Public Document Pack

Cabinet Agenda

Wyre Borough Council
Date of Publication: 16 March 2021
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Cabinet meeting on Wednesday, 24 March 2021 at 5.00 pm
Remote Access via Webex

Members of the public will be able to view the meeting via the Council's YouTube page (https://www.youtube.com/WyreCouncil).

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.

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. Treasury Management Policy Statement & Practices, Treasury Management & Annual Investment Strategy, Minimum Revenue Provision Policy Statement & Capital Strategy (annual report) (Pages 9 - 94)

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

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Cabinet Minutes

The minutes of the Cabinet meeting of Wyre Borough Council held on Wednesday, 17 February 2021 at the Council Chamber, Civic Centre, Poulton-Le-Fylde.

Cabinet members present:
Councillor David Henderson, Leader of the Council
Councillor Alan Vincent, Deputy Leader and Resources Portfolio Holder
Councillor Roger Berry, 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 Michael Vincent, Planning and Economic Development Portfolio Holder

Apologies for absence:
None

Other councillors present:
Councillors Ballard, Baxter, Fail, George, Le Marinel, Stirzaker and Webster

Officers present:
Mark Billington, Corporate Director Environment
Marianne Hesketh, Corporate Director Communities
Garry Payne, Chief Executive
Clare James, Corporate Director Resources and Section 151 Officer
Veronica Wilson, Head of Finance
Corinne Mason, Manager of Environmental Protection and Community Safety
Duncan Jowitt, Democratic Services Officer
Emma Keany, Democratic Services Officer
Marianne Unwin, Assistant Democratic Services Officer

Eight members of the public or press watched the live stream of the meeting.

CAB.22 Declarations of interest

None.

CAB.23 Confirmation of minutes

The minutes of the Cabinet meeting of 13 January 2021 were approved as a correct record.

CAB.24 Public questions

None

CAB.25 Revenue Budget, Council Tax and Capital Programme

The Resources Portfolio Holder and the Corporate Director Resources (S.151 Officer) submitted a report asking Cabinet to confirm the Revenue Budget, Council Tax, Revised Capital Budget 2020/21 and Capital Programme 2021/22 onwards.

The Resources Portfolio Holder expressed his thanks to Clare James, all of her staff and all the staff of Wyre Council for helping keep businesses afloat during the COVID 19 pandemic and said that Wyre Council and Lancashire County Council had both been brilliant during the pandemic. He added that preparing a Medium Term Financial Plan had been difficult under the circumstances as the Government had set only a one-year deal and that it was difficult to predict the impact of the pandemic. Wyre's track record indicated that the council would continue to deal with whatever was to come.

The Leader also expressed his thanks to Clare James and her team and said that he was proud of all the staff of Wyre Council. He had observed that Wyre had been one of the first places to begin the roll out of vaccinations and had watched how the vaccinations were progressing.

Decisions

Cabinet agreed

1. That the following be approved and recommended to Council for their approval:-

- **a.** The Revised Revenue Budget for the year 2020/21 and the Revenue Budget for 2021/22.
- **b.** For the purpose of proposing an indicative Council Tax for 2022/23, 2023/24, 2024/25 and 2025/26, taking into account the Medium Term Financial Plan at Appendix 2 of the report, which reflects an increase of £5 each year, 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 2021/22 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 2021/22 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 2020/21 and the Capital Programme for 2021/22 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. The amount of 36,980.66 has been calculated as the 2021/22 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	1,005.41
Bleasdale	59.55
Cabus	610.82
Catterall	896.61
Claughton-on-Brock	386.46
Fleetwood	6,320.95
Forton	606.80
Garstang	1,797.87
Great Eccleston	689.05
Hambleton	1,051.51
Inskip-with-Sowerby	410.19
Kirkland	134.70
Myerscough and Bilsborrow	452.31
Nateby	212.24
Nether Wyresdale	323.30
Out Rawcliffe	262.10
Pilling	844.85
Preesall	1,892.07
Stalmine-with-Staynall	635.64
Upper Rawcliffe-with-Tarnacre	291.88
Winmarleigh	123.85

3 The Council Tax requirement for the council's own purposes for 2021/22 (excluding Parish precepts) is £7,756,324.

4 That the following amounts be calculated for the year 2021/22 in accordance with Sections 31 to 36 of the Act:-

a.	**£69,791,020**	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.	**£61,250,72**	Being the aggregate of the amounts which the council estimates for the items set out in Section 31A(3) of the Act.
c.	**£8,540,295**	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.	**£230.94**	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.	**£783,971**	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.	**£209.74**	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 2020/21 is not considered excessive in accordance with principles approved under Section 52ZB of the Local Government Finance Act 1992.

