



Name and date of meeting: Council
13 January 2021

Previously submitted to: Corporate Governance and Audit Committee
24 November 2020

Cabinet
15 December 2020

Title of report: Half Yearly Monitoring on Treasury
Management Activities 2020/21

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 2020/21 covering the period 1 April to 30 September 2020.

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	N/A
Date signed off by Service Director	Eamonn Croston – 13 November 2020
Is it also signed off by the Service Director Legal Governance and Monitoring?	Julie Muscroft – 13 November 2020
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, including £10.0 million invested in the Local Authorities Pooled Investment Fund (LAPF), averaged £53.4 million during the period at an average rate of 0.41%. Investments have ranged from a peak of £144.1 million in April and a low of £15.0 million in June. The high investment balance in April was due to receiving Covid19 support grant of £12.2 million and Business Rates relief grant for 2020/21 of £11.7 million from Central Government on 27 March 2020 and Business grants on 1 April 2020 of £113.7 million. The Business grants did not start to be paid out to local businesses until mid-April.
- 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 £22.1 million. This is covered in more detail at paragraph 2.17 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).

2 Information required to take a decision

- 2.1 The treasury management strategy for 2020/21 was approved by Council on 12 February 2020. 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. The additional cash received in April was mainly invested in the Debt Management Office (DMO) which is an Executive Agency of Her Majesty's Treasury.

Economic Context

- 2.3 *The following economic update has been provided via our external advisors Arlingclose (paragraphs 2.4 to 2.9 below):*
- 2.4 The spread of the coronavirus pandemic dominated during the period as countries around the world tried to manage the delicate balancing act of containing transmission of the virus while easing lockdown measures and getting their populations and economies working again. After a relatively quiet few months of Brexit news it was back in the headlines towards the end of the period.

- 2.5 The Bank of England (BoE) maintained Bank Rate at 0.1% and its Quantitative Easing programme at £745 billion. The potential use of negative interest rates was not ruled in or out by BoE policymakers, but then a comment in the September Monetary Policy Committee meeting minutes that the central bank was having a harder look at its potential impact than was previously suggested took financial markets by surprise.
- 2.6 Government initiatives continued to support the economy, with the furlough (Coronavirus Job Retention) scheme keeping almost 10 million workers in jobs, grants and loans to businesses and 100 million discounted meals being claimed during the 'Eat Out to Help Out' (EOHO) offer.
- 2.7 GDP growth contracted by a massive 19.8% (revised from first estimate -20.4%) in Q2 2020 (Apr-Jun) according to the Office for National Statistics, pushing the annual growth rate down to -21.5% (first estimate -21.7%). Construction output fell by 35% over the quarter, services output by almost 20% and production by 16%. Recent monthly estimates of GDP have shown growth recovering, with the latest rise of almost 7% in July, but even with the two previous monthly gains this still only makes up half of the lost output.
- 2.8 The headline rate of UK Consumer Price Inflation (CPI) fell to 0.2% year/year in August, further below the Bank of England's 2% target, with the largest downward contribution coming from restaurants and hotels influenced by the EOHO scheme. The Office for National Statistics' preferred measure of CPIH which includes owner-occupied housing was 0.5% y/y. In the three months to July, labour market data showed the unemployment rate increased from 3.9% to 4.1% while wages fell 1% for total pay in nominal terms (0.2% regular pay) and was down 1.8% in real terms (-0.7% regular pay). Despite only a modest rise in unemployment over the period, the rate is expected to pick up sharply in the coming months as the furlough scheme ends in October. On the back of this, the BoE has forecast unemployment could hit a peak of between 8% and 9%.
- 2.9 Ultra-low interest rates and the flight to quality continued, keeping gilts yields low but volatile over the period with the yield on some short-dated UK government bonds remaining negative. The 5-year UK benchmark gilt yield started and ended the June–September period at -0.06% (with much volatility in between). The 10-year gilt yield also bounced around, starting at 0.21% and ending at 0.23% over the same period, while the 20-year rose from 0.56% to 0.74%. 1-month, 3-month and 12-month bid rates averaged 0.02%, 0.06% and 0.23% respectively over the period.

