



Cabinet Agenda

Wyre Borough Council
Date of Publication: 14 March 2023
Please ask for: Marianne Unwin
Democratic Services Officer
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Cabinet meeting on Wednesday, 22 March 2023 at 5.00 pm in the Council Chamber, Civic Centre, Poulton-Le-Fylde

1. Apologies for absence

2. Declarations of interest

Members will disclose any pecuniary and any other significant interests they may have in relation to the matters to be considered at this meeting.

3. Confirmation of minutes

(Pages 3 - 8)

To confirm as a correct record the minutes of the previous meeting of Cabinet held on Wednesday 15 February 2023.

4. Public questions

To receive and respond to any questions from members of the public.

Public questions for Cabinet may be submitted at any time by writing to Democratic Services or via email democratic.services@wyre.gov.uk.

Public questions for this meeting must be received by noon on the Thursday before the meeting is held and do not need to specifically relate to items on this agenda. Questioners should provide their name and address and indicate to which Cabinet member the question is to be directed.

The total period of time allocated for public questions will not normally exceed 30 minutes.

5. Insurance Contract Renewal

(Pages 9 - 12)

Report of the Resources Portfolio Holder and Corporate Director Resources (Section 151 Officer).

6. Environmental Enforcement Service - New Provider (Pages 13 - 18)

Report of the Street Scene, Parks and Open Spaces Portfolio Holder and Corporate Director Environment.

7. Treasury Management Policy Statement and Practices, Treasury Management and Annual Investment Strategy, Minimum Revenue Provision Policy Statement and Capital Strategy 2023/24 (Pages 19 - 110)

Report of the Resources Portfolio Holder and Corporate Director Resources (Section 151 Officer).



Cabinet Minutes

The minutes of the Cabinet meeting of Wyre Borough Council held on Wednesday, 15 February 2023 at the Council Chamber, Civic Centre, Poulton-Le-Fylde.

Cabinet members present:

Councillor Michael Vincent, Leader of the Council

Councillor Roger Berry, Deputy Leader and Neighbourhood Services and Community Safety Portfolio Holder

Councillor Lynne Bowen, Leisure, Health and Community Engagement Portfolio Holder

Councillor Simon Bridge JP, Street Scene, Parks and Open Spaces Portfolio Holder

Councillor Alice Collinson, Planning Policy and Economic Development Portfolio Holder

Councillor David Henderson, Resources Portfolio Holder

Apologies for absence:

None

Other councillors present:

None

Officers present:

Garry Payne, Chief Executive

Mark Billington, Corporate Director Environment

Marianne Hesketh, Corporate Director Communities

Clare James, Corporate Director Resources and Section 151 Officer

Duncan Jowitt, Democratic Services Officer

No members of the public or press attended the meeting.

CAB.31 Declarations of interest

None.

CAB.32 Confirmation of minutes

The minutes of the Cabinet meeting of 11 January 2023 were approved as a correct record.

CAB.33 Public questions

None

CAB.34 Life In Wyre Resident Survey 2022

The Leisure, Health and Community Engagement Portfolio Holder and Corporate Director Communities submitted a report providing Cabinet with a summary of the findings from the Life In Wyre Survey 2022.

Decision

Cabinet

- noted the findings,
- agreed that that the survey data would be used to shape future service provision and
- to support the council's response to the findings through its communications plan and further engagement.

CAB.35 Revenue Budget, Council Tax and Capital Estimates

The Resources Portfolio Holder and Corporate Director Resources (S.151 Officer) submitted a report asking Cabinet for confirmation of the Revenue Budget, Council Tax, Revised Capital Budget 2022/23 and Capital Programme 2023/24 onwards. Councillor Henderson expressed his thanks to Clare James and her team for an absolutely excellent job once again.

Decisions

Cabinet agreed

1. That the following be approved and recommended to Council for their approval:-
 - a. The Revised Revenue Budget for the year 2022/23 and the Revenue Budget for 2023/24.
 - b. For the purpose of proposing an indicative Council Tax for 2024/25, 2025/26, 2026/27 and 2027/28 taking into account the Medium Term Financial Plan at Appendix 2 which reflects an increase of £5 in 2023/24 and 2.99% thereafter, any increase will remain within the principles determined by the Government as part of the legislation relating to Local Referendums allowing the veto of excessive Council Tax increases.
 - c. Members' continuing commitment to the approach being taken regarding the efficiency savings, detailed within the council's 'Annual Efficiency Statement' at Appendix 1 of the report.
 - d. Any increases in the base level of expenditure and

further additional expenditure arising during 2023/24 should be financed from existing budgets or specified compensatory savings, in accordance with the Financial Regulations and Financial Procedure Rules.

- e. The use of all other Reserves and Balances as indicated in Appendices 4 and 5 of the report.
 - f. The manpower estimates for 2023/24 in Appendix 4 of the report.
 - g. In accordance with the requirements of the Prudential Code for Capital Finance, those indicators included at Appendix 7 of the report.
 - h. The Revised Capital Budget for 2022/23 and the Capital Programme for 2023/24 onwards in Appendix 8 of the report.
2. That it be noted that, in accordance with the Council’s Scheme of Delegation, as agreed by Council at their meeting on 24 February 2005:
- a. That the amount of 38,495.60 has been calculated as the 2023/24 Council Tax Base for the whole area [(Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the “Act”)]; and
 - b. A Council Tax Base, for dwellings in those parts of its area to which a Parish precept relates, has been calculated as indicated below:

Barnacre-with-Bonds	1,124.37
Bleasdale	56.13
Cabus	620.87
Catterall	1,036.39
Claughton-on-Brock	433.78
Fleetwood	6,344.23
Forton	704.48
Garstang	1,883.41
Great Eccleston	781.08
Hambleton	1,082.57
Inskip-with-Sowerby	425.33
Kirkland	131.24
Myerscough and Bilsborrow	542.50
Nateby	203.40
Nether Wyresdale	330.87
Out Rawcliffe	262.65

Pilling	876.50
Preesall	1,891.90
Stalmine-with-Staynall	658.62
Upper Rawcliffe-with-Tarnacre	291.04
Winmarleigh	118.10

3. The Council Tax requirement for the council's own purposes for 2023/24 (excluding Parish precepts) is £8,459,023.
4. That the following amounts be calculated for the year 2023/24 in accordance with Sections 31 to 36 of the Act:-

a.	£87,932,596	Being the aggregate of the amounts which the council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.
b.	£78,561,723	Being the aggregate of the amounts which the council estimates for the items set out in Section 31A(3) of the Act.
c.	£9,370,873	Being the amount by which the aggregate at 3.4(a) above exceeds the aggregate at 3.4(b) above, calculated by the council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).
d.	£243.43	Being the amount at 3.4(c) above (Item R) all divided by Item T (3.2(a) above), calculated by the council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
e.	£911,850	Being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act and as detailed in Appendix 6.
f.	£219.74	Being the amount at 3.4(d) above less the result given by dividing the amount at 3.4(e) above by Item T

(3.2(a) above), calculated by the council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.

5. That the council's basic amount of Council Tax for 2023/24 was not considered excessive in accordance with principles approved under Section 52ZB of the Local Government Finance Act 1992.

The Leader expressed his thanks on behalf of the Cabinet to Duncan Jowitt, for the many years he had spent supporting the Executive.

The meeting started at 5.04 pm and finished at 5.08 pm.

Date of Publication: 16 February 2023

Options considered but rejected

Any alternative options that were considered but rejected, in addition to the reasons for the recommendations that were made, are included in the full reports.

When will these decisions be implemented?

All decisions will be put into effect five working days from the date of publication, unless a decision is "called-in" by any four members of the council within that period.

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Report of:	Meeting	Date
Councillor David Henderson, Resources Portfolio Holder and Clare James, Corporate Director Resources	Cabinet	22 March 2023

Insurance Contract Renewal

1. Purpose of report

- 1.1 To inform Cabinet of the need to conduct a tender exercise and renew the insurance cover required by the council.

2. Outcomes

- 2.1 To undertake the procurement of insurance cover by the recommended route to the insurance market.

3. Recommendations

- 3.1 To re-tender the council's insurance arrangements with support from the council's insurance brokers, AJ Gallagher, in order to have the new insurance policies in place from 30 June 2023, be approved
- 3.2 That approval is given to use YPO under their Dynamic Purchasing System framework number 978 (Insurance Placement) to run a competition to market our risk to the insurance market.
- 3.3 That approval is given to authorise the Corporate Director Resources to select the most appropriate insurance provider(s) on the basis of the most economically advantageous tender bid(s).

4. Background

- 4.1 Wyre Council has a long standing, direct relationship with insurer Zurich Municipal (ZM). The current contract with ZM is due to expire on the 29 June 2023.

- 4.2** The existing contract with ZM is a five year extension of an initial five year contract and the contract covers all risk elements in a “package” arrangement. Wyre Council has not tendered its insurance requirements to the insurance market since 2013. A benchmarking exercise was undertaken prior to the current extension in 2018 which established that the council had obtained very competitive rates and an extension represented best value for money.
- 4.3** The insurance market has moved on considerably since the last tender exercise was undertaken and “package” insurance cover is now offered by very few companies. The largest company to offer this type of cover are ZM.
- 4.4** Compliance with the Council's Contract Procedures and the Public Contracts Regulations 2015 (PCR) and obtaining value for money for the council are the key requirements considered when undertaking any procurement. ZM, the council’s existing insurer has advised Wyre Council to expect an increase in the current premium of at least 20% across all risks if we renew with them in June 2023. To ensure value for money this needs to be challenged by way of open competition within the insurance market and this “whole of market” approach can only be completed with the appointment and support of an insurance broker.
- 4.5** The writing of a tender for this procurement is a complex, technical and very time consuming exercise and currently there is no one with experience of devising a tender of this complexity within Wyre Council.
- 4.6** Following a market engagement exercise with specialist public sector brokers who are listed on YPO framework number 964 (insurance brokerage), AJ Gallagher (AJG) insurance brokers have been appointed at a cost of £4,000. AJG will work with the Insurance Officer to create a tender document that will split the council’s insurance risk into separate lots that can be bid on via a further competition exercise by insurers. It is expected that this approach will stimulate competitive pricing for the council.

5. Key issues and proposals

- 5.1** The current annual premium for the council’s insurance cover is £235,330 (£282,380 estimated in 2023/24) and this includes cover for buildings, vehicles and employees. All cover is expected to increase in cost, hence the higher estimate in 2023/24. This figure may rise further following the revaluation of our assets in 2022/23 to ensure adequate demolition and rebuild costs have been included given recent extraordinary rises in construction costs owing to high inflation.
- 5.2** It is proposed that a tender with an initial contract length of three years be offered to insurance markets who are on the YPO framework 978 Dynamic Purchasing System, with a two year extension included in the agreement. This length of contract would be classed as a Long Term

Agreement (LTA) by the insurance market. The arrangements would run from 30 June 2023 when the current cover with ZM ends until 29 June 2026 at the earliest.

- 5.3** Utilisation of the broker support and the YPO framework will allow for a thorough tender exercise to be carried out and a consistent evaluation of bids received. This will allow the Corporate Director Resources to appoint insurers that represent the best value for money for the council and delegated authority is sought to allow this decision to be made by them.

Financial and legal implications	
Finance	£282,380 has been provided for in the 2023/24 estimates. Any increase on this amount will be met from general balances. The Insurance Reserve will remain in order to provide an element of self-insurance for the council to cover excess payments and any unforeseen elements not covered by insurance.
Legal	Terms of business will be based on YPO frameworks 964 call off terms and 978 terms and conditions.

Other risks/implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

risks/implications	✓ / x
community safety	x
equality and diversity	x
sustainability	x
health and safety	x

risks/implications	✓ / x
asset management	✓
climate change	x
ICT	x
data protection	x

Processing Personal Data

In addition to considering data protection along with the other risks/ implications, the report author will need to decide if a 'privacy impact assessment (PIA)' is also required. If the decision(s) recommended in this report will result in the collection and processing of personal data for the first time (i.e. purchase of a new system, a new working arrangement with a third party) a PIA will need to have been completed and signed off by Data Protection Officer before the decision is taken in compliance with the Data Protection Act 2018.

report author	telephone no.	email	date
Lee Rossall	01253 887617	Lee.rossall@wyre.gov.uk	14/02/2023

List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

None.



Report of:	Meeting	Date
Cllr Simon Bridge, Street Scene, Parks and Open Spaces Portfolio Holder and Mark Billington, Corporate Director Environment	Cabinet	22 March 2023

Environmental Enforcement Service – New Provider

1. Purpose of report

- 1.1 To seek approval from Members to enter into an agreement with a new provider to deliver specialist enforcement services to address environmental crimes such as dog fouling, littering and other dog control measures under the Public Space Protection Orders.

2. Outcomes

- 2.1 To enable the delivery of cost effective, quality services.
- 2.2 To improve the health and wellbeing of our communities.
- 2.3 To promote a cleaner and greener Wyre.

3. Recommendations

- 3.1 That Members approve the two year environmental enforcement agreement (with a 12-month extension option), with Waste Investigations Support & Enforcement Ltd ('WISE'), on a nil cost basis, with no financial risk to the council.
- 3.2 Members agree to retain the fine for littering fixed penalty notices (FPN) at £100 and continue with the current early payment reduction of £80 for littering fixed penalty notices if paid within 10 days (FPNs remain at £100 for PSPOs without any reduction for early payment).

- 3.3** That delegated authority will be given for fully trained WISE officers to issue FPNs on behalf of the council for the duration of the agreement.
- 3.4** That Members agree to the arrangement as a concessions contract on the basis that “the goods, works, or services are of a specialised nature carried out by only one or a limited number of firms with no reasonably satisfactory alternatives available”, which ensures the agreement remains in-line with existing Procurement Regulations and Council procedures. The agreement would remain in place for 24 months (from 3 April 2023), with the option for a further 12 month extension.
- 3.5** That Members delegate the final details of the agreement to the Corporate Director, Environment in consultation with the Legal Services Manager.

4. Background

- 4.1** Cleanliness standards remain very high throughout the borough, but it is crucial to manage issues of littering, dog fouling and dog control, if we are to maintain or exceed current standards. The council has been working in partnership with a specialist enforcement provider to promote the ethos of a Cleaner, Greener Wyre since October 2018. This arrangement has enabled council Enforcement Officers to deliver campaigns to inform, educate and prevent environmental crime, followed by intervention and enforcement measures where required.
- 4.2** In the 2022 ‘Life in Wyre Survey’, over three-quarters of respondents were satisfied with their local area as a place to live. Satisfaction with individual council services were highest in respect of waste (84% satisfied); promenade and beach (79% satisfied); and parks, playgrounds and green spaces (72% satisfied). Specific questions relating to litter and fly tipping produced a 65% satisfaction rate; satisfaction levels drop to around 40% in respect of ‘tackling dog fouling and irresponsible owners’, indicating that there is still work needed to address this issue.
- 4.3** The current enforcement arrangement comes to an end on 31 March 2023. The incumbent operator gave notice that they wished to end the contract, providing an opportunity for the council to test the market for alternative service provision. Having created an expression of interest opportunity on The Chest, a market engagement exercise was then undertaken to understand the capabilities of the supply market. From this exercise six companies expressed an interest in working with Wyre.
- 4.4** Following discussions and requests for references, two of the providers remained interested in the opportunity and were invited to an informal interview to discuss their offer. WISE demonstrated they could offer the same cost model that we have with the incumbent and also had the best offer in terms of enforcement action and staff to undertake the work. They were selected on the basis that their offer was the lowest risk and offered

the highest reward in terms of enforcement activity and income for Wyre Council.

5. Key issues and proposals

- 5.1** Working in partnership with an environmental enforcement specialist has given the in-house Environmental Enforcement Officers more opportunities to engage with communities and partners to engender local pride. It has also meant additional capacity to focus on serious environmental crimes that are often complex and time consuming, such as fly-tipping. This will continue under the partnership with WISE, with possible options for additional enforcement support in the future.
- 5.2** The enforcement model offered by WISE is consistent with the current arrangement and based on the issue of 'on the spot' FPN's for agreed environmental non-compliance. WISE will be responsible for the collection of all payments on behalf of Wyre Council, retaining 84.5% of the income generated; the remaining 15.5% will be passed back to the council, exceeding the 12.5% received under the current arrangement. This is an attractive offer as many contracts are now moving towards an hourly rate of pay and will allow the income generated to be reinvested within the street scene service.
- 5.3** The basis for WISE's successful operating model is:
- Robust leadership, with a Sector Leader, Team Leader and Senior Enforcement Officer in place at all times.
 - Highly trained staff, who are solely employed for environmental enforcement.
 - An agreed deployment strategy to ensure all public/member complaints have been investigated and "hot spot" areas patrolled.
 - All interaction with a member of the public is captured by high-definition body worn cameras, with footage available for council officers to view, to support the case and safety of officers, and ensure an officer has engaged appropriately with a member of the public.
 - Payment rates remain high due to obtaining accurate offender details at the 'point of issue' and the ability to contact the WISE Operational Support Team, who have access to the Lexus Nexis System, with the ability to search up to 160 open-source databases e.g., electoral role and credit agency records.