CAB.26 Extension and Amendment of Existing Public Space Protection Order for Alcohol Related Anti-Social Behaviour

The Neighbourhood Services and Community Safety Portfolio Holder and Corporate Director Environment submitted a report seeking Cabinet agreement to renew the existing Public Space Protection Order (PSPO) for alcohol related anti-social behaviour for a further three years, whilst also varying the order to include wider areas of the borough.

Decision

Cabinet agreed

- to the renewal of the PSPO for alcohol related antisocial behaviour for a further 3 years in accordance with the Anti-Social Behaviour Crime and Policing Act 2014.
- that the boundaries of the existing PSPO be extended having regard to the feedback received from the recent consultation exercise, to encompass the district boundaries of Fleetwood, Thornton-Cleveleys, and Poulton-le-Fylde up to the borough boundaries; and to include the wider areas of Garstang, as highlighted on the maps included with the report.
- that the Environmental Protection & Community Safety Manager take forward the recommendation made by Lancashire Constabulary and the Police & Crime Commissioner to consider expansion of the PSPO to encompass the whole administrative district, by undertaking a further public consultation exercise as soon as is reasonably practicable.
- that the Legal Services Manager be authorised to make the order as publicised subject to any minor amendments that she may wish to make.

The meeting started at 5.04 pm and finished at 5.22 pm.

Date of Publication: 18 February 2021

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 Alan Vincent, Resources Portfolio Holder and Clare James, Corporate Director Resources	Cabinet	24 March 2021

Treasury Management Policy Statement and Practices, Treasury Management and Annual Investment Strategy, Minimum Revenue Provision Policy Statement and Capital Strategy 2021/22

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 2021/22 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 2021/22 be approved and formally adopted. (Appendix 1).

3.2 To approve the revised Treasury Management Practices 2021/22 (Appendix 2).

3.3 To recommend to Council that the Treasury Management and Annual Investment Strategy 2021/22 (Appendix 3) be approved.

3.4 To recommend to Council that the MRP Policy Statement 2021/22 (Appendix 4) be approved and formally adopted.

3.5 To recommend to Council that the Capital Strategy 2021/22 (Appendix 5) be approved.

4. Background

4.1 The report has been prepared in accordance with the Revised CIPFA Treasury Management Code 2018.

4.2 As part of the revised Prudential Code 2017, CIPFA introduced a new requirement for councils to publish a Capital Strategy (see Appendix 5). Councils were obliged to have their Capital Strategy in place for 2019/20 to comply with the new regulations. Guidance on the form and content of the Capital Strategy is still limited and as such the current strategy document 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. Further Guidance is expected to be published in Spring 2021.

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 January 2020 all members were offered Treasury Management Training from Link Asset Services and this included members of the Overview and Scrutiny Committee. Further training was given on 18 January 2021.

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 2021/22 Prudential Indicators were considered by Cabinet at their meeting on 17 February 2021 and are due to be approved at the Council meeting on 11 March 2021.

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 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 2021/22 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

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	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
Jo McCaffery	01253 887312	Joanne.McCaffery@wyre.gov.uk	03/02/2021

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

List of appendices

Appendix 1 - Treasury Management Policy Statement 2021/22
Appendix 2 - Treasury Management Practices 2021/22
Appendix 3 - Treasury Management Strategy and Annual Investment Strategy 2021/22
Appendix 4 - Minimum Revenue Provision Policy Statement
Appendix 5 - Capital Strategy

Appendix 1

TREASURY MANAGEMENT POLICY STATEMENT 2021/22

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.

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.

TREASURY MANAGEMENT PRACTICES

2021/22

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 semi 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	Purple	£6m or **	Up to 2 years
	Blue	£6m or **	Up to 1 year*
	Orange	£6m or **	Up to 1 year

UK Building Societies	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 2021/22 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 2021/22 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 2017, 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

As the final mortgage was redeemed during 2013/14, the council no longer has 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 Head of Business Support; 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:

- 13 designated officers (Corporate Director of Resources, Head of Contact Centre, Head of Governance, Head of Business Support, Legal Services Manager, Head of Finance, Principal Accountant, Senior Account Manager x 3, Financial Systems and Payments Officer and Financial Service 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 nil 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.

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 7 day LIBID rate (London Interbank Bid Rate).