Investment Performance

- 2.10 The Council invested an average balance of £43.4 million externally (excluding the LAPF) during the period (£29.9 million in the first six months of 2019/20), generating £64k in investment income over the period (£127k in 2019/20). The LAPF investment of £10.0 million generated £155k of dividend income (£5.0 million invested in 2019/20 generated £68k). Appendix 7 shows a comparative average net monthly balances invested over the last 3 years.

- 2.11 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.
- 2.12 The Council's average investment rate for the period was 0.41%. This is lower than the average in the same period in 2019/20 of 0.56%. This is mainly due to the bank base rate moving to an incredibly low level of 0.10%. Returns on liquid cash balances were 0.15% and 3.56% on the LAPF (after deducting charges). The actual gross dividend yield quoted from the fund on Net Asset Value was 4.26% at the end of September for the last 12 months, and the fund size was £1,155.8 million (4.35% and £1,173.1 million respectively for the 12 months to September 2019).
- 2.13 Appendix 3, provided by Arlingclose, compares the Council's performance against other Local Authorities at the end of September. In order to gain better rates of return, the majority of Local Authorities with a higher rate of return have further external investments creating a more diverse portfolio.

Borrowing Performance

- 2.14 Long-term loans at the end September totalled £381.5 million (£385.9 million 31 March 2020) and short-term loans £48.5 million – (£40.4 million 31 March 2020). There has been no new long-term borrowing so far this year, however the mid-year liability benchmark highlights that there is an expectation of new additional long term borrowing of £52.4 million. The Council is waiting for the results of the PWLB consultation before considering long term borrowing for the general fund. This is detailed further in paragraph 2.30.
- 2.15 Fixed rate loans account for 84.5% 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 10.6% 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.
- 2.16 Appendix 5 sets out in year repayments on long term borrowing and also further re-payments for the next 6 months.

Revenue Budget Monitoring

- 2.17 The treasury management revenue budget is £22.1 million. The change in Minimum Revenue Provision (MRP) policy allowed for a planned release of £9.1 million MRP budget over-provision in 2020/21. As part of the Council approved budget strategy update report 2021/22, this is now due to increase to £13.7 million with the additional £4.6 million to move to reserves to support 2021/22 year's budget gap. 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

- 2.18 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.
- 2.19 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 2020/21

- 2.20 The Capital Financing Requirement (CFR) represents the Council's underlying need to finance capital expenditure by borrowing or other long-term liability arrangements.
- 2.21 An authority can choose to finance its CFR through internal or external borrowing or a combination of the two.
- 2.22 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 2019/20 £m	Strategy Estimate 2020/21 £m	Revised Forecast 2020/21 £m
General Fund CFR - Non PFI	461.6	540.7	519.8
PFI	45.8	42.5	42.5
HRA CFR - Non PFI	175.3	167.7	170.3
PFI	50.5	48.1	48.1
Total CFR	733.2	799.0	780.7
Less: PFI debt liabilities (1)	96.3	90.6	90.6
Borrowing CFR	636.9	708.4	690.1
Financed via:			
Deferred Liabilities	3.9	3.7	3.7
Internal Borrowing	206.1	222.5	213.9
External Borrowing	426.9	482.2	472.5
Total	636.9	708.4	690.1
Investments	52.0	30.0	30.0

(1) £96.3m PFI Liability (£6.0m falling due in 2019/20)

(2) Deferred Liabilities = £1.0m Finance Lease (Civic Centre 1) & £2.8m Transferred Debt (Waste Management - Wakefield & Magistrates Debt Charges - Leeds)