- Robust processes will remain in place to ensure that non-paying offenders receive reminder letters at 14 and 21 days, with a 3rd and final reminder letter issued at day 26; all representations being investigated and responded to in a timely manner, with court proceedings initiated for non-payment of an FPN, and quality assurance processes being adhered to.
 - Transparency is essential, with the council retaining the ability to access all systems and the ability to scrutinise all FPNs issued, correspondence, representations received and responded to, overseeing prosecution files and officer witness statements along with body worn camera footage for all instances an officer engages with a potential offender.
- 5.4** There is no formal appeal process against FPN's. However, Wyre do accept representations from individuals who either disagree they have committed an offence or outline mitigating circumstances surrounding the offence being committed. Representations will be investigated by WISE initially, but should an individual not accept the outcome the matter will be progressed to a Wyre Council Officer for a decision, with Wyre retaining the right to rescind a FPN. If an individual continues to dispute the outcome and decides not to pay the FPN, the matter will then automatically progress to court for a Magistrate to decide the outcome. WISE will produce the prosecution files, with council officers undertaking audit reviews and spot checks. The Wyre Legal Team will progress any cases through the court process, using the streamlined Single Justice Procedure and attending court when required.
- 5.5** WISE will provide dedicated resources to patrol borough-wide, with seasonal fluctuation of resources and administration support. Patrols will be intelligence led to address areas of known concern, complaints from customers and areas of heavy footfall; with every ward visited at least once per month and a minimum of 25% of time spent in parks and open spaces, including the coastal strip and a further 20% in other known areas of concern requiring directed surveillance. Dog fouling will be the key focus, with other littering offences and dog control PSPOs in problem areas. WISE will work with and support the local community and volunteer groups and implement engagement and education initiatives.
- 5.6** It is anticipated that a new service could be mobilised and operational by the 3 of April 2023, subject to approval by Members. The agreement will run for a period of two years, with the potential for a 12-month extension and a termination notice period of 60 days for both parties.
- 5.7** WISE will adhere to all the exemptions in place relating to Public Space Protection Orders.

- 5.8** WISE will meet all requirements of the General Data Protection Regulations and Data Sharing Agreements will be put in place accordingly.
- 5.9** WISE are committed to environmental sustainability and climate change action through their Quality and Environmental Policy which fulfils the requirements of ISO 9001, 14001, relevant legislation and other compliance obligations. WISE recognise that the protection of the environment, the prevention of pollution and the reduction of waste is a priority action for the company. All vehicles to be used on the Wyre contract are fully electric and company directors lease hybrid vehicles to reduce the carbon impact of business travel.
- 5.10** As with all enforcement activity, there is the potential for criticism and negative feedback suggesting an overzealous approach and this will be closely monitored against the contract expectations, with any income received re-invested into cleaner, greener initiatives.

Financial and legal implications	
Finance	<p>The agreement will be cost neutral to the council, with any revenue received invested back in to supporting the cleanliness of the borough through frontline or communications initiatives.</p> <p>The revised 2022/23 and 2023/24 budgets include an estimated £25,000 income from the enforcement contract. This will be reviewed at revised estimates.</p> <p>There is the risk that the number of FPNs enforced will decline over the period of the agreement as the population is gradually made aware that committing environmental offences is not tolerated. If this occurs, then the business case will be re-evaluated and if possible, changes will be made to scale down the service so that the 'no cost' model will be maintained. If such changes are not possible then a further report will follow to determine the best approach.</p>
Legal	<p>Local Authorities are empowered to prosecute under the Environmental Protection Act 1990 for environmental crimes and to prosecute under the Anti-Social Behaviour, Crime and Policing Act 2014 for breaches of Public Space Protection Orders and to operate Fixed Penalty Schemes.</p> <p>The council has the power to authorise a Contractor to undertake these duties on their behalf and will enter into a contract with the Contractor.</p>

Other risks/implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

risks/implications	✓ / x
community safety	✓
equality and diversity	X
sustainability	✓
health and safety	X

risks/implications	✓ / x
asset management	X
climate change	X
ICT	✓
data protection	✓

Processing Personal Data

In addition to considering data protection along with the other risks/ implications, the report author will need to decide if a 'privacy impact assessment (PIA)' is also required. If the decision(s) recommended in this report will result in the collection and processing of personal data for the first time (i.e., purchase of a new system, a new working arrangement with a third party) a PIA will need to have been completed and signed off by Data Protection Officer before the decision is taken in compliance with the Data Protection Act 2018.

report author	telephone no.	email	date
Kathy Winstanley	01253 887376	Kathy.winstanley@wyre.gov.uk	20/02/2023

List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

None.



Report of:	Meeting	Date
Councillor David Henderson, Resources Portfolio Holder and Clare James, Corporate Director Resources	Cabinet	22 March 2023

<p>Treasury Management Policy Statement and Practices, Treasury Management and Annual Investment Strategy, Minimum Revenue Provision Policy Statement and Capital Strategy 2023/24</p>

1. Purpose of report

1.1 To set out the policies and objectives of the council in respect of Treasury Management activities, to explain how the council seeks to achieve the objectives and manage and control the activities for 2023/24 which includes the Capital Strategy.

2. Outcomes

2.1 A Policy Statement, Statement of Treasury Management Practices, Treasury Management and Annual Investment Strategy, a Minimum Revenue Provision (MRP) Policy Statement and a Capital Strategy.

3. Recommendations

3.1 To recommend to Council that the Treasury Management Policy Statement 2023/24 be approved and formally adopted. (Appendix 1).

3.2 To approve the revised Treasury Management Practices 2023/24 (Appendix 2).

3.3 To recommend to Council that the Treasury Management and Annual Investment Strategy 2023/24 (Appendix 3) be approved.

3.4 To recommend to Council that the MRP Policy Statement 2023/24 (Appendix 4) be approved and formally adopted.

3.5 To recommend to Council that the Capital Strategy 2023/24 (Appendix 5) be approved.

4. Background

- 4.1** The report has been prepared in accordance with the Revised CIPFA Treasury Management Code 2021.
- 4.2** Under the updated Prudential Code 2021, CIPFA continues to require councils to publish a Capital Strategy (see Appendix 5). Guidance on the form and content of the Capital Strategy was published in 2021 with the emphasis shifting to a whole organisation approach and as such the current strategy represents an evolving document. This approach is in line with CIPFA's expectations and the understanding that all councils will be working towards developing their own strategies over time to meet local needs.
- 4.3** The Capital Strategy is designed to demonstrate that the council takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money (VFM), prudence, sustainability and affordability. The strategy is intended to set out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and the achievement of priority outcomes. Long-term is not defined and beyond the current Medium Term Financial Planning period, there is little detail or certainty within the current strategy, particularly taking into account the current funding reform context. As greater clarity is achieved nationally, it is expected that further iterations of the strategy will become more detailed and longer-term.
- 4.4** Owing to the interrelatedness of the Treasury Management framework and the Capital Strategy, there is a good deal of overlap between the two documents and potential for duplication. Efforts have been made to streamline the Capital Strategy and cross-reference to existing Treasury Management documents where possible in order to reduce repetition.
- 4.5** In February 2022 all members were offered Treasury Management Training from Link Asset Services. The equivalent training will be offered following the borough elections in May.

5. Key issues and proposals

- 5.1** The Local Government Act 2003 requires the council to have regard to the Prudential Code and to set Prudential Indicators for the next three years. The 2023/24 Prudential Indicators were considered by Cabinet at their meeting on 15 February 2023 and are due to be approved at the Council meeting on 22 March 2023.
- 5.2** The key objective of the Prudential Code is to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. In exceptional cases, its purpose may be to demonstrate that there is a danger of not ensuring this, so that the authority concerned can take remedial action.

- 5.3** In order to demonstrate compliance with the CIPFA Code of Practice for Treasury Management, the Council must approve a Policy Statement, Treasury Management Practices, a Treasury Management and Investment Strategy, an MRP Policy Statement and a Capital Strategy setting out how the council will seek to achieve its Treasury Management policies, together with details of how these activities are managed and controlled.
- 5.4** It is also a requirement of the Code of Practice that the full Council agrees the Treasury Management and Annual Investment Strategy, the MRP Policy Statement and the Capital Strategy for the forthcoming financial year. The 2023/24 Strategies and MRP Policy Statement are attached at Appendix 3, 4 and 5.

Financial and legal implications	
Finance	There are no direct financial implications arising from the adoption of the Treasury Management Policy Statement and Treasury Management Practices. The Prudential Code allows capital investment to proceed within prudent limits where the council can fund it from its own resources and external revenue streams.
Legal	The approval of the recommendation will ensure that the CIPFA Code of Practice on Treasury Management and statutory requirements have been complied with.

Other risks/implications: checklist

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risks/implications	✓ / x
community safety	x
equality and diversity	x
sustainability	x
health and safety	x

risks/implications	✓ / x
asset management	x
climate change	x
ICT	x
data protection	x

Processing Personal Data

In addition to considering data protection along with the other risks/ implications, the report author will need to decide if a 'privacy impact assessment (PIA)' is also required. If the decision(s) recommended in this report will result in the collection and processing

of personal data for the first time (i.e. purchase of a new system, a new working arrangement with a third party) a PIA will need to have been completed and signed off by Data Protection Officer before the decision is taken in compliance with the Data Protection Act 2018.

Report author	Telephone no.	Email	Date
Ben Ralphs	01253 887309	ben.ralphs@wyre.gov.uk	24/02/2022

List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

- Appendix 1 - Treasury Management Policy Statement 2023/24
- Appendix 2 - Treasury Management Practices 2023/24
- Appendix 3 - Treasury Management Strategy and Annual Investment Strategy 2023/24
- Appendix 4 - Minimum Revenue Provision Policy Statement
- Appendix 5 - Capital Strategy

TREASURY MANAGEMENT POLICY STATEMENT 2023/24

Wyre Council defines its Treasury management activities as follows:

1. The management of the authority'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 optimum performance consistent with those risks.
2. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
3. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Clauses to be formally adopted

4. The council will create and maintain, as the cornerstones for effective treasury management:
 - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities, and;
 - Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The contents of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.

5. The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs. The council's prudential indicators will also be reported on a quarterly basis via Cabinet of council reports.
6. The Council delegates responsibility for the implementation and regular monitoring of its treasury management practices to Cabinet, and for the

execution and administration of treasury management decisions to the Corporate Director of Resources, who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

7. The Council nominates the Overview and Scrutiny Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies (including the Capital Strategy).

TREASURY MANAGEMENT PRACTICES

2023/24

TREASURY MANAGEMENT PRACTICES

This section contains the schedules, which set out the details of how the Treasury Management Practices (TMPs) are put into effect by this organisation.

	Paragraph
TMP 1 Treasury risk management	1.1 - 1.9
TMP 2 Performance measurement	2.1 - 2.3
TMP 3 Decision - making and analysis	3.1
TMP 4 Approved instruments, methods and techniques	4.1 - 4.8
TMP 5 Organisation, clarity and segregation of responsibilities, and dealing arrangements	5.1 - 5.13
TMP 6 Reporting requirements and management information arrangements	6.1 - 6.9
TMP 7 Budgeting, accounting and audit arrangements	7.1 - 7.4
TMP 8 Cash and cash flow management	8.1 - 8.6
TMP 9 Money laundering	9.1 - 9.6
TMP 10 Training and qualifications	10.1 - 10.7
TMP 11 Use of external service providers	11.1 - 11.2
TMP 12 Corporate governance	12.1

TMP1 TREASURY RISK MANAGEMENT

The responsible 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 below.

1.1 Credit and Counterparty Risk Management

Credit and counterparty risk is 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 regards a key 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 whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments Methods and Techniques. 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.

1.1.1 Policy on the use of credit risk analysis techniques

The council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the council to determine the suggested duration for

investments. The council will therefore use counterparties within the following durational bands: -

- Yellow 5 years (only Local Authorities)
- Dark Pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light Pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or part-nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour Not to be used

1. A weekly colour coded Credit Listing is provided by email from our Treasury Management consultants and this is supplemented with emails regarding all changes in credit ratings as and when they occur. These documents are saved within the Cash flow folder.
2. These documents will be reviewed by treasury management staff in line with the policy on criteria for selection of counterparties for use by the responsible officer making investments on a daily basis.
3. Ratings will not be the sole determinant of the quality of an institution. In addition to the credit ratings the assessment will also take account of information that reflects the opinion of the markets. Other information sources will include:
 - The financial press
 - Share price
 - Information pertaining to the banking sector

Sole reliance will not be placed on the use of these external sources. The council will also use market data and market information, information on sovereign support for banks and the credit ratings of that supporting government.

4. Diversification: this organisation will avoid concentrations of lending and borrowing by adopting a policy of diversification. It will therefore use the following:
 - Maximum amount to be placed with any one institution – higher of £6m or 20% of investment balances.
 - Group limits where a number of institutions are under one ownership – maximum of £6m or 25% of investment balances, whichever is higher.
 - Country limits – excluding UK, a minimum sovereign rating of AA- from Fitch (or equivalent) is required.

5. Investments will not be made with counterparties that do not have a credit rating in their own right, except for Local Authorities. As part of our Treasury Management Consultants credit methodology UK Local Authorities are assigned a colour band 'yellow' (5 years).
6. Maximum maturity periods and amounts to be placed in different types of institutions are in Schedule 1 as follows:

TMP 1 SCHEDULE 1 – SPECIFIED AND NON SPECIFIED INVESTMENTS

The Guidance and CIPFA TM Code distinguishes between specified and non-specified investments, as follows:

- **Specified Investments:** All such investments will be sterling denominated, with maturities up to a maximum of 1 year, meeting the minimum 'high' quality criteria (organisations included with the following colour codings on Link's weekly Credit List also available online) where applicable.
- **Non-specified Investments:** These are investments which do not meet the Specified Investment criteria.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

Organisation	Minimum credit criteria / colour band	Max. Amount per Institution	Max. maturity Period
Term deposits with UK Clearing Banks and UK Building Societies	Purple	£6m or **	Up to 2 years
	Blue	£6m or **	Up to 1 year*
	Orange	£6m or **	Up to 1 year
	Red	£6m or **	Up to 6 months
	Green	£6m or **	Up to 100 days
Term deposits with Other Banks	Orange	£6m or **	Up to 1 year
	Red	£6m or **	Up to 6 months
	Green	£6m or **	Up to 100 days
Certificates of Deposit with UK Clearing Banks and UK Building Societies	Purple	£6m or **	Up to 2 years
	Blue	£6m or **	Up to 1 year*
	Orange	£6m or **	Up to 1 year
	Red	£6m or **	Up to 6 months
	Green	£6m or **	Up to 100 days

*Part Nationalised banks (per 1.1.1).

**£6m or 20% of investment balance per individual counterparty or 25% per whole counterparty group whichever is higher.

Organisation	Minimum credit criteria / colour band	Max. Amount per Institution	Max. maturity Period
UK Local Authorities	Yellow	£6m or ** £6m or **	Up to 5 years Up to 1 year
Ultra-Short Dated Bond with credit score of 1.25	Dark Pink / AAA	£6m or **	liquid
Ultra-Short Dated Bond with credit score of 1.5	Light Pink / AAA	£6m or **	liquid
Money Market Funds - CNAV, LVNAV or VNAV	AAA	£6m or **	liquid

**£6m or 20% of investment balance per individual counterparty or 25% per whole counterparty group whichever is higher.

1.2 Liquidity Risk Management

This is 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 therefore 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/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.

1.2.1 Amounts of approved minimum cash balances and short-term investments

The Treasury Management section shall seek to minimise the balance held in the council's main bank accounts at the close of each working day. Borrowing or lending shall be arranged in order to achieve this aim.