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

2.3.1 Frequency and processes for tendering

Following the loss of the council's debt free status during 2007/08, Link Asset Services were engaged as the council's treasury advisor. The current contract is for three years until 31 March 23. The service was most recently benchmarked in March 2020 and further benchmarking exercises will be conducted every three years 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 early 2016 a procurement exercise for banking services was conducted on a Government Framework which resulted in NatWest being the preferred supplier. The banking service contract commenced on 1 April 2016 for 3 years with an option to extend for a further 1 year plus 1 year realising significant savings over the life of the contract. The contract was extended for the year commencing 1 April 2019 to 31 March 2021. 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 EU 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 ll (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)
Aberdeen Standard Investments (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 Business Support, Legal Services Manager, Head of Contact Centre or Head of Governance.

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 of Resources)	Head of Finance	Head of Contact Centre / Head of Governance / Head of Business Support / Legal Services Manager	Financial Systems and Payments Officer	Principal Accountant	Senior Account Managers (x3)	Financial Services 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		●	●					
Establish 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

Chief Executive

↓

Corporate Head of Resources
(Section 151 Officer)

↓

Head of Finance

↓

Head of Business Support
Legal Services Manager
Head of Contact Centre
Head of Governance

↓

↓ → Principle Accountant

↓ ↓

Senior Account Manager (x3) | Financial Systems & Payments Officer

↓

↓

Financial Services Officer (x2)

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 Business Support
    - Legal Services Manager
    - Head of Contact Centre
    - Head of Governance
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 (Head of Business Support) or Deputy Monitoring Officer (Legal Services 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 £77,876 at 31 March 2020. The largest being the North West District Surveyors Association with a balance held of £42,981 and several smaller funds including the Fielden Trust with a balance held of £6,457 at 31 March 2020.
The Fielden Trust balance is invested as part of the council's surplus funds and interest is calculated monthly, currently at 0.10%.

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 2019/20 financial year 75.93% 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 2017) was made to the Lancashire County Pension Fund in May 2017. The S151 officer (Corporate Director of Resources) has authorised a further prepayment for the 2020/21 – 23 contribution which was paid to the pensions fund in May 2020.

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, regimes. Accordingly, this council comply and have an Anti-Money Laundering Policy which is reviewed annually by Audit Committee and most recently on 2 March 2021.

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 his / her 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 a Treasury Management Training session delivered by Link Asset Services on 9 January 2020 and 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 responsible for scrutiny were invited to attend a Treasury Management training session delivered by Link Asset Services on 9 January 2020 and further training was given to Overview and Scrutiny Committee on 18 January 2021.

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 for banks and
- The credit ratings of that government support

11.1.1 Banking Service

a. Name of supplier of service: National Westminster Bank
   The branch address is:
   Victoria Square
   Thornton Cleveleys
   FY5 2AL
   0845 3021590
b. Regulatory status – banking institution authorised to undertake banking activities by the FCA
c. 3 year contract with an additional 2 years commencing 31/03/22
d. Cost of service is variable depending on schedule of tariffs and volumes
e. 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:

a. 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

b. Tullett Prebon Europe Ltd
   Tullet Prebon Group Ltd
   155 Bishopsgate
   London
   EC2M 3TQ
   020 7200 7000
   Regulatory Status: FCA Authorised 146880

c. 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
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 recently retendered and a three year contract commenced 01/04/2016 with the option to extend. A procurement exercise is currently being undertaken for banking services with a contract due to be signed by the end of March 2021. 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

Appendix 3

TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT STRATEGY 2021/22

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 CIPFA 2017 Prudential and Treasury Management (updated 2018) 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.

1.3 Treasury Management Strategy for 2021/22

The strategy for 2021/22 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, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

1.4 Training

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. All members were invited to attend a Treasury Management training session delivered by our Treasury Management Consultants prior to the council meeting on 9 January 2020 and further training was given to Overview and Scrutiny Committee on 18 January 2021.

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 2021/22 – 2025/26

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 17 February 2021.

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	2019/20 Actual £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000
Total	5,979	11,763	2,743	2,843	2,197	2,136	2,048

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.

Financing of Capital Expenditure	2019/20 Actual £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000
Capital Receipts	11	88	0	0	0	0	0
Capital Grants and Contributions	4,455	8,189	2,349	2,688	2,048	1,833	1,833
Revenue / Reserves	1,513	3,486	278	61	151	303	303
Total	5,979	11,763	2,743	2,843	2,197	2,136	2,048
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 its 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.

	2019/20 Actual £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Total CFR	11,261	11,165	11,069	10,973	10,877	10,787	10,707
Movement in CFR	-96	-96	-96	-96	-96	-90	-80

Movement in CFR represented by:							
	2019/20 Actual £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
MRP and other financing movements	96	96	96	96	96	90	80

2.3 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.