- 2.23 The revised forecast takes into account the following factors;
- a) General Fund CFR has reduced from £540.7 million in the 2020/21 Strategy to £519.8 million revised forecast due to slippage and re-profiling within the Capital Plan.
 - b) Internal borrowing in the 2020/21 Strategy was £222.5 million, this has now been revised down to £213.9 million due to higher than forecast use of reserves. Internal borrowing reflects the totality of General Fund, HRA revenue reserves, Capital Grant Reserves and Capital Receipts reserves.
- 2.24 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.
- 2.25 In October 2019 the Public Works Loan Board (PWLB) raised the cost of certainty rate borrowing by 1% to 1.8% above UK gilt yields as HM Treasury was concerned about the overall level of local authority debt and authorities borrowing to buy commercial assets primarily for yield without impeding their ability to pursue their core policy objectives of service delivery, housing, and regeneration. The PWLB launched a wide-ranging consultation on the PWLB's future direction which closed on 31 July 2020. New lending terms are expected at the end of the calendar year or at the start of the new financial year.
- 2.26 Short term borrowing rates however remain very low. Short term local to local funding up to 6 months in duration is currently available at the current bank rate of 0.1% or even slightly lower.

Future Treasury Management Strategy

- 2.27 The Council's overall Treasury Management Strategy will continue to maintain a relatively low risk strategy giving priority to security and liquidity, and as such invest an average of around £20 million externally in relatively short-term, liquid investments through the money markets, for the purpose of managing day-to-day cash flow requirements. Any remaining balances, net of investment in the LAPF, will be used internally, offsetting borrowing requirements. The investment strategy is designed to minimise risk, 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.
- 2.28 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).
- 2.29 The updated CIPFA Prudential and Treasury Management Codes calls for more robust management of commercial activity and capital borrowing, acknowledging the increasing trend over more recent years for Councils to investment 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.

- 2.30 Following the 1% increase in PWLB borrowing rates (as noted above in paragraph 2.25), Arlingclose suggest that PWLB rates are now relatively expensive (albeit reset to the rates they were 2 years previous) compared to alternative longer term funding sources, where Councils are considering longer term borrowing. The Council's current approach is to continue to borrow short term until the outcome of the PWLB consultation. Given the need to borrow longer term, the Council will however consider taking out HRA loans due the reduction in the margin on new borrowing via the HRA. The value of this discount is 1% below the rate at which the authority usually borrows from the PWLB. This will be subject to ongoing review in consultation with Arlingclose as to when during the year it may be more appropriate to borrow longer term.

Risk and Compliance issues

- 2.31 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 24 November 2020 and will be submitted to Cabinet for consideration on 15 December 2020. Arlingclose, the treasury management advisors to the Council, have provided the economic context commentary contained in this report.

5 Next steps

Following consideration at Cabinet, this report will be presented to Council on 13 January 2021.

6 Officer recommendations and reasons

Having read this report and the accompanying Appendices, Council is asked to note the half-year treasury management performance in 2020/21 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 2020/21 - Council 12 February 2020

Council Budget Strategy Update Report 2021/24 – Council 20 October 2020

Annual Report on Treasury Management 2019/20 - Annual Financial Outturn and Rollover Report 2019/20; Council 22 July 2020