1.2.2 Details of:

- a) Standby facilities
The council's bank (NatWest) has a facility whereby at the end of each day any surplus funds are transferred to an Investment Account/Call Account.
- b) Bank overdraft arrangements

The council has reviewed the cost effectiveness of operating an agreed overdraft and has decided not to have such an arrangement in place. If the group bank account does become overdrawn there will be a charge of 4% over the base rate.

c) Short-term borrowing facilities

The council accesses temporary loans through approved brokers on the London money market. The approved borrowing limit for short term debt is £13.452m.

d) Insurance/guarantee facilities

There are no specific insurance or guarantee facilities as the above arrangements are regarded as being adequate to cover all unforeseen occurrences.

1.3 Interest Rate Risk Management

There is a risk that fluctuations in the levels of interest rates would 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 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 a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.

1.3.1 Details of approved interest rate exposure limits

The Treasury Indicators for 2023/24 include a figure of £20.1 million for External Debt – Authorised Limit.

1.3.2 Trigger points and other guidelines for managing changes to interest rate levels

The Treasury Indicators for 2023/24 include a figure of £13.502 million for External Debt – Operational Boundary.

1.3.3 Limits for fixed and variable interest rate exposures

The Prudential Code, revised in 2021, does not require limits to be set for variable and fixed interest rate exposures. However the council does provide a limit as part of its Treasury Management indicators and this is considered when making new borrowing/investment decisions.

1.3.4 Policies concerning the use of instruments for interest rate management

- a) Forward dealing**
Consideration will be given to dealing from forward periods dependent upon market conditions. Forward dealing requires the approval of the Corporate Director of Resources.
- b) Callable deposits:**
The council will not use callable deposits as part of its Annual Investment Strategy.
- c) LOBO's (borrowing under lender's option/borrowers option):**
Use of LOBO's are not considered as part of the annual borrowing strategy. All borrowing for periods in excess of 364 days requires the approval of the Corporate Director of Resources.

1.4 Exchange Rate Risk Management

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.

1.4.1 Approved criteria for managing changes in exchange rate levels

- a)** As a result of the nature of the council's business, the council may have an exposure to exchange rate risk from time to time. This will mainly arise from the receipt of income or the incurring of expenditure in a currency other than sterling. The council will eliminate all foreign exchange exposures as soon as they are identified.
- b)** Where there is a contractual obligation to receive income or make a payment in a currency other than sterling at a date in the future, forward foreign exchange transactions will be considered after taking professional advice. Unexpected receipt of foreign currency income will be converted to sterling at the day's rate on which the currency was received. Where the council has a contractual obligation to make a payment in the same currency at a date in the future, then the currency may be held on deposit to meet this expenditure commitment.

1.5 Inflation Risk Management

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 whole council's inflation exposures.

1.6 Refinancing Risk Management

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

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 overreliance on any one source of funding if this might jeopardise achievement of the above.

1.6.1 Debt/Other Capital Financing, Maturity Profiling, Policies and Practices

The council will establish through its Prudential and Treasury Indicators the amount of debt maturing in any year/period.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

- a) the generation of cash savings at minimum risk;
- b) to reduce the average interest rate;
- c) to amend the maturity profile and/or the balance of volatility of the debt portfolio

All rescheduling will be reported to Cabinet as soon as possible after the debt rescheduling exercise.

1.6.2 Projected Capital Investment Requirements

The responsible officer will prepare a five year plan for capital expenditure for the council. The capital plan will be used to prepare a five year revenue budget for all forms of financing charges.

The definition of capital expenditure and long term liabilities used in the Code will follow recommended accounting practice as per the Code of Practice on Local Authority Accounting.

1.6.3 Policy Concerning Limits on Affordability and Revenue Consequences of Capital Financing

In considering the affordability of its capital plans, the council will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on council tax. It will also take into account affordability in the longer term beyond this four year period. (Section 7 of the Prudential Code gives examples of matters relevant to the consideration of affordability, although this is not an exhaustive list.)

1.6.4 Set Aside Capital Receipts

The council does not have any requirement to set aside a proportion of its receipts. All of the authority's capital receipts may now be used for either the redemption of debt or financing new capital expenditure as an alternative to new borrowing.

1.7 Legal and Regulatory Risk Management

The risk that the council 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 Treasury Risk Management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

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.

1.7.1 Legal and Regulatory Risk Management

References to Relevant Statutes and Regulations

The treasury management activities of the council shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the council. These are as follows:

Statutes

Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.
Local Government Act 2003

S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03
S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04
S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
S.I. 2004 no. 3055 The Local Authorities (Capital Finance and Accounting) (Amendment) (England) (No. 2) Regulations 2004
S.I. 2006 no. 521 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006
S.I. 2007 no. 573 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007
Local Government and Public Involvement in Health Act 2007 s238(2) – power to issue guidance; to be used re: MRP
S.I. 2008 no. 414 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2008
S.I. 2009 no. 321 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2009
S.I. 2009 no. 2272 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.2) Regulations 2009
S.I. 2009 no. 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009
S.I. 2010 no. 454 (Capital Finance and Accounting) (Amendment) (England) Regulations 2010
Localism Act 2011
S.I. 2012 no. 265 Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012
S.I. 2012 No. 711 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2012
S.I. 2012 No. 1324 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.3) Regulations 2012
S.I. 2012 No. 2269 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 4) Regulations 2012
S.I. 2013 No. 476 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2013
S.I. 2015 No. 234 Accounts and Audit Regulations 2015
S.I. 2017 no. 536 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2017
S.I. 2018 no. 1207 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2018
Statutory Guidance on Investments 2018
Statutory Guidance on MRP 2018
2019 No. 394 Exiting the European Union financial services: The Money Market Funds (Amendment) (EU Exit) Regulations 2019
S.I. 2019 no. 396 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2019

Guidance and codes of practice

CLG Revised Guidance on Investments 2018
CLG Guidance on minimum revenue provision – Feb 2012 updated 2018
CIPFA Treasury Management Code of Practice and Guidance Notes 2017
CIPFA Prudential Code for Capital Finance in Local Authorities 2018
CIPFA Treasury Management in the Public Services Guidance Notes 2018
CIPFA Statement 17.10.18 on borrowing in advance of need and investments in commercial properties
CIPFA Bulletin 02 Treasury and Capital Management Update October 2018
CIPFA Local Authority Capital Accounting - a reference manual for practitioners 2016 Edition
CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996
CIPFA Standard of Professional Practice on Continuous professional Development Revised 2013
CIPFA Statement of Professional Practice on Ethics 2018
The Good Governance Standard for Public Services 2004
LAAP Bulletins
IFRS - Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice
PWLB circulars on Lending Policy
The Non-Investment Products Code (NIPS) - (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.
Financial Conduct Authority's Code of Market Conduct
The council's Standing Orders relating to Contracts
The council's Financial Regulations
The council's Scheme of Delegated Functions

1.7.2 Procedures for Evidencing the Council's Powers/Authorities to Counterparties

The council's powers to borrow and invest are contained in legislation.
Investing: Local Government Act 2003, section 12
Borrowing: Local Government Act 2003, section 1

In addition, it will make available on request the following: -

- i. the responsibilities and dealing arrangements in relation to treasury management activities which are contained in TMP5
- ii. the document that states which officers are the authorised signatories.

Required Information on Counterparties

Lending shall only be made to counterparties that comply with the council's Credit Worthiness Policy that is based upon the Link colour coded creditworthiness list and consideration of other market information including Country Sovereign ratings etc.

1.7.3 Statement on the Council's Political Risks and Management of Same

The Corporate Director of Resources shall take appropriate action with the council, the Chief Executive and the Leader of the council to respond to and manage political risks such as change of majority group, leadership in the council, change of Government etc.

1.7.4 Monitoring Officer

The monitoring officer is the Legal Services Manager; the duty of this officer is to ensure that the treasury management activities of the council are lawful.

1.7.5 Chief Financial Officer

The Chief Financial Officer is the Corporate Director of Resources; the duty of this officer is to ensure that the financial affairs of the council are conducted in a prudent manner and to make a report to the council if they have concerns as to the financial prudence of its actions or its expected financial position.

1.8 Fraud, Error and Corruption, and Contingency Management

There is a risk that an organisation could fail 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 fail to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. This is 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.

The council will therefore:

- a) Seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.
- b) Fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.
- c) Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.
- d) Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

1.8.1 Details of Systems and Procedures to be followed, including Internet Services

Authority

- Loan and Investment procedures are defined in the council's Financial Regulations and Financial Procedure Rules.
- The Scheme of Delegation to Officers sets out the authority given to the Corporate Director of Resources in relation to arranging the borrowing and investments of the authority. All loans and investments are negotiated by the Corporate Director of Resources or nominated Officers.

Procedures

- A password and PIN is required to access the Bankline system, which is used to make electronic payments.
- A username and password is required to access the SunGard Money Market Portal along with two factor authorisation.
- Payments can only be authorised by agreed officers having previously been notified to the current provider of our banking services and Money Market Portal.

Investment and borrowing transactions

- A detailed spreadsheet of loans and investments is maintained within the Financial Services team. This is regularly reconciled to the ledger.
- The loans spreadsheet is updated to record all lending and borrowing. This includes the date of the transaction, brokerage fees etc.
- Adequate and effective cash flow forecasting records are maintained on spreadsheets to support the decision to lend or borrow.
- Money borrowed or lent that is due to be repaid is recorded in the cash flow forecast.
- Written confirmation of deals is emailed promptly by the lending or borrowing institution.
- A broker note showing details of the loan arranged confirms all transactions placed through the brokers.
- The SunGard Portal, with emailed acknowledgements, confirms all money market transactions.
- Email acknowledgements confirm all fixed term deposits with banking institutions.

Regularity and security

- All lending is only made to institutions on the Approved List.
- All loans raised and repayments made go directly to and from the institution's bank account.
- Authorisation limits are set for every institution.
- Brokers have a list of named officials authorised to perform loan transactions.

- There is adequate insurance cover for employees involved in loan management and accounting.
- The control totals for borrowing and lending are regularly reconciled with the ledger balance sheet codes by the Financial Services team.
- There is a separation of duties in the Section between the recall of MMF's and its checking and authorisation.
- The council's bank holds a list of council officials who are authorised signatories.
- No member of the Treasury Management team, responsible for borrowing and lending, is an authorised signatory.

Checking

- The bank reconciliation is carried out regularly from the bank statement to the financial ledger.
- Balance Sheet ledger codes are reconciled monthly. Working papers are retained for audit inspection.
- A debt charge/investment income listing is produced every time the debt charge/investment income is recalculated for budget monitoring purposes. A debt charge/investment listing is also produced at the financial year-end and this document is retained for audit inspection.
- The method of accounting for unrealised losses or gains on the valuation of assets within the funds will comply with Accounting Codes of Practice by reflecting the market value of the fund in the balance sheet. This will be agreed with council's external auditors.
- We have complied with the requirements of the Code of Practice on Local Authority Accounting and will account for the funds at Fair Value through Profit or Loss. As a result, all gains and losses and interest (accrued and received) will be taken to the Comprehensive Income and Expenditure Statement.

Calculations

- The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the Financial Services team.

1.8.2 Emergency and Contingency Planning Arrangements Disaster Recovery Plan

Treasury Management related files (word and excel) are stored on the council's 'J' Drive with arrangements for contingency/back-up. Back up facilities can be accessed off site.

In the event of a 'Bankline System' failure, manual procedures would be followed with information being provided from the council's Bankers by telephone.

All members of the treasury management team are familiar with this plan and new members will be briefed on it.

1.8.3 Insurance Cover Details

The council has 'Fidelity' insurance cover with Zurich Municipal (ZM). This covers the loss of cash by fraud or dishonesty of employees. This cover is limited per transaction as follows:

- 11 designated officers (Corporate Director of Resources, Head of Contact Centre, Head of Governance and Business Support, Legal Services Manager, Head of Finance, Principal Accountant Capital and Treasury, Finance Business Partner x 3, Financial Systems, Transformation and Reporting Manager, and Financial Systems and Reporting Officer x 2) are indemnified for £3m.
- All other employees are indemnified for £250,000.

Officials Indemnity Insurance

The council also has an 'Officials Indemnity' insurance policy with ZM which covers the loss to the council from any actions and advice of its officers, excluding professional services provided under a written contract or agreement, that are negligent and without due care. This cover is currently limited to £1m for any one event with £10,000 excess.

Public Liability Insurance

The council also has 'Public Liability' cover with ZM which covers the loss to the council from any actions or omissions which could give rise to a claim of negligence as a result of third party financial loss. This cover is currently limited to £10m for any one event with a £10,000 excess.

The council will be re-tendering the insurance cover arrangements during 2023. The details are correct at the time of writing and are expected to be the same or comparable under new arrangements.

1.9 Price Market Risk Management

There is a risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and 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 MEASUREMENT

2.1 Evaluation and Review of Treasury Management Decisions

The council has a number of approaches to evaluating treasury management decisions:

- a) reviews with our treasury management consultants;
- b) annual review after the end of the year as reported to Council;
- c) half yearly monitoring reports to Council

2.1.1 Reviews with our treasury management consultants

The treasury management team holds reviews with the Treasury Management consultants every 12 months to review the performance of the investment and debt portfolios.

2.1.2 Annual review after the end of the financial year

An Annual Report on Treasury Management Activity is submitted to Council each year after the close of the financial year which reviews the performance of the debt and investment portfolios. This report contains the following:

- a) total debt and investments at the beginning and close of the financial year and average interest rates
- b) borrowing strategy for the year compared to actual strategy
- c) investment strategy for the year compared to actual strategy
- d) explanations for variance between original strategies and actual
- e) debt rescheduling done in the year
- f) actual borrowing and investment rates achieved through the year
- g) comparison of return on investments to the investment benchmark
- h) compliance with Prudential and Treasury Indicators

2.1.3 Half Yearly Monitoring Reports

A half yearly Report on Treasury Management is submitted to Council in November/December which reviews the performance of the debt and investment portfolios. This report contains the same information as the annual report but only includes information for the first 6 months of the year.

2.2 Benchmarks and Calculation Methodology

2.2.1 Debt Management

Average rate on all external debt.

Average rate on external debt borrowed in previous financial year.

2.2.2 Investment

The performance of in house investment earnings will be measured against the SONIA rate (Sterling Overnight Index Average).

2.3 Policy Concerning Methods for Testing Value for Money in Treasury Management

2.3.1 Frequency and processes for tendering

Link Asset Services were engaged as the council's treasury advisor. The current contract is for three years until 31 March 2023. The service was most recently benchmarked in March 2020 and a further benchmarking exercise is being conducted prior to renewal to ensure value for money is maintained.

2.3.2 Banking services

Whilst the council has been with NatWest for over 25 years, banking services have traditionally been re-tendered or renegotiated every 3 years to ensure that the level of prices reflect efficiency savings achieved by the supplier and current pricing.

In April 2021 the banking contract was re-negotiated for a period of three years. A benchmarking exercise is on-going to ensure our banking services continue to deliver value for money.

2.3.3 Money-broking services

The council will use money-broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them. An approved list of brokers has been established which takes account of both price and quality of service.

2.3.4 Consultants'/advisors' services

The council's current policy is to appoint professional treasury management consultants (Link Group) and a benchmarking exercise is conducted prior to the end of the contract to ensure value for money. Separate leasing advisory consultants will be appointed where necessary.

2.3.5 Policy on External manager (other than relating to Superannuation Funds)

The council's policy is not to appoint external investment fund managers.

TMP 3 DECISION MAKING AND ANALYSIS

3.1 Funding, Borrowing, Lending, and new Instruments and Techniques:

3.1.1 Records to be kept

All loan transactions are recorded on a spreadsheet within the Cash flow folder on the J drive.

The following records will be used as relative to each loan or investment:

- Daily cash projections
- Money market rates obtained via SunGard website, or by telephone from institutions or brokers
- SunGard emails detailing each net trade and authorisation
- Electronic copies of NatWest CHAPS payment transactions
- Dealing slips for all money market transactions
- Brokers' confirmations for investment and temporary borrowing transactions
- Confirmations from borrowing/lending institutions where deals are done directly
- Temporary Lending Authorisation forms
- PWLB loan confirmations
- PWLB debt portfolio schedules

3.1.2 Processes to be pursued

- Cash flow analysis
- Ledger reconciliations
- Review of long-term borrowing requirement as applicable
- Debt and investment maturity analysis
- Monitoring of projected loan charges, interest and expenses costs
- Review of opportunities for debt rescheduling, as applicable
- Collation of a monthly borrowing and lending return

3.1.3 Issues to be addressed

3.1.3.1 In respect of every treasury management decision made the council will:

- a) Above all be clear about the nature and extent of the risks to which the council may become exposed.
- b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained.
- c) Be content that the documentation is adequate both to deliver the council's objectives and protect the council's interests, and to deliver good housekeeping.
- d) Ensure that relevant due diligence has taken place.