Year End Resources	2019/20 Actual £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Fund balances/ reserves	26,803	27,594	23,390	21,699	19,324	16,777	14,192
Capital receipts	781	693	693	693	693	693	693
Provisions	3,210	2,366	2,892	2,892	2,892	2,892	2,892
Other	0	0	0	0	0	0	0
Total core funds	**30,794**	**30,653**	**26,975**	**25,284**	**22,909**	**20,362**	**17,777**
Working capital*	3,023	3,023	3,023	3,023	3,023	3,023	3,023
Expected Investments	**33,816**	**33,675**	**29,997**	**28,306**	**25,931**	**23,384**	**20,799**

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

2.4 Minimum Revenue Provision Policy Statement

The council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision – MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision – VRP). MHCLG regulations have been issued which require the full council to approve an MRP Statement in advance of each year. The council is recommended to approve the MRP Statement at Appendix 4.

2.5 Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the council's overall finances.

%	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Ratios	-0.39	0.50	0.97	0.52	0.52	0.46	0.37

2.6 Control of Interest Rate Exposure

Please see following paragraphs 3.3, 3.4 and 4.4.

3. <u>Borrowing</u>

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 2020 and for the position as at 4 February 2021 are shown below for both borrowing and investments.

Treasury Portfolio				
Treasury Investments	**Actual**	**Actual**	**Current**	**Current**
	31/03/2020	**31/03/2020**	**04/02/2021**	**04/02/2021**
	£000	**%**	**£000**	**%**
Banks	17,271	70%	25,411	51%
Money Market Funds	7,500	30%	23,961	49%
Total Treasury Investments	**24,771**		**49,372**	
External Borrowing	-1,552		-1,552	
Net Treasury Investments	**23,219**		**47,820**	

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.

	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
External Debt	£000	£000	£000	£000	£000	£000	£000
Debt at 1 April	1,552	1,552	1,552	1,552	1,552	1,552	1,552
Expected change in Debt	0	0	0	0	0	0	0
Other Long Term Liabilities (OLTL)	7	7	50	50	50	50	50
Expected change in OLTL	0	0	0	0	0	0	0
Actual Gross Debt at 31 March	1,559	1,559	1,602	1,602	1,602	1,602	1,602
Capital Financing Requirement	11,261	11,165	11,069	10,973	10,877	10,787	10,707
Under/(over) Borrowing	9,702	9,606	9,467	9,371	9,275	9,185	9,105

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 2021/22 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 council is required to approve an 'authorised limit' and an 'operational boundary' for external debt. The Treasury Management indicators were approved by Cabinet at its meeting 17 February 2021 alongside the prudential indicators, capital expenditure plans and how these plans are being financed by capital or revenue resources.

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.

Operational boundary	**2020/21 Estimate £000**	**2021/22 Estimate £000**	**2022/23 Estimate £000**	**2023/24 Estimate £000**	**2024/25 Estimate £000**	**2025/26 Estimate £000**
Debt	13,452	13,452	13,452	13,452	13,452	13,452
Other long term liabilities	7	50	50	50	50	50
Total	13,459	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:

Authorised limit	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000
Debt	20,000	20,000	20,000	20,000	20,000	20,000
Other long term liabilities	0	100	100	100	100	100
Total	20,000	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 February 2021			
		5 year	10 year	25 year	50 year
March 2021	0.10	0.90	1.30	1.90	1.70
June 2021	0.10	0.90	1.30	1.90	1.70
Sept 2021	0.10	0.90	1.30	1.90	1.70
Dec 2021	0.10	0.90	1.30	1.90	1.70
March 2022	0.10	1.00	1.40	2.00	1.80
June 2022	0.10	1.00	1.40	2.00	1.80
Sept 2022	0.10	1.10	1.50	2.10	1.90
Dec 2022	0.10	1.10	1.50	2.10	1.90
March 2023	0.10	1.10	1.50	2.10	1.90
June 2023	0.10	1.20	1.60	2.20	2.00
Sept 2023	0.10	1.20	1.60	2.20	2.00
Dec 2023	0.10	1.20	1.60	2.20	2.00
March 2024	0.10	1.20	1.60	2.20	2.00

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings to 16th December, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected in the near-term as economic recovery is expected to be only gradual and, therefore, prolonged. These forecasts were based on an assumption that a Brexit trade deal would be agreed by 31.12.20: as this has now occurred, these forecasts do not need to be revised.