9 Service Director responsible

Eamon Croston 01484 221000

Kirklees Council Investments 2020/21												
Counterparty	Approved Strategy Limit £m	Approved Strategy Credit Rating	Credit Rating Sept 2020*	1 April 2020 (opening)			30 June 2020			30 September 2020		
				£m	Interest Rate	Type of Investment	£m	Interest Rate	Type of Investment	£m	Interest Rate	Type of Investment
Specified Investments												
LAPF Property Fund	10.0	-	-	10.0	-	***	10.0	-	***	10.0	-	***
Thurrock Council L A	10.0	-	-	10.0	2.50%	18 Days						
Surrey County Council L A	10.0	-	-	5.0	1.25%	3 Weeks						
DMO Govt	Unlimited	-	AA-	0.0	-	-	4.6	0.01%	Overnight	0.0	-	-
Santander Bank	10.0	F1	F1/A+	0.0	0.85%	35 Day Notice	0.0	0.47%	35 Day Notice	8.0	0.47%	35 Day Notice
Aberdeen Standard MMF**	10.0	AAA-A	AAA	10.0	0.45%	MMF	5.3	0.25%	MMF	9.5	0.08%	MMF
Aviva MMF**	10.0	Aaa-A2	Aaa*	6.6	0.45%	MMF	10.0	0.26%	MMF	10.0	0.06%	MMF
Deutsche MMF**	10.0	AAA-A	AAA	2.9	0.36%	MMF	9.9	0.23%	MMF	9.4	0.06%	MMF
Goldman Sachs MMF**	10.0	AAA-A	AAA	7.5	0.27%	MMF	0.2	0.05%	MMF	5.0	0.01%	MMF
				52.0			40.0			51.9		
Sector analysis												
Property Fund	10.0			10.0	19%		10.0	25%		10.0	19%	
Bank	10.0 each			0.0	0%		0.0	0%		8.0	16%	
MMF**	40.0			27.0	52%		25.4	63%		33.9	65%	
Local Authorities/Cent Govt	Unlimited			15.0	29%		4.6	12%		0.0	0%	
				52.0	100%		40.0	100%		51.9	100%	
Country analysis												
UK				25.0	48%		14.6	37%		18.0	35%	
MMF**				27.0	52%		25.4	63%		33.9	65%	
				52.0	100%		40.0	100%		51.9	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.

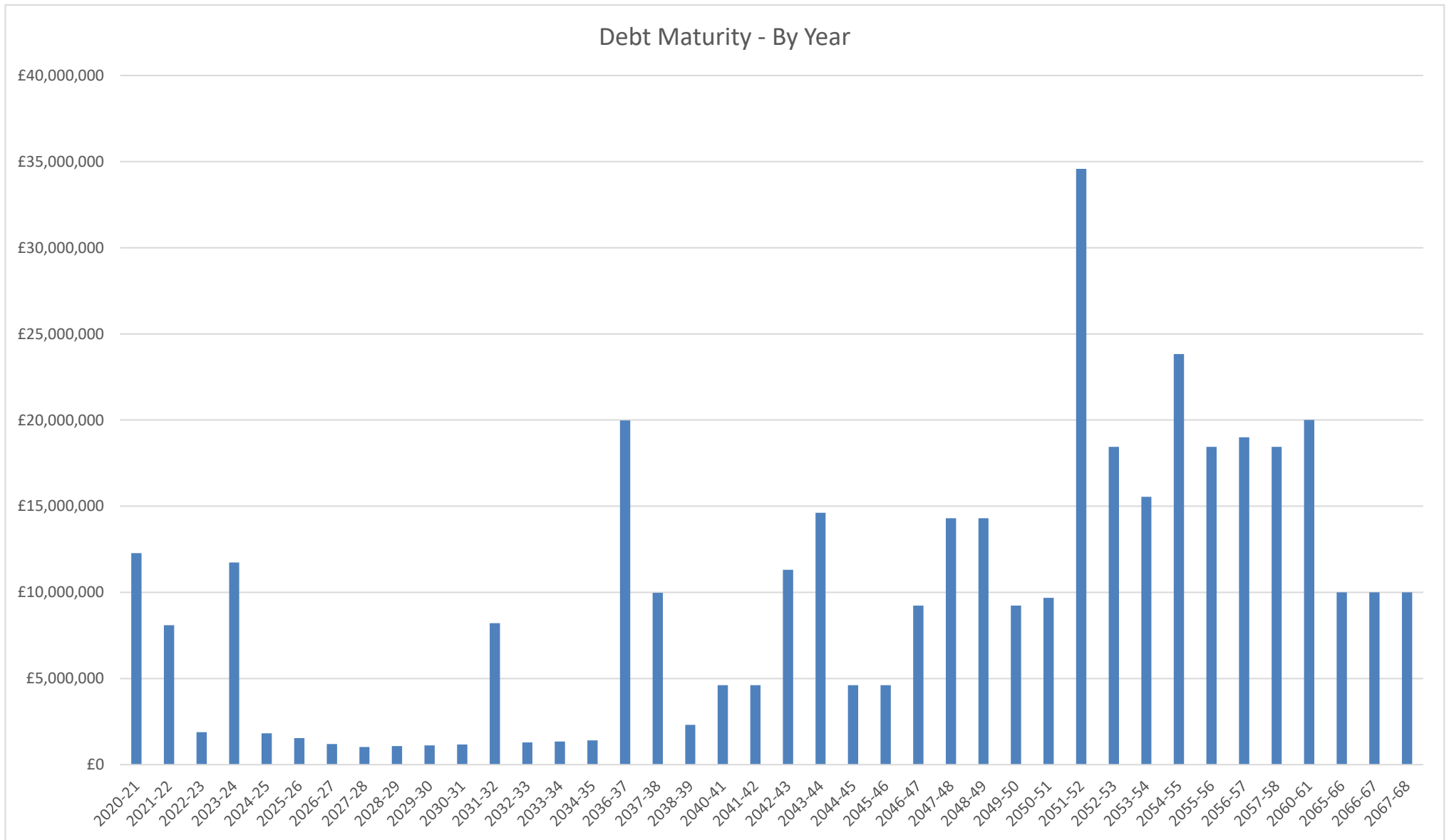
**MMF – Money Market Fund. These funds are domiciled in Ireland for tax reasons, but the funds are made up of numerous diverse investments with highly rated banks and other institutions. The credit risk is therefore spread over numerous countries, including the UK. The exception to this is the Aviva 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