- e) Ensure that third parties are judged satisfactory in the context of the council's creditworthiness policies, and that limits have not been exceeded.
- f) Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

3.1.3.2 In respect of borrowing and other funding decisions, the council will:

- a) Consider the ongoing revenue liabilities created and the implications for the organisation's future plans and budgets.
- b) Evaluate the economic and market factors that might influence the manner and timing of any decision to finance capital schemes.
- c) Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and external grant providers.
- d) Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

3.1.3.3 In respect of investment decisions, the council will:

- a) Consider the risks to capital and returns and the implications for the organisation's future plans and budgets.
- b) Consider the optimum period, in the light of cash flow availability and prevailing market conditions.
- c) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the organisation to changes in the value of its capital.

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 Approved Activities of the Treasury Management Operation

- Borrowing;
- Lending;
- Debt repayment and rescheduling;
- Consideration, approval and use of new financial instruments and treasury management techniques;
- Managing the underlying risk associated with the council's capital financing and surplus funds activities;
- Managing cash flow;
- Banking activities; and
- Leasing.

4.2 Approved Instruments for Investments

The council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the Annual Investment Strategy and within the limits and parameters defined in TMP1 Treasury risk management.

4.3 Approved Techniques

Forward dealing up to 364 days.

4.4 Approved Methods and Sources of Raising Capital Finance

Finance will only be raised in accordance with the Local Government Act 2003, and within this limit the council has a number of approved methods and sources of raising capital finance. These are:

On Balance Sheet	Fixed	Variable
PWLB*	●	●
Market (long-term) (Not currently)	●	●
Market (temporary)	●	●
Internal (capital receipts and revenue balances)	●	●
Leasing (finance leases) (Not currently)	●	●
Other Methods of Financing		
Government and Capital Grants		
Lottery monies		
Donations and contributions		
Operating leases (Not currently)		

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Corporate Director of Resources has delegated powers in accordance with Financial Regulations and Financial Procedure Rules, the Scheme of Delegation to Officers and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

*Recent changes brought in by the Chancellor introduced a prohibition to deny access to borrowing from the PWLB for any local authority which had the purchase of assets for yield in its three-yield capital programme.

4.5 Investment Limits

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument.

4.6 Borrowing Limits

See the Treasury Management and Annual Investment Strategy and Prudential and Treasury Indicators.

4.7 MIFID II (Markets in Financial Instruments Directive)

The council has reviewed its classification with financial institutions under MIFID II and is registered as a professional client with the following organisations:

SunGard FIS (Investment Portal)
RP Martins (Brokers)
Tradition (Brokers)
Deutsche Asset Management (MMF)
Federated (MMF)
Insight Investment (MMF)

The following organisations have informed us that they do not require the council to be registered as a professional client to invest in their Money Market Funds.

LGIM (MMF)
Blackrock (MMF)
Goldman Sachs (MMF)

The council has remained as a retail client with its Treasury Management Consultants Link Asset Services.

The council can chose to opt up from retail to professional status at any point assuming it meets certain criteria and with the agreement of the relevant financial institution.

4.8 Money Market Fund Reform

New Money Market Fund European regulations came into force on 21 July 2018 and existing funds had to be compliant by 21 January 2019. There are now three structural options of MMF's. These are CNAV, (Public Debt Constant Net Asset Value), LVNAV (Low Volatility Net Asset Value) and VNAV (Variable Net Asset Value). The council can invest in CNAV, LVNAV and VNAV MMF's as included in TMP1 Schedule 1.

TMP 5 ORGANISATION, CLARITY AND SEGREGATION OF REPSONSIBILITIES, AND DEALING ARRANGEMENTS

5.1 Allocation of responsibilities

Full Council

- approval of annual strategy
- approval of MRP Policy Statement
- budget consideration and approval
- receive and review the mid-year and annual monitoring report

Cabinet

- receiving and reviewing reports on treasury management policies, practices and activities
- budget consideration and approval
- approval of the division of responsibilities as reflected in TMP5
- approving the selection of external service providers and agreeing terms of appointment

Overview and Scrutiny

- effective scrutiny of the treasury management strategy and policies.

5.2 Principles and Practices Concerning Segregation of Duties

The Corporate Director of Resources authorises all new long-term borrowing.

Transactions relating to pre-existing agreements are delegated to nominated officers within the Financial Services team.

Short-term borrowing and investment is authorised by the Corporate Director of Resources, Head of Finance, Head of Governance and Business Support, Legal Services Manager, or Principal Accountant Capital and Treasury.

The following duties are undertaken by separate officers:

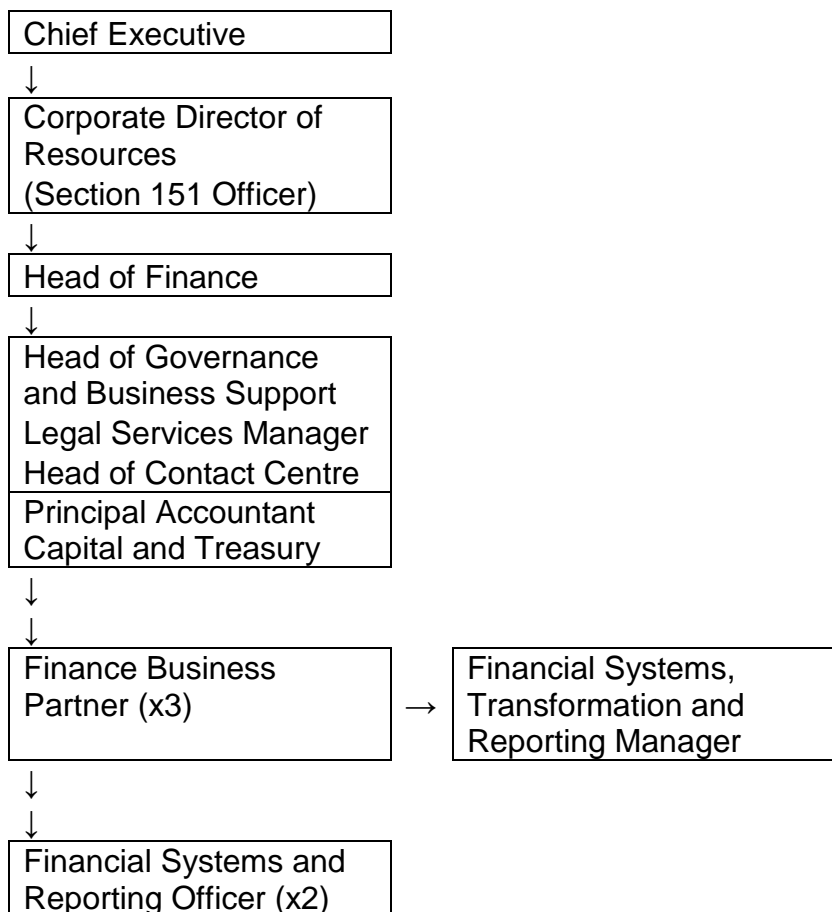
- | | | |
|------------------|---|--|
| Dealing | - | negotiating deals |
| | - | receipt and checking of broker's confirmation against loans spreadsheet |
| | - | reconciliation of control accounts |
| | - | bank reconciliation |
| Accounting Entry | - | processing the expenditure or income i.e. posting the entries into the accounting system |
| Authorising | - | approval and payment |
| | - | approval of deals. |

The table overleaf identifies who performs particular roles within the team.

Function	Chief Executive	Section 151 Officer (Corporate Director Resources)	Head of Finance	Head of Governance and Business Support/ Legal Services Manager Principal Accountant Capital & Treasury	Financial Systems, Transformation and Reporting Manager	Finance Business Partners (x3)	Financial Systems and Reporting Officer (x2)
Adherence to TM Practices, Policies and Strategies	•	•	•				
Ensure regular reports submitted to Cabinet on Treasury Policy, activity and performance	•	•	•				
Revisions of treasury management policy statement, policies and practices		•	•				
Approval of external service providers and agreeing terms of appointment		•	•				
Establishing new banking facilities (e.g. Base Tracker Accounts)		•	•				

Authorisation of Long term borrowing and investing		•	•				
Amending bank mandate		•	•				
Authorisation of short term borrowing and investing		•	•	•			
Bankline - Authorising payments		•	•	•			
Bankline - Creating payments						•	•
SunGard – Authorising transfers		•	•	•			
SunGard – Creating transfers						•	•
Day to day dealing						•	•
Cash flow projections						•	•
Maintenance of loans and investment spreadsheets						•	•
System Administrator (e.g. setting limits, new users)					•		
Responsibility for ensuring Bank Reconciliation performed					•		

5.3 Treasury Management Organisation Chart



5.4 Statement of Treasury Management Duties/Responsibilities of Each Treasury Post

- 5.4.1 The responsible officer is the person charged with the execution and administration of treasury management decisions acting in accordance with the council's policy statement and TMP's and as a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management. In this council this is the S151 Officer/Corporate Director of Resources or the Head of Finance in their absence, who will carry out the following duties:
- a. Recommend clauses, treasury management policy / practices for approval, reviewing the same on a regular basis, and monitoring compliance.
 - b. Submit treasury management policy reports as required.
 - c. Submit budgets and budget variations in accordance with the Financial Regulations and Financial Procedure rules.
 - d. Receive and review management information reports.
 - e. Review the performance of the treasury management function and promote efficiency reviews.
 - f. Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
 - g. Ensure the adequacy of internal audit, and liaise with external audit.
 - h. Recommend the appointment of external service providers, where applicable, in accordance with the council's Financial Regulations and Financial Procedure Rules.
 - i. The Corporate Director of Resources has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
 - j. The Corporate Director of Resources may delegate this power to borrow and invest to certain members of staff as indicated in TMP 5.3 above. All transactions must be authorised by one of the named officers below:
 - Corporate Director Resources (Section 151 Officer)
 - Head of Finance
 - Head of Governance and Business Support
 - Legal Services Manager
 - Head of Contact Centre
 - Principal Accountant Capital and Treasury
 - k. The Corporate Director of Resources will ensure that the Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
 - l. Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Corporate Director of Resources to be satisfied, by reference to the council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the council's Financial Regulations and Financial Procedure Rules.
 - m. It is also the responsibility of the Corporate Director of Resources to ensure that the council complies with the requirements of 'The Non-

Investment Products Code' for principals and broking firms in the wholesale markets.

- n. Prepare a Capital Strategy to include capital expenditure, capital financing and treasury management with a long-term timeframe.
- o. Ensure that the Capital Strategy is prudent, sustainable, affordable and prudent in the long-term and provides value for money.
- p. Ensure that due diligence has been carried out on all investments and is in accordance with the risk appetite of the authority.

5.4.2 Head of Finance (or delegated officer)

The responsibilities of this post will be:

- a. Execution of transactions.
- b. Adherence to agreed policies and practices on a day-to-day basis.
- c. Maintaining relationships with third parties and external service providers.
- d. Supervising treasury management staff.
- e. Monitoring performance on a day-to-day basis.
- f. Receives management information reports from the responsible officer.
- g. Identifying and recommending opportunities for improved practices.

5.4.3 Chief Executive

The responsibilities of this post will be:

- a. Ensuring that the Corporate Director of Resources reports regularly to the full council on treasury policy, activity and performance.

5.4.4 The Monitoring Officer (Legal Services Manager) or Deputy Monitoring Officer (Human Resources Manager)

The responsibilities of this post will be:

- a. Ensuring compliance by the Corporate Director of Resources with the treasury management policy statement and treasury management practices and that they comply with the law.
- b. Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
- c. Giving advice to the Corporate Director of Resources when advice is sought.

5.4.5 Internal Audit

The responsibilities of this post will be:

- a. Reviewing compliance with approved policy and procedures.
- b. Reviewing division of duties and operational practice.
- c. Undertaking probity audit of the treasury function (sampling transactions).

5.5 Absence Cover Arrangements

Refer to the organisation chart at TMP 5.3 above and role responsibilities at TMP 5.4 above.

5.6 Dealing Limits

Persons authorised to deal are identified at TMP 5.3 above and dealing limits are set out in TMP 1.1.1.

5.7 List of Approved Brokers

A list of approved brokers is maintained within the Financial Services team (see TMP 11.1.2) and a record of all transactions recorded against them.

5.8 Policy on Brokers' Services

It is the council's policy to rotate business between brokers in accordance with best practice.

5.9 Policy on Taping of Conversations

It is not council policy to tape broker's conversations.

5.10 Direct Dealing Practices

The council will consider dealing direct with counterparties if it is appropriate and the council believes that better terms will be available. There are certain types of accounts and facilities where direct dealing is required as follows:

- NatWest Call Account and 35 and 95 day Notice Account
- Santander Call Account and Fixed Term Deposit
- Handelsbanken 10 and 35 day Notice Account
- Goldman Sachs International Bank via Link Asset Services to access Tranche rates
- Standard Chartered Bank via Link Asset Services to access Tranche rates
- Bank of Scotland 95 day Notice Account and Overnight Account
- Qatar National Bank
- SunGard Money Market Portal – currently authorised to deal with:
 - i. Deutsche Managed Sterling LVNAV Fund – Advisory
 - ii. Federated (PR) Short-Term GBP Prime Fund Class 3
 - iii. Blackrock ICS Sterling LVNAV Fund – core
 - iv. Goldman Sachs Sterling Reserves Fund 630
 - v. LGIM Sterling Liquidity Fund Class 4
 - vi. Insight Sterling Liquidity Fund Class 5
 - vii. Aberdeen GB Liquidity Fund Class K1

5.11 Settlement Transmission Procedures

Instructions are given by email with payments being transferred by 3.30pm on the same day. In the case of SunGard Money Market transactions, instructions are given via the internet and payments are made by 12.30pm for the Deutsche Managed Sterling LVNAV Fund, 1.30pm for the Federated (PR) Short-Term GBP Prime Fund and 1.00pm for all other funds.

5.12 For each deal undertaken a record should be prepared giving details of the dealer, amount, period, counterparty, interest rate, dealing date, payment date(s) and broker (where applicable).

5.13 Arrangements Concerning the Management of Third-Party Funds

The Authority administers a number of third party funds totalling £98,017 at 31 March 2022. The largest being the North West District Surveyors Association with a balance held of £47,844 and several smaller funds including the Fielden Trust with a balance held of £6,862 at 31 March 2022. The Fielden Trust balance is invested as part of the council's surplus funds and interest is calculated monthly based on council's Natwest Overnight account rate.

TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

6.1 Annual Programme of Reporting

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 implication 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:

- a. Annual reporting requirements before the start of the year:
 - i. review of the organisation's approved clauses, treasury management policy statement and practices;
 - ii. prudential and treasury indicators and treasury strategy report incorporating the capital strategy, the minimum revenue provision (MRP), the treasury management strategy and investment strategy.
- b. A mid-year treasury management report
- c. Annual review report after the end of the year

6.2 Annual Treasury Management Strategy

6.2.1 The Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Cabinet and then full council for approval before the commencement of each financial year.

6.2.2 The formulation of the annual Treasury Management Strategy involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, the council may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.

6.2.3 The Treasury Management Strategy is concerned with the following element

- Prudential and Treasury Indicators
- Current Treasury portfolio position
- Borrowing requirement
- Prospects for interest rates
- Borrowing strategy
- Policy on borrowing in advance of need
- Debt rescheduling
- Investment strategy
- Creditworthiness policy
- Policy on the use of external service providers
- Any extraordinary treasury issue (as necessary)
- The MRP policy statement

6.2.4 The Treasury Management Strategy will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable) and highlight sensitivities to different scenarios.

