1. Requisition form for purchases with budget holder details and authorised signatory
2. Application form for a credit card
3. Business case headers - why the expenditure was not account for during budgeting processes., business reason ( reduce financial risk, reduce operational risk, reduce reputational risk, new business growth )
4. Expenses policy and claim sheet
5. Record and document retention policy
6. Credit card acceptance agreement
7. Notification of lost credit card form
8. Credit card expenses form
9. Request for additional budget

## **APPENDIX B:**

### **ANNUAL TREASURY MANAGEMENT STRATEGY 2019/20**

### **(INCLUDING ANNUAL INVESTMENT STRATEGY 2019/20)**

#### **INTRODUCTION**

1. As the primary source of income is from the public sector; GBSLEP follows the requirements of the Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the CIPFA TM Code) and the Prudential Code for the management of its Treasury functions. This requires determination of the Treasury Strategy on an annual basis in advance of the new financial year.
2. GBSLEP will maintain, as the cornerstones for effective treasury management:
  - a. a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
  - b. suitable treasury management practices (TMPs), setting out the manner in which GBSLEP will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
3. The content of the policy statement and TMPs will follow the recommendations contained in the CIPFA Code of Practice on Treasury Management, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.
4. GBSLEP investment strategy is risk averse with security and liquidity of cash assets taking precedence over returns.
5. Whilst GBSLEP Directors remain accountable at all times for the TMP and ensuring policies and practices are followed, they delegate accountability for day to day delivery of the TMP in accordance with the scheme of delegation in Appendix A.

#### **Policy Statement**

6. GBSLEP defines its treasury management activities as:  
'The management of the organisation's 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.'
7. GBSLEP 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, and any financial instruments entered into to manage these risks.
8. GBSLEP 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.
9. GBSLEP sets parameters/policies for its borrowing and investments as described in its annual Treasury Management Strategy Statement.

## **Treasury Management Practices**

10. CIPFA recommends that an organisation's treasury management practices (TMPs) include those of the following, that are relevant to its treasury management powers and the scope of its treasury management activities:

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

11. GBSLEP considers that all the above are relevant and are to be included in its TMP and supported with policies and processes.

### **TMP1 - RISK MANAGEMENT**

#### **12. General statement**

13. The COO will be accountable for the implementation and monitoring of all arrangements for the identification, management and control of treasury management risk, and will report at least annually on the adequacy/suitability thereof, to the Board. They will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect.

#### **14. Credit and counterparty risk management**

15. GBSLEP regards a key objective of its treasury management activities to be the security of the sums it invests. Accordingly, the Audit and Risk committee will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 *Approved instruments, methods and techniques*.

16. 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.

#### **17. Liquidity risk management**

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

19. GBSLEP will only borrow in advance of need where there is a clear business case for doing so.

#### **20. Interest rate risk management**

21. GBSLEP will manage its exposure to fluctuations in interest rates with a view to containing its interest costs.

22. GBSLEP will achieve this by the prudent approaches to ensure certainty of costs and revenues, whilst retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.
23. GBSLEP will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy.

#### **24. Exchange rate risk management**

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

#### **26. Refinancing risk management**

27. GBSLEP will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.
28. GBSLEP will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

#### **29. Legal and regulatory risk management**

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

#### **32. Fraud, error and corruption, and contingency management**

33. GBSLEP 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. Key to financial controls will be ensuring there are no conflicts of interest between those authorising grants and the companies receiving them, segregation of duties around payroll and expenses and budgetary controls.

#### **34. Market risk management**

35. GBSLEP 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.

## **TMP2 - PERFORMANCE MEASUREMENT**

36. GBSLEP 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.
37. Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation'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.

## **TMP3 - DECISION-MAKING AND ANALYSIS**

38. GBSLEP 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.

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

39. GBSLEP will undertake its treasury management activities by employing only approved instruments, methods and techniques, and within the limits and parameters defined in TMP1 *Risk management*.
40. Where this organisation intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. GBSLEP will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

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

41. GBSLEP 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 finance and treasury activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.
42. The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.
43. If and when GBSLEP intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with TMP6 *Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.
44. The COO will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The responsible officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out.

45. The COO will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.
46. The COO will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and, if a CIPFA member, the *Standard of Professional Practice on Treasury Management*.

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

47. GBSLEP 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.
48. As a minimum GBSLEP Board will receive:
- an annual report on the strategy and plan to be pursued in the coming year
  - a mid-year review
  - an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.
49. The Board will receive regular monitoring reports on treasury management activities and risks.
50. The Governance, Risk & Audit Committee, will have responsibility for the scrutiny of treasury management policies and practices.

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

51. The COO will prepare and, if necessary, from time to time amend, an annual budget which will bring together all of the costs involved in running GBSLEP, together with associated income and investment strategy. GBSLEP capital expenditure plans are a key driver to treasury management activity and the cost of these activities will be included in the budgets and financial forecasts.
52. The COO 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*.
53. GBSLEP will account for financial activity, 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.
54. GBSLEP Head of Governance will ensure a program of internal and external audit of its financial functions; at both program and organisational levels. This will include an audit of key controls.

#### **TMP8 - CASH AND CASH FLOW MANAGEMENT**

55. Unless statutory or regulatory requirements demand otherwise, all monies in the hands of GBSLEP will be under the control of the COO 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 COO will ensure that these are adequate for the purposes of monitoring compliance with TMP1[1] *liquidity risk management*.

#### **TMP9 - MONEY LAUNDERING**

56. GBSLEP 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. Where GBSLEP commissions another organisation to perform its day-to-day treasury management duties, the LEP will ensure that the organisation maintains appropriate anti-money laundering procedures.

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

57. GBSLEP 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 COO will recommend and implement the necessary arrangements.
58. The responsible officer will ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.
59. Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

#### **TMP11 - USE OF EXTERNAL SERVICE PROVIDERS**

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

#### **TMP12- CORPORATE GOVERNANCE**

62. GBSLEP 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.
63. GBSLEP has adopted and has implemented the key principles of the CIPFA Code of Practice on Treasury Management. This, together with the organisation's other treasury arrangements, are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.



## APPENDIX A – TMP ROLES AND RESPONSIBILITIES

ACTIVITY	ACCOUNTABLE	RESPONSIBLE	CONSULTED	INFORMED
Treasury advice and guidance	CEO	COO	External advisers	Board
Setting treasury management policies	Board	COO	All relevant stakeholders	Audit & Risk Committee Board Those involved in finance processes
Setting treasury management processes	CEO	COO	All relevant stakeholders	Audit & Risk Committee Board Those involved in finance processes
Day to day management and monitoring of treasury management risk	CEO	COO	All relevant stakeholders	Audit & Risk Committee Board
Audit of treasury management risk processes and procedures	Board	Head of Governance	n/a	Audit & Risk Committee
Production of annual provision statement, mid-year and annual review	CEO	COO	Audit & Risk Committee	Board
Scrutinise and approve annual TMP	Board	CEO	n/a	n/a
Approval of appointment of external auditors	Audit & risk Committee	Head of Governance	n/a	CEO COO
Audit plan	CEO	Head of Governance	CEO COO	Audit & Risk Committee Board
Counterparty policy, lists and limits	CEO	COO	COO Head of Governance	n/a
Liquidity, legal & regulatory, interest rate exchange rate risk monitoring and reporting	CEO	COO	Finance advisers	Board Head of Governance
Refinancing of loans	Board	COO	Finance advisers CEO	n/a
Transfer of investments between funds	Board	COO	Finance advisers CEO	n/a
Counterparty risk management	Board	COO	Finance advisers CEO	n/a
Approval of key controls/ segregation of duties	Board	COO	CEO Head of Governance	n/a
Implementation of key controls/ segregation of duties	CEO	COO	Head of Governance	Board
Ensuring employees sign statement of conflict	CEO	COO	Head of Governance	Board
Monitoring of key controls / segregation of duties	CEO	Head of Governance	COO	Board Audit & Risk Committee
Day to day management of finances	CEO	COO	Budget holders	Board Audit & Risk Committee
Monitoring cash flow	CEO	COO	Budget holders	Board

ACTIVITY	ACCOUNTABLE	RESPONSIBLE	CONSULTED	INFORMED
				Audit & Risk Committee
Transfer of funds to ensure liquidity	CEO	COO	Budget holders	Board Audit & Risk Committee
Annual budget setting process	CEO	COO	CEO	Board
Money laundering policy	CEO	COO	External advisers	Board Employees
Identifying and implementing training	CEO	COO	Team leaders	Staff
Appointment of COO	Nominations & Remuneration Committee	CEO		Board
Appointment of external financial advisers	Board	CEO		Audit & Risk Committee COO
Making changes to pay on payroll	CEO	COO	Finance team	BCC payroll
Approval of payroll	CEO	COO	Finance team	BCC payroll
Approving expenses	COO	Authorised by the applicants line manager	Finance team	Applicant
Approving CEO expenses	Audit & Risk committee	Chair	Finance team	
Approval of payment of expenses	CEO	COO	Finance team	tbc
Completion by every person engaged with GBSLEP of conflict statement and on-going monitoring	Head of Governance	Line managers on recruitment and annual basis	No consultation – as the HoG must act on this with total independence	Board

## **APPENDIX B – COUNTERPARTY SELECTION PROCESS**

This procedure describes the selection process for investment counterparties.

This procedure requires the approval of counterparties according to various criteria. New proposed counterparties are identified by the investment management team.

### **Methodology**

The new broker is approved according to specific criteria:

- Independence
- Robustness of how they choose their funds to invest in
- Best execution including fees
- Reputation
- Cooperation
- Financial reliability
- Quality of investment services

The Board awards a rating from 1 to 5 for each measure, for each counterparty.

**ANNUAL INVESTMENT STRATEGY to March 2020 ( may need to change this date but aspiration is to align with BCC if we can get agreement from HMRC etc.)**

1. The purpose of the Annual Investment Strategy set out below is threefold:
  - a. To determine the likely return on investments (yield)
  - b. To ensure that the LEP has sufficient cash to meet its liabilities as they fall due (liquidity)
  - c. To ensure that investments are adequately safeguarded (security)
2. With regard to treasury investments in financial assets, the LEP has adopted CIPFA's recommended approach of prioritising security and liquidity over maximising returns.
3. Robust budget setting and regular financial monitoring will ensure that GBSLEP operates within budget and that any risks are identified and mitigated. The work will be overseen by the Board and the Audit & Risk Committee.
4. The investment strategy is based on the new MHCLG Investment Guidance which relates to 2018/19 financial years onwards. This new Guidance has been widened to include commercial investments made primarily to generate a profit rather than to achieve service outcomes. The Guidance stresses that such investments need a more careful financial risk assessment and emphasises the importance of effective due diligence. The LEP in conducting its asset management review will have regard to the Guidance in relation to any proposals to develop its commercial activity.
5. **For the purposes of this TMS, the assumption has been made that BCC retains responsibility for Enterprise Zone capital and revenue funding and expenditure, and therefore no consideration of investment and borrowing requirements for EZ has been included here.**

**TREASURY REQUIREMENTS - LIQUIDITY**

**6. Capital expenditure estimates**

7. The LEP's capital income and expenditure plans for the forthcoming year as set out in the 2018-22 Medium Term Financial Plan (MTFP) updated in February 2019 and estimates for the following two years are summarised as follows:

CAPITAL	2018/19 CY Forecast	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast
	£m	£m	£m	£m
LGF income (incl RIF)	19.3	12.7	31.9	0.0
GPF income	0.0	0.0	0.0	0.0
<b>TOTAL CAPITAL INCOME</b>	<b>19.3</b>	<b>12.7</b>	<b>31.9</b>	<b>0.0</b>
LGF costs	37.8	18.0	23.8	20.0
GPF costs	0.0	0.0	0.0	0.0
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>37.8</b>	<b>18.0</b>	<b>23.8</b>	<b>20.0</b>
<b>NET CAPITAL INCOME LESS EXPENDITURE</b>	<b>-18.5</b>	<b>-5.3</b>	<b>8.1</b>	<b>-20.0</b>
<b>Brought forward balances</b>	<b>45.7</b>	<b>27.2</b>	<b>21.9</b>	<b>30.0</b>
<b>Carry forward balances</b>	<b>27.2</b>	<b>21.9</b>	<b>30.0</b>	<b>10.0</b>

8. An announcement is still awaited on whether LEPs will distribute the Shared Prosperity Fund and how much this may be.
9. The forecast Local Growth Fund (LGF) programme outturn position for 2018/19 is based on the position reported in Q2 programme monitoring presented to the LEP Programme Delivery Board. This showed a projected on-target spend of £37.8m at that time against an in-year funding allocation of £19.3m and planned use of the Revolving Investment Fund (RIF) of £18.5m.
10. The LGF projection for 2019/20 represents the indicative allocation for the year of £12.7m and planned use of the RIF of £5.3m.
11. The LGF projection for 2020/21 represents the indicative allocation for the year of £31.9m and a transfer of £8.1m of this into the RIF. This will leave £20.0m RIF funds to be spent in 2021/22. Efforts are being made to identify appropriate projects that can be funded in earlier years. These will be reflected in the next Treasury Management Strategy update.
12. At this stage no further capital grants are planned to be made from the remaining Growing Places Fund (GPF). The remaining balance of £10m is held in a Mezzanine fund and managed by Finance Birmingham.
13. Any capital expenditure not funded by capital grants, capital receipts or revenue contributions would result in a need for borrowing.
14. The Local Growth Fund programme is managed to ensure that expenditure falls within the LGF grant allocation over the six-year life of the fund.
15. The establishment of the Revolving Investment Fund in 2017 with monies drawn down from the LGF, and the use of this to fund any projects in excess of the annual funding allocation, means that there is no need to make any borrowings during this period.

#### 16. Operational expenditure estimates

17. The LEP's revenue income and expenditure plans for the forthcoming year as set out in the 2018-22 Medium Term Financial Plan (MTFP) updated in February 2019 and estimates for the following two years are summarised as follows:

REVENUE	2018/19 CY Forecast	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast
	£000	£000	£000	£000
Core income	2,385	1,925	1,953	2,223
Discretionary income	3,274	4,579	0	0
<b>TOTAL REVENUE INCOME</b>	<b>5,659</b>	<b>6,504</b>	<b>1,953</b>	<b>2,223</b>
Fixed costs	2,368	2,450	2,306	2,401
Variable costs	2,011	2,331	2,467	2,614
<b>TOTAL REVENUE EXPENDITURE</b>	<b>4,379</b>	<b>4,781</b>	<b>4,773</b>	<b>5,015</b>
<b>NET REVENUE INCOME LESS EXPENDITURE</b>	<b>1,280</b>	<b>1,723</b>	<b>-2,820</b>	<b>-2,792</b>
<b>Brought forward balances</b>	<b>3,353</b>	<b>4,633</b>	<b>6,356</b>	<b>3,535</b>
<b>Carry forward balances</b>	<b>4,633</b>	<b>6,356</b>	<b>3,535</b>	<b>743</b>

18. The brought forward revenue reserves at the beginning of the current year of £3.3m, mainly consisting of Business Rates Pool income, and the use of this to fund any expenditure in excess of the annual core funding, means that there is no need to make any borrowings during this period.

19. **Borrowing strategy** – GBSLEP will not be borrowing any money during this financial period.

20. **Debt financing** - GBSLEP does not have any debt that requires financing.

## INVESTMENT STRATEGY - YIELD

21. Investments will be made with reference to the core cash balance, cash flow requirements and the outlook of interest rates.

22. **For the purposes of this TMS, the assumption has been made that BCC maintains Accountable Body (AB) status over LGF and GPF capital funds, and holds all balances on behalf of the LEP, and therefore will have control over investments made with these funds.**

23. **It is assumed that the LEP will take over responsibility for all revenue funds, being core funds from BEIS, Growth Hub funds from BEIS, EIS funds from ERDF, Business Rates Pool (BRP) funds and LGF PMO charge income. The LEP will commission an investment manager to manage these revenue balances on its behalf, at least for 2019/20 – this will be BCC Treasury Management.**

## 24. Core funds and expected investment balances

25. Outlined below are estimates of the cash balances each year by Revenue and by Capital:

Year End Cash Balances	2018/19 CY Forecast	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast
	£000	£000	£000	£000
Net revenue balances	4,633	6,356	3,535	743
Other revenue balances	0	0	0	0
<b>TOTAL REVENUE BALANCES - GBSLEP</b>	<b>4,633</b>	<b>6,356</b>	<b>3,535</b>	<b>743</b>
LGF/RIF capital balances	17,200	11,900	20,000	0
GPF capital balances	10,000	10,000	10,000	10,000
UK Shared Prosperity Fund capital balances	0	0	0	0
<b>TOTAL CAPITAL BALANCES - BCC</b>	<b>27,200</b>	<b>21,900</b>	<b>30,000</b>	<b>10,000</b>

26. BCC Treasury Management and Finance Birmingham will identify how much of the capital funds can be invested over the short, medium and long terms, and any amount that may need to be held for immediate access, based on regular (quarterly) capital programme cash-flow forecasts.

27. GBSLEP, guided by its treasury management advisers UBS, will invest an appropriate portion of the revenue funds in short, medium and long-term investments, based on regular revenue cash-flow forecasts, allowing for working capital requirements, in order to maintain adequate liquidity and optimise yield.

28. To ensure adequate liquidity of revenue funds at all times, the LEP has set limits for the amount to be invested over different terms for revenue balances, having regard to the LEPs cash requirements and to reduce the need for early sale of an investment. These limits are subject to advice from the LEP's treasury management advisers.

Year End Revenue Resources - potential investment mix, subject to TM advice	2018/19 CY Forecast	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast
	£000	£000	£000	£000
Immediate access - working capital	4,633	4,356	2,535	743
Investments up to 12 months	0	1,000	1,000	0
Investments 1-2 years	0	1,000	0	0
Investments over 2 years	0	0	0	0
<b>TOTAL REVENUE BALANCES</b>	<b>4,633</b>	<b>6,356</b>	<b>3,535</b>	<b>743</b>

## 29. Rate of return on investments

30. Base rate forecasts, as supplied by the LEPs treasury advisers, for financial year ends are as follows:

As supplied by Treasury advisers	2018/19 CY Forecast	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast
Base rate forecasts	0.75%	1.00%	1.25%	1.50%

## 31. Target return on treasury investments

32. The target investment earnings rates for returns on investments placed for the next four years are as follows:

Target returns	2018/19 CY Forecast	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast
Immediate access - working capital	0.00%	0.00%	0.00%	0.00%
Investments up to 12 months	0.75%	1.00%	1.25%	1.50%
Investments 1-2 years	1.00%	1.25%	1.50%	1.75%
Investments over 2 years	1.25%	1.50%	1.75%	2.00%

33. These targets are in-line with the base rate forecasts.

34. The potential annual investment income that may be earned on the investments and at the interest rates estimated above are as follows:

POTENTIAL Annual Investment returns	2018/19 CY Forecast	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast
	£000	£000	£000	£000
Immediate access - working capital	0	0	0	0
Investments up to 12 months	0	10	13	0
Investments 1-2 years	0	13	0	0
Investments over 2 years	0	0	0	0
<b>TOTAL INVESTMENT RETURNS</b>	<b>0</b>	<b>23</b>	<b>13</b>	<b>0</b>

35. NB these forecasts and estimates are subject to advice to be received from the LEPs treasury advisers.

## **INVESTMENT STRATEGY – SECURITY**

### **36. COUNTERPARTY SELECTION**

37. The safety of any investment depends on the strength of the underlying counterparty and its continued solvency throughout the term of the investment. BCC Treasury Management will directly manage all of the CAPEX funds as part of their Accountable Body duties, and in 2019/20 will also manage the revenue funds; they will charge an annual fee of £5,000 for this service.
38. For the money that GBSLEP will invest in its own right, GBSLEP strives to ensure that it uses counterparties with a high level of financial strength.
39. Whilst there are no definitive rules about how to assess this risk, GBSLEP policy (Appendix B) ensures the financial strength of any prospective counterparty is assessed, before doing business with them.
40. For 2019/20 GBSLEP proposes to invest with BCC Treasury Management. They are considered to be a low risk, with rigorous Treasury Management Principles that comply with the rules around investment of public sector funds.
41. Interest rates are predicted to stick at 0.75% and tipped to rise in mid-2019. BCC Treasury Management offers interest rates that are tracked against LIBOR. They receive a small percentage of the investment value as a handling fee. The paid rate of interest starts at 0.25%.
42. It should be noted that these are forecast rates and actual interest rates may differ from these projections, however in agreeing the term of deposit with BCC Treasury Management, GBSLEP will be accepting a fixed rate of interest for the term of the investment.

### **43. MONITORING PERFORMANCE**

44. GBSLEP will actively monitor BCC Treasury Management to identify any risk of counterparty failure.
45. GBSLEP will continually assess and monitor the financial sector in relation to the economic environments in which institutions operate and engage with BCC Treasury Management and its advisors to monitor financial markets and to understand risks and options.
46. Other information sources used will include, but not be limited to the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

### **47. AUDIT**

48. Financial controls, processes and reporting will be subject to internal and external audit including:
  - a. BCC audit of financial controls around CAPEX programs
  - b. GBSLEP internal audit of company financial controls and adherence to budgets and processes
  - c. GBSLEP annual external audit of financial controls and reporting of annual returns
49. The Head of Governance will arrange the timetable for audit activity and report outcomes directly to the Board; informing the Audit & Risk Committee and the CEO.



## **50. RISK**

51. The COO will monitor, record and mitigate financial risk on a day to day basis, holding budget holders to account.
52. The Head of Governance will hold a master list of financial risks, ensure they are being addressed and report to the Board and Audit & Risk Committee.
53. The Audit & Risk Committee will contribute a statement on financial risk for the Board report pack.

## **54. REPORTING**

55. In line with CIPFA guidelines, and in order for the Board to fulfil their statutory duty to ensure GBSLEP is a financially viable company; they will receive:
  - a. an annual report on the strategy and plan to be pursued in the coming year
  - b. a mid-year review
  - c. an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs

## **56. TRAINING**

57. GBSLEP will ensure that any employee involved in the operation of the Treasury Management function, receives appropriate training relevant to their needs to ensure they fully understand their roles and responsibilities.
58. Training will be undertaken as part of the introduction of internal finance processes and controls. A financially qualified COO will be appointed to oversee financial activities on a day to day basis. The current accounts clerk will receive additional training to support an extended remit.

## **59. TREASURY MANAGEMENT ADVICE**

60. GBSLEP recognises that there is value in employing external treasury management advisers in order to acquire access to specialist skills but recognises that responsibility for treasury management decisions remains with GBSLEP Board at all times.

## **APPENDIX C – NOMINATIONS COMMITTEE ToR**

### **PURPOSE**

The purpose of the Nominations Committee (NC) is to advise and make recommendations to the Board on the appointment of Non-Executive Directors to the LEP Board, and the appointment of C-suite officers to the GBSLEP Executive and Board.

The committee will ensure recruitment is undertaken in line with GBSLEP Articles of Association.

### **ACTIVITIES**

- Regularly review the structure, size and composition, including the skills, knowledge and experience, and diversity required of the GBSLEP Board compared to its current position and make recommendations to the Board with regard to any changes. This should take account of the requirements of GBSLEP Articles of Association and the Government's requirement for 66% of the Board to be from the private sector, and for 33% of the Board to be women by 2020 (increasing to 50% by 2023).
- Give full consideration to succession planning for Non-Executive Directors and the Chief Executive in the course of its work, taking into account the challenges and opportunities facing the company, and what skills and expertise are therefore needed on the Board in the future
- Be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise
- Before any appointment is made by the Board, evaluate the balance of skills, knowledge and experience on the Board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall:
  - consult with the business community on the role of, and recruitment process for, the Chair and Deputy Chair
  - use open advertising or the services of external advisers, with the commensurate level of skills and experience, to facilitate the search
  - consider candidates from a wide range of backgrounds, having due regard to the balance of genders, ethnicities and other protected characteristics of the Board
  - consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position
  - review annually the time required from Non-Executive Directors. Performance evaluation should be used to assess whether the Non-Executive Directors are spending enough time to fulfil their duties.
  - ensure that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of them in

terms of time commitment, committee service and involvement outside meetings.

- Make recommendations to the Board concerning:
  - the size, composition and skills of the Board
  - the training and development needs of the Board
  - formulating plans for succession for Non-Executive Directors, the Chair and Deputy Chair
  - the appointment of C-suite officers to the GBSLEP Executive
- Ensure GBSLEP Articles of Association reflect the Boards approach to the recruitment and retirement of Directors

## **MEMBERSHIP**

NC shall comprise a maximum of five members; four drawn from the Board (two each from the public and private sector), and the LEP Board Chair (who will chair the Committee).

The LEP Director and Chief Operating Officer (or equivalent) will also be invited to attend.

## **VOTING RIGHTS**

The NC will operate on the principle of one member, one vote; with the Chair casting the deciding vote in the event of a tie.

## **AUTHORITY**

The Committee has delegated authority from the Board in respect of the functions and powers set out in these Terms of Reference.

## **FREQUENCY OF MEETINGS**

The Committee shall meet at least twice times a year and otherwise as required.

Meetings of the Committee may be called by the Chair of the Committee at any time to consider any matters falling within these Terms of Reference.

## **APPENDIX D – REMUNERATION COMMITTEE ToR**

### **PURPOSE**

The purpose of the Remuneration Group is to advise and make recommendations to the Board on changes to senior officer pay and the Executive's terms and conditions.

### **ACTIVITIES**

- To review the performance of senior officers in the Executive and determine pay awards
- To consider recommendations made by the CEO considering delivery and financial implications and any risks; and in turn to make recommendations to the Board concerning:
  - amendments to staff terms and conditions
  - amendments to pension provision
  - changes to pay
  - changes to structures that require consultation

### **MEMBERSHIP**

The RC shall comprise a maximum of five members; four drawn from the Board (two each from the public and private sector), and the LEP Board Chair (who will chair the Committee).

The LEP Director and Chief Operating Officer (or equivalent) will also be invited to attend.

### **VOTING RIGHTS**

The RC will operate on the principle of one member, one vote; with the Chair casting the deciding vote in the event of a tie.

### **AUTHORITY**

The Committee has delegated authority from the Board in respect of the functions and powers set out in these Terms of Reference.

### **FREQUENCY OF MEETINGS**

The RC shall meet at least once per year. Meetings may be called by the Chair of the Committee at any time to consider any matters falling within these Terms of Reference.

## **APPENDIX E – AUDIT & RISK COMMITTEE ToR**

### **PURPOSE**

The Audit and Risk Committee (ARC) exists to establish and maintain the governance frameworks for GBSLEP, ensure all risks – including financial risks – are adequately managed and assist the Board in its ongoing oversight of governance and risk. ARC will recommend to the Board enhancements to the LEP's governance, support the Board in maintaining alignment with regulations, and anticipate critical emerging issues and make recommendations to the Board.

### **ACTIVITIES**

- Make recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and approve the remuneration and terms of engagement of the auditor
- Agree annual audit program that covers programs, corporate processes, controls, finances and outcomes
- Review audit reports;
- Report and advise the Board on all matters relating to audit;
- Ensure actions arising from audit are undertaken;
- Ensuring adequate and effective risk management and mitigation strategies and monitor their implementation;
- Ensure that the organisation is adequately insured;
- Receiving and reviewing reports regarding risk;
- Ensure risks are being robustly managed and mitigated;
- Report to, and advise, the Board on all matters relating to risk

### **MEMBERSHIP**

ARC shall comprise a maximum of six members.

Membership shall comprise of, as a minimum:

1. The Chair who is an Non-Executive Director (NED)
2. One NED with relevant experience
3. A third NED

The three of whom shall constitute a quorum, and none of whom shall be the LEP Board Chair. Further members from outside the Board can be appointed to the ARC if additional skills and experience are required to augment those of the NEDs.

ARC has the right to co-opt members who shall be non-voting and appointed on an annual basis.

The LEP Director and Chief Operating Officer (or equivalent) will also be invited to attend; while the LEP Board Chair may be called to attend as the agenda requires it.

**VOTING RIGHTS**

The ARC will operate on the principle of one member, one vote; with the Chair casting the deciding vote in the event of a tie.

**TERM OF APPOINTMENTS**

Membership of the committee shall be for a period of 2 years; renewable for one further term.

**AUTHORITY**

- The Committee has delegated authority from the Board in respect of the functions and powers set out in these Terms of Reference.
- The Committee has authority to investigate any matter within its Terms of Reference and to obtain such information as it may require from any Partner, officer or employee.

**FREQUENCY OF MEETINGS**

The Committee shall meet quarterly and otherwise as required.

Meetings of the Committee may be called by the Chair of the Committee at any time to consider any matters falling within these Terms of Reference.