

Name and date of meeting: Cabinet 3 December 2019

Title of report: Half Yearly Monitoring report on Treasury Management activities 2019/20

Purpose of report

The Council has adopted the CIPFA Code of Practice on Treasury Management. It is a requirement of the Code that regular reports be submitted to Members detailing treasury management operational activity. This report is the mid-year for 2019/20 covering the period 1 April to 30 September 2019.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	No
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	Key Decision: Yes Private Report/Private Appendix: N/A
The Decision - Is it eligible for call in by Scrutiny?	No
Date signed off by Strategic Director and name	Rachel Spencer-Henshall – 21 November 2019
Date signed off by Service Director (Finance)	Eamonn Croston – 7 November 2019
Is it also signed off by the Service Director Legal Governance and Monitoring?	Julie Muscroft – 7 November 2019
Cabinet member portfolio	Corporate Graham Turner

Electoral wards affected: N/A

Ward councillors consulted: N/A

Public or Private: Public

GDPR: This report contains no information that falls within the scope of General Data Protection Regulations.

1 Summary

1.1 The report gives assurance that the Council's treasury management function is being managed prudently and pro-actively. External investments averaged £34.9 million during the period at an average rate of 1.12%. Investments have ranged from a peak of £42.7m in May and a low of £22.5m in September.

- 1.2 Balances were invested in line with the approved treasury management strategy (see Appendix 1), in instant access accounts or short-term deposits.
- 1.3 The treasury management revenue budget is £22.2m. There is a forecast underspend of £2.7m against this, in-year. This is covered in more detail at paragraph 2.16 later in this report.
- 1.4 In-year treasury management performance is in line with the treasury management prudential indicators set for the year (see appendix 4).
- 1.5 The Financial Outturn and Rollover Report 2018/19 presented to Council on 17 July 2019 included officer intentions to review current treasury management investment policy and consider options for future investment opportunities. In order to increase investment returns, alternative investment options were considered. There was member approval to add the Local Authorities Pooled Investment Fund (LAPF) as an approved Council Investment in the 2019-20 Treasury Management Strategy approved as part of the budget on 13 February 2019 with a potential investment of up to £10m during 2019-20.
- 1.6 The Council made an initial Investment in LAPF of £5m in May 2019, with a view to consideration for a further investment tranche later in the year. Splitting the total investment in to two batches would potentially reduce the timing risk of the investment, the intention is to invest the balance of £5m at the end of November 2019.

2 Information required to take a decision

- 2.1 The treasury management strategy for 2019/20 was approved by Council on 13 February 2019. The over-riding policy continues to be one of ensuring the security of the Council's balances. The Council aims to invest externally balances of around £30 million, largely for the purpose of managing day-to-day cash flow requirements, with any remaining balances invested "internally", offsetting borrowing requirements.
- 2.2 The investment strategy is designed to minimise risk, with investments being made primarily in instant access accounts or short-term deposits, with the major British owned banks and building societies, or Money Market Funds. Diversification amongst counterparties is key.

Economic Context

- 2.3 The following economic update has been provided via our external advisors Arlingclose (paragraphs 2.4 to 2.7 below in italics):
- 2.4 *UK Consumer Price Inflation (CPIH) fell to 1.7% year/year in August 2019 from 2.0% in July, weaker than the consensus forecast of 1.9% and below the Bank of England's target. The most recent labour market data for the three months to July 2019 showed the unemployment rate edged back down to 3.8% while the employment rate remained at 76.1%, the joint highest since records began in*

1971. Nominal annual wage growth measured by the 3-month average excluding bonuses was 3.8% and 4.0% including bonuses. Adjusting for inflation, real wages were up 1.9% excluding bonuses and 2.1% including.

- 2.5 *Politics, both home and abroad, continued to be a big driver of financial markets over the last quarter.*
- 2.6 *The Bank of England maintained Bank Rate at 0.75% and in its August Inflation Report noted the deterioration in global activity and sentiment and confirmed that monetary policy decisions related to Brexit could be in either direction depending on whether or not a deal is ultimately reached by 31st October.*
- 2.7 *Gilt yields remained volatile over the period on the back of ongoing economic and political uncertainty. From a yield of 0.63% at the end of June, the 5-year benchmark gilt yield fell to 0.32% by the end of September. There were falls in the 10-year and 20-year gilts over the same period, with the former dropping from 0.83% to 0.55% and the latter falling from 1.35% to 0.88%. 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.65%, 0.75% and 1.00% respectively over the period. Recent activity in the bond markets and PWLB interest rates highlight that weaker economic growth remains a global risk.*