6.3 The Annual Investment Strategy Statement

At the same time as the council receives the Treasury Management Strategy it will also receive a report on the Annual Investment Strategy which will set out the following:

- a. The council's risk appetite in respect of security, liquidity and optimum performance
- b. The definition of high credit quality to determine what are specified investments as distinct from non-specified investments
- c. Which specified and non-specified instruments the council will use
- d. Whether they will be used by the in house team, external managers or both (if applicable)
- e. The council's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties
- f. Which credit rating agencies the council will use
- g. How the council will deal with changes in ratings, rating watches and rating outlooks
- h. Limits for individual counterparties and group limits
- i. Country limits
- j. Interest rate outlook
- k. Budgeted investment return
- l. Use of a cash fund manager (if applicable)
- m. Policy on the use of external service providers (if applicable)

6.4 The Annual Minimum Revenue Provision Statement

This statement will set out how the council will make revenue provision for repayment of its borrowing using the four options for so doing and will be submitted at the same time as the Treasury Management and Annual Investment Strategy.

6.5 Policy On Prudential and Treasury Indicators

6.5.1 The council approves before the beginning of each financial year a number of treasury limits referred to as the Prudential and Treasury Indicators.

6.5.2 The Corporate Director of Resources is responsible for incorporating these limits into the Annual Treasury Management Strategy and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the Corporate Director of Resources shall submit the changes for approval to full council.

6.6 Mid-Year Review

The council will review its treasury management activities on a six monthly basis. This review will consider the following:

- a. activities undertaken
- b. variations (if any) from agreed policies/practices
- c. interim performance report
- d. regular monitoring
- e. monitoring of treasury management indicators for local authorities

6.7 Annual report on Treasury Management Activity

An annual report will be presented to council at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following:

- a. Transactions executed and their revenue effects;
- b. Report on risk implications of decisions taken and transactions executed;
- c. Compliance report on agreed policies and practices and all statutory/regulatory requirements;
- d. Performance Report;
- e. Report on compliance with the CIPFA Treasury Management Code; and
- f. Monitoring of treasury management indicators.

6.8 Management Information Reports

Management information reports are prepared quarterly and contain the following information:

- a. A summary of transactions executed, brokers used and fees paid and their revenue effect; and

- b. Measurements of performance such as loan charges/investment income.

6.9 Publication of Treasury Management Reports

Reports presented to council are available to view on the council's website www.wyre.gov.uk

TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 Statutory/Regulatory Requirements

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting which is recognised by statute as representing proper accounting practices.

The council has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to this council's treasury management activities.

7.2 Sample Budgets / Accounts / Prudential and Treasury Indicators

The Corporate Director of Resources will prepare a five year medium term financial plan with Prudential and Treasury Management Indicators reflecting the overall budget for the current year and provisional estimates for the following four years. This will include the costs involved in running the function and any associated income. The Head of Finance will exercise effective controls over this budget and monitor performance against Prudential and Treasury Indicators, and will report upon and recommend any changes required in accordance with TMP6.

7.3 List of Information Required by the External Auditors

- Reconciliation of loans outstanding in the financial ledger to Treasury Management records
- Maturity analysis of loans outstanding
- Certificates for new long term loans taken out in the year
- Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Calculation of interest on working balances where applicable
- Interest accrual calculation
- Principle and interest charges reports from Civica
- Analysis of any deferred charges where applicable
- Annual Treasury Report
- Treasury Management and Annual Investment Strategy and Prudential and Treasury Indicators

- Review of observance of limits set by Prudential and Treasury Indicators
- Calculation of the MRP

7.4 Budget Monitoring Report

Year to date and forecast outturn against budget, with variances, are examined in terms of interest and treasury management expenses as part of the council's monthly budget monitoring.

TMP 8 CASH AND CASH FLOW MANAGEMENT

8.1 Arrangements for Preparing/Submitting Cash Flow Statements

Cash flow projections are prepared annually and daily. The annual cash flow projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income, and expenditure and also changes in payment and receipt dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

8.2 Bank Statement Procedures

The council downloads data daily from its bank. All amounts on downloads are checked to source data from payroll, creditors etc. A formal bank reconciliation is undertaken on a monthly basis.

8.3 Payment Scheduling and Agreed Terms of Trade with Creditors

In the present economic climate and in line with a request from the Government, we have committed to paying 80% of invoices within 10 days (local performance indicator RES23). In the 2021/22 financial year 72.51% of invoices were paid within 10 days. However payments to individuals, in relation to refunds are immediate.

8.4 Arrangements for Monitoring Debtor/Creditor levels

Details are passed to the treasury team on a regular basis to assist in updating the cash flow model.

8.5 Procedures for Banking of Funds

All money received by an Officer on behalf of the council will without unreasonable delay be paid into the council's bank accounts via the Financial Services team. The cashier will notify the Financial Services Officer on Monday and Tuesday of cash and cheques banked on the Friday and Monday so that the figures can be taken into account in the daily cash flow.

8.6 Practices Concerning Prepayments to Obtain Benefits

The council has no formal arrangements in place. Where such opportunities arise (for example whereby a payment in advance would secure a further discount) the prepayment would be authorised by the responsible officer.

A report went to Cabinet on 15 February 2017 agreeing prepayment of pension contributions in principle and delegating ultimate authority to the S151 officer to make the final decision. The prepayment of three years' pension contributions (commencing April 2012) was made to the Lancashire County Pension Fund in May 2012. The S151 officer (Corporate Director of Resources) has authorised a further prepayment for the 2023/24–2025/26 contribution which will be paid to the pensions fund in May 2023.

TMP 9 MONEY LAUNDERING

9.1 Proceeds of Crime Act 2002

Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are:

- concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland.
- being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property
- acquiring, using or possessing criminal property

These apply to any person in the UK in a personal or professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include:

- failure to disclose money-laundering offences
- tipping off a suspect, either directly or indirectly
- doing something that might prejudice an investigation – for example, falsifying a document.

9.2 The Terrorism Act 2000

This act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment.

9.3 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (amended in 2019)

Organisations pursuing relevant business (especially those in the financial services industry regulated by the FCA) are required to appoint a nominated officer and implement internal reporting procedures; train relevant staff in the subject; establish internal procedures with respect to money laundering; obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken and report their suspicions. In June 2017 the UK Government published the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, which replaced the Money Laundering Regulations 2007.

9.4 Local Authorities

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and may commit most of the principal offences under the Proceeds of Crime Act, but are not legally obliged to apply the provisions of the Money Laundering Terrorist Financing and Transfer of Funds Regulations 2017 (amended in 2019). However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, an anti-money laundering regime. Accordingly, this council comply and have an Anti-Money Laundering Policy which is reviewed annually by Audit Committee and most recently in November 2022.

9.5 Procedures for Establishing Identity / Authenticity of Lenders

It is not a requirement under POCA for local authorities to require identification from every person or organisation it deals with. However, in respect of treasury management transactions, there is a need for due diligence and this will be affected by following the procedures below.

- The council does not accept loans from individuals. All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the Financial Conduct Authority website on www.fca.org.uk.

9.6 Methodologies for Identifying Sources of Deposits

In the course of its Treasury activities, the council will only lend money to or invest with those counterparties that are on its approved lending list. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. (The Financial Services register can be accessed through the FCA website on www.fca.org.uk.)

All transactions will normally be carried out by BACS/CHAPS for making deposits or repaying loans.

TMP 10 TRAINING AND QUALIFICATIONS

10.1 The council recognises the importance of ensuring that all relevant individuals involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. There are two categories of relevant individuals:

- a. Treasury management staff employed by the council. All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The council operates a Performance Appraisal Scheme which identifies the training requirements of individual members of staff engaged on treasury related activities.

Additionally, training may also be provided on the job and it will be the responsibility of the Head of Finance to ensure that all staff under their authority receive the level of training appropriate to their duties. This will also apply to those staff who, from time to time cover for absences from the treasury management team.

All Financial Services Team members responsible for Treasury Management were invited to attend two Treasury Management Training sessions delivered by Link Asset Services on 1 February 2023 and 8 February 2023. Further training will be arranged as required.

- b. Members charged with governance of the treasury management function. Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively. All members were invited to attend a Treasury Management training session delivered by Link Asset Services on 24 February 2022 and prior to that training was given to the Overview and Scrutiny Committee on 18 January 2021. Further training will be arranged following the elections in May.

10.2 Details of Approved Training Courses

Treasury management staff will attend courses provided by our treasury management consultants, CIPFA, etc.

10.3 Records of Training Received by Treasury Staff

Records are maintained within the HR21 system and on individual officers' Personal Development Plans.

10.4 Approved Qualifications for Treasury Staff

Staff involved with the day to day treasury management function, have the following incorporated within their job description:

- To manage the council's day to day investment and borrowing requirements in accordance with the Treasury Management Strategy

- To assist with the drafting of the Treasury Management Strategy and associated Member reports.

10.5 Statement of Professional Practice (SOPP)

1. Where the Chief Financial Officer is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.
2. Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

10.6 Member training records

Records will be kept by Democratic Services of all training in treasury management provided to members.

10.7 Members charged with governance

The Overview and Scrutiny Committee has been nominated as the responsible body for ensuring scrutiny of the treasury management strategy and policies. Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

TMP 11 USE OF EXTERNAL SERVICE PROVIDERS

11.1 Details of Contracts with Service Providers, Including Bankers, Brokers, Consultants and Advisers

This council recognises that responsibility for treasury management decisions remains with the Council at all times. It recognises that there is potential value in employing external providers to assist it in the field of treasury management. In particular, it will use external consultants 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. It will also ensure that the terms of their appointment are subject to regular review.

It will also ensure that the skills of the in-house treasury management team are maintained to a high enough level whereby they can provide appropriate challenge to external advice and can avoid undue reliance on such advice.

Treasury management staff and their senior management will therefore be required to allocate appropriate levels of time to using the following sources of information so that they are able to develop suitable levels of understanding to carry out their duties, especially in challenge and avoiding undue reliance.

- The quality financial press
- Market data
- Information on government support
- The credit ratings of that government support

11.1.1 Banking Service

- Name of supplier of service: National Westminster Bank
The branch address is:
Victoria Square
Thornton Cleveleys
FY5 2AL
0845 3021590
- Regulatory status – banking institution authorised to undertake banking activities by the FCA
- 3 year contract commencing 01/04/2021
- Cost of service is variable depending on schedule of tariffs and volumes
- Payments due quarterly

11.1.2 Money-broking Services

The council will use money brokers for temporary borrowing and investment and long term borrowing. It will seek to give an even spread of business amongst the following approved brokers.

Name of supplier of service:

- RP Martin Brokers (UK) Trading name of BGC Brokers LP
Cannon Bridge House
25 Dowgate Hill
London
EC4R 2BB
0207 469 9000
Regulatory Status: BGC Brokers LP FCA Authorised 454814
- Tullett Prebon Europe Ltd
Tullet Prebon Group Ltd
155 Bishopsgate
London
EC2M 3TQ
020 7200 7000
Regulatory Status: FCA Authorised 146880
- Tradition UK Ltd
Beaufort House
15 St. Botolph Street
London
EC3A 7QX
0207 377 0050
Regulatory Status: FCA Authorised 13900

When undertaking temporary borrowing, the brokers currently charge commission at 1% of interest due. There is no commission charge for undertaking investment transactions.

11.1.3 Consultants'/advisors' Services

Treasury Consultancy Services

The council will seek to take expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to put on its approved lending list etc.

- a. Name of supplier of service is: Link Asset Services Limited. Their address is :
6th Floor
65 Gresham Street
London
EC2V 7NQ
0871 664 6800
- b. Regulatory Status: Investment Advisor authorised by the FCA 150403
- c. 3 year contract commenced 01/04/20 (benchmarking exercise are currently being conducted prior to renewal)
- d. Cost of the service is £8,000 per year
- e. Payments due in two instalments in September and March.

11.1.4 Leasing Consultancy Services

The council currently has no requirement for leasing consultancy but previously used Chrystal Consulting. Other Consultancy services may be employed on short-term contracts as and when required.

11.1.5 Custodian Facility

The council will use a Custodian Facility as required when it invests in Certificates of Deposit (CD's).

11.1.6 Credit Rating Agency

The council receives a credit rating service through its treasury management consultants, the cost of which is included in the consultant's annual fee.

11.2 Procedures and Frequency for Tendering Services

The banking contract was renegotiated during the pandemic and a further three year contract commencing 01/04/2021 was entered into with NatWest. The treasury consultancy service was renewed for a three year period commencing 1/4/2020 after a favourable benchmarking exercise. The process for advertising and awarding contracts will be in line with the Council's Financial Regulations and Financial Procedure Rules.

TMP 12 CORPORATE GOVERNANCE

12.1 List of Documents to be made available for public inspection

- a. The council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.
- b. It has adopted the CIPFA Code of Practice on Treasury Management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.
- c. The following documents are available for public inspection:
 - Statement of Accounts
 - Revenue Estimates and Capital Programme
 - Medium Term Financial Plan
 - Treasury Management Policy Statement and Practices
 - Treasury Management and Annual Investment Strategy
 - MRP Policy Statement
 - Annual Treasury Management Report
 - Minutes of Council/Cabinet/Overview and Scrutiny Committee Meetings
 - Capital Strategy

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Appendix 3

TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT STRATEGY 2023/24

1. Introduction

1.1 Background

The council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the council's capital plans. These capital plans provide a guide to the borrowing need of the council, essentially the longer-term cash flow planning, to ensure that the council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

“The management of the local authority'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 optimum performance consistent with those risks.”

This authority has not engaged in any commercial investments and has no non-treasury investments.

1.2 Reporting requirements

1.2.1 Capital Strategy

The 2021 CIPFA Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- A high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- An overview of how associated risk is managed
- The implication for future sustainability

The aim of this capital strategy is to ensure that all elected members on full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

1.2.2 Treasury Management Reporting

The council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a. Prudential and treasury indicators and treasury strategy (this report) –

- The first, and most important report is forward looking and covers:
- The capital plans (including prudential indicators);
- A minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- The treasury management strategy, (how the investments and borrowing are to be organised) including treasury indicators; and
- An investment strategy (the parameters on how investments are to be managed).

b. A mid-year treasury management report – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c. An annual treasury report – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.2.3 Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the council. This role is undertaken by the Overview and Scrutiny Committee.

1.2.4 Quarterly reports

In addition to the three major reports detailed above, from 2023/24 quarterly reporting of our prudential indicators is also required. However, these additional reports do not have to be reported to Full Council but do need to be adequately scrutinised. This role is undertaken by Overview and Scrutiny Committee based on reports to Cabinet.

1.3 Treasury Management Strategy for 2023/24

The strategy for 2023/24 covers two main areas:

1.3.1 Capital issues

- The capital expenditure plans and the associated prudential indicators;
- The minimum revenue provision (MRP) policy.

1.3.2 Treasury management issues

- The current treasury position;
- Treasury indicators which limit the treasury risk and activities of the council;
- Prospects for interest rates;
- The borrowing strategy;
- Policy on borrowing in advance of need;
- Debt rescheduling;
- The investment strategy;
- Creditworthiness policy; and
- The policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, DLUHC MRP Guidance, the CIPFA Treasury Management Code and DLUHC Investment Guidance.

1.4 Training

The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

Furthermore, pages 47 and 48 of the Code state that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and members.
- Require treasury management officers and members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and members, encouraging them to highlight training needs on an ongoing basis.”

In further support of the revised training requirements, CIPFA’s Better Governance Forum and Treasury Management Network have produced a ‘self-assessment by members responsible for the scrutiny of treasury management’, which is available from the CIPFA website to download.

In February 2022 all members were offered Treasury Management Training from Link Asset Services. The equivalent training will be offered following the borough elections in May.

The training needs of treasury management officers are periodically reviewed.

1.5 Treasury management consultants

The council uses Link Group, Treasury Solutions Ltd as its external treasury management advisors.

The council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The council will 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.

2. The Capital Prudential Indicators 2023/24 – 2027/28

The council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans. The Prudential Indicators, capital expenditure plans and how these plans are being financed by capital or revenue resources were approved by Cabinet at its meeting on 11 January 2023.

2.1 Capital Expenditure

This prudential indicator is a summary of the council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

Capital expenditure	2021/22 Actual £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000
TOTAL	4,271	17,344	18,420	17,833	15,055	3,550	2,387

Other long-term liabilities – The above financing need excludes other long-term liabilities, such as PFI and leasing arrangement that already include borrowing instruments (not currently applicable to Wyre).