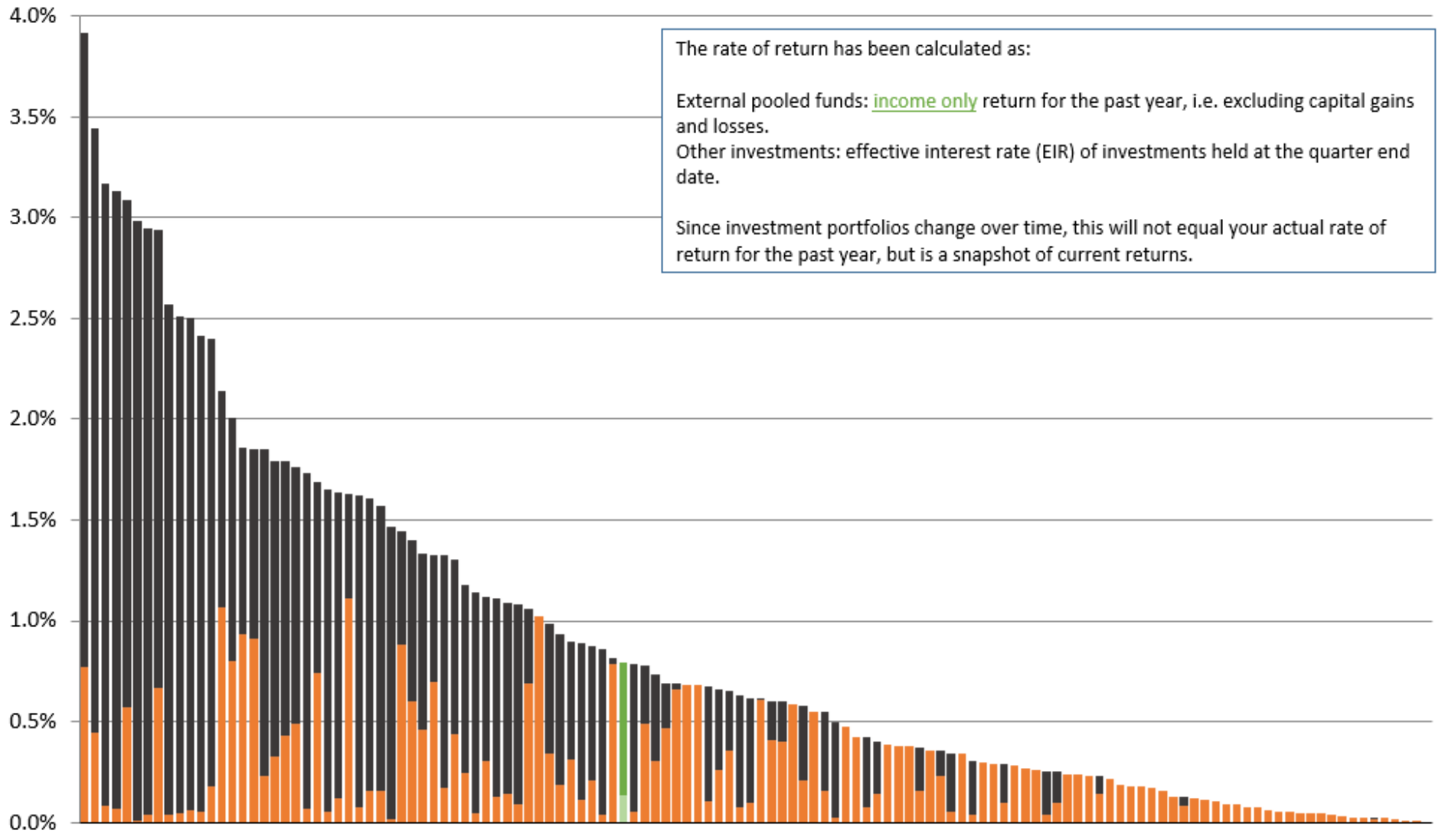
		Long	Short	
Investment Grade	Extremely Strong	AAA	F1+	
		AA+		
	Very Strong	AA		
		AA-		
		A+		
	Strong	A		F1
		A-		
		BBB+		F2
	Adequate	BBB		
BBB-		F3		
Speculative Grade	Speculative	BB+	B	
		BB		
		BB-		
	Very Speculative	B+		
		B		
		B-		
	Vulnerable	CCC+	C	
		CCC		
		CCC-		
		CC		
		C		
	Defaulting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