Gilt yields / PWLB rates

There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was a heightened expectation that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

Gilt yields had therefore already been on a generally falling trend up until the coronavirus crisis hit western economies during March 2020. After gilt yields spiked up during the financial crisis in March, we have seen these yields fall sharply to unprecedented lows as investors panicked during March in selling shares in anticipation of impending recessions in western economies, and moved cash into safe haven assets i.e. government bonds. However, major western central banks took rapid action to deal with excessive stress in financial markets during March, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in "normal" times would have caused bond yields to rise sharply. Gilt yields and PWLB rates have been at remarkably low rates so far during 2020/21.

As the interest forecast table for PWLB certainty rates above shows, there is expected to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment (as shown on 9th November when the first results of a successful COVID-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period.

Investment and borrowing rates

- Investment returns are likely to remain exceptionally low during 2021/22 with little increase in the following two years.

- Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England: indeed, gilt yields up to 6 years were negative during most of the first half of 20/21. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.

- Borrowing for capital expenditure. As Link's long-term forecast for Bank Rate is 2.00%, and all PWLB rates are under 2.00%, there is now value in borrowing from the PWLB for all types of capital expenditure for all maturity periods, especially as current rates are at historic lows. However, greater value can be obtained in borrowing for shorter maturity periods so the council will assess its risk appetite in conjunction with budgetary pressures to reduce total interest costs. Longer-term borrowing could also be undertaken for the purpose of certainty, where that is desirable, or for flattening the profile of a heavily unbalanced maturity profile.

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 council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2021/22 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, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, 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 council 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 council 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

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of PWLB rates over gilt yields was reduced by 100 bps in November 2020.

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

Currently the PWLB Certainty Rate is set as +80 basis points for both Housing Revenue Accounts (HRA) and non-HRA borrowing. 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 – still cheaper that 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).
- Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time).

4. Annual Investment Strategy

4.1 Investment policy – management of risk

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

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

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 keep investments short term to cover cash flow needs.

The above guidance from the MHCLG 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 council 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. Types of investment instruments identified for use in the financial year are listed in Treasury Management Practices (TMP) Schedule 1 under the 'specified' and 'non-specified' investment categories.
5. Lending limits, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.
6. Transaction limits are set for each type of investment in 4.2.

7. Investments will only be placed with counterparties from countries with a specified minimum sovereign rating, (see paragraph 4.3).
8. 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.
9. All investments will be denominated in sterling.
10. As a result of the change in accounting standards for 2020/21 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 Ministry of Housing, Communities and Local Government, [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.

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.

Changes in risk management policy from last year
The above criteria are unchanged from last 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 credit 5 years for Ultra-Short Dated Bond Funds with a score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 year
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

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

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

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 council use 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 weekly. The council 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 council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the council will be advised of information in movements in Credit Default Swap spreads against the iTraxx European 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 council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this council 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.

Creditworthiness
Although the credit rating agencies changed their outlook on many UK banks from Stable to Negative during the quarter ended 30.6.20 due to upcoming risks to banks' earnings and asset quality during the economic downturn caused by the pandemic, the majority of ratings were affirmed due to the continuing strong credit profiles of major financial institutions, including UK banks. However, during Q1 and Q2 2020, banks made provisions for expected credit losses and the rating changes reflected these provisions. As we move into future quarters, more information will emerge on actual levels of credit losses. (Quarterly earnings reports are normally announced in the second half of the month following the end of the quarter.) This has the potential to cause rating agencies to revisit their initial rating

adjustments earlier in the current year. These adjustments could be negative or positive, although it should also be borne in mind that banks went into this pandemic with strong balance sheets. This is predominantly a result of regulatory changes imposed on banks following the Great Financial Crisis. Indeed, the Financial Policy Committee (FPC) report on 6th August revised down their expected credit losses for the UK banking sector to "somewhat less than £80bn". It stated that in its assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

All three rating agencies have reviewed banks around the world with similar results in many countries of most banks being placed on Negative Outlook, but with a small number of actual downgrades.

4.3 Country limits

The council 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 (or equivalent). 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.

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. 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.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations

Bank Rate is unlikely to rise from 0.10% for a considerable period. It is very difficult to say when it may start rising so it may be best to assume that investment earnings from money market-related instruments will be sub 0.50% for the foreseeable future.

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 (the long term forecast is for periods over 10 years in the future):

Average earnings in each year	
2020/21	0.10%
2021/22	0.10%
2022/23	0.10%
2023/24	0.10%
2024/25	0.25%
Long term later years