Investment Performance

- 2.8 The Council invested an average balance of £34.9 million externally during the period (£43.1 million in the first six months of 2018/19), generating £127k in investment income over the period (£120k in 2018/19) and £68k of dividend income from the investment in the LAPF. Appendix 7 shows a comparative average net monthly balances invested over the last 3 years.
- 2.9 Balances were invested in instant access accounts, short term deposits and the LAPF. Appendix 1 shows where investments were held at the start of April, the end of June and September by counterparty, by sector and by country.
- 2.10 The Council's average investment rate for the period was 1.12%. This is higher than the average in the same period in 2018/19 of 0.56%. This is mainly due to the higher returns on investment in the LAPF. Returns on liquid cash balances were 0.85% and 4.07% on the LAPF (after deducting charges). The actual dividend yield quoted from the fund on Net Asset Value was 4.35% at the end of September for the last 12 months, and the fund size was £1,173.1m.
- 2.11 As per Appendix 3, provided by Arlingclose, when comparing internal investments the Council performed well against other Local Authorities at the end of September 2019. In order to gain better rates of return, the majority of Local Authorities performing better have further external investments in specific commercial property portfolios or a more diverse portfolio.

Borrowing Performance

- 2.12 Long-term loans at the end September totalled £384.5 million (£394.5 million 31 March 2019) and short-term loans £1.0 million – (£0.9 million 31 March 2019). There has been no new long term borrowing so far this year. The mid-year liability benchmark highlights that there isn't an expectation of any new additional long term borrowing this year and the Prudential Code states that Authorities should not borrow in advance of need.
- 2.13 Fixed rate loans account for 79.8% of total long-term debt giving the Council stability in its interest costs. The maturity profile for fixed rate long-term loans is shown in Appendix 2 and shows that no more than 10% of fixed rate debt is due to be repaid in any one year. This is good practice as it reduces the Council's exposure to a substantial borrowing requirement in future years when interest rates might be at a relatively high level.
- 2.14 The Council had a £10.0m Range LOBO with Barclays at the beginning of the year paying interest of 4.1%. This has since been converted to a fixed rate of 3.75% in July 2019 which will result in savings of £35k per annum.
- 2.15 Appendix 5 sets out in year repayments on long term borrowing and also further re-payments for the next 6 months.

Revenue Budget Monitoring

- 2.16 The treasury management revenue budget is £22.2m. The change in Minimum Revenue Provision (MRP) policy allowed for a planned release of £13.5m MRP budget over-provision in 2019/20 as part of the Council approved budgets, including an approved earmarking of £5m to part offset high needs service pressures, £1.4m transfer to reserves to support Place based mental health measures, and a further £4.4m transferred to financial resilience reserves. The remaining £2.7m overprovision 'contingency' has subsequently been released in-year as reported through quarterly financial monitoring to Cabinet, to offset in-year pressures. The revised MRP policy is to provide for MRP on the basis of the asset life to which external borrowing is incurred rather than the older version of a 4% reducing balance of the Capital Financing Requirement (CFR). The MRP calculation is used to determine the amount of revenue resources that need to be set aside annually by the Council to meet its debt obligations.

Prudential Indicators

- 2.17 The Council is able to undertake borrowing without central government approval under a code of practice called the Prudential Code. Under this Code, certain indicators have to be set at the beginning of the financial year as part of the treasury management strategy.
- 2.18 The purpose of the indicators is to contain the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decision impacting negatively on the Council's overall financial position. Appendix 4 provides a schedule of the indicators set for treasury management and the latest position.

Borrowing and Investment – General Strategy for 2019/20

2.19 The Capital Financing Requirement (CFR) represents the Council's underlying need to finance capital expenditure by borrowing or other long-term liability arrangements.

2.20 An authority can choose to finance its CFR through internal or external borrowing or a combination of the two.

2.21 Forecast changes in the Capital Financing Requirement (CFR) and how these will be financed are shown in the balance sheet analysis at Table 1 below:

Table 1: Balance Sheet Forecast

	Actual 2018/19 £m	Strategy Estimate 2019/20 £m	Revised Forecast 2019/20 £m
General Fund CFR - Non PFI	436.6	508.9	467.1
PFI	49.3	45.8	45.8
HRA CFR - Non PFI	175.3	170.7	170.7
PFI	52.9	50.5	50.5
Total CFR	714.1	775.9	734.1
Less: PFI debt liabilities (1)	102.2	96.3	96.3
Borrowing CFR	611.9	679.6	637.8
<u>Financed via;</u>			
Deferred Liabilities (Non-PFI) (2)	3.9	3.7	3.7
Internal Borrowing	213.6	136.6	248.6
External Borrowing	394.4	539.3	385.5
Total	611.9	679.6	637.8
Investments	39.1	30.0	30.0