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.



Legend: Average income on internal investments (orange), Over-performance of external funds (black), Kirklees - 30/09/20 (green)

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 2020/21	Estimated Actual* 2020/21
Interest at fixed rates as a percentage of net interest payments	60% - 100%	84%
Interest at variable rates as a percentage of net interest payments	0% - 40%	16%

*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 2020/21	Est'd Actual 2020/21
Under 12 months	0% - 20%	4%
12 months to 2 years	0% - 20%	2%
2 years to 5 years	0% - 60%	5%
5 years to 10 years	0% - 80%	2%
More than 10 years	20% - 100%	87%

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.

Long-term loans repaid during the period 01/04/20 to 30/09/20

	Amount £000s	Rate %	Date repaid
Salix - Annuity	139	0.00	1 April 20
PWLB (474647) - Maturity	4,613	8.50	10 Aug 20
PWLB (496956) - Annuity	369	4.58	29 Sept 20
Total	5,121		

Long-term loans to be repaid during the period 01/10/20 to 31/03/21

	Amount £000s	Rate %	Date to be repaid
Salix - Annuity	321	0.00	1 Oct 20
PWLB (475155) - Maturity	6,458	8.63	14 Feb 21
PWLB (496956) - Annuity	377	4.58	29 Mar 21
Total	7,156		

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 Service Director - Finance 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 Service Director - Finance 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 Service Director - Finance 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 Service Director - Finance 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 Service Director - Finance in respect of treasury management is set out in the schedule to this document. The Service Director - Finance 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 Service Director - Finance 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 Service Director - Finance 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 Service Director - Finance 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 Service Director - Finance 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 Service Director - Finance 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 organisation 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 arrangement's rests with the Service Director - Finance, 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

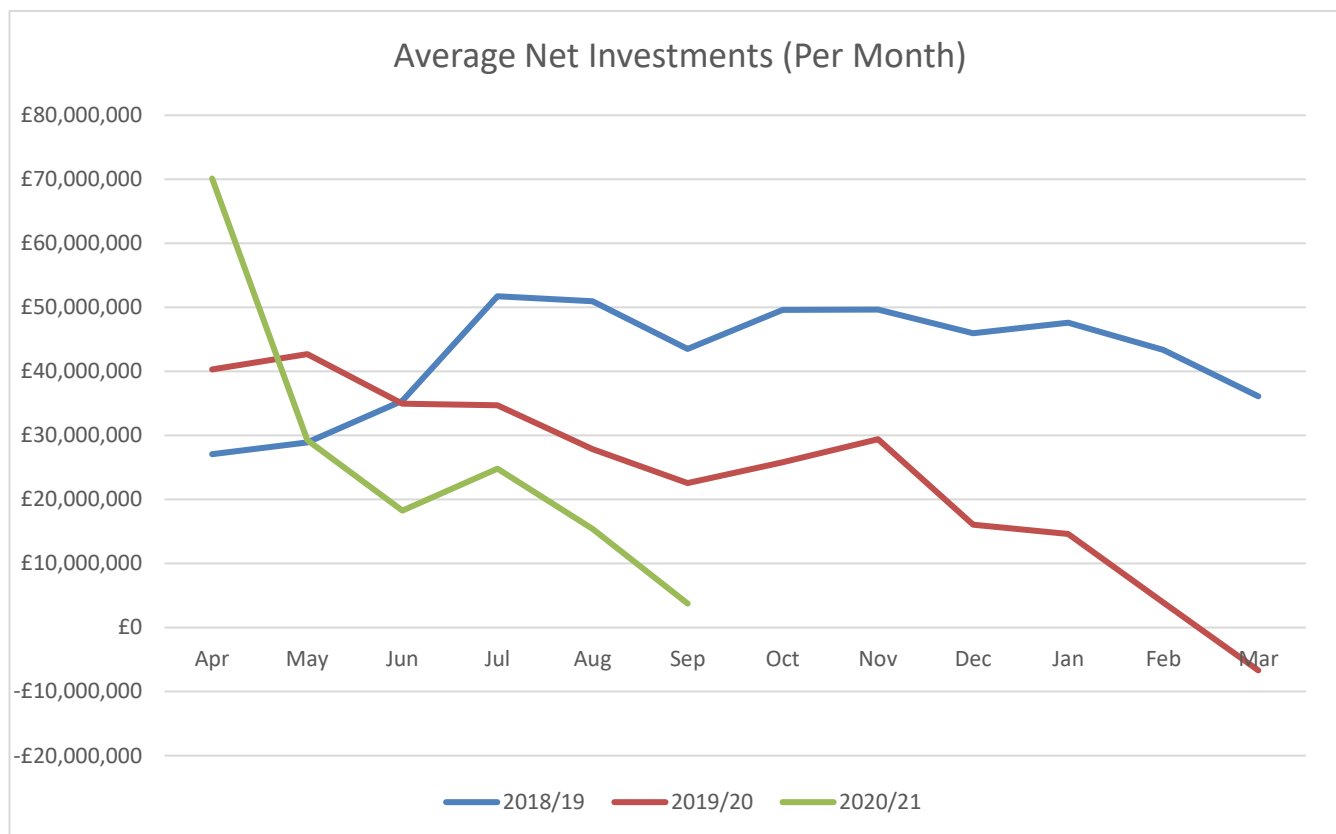
management, and the Service Director - Finance will monitor and, if necessary, report upon the effectiveness of these arrangements.

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 %

	31/09/20	31/03/20	31/10/19	09/10/19	08/10/19	29/03/19	29/03/18	31/03/17
Annuity								
15 years	2.09	2.24	2.50	2.30	1.27	1.93	2.31	1.89
30 years	2.58	2.69	3.00	2.79	1.78	2.44	2.70	2.63
50 years	2.76	2.84	3.20	2.99	1.98	2.58	2.74	2.77
Maturity								
15 years	2.56	2.66	2.96	2.76	1.75	2.39	2.68	2.57
30 years	2.74	2.79	3.18	2.97	1.96	2.57	2.72	2.75
50 years	2.60	2.59	3.05	2.82	1.81	2.43	2.49	2.54