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

	2021/22 Actual £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000
Capital Receipts	0	-2,121	-14	0	-7	0	0
Capital Grants and Contributions	-4,141	-11,674	-18,256	-17,530	-14,833	-3,145	-2,080
Revenue/Reserves	-130	-3,549	-150	-303	-215	-405	-307
Total	-4,271	-17,344	-18,420	-17,833	-15,055	-3,550	-2,387
Net financing need for the year	0	0	0	0	0	0	0

2.2 The council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the council's indebtedness and so it's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the council's borrowing requirement, these types of scheme include a borrowing facility by the PFI, PPP lease provider and so the council is not required to separately borrow for these schemes. The council does not currently have any such schemes within the CFR.

	2021/22 Actual £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000
Total CFR	11,166	11,070	10,974	10,878	10,788	10,709	10,630
Movement in CFR	-96	-96	-96	-90	-79	-79	-79

Movement in CFR represented by:

	2021/22 Actual £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000
MRP and other financing movements	-96	-96	-96	-90	-79	-79	-79

2.3 Liability Benchmark

A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

1. Existing loan debt outstanding: the Authority's existing loans that are still outstanding in future years.
2. Loans CFR: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. Net loans requirement: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. Liability benchmark (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

2.4 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

	2021/22 Actual £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000
Fund balances/ reserves	35,319	30,556	30,822	26,981	23,038	17,788	14,209
Capital receipts	869	4,384	4,370	4,370	4,363	4,363	4,363
Provisions	2,364	2,364	2,364	2,364	2,364	2,364	2,364
Other	-	-	-	-	-	-	-
Total core funds	38,552	36,514	36,766	32,925	28,975	23,725	20,146
Working capital*	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Expected Investments	41,552	39,514	39,766	35,925	31,975	26,725	23,146

*Working capital balances shown are estimated year-end; these may be higher mid-year.

2.5 Minimum Revenue Provision Policy Statement

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

The Authority is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2018) gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent.

The MRP policy statement requires full council approval (or closest equivalent level) in advance of each financial year.

The Council is recommended to approve the following MRP Statement.

For expenditure incurred before 1 April 2008 which forms part of supported capital expenditure, the MRP policy will be:

- 4% reducing balance (regulatory method) - MRP will follow the historical practice outlined in former regulations as 4% of the opening GF CFR balance less adjustment A.

From 1 April 2008 for all unsupported borrowing the MRP policy will be:

- Asset life method (straight line) – MRP will be based on the estimated life of the assets.

Capital expenditure incurred during 2022/23 will not be subject to an MRP charge until 2023/24, or in the year after the asset becomes operational.

The Authority will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.

For capital expenditure on loans to third parties where the principal element of the loan is being repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP.

Where no principal repayment is made in a given year, MRP will be charged at a rate in line with the life of the assets funded by the loan.

Under the MRP guidance, any charges made in excess of the statutory MRP can be made, known as voluntary revenue provision (VRP).

VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.

3. Borrowing

The capital expenditure plans set out in Section 2 provide details of the service activity of the council. The treasury management function ensures that the council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 The overall treasury management portfolio as at 31 March 2022 and for the position as at 10 February 2023 are shown below for both borrowing and investments.

Treasury Portfolio				
Treasury Investments	Actual 31/03/2022 £000	Actual 31/03/2022 %	Current 10/02/2023 £000	Current 10/02/2023 %
Banks	32,984	64%	26,942	45%
Money Market Funds	18,800	36%	33,000	55%
Total Treasury Investments	51,784		59,942	
External Borrowing	-1,552		-	
Net Treasury Investments	50,232		59,942	

The council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement – CFR), highlighting any over or under borrowing.

	2021/22 Actual £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000
External Debt at 1 April	1,552	1,552	0	0	0	0	0
Expected change in External Debt	0	-1,552	0	0	0	0	0
Other Long Term Liabilities (OLTL)	10	50	50	50	50	50	50
Expected change in OLTL	0	0	0	0	0	0	0

Actual Gross Debt at 31 March	1,562	50	50	50	50	50	50
Capital Financing Req.	11,166	11,070	10,974	10,878	10,788	10,709	10,630
Under/(over) Borrowing	9,604	11,020	10,924	10,828	10,738	10,659	10,580

Within the range of prudential indicators there are a number of key indicators to ensure that the council operates its activities within well-defined limits. One of these is that the council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Corporate Director of Resources reports that the council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: Limits to Borrowing Activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000
Borrowing	13,452	13,452	13,452	13,452	13,452	13,452
Other Long Term Liabilities (Deferred Liabilities)	50	50	50	50	50	50
Total Operational Boundary	13,502	13,502	13,502	13,502	13,502	13,502

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but it not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all council's plans, or those of a specific council, although this power has not yet been exercised.
2. The council is asked to approve the following authorised limit:

	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000
Borrowing	20,000	20,000	20,000	20,000	20,000	20,000
Other Long Term Liabilities	100	100	100	100	100	100
Total Authorised Limit	20,100	20,100	20,100	20,100	20,100	20,100

3.3 Prospects for Interest Rates

The council has appointed Link Group as its treasury advisor and part of their service is to assist the council to formulate a view on interest rates. The following table gives their central view.

Annual Average % as at the quarter ending:	Bank Rate %	PWLB Rates % as at December 2022			
		5 year	10 year	25 year	50 year
Dec 2022	4.00	4.20	4.30	4.60	4.30
March 2023	4.25	4.20	4.40	4.60	4.30
June 2023	4.50	4.20	4.40	4.60	4.30
Sept 2023	4.50	4.10	4.30	4.50	4.20
Dec 2023	4.50	4.00	4.10	4.40	4.10
March 2024	4.00	3.90	4.00	4.20	3.90
June 2024	3.75	3.80	3.90	4.10	3.80
Sept 2024	3.50	3.60	3.80	4.00	3.70
Dec 2024	3.25	3.50	3.60	3.90	3.60
March 2025	3.00	3.40	3.50	3.70	3.50
June 2025	2.75	3.30	3.40	3.60	3.30
September 2025	2.50	3.20	3.30	3.50	3.20
December 2025	2.50	3.10	3.30	3.50	3.20

Our central forecast for interest rates reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. Bank Rate stands at 4.0% currently but is expected to reach a peak of 4.5% in the first half of 2023.

Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

The CPI measure of inflation looks to have peaked at 11.1% in Q4 2022. Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market.

Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started and will focus on the short, medium and longer end of the curve in equal measure, now that the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy are firmly in the rear-view mirror.

In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.

On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

PWLB rates

- The yield curve movements have become less volatile of late and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.10% to 4.80%.
- We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

The balance of risks to the UK economy:

- The overall balance of risks to economic growth in the UK is to the downside.

Downside risks to current forecasts for UK gilt yields and PWLB rates include:

- Labour and supply shortages prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
- The Bank of England acts too quickly, or too far, over the next year to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- UK / EU trade arrangements – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- Geopolitical risks, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates:

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project or even necessitates a further series of increases in Bank Rate.
- The Government acts too quickly to cut taxes and/or increases expenditure in light of the cost-of-living squeeze.
- The pound weakens because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer term US treasury yields rise strongly and pull gilt yields up higher than currently forecast.
- Projected gilt issuance, inclusive of natural maturities and QT, could be too much for the markets to comfortably digest without higher yields consequently.

Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are currently above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed Local Authority to Local Authority monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are rounded to the nearest 10bps as follows:

Average earnings in each year	
2022/23 (remainder)	4.00%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

3.4 Borrowing Strategy

The council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate increases over the remainder of 2022 and the first half of 2023.

Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Corporate Director of Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp fall in borrowing rates, then borrowing will be postponed.
- if it was felt that there was a significant risk of a much sharper rise in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to Council at the next available opportunity.

The council doesn't have any plans in the short to medium term to undertake any further borrowing.

3.5 Policy on borrowing in advance of need

The Authority will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Authority can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Debt rescheduling

The council is debt free and so this doesn't currently apply.

3.7 New Financial institutions as a source of borrowing and/or types of borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – generally still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

3.8 Approved Sources of Long and Short-term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
UK Municipal Bond Agency	●	●
Local Authorities	●	●
Banks	●	●
Pension Funds	●	●
Insurance Companies	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock Issues	●	●
Local Temporary	●	●
Local Bonds	●	
Local Authority Bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance Leases	●	●

4. Annual Investment Strategy

4.1 Investment policy – management of risk

The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.

The council’s investment policy has regard to the following:

- DLUHC’s Guidance on Local Government Investments (“the Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2021

The council’s investment priorities will be security first, portfolio liquidity second and then yield (return). The council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the council’s risk appetite.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider “laddering” investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

1. Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.
2. Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Authority will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.
3. Other information sources used will include the financial press, share price and other such information pertaining to the financial sector in order to

establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This Authority has defined the list of types of investment instruments that the treasury management team are authorised to use and are listed in Treasury Management Practices (TMP) Schedule 1 under the categories of 'specified' and 'non-specified' investments.

Specified investments are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.

Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. Non-specified and loan investment limits. The Authority has determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified treasury management investments of Y%.
6. Lending limits, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.
7. Transaction limits are set for each type of investment in 4.2.
8. This Council will set a limit for its investments which are invested for longer than 365 days (see paragraph 4.4).
9. Investments will only be placed with counterparties from countries with a specified minimum sovereign rating (see paragraph 4.3).
10. This Authority has engaged external consultants (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Authority in the context of the expected level of cash balances and need for liquidity throughout the year.
11. All investments will be denominated in sterling.
12. As a result of the change in accounting standards for 2022/23 under IFRS 9, this Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five

years ending 31.3.23. At the current juncture it has not been determined whether a further extension to the over-ride will be agreed by Government).

However, this Authority will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

4.2 Creditworthiness Policy

This council applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- “watches” and “outlooks” from credit rating agencies;
- CDS spreads that may give early warning of changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings and any assigned Watches and Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the council to determine the suggested duration for investments. The council will, therefore, use counterparties within the following durational bands:

Yellow	5 years (only local authorities)
Dark pink	5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
Light pink	5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
Purple	2 years
Blue	1 year (only applies to nationalised or part nationalised UK Banks)
Orange	1 year
Red	6 months
Green	100 days
No colour	not to be used

The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria the Authority uses will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will

be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored monthly. The Authority is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Authority will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

Sole reliance will not be placed on the use of this external service. In addition, this Authority will also use market data and market information, as well as information on any external support for banks to help support its decision-making process.

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

The amount invested per institution will be £6m or 20% of investment balance per individual counterparty or 25% per whole counterparty group whichever is higher.

	Colour (and long-term rating where applicable)	Time limit
Banks *	Yellow	5 yrs
Banks	Purple	2 yrs
Banks	Orange	1 yr
Banks – part nationalised	Blue	1 yr
Banks	Red	6 mths
Banks	Green	100 days
Banks	No Colour	
DMADF	UK sovereign rating	6 months
Local authorities	Yellow	5 yrs
Housing associations	Colour bands	As per colour band
	Fund rating**	Time Limit
Money Market Funds CNAV	AAA	liquid
Money Market Funds LVNAV	AAA	liquid
Money Market Funds VNAV	AAA	liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	Dark Pink / AAA	liquid
Ultra-Short Dated Bond Funds with a credit score of 1.50	Light Pink / AAA	liquid

Creditworthiness

Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, more recently the UK sovereign debt rating has been placed on Negative Outlook by the three major rating agencies in the wake of the Truss/Kwarteng unfunded tax-cuts policy. Although the Sunak/Hunt government has calmed markets, the outcome of the rating agency reviews is unknown at present, but it is possible the UK sovereign debt rating will be downgraded. Accordingly, when setting minimum sovereign debt ratings, this Council will not set a minimum rating for the UK.

CDS prices

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

4.3 Limits

Due care will be taken to consider the exposure of the Authority's total investment portfolio to non-specified investments, countries, groups and sectors.

- a. **Non-specified treasury management investment limit.** The Authority has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being _% of the total treasury management investment portfolio. (Consider whether to also put in limits for loans and non-financial investments held for yield as part of the total investment portfolio.)
- b. **Country limit.** The Authority has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Annex 1. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

Other limits. In addition: -

- no more than XX% will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies/institutions;
- sector limits will be monitored regularly for appropriateness.

4.4 Investment Strategy

In-House Funds

Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate peaking in the first half of 2023 and possibly reducing as early as the latter part of 2023 so an agile investment strategy would be appropriate to optimise returns.

Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

Investment returns expectations

The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to reach 4.5% in Q2 2023.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Average earnings in each year	
2022/23 (remainder)	4.00%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

For its cash flow generated balances, the council will seek to utilise its business reserve instant access and notice accounts, Money Market Funds and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

4.5 Investment treasury indicator

There are currently no plans for funds to be invested for a period greater than 364 days. These limits are set with regard to the council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year end. For its cash flow generated balances, the council will seek

to utilise its instant access and notice accounts, money market funds, short dated deposits (overnight to 100 days) and 6 month deposits in order to benefit from compounding of interest.

4.6 Investment Performance / Risk Benchmarking

This council will use an investment benchmark to assess the investment performance of its investment portfolio of overnight, 7 day, 1, 3, 6 or 12 month compounded / Sterling Overnight Index Average (SONIA).

4.6 End of year investment report

At the end of the financial year, the council will report on its investment activity as part of its Annual Treasury Report.

4.7 Non-treasury investments

This 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. This council does not currently have any such investments. However it will ensure that all of its investments are covered in the capital programme, investment strategy or equivalent and will set out, where relevant, the council's risk appetite and specific 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 council's risk exposure where applicable.

4.8 Environmental, Social & Governance (ESG)

The council will take a balanced approach to Environmental, Social & Governance (ESG) ensuring that the principle of security, liquidity and yield is the core investment strategy. All the main agencies are now incorporating ESG risks alongside more traditional financial risk metrics when assessing counterparty ratings. Given their incorporation is already being done by the use of mainstream rating agencies the council will use this as the basis for assessment until we are advised otherwise by our treasury consultants.

Annex 1

Approved Countries for Investments (as at 19/12/2022)

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link creditworthiness service.

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Qatar
- U.K.

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MINIMUM REVENUE PROVISION POLICY STATEMENT 2023/24 (England and Wales)

1. The Council's Adopted Approach

The council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09 and will assess their MRP for 2023/24 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003 and the revised guidance issued in 2018.

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure and from 1 April 2008, for all unsupported borrowing (including PFI and finance leases) the policy will be Asset Life method. Capital expenditure will under delegated powers be charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method (Asset Life Method). For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.

Estimated life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the council. However, the council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

A change introduced by the revised DLUHC MRP Guidance allowed any charges made over the statutory minimum revenue provision, voluntary revenue provision or overpayments, to be, if needed reclaimed in later years if deemed necessary or prudent. The council does not have any such overpayments.

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WYRE BOROUGH COUNCIL

CAPITAL STRATEGY

2023/24

CONTENTS

1.	INTRODUCTION	2
2.	KEY DOCUMENTS	3
3.	CAPITAL EXPENDITURE	3
4.	DEBT AND BORROWING AND TREASURY MANAGEMENT	6
5.	COMMERCIAL ACTIVITY	8
6.	OTHER LONG-TERM LIABILITIES	9
7.	KNOWLEDGE AND SKILLS	9
8.	THE FUTURE AMBITION OF THE COUNCIL'S CAPITAL PROGRAMME	10
9.	USEFUL LINKS	11
10.	APPENDICES	11

1.0	INTRODUCTION
1.1	<p>The Chartered Institute of Public Finance and Accountancy (CIPFA) revised the Prudential Code in December 2021 with immediate effect. A soft launch approach has been taken with formal adoption and reporting required from 2023/24. As such this version of the Capital Strategy will include some elements not yet adopted in order to signpost forthcoming changes.</p> <p>The updated Prudential Code 2021 requires local authorities to produce a capital strategy in order to demonstrate that the council does the following:</p> <ul style="list-style-type: none"> • takes capital and investment decisions in line with service objectives; • properly takes account of stewardship, value for money, prudence, sustainability and affordability; • sets out the long-term context in which capital expenditure and investment decisions are made; • gives due consideration to both risk and reward; • gives due consideration to the impact on the achievement of priority outcomes, and; • authorities should report on and clearly distinguish investments for treasury management, service and commercial purposes
1.2	<p>The capital strategy forms part of the council's integrated revenue, capital and balance sheet planning.</p>
1.3	<p>The strategy is intended to give a high level overview of how capital expenditure, capital financing, investments and treasury management activity contribute to the delivery of the council's plans and provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.</p>
1.4	<p>The capital strategy should be tailored to the council's individual circumstances but should include capital expenditure, investments and liabilities and treasury management. The capital strategy should include sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability, proportionality and affordability will be secured and to meet legislative requirements on reporting.</p>
1.5	<p>A long-term view is taken when outlining the capital strategy and its associated context, as many schemes will span a number of years and have implications beyond the Medium Term Financial Plan (MTFP). All planned capital expenditure and investment decisions are included in the strategy including those undertaken with external partners.</p>

<p>1.6</p>	<p>CIPFA guidance indicates that the Capital Strategy should have regard to the following areas, each of which will be covered in this document:</p> <ul style="list-style-type: none"> • Capital expenditure • Debt, borrowing, investments and treasury management • Investments for commercial purposes • Other long-term liabilities • Knowledge and skills
<p>1.7</p>	<p>This document should be read in conjunction with the Council’s annual Treasury Management Policy Statement and Practices, Treasury Management and Annual Investment Strategy and the Minimum Revenue Provision Policy Statement. Reference may be made to specific sections of these documents as appropriate to avoid unnecessary duplication in the Capital Strategy.</p>
	<p>The Capital Strategy is reviewed annually and presented to full Council for approval.</p>
<p>2.0</p>	<p>KEY DOCUMENTS</p>
<p>2.1</p>	<p>Aside from the Treasury Management Policy Statement and Practices, Treasury Management and Annual Investment Strategy and the Minimum Revenue Provision Policy Statement, there are several key internal documents which influence the strategic direction of the council and these are listed below.</p> <ul style="list-style-type: none"> • The Business Plan which gets refreshed annually and has three themes around People, Place and Economy. • The Council’s Strategic Narrative which identifies three ‘big goals’ including commercial and environmental awareness, a flexible and change-ready workforce and providing an integrated and community-focused service offer. • The Commercial Strategy (see Appendix 1). • The Asset Management Strategy and Action Plan. • Also important are the main financial reports: the Statement of Accounts, the Medium Term Financial Plan (MTFP) and the Revenue Estimates and Capital Programme. <p>All of the above documents are available on the council’s website (for more details please see the latest versions at www.wyre.gov.uk).</p>
<p>3.0</p>	<p>CAPITAL EXPENDITURE</p>
<p>3.1</p>	<p>This section will cover the following areas identified by CIPFA guidance where their impact is material:</p> <ul style="list-style-type: none"> • An overview of the governance process for approval and monitoring capital expenditure.

	<ul style="list-style-type: none"> • A long-term view of capital expenditure plans, where long-term is defined by the financing strategy of and risks faced by the authority with reference to the life of the projects/assets (see Appendix 2). • An overview of asset management planning including the cost of past borrowing, maintenance requirements and planned disposals. • Any restrictions around borrowing or funding of ongoing capital finance.
	<p>The Definition of Capital Expenditure</p>
3.2	<p>The council has two types of expenditure as defined in the annual statement of accounts:</p> <ul style="list-style-type: none"> • <i>Revenue expenditure</i>: the everyday costs incurred with running the council such as employee costs, premises related expenditure and various supplies and services.
	<ul style="list-style-type: none"> • <i>Capital expenditure</i>: the more sizeable costs, which usually relate to the acquisition of new assets or significant enhancement of existing assets to extend the economic benefit to the council.
3.3	<p>In brief, there are three routes under which expenditure can qualify as capital and these are:</p> <ul style="list-style-type: none"> • Spending which meets the recognition criteria specified under 'proper accounting practices' e.g. expenditure on the acquisition of, construction of or the addition of subsequent costs to non-current assets (tangible e.g. buildings and intangible e.g. software) • Spending which meets one of the definitions specified in regulations made under the Local Government Act 2003 e.g. Revenue Expenditure Funded from Capital Under Statute (REFCUS). • The Secretary of State makes a direction that the spending can be treated as capital expenditure.
3.4	<p>Examples of capital expenditure include expenditure on the acquisition, reclamation or enhancement of assets (e.g. buildings, land, plant and machinery). It can include computer costs (for use over a period exceeding one year e.g. software), grants to third parties, incidental costs involved in a capital project (e.g. officers' salaries and professional fees).</p>
3.5	<p>Excluded from the definition of capital are training, administrative and other general overhead costs. Costs will also be ineligible to the extent that they relate to activity that takes place prior to the intention to acquire or construct a fixed asset. Examples of this include the cost of option appraisals and feasibility studies that do not contribute to the scoping of the asset ultimately acquired or constructed.</p>
3.6	<p>The key principle to follow is that 'everything is revenue unless you can prove it is capital'.</p>

	<p>The Capital Programme, Governance and Approval Process</p>
3.7	<p>The Capital Programme is the council's schedule of capital works for future years and includes details of the funding of the schemes. Included in the schedule are projects such as sea defences and beach management, restoration of parks and open spaces, our rolling replacement of vehicles, Fleetwood regeneration and the construction of new buildings and facilities. Also included could be service and commercial investments such as new IT systems to deliver digital transformation, the purchase of land or buildings for investment purposes and design, consultancy or in-house fees for staff time in support of major schemes. The Council is working with partners to assist them to meet both their objectives and the Council's objectives.</p>
3.8	<p>The approval process for individual capital schemes and the Capital Programme itself can be found in the Council's Constitution which is available on the council's website. In summary, the majority of capital schemes are approved via a Portfolio Holder Report submitted to the relevant Portfolio Holder. Alternatively, where a key decision is involved, a Cabinet Report on a specific scheme or project is used to update the Capital Budget. Regular reports are also submitted to Cabinet throughout the year providing them with the latest current year Capital Budget position and its impact on the multi-year Capital Programme and requesting their approval for any changes. In February of each year the Cabinet formally approve the current revised and the future year's Capital Programme and this is subsequently ratified by full Council in March as part of the annual budget setting process.</p>
3.9	<p>Capital expenditure is prioritised based on a number of factors including the availability of external funding and any associated conditions, the availability of internal funding, Business, Service and Asset Management Plan priorities, health and safety, environmental sustainability, resources and capacity.</p>
3.10	<p>The council's MTFP will encompass the current year's budget plus four years and the Capital Programme will mirror this approach. Reference will also be made to years beyond the scope of the MTFP period where the expected lifespan of planned projects exceeds this timeframe.</p>
	<p>Asset Management</p>
3.11	<p>The Asset Management Strategy and Action Plan provides an overview of the council's current position with regard to investment properties, surplus assets, planned maintenance and investment projects and so on. The latest detailed Asset Management Strategy and Action Plan can be found on the council's website.</p>

3.12 In order to achieve our corporate vision, key work areas have been established for Asset Management, these are:

- Managing Investment Assets
- Managing Property Assets
- Property Maintenance
- Property Disposals
- Property Acquisitions

3.13 The Council’s property portfolio largely falls under two main categories: Property Assets and Investment Property.

The breakdown of property categories is as shown below:

Category	Number	Asset Value (31/03/2022)
Property Assets	99	£45.8m
Investment Assets	51	£11.6m
Community Assets	103	£5.6m
Heritage Assets	4	£0.3m
Assets Held for Sale	1	£3.6m
TOTAL	225	£58.4m

Long-Term Borrowing

3.14 The council does not have any long term borrowing arrangements.

Significant Property Acquisitions and Disposals

3.15 Acquisition - During 2021/22 Cabinet approved the acquisition of new fish and food processing units in Fleetwood (Project Neptune). These were completed in August 2022. Tenants are entering lease agreements and the units are expected to be fully let.

Disposal – During 2021/22 Cabinet approved the disposal of land at Bourne Hill, Thornton and the site completed in May 2022, generating a capital receipt.

4.0 DEBT, BORROWING, INVESTMENTS AND TREASURY MANAGEMENT

4.1 This section will cover the following areas identified by CIPFA guidance where their impact is material:

- A long-term projection of external debt (i.e. gross borrowing plus other long-term liabilities).

	<ul style="list-style-type: none"> • Provision for the repayment of debt over the long-term, having regard to statutory guidance on MRP or the repayment of loans fund advances. • Authorised limit and operational boundary for the following year. • The authority’s approach to treasury management including processes, due diligence and defining the authority’s risk appetite. • A projection of investments (where material) analysed between investments for treasury management purposes and commercial purposes (including commercial property). • A statement of whether the authority has complied with paragraphs 51 to 53 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest for the primary purpose of financial return.
	<p>Capital Investments vs. Treasury Management, Service and Commercial Investments</p>
<p>4.2</p>	<p>‘Treasury Management Activities’ are defined by CIPFA as:</p> <p><i>“The management of the organisation’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 optimum performance consistent with those risks.”</i></p> <p>‘Investments for treasury management purposes’ (or treasury management investments) are those investments that arise from the organisation’s cash flows or treasury risk management activity, and ultimately represent balances that need to be invested until the cash is required for use in the course of business.</p> <p>‘Investments for commercial purposes’ (or commercial investments) are taken or held primarily for financial return and are not linked to treasury management activity or directly part of delivering services.</p> <p>‘Investments for service purposes’ (or service investments) are taken or held primarily and directly for the delivery of public services (including housing, regeneration and local infrastructure) or in support of joint working with others to deliver such services.</p>
<p>4.3</p>	<p>Unlike capital investments, for treasury management investments the security and liquidity of funds is placed ahead of any investment return.</p>
<p>4.4</p>	<p>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 and investment property portfolios. The council currently has no commercial or service investments and does not borrow to invest for the primary purpose of financial return.</p>
<p>4.5</p>	<p>The council will ensure that all of its investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the council’s risk appetite and specific policies and arrangements for non-treasury investments. It will be</p>

	recognised that the risk appetite for these activities may differ from that for treasury management.
4.6	Capital investments should be proportional to the level of resource available to the council and the council should ensure that the same robust procedures for the consideration of risk and return are applied to these decisions.
	Capital Resources and Financing Strategy
4.7	Wyre’s Capital Programme has always relied heavily on external funding owing to limited internal resources and a desire not to add to existing levels of external borrowing. The council has external funding levels of 99% (estimated 2023/24) of the total capital programme. Much of this has been provided by the Environment Agency for large scale sea defences and beach management schemes but other externally funded works include Disabled Facilities Grants (Better Care Fund) and UK Shared Prosperity Funding.
4.8	As a result of central government funding cuts and a significant gap to bridge in our ongoing revenue estimates, there is limited scope for the council to contribute monies from general balances without additional compensating savings being identified. Likewise, the shortfall in ongoing funding means that it is not prudent to add to our external borrowing unless a compelling ‘invest to save’ case exists.
4.9	Several earmarked reserves exist to support capital investment and these include the Capital Investment, Leisure Management, IT Strategy, Value For Money, Vehicle Replacement/Street Cleansing Maintenance and the Property Investment Fund Reserves.
4.10	The Capital Programme assumes available funding from the following sources: <ul style="list-style-type: none"> • Capital grants and contributions • Capital receipts from the sale of assets • Earmarked reserves • Revenue contributions • Internal borrowing • External borrowing
4.11	Ordinarily, capital receipts can only be used to fund capital expenditure or be set aside to repay debt. However, as part of the multi-year 2016/17 local government finance settlement, greater flexibility to allow council’s to use these receipts to generate ongoing revenue efficiencies was announced although conditions apply including the requirement for a Strategy approved by full Council.
4.12	“The Guidance recommends that the Strategy setting out details of projects to be funded through flexible use of capital receipts be prepared prior to the start of each financial year. Failure to meet this requirement does not mean that an authority cannot access the flexibility in that year. However, in this instance, the Strategy should be presented to full Council or the equivalent at the earliest possible opportunity.”

<p>4.13</p>	<p>At the present time, there is no intention to make use of this flexibility owing to the significant schedule of works required to maintain and invest in our assets and as such no Strategy has yet been approved by Council.</p>
<p>5.0</p>	<p>COMMERCIAL ACTIVITY</p>
<p>5.1</p>	<p>This section will cover the following areas identified by CIPFA guidance where their impact is material:</p> <ul style="list-style-type: none"> • The authority’s approach to commercial activities including processes ensuring effective due diligence and defining the authority’s risk appetite in respect of these, including proportionality in respect of overall resources. • Requirements for independent and expert advice and scrutiny arrangements.
<p>5.2</p>	<p>The council’s Commercialisation Strategy 2023/24 can be found at Appendix 1 to this report. It was previously approved as part of the Capital Strategy by full Council and minor updates have been made.</p>
<p>5.3</p>	<p>As local authorities become increasingly complex and diverse it is vital that those charged with governance understand the long-term context in which investment decisions are made and all the financial risks to which the authority is exposed. The impact of commercialisation has widened the scope of local authority powers and with the introduction of arrangements such as combined authorities it is no longer sufficient to consider only the individual local authority but also the residual risks and liabilities to which it is subject.</p> <p>Authorities may invest in other financial assets, including loans and property primarily for financial return, which are not part of treasury management activity.</p> <p>Other investments may include:</p> <ul style="list-style-type: none"> • ‘service investments’ held clearly and explicitly in the course of the provision – and for the purposes – of operational services, including regeneration • ‘commercial investments’ which are taken for mainly financial reasons, including investments arising as part of business structures, such as shares and loans in subsidiaries or other outsourcing structures such as IT providers or building services providers; or investments explicitly taken with the aim of making a financial surplus for the organisation; commercial investments also include non-financial assets which are held primarily for financial return such as investment properties.
<p>5.4</p>	<p>Investigations into policy driven initiatives and investments are allowed under the Capital and Investment Strategies under the delegated authority of the S.151 Officer. The authority currently has no material commercial activity and none is forecast in the current capital programme.</p>

<p>5.5</p>	<p>Expert advice will be sought, including legal and financial, where required for any service or commercial investments. Commercial activity is not risk-free, even where no or cheap external borrowing is used.</p> <ul style="list-style-type: none"> All decisions to incur expenditure and to borrow must be backed by effective legal powers, which might not be available. There is an additional problem in that these decisions may subsequently be invalidated by changes in statutory provisions or developments in case law. The authority's returns (income and capital gains) are at risk, while, once incurred, borrowing costs are unavoidable. A reduction in returns could put the authority's revenue account into deficit. There are risks in relation to the fair value of the property on the balance sheet, for example, where the commercial property fair value is less than the value of the debt liability. Assuming the investment is purchased at market prices, the extra margin or return must reflect additional risk.
<p>6.0</p>	<p>OTHER LONG-TERM LIABILITIES</p>
<p>6.1</p>	<p>This section will cover the following areas identified by CIPFA guidance where their impact is material:</p> <ul style="list-style-type: none"> An overview of the governance process for approval and monitoring and ongoing risk management of any other financial guarantees and other long-term liabilities.
<p>6.2</p>	<p>Liabilities related to the Defined Benefit Pension Scheme are excluded from this definition related to treasury management.</p>
<p>6.3</p>	<p>The Authority, as a lessee, does not have any finance leases or operating leases of notable value. A review of forthcoming changes under IFRS16, currently expected to be deferred again, is being undertaken and this may alter the position but the impact is still being evaluated.</p>
<p>7.0</p>	<p>KNOWLEDGE AND SKILLS</p>
<p>7.1</p>	<p>This section will cover the following areas identified by CIPFA guidance where their impact is material:</p> <ul style="list-style-type: none"> A summary of the knowledge and skills available to the authority and confirmation that these are commensurate with the authority's risk appetite.
<p>7.2</p>	<p>Officer Training</p>
<p>7.2</p>	<p>The training needs of treasury management officers are reviewed throughout the year and additionally when the responsibilities of staff members change or there is staff turnover. Training records are held centrally for audit purposes.</p>
<p>7.3</p>	<p>Staff are encouraged to view webinars and/or attend training courses, seminars and conferences held by Link Group, Treasury Solutions Limited, CIPFA and other appropriate</p>

	bodies. Relevant staff are encouraged to study professional qualifications from CIPFA and other appropriate organisations.
7.4	Day-to-day treasury management staff and the S.151 Officer attend an annual strategy meeting with Link Group, Treasury Solutions Limited. Their expertise is available throughout the year and utilised by relevant staff as and when required.
	Member Training
7.5	The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny.
7.6	An annual training session is held for members of the Overview and Scrutiny Committee (O&S) in particular. This is either delivered in-house by the responsible officer at a suitable O&S meeting or provided by the council's external treasury management consultants, usually by way of an evening briefing available to all Members. Refer to the Treasury Management Policy Statement and Practices, Treasury Management and Annual Investment Strategy for more details.
	Treasury Management Consultants
7.7	<p>The council uses Link Group, Treasury Solutions Limited external treasury management advisors.</p> <p>The council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external providers.</p> <p>It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The council will 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.</p>
8.0	THE FUTURE AMBITION OF THE COUNCIL'S CAPITAL PROGRAMME
8.1	The Capital Strategy is a high level overview which over time will be developed to reflect the Council's emerging risk appetite, strategic influences and overall capital ambitions.
8.2	A key part of the evolution of the Capital Strategy will be the determination of the Council's capital ambition and an important element of this will relate to the adopted Local Plan (Council, 28 February 2019, Partial Review approved 26 January 2023). This document contains the following Vision Statement (further detail is available on our website at www.wyre.gov.uk):

	<p>“By 2031 Wyre will be recognised as an aspirational place with a clear focus on delivering sustainable growth – balancing environmental, social and economic considerations. It will be an attractive and successful place focused on creating opportunities for people to live, work, visit and do business. Development will have achieved high quality urban and rural environments, whilst respecting the diverse distinctiveness of local character across the Borough.”</p>
8.3	<p>This vision will inform the starting point for further investigations and research into the current economic position in Wyre, including a focus on our high streets and how we can use council assets and further investment using the Property Investment Fund to promote regeneration.</p>
8.4	<p>Wyre has a strong track record of attracting external investment through successful funding bids and benefactor donations. Recently this has included substantial investment in new fish and food processing units in Fleetwood and successful bids for Heritage Action Zone funding from Historic England as well as significant Environment Agency investment in sea defences and beach management schemes.</p>
8.5	<p>During 2023/24 further work will continue, initially by Corporate Management Team, to explore the scope of a longer term vision for the borough and how the Council can help to shape and support this through capital investment. The Council has declared a Climate Emergency and the Business Plan focus has shifted to focus on achieving net zero carbon by 2050 with a target reduction of 78% by 2035. A funding bid for decarbonisation work at Fleetwood Market has been successful and works have commenced on the project.</p>
9.0	<p>USEFUL LINKS</p>
9.1	<p>The following documents can all be found on the Wyre Council website: www.wyre.gov.uk.</p>
9.2	<ul style="list-style-type: none"> • Asset Management Strategy and Action Plan • Business Plan • Treasury Management Policy Statement and Practices and Treasury Management and Annual Investment Strategy and Minimum Revenue Provision Policy Statement • Medium Term Financial Plan • Revenue Estimates and Capital Programme • Local Plan
10.0	<p>APPENDICES</p>
10.1	<p>The following appendices are included for information:</p> <ul style="list-style-type: none"> • Appendix 1 – Commercialisation Strategy • Appendix 2a and 2b – Capital Strategy - Long Term Forecast

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Wyre Council - Commercialisation Strategy 2023/24

Background and Commercial Vision

In December 2016, the Council adopted a new Strategic Narrative, which sets out a clear vision and goals for evolving the way that Wyre council works. This was refreshed in 2019.

The Strategic Narrative contains three big goals and these are:

- An integrated and community-focused service offer.
- A flexible and change-ready workforce.
- Commercial and Environmental awareness is embedded in everything we do.

Focusing on the third big goal around commercial awareness, the narrative commits that:

- We will implement new ways to replenish dwindling government funding for local authorities. Our employees will be commercially minded, able to identify and maximize commercial opportunities. We will be mindful of our climate change commitment in everything we do and ensure that the council's activities are net-zero carbon by 2050.

Our approach will include:

- **Maintaining financial discipline.** We will be financially astute delivering quality services, in conjunction with partners, on time and on budget. Our Medium Term Financial Plan and Efficiency Programme will be aligned with our Business Plan to ensure our objectives and priorities are properly resourced and funded appropriately.
- **Bringing commerciality into everyday thinking.** We will bring commerciality into everyday working across the organisation through improved procurement practices, better contract management and a focus on delivering established financial goals.

At Wyre, commercialisation is a broad term used to capture all aspects of service reviews and redesign, the commissioning cycle, shared and multi-partner organisation joined-up services, income generation and general efficiencies.

Key Drivers

The council has a forecast budget gap of £3.7m in 2027/28 (as at February 2023) largely owing to central government cuts and this financial position necessitates our becoming more commercial in our approaches to procurement, contract management and the delivery and marketing of our services.

There is renewed interest in inter-Council arrangements with other local authorities as financial pressures increase. The same applies to other public sector partners who are similarly looking at the advantages, both financial and operational, of delivering services together on a shared footprint to make efficiencies.

Wyre's ultimate goal is achieving sustainability without the need for central government grant support and successes reported by other councils are building confidence in the sector that this is possible.

The introduction of our appraisal 1-2-1s and 1-2-1+ are embedding the strategic vision and driving forward the 'One Team One Council, 'Working Collaboratively' and 'Work Smart' values throughout the workforce.

Annual benchmarking of services has highlighted areas for further investigation where our unit costs appear high compared to both our 'nearest neighbour' group and the national average. This analysis will prompt more detailed reviews of high unit cost areas to identify potential savings.

Core principles of Commercialisation at Wyre Council

Commercialisation at Wyre Council encompasses the following approaches:

- Selling and Marketing our Services
- Fees and Charges
- Smart Procurement
- Improved and Continuous Contract Management
- Multi-partner Collaboration and Shared Services
- Maximising our Assets
- Investments
- Generating Efficiencies
- Digital Transformation
- Civic Crowdfunding

This strategy allows for all services to participate (or elements of services) and encourages a diverse range of approaches.

The principles of commercialisation include:

- Be open to all options for service delivery
- Be willing to take risks – allow for failure as well as success
- Be open and honest about current performance
- Follow financial regulations
- Be prepared to invest now for a return in the future

Links to other Wyre Council Strategies and key documents include the following:

- Wyre Council Business Plan
- Medium Term Financial Strategy
- Procurement Guide for Staff

- Commercial Advice for Staff
- Digital Transformation Strategy
- Annual Fees and Charges review
- Benchmarking Report

Aims and Objectives

Essentially, the strategy aims to deliver a financial return, which contributes to closing the funding gap.

This will entail developing a programme of work based on:

- business cases put forward throughout the year;
- business plan programmes and projects;
- external funding bids;
- fees and charges reviews;
- marketing our services and assets
- training and development of staff to grow our in-house commercialism skills;
- the creation of cross-directorate working groups to take shortlisted projects forward; and,
- harnessing Wyre's unique selling points including our capital assets, a brand that people trust and detailed local knowledge.

Creating the right culture and environment

Careful consideration will be given to nurturing the positive, 'can do' culture within Wyre in order to encourage innovative ideas and develop them into robust project proposals. This will involve the following activities:

- Undertaking a staff development programme to support our vision and goals;
- Holding regular staff briefings (at least once a year) and cascading updates to teams during the year via Core Brief
- Adopting a project management approach for the implementation of the programme and promoting the new online resources for generating project proposals;
- Ensuring new proposals have the right support from the Senior Leadership Team and necessary stakeholders.

Outcomes

The approach taken in this strategy will ensure that positive outcomes are delivered including:

- A real, tangible opportunity to make a contribution to the Medium Term Financial Plan;
- Staff development – new skills will be acquired and can be transferred to other opportunities internally;
- Enhancing Wyre Council's reputation as a leading-edge authority in this sphere;
- Developing the organisation into a more innovative workplace, building on successes so far;

- Bringing benefits to the local economy;
- Ensuring the sustainability of non-statutory services that would otherwise be stopped due to lack of funding.

Criteria for Selecting Investment Assets

An initial Pass/Fail test will apply to all investment property acquisitions:

1. Owing to the council's requirement to generate income through a satisfactory level of return, the net initial yield (NIY) range that we could expect to achieve on the investment is likely to be between 5% and 7%. The NIY allows for the cost of purchase including agent's fees, surveys and stamp duty and should exceed a minimum level of 5% to qualify. (To **calculate net initial yield**, you need to deduct all the expenses (ongoing costs + cost of vacancy) from the annual rental income (weekly rent x 52). You then divide that number by the property's purchase price (including associated cost of purchase expenses) and times it by 100. This will give you the percentage yield.)
2. Whilst borrowing is not currently planned to finance the purchase of investment property, if it is undertaken then all investments must initially provide income equal to or above the council's required rate of return (ROR) defined by the cost of capital borrowing for purchase.

Any asset meeting the above criteria will be eligible to pass to the next stage for consideration. Any assets which do not meet the above criteria will not be considered further.

Following the initial Pass/Fail test, for eligible assets, a more detailed evaluation criteria will then apply accompanied by a business case co-ordinated by the Head of Built Environment.

Capital Scheme	Funded By	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
		£	£	£	£	£	£	£	£	£	£
Jubilee Gardens Refurbishment	Capital Receipts	0			7,000						
Tebay Playground Refurbishment	Capital Receipts	7,000									
Preesall Playing Fields Environmental Improvements	Grants and Contributions	69,359									
King George's Playing Field Phase 3	Grants and Contributions	10,678									
Forton Village Hall & Recreation Ground Play Area Improvements	Grants and Contributions	50,769									
Queen Elizabeth II Playing Field, Catterall Improvements	Grants and Contributions										
Restoration of the Mount	Grants and Contributions	53,538									
Hawthorne Park, Thornton - Playground improvements	Capital Receipts	13,794									
Scotts Green, Winmarleigh - Playground improvements	Capital Receipts	9,706									
Cell Eleven Monitoring	Grants and Contributions	23,410	23,410	23,410	23,410						
Rossall Sea Wall Improvement Works	Grants and Contributions	208,432									
Wyre Beach Management Business Case	Grants and Contributions	3,679,800	13,195,576	11,891,451	11,684,943						
Innovative Resilience Fund ECO-CoBS	Grants and Contributions	829,586	2,191,000	1,613,000	1,045,000	1,066,000					
Disabled Facilities Mandatory Grants	Grants and Contributions	2,916,753	2,079,964	2,079,964	2,079,964	2,079,964	2,079,964	2,079,964	2,079,964	2,079,964	2,079,964
Empty Homes Delivery	Grants and Contributions	17,049									
Vehicle Replacement/Street Cleansing Mtnce	Revenue - Vehicle Replacement Reserve	512,902	149,500	302,500	215,000	404,500	306,700	3,200,000	404,500	404,500	404,500
Citizen Access Portal	Revenue - Value For Money Reserve	57,960									
Fleetwood Market Security Improvements	Revenue - Capital Investment Reserve	40,050									
Acquisition of fish and food processing commercial units	Grants and Contributions / Revenue - Property Investment Reserve	4,194,917									
Fleetwood HAZ	Grants and Contributions	975,347	214,656								
Public Sector Decarbonisation at Fleetwood Market	Grants and Contributions/Capital Receipts	1,102,829									
Copse Road Depot VMU Roller Shutter doors	Capital Receipts	53,340									
Changing Places Facilities - Central Car Park, Fleetwood	Grants and Contributions/Capital Receipts	65,304									
Changing Places Facilities - Wyre Estuary Country Park, Thornton	Grants and Contributions/Capital Receipts		98,878								
Thornton-Cleveleys Duck Pond Shelter	Grants and contributions /Revenue - Insurance Reserve	23,118									
Fleetwood Market Improvement Works	Capital Receipts	1,922,155									
UK Shared Prosperity Fund Projects	Grants and Contributions	380,000	467,000	1,923,000							
ICT Cyber Resilience and Disaster Recovery measures	Revenue-IT Strategy Reserve	125,996									
TOTAL		17,343,792	18,419,984	17,833,325	15,055,317	3,550,464	2,386,664	5,279,964	2,484,464	2,484,464	2,484,464
Funding Sources		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
		£	£	£	£	£					
Grants and Contributions		11,673,865	18,256,086	17,530,825	14,833,317	3,145,964	2,079,964	2,079,964	2,079,964	2,079,964	2,079,964
Revenue - Capital Investment Reserve		40,050									
Revenue-IT Strategy Reserve		125,996									
Revenue - Vehicle Replacement Reserve		512,902	149,500	302,500	215,000	404,500	306,700	3,200,000	404,500	404,500	404,500
Revenue - Value For Money Reserve		57,960									
Revenue - Property Investment Reserve		2,794,917									
Revenue - Insurance Reserve		16,962									
Capital Receipts		2,121,140	14,398		7,000						
Loan											
TOTAL		17,343,792	18,419,984	17,833,325	15,055,317	3,550,464	2,386,664	5,279,964	2,484,464	2,484,464	2,484,464
Please note:-											
Purple text indicates externally funded schemes											
Assume Disabled Facilities Grants will be funded at the same level											
An estimate of the rolling programme of vehicles has been used to provide a forecast											
Not all works or funding have been approved and are subject to change											

Capital Scheme	Funded By	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38	2038/39	2039/40	2040/41	2041/42
		£	£	£	£	£	£	£	£	£	£
Jubilee Gardens Refurbishment	Capital Receipts										
Tebay Playground Refurbishment	Capital Receipts										
Preesall Playing Fields Environmental Improvements	Grants and Contributions										
King George's Playing Field Phase 3	Grants and Contributions										
Forton Village Hall & Recreation Ground Play Area Improvements	Grants and Contributions										
Queen Elizabeth II Playing Field, Catterall Improvements	Grants and Contributions										
Restoration of the Mount	Grants and Contributions										
Hawthorne Park, Thornton - Playground improvements	Capital Receipts										
Scotts Green, Winmarleigh - Playground improvements	Capital Receipts										
Cell Eleven Monitoring	Grants and Contributions										
Rossall Sea Wall Improvement Works	Grants and Contributions										
Wyre Beach Management Business Case	Grants and Contributions										
Innovative Resilience Fund ECO-CoBS	Grants and Contributions										
Disabled Facilities Mandatory Grants	Grants and Contributions	2,079,964	2,079,964	2,079,964	2,079,964	2,079,964	2,079,964	2,079,964	2,079,964	2,079,964	2,079,964
Empty Homes Delivery	Grants and Contributions										
Vehicle Replacement/Street Cleansing Mtnce	Revenue - Vehicle Replacement Reserve	404,500	404,500	404,500	404,500	404,500	404,500	404,500	404,500	404,500	404,500
Citizen Access Portal	Revenue - Value For Money Reserve										
Fleetwood Market Security Improvements	Revenue - Capital Investment Reserve										
Acquisition of fish and food processing commercial units	Grants and Contributions / Revenue - Property Investment Reserve										
Fleetwood HAZ	Grants and Contributions										
Public Sector Decarbonisation at Fleetwood Market	Grants and Contributions/Capital Receipts										
Copse Road Depot VMU Roller Shutter doors	Capital Receipts										
Changing Places Facilities - Central Car Park, Fleetwood	Grants and Contributions/Capital Receipts										
Changing Places Facilities - Wyre Estuary Country Park, Thornton	Grants and Contributions/Capital Receipts										
Thornton-Cleveleys Duck Pond Shelter	Grants and contributions /Revenue - Insurance Reserve										
Fleetwood Market Improvement Works	Capital Receipts										
UK Shared Prosperity Fund Projects	Grants and Contributions										
ICT Cyber Resilience and Disaster Recovery measures	Revenue-IT Strategy Reserve										
TOTAL		2,484,464	2,484,464	2,484,464	2,484,464	2,484,464	2,484,464	2,484,464	2,484,464	2,484,464	2,484,464
Funding Sources		2032/33	2033/34	2034/35	2035/36	2036/37	2037/38	2038/39	2039/40	2040/41	2041/42
		£	£	£	£	£	£	£	£	£	£
Grants and Contributions		9,214,721	18,171,606	17,530,825	14,833,317	3,145,964	2,079,964	2,079,964	2,079,964	2,079,964	2,079,964
Revenue - Capital Investment Reserve											
Revenue-IT Strategy Reserve											
Revenue - Vehicle Replacement Reserve		512,902	149,500	302,500	215,000	404,500	306,700	3,200,000	404,500	404,500	404,500
Revenue - Value For Money Reserve											
Revenue - Property Investment Reserve											
Revenue - Insurance Reserve											
Capital Receipts											
Loan											
TOTAL		9,727,623	18,321,106	17,833,325	15,048,317	3,550,464	2,386,664	5,279,964	2,484,464	2,484,464	2,484,464
Please note:-											
Purple text indicates externally funded schemes											
Assume Disabled Facilities Grants will be funded at the same level											
An estimate of the rolling programme of vehicles has been used to provide a forecast											
Not all works or funding have been approved and are subject to change											