(1) £102.2m PFI Liability (£5.9m falling due in 2019/20)

(2) Deferred Liabilities = £1.0m Finance Lease (Civic Centre 1) & £2.9m Transferred Debt (Probation - Bradford, Waste Management - Wakefield & Magistrates Debt Charges)

2.22 The revised forecast takes into account the following factors;

- a) General Fund CFR has reduced from £508.9m in the 2019/20 Strategy to £467.1m revised forecast due to further slippage and re-profiling within the Capital Plan.
- b) Internal borrowing in the 2019/20 Strategy was £136.6m, this has now been revised up to £248.6m due to lower than forecast use of reserves. Internal borrowing reflects the totality of General Fund, HRA revenue reserves, Capital Grant Reserves and Capital Receipts reserves.

- 2.23 The Council currently looks to maximise internal borrowing due to the relatively low rates of investment income available within the scope of the Treasury Management Strategy.
- 2.24 There was a 1% increase in PWLB rates overnight on the 9th October 2019. This is likely a result of exceptionally high levels of long term borrowing sector wide over recent months, which was getting close to the statutory PWLB limit of £95bn. As HM Treasury had no appetite to extend the limit, they chose to control demand by increasing rates, thereby preserving the facility. As a result, by way of an example, a 30 year maturity loan on 8th October was 1.96% which increased to 2.97% the following day. PWLB borrowing does however remain available, with most rates at or below 3%, which isn't particularly expensive in historical terms (appendix 7 shows current and historic PWLB rates). Short term borrowing rates however remain relatively low. Short term local to local funding is available slightly higher than current bank rate, at around 0.84%.

Future Treasury Management Strategy

- 2.25 The Financial Outturn and Rollover Report 2018/19 reported to Council on 17 July 2019 included officer intentions to review current treasury management investment policy and consider options for future investment opportunities that could make additional returns for the Council such as the LAPF.
- 2.26 The LAPF currently generates a dividend yield on Net Asset Value of 4.35% for the past 12 months (based on Septembers most recent quarter) which is a far greater return than the current Council short-term investments due to the nature of the latter being more liquid and having greater security. However due to the diversification of the Local Authorities Property Fund portfolio, this still offers relatively more security than if the Council were to invest within individual commercial properties.
- 2.27 Based on current yields, the anticipated annual investment income from £5m – £10m investment could be in the range £225k - £450k ongoing. However there are annual management charges that are payable to reflect the fact that the fund is actively managed. These costs are 0.65% and are deducted from dividend payments.
- 2.28 The nature of this type of investment is such that it has to be seen as a much longer term investment to mitigate against any short-term market volatility or risk. Any initial net yield gains would be offset to some extent by these transaction costs.
- 2.29 The Fund has previously offered both stable yields and capital gains over the last 10 years. However, it must be noted that this is heavily dependent on property prices and if there were to be a property crash the Council would incur a capital loss on any investment
- 2.30 The Accounting Code of Practice around Financial Instruments for local government would ordinarily mean that any movement in the fair value of the overall capital asset portfolio in the LAPF from year to year (positive or negative),

would have a real impact on the Council's annual Comprehensive Income and Expenditure Statement and therefore would impact on the Council Tax payer.

- 2.31 However there is currently a statutory override to this requirement specifically in relation to the LAPF, albeit the override would be for 3 years only (to 1 April 2021). Councils are lobbying for the override to be made permanent. Therefore the potential for this change and the impact this could potentially have on the Council needs to be considered when investing further in such a fund. The Council has anyway set aside a specific reserve (property and other loans reserve) which in part will operate as a smoothing reserve to manage any short term adverse impacts of the type described in paragraph 2.30.
- 2.32 The recently updated Prudential Code and Treasury Management Guidance which the Council formally adopted for 2019/20, notes that any investment in such funds (or individual commercial activity) should be proportionate to the requirements of the Council and should not be considered as a means to generate income without considering the potential impact if those investments were to generate a lower than expected return.
- 2.33 The Treasury Management Code of Practice ensures management practices are in place for non-treasury management activity in addition to the existing 12 Treasury Management Practices (TMPs). This is identified at the end of this report (Appendix 6).
- 2.34 The updated CIPFA Prudential and Treasury Management Codes also call for more robust management of commercial activity and capital borrowing, acknowledging the increasing trend over more recent years for Councils to investments in commercial properties, funded by borrowing, with the key driver of this activity appearing to be the generation of revenue. The prudential code takes the same position as the statutory guidance, and it is clear that authorities must not borrow more than or in advance of their needs purely to profit from the investment of the extra sums borrowed. Investment in the CCLA Property Fund would not fall in to this category as it will not be funded by new borrowing, it would be utilising current day to day cash balances.
- 2.35 Following the 1% increase in PWLB borrowing rates (as noted above in paragraph 2.24), Arlingclose suggest that PWLB rates are now relatively expensive (albeit reset to the rates they were 12 months previous) compared to alternative longer term funding sources, where Councils are considering longer term borrowing. While this Council's current approach is to continue to borrow short term, this will be subject to ongoing review in consultation with Arlingclose, as to when it may be more appropriate to borrow longer term. Alongside this, will be consideration of potential other funding sources that may be more advantageous than prevailing PWLB rates.

Risk and Compliance issues

- 2.36 In line with the investment strategy, the Council has not placed any direct investments with companies as defined by the Carbon Underground 200.

3 Implications for the Council

- 3.1 Treasury management budget forecast will continue to be reported as part of the overall quarterly financial monitoring reporting cycle to Cabinet, through the remainder of the year.

4 Consultees and their opinions

This report was considered and endorsed at Corporate Governance and Audit Committee on 15 November 2019 and will be submitted to Cabinet for consideration on 3 December 2019. Arlingclose, the treasury management advisors to the Council, have provided the economic context commentary contained in this report.

5 Next steps

For Full Council to approve the recommendations of this report.

6 Officer recommendations and reasons

Having read this report and the accompanying Appendices, Council are asked to:

- 6.1 Note the half-year treasury management performance in 2019/20 as set out in the report.

7 Contact officer

James Anderson	Head of Accountancy Service	01484 221000
Rachel Firth	Finance Manager	01484 221000

8 Background Papers and History of Decisions

CIPFA's Prudential Code for Capital Finance in Local Authorities.
CIPFA's Code of Practice on Treasury Management in the Public Services.
CIPFA's Treasury Management in the Public Services – Guidance notes
The treasury management strategy report for 2019/20 - Council 13 February 2019
Council Budget Strategy Update Report 2020-23 – Council 16 October 2019
Annual Report on Treasury Management 2018-19 - Annual Financial Outturn and Rollover Report 2018-19; Council 17 July 2019

9 Service Director responsible

Eamon Croston 01484 221000

Kirklees Council Investments 2019-20												
Counterparty	Approved Strategy Limit £m	Approved Strategy Credit Rating	Credit Rating Sept 2019*	1 April 2019 (opening)			30 June 2019			30 September 2019		
				£m	Interest Rate	Type of Investment	£m	Interest Rate	Type of Investment	£m	Interest Rate	Type of Investment
Specified Investments												
CCLA Property Fund	10.0	-	-				5.0	-	***	5.0	-	***
Thurrock Council	10.0	-	-	5.0	0.94%	1 month						
Suffolk County Council	10.0	-	-	5.0	0.95%	2 months						
Santander Bank	10.0	F1	F1/A+	2.0	0.85%	35 Day Notice	2.0	0.85%	35 Day Notice			
Handelsbanken Bank	10.0	F1	F1+/AA									
Aberdeen Standard MMF**	10.0	AAA-A	AAA	9.9	0.78%	MMF	10.0	0.76%	MMF	10.0	0.74%	MMF
Aviva MMF**	10.0	Aaa-A2	Aaa*	10.0	0.79%	MMF	10.0	0.75%	MMF	7.2	0.72%	MMF
Deutsche MMF**	10.0	AAA-A	AAA	0.0	0.71%	MMF	10.0	0.74%	MMF	10.0	0.72%	MMF
Goldman Sachs MMF**	10.0	AAA-A	AAA	7.2	0.71%	MMF	1.0	0.69%	MMF	0.0	0.67%	MMF
				39.1			38.0			32.2		
Sector analysis												
Property Fund	10.0						5.0	13%		5.0	16%	
Bank	10.0 each			2.0	5%		2.0	5%				
MMF**	40.0			27.1	69%		31.0	82%		27.2	84%	
Local Authorities/Cent Govt	Unlimited			10.0	26%							
				39.1	100%		38.0	100%		32.2	100%	
Country analysis												
UK				12.0	31%		7.0	18%		5.0	16%	
MMF**				27.1	69%		31.0	82%		27.2	84%	
				39.1	100%		38.0	100%		32.2	100%	

*Fitch short/long term ratings, except Aviva MMF (Moody rating). See next page for key. The use of Fitch ratings is illustrative – the Council assesses counterparty suitability using all 3 credit rating agencies, where applicable, and other information on credit quality.

**MMF – Money Market Fund. These funds are domiciled in Ireland for tax reasons, but the funds are made up of numerous diverse investments with highly rated banks and other institutions. The credit risk is therefore spread over numerous countries, including the UK. The exception to this is the Aviva Government Liquidity Fund which invests directly in UK government securities and in short-term deposits secured on those securities.

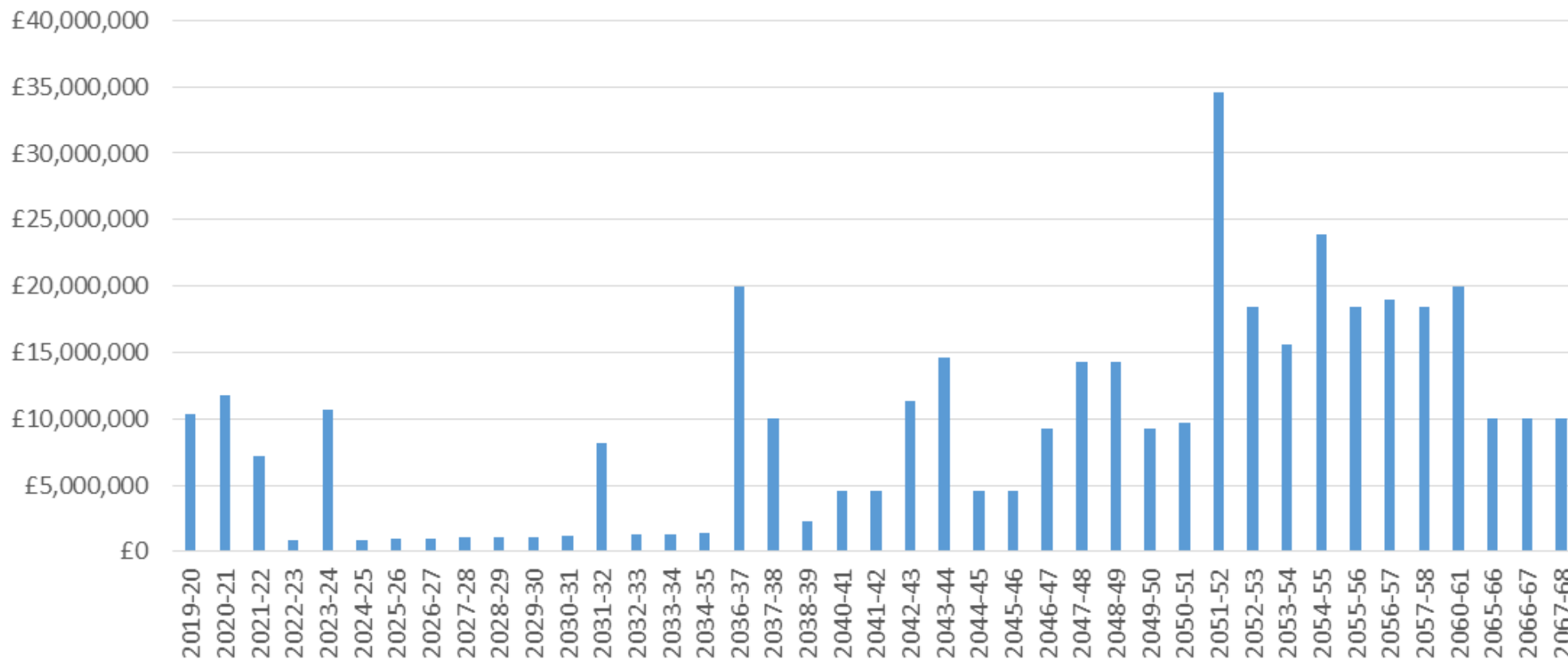
***Specialised property fund available for Local Authority investors.

Key – Fitch’s credit ratings:

Appendix 1 Continued

		Long	Short	
Investment Grade	Extremely Strong	AAA	F1+	
		AA+		
	Very Strong	AA		
		AA-		
		A+		
	Strong	A		F1
		A-		
		BBB+		F2
	Adequate	BBB		
BBB-		F3		
BB+		B		
Speculative	BB			
	BB-			
	B+			
Very Speculative	B			
	B-			
	CCC+		C	
Vulnerable	CCC			
	CCC-			
	CC			
	C			
Defaulting	D	D		

Debt Maturity - By Year

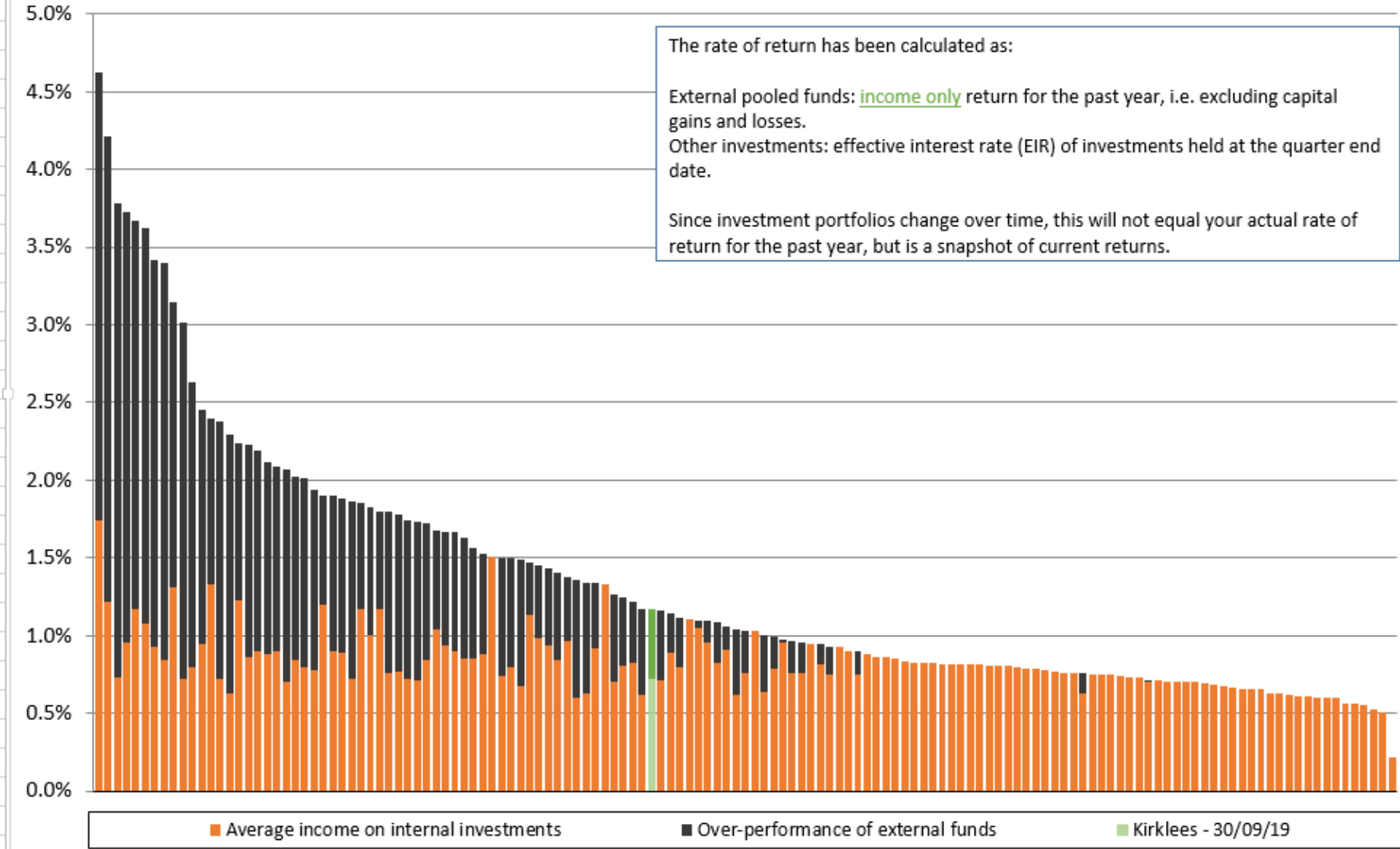


Income Only Return on Total Investments (Internal plus External Funds)

The rate of return has been calculated as:

- External pooled funds: income only return for the past year, i.e. excluding capital gains and losses.
- Other investments: effective interest rate (EIR) of investments held at the quarter end date.

Since investment portfolios change over time, this will not equal your actual rate of return for the past year, but is a snapshot of current returns.



Treasury Management Prudential Indicators

Interest Rate Exposures

While fixed rate borrowing can contribute significantly to reducing the uncertainty surrounding future interest rate scenarios, the pursuit of optimum performance justifies retaining a degree of flexibility through the use of variable interest rates on at least part of the treasury management portfolio. The Prudential Code requires the setting of upper limits for both variable rate and fixed interest rate exposure:

	Limit Set 2019 - 20	Estimated Actual* 2019 - 20
Interest at fixed rates as a percentage of net interest payments	60% - 100%	86%
Interest at variable rates as a percentage of net interest payments	0% - 40%	14%

*The estimated actual is within the limits set.

Maturity Structure of Borrowing

This indicator is designed to prevent the Council having large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate	Limit Set 2019 - 20	Est'd Actual 2019 - 20
Under 12 months	0% - 20%	2%
12 months to 2 years	0% - 20%	4%
2 years to 5 years	0% - 60%	6%
5 years to 10 years	0% - 80%	2%
More than 10 years	20% - 100%	86%

The limits on the proportion of fixed rate debt were adhered to.

Total principal sums invested for periods longer than 364 days

The Council will not invest sums for periods longer than 364 days.

Appendix 5

Long-term loans repaid during the period 01/04/19 to 30/09/19

	Amount £000s	Rate %	Date repaid
PWLB (476012) - Maturity	4,613	8.50	10 June 19
FMS Wertmanagement (Depfa) - LOBO	5,000	5.98	5 August 19
PWLB (496956) - Annuity	353	4.58	30 Sept 19
Total	9,966		

Long-term loans to be repaid during the period 01/10/19 to 31/03/2020

	Amount £000s	Rate %	Date to be repaid
PWLB (496956) - Annuity	361	4.58	30 Mar 20
Total	361		

TREASURY MANAGEMENT PRACTICES

The following Treasury Management Practices (TMPs) set out the manner in which the Council aims to achieve its treasury management policies and objectives, and how it will manage and control those activities.

1. TMP 1 Risk management

The Chief Finance Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the 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.

(i) Credit and counterparty risk management

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

(ii) Liquidity risk management

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 which are necessary for the achievement of its business/service objectives. The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

(iii) Interest rate risk management

The Council will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements.

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. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

(iv) Exchange rate risk management

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

(v) Refinancing risk management

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

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

(vi) Legal and regulatory risk management

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(i) Credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council.

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.

(vii) Fraud, error and corruption, and contingency management

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.

(viii) Market risk management

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.

2. **TMP2 Performance measurement**

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

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

3. **TMP3 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 purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.

4. **TMP4 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 the 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 when entering into arrangements to use such products.

5. **TMP5 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, and 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 principles 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 Chief Finance Officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The Chief Finance Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover. The present arrangements are detailed in the schedule to this document.

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

The delegation to the Chief Finance Officer in respect of treasury management is set out in the schedule to this document. The Chief Finance Officer will fulfil all such responsibilities in accordance with the Council's policy statement and TMPs and, as a CIPFA member, the Standard of Professional Practice on Treasury Management.

6. **TMP6 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 the transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, the 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 present arrangements and the form of these reports are detailed in the schedule to this document.

7. **TMP7 Budgeting, accounting and audit arrangements**

The Chief Finance Officer will prepare, and the Council will approve and, if necessary, from time to time 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 a minimum be those required by statute or regulation, together with such information as will demonstrate compliance with the TMPs. Budgeting procedures are set out in the schedule to this document. The Chief Finance Officer will exercise effective controls over this budget, and will report any major variations.

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

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

8. **TMP8 Cash and cash flow management**

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Chief Finance Officer and, with the exception of Secondary Schools' bank accounts, will be aggregated for cash flow purposes. Cash flow projections will be prepared on a regular and timely basis, and the Chief Finance Officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1(i) Liquidity risk management. The present arrangements for preparing cash flow projections are set out in the schedule to this document.

9. **TMP9 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 ensure that staff involved in treasury management activities are fully aware of their responsibilities with regards this. The present safeguards, including the name of the officer to whom any suspicions should be reported, are detailed in the schedule to this document.

10. **TMP10 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 present arrangements are detailed in the schedule to this document.

The Chief Finance Officer will ensure that Members of the committee providing a scrutiny function have access to regular training relevant to their responsibilities.

11. **TMP11 Use of external service providers**

The Council recognises that responsibility for treasury management decisions remains with the organization at all times. However, it also recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources.

When it employs such service providers, it will ensure it does so for reasons which will have been submitted to full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one or a small number of companies.

Where services are subject to formal tender or re-tender arrangements, legislative requirements and the Council's Contract Procedure Rules will always be observed. The monitoring of such arrangements rests with the Chief Finance Officer, and details of the current arrangements are set out in the schedule to this document.

12. **TMP12 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.

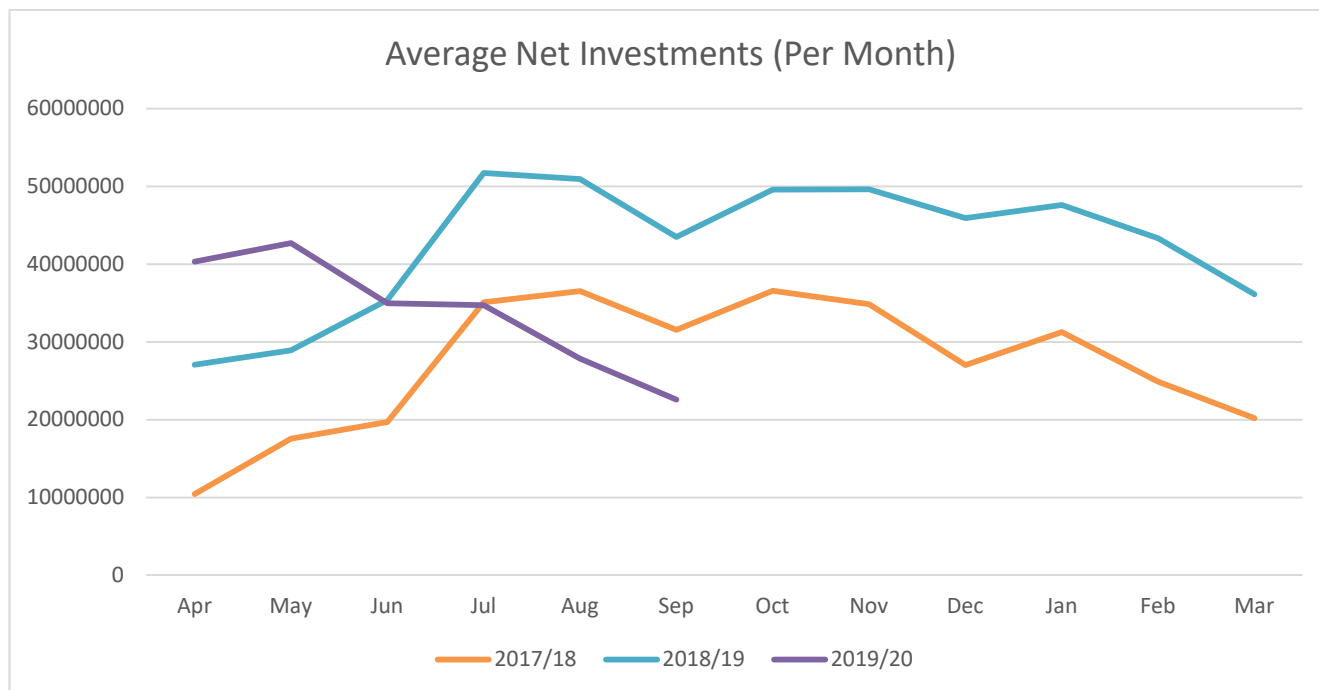
The Council has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the Chief Finance Officer will monitor and, if necessary, report upon the effectiveness of these arrangements.

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 activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Council will ensure that all investments are covered in the Capital and Investment Strategies, and will set out where appropriate, the Councils risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that of 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 organisations risk exposure.



PWLB Borrowing Rates %								
	31/10/19	09/10/19	08/10/19	29/03/19	29/03/18	31/03/17	31/03/14	31/03/11
Annuity								
15 years	2.50	2.31	1.27	1.93	2.31	1.89	3.62	4.51
30 years	3.00	2.79	1.78	2.44	2.70	2.63	4.36	5.25
50 years	3.20	2.99	1.98	2.58	2.74	2.77	4.51	5.30
Maturity								
15 years	2.96	2.76	1.75	2.39	2.68	2.57	4.27	5.15
30 years	3.18	2.97	1.96	2.57	2.72	2.75	4.53	5.31
50 years	3.05	2.82	1.81	2.43	2.49	2.54	4.49	5.24