

Financial Resilience Sub- Committee



Title	Agenda	
Date	Monday 15 January 2024	
Time	10.30 am	
Venue	Facilitated by Microsoft Teams	
Full Members	<p style="text-align: right;">Chair Ian Houlder</p> <p>Conservative Group (1) Ian Houlder</p> <p>Independents(1) Frank Stennett</p> <p>Progressive Alliance Grouping (1) Sue Perry</p>	
Substitutes		
By invitation	Diane Hind	Portfolio Holder for Resources
<p>Note: This sub-committee is not governed by the normal Access to Information rules (The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012) in the Council. Therefore, these meetings are not open to attendance by the public.</p>		
Interests – declaration and restriction on participation	<p>Members are reminded of their responsibility to declare any disclosable pecuniary interest, other registerable or non-registerable interest which they have in any item of business on the agenda, no later than when that item is reached and, when appropriate, to leave the meeting prior to discussion and voting on the item.</p>	
Quorum	Three Members	
Committee administrator	<p>Christine Brain Democratic Services Officer (Scrutiny) Telephone 01638 719729 Email democratic.services@westsuffolk.gov.uk</p>	

Agenda

Note: Whilst these agenda papers are not covered by the normal Access to Information Rules (see agenda front), where items are listed as containing exempt/confidential information, members of the Sub-Committee are requested to treat them as such.

1. **Substitutes**
Any Member who is substituting for another Member should so indicate, together with the name of the relevant absent Member.
2. **Apologies for absence**
3. **Minutes** **1 - 4**
To confirm the minutes of the meeting held on 13 November 2023 (copy attached.)
4. **Declarations of interest**
Members are reminded of their responsibility to declare any disclosable pecuniary interest, other registerable or non-registerable interest which they have in any item of business on the agenda, **no later than when that item is reached** and, when appropriate, to leave the meeting prior to discussion and voting on the item.
5. **Treasury Management Report (December 2023)** **5 - 22**
Report number: **FRS/WS/24/001**
6. **Financial Resilience - Strategy Statement 2024 to 2025 and Treasury Management Code of Practice** **23 - 80**
Report number: **FRS/WS/24/002**
7. **Dates of future meetings**
The next meetings of the sub-committee will be set to meet approximately one week prior to the July 2024, November 2024 and January 2025 meetings of the Performance and Audit Scrutiny Committee.
8. **Part 2 - Exempt**
9. **Treasury Management Report - December 2023 - EXEMPT Appendix 3** **81 - 86**

EXEMPT Appendix 3 to Report number: **FRS/WS/24/001**

(This exempt appendix is to be considered in private under paragraph 3 of Schedule 12A of the Local Government Act 1972, as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

This page is intentionally left blank

Financial Resilience Sub-Committee



Minutes of a meeting of the **Financial Resilience Sub-Committee** held on **Monday 13 November 2023** at **10.30 am** facilitated by **Microsoft Teams**.

Present

Councillors

Chair Ian Houlder

Sue Perry

Frank Stennett

In attendance

Diane Hind

(Portfolio Holder for Resources)

83. Substitutes

No substitutions were declared.

84. Apologies for absence

No apologies for absence were received.

85. Minutes

The minutes of the meeting held on 17 July 2023 were confirmed as a correct record by the Chair.

86. Declarations of interest

Members' declarations of interest are recorded under the item to which the declaration relates.

87. Treasury Management Report (September 2023)

The Sub-Committee received Report number FRS/WS/23/005, which provided a comprehensive assessment on investment activities for West Suffolk Council from 1 April to 30 September 2023.

The Council held investments of £54,500,000 as at 30 September 2023. Interest achieved in the first half of the financial year amounted to £1,271,924.94 against a budget for the period of £357,500.

External borrowing as at 30 September 2023 was £9,625,000, a reduction of £125,000 from 1 April 2023 (this related to the repayment plan for the recent PWLB £10 million, 40 year loan), with the Council's level of internal borrowing increasing slightly to £48,028,084 as at 30 September 2023. Overall

borrowing (total of both external and internal) was expected to increase over the full financial year.

Borrowing costs (Interest Payable and MRP) for the year were currently forecast to be £1,089,595 against an approved budget of £2,268,900, although this could change if more external borrowing was undertaken than was currently forecast.

The 2023 to 2024 Annual Treasury Management and Investment Strategy Statements (report COU/WS/23/002 approved 21 February 2023) set out the Council's projections for the current financial year. The annual budget for investment income for 2023 to 2024 is £715,000 which was based on a 3.25 per cent target average rate of return on investments.

The report also included a summary of borrowing activity during the period; borrowing strategy and sources of borrowing; borrowing and capital costs – affordability; liability benchmark; borrowing and income – proportionality; borrowing and asset yields and market information. Attached at Appendix 1 to the report was the Treasury Management Prudential Indicators and at Appendix 2 was the Arlingclose Economic and Interest Rate Forecast as at September 2023.

The Sub-Committee scrutinised the report in detail. Members referred to Section 3 of the report (Interest Earned from Treasury Investments during the period) and the table within paragraph 3.3, which summarised the interest earned and the average rate of return achieved at 30 September 2023. Following on from a query raised with regards to the figures presented within this table (in relation to CCLA MMF), Officers stated that they would review the information presented and revise where necessary.

Members also referred to Section 9 of the report (Borrowing and Asset Yields) and the table within paragraph 9.3, which showed the income and net return from the current project portfolio. Again, following on from a query raised with regards to the figures presented within this table (in relation to the Solar Farm), Officers stated that they would review the information presented and revise where necessary.

RECOMMENDED:

That subject to the approval of Cabinet and Council, the Treasury Management Report (September 2023), being Report number FRS/WS/23/004, be approved, subject to any required revisions being made to the tables within paragraphs 3.3 and 9.3 (as outlined above).

(Councillor Diane Hind left the meeting at 11.45am, during the discussion on this item)

88. Dates of future meetings

The Sub-Committee noted the date(s) for future meetings, as listed below. All date(s) were Mondays starting at 10.30am, as indicated:

- 15 January 2024 (MS Teams Virtual Meeting Platform)

The meeting concluded at 11.52 am

Signed by:

Chair

This page is intentionally left blank



Treasury Management Report - December 2023

Report number:	FRS/WS/24/001	
Report to and date(s):	Financial Resilience Sub Committee	15 January 2024
	Performance and Audit Scrutiny Committee	25 January 2024
	Cabinet	6 February 2024
	Council	20 February 2024
Cabinet member:	Councillor Diane Hind Cabinet Member for Resources Email: diane.hind@westsuffolk.gov.uk	
Lead officer:	Gregory Stevenson Service Manager – Finance and Procurement Tel: 01284 757264 Email: gregory.stevenson@westsuffolk.gov.uk	

Decisions Plan: This item is included in the Decisions Plan.

Wards impacted: All

Recommendation: It is recommended that, the Financial Resilience Sub Committee:

1. **Notes the Treasury Management Report – December 2023; and**
2. **Makes recommendations as appropriate via the Performance and Audit Scrutiny Committee to Cabinet and Council.**

1. Treasury Management Report – December 2023

- 1.1 The report is part of the Councils' management and governance arrangements for Treasury Management activities under the CIPFA Code of Practice on Treasury Management. It provides a comprehensive assessment of activities from 1 April 2023 to 31 December 2023.
- 1.2 CIPFA has adopted the following as its definition of treasury management activities:
- The management of the organisation's borrowing, 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.
- 1.3 The strategy for these activities in 2023 to 2024 was laid out and approved at Performance and Audit Scrutiny Committee in January 2023.

2. Executive Summary

- 2.1 The Council held investments of £55,750,000 as at 31 December 2023. Interest achieved in the first nine months of the financial year amounted to £2,083,152.79 against a budget for the period of £536,250.
- 2.2 External borrowing as at 31 December 2023 was £9,500,000, a reduction of £250,000 from 1 April 2023 (relates to the repayment plan for the recent PWLB £10 million 40 year loan), with the Council's level of internal borrowing being £47,604,200 as at 31 December 2023. Overall borrowing (total of both external and internal) is expected to increase over the full financial year.
- 2.3 Borrowing costs (Interest Payable and MRP) for the year are currently forecast to be £1,097,895 against an approved budget of £2,294,200, although this could change if more external borrowing is undertaken than is currently forecast.

3. Interest Earned from Treasury Investments during the period

- 3.1 The 2023 to 2024 Annual Treasury Management and Investment Strategy Statements (report COU/WS/23/002 approved 21 February 2023) sets out the Council's projections for the current financial year. The annual budget for investment income for 2023 to 2024 is £715,000 which is based on a 3.25 per cent target average rate of return on investments.
- 3.2 At the end of December 2023 interest actually earned during the first nine months of the financial year amounted to £2,083,152.79 (average rate of return of 4.55 per cent) against a profiled budget for the period of £536,250 (average rate of return 3.25 per cent); a budgetary surplus of £1,546,902.79. The surplus is due to two main reasons, the council were holding higher levels of cash balances than anticipated and the rising Bank of England base rate having a knock-on effect on investment returns.

3.3 The table below summaries the investment activity during the period

Treasury Management – Investment Activity Summary	
	2023 to 2024 (£)
Opening Balance 01 April 2023	43,000,000
Investments made during the year (including transfers to business reserve accounts)	185,050,000
Sub Total	228,050,000
Less Investments realised during the year (including withdrawals from business reserve accounts)	172,300,000
Closing Balance 31 December 2023	55,750,000

Please note: The Councils cash balances are currently greater than forecast (average annual level of cash balances forecast was £22 million) as a result of underspends on the capital programme, as well as holding advanced housing options and other support grant payments.

3.4 The table below lists the investments held as at 31 December 2023

Investments held as at 31 December 2023				
Counterparty	Principal Amount (£)	Interest Rate	Date Loaned	Date Returned
Santander 365 Day notice	8,000,000	4.91%	01/04/23	11/06/24
Santander 95 Day notice	500,000	4.73%	01/04/23	95 day Notice
Lloyds Treasury Account	2,250,000	4.55%	01/04/23	On call availability
Barclays 32 Day notice	2,000,000	5.20%	20/11/23	32 day notice
CCLA Money Market Fund	4,000,000	Variable	01/04/23	On call availability
HM Debt Man. Office	3,000,000	5.450%	24/08/23	23/02/24
HM Debt Man. Office	3,000,000	5.240%	02/10/23	19/01/24
HM Debt Man. Office	3,000,000	5.240%	02/10/23	15/01/24
HM Debt Man. Office	4,000,000	5.260%	02/10/23	15/02/24
HM Debt Man. Office	2,000,000	5.220%	13/10/23	22/01/24
HM Debt Man. Office	6,000,000	5.200%	01/11/23	19/02/24
HM Debt Man. Office	3,000,000	5.205%	01/11/23	15/03/24
HM Debt Man. Office	3,000,000	5.200%	10/11/23	15/04/24
HM Debt Man. Office	5,000,000	5.200%	01/12/23	25/04/24
HM Debt Man. Office	5,000,000	5.185%	01/12/23	19/03/24
HM Debt Man. Office	2,000,000	5.190%	20/12/23	15/05/24

There were no other fixed term investments				
Total	55,750,000			

Please note: The interest rates above are the rates as at 31 December 2023. Actual rates going forward could fluctuate. On the advice of Arlingclose, notice was placed on the Santander 365 account on 12 June 2023, with the funds being returned on 11 June 2024.

- 3.5 The Council has an earmarked revenue reserve to mitigate against possible adverse fluctuations in the returns received from the council’s investments and external borrowing costs, called the Capital Projects Financing Reserve. The balance in this reserve as at 31 December 2023 was £6,548,067, with this forecast to increase to £9,509,753 by the end of the financial year. This reserve will also be available to fund additional external payable costs, due to higher Public Works Loans Board rates to those assumed within previous business cases. The 2024 to 2025 budget process will assess the impact on the reserve and interest payable budgets across the medium to longer term.

4. Borrowing activity during the period

- 4.1 As with the 2022 to 2023 financial year, the Council continues to hold significant cash balances, see 3.4 above. A large amount of the funds currently being held are on behalf of others e.g. £5.2 million relates to Suffolk wide grants from the Department for Business, Energy and Industrial Strategy for which West Suffolk are acting as the lead partner, as well as council tax receipts held on behalf of Suffolk County Council and Suffolk Police & Crime Commissioner.
- 4.2 On 31 December 2023, West Suffolk had £9.50 million of external borrowing, which is £250,000 less than it held on 1 April 2023, this relates to the repayment plan for the recent PWLB £10 million, 40-year loan. With interest rates having increased and cash balances remaining healthy, it is unlikely that any further external borrowing will need to be undertaken in the 2023 to 2024 financial year, although this is kept under constant review and may change if circumstances and advice changes.
- 4.3 The table below is a summary of the external borrowings and temporary loans as at 31 December 2023.

External Borrowings and Temporary Loans					
Lender	Balance – 1 April 2023 (£)	Movement (£)	Balance - 31 Dec 2023 (£)	Interest Rate	Maturity date
PWLB	9,750,000	(250,000)	9,500,000	1.84%	1 December 2062

4.4 Although the council has not undertaken any further external borrowing in the period, its underlying need to borrow (Capital Financing Requirement – CFR, the amount the Council has invested in its communities) is forecast to increase which will lead to an increase in the level of borrowing (either external or internal) the council will have in the medium to longer term.

4.5 The table below details the forecast for the councils Capital Financing Requirement (underlying need to borrow) over the next 3 years, based on the proposed capital programme and will be updated when the final budget is approved.

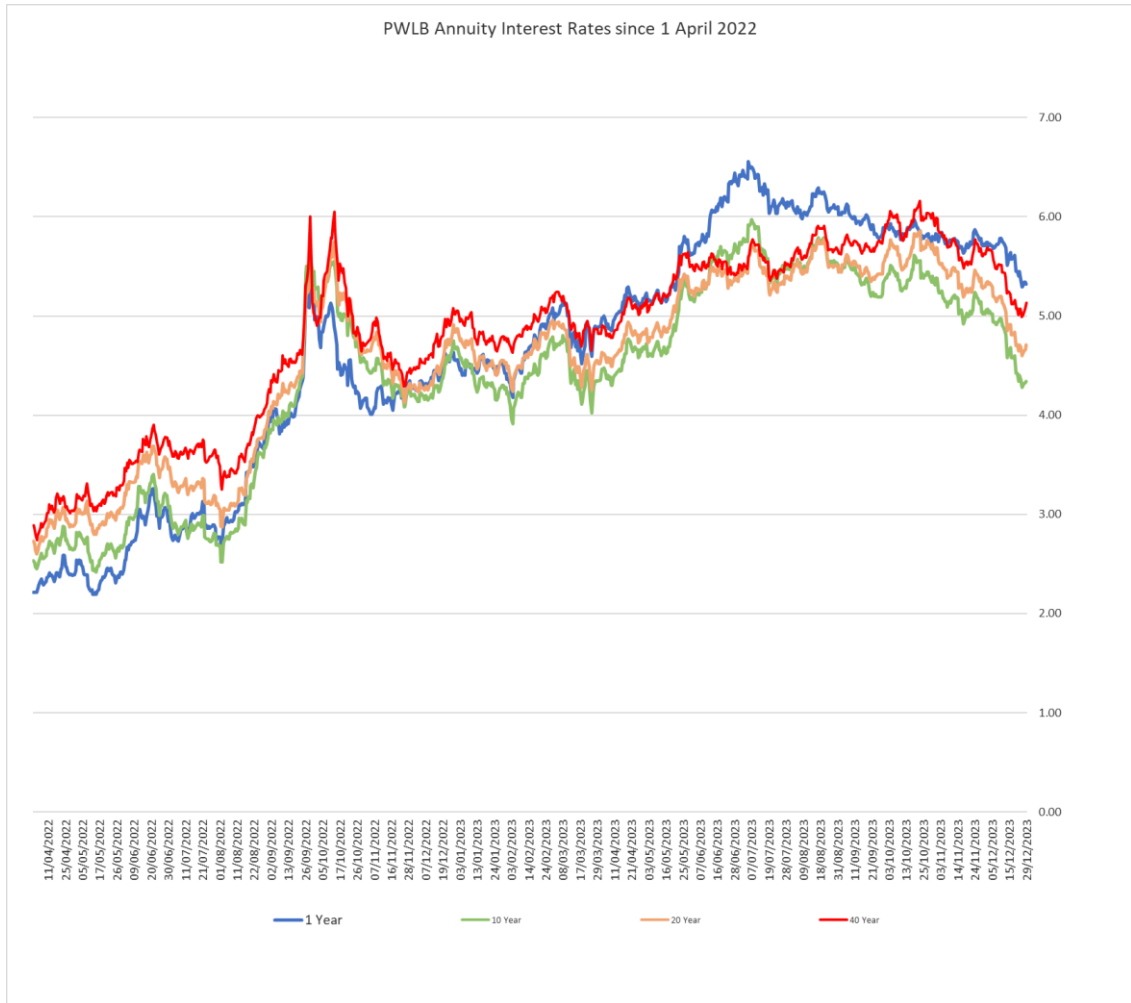
	31 March 2023	31 March 2024	31 March 2024	31 March 2025	31 March 2026
	Actual £ millions	Revised Budget £ millions	Forecast £ millions	Forecast £ millions	Forecast £ millions
Capital Financing Requirement (CFR)	56.31	76.48	59.37	95.02	117.90

5. Borrowing Strategy and Sources of Borrowing

5.1 As detailed in the 2023 to 2024 Treasury Management Strategy Statement, the current borrowing strategy is still to make short-term use of internal funds (internal borrowing). This is being continually monitored by the Council, along with Arlingclose (treasury advisors), to determine whether this is still the most optimal strategy or whether to look at borrowing additional sums at long-term fixed rates (which offers long term interest cost certainty but whilst the council hold cash balances will come with short term holding costs – we would be paying external interest costs when we don't need to).

5.2 There are various sources of borrowing that the Council is able to make use of for longer term borrowing, which are detailed in the strategy statement. The traditional method for local authorities, and the default method the Council uses in all of its business cases, is to borrow from the Public Works Loans Board (PWLB). In the medium term, if the Council were to look at fixing out some of its internal borrowing into a long-term external loan, then it could do so by borrowing through the PWLB.

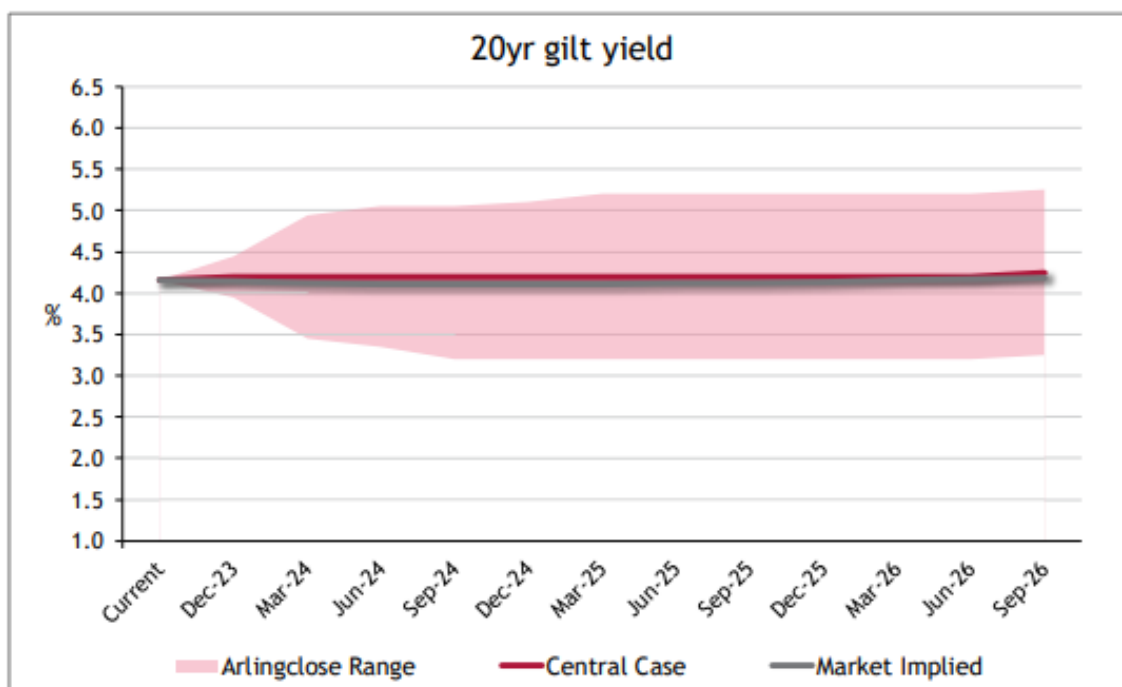
5.3 The graph below shows historic PWLB interest rates over the previous 21 months, for different durations based on borrowing using the annuity method.



5.4 The graph above shows how PWLB rates fluctuate on a daily basis, as they are linked to UK Gilt rates – current PWLB rates are 1.00 per cent above the relevant UK Gilt rate. West Suffolk Council has access to PWLB Certainty Rates which are only 0.80 per cent above the relevant UK Gilt rate.

5.5 As you can see from the graph above, PWLB rates have gone through a period of significant volatility over the past 21 months. This is largely as a result of global inflation being at elevated levels, with the expectation that these higher levels will last longer than originally anticipated. This has led to central banks in the UK, US and EU to raise central interest rates and follow policies of monetary tightening beyond original expectations. Inflation rates are beginning to drop down to levels closer to targets, and markets are starting to price in expectations for interest rate reductions over the coming months. This is highlighted by the recent drop in PWLB rates as shown in the graph above.

5.6 The graph below shows the forecast for 20-year UK gilt yields (as mentioned in 5.4 above, PWLB borrowing rates are directly linked to UK gilt yields). The red line is the Arlingclose forecast of where these gilt yields will be, with the grey line being what the market think will happen. Arlingclose is expecting a fairly flat profile on gilt yields going forward, whilst highlighting there will be daily variations up and down.



5.7 PWLB interest rates for 40-year borrowing using the annuity method were 5.13 per cent (4.93 per cent for Certainty Rate) on 31 December 2023. Using the current value of internal borrowing of £47,604,200, if we were to transfer all of that internal borrowing to a 40-year PWLB loan using the 4.93 per cent Certainty Rate, the Council would incur an initial annual interest payable cost of £2,525,792 (including our current external borrowing). This compares to our interest payable budget for 2023 to 2024 of £1,509,100. As detailed in 4.1 and 4.2, the council is currently holding significant cash balances and as such does not need to transfer this level of internal borrowing to external.

5.8 The Council also has an earmarked revenue reserve to mitigate against possible adverse fluctuations in interest and borrowing rates, called the Capital Projects Financing Reserve. The balance in this reserve as at 31 December 2023 was £6,548,067, with this forecast to increase to £9,509,753 by the end of the financial year. The Capital Projects Financing reserve is available to be utilised across the MTFS period when external borrowing is required. As part of the 2024 to 2025 budget setting process, the adequacy of the annual interest payable budget will be access, along with the reserve balance.

5.9 The Council, along with Arlingclose, will continue to explore alternative sources of borrowing to ensure the Council will be ready to externally borrow in the most advantageous way when it needs to.

6. Borrowing and Capital Costs - Affordability

6.1 The 2023 to 2024 Budget had assumptions on borrowing costs for capital projects included within it. These borrowing costs are a combination of interest payable on external borrowing, and Minimum Revenue Provision (MRP), which is an amount set aside each year to repay that borrowing requirement. The

main projects which make up the majority of the Councils borrowing requirement are:

- Mildenhall Hub
- West Suffolk Operational Hub
- Investing in our Growth Fund
- Incubation Units on Suffolk Business Park
- Net Zero / Community Energy Plan
- Investing in our Growth Fund

6.2 The business cases for each of these projects considered affordability based on what each project would deliver in terms of income and savings against the borrowing requirement for the project.

6.3 Borrowing costs only form part of the Councils revenue budget once the project has been completed, so although there may be a borrowing requirement, until such time as the project is complete there will be no MRP or interest payable as part of the revenue budget.

6.4 The details of these Budgets are laid out below.

Summary of Capital Borrowing Budget 2023 to 2024			
Project – all supported by business cases	Borrowing Requirement (Budget)	Borrowing Costs	
		Minimum Revenue Provision (MRP)	Interest Payable
Investing in our Growth Fund	£12,108,692	£0	£0
Western Way Development	£0	£0	£0
Olding Road site – Immediate Works	£1,000,000	£0	£0
Incubation Units, Suffolk Business Park	£8,546,263	£0	£0
Net Zero / Community Energy Plan	£5,617,595	£25,300	£0
Mildenhall Hub	£17,557,777	£149,900	£200,400
West Suffolk Operational Hub	£9,341,980	£177,800	£301,950
Newmarket Leisure Centre	£2,726,911	£13,350	£169,600
Toggam Solar Farm	£1,669,494	£193,550	£338,800
20 High St Haverhill	£1,754,605	£30,300	£55,000

113 High St Newmarket	£664,709	£12,000	£21,800
Olding Road DHL Depot	£3,549,684	£0	£0
Provincial House	£3,377,518	£56,950	£96,700
Vicon House, Western Way	£3,235,932	£52,300	£99,200
33-35 High St, Haverhill	£359,330	£5,600	£10,700
17/18 Cornhill	£2,767,735	£40,700	£83,400
Elsley's Yard	£234,624	£5,500	£10,900
St Edmunds Guest House	£971,929	£10,650	£35,100
Brandon Leisure Centre	£238,227	£11,200	£10,550
Loans and other	£2,697,000	£0	£75,000
Total borrowing and associated servicing costs	£78,420,005	£785,100	£1,509,100*
% of Gross Revenue Income Budget		1.2%	2.4%

* This represents an average interest rate of 2.75 per cent across the business cases.

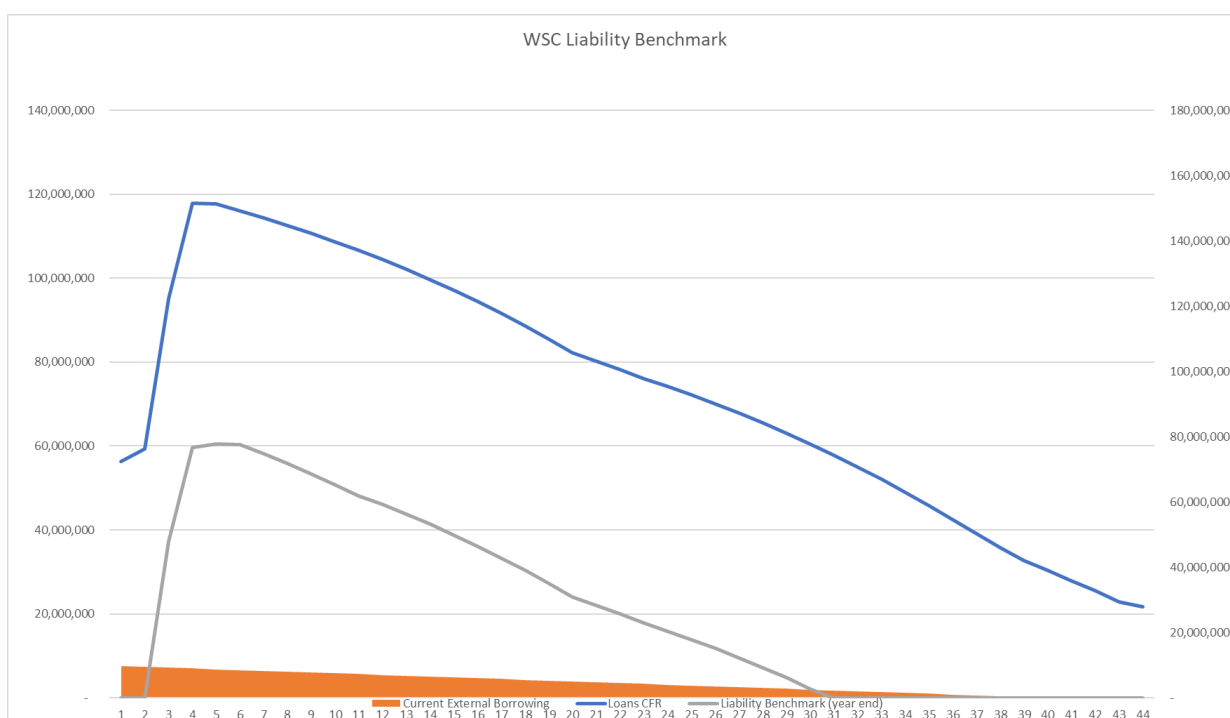
- 6.5 The affordability of borrowing and capital costs is a key metric in our financial planning and resilience assessments. Current and future financial affordability and resilience to such costs is key when evaluating any new opportunities. As set out in the approved West Suffolk Capital Strategy we are using the per cent of the Gross Revenue Income Budget for both MRP and Interest Payable to assess the Councils affordability position. In other words, how much (in percentage terms) of our gross revenue income budget is committed to servicing our external debt.
- 6.6 Whilst the budget for interest payable is derived from the business cases of each individual project, when borrowing actually occurs is a treasury management decision and is generally not directly linked to any specific project. It is therefore not feasible to match the interest payable the Council will actually incur to specific projects. The table below therefore gives an overall summary of forecast capital borrowing for 2023 to 2024 but does not split it out by project.

Summary of Forecast Capital Borrowing for 2023 to 2024			
External Borrowing	Internal Borrowing	Minimum Revenue Provision (MRP)	Interest Payable
£9,500,000	£49,872,449	£918,990	£178,905
Total Borrowing	£59,372,449	£1,097,895	
% of Gross Revenue Income		1.4%	0.3%

7. Liability Benchmark

7.1 One of the core tools the Council uses to determine when it might need to borrow additional external funds, and over what period is the Liability Benchmark. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

7.2 The graph below shows the Council’s liability benchmark (grey line) against the Council’s forecast capital financing requirement (blue line). The difference between these two lines is the forecast level of resources the Council is able to utilise as internal borrowing, therefore reducing the level of external borrowing required. The orange block shows the current external borrowing the Council has.



7.3 The liability benchmark will change as capital spending plans evolve, and reserve levels change.

8. Borrowing and Income - Proportionality

- 8.1 The concept of proportionality, alongside that of affordability, is a key consideration when considering funding projects through borrowing.
- 8.2 The costs and risks associated with that borrowing should be looked at as part of the whole financial position of the council in our financial planning and resilience assessments. Awareness of the scale and relationship with the asset base and revenue delivery is essential to informed decision making.
- 8.3 As at 31 March 2023, the Councils asset base was valued at £261.9 million. As such the budgeted borrowing requirement of £93.42 million would have represented 35.67 per cent of our long-term asset base. The forecast borrowing requirement at the end of the financial year is £75.84 million, which represents 28.96 per cent of our long-term asset base. It is worth noting that the capital projects being undertaken would increase the overall asset base of the council, leading to the borrowing requirement being a smaller percentage of the asset base than detailed above.

9. Borrowing and Asset Yields

- 9.1 Borrowing, whether internally from available cash balances or externally from other institutions, bears a cost which will affect the yield of investments made with that money. The yield is the return on the investment, whether through additional income or savings, less the borrowing costs associated with the investment, against the value of the investment.
- 9.2 West Suffolk Council makes investment decisions to support its strategic priorities which are not solely focussed on financial return, in line with our agreed Investing in our Growth Agenda Strategy. There are therefore a range of yield returns delivered by these investments that varies from project-to-project dependant on the wider blended socio-economic returns that these projects give.
- 9.3 In order to aid comparison between projects and returns from 'normal' treasury management cash investment (section 2 above), the table below shows the income and net return from the current project portfolio.

2023/24 BUDGET	Asset Value £m	Borrowing £m	Annual Income £m	Net Return (Excl. Borrowing Costs *)	Net Return (Incl. Borrowing Costs)	Yield % (E/A)
	A	B	C	D	E	F
Industrial Units	£22.6	£15.3	£2.6	£2.1	£1.9	8.4%
Retail Units	£20.0	£2.8	£1.9	£1.6	£1.4	7.0%
Land	£11.8	£0.0	£1.0	£1.0	£1.0	8.4%

Solar Farm	£13.9	£1.7	£3.2	£2.0	£1.5	10.8%
Growth Fund		£12.1	£0.0	£0.0	£0.0	0.0%
Other		£61.5	£0.8	£0.5	£0.1	0.0%
TOTAL	£68.3	£93.4	£9.5	£7.2	£5.9	8.6%

2023/24 FORECAST	Asset Value £m	Borrowing £m	Annual Income £m	Net Return (Excl. Borrowing Costs *)	Net Return (Incl. Borrowing Costs)	Yield % (E/A)
	A	B	C	D	E	F
Industrial Units	£22.6	£0.0	£2.7	£2.1	£1.9	8.4%
Retail Units	£20.0	£0.0	£1.9	£1.6	£1.4	7.0%
Land	£11.8	£0.0	£1.1	£1.0	£1.0	8.5%
Solar Farm	£13.9	£0.0	£3.3	£2.1	£1.6	11.5%
Growth Fund		£0.0	£0.0	£0.0	£0.0	0.0%
Other		£9.5	£0.8	£0.4	£0.1	0.0%
TOTAL	£68.3	£9.5	£9.8	£7.2	£6.0	8.8%

The Growth Fund and Other categories are projects in progress and in some cases use of the funding will then translate into assets in the other categories (e.g. Industrial Units) as such comparison across these categories is not of value.

* Includes direct operating costs

10. Treasury Management Prudential Indicators

The Treasury Management Strategy Statement 2023 to 2024 detailed the treasury management prudential indicators that the Council measures and uses to manage its exposure to treasury management risks. **Appendix 1** has details of how the Council is performing against these indicators as at 31 December 2023.

11. Market Information

11.1 The Council's treasury management advisors provide economic and interest rate forecasts on a monthly basis. **Appendix 2** has details from this forecast from December 2023.

12. CIPFA Financial Resilience Index

12.1 CIPFA issue a Financial Resilience Index, which is a comparative analytical tool. It can be used to support good financial management

and provide a common understanding within a council of their financial position. **Appendix 3 (Exempt)** has details on how the Council performed during 2022 to 2023.

13. Background documents associated with this report

- 13.1 Capital Strategy 2023 to 2024, Treasury Management Strategy Statement 2023 to 2024 and Treasury Management Code of Practice.

This page is intentionally left blank

Treasury Management Prudential Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators, as set out in the Treasury Management Strategy Statement 2023 to 2024.

Performance against these indicators for December 2023 is detailed within each indicator below.

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

Credit risk indicator	Target	Dec 23*
Portfolio average credit score	6.0	4.17

This target of 6.0 represents an average credit rating score across the portfolio of A, on the scale of AAA to unsecured.

*Due to the timing of this report, we have not had the updated score for our portfolio average credit score from our treasury advisors. The figure of 4.17 is from the last quarterly benchmarking report as at the end of September 2023. This represents an average credit rating across the portfolio of AA-, which is a higher rating than the target. It is unlikely that the score for December will be significantly different from that in September due to the similar nature of our investments.

Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments on instant access, without additional borrowing.

Liquidity risk indicator	Target	Dec 23
Total cash available on instant access	£5 million	£6.25 million

As at the end of December 2023, West Suffolk had access to £6.25 million of cash available on instant access (i.e. it could get access to that cash on the same day). There is a balance of having enough cash available on instant access to meet unexpected payments, but not having too much in instant access that you are losing out on interest receipts.

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

Refinancing rate risk indicator	Upper limit	Lower limit	Dec 23
Under 12 months	100%	0%	2.63%
12 months and within 24 months	20%	0%	2.63%
24 months and within 5 years	20%	0%	7.89%
5 years and within 10 years	20%	0%	13.16%
10 years and above	100%	0%	73.68%

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

West Suffolk's current borrowing portfolio has a maturity structure which complies with the approved limits.

Long-term treasury management investments: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment if its investment. The prudential limits on the long-term treasury management investments will be:

Price risk indicator	2023 to 2024	2024 to 2025	2025 to 2026
Limit on principal invested beyond year end	£30 million	£30 million	£30 million

Price risk indicator	2023 to 2024	2024 to 2025	2025 to 2026
Amount invested beyond year end as at 31 December 2023	£18.5 million	£0	£0

Currently the that is invested beyond the end of the 2023 to 2024 financial year end is £18.5 million. £8 million of this is with Santander in a 365 day notice account. Notice was given on this account in June 2023 with these funds due to be returned to West Suffolk on 11 June 2024. The remaining amounts relate to investments which are maturing in April and May 2024 to cover known cash flow requirements. As we get closer to the end of the financial year, the amount invested beyond the year end will increase.

Arlingclose Economic and Interest Rate Forecast – December 2023

UK inflation and wage growth remain elevated but have eased over the past two months fuelling rate cuts expectations. Near-term rate cuts remain unlikely, although downside risks will increase as the UK economy likely slides into recession.

The Monetary Policy Committee (MPC) message remains unchanged as the Committee seeks to maintain tighter financial conditions. Monetary policy will remain tight as inflation is expected to moderate to target slowly, although some wage and inflation measures are below the Bank's last forecasts.

Despite some deterioration in activity data, the UK economy remains resilient in the face of tighter monetary policy. Recent data has been soft but mixed; the more timely Purchasing Managers' Index (PMI) figures suggest that the services sector is recovering from a weak quarter 3. Tighter policy will however bear down on domestic and external activity as interest rates bite.

Employment demand is easing. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household and business spending will therefore be weak.

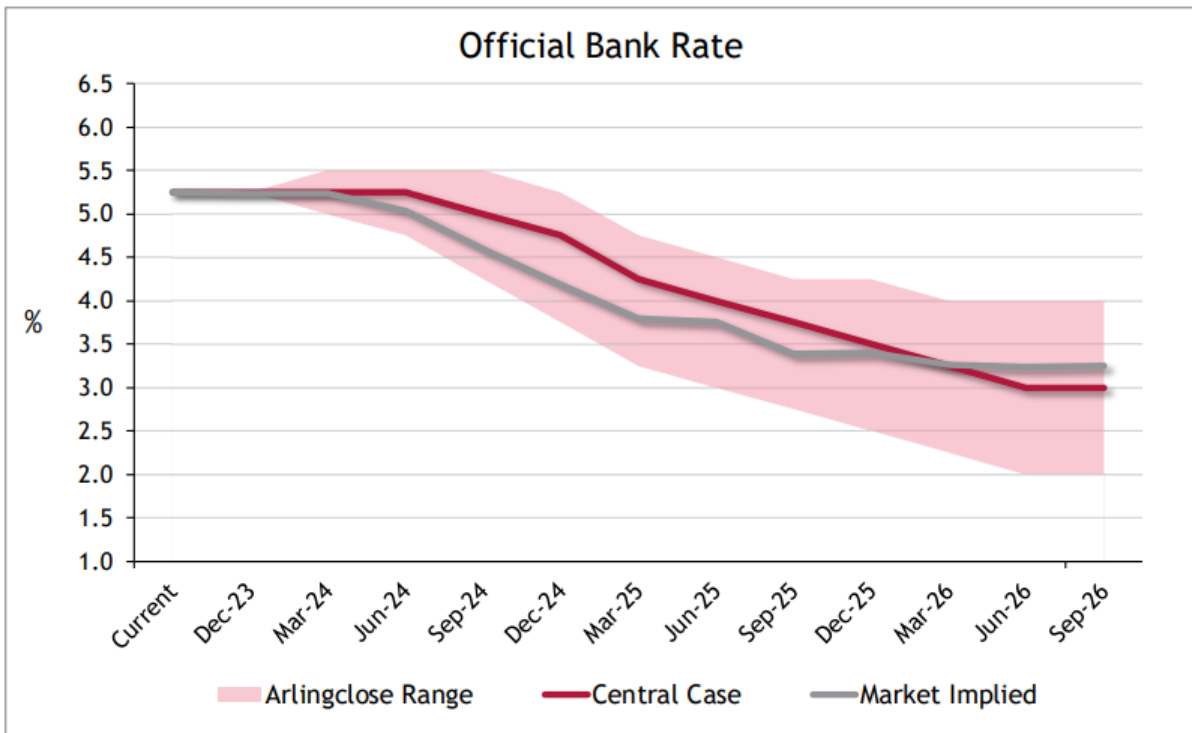
Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects has diminished.

Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant loosening in the future to boost activity.

Global bond yields will remain volatile. Markets are currently running with expectations of near-term US rate cuts, fuelled somewhat unexpectedly by US policymakers themselves. Term premia and bond yields have experienced a marked decline. It would not be a surprise to see a reversal if data points do not support the narrative, but the current 10-year yield appears broadly reflective of a lower medium-term level for Bank Rate.

There is a heightened risk of fiscal policy and/or geo-political events causing substantial volatility in yields.

The graph below shows the Arlingclose central case along with market implied and downside risks for Official Bank of England Base Rate.





Financial Resilience – Strategy Statement 2024 to 2025 and Treasury Management Code of Practice

Report number:	FRS/WS/24/002	
Report to and date(s):	Financial Resilience Sub-Committee	15 January 2024
	Performance and Audit Scrutiny Committee	25 January 2024
	Cabinet	6 February 2024
	Council	20 February 2024
Cabinet member:	Councillor Diane Hind Cabinet Member for Resources Email: diane.hind@westsuffolk.gov.uk	
Lead officer:	Gregory Stevenson Service Manager – Finance and Performance Tel: 01284 757264 Email: gregory.stevenson@westsuffolk.gov.uk	

Decisions Plan: This item is included in the Decisions Plan.

Wards impacted: All

Recommendation: It is recommended that, the Performance and Audit Scrutiny Committee:

- 1. Make recommendations to Cabinet and Council regarding the approval of the Treasury Management Strategy Statement 2024 to 2025 (as set out in Appendix 1); and**
- 2. Make recommendations to Cabinet and Council regarding the approval of the Treasury Management Code of Practice (as set out in Appendix 2).**

1. Treasury Management Strategy Statement

- 1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice requires that, prior to the start of each financial year, the Council formally approve a Treasury Management Policy Statement and Investment Strategy which sets out its treasury management policy and strategy for the forthcoming year.
- 1.2 The purpose of this report is to present those strategy statements to the Financial Resilience Sub-Committee for consideration.
- 1.3 The only significant change to the Treasury Management Strategy Statement for 2024 to 2025 is the addition of the UK Infrastructure Bank as a source of borrowing.

2. Treasury Management Code of Practice

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) recommend that all Councils adopt a Treasury Management Code of Practice based on the treasury management practices published by CIPFA and guidance issued in their Code of Practice.
- 2.2 Adherence to the principles of the CIPFA Code should ensure that Treasury Management activities within the Council are effectively managed and adequately controlled.
- 2.3 There are no significant changes to the Treasury Management Code of Practice for 2024 to 2025

3. Treasury Advisors

- 3.1 The Council currently uses Arlingclose Ltd as its treasury advisors and has done since November 2018. The current contract ends in the 2024 to 2025 financial year, and a procurement exercise will be undertaken to retender.
- 3.2 The Treasury Management Strategy Statement & Code of Practice have been compiled in line with advice from Arlingclose.

4. Borrowing Strategy

- 4.1 The Council currently (at 31 December 2023) holds £9.5 million of loans, an decrease of £0.25 million on previous years (due to the annual repayment of the PWLB loan), as part of its strategy for funding previous years' capital programmes. The Council expects to externally borrow in 2024 to 2025 to fund parts of its underlying need to borrow linked to its capital programme (past projects and future

projects). The Council may also borrow additional sums to pre-fund future years' requirements (to secure long term interest rate certainty), providing this does not exceed the authorised limit for borrowing.

- 4.2 The overall objective is to strike a balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. This will lead to a mixture of short term and longer term borrowing to take place, with advice being taken over the most advantageous mix with the view to keeping future interest costs low, even if this causes some additional cost in the short term.
- 4.3 The different sources of borrowing can be found in the Treasury Management Strategy Statement at Appendix 1.

5. Investment Strategy - Counterparty Ratings

- 5.1 The Council uses the Arlingclose credit rating method in conjunction with information available from other industry sources to identify suitable counterparties for investments. The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the limits shown.
- 5.2 Approved investment counterparties and limits:

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	3 years	Unlimited	n/a
Local authorities & other government entities	3 years	£10m	Unlimited
Secured investments *	3 years	£10m	Unlimited
Banks (unsecured) *	13 months	£6m	Unlimited
Building societies (unsecured) *	13 months	£6m	£30m
Registered providers (unsecured) *	3 years	£5m	£10m
Money market funds *	n/a	£10m	Unlimited
Strategic pooled funds	n/a	£5m	£10m
Real estate investment trusts	n/a	£5m	£10m
Other investments *	3 years	£5m	£15m

This table must be read in conjunction with the notes below

*** Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £5m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

6. Interest Rate Projections

6.1 The following table shows the revised interest rate based on the current economic climate that form part of the Council’s treasury strategy for interest receivable on investments.

	Previous Strategy	New Strategy
2024 to 2025	3.25%	4.00%
2025 to 2026	2.25%	3.00%
2026 to 2027	1.50%	2.50%

6.2 Projections have increased from previous levels due to the continued increases in the Bank of England Base Rate during the 2023 to 2024 financial year. These levels drop in the future years due to market expectations of slight reductions in base rate over the next couple of years.

7. Implications arising from the proposals

7.1 Financial – contained in the main body of this report.

7.2 Legal compliance – The council has is required to have a Treasury Management Strategy Statement and Code of Practice.

7.3 Personal data processing/equalities/crime and disorder/changes to existing policies/environment or sustainability/HR or staffing/external organisations – no significant implications arising directly from this report.

8. Appendices

Appendix 1 – Treasury Management Strategy Statement 2024 to 2025

Appendix 2 – Treasury Management Code of Practice

West Suffolk Council

Treasury Management Strategy Statement 2024 to 2025

1 Introduction

- 1.1 Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
- 1.2 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 1.3 Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

2 Local Context

- 2.1 On 31st December 2023, the Council held £9.5 million of external borrowing, £47.6 million of internal borrowing and £55.75 million of treasury investments. This is set out in further detail at Appendix B.
- 2.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The table below details the forecast for the councils Capital Financing Requirement over the next 3 years.

Table 1: Capital Financing Requirement

	31 March 23 Actual £million	31 March 24 Estimate £million	31 March 25 Forecast £million	31 March 26 Forecast £million	31 March 27 Forecast £million
Capital Financing Requirement	56.31	59.37	95.02	117.90	117.63

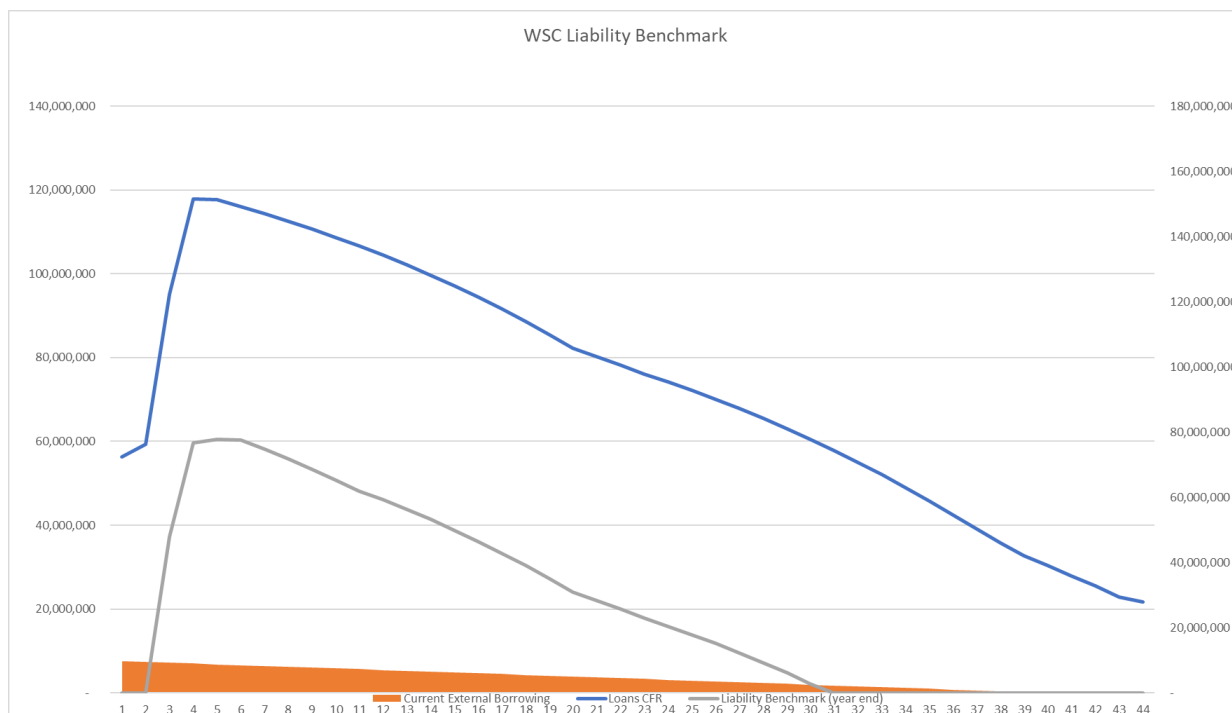
- 2.3 The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, whilst also looking to secure long term certainty of interest rates by fixing some borrowing externally when it is advantageous to do so. The Council will continue to monitor

this strategy in order to decide whether external borrowing to pre-fund future years requirements would better meet its borrowing objectives.

- 2.4 The Council has an increasing CFR due to the capital programme. Consequently, investment levels will continue to fall in future years, as capital receipts and revenue reserves are used to finance capital expenditure and the revenue budget.
- 2.5 CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. The Council expects to comply with this recommendation during 2024 to 2025.

3 Liability Benchmark

- 3.1 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes cash and investment balances are kept to a minimum level of £10 million at each year-end to maintain sufficient liquidity but minimise credit risk.
- 3.2 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.
- 3.3 The long-term liability benchmark assumes capital expenditure funded by borrowing of £0.5 million a year, minimum revenue provision on new capital expenditure based on a 40 year asset life and reserves maintaining their current levels. This is shown in the chart below together with the maturity profile of the Council's existing borrowing.



3.4 The Liability Benchmark graph above shows that the Council is likely to be a long-term borrower in the future. Although the Council's CFR is forecast to increase to £118 million by the 2025 to 2026 financial year (as shown by the higher line in the graph), the Liability Benchmark (the maximum amount the Council would likely need to borrow – shown by the lower line in the graph) peaks at £60 million. The difference between the two lines in the graph is the amount of internal resources the Council has which can be used for internal borrowing, negating the need for extra external borrowing which would place an additional cost on the Council. The block at the bottom of the graph represents the current external borrowing the Council has.

4 Borrowing Strategy

- 4.1 The Council currently holds £9.5 million of loans, a £0.25 million decrease on the previous year, as part of its strategy for funding previous years' capital programmes. If the Council's full capital programme is delivered then it expects to externally borrow in 2024 to 2025. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing detailed in the Council's Prudential Indicators.
- 4.2 **Objectives:** The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

- 4.3 **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. It is likely to be more cost effective in the short-term to use internal borrowing, however opportunities to fix longer term external borrowing will be explored in order to achieve long-term security at advantageous interest rates.
- 4.4 By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly to confirm that this is still the most advantageous strategy. Arlingclose will assist the Council with this and it may be determined that the Council borrows additional sums at long-term fixed rates in 2024 to 2025 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 4.5 The Council's default position is to raise the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to seek activity which will not obstruct its access to PWLB loans.
- 4.6 Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 4.7 In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.
- 4.8 **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:
- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
 - UK Infrastructure Bank Ltd
 - any institution approved for investments (see below)
 - any other bank or building society authorised to operate in the UK
 - any other UK public sector body
 - UK public and private sector pension funds (except the Suffolk County Council Local Government Pension Scheme)
 - capital market bond investors
 - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

- 4.9 **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- leasing
 - hire purchase
 - Private Finance Initiative
 - sale and leaseback
 - similar asset based finance
- 4.10 **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.
- 4.11 **Short-term and variable rate loans:** These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).
- 4.12 **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

5 Treasury Investment Strategy

- 5.1 The Council holds significant level of invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's treasury investment balance has ranged between £43 million and £58 million. If the Council's capital programme is delivered in full, these investment balances are expected to reduce in the forthcoming year.
- 5.2 **Objectives:** The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments

before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal to or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

- 5.3 **Strategy:** As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments.
- 5.4 The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the Council may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.
- 5.5 **ESG policy:** Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore this strategy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code, as advised by the Council's treasury management advisors.
- 5.6 **Approved counterparties:** The Council may invest its surplus funds with any of the counterparty types in table 2 below, subject to the limits shown.

Table 2: Treasury investment counterparties and limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	3 years	Unlimited	n/a
Local authorities & other government entities	3 years	£10m	Unlimited
Secured investments *	3 years	£10m	Unlimited
Banks (unsecured) *	13 months	£6m	Unlimited
Building societies (unsecured) *	13 months	£6m	£30m
Registered providers (unsecured) *	3 years	£5m	£10m
Money market funds *	n/a	£10m	Unlimited
Strategic pooled funds	n/a	£5m	£10m
Real estate investment trusts	n/a	£5m	£10m
Other investments *	3 years	£5m	£15m

This table must be read in conjunction with the notes below

* **Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

5.7 For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £5m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

5.8 **Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 3 years.

- 5.9 **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.
- 5.10 **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- 5.11 **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.
- 5.12 **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- 5.13 **Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.
- 5.14 **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price

reflects changing demand for the shares as well as changes in the value of the underlying properties.

- 5.15 **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.
- 5.16 **Operational bank accounts:** The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £1 million per bank. However, amounts in excess of £1 million may be held for up to five consecutive days to cover planned cashflow requirements. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.
- 5.17 **Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 5.18 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.
- 5.19 **Other information on the security of investments:** The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation

if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

- 5.20 **Reputational aspects:** The Council is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.
- 5.21 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.
- 5.22 **Investment limits:** The Council's revenue reserves available to cover investment losses are forecast to be £41.1 million on 31 March 2024 and £40.8 million on 31 March 2025. In order that no more than 40% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £12 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.
- 5.23 Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £1.5 million in operational bank accounts count against the relevant investment limits.
- 5.24 **Liquidity management:** The Council uses a purpose-built cash flow forecasting spreadsheet to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.
- 5.25 The Council will spread its liquid cash over available providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

6 Treasury Management Prudential Indicators

- 6.1 The Council measures and manages its exposures to treasury management risks using the following indicators.

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

Credit risk indicator	Target
Portfolio average credit score	6.0

- 6.3 **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments on instant access, without additional borrowing.

Liquidity risk indicator	Target
Total cash available on instant access	£5m

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

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	90%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	50%	0%
10 years and above	90%	0%

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

- 6.6 **Long-term treasury management investments:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

Price risk indicator	2024 to 2025	2025 to 2026	2026 to 2027
Limit on principal invested beyond year end	£40m	£25m	£25m

- 6.7 Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

7 Related Matters

- 7.1 The CIPFA Code requires the Council to include the following in its treasury management strategy.
- 7.2 **Financial derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 7.3 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 7.4 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.
- 7.5 In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
- 7.6 **External Funds:** The Council does not hold external funds on behalf of other organisations.
- 7.7 **Markets in Financial Instruments Directive:** The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Director of Resources and Property / Chief Financial Officer believes this to be the most appropriate status.

8 Financial Implications

- 8.1 The budget for investment income in 2024 to 2025 is £1,080,000, based on an average investment portfolio of £27 million at an interest rate of 4.00 per cent. The budget for debt interest paid in 2024 to 2025 is £1,581,300. Please note, these figures are provisional budget figures and may be subject to change during the budget setting approval process.
- 8.2 If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.
- 8.3 Where investment income exceeds budget, e.g. from higher risk investments including pooled funds, or debt interest paid falls below budget, e.g. from cheap short-term borrowing, then the revenue savings may be transferred to the Council's capital projects financing reserve to cover the risk of capital losses or higher interest rates payable in future years.

9 Other Options Considered

- 9.1 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Resources and Property/Chief Finance Officer, having consulted the Cabinet Member for Resources, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

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

		term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A – Existing Investment & Debt Portfolio Position

Investments held as at 31 December 2023				
Counterparty	Principal Amount (£)	Interest Rate	Date Loaned	Date Returned
Santander 365 Day notice	8,000,000	4.91%	01/04/23	11/06/24
Santander 95 Day notice	500,000	4.73%	01/04/23	95 day Notice
Lloyds Treasury Account	2,250,000	4.55%	01/04/23	On call availability
Barclays 32 Day notice	2,000,000	5.20%	20/11/23	32 day notice
CCLA Money Market Fund	4,000,000	Variable	01/04/23	On call availability
HM Debt Man. Office	3,000,000	5.450%	24/08/23	23/02/24
HM Debt Man. Office	3,000,000	5.240%	02/10/23	19/01/24
HM Debt Man. Office	3,000,000	5.240%	02/10/23	15/01/24
HM Debt Man. Office	4,000,000	5.260%	02/10/23	15/02/24
HM Debt Man. Office	2,000,000	5.220%	13/10/23	22/01/24
HM Debt Man. Office	6,000,000	5.200%	01/11/23	19/02/24
HM Debt Man. Office	3,000,000	5.205%	01/11/23	15/03/24
HM Debt Man. Office	3,000,000	5.200%	10/11/23	15/04/24
HM Debt Man. Office	5,000,000	5.200%	01/12/23	25/04/24
HM Debt Man. Office	5,000,000	5.185%	01/12/23	19/03/24
HM Debt Man. Office	2,000,000	5.190%	20/12/23	15/05/24
There were no other fixed term investments				
Total	55,750,000			

External Borrowing as at 31 December 2023				
Counterparty	Outstanding Balance (£)	Interest Rate	Start Date	Maturity Date
PWLB	9,500,000	1.840%	03/12/21	01/12/61

Appendix B - External Context

Economic Background

The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Council's treasury management strategy for 2024 to 2025.

The Bank of England (BoE) increased Bank Rate to 5.25 per cent in August 2023, before maintaining this level in September, November and then again in December. Members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25 per cent in December. The three dissenters wanted to increase rates by another 0.25 per cent.

Office for National Statistics (ONS) figures showed Consumer Price Index (CPI) inflation was 3.9 per cent in November 2023, down from 4.6 per cent in October and lower than the 4.3 per cent expected. Core CPI inflation also fell to 5.1 per cent from 5.7 per cent, and lower than the 5.6 per cent expected

Office for National Statistics figures showed the UK economy shrank by 0.1 per cent between July and October 2023 (Quarter 3). Indicators are pointing to a weak quarter 4, with a drop in monthly Gross Domestic Product (GDP) in October of -0.3 per cent. This increases the likelihood of a technical recession (two consecutive quarters of negative growth), albeit a mild one.

The labour market in late 2023 showed signs of loosening. The unemployment rate remained stable at 4.2 per cent in the three months to October 2023. Pay growth indicators, while still elevated, showed a decline.

Having increased its key interest rate to a target range of 5.25 to 5.50 per cent in August 2023, the US Federal Reserve paused in September and November, maintaining the Fed Funds rate target at this level. It is likely this level represents the peak in US rates, but central bank policymakers emphasised that any additional tightening would be dependent on the cumulative impact of rate rises to date, together with inflation and developments in the economy and financial markets.

US GDP grew at an annualised rate of 4.9 per cent between July and September 2023, ahead of expectations for a 4.3 per cent expansion and the 2.1 per cent reading for quarter 2. But as the impact from higher rates is felt in the coming months, a weakening of economic activity is likely. Annual CPI inflation remained at 3.7 per cent in September after increasing from 3 per cent and 3.2 per cent consecutively in June and July.

Eurozone inflation has declined steadily since the start of 2023, falling to an annual rate of 2.9 per cent in October 2023. Economic growth has been weak, and GDP was shown to have contracted by 0.1 per cent in the three months to September 2023. In line with other central banks, the European Central Bank has been increasing rates, taking its deposit facility, fixed rate tender, and marginal lending rates to 3.75 per cent, 4.25 per cent and 4.50 per cent respectively.

Credit Outlook

Credit Default Swap (CDS) prices were volatile during 2023, spiking in March on the back of banking sector contagion concerns following the major events of Silicon Valley Bank becoming insolvent and the takeover of Credit Suisse by UBS. After then falling back in quarter 2 of calendar 2023, in the second half of the year, higher interest rates and inflation, the ongoing war in Ukraine, and now the Middle East, have led to CDS prices increasing steadily.

On an annual basis, CDS price volatility has so far been lower in 2023 compared to 2022, but this year has seen more of a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.

Moody's revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 mini-budget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework.

Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative and then followed this by the same action on five rated local authorities. However, within the same update the long-term ratings of those five local authorities were downgraded.

There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recessions that increase the possibility of a deterioration in the quality of banks' assets.

However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

Interest Rate Forecast (December 2023)

Although UK inflation and wage growth remain elevated, the Council's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25 per cent. The Bank of England's Monetary Policy Committee will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there

will be no lingering second-round effects. Arlingclose sees rate cuts from quarter 3 2024 to a low of around 3 per cent by early to mid 2026.

Arlingclose expects long-term gilt yields to be flat from current levels (following a drop in yields at the end of 2023). However, yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix C.

Appendix C – Arlingclose Economic & Interest Rate Forecast – December 2023

- UK inflation and wage growth remain elevated but have eased over the past two months fuelling rate cuts expectations. Near-term rate cuts remain unlikely, although downside risks will increase as the UK economy likely slides into recession.
- The Monetary Policy Committee (MPC) message remains unchanged as the Committee seeks to maintain tighter financial conditions. Monetary policy will remain tight as inflation is expected to moderate to target slowly, although some wage and inflation measures are below the Bank's last forecasts.
- Despite some deterioration in activity data, the UK economy remains resilient in the face of tighter monetary policy. Recent data has been soft but mixed; the more timely Purchasing Managers' Index (PMI) figures suggest that the services sector is recovering from a weak Quarter 3. Tighter policy will however bear down on domestic and external activity as interest rates bite.
- Employment demand is easing. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household and business spending will therefore be weak.
- Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects has diminished.
- Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant loosening in the future to boost activity.
- Global bond yields will remain volatile. Markets are currently running with expectations of near-term US rate cuts, fuelled somewhat unexpectedly by US policymakers themselves. Term premia and bond yields have experienced a marked decline. It would not be a surprise to see a reversal if data points do not support the narrative, but the current 10-year yield appears broadly reflective of a lower medium-term level for Bank Rate.
- There is a heightened risk of fiscal policy and / or geo-political events causing substantial volatility in yields.

Forecast

- The MPC held Bank Rate at 5.25 per cent in December. We believe this is the peak for Bank Rate.
- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Quarter 3 2024 to a low of around 3 per cent by early to mid 2026.

- The immediate risks around Bank Rate have become more balanced, due to the weakening UK economy and dampening effects on inflation. This shifts to the downside in the short term as the economy weakens.
- Long-term gilt yields are now substantially lower. Arlingclose expects yields to be flat from here over the short-term reflecting medium term Bank Rate forecasts. Periodic volatility is likely.

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.77	3.75	3.75	3.75	3.70	3.60	3.50	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.72	3.75	3.80	3.80	3.80	3.80	3.80	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.16	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.25
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.76	3.80	3.85	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.95	3.95	3.95
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00 per cent

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80 per cent

PWLB HRA Rate (Maturity Loans) = Gilt yield + 0.40 per cent

UK Infrastructure Bank Rate (Maturity Loans) = Gilt yield + 0.40 per cent

This page is intentionally left blank



Treasury Management

Code of Practice

Introduction

This Treasury Management Code of Practice has been compiled in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes 2017 ("the CIPFA Code") and aligned with CIPFA TM Code 2021.

Adherence to the principles of the CIPFA Code should ensure that Treasury Management activities within the Council are effectively managed and adequately controlled.

This Treasury Management Code of Practice has been written in conjunction with the Council's Treasury Management Policy Statement and Investment Strategy 2023 to 2024.

Section 4H paragraphs 8.1 to 8.5 of the Council's Constitution also contains information regarding Treasury Management procedure rules, these are in line with this Code.

Definitions

For the purposes of this Code, "Treasury Management Activities" is defined as:

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

'Investments' in the definition above covers all the financial assets of the Council, as well as other non-financial assets which the organisation holds primarily for financial returns, such as investment property portfolios. This may therefore include investments which are not managed as part of the normal treasury management or under treasury management delegations. All investments require an appropriate investment management and risk management framework under this Code.

Purpose of the CIPFA Code

CIPFA produced the Code and the accompanying guidance notes to help satisfy nine main purposes:

- To assist public service organisations in the development and maintenance of firm foundations and clear objectives for their treasury management activities, and thereby to add to their credibility in the public eye.
- To emphasise the overriding importance of effective risk management as the foundation for treasury management in all public service bodies.
- To provide transparency for treasury management decisions including the use of counterparties and financial instruments that individual public service organisations intend to use for the prudent management of their financial affairs.
- To encourage the pursuit of value for money in treasury management, and to promote the reasoned use, development and appreciation of appropriate and practical measures of performance.

- To enable CIPFA Members to fulfil their professional and contractual responsibilities to the organisations they serve and, in accordance with the members' charter, "to maintain and develop the professional competence of both themselves and those they supervise".
- To help facilitate a standardisation and codification of treasury management policies and practices in the public services.
- To assist those involved in the regulation and review of treasury management in the public services, particularly those charged with the audit of the same.
- To foster a continuing debate on the relevance and currency of the statutory and regulatory regimes under which treasury management in the various parts of the public services operates.
- To further the understanding and confidence of, and to act as a reference work for, financial and other institutions whose businesses bring them into contact with the treasury management activities of public service organisations.

Treasury Management Practices

The following Treasury Management Practices (TMPs) are incorporated in the Treasury Management Code of Practice in accordance with CIPFA Guidance:

TMP 1	Risk management
TMP 2	Performance measurement
TMP 3	Decision making and analysis
TMP 4	Approved instruments, methods and techniques
TMP 5	Organisation, clarity and segregation of responsibilities and dealing arrangements
TMP 6	Reporting requirement and management information arrangements
TMP 7	Budgeting, accounting and audit arrangements
TMP 8	Cash and cash flow management
TMP 9	Money laundering
TMP 10	Training and qualifications
TMP 11	Use of external service providers
TMP 12	Corporate governance

TMP 1 Risk Management

General Statement

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

The Section 151 Officer or Deputy Section 151 Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the

procedures set out in TMP6 Reporting requirements and management information arrangements.

In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

1. **Credit and Counterparty Risk Management**

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

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

2. **Liquidity Risk Management**

Definition: The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business / service objectives will thereby be compromised.

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

This Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

3. **Interest Rate Risk Management**

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

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

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

be subject to the consideration and, if required, approval of any policy or budgetary implications.

It 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.

The Council also has an interest equalisation reserve which, if necessary, can be used to help smooth out the level of interest received due to fluctuations in interest rates.

4. **Exchange Rate Risk Management**

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

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

5. **Inflation Risk Management**

Definition: Inflation risk, also called purchasing power risk, is the chance that the cash flows from an investment won't be worth as much in the future because of changes in purchasing power due to inflation.

The 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 inflation exposures.

6. **Refinancing Risk Management**

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

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

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

7. **Legal and Regulatory Risk Management**

Definition: The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance

with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1(1) credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, Council and compliance in respect of the transactions they may affect with the organisation, particularly with regard to duty of care and fees charged.

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

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

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

The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements to these ends. Further information regarding this is set out in the schedule to this document.

9. **Price Risk Management**

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

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.

TMP 2 Performance Management

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

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. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document.

TMP 3 Decision-Making and Analysis

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 purpose of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.

TMP 4 Approved Instruments, Methods and Techniques

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

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

The Council has reviewed its classification with financial institutions under MiFID II and keeps a record of those organisations with which it is registered as a professional client and those with which it has an application outstanding to register as a professional client.

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

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

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

If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Section 151 Officer or Deputy Section 151 Officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirement and management information arrangements, and the implications properly considered and evaluated.

The Section 151 Officer or Deputy Section 151 Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury

management, and the arrangements for absence cover. The Section 151 Officer or Deputy Section 151 Officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed within this document.

The Section 151 Officer or Deputy Section 151 Officer will ensure there is proper documentation for all deals and transactions and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegations to the Section 151 Officer or Deputy Section 151 Officer in respect of treasury management are set out within this document. The Section 151 Officer or Deputy Section 151 Officer will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and if a CIPFA member, the Standard of Professional Practice on Treasury Management.

TMP 6 Reporting Requirements and Management Information Arrangements

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

As a minimum, full Council will receive:

- 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.

The body responsible for scrutiny, such as an audit or scrutiny committee, will have the responsibility for the scrutiny of treasury management policies and practices.

Local authorities should report the treasury management indicators as detailed in their sector-specified guidance notes.

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

TMP 7 Budgeting, Accounting and Audit Arrangements

The Section 151 Officer or Deputy Section 151 Officer will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 Risk management, TMP2 Performance measurement, and TMP4 Approved instruments, methods and techniques.

The Section 151 Officer or Deputy Section 151 Officer will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with TMP6 Reporting requirements and management information arrangements.

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

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

TMP 8 Cash and Cash Flow Management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this organisation will be under the control of the Section 151 Officer or Deputy Section 151 Officer and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Section 151 Officer or Deputy Section 151 Officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1 (2) liquidity risk management, further information regarding this is set out in the schedule of this document.

TMP 9 Money Laundering

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.

Any suspicions of money laundering activities would be reported to the Internal Audit Manager who is the Money Laundering Reporting Officer (MLRO) or the Senior Auditor who is the Deputy Money Laundering Reporting Officer.

TMP 10 Staff Training and Qualifications

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Section 151 Officer or Deputy Section 151 Officer will recommend and implement the necessary arrangements.

The Section 151 Officer or Deputy Section 151 Officer will ensure that the Council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

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

The present arrangements are detailed in the supporting schedule of this document.

TMP 11 Use of External Service Providers

The Council recognises that responsibility for treasury management decisions remains with the Council at all times. It recognises that there may be potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which 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, documented, and subjected to regular review. Where services are subject to formal procurement arrangements, legislative requirements will always be observed. The monitoring of such arrangements rest with the Section 151 Officer or Deputy Section 151 Officer, and details of the current arrangements are set out in the schedule to this document.

TMP 12 Corporate Governance

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 the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the Section 151 Officer or Deputy Section 151 Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

Investments that are not part of the Treasury Management Activity

Where, in addition to treasury management investment activities, the Council invests in other financial assets and property primarily for financial return, these investments should be proportional to the level of resources available to the organisation and the organisation should ensure that the same robust procedures for consideration of risk and return are applied to these decisions.

Management practices for non-treasury investments.

The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activities include loans supporting services outcomes, investments in subsidiaries, and investment property portfolios.

The Council will ensure that all council investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It will recognise that the risk appetite for these activities may differ from that for treasury management.

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

The Council's Capital and Investment Strategies are held as separate documents and are available on our website.

Supporting Schedules to the Treasury Management Practices (TMPs)

Risk Management (TMP1)

Credit and Counterparty Policies Risk Management – TMP1(1)

The Council currently holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council’s investment balance has ranged between £43 million and £58 million. During 2024 to 2025 and in future years, due to the Council’s Capital Programme, these levels are expected to fall.

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

Negative interest rates: In the event of negative interest rates, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term, low risk instruments.

The CIPFA Code does not permit local councils to both borrow and invest long-term for cash flow management. But the Council may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years.

Business models: Under the new IFRS 9 standard, the accounting for certain investments depends on the Council’s “business model” for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved counterparties: The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown.

Approved investment counterparties and limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	3 years	Unlimited	n/a
Local authorities & other government entities	3 years	£10m	Unlimited
Secured investments *	3 years	£10m	Unlimited
Banks (unsecured) *	13 months	£6m	Unlimited
Building societies (unsecured) *	13 months	£6m	£30m
Registered providers (unsecured) *	3 years	£5m	£10m
Money market funds *	n/a	£10m	Unlimited
Strategic pooled funds	n/a	£5m	£10m
Real estate investment trusts	n/a	£5m	£10m
Other investments *	3 years	£5m	£15m

This table must be read in conjunction with the notes below

*** Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £6 million per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

Government: Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Secured investments: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

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

Registered providers (unsecured): Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Money market funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

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

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

Operational bank accounts: The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £1 million per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

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

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and

- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

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

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

Reputational aspects: The Council is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Investment limits: The Council’s revenue reserves available to cover investment losses are forecast to be £41.1 million on 31 March 2024 and £40.8 million on 31 March 2025. In order that no more than 40 per cent of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £12 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £1.5 million in operational bank accounts count against the relevant investment limits.

Liquidity Risk Management - TMP1(2)

Liquidity management

The Council uses a purpose-built cash flow forecasting spreadsheet to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council’s medium-term financial plan and cash flow forecast.

The Council will spread its liquid cash over available providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

Approved Minimum Cash Balances and Short-Term Investments

In order to maintain the position of the Council, in terms of liquidity, the following limits have been set: -

- ◆ Daily treasury management procedures will aim to maintain a forecast consolidated balance in the region of £50,000 to £1 million. However, balances over £1 million may be retained in the Council's current account to be used to cover payments going out provided the limit is not exceeded for more than five consecutive working days.
- ◆ If two internally managed investments are being placed on the same day with different maturity dates, one counterparty may be used for the two investments even if the investment per cent rate offered on one of the investments is not the highest rate and the subsequent loss of interest incurred does not exceed the pre-set limit of £50.00 on that one investment. However, the counterparty in question must be willing to accept the two investments as one CHAPS payment.
- ◆ In order to meet the cash flow requirements of the Council, a Treasury Deposit Account is held with our current bankers that is used to hold up to £10 million to cover any large, planned expenditure. This account has been established as a replacement for the overdraft facility that was cancelled as a result of increasing standing charges.

Standby Facilities / Call Accounts

The Council also holds instant access / call accounts with the following institution/s:

- CCLA

Overdraft Arrangements

Although no overdraft arrangements are currently in place, the Council would have the opportunity to re-instate the facility with the Council's bankers with a net limit of £1 million. Interest will be charged at 2 per cent above the Bank's Base Rate should the need arise.

The Bank also operates a **Daylight Exposure Limit** (also known as the Settlement Risk Exposure), which allows the consolidated bank accounts can be overdrawn during the course of the working day; the limit is set at £25 million. The daylight exposure limit is intended to cover any crossover periods during the day when large payments have to be made from the Council's bank accounts, but the expected credits may not be received until later in the day.

The daylight exposure limit only covers CHAPS payments.

Short & Long Term Borrowing Facilities

There is a borrowing limit that is set by the Council each year in accordance with the Local Government Act 2003. The limit is a specific indicator within the Council's

Prudential Code which is reviewed annually in accordance with the code/best practice and is approved by Full Council.

Should the need for further borrowing prove necessary, or appropriate for strategic purposes, provided the limit is within the prudential indicator, then arrangements would be made in accordance with the code.

Interest Rate Risk Management – TMP1(3)

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

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

The Council also has an interest equalisation reserve which, if necessary, can be used to help smooth out the level of interest received due to fluctuations in interest rates.

Exchange Rate Risk - TMP1(4)

This is the risk that fluctuations in foreign exchange rates may create an unexpected, or unbudgeted, burden on the Council's finances. In order to mitigate this risk, the Council's investments are restricted to sterling, however, it does have access to real-time market advice from its external advisors which will enable it to assess any potential risks arising and to take any necessary action.

Inflation Risk Management TMP1 (5)

The effects of varying levels of inflation, insofar as they can be identified as impacting directly on its treasury management activities, will be controlled by the Council as an integral part of its strategy for managing its overall exposure to inflation.

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

Refinancing Risk Management - TMP1(6)

The Council holds reliable and accurate records of the terms and maturities of its borrowings (where applicable) to enable it to plan the timing of, and successfully negotiate appropriate terms for its refinancing, if required.

Legal and Regulatory Risk Management – TMP1(7)

The regulations and statutory provisions or any statutory amendment, regarding enactment or modification thereof, under which Treasury Management investments are performed would include: -

- ◆ Local Government Act 1972 (taking account of the Trustee Investment Act 1961).
- ◆ The Local Government Act 1989.
- ◆ Local Authorities (Capital Finance) Regulations 1990 (SI 1990 No. 426) as amended.
- ◆ Local Authorities (Capital Finance) (Approved Investments) (Amendment) Regulations 1990 (SI 1991 No. 501). This SI was one of many which amended SI 1990 No. 426 above.
- ◆ The Local Authorities (Contracting Out of Investment Functions) Order 1996 (SI 1996/1883).

The regulations and statutory provisions under which Treasury Management borrowing is performed would include: -

- ◆ The Local Government and Housing Act 1989 (including sections 43, 45 and 46 of that Act).
- ◆ The Public Works Loan Board Acts 1965 and 1967.
- ◆ The Local Authorities (Borrowing) Regulations 1990 (SI 1990/767) as amended by the Local Council (Borrowing) (Amendment) Regulations 1991 (SI 1991/551).
- ◆ The Local Government Act 2003.

Treasury Management procedures will be updated to accommodate any new legislative provisions.

It is recognised 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.

Fraud, Error and Corruption, and Contingency Management – TMP1(8)

Fraud and Error

The Council recognises that there is a risk of fraud or error occurring through the performance of the Treasury Management function. Consequently, procedures are in place to ensure control over the organisations with which the Council invests (see Credit and Counterparty Risk Management), and to ensure there is an adequate segregation of duties.

The Council now uses an internet based banking system in connection with the Treasury Management function, however access to this is tightly controlled and the security and integrity of the site/system is managed by the Council's bankers Lloyds Bank Plc (a separate procedure manual details the system, procedures and emergency

/ contingency arrangements applicable in terms of making payments, and obtaining treasury information is available).

Treasury information may be made available on the Councils website however care will be exercised to ensure that no sensitive Treasury information is published through such arenas.

The Council has an "Anti-fraud Policy" and "Whistle-blowing procedures" that identify measures to control the risk of fraud by staff and Members. These can be found in the Internal Audit section of the Council's website.

Internal Audit undertake an annual audit review of the Treasury Management system and assess the effectiveness of controls implemented to prevent or detect fraud and error.

Shortfall of Funds

Should the Council suffer an unforeseen shortfall of funds, the nature of the position should be discussed with the Section 151 Officer or the Deputy Section 151 Officer.

Dependent on the nature of the shortfall, it may be necessary to negotiate terms with the Councils bankers to cover the shortfall, or to loan money from a Broker.

Insurance

The Council holds insurance, which covers loss of money or property belonging to the Council or for which they are legally responsible, resulting from any act of fraud or dishonesty of its employees, discovered during the period of insurance or within 24 months of the expiration.

All employees are covered by the policy, with the following limits being applicable: -

Six Designated Resources and Performance Staff (responsible for Treasury management)	£5 million
All other staff	£500,000

The Resources and Performance posts insured for the Treasury Management value of £5 million are as follows: -

- Director - Resources and Property
- Service Manager – Finance and Procurement
- Projects and Capital Manager
- Business Partner - Capital
- Team Leader (Treasury and Insurance)
- Finance Business Support Officer (Treasury and Insurance)

Price Risk Management - TMP1(9)

The Council mitigates this risk through the use of market advice from its External Fund Managers and through a monthly review of the credit ratings.

Methodology Applied to Evaluate the Impact of Treasury Management Decisions

The Council invests its funds in fixed term deposits, bonds, pooled funds and with other Local Authorities, a proportion of which are short term (to meet cash flow requirements) and the remaining of which are invested for periods determined by the Council, in conjunction with its external fund managers, to meet its longer term requirements.

Political Risks and the Management Thereof

There are cycles of political change at both national and local levels. An overview of the political situation at both levels will be maintained, so that any likely political risks can be identified at the earliest opportunity, with a view to addressing any issues proactively at a corporate management level

Performance Measurement – TMP2

A monthly statement is produced, for each of the Councils investment categories, showing the average rate of return for each category, this is compared to/monitored against the target interest rate projection.

The average rate calculations are weighted in order to take account of the value and duration of investments, in order to ensure an accurate rate of return is produced.

Benchmarking of the Council's return is also undertaken via our advisors Arlingclose Ltd.

Decision Making and Analysis - TMP3

Funding

Funding of the Council's capital expenditure is dealt with in a report to the Council prior to the commencement of each financial year.

A five-year capital programme is presented to Council, for General Fund capital expenditure, along with the financing proposals.

Projections are carried out annually (and prior to the inclusion of any new capital projects) to ensure that sufficient finance is available to meet the Councils capital expenditure requirements.

Revenue funding is dealt with through the Revenue Budget and Council Tax setting process.

Borrowing

There is a borrowing limit that is set by the Council each year in accordance with the Local Government Act 2003. The limit is a specific indicator within the Councils Prudential Code which is reviewed annually in accordance with the code/best practice and is approved by full Council.

Should the need for further borrowing prove necessary, or appropriate for strategic purposes, provided the limit is within the prudential indicator, then arrangements

would be made in accordance with the code. If the need to borrow exceeds the limit set in the prudential indicator, approval will be sort from full Council.

Policy on Interest Rate Exposure

The Policy on interest rate exposure is now dealt with through the Prudential Code in accordance with the Local Government Act 2003. The limits that are being recommended to Council for 2024 to 2025 are being considered and will be reported to Council as part of the Prudential Code update.

Sources of Borrowing

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

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

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

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback
- similar assets based finance

Processes / Records to be Held

When a loan / investment is received / made, the following procedures should be followed, and records held:

Complete a quotation sheet, three quotes for suitable counterparties or comparative quotes if using alternative investment vehicles to be obtained. Recommendation to be signed off by the Assistant Director - Resources and Performance or duly authorised Officer.

Note: under the current circumstances the requirement to obtain three quotes for investments has been temporarily suspended, with investments with the DMO the preferred choice for security of investment.

Enter the full details into the Treasury Investment spreadsheet.

The amount of the loan/investment must also be entered on the cash flow spreadsheet, if it is for a fixed term, also enter the amount as a receipt in the cash flow spreadsheet on the maturity date.

When the counterparty's confirmation note is received, check the details with the Treasury Investment spreadsheet.

All documentation relating the transaction must be scanned into the appropriate folder and paper copies filed accordingly.

Organisation Clarity and Segregation of Responsibilities, and Dealing Arrangements – TMP5

Introduction

The Section 151 Officer and / or Deputy Section 151 Officer has delegated responsibility for the execution and administration of treasury management decisions.

The Section 151 Officer and / or Deputy Section 151 Officer may delegate their treasury management responsibilities to members of their staff. Details of these arrangements are set out below.

Authorised treasury signatories of the Council will be permitted to sign documentation relating to the Council's borrowings and investments.

The daily treasury management routines to be followed are available on request. These procedures will be maintained and reviewed annually.

Delegated Powers and Responsibilities

The Cabinet / Full Council is responsible for:

- ◆ Adoption of the revised CIPFA Treasury Management Code and Treasury Management Policy.
- ◆ Receiving, commenting on, and approval of the Annual Treasury Management and Investment Strategy Statements (prior to the commencement of the financial year).
- ◆ Receiving and commenting on an annual report on treasury management activity for the preceding financial year as soon as possible after the end of the financial year, but in any case by the end of September.
- ◆ Receiving and commenting on other periodic reports on the treasury management function and its performance during the year.
- ◆ Approval of the Prudential Indicators, Authorised Borrowing Limit and Operational Boundary for borrowing.

The Director (Resources & Property) (Section 151 Officer) is responsible for:

- ◆ Ensuring compliance with the treasury management policy statement and that the policy complies with the law.
- ◆ Carrying out regular reviews of the treasury management function.
- ◆ Ensuring that any variations to the treasury policy or the internal practices fully comply with the law and the code of practice.
- ◆ Ensuring that there is an adequate internal audit function.
- ◆ Liaising with the Deputy 151 Officer on treasury management decisions.
- ◆ Making long term investment decisions in accordance with the approved policy.
- ◆ Deciding on funding and short-term policies for the ensuing year.
- ◆ Deciding on lending and investment policies for the ensuing year.
- ◆ Advising the Council on the acceptability and characteristics of treasury instruments.

- ◆ Establishing the vires of the proposed action and the instruments to be used.
- ◆ Ensuring that the organisation of the treasury management function is adequate to meet current requirements and that there is an appropriate division of duties.
- ◆ Assessing and appointing brokers / advisors / external fund managers.
- ◆ Reporting to elected members and advising the monitoring officer where that is appropriate.
- ◆ Re-determining treasury management strategy in the light of forecast changes in the economy and reporting it to members at the appropriate time.
- ◆ Approving changes to counterparty credit limits, in consultation with the Portfolio Holder for Performance and Resources.
- ◆ Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.

The Service Manager - Finance & Procurement / Deputy Section 151 Officer / Projects and Capital Manager is responsible for:

- ◆ Reviewing the annual Treasury Management Statement and Code of Practice.
- ◆ Overall management of the Treasury function.
- ◆ Deputising for the Assistant Director (Resources and Performance) in his/her absence for matters relating to the treasury management function.
- ◆ Monitoring adherence to approved policy by treasury management team.
- ◆ Ensuring that an appropriate division of duties is in place and that all staff are properly trained to carry out the required duties.
- ◆ Making recommendations regarding:
 - the appointment of brokers
 - the organisation of the treasury management function
 - funding and short-term policies
 - lending and investment policies
 - acceptability and characteristics of treasury instruments
 - the vires of proposed action and the instruments to use.
- ◆ Reviewing the performance of the treasury management function at least twice a year.
- ◆ Ensuring that all treasury staff are aware of and have access to the Financial Conduct Council handbook of rules and guidance which is available on the FSA website.
- ◆ Ensuring that the day to day activities accord with the Treasury Management Statement.
- ◆ Ensuring compliance with policies, limitations and directions.
- ◆ Monitoring performance of brokers employed.
- ◆ All recording and administrative functions complying with the system and procedures laid down in the treasury management document.
- ◆ Reviewing regular performance reports.

The Team Leader (Treasury and Insurance) is responsible for:

- ◆ Overseeing the daily treasury management function.
- ◆ Ensuring that the treasury management procedures and practices are regularly reviewed and adhered to.
- ◆ Preparing the draft Treasury Management Statement.
- ◆ Producing regular performance reports.
- ◆ Monitoring performance of brokers employed.
- ◆ Deputising for the Projects and Capital Manager in his/her absence for matters relating to the treasury management function.

The Finance Business Support Officer is responsible for:

- ◆ Dealing with the money market, complying with the systems and procedures laid down in the treasury management document.
- ◆ Updating of daily cash flow.
- ◆ Ensuring that properly authorised transactions are actioned in a timely manner.
- ◆ Reconciling treasury management transactions on a monthly basis.
- ◆ Deputising for the Team Leader (Treasury and Insurance) in his/her absence for matters relating to the treasury management function.

The Internal Audit Manager is responsible for:

- ◆ Reviewing compliance with the approved policy and procedures on treasury management.
- ◆ Reviewing the division of duties and operational practices.
- ◆ Assessing value for money from treasury activities.
- ◆ Undertaking probity audit of treasury function.
- ◆ Reporting and monitoring of Money Laundering activities.

The Chief Executive is responsible for:

- ◆ Ensuring that the system is laid down and resourced.
- ◆ Ensuring that the Section 151 Officer or Deputy Section 151 Officer reports regularly to elected Members on treasury policy, activity and performance.

The Monitoring Officer is responsible for:

- ◆ Ensuring compliance by the Section 151 Officer or Deputy Section 151 Officer with the treasury policy and that the policy complies with the law.
- ◆ Satisfying himself / herself that any proposal to vary treasury policy or practice complies with the law.
- ◆ Advising the Section 151 Officer or Deputy Section 151 Officer where their advice is sought.

Use of External Brokers/Advisors/Fund Managers

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

Bankers

The Council's bankers are Lloyds Bank Plc.

Long Term Borrowing (Public Works Loan Board)

The officers, authorised to obtain loans with the Public Works Loan Board (once full Council approval has been received), are as follows:

- Director - Resources and Property (Section 151 Officer)
- Service Manager – Finance and Procurement (Deputy Section 151 Officer)

- Projects and Capital Manager
- PPC Manager

Investment Direct Dealing Practices

Where there are sufficient funds available to justify an investment, three quotations are obtained from the organisations on the approved list.

It is essential to ensure that when selecting these organisations from the approved list, the investment limits of the organisations are not exceeded.

Three quotations ensure that the best rate is obtained on the investment, indicative quotes may be used when alternative investment vehicles are utilised.

Note: under the current circumstances the requirement to obtain three quotes for investments has been temporarily suspended, with investments with the DMO the preferred choice for security of investment.

Policy on Taping of Conversations

The Council has no facilities for recording dealing and is therefore reliant on any recordings of conversations relating to dealing held by the institutions with which it deals.

Settlement Transmission Procedures

Before transmission of a payment to the investment organisation, a payment voucher is completed with the details of the organisations name, sort code (and where appropriate, their account number), details of the period of the investment, the interest rate achieved and the amount to be invested.

Before any payments can be transmitted, 2 independent authorisations are required on the banking system.

Documentation Requirements

There are spreadsheets in place to record all aspects of treasury management and investment. These spreadsheets are reconciled, independently checked and signed on a monthly basis.

The use of email instructions and electronic signatures has been approved for all Treasury transactions.

Reporting Requirements and Management Information Arrangements – TMP6

The nature and frequency of reporting are covered in Organisation, Clarity and Segregation of Responsibilities and Dealing Arrangements.

Four Treasury Management reports will be made to Council each financial year, the Treasury Management and Annual Investment Strategy Statement Report, the Treasury Management Monitoring Report, the Treasury Management Annual Report, and the report on the Prudential Indicators.

In addition, further reports will be presented to Council for the approval of revisions to the Treasury Management Code of Practice, and to seek approval for any revisions to the approved Treasury Management Strategy, Prudential Indicators and any additions or deletions from the approved list of organisations for investments.

All reports must be approved by Council.

Reporting Content

The prescribed minimum content of the four main annual reports to Council, are detailed in the summaries below. This minimum content gives a degree of flexibility, in terms of the content of the report, whilst ensuring that key issues are always reported.

Annual Strategy Report Minimum Contents Summary

The Annual Strategy Report must be submitted to Council by 31 March each year and should, as a minimum, contain the following: -

- ◆ Details of the level of external debt
- ◆ Investment Limits
- ◆ External investment fund limits
- ◆ Forecast interest rate movements for the ensuing year
- ◆ Breakdown of surplus funds held
- ◆ Proposed investment and / or borrowing strategy

Annual Report Minimum Contents Summary

The Treasury Management Annual report must be submitted to Council by 30 September following the previous financial year's end, and should, as a minimum, contain the following: -

- ◆ Details of the level of external debt held and a list of lenders names
- ◆ Investment performance against benchmark criteria
- ◆ A breakdown of investments held
- ◆ An explanation of interest rate movements during the financial year, against forecast movements in the original Annual Strategy Report
- ◆ Any breaches from the Code of Practice
- ◆ A statement of compliance from the Internal Audit manager

Monitoring Report Minimum Summary of Contents

The monitoring report must be submitted to Council by 31 December each year and should, as a minimum, contain the following: -

- ◆ Details of the level of external debt
- ◆ Investment performance against benchmark criteria
- ◆ A breakdown of investments held
- ◆ Any revisions to Treasury Management strategy
- ◆ A revised interest rate forecast for the remainder of the financial year
- ◆ Any breaches from the Code of Practice
- ◆ Show the position as at the end of 30 September

Revisions to the Treasury Management Code of Practice Contents Summary

The report must be submitted to Council by the 7 March each year and should contain as a minimum, the following;

- ◆ Any legislative changes
- ◆ Any guidance changes
- ◆ Any significant changes in procedures
- ◆ Confirmation that the CIPFA Code of Practice for Treasury Management in the Public Services has been adopted
- ◆ At the same Council meeting a report must be submitted on the Councils Prudential Code & Associated Indicators and should contain as a minimum, the following;
 - ◆ Rates of financing costs to net revenue stream
 - ◆ Net borrowing and the capital financing requirement
 - ◆ Total capital expenditure in each year
 - ◆ Average balance of capital receipts available
 - ◆ Limits in interest rate exposure
 - ◆ Maturing structure of borrowing
 - ◆ Incremental impact of capital investment
 - ◆ Total principal sums invested and limits on long term investment maturities
 - ◆ Minimum Revenue Provision Policy

Budgeting, Accounting and Audit Arrangements – TMP7

Statutory / Regulation Requirements

Statutory and regulatory requirements relating to Treasury Management are dealt with under TMP1 under the heading “Legal and Regulatory”.

Accounting Practices and Standards

The Council, in addition to all relevant SSAP’s, FRS’s and IAS’s adheres to all practices and standards provided by CIPFA.

Budgets

Budgets are set, prior to the commencement of a financial year, for brokerage fees charged by the Councils Fund Managers and Advisors.

A forecast of interest receipts for the ensuing financial year is prepared prior to its commencement by the Projects and Capital Manager. This budget is also revised during the year, to take account of any variations in the amount likely to be received.

Investment categories are individually coded on the Council’s financial information system, in terms of the interest received, principal sums invested, and investments recouped. Information is updated on the Financial Information System directly from the bank statements received, by the Bank Reconciliation Officer who is independent of the Treasury Management function.

The Treasury records are reconciled to the information on the financial information system, on a monthly basis. Reconciliation’s are checked independently by the Team Leader (Treasury and Regulatory Services) and signed to signify approval.

External Audit Information Requirements

The "Audit Fraud and Corruption Manual" details system controls which external auditors would wish to see in place for Treasury Management. These are as follows: -

- ◆ Clear written procedures for staff
- ◆ Transactions are regularly reviewed and examined by a senior officer
- ◆ Appropriate access controls exist
- ◆ All cheques / direct credits over a specified amount are checked back to prime documents and countersigned by a senior officer
- ◆ Banks only accept direct transfers to institutions on an approved list
- ◆ Changes to the approved list require counter signature by a senior officer
- ◆ Transfer via a direct terminal link is only allowed when confirmed by a second officer
- ◆ Cheques are despatched independently of the loan officer
- ◆ Discharged certificates are obtained for all bond repayments.
- ◆ Direct confirmation with borrowers or lenders of premiums or discounts on premature repayments.
- ◆ Premium or discount payments are checked for reasonableness.

Cash and Cash Flow Management – TMP8

Monitoring of cash flow requirements is carried out using a Cash Flow spreadsheet. The spreadsheet shows all the days of the year and is broken down into headings of income and expenditure for each working day of the year. This allows a forecast of the consolidated end of day closing balance to be compiled, on which Treasury Management decisions can be based.

This spreadsheet is compiled prior to the commencement of the financial year and is updated with all cash inflows and outflows which are known (in terms of amounts and the dates they will occur) at the commencement of the financial year. These would include:

- ◆ Precept payments to be made to precepting bodies
- ◆ Contributions to and from the National Non-Domestic Rating pool
- ◆ Any other known cash in flows and out flows

In addition to updating this spreadsheet with cash inflows and outflows known at the start of the year, notes are made on the spreadsheet of those transactions, which cannot be quantified, but are known to occur on specific dates. These would include:

- ◆ Council Tax direct debit income
- ◆ National Non-Domestic Rates (NNDR) direct debit income
- ◆ Monthly payroll (and associated) payments

Other income and expenditure are known to occur on a regular basis, and cash flow decisions also take account of these. Examples would include:

- ◆ Accounts Payable (Creditor) Payments (made on each Monday and Thursday)
- ◆ Housing Benefits (HBIS) BACS payments (made on each Monday)
- ◆ Other daily income, e.g. from cashiers

The daily forecast cleared closing consolidated balance is compared to the consolidated forecast balance from the Councils direct banking system, in order to give assurance that the system and spreadsheet are taking account of all transactions.

The end of day forecast cleared consolidated balance is the figure which treasury management decisions are based on. Two authorised officers therefore check this figure, independently, for control purposes, where an investment or borrowing decision is to be made.

Daily Procedures

The Finance Business Support Officer (Treasury and Insurance) will perform day to day cash management. The Team Leader (Treasury and Insurance) and the Business Partner - Capital will provide cover in the absence of any of the aforementioned officers.

It is now required that all designated treasury staff carry out the treasury management daily procedures for 2 individual weeks during the course of the year, to ensure that they are continually up to date with treasury management procedures.

Objective

The objective of the day to day cash management is to ensure that the consolidated balance of the Council's bank accounts is, where possible, kept within its target overnight level of up to £1 million, whilst adequately meeting the day to day cash requirements of the Council.

However, balances over £1 million may be retained in the bank account to be used to cover payments going out provided the limit is not exceeded for more than five consecutive working days.

Investment / Borrowing Decision Making

Borrowing to meet any shortfall or investing directly with organisations on the approved list can be authorised by the Director of Resources and Property (Section 151 Officer), Service Manager - Finance and Procurement (Deputy Section 151 Officer), Projects and Capital Manager, Planning, Performance & Control Manager. In the absence of one of the officers above, one of the Senior Business Partners or Business Partner – Capital can act as Sanctioning Officer with the documentation being countersigned by an authorising officer at the earliest opportunity. Longer term borrowing requires Council approval.

With increased working over multiple sites and remote working arrangements, the required officers are not always available to provide 'hard copy' authorisation. To increase efficiency and ensure treasury activities are carried out in a timely manner, the use of email authorisation is permitted. Copies of the email trail must accompany all deal paperwork in the completed file.

Forecasting the closing balance on the consolidated accounts

This is reached by obtaining a daily cleared debit/credit balance from the Direct Banking system and referring to the "Cashflow" Spreadsheet for any other significant income/payments.

Bank Statement Procedures

On receipt, bank statements are forwarded to the Accounts section, whereby they are distributed to the appropriate responsible officer.

Payment Scheduling and Agreed Terms with Trade Creditors

Creditor runs, through the creditors system are performed on a bi-weekly basis to provide both BACS and cheque payments.

The Councils general terms are that payment of invoices will be made within 30 days, unless alternative terms are detailed on invoices.

The Treasury Management team is provided with information on the level of creditor payments to be made each week, in time to ensure sufficient funds are available to meet the liability.

Procedure for Banking of Funds

A private security firm carries out the banking of funds.

Procedures for the reconciliation of cash and cheques collected at each location, to those banked, are also in place.

Scheme for the Advancing of Car Loans to Members of Staff

The scheme is intended to assist specified officers with the purchase of a vehicle where it is deemed necessary to have the availability of a vehicle for the performance of his / her duties.

The full Policy can be found on the Corporate Drive and in the Policy Library.

Loans to Parish Councils and External Organisations

More detailed information on the criteria for a loan and the application process can be found in the Council's loan policy.

Money Laundering - TMP9

Methodology for Identifying Sources of Deposit

For all investments, managed internally, the Council deals with financial institutions that hold an acceptable Credit Rating as detailed in TMP 1.

This high credit rating gives some assurance that all institutions included on the approved list of organisations for investments are reputable companies.

Methodology for Establishing the Identity / Authenticity of Lenders

In terms of temporary loans, the Council has a policy of only accepting loans from Parish Councils, or occasionally of small amounts from Community Organisations (subject to such loans not adversely affecting the Authorised Borrowing Limit or the Operational Boundary for Borrowing), where this would benefit the organisation concerned. Any other loans accepted would relate to performance bonds from reputable companies.

The Council currently has £9.5 million of long-term borrowings. Should it prove necessary to borrow further, only Brokers included in the Councils approved list would be asked to provide quotations. Written confirmations of all details relevant to any transaction would be required on the Broker's headed paper.

Disaster Recovery Plan

In the event that the offices cannot be accessed, or the online banking facility is unavailable, there are contingency arrangements in place to ensure that where possible Treasury Management obligations are met. These emergency contingency arrangements can be found in the Treasury Management Procedures Manual.

As a result of the enforced changes to working arrangements in 2020, full remote working facilities are available to all officers involved in Treasury Management and payment authorisation.

Training and Qualifications – TMP10

It is the Council's intention for all the posts detailed in the schedule for TMP5 "Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements" to be occupied.

Should a vacancy for any post be unfilled for any exceptional period of time, then the Code of Practice will be reviewed to assess any likely implications and risks, and so that any necessary amendments may be made and presented to Council for approval.

It is the intention of the Council that staff holding the posts will have adequate knowledge and skills in order to fulfil the requirements of these posts.

Those responsible for day-to-day treasury management activities will ensure that they keep their knowledge and skills up to date. This will be done in a number of ways (both in-house and using external providers), including but not limited to those detailed below:

- Attend a minimum of two strategy meetings with the Council's treasury advisers each year.
- Review annual Treasury Management Strategy and Code of Practice, noting any changes.
- Attend a minimum of one update session per month provided by the Council's independent treasury advisers.
- Attend weekly Treasury update meetings.
- Maintain and update as necessary Treasury Learning Resources.
- Attend monthly cash-flow meetings to better understand short and medium term cash requirements.
- Review of news / updates on treasury management subjects, including those provided by the Council's treasury advisors, as well as through publications such as Public Finance.

The knowledge and skills will be monitored throughout the year. A review will take place as part of the annual performance review procedure and any gaps in knowledge or skills will be identified and actions identified to address them.

The Chief Finance Officer / Deputy Chief Finance Officer will maintain their knowledge and skill in a number of ways, including but not limited to those detailed below:

- Attendance at annual CIPFA Conferences
- Attendance at strategy meetings with the council's Treasury Advisers each year.

- Review of news / updates on treasury management subjects, including those provided by the Council's treasury advisors, as well as through publications such as Public Finance and Room 151.

Council members responsible for scrutiny of the Council's treasury management function (members of the Performance & Audit Scrutiny Committee) will be provided with an annual training session from the Council's independent treasury advisors, as well as quarterly updates on treasury management activity from the in-house treasury management team.

Use of External Service Providers - TMP11

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

The Council has a contract with Arlingclose Ltd for treasury advice, this contract expires 18 May 2024.

Corporate Governance – TMP12

Information Available for Public Inspection

The Council will make publicly available information relating to its Treasury Management strategy.

The Council will also make available information relating to the performance of the Treasury Management function in terms of the rate of return received on investments.

Consultation with Stakeholders

The Council's main objective is to maximise investment income without compromising its position in terms of risk. This strategy results in little scope for consultation with stakeholders, over what is effectively investment strategy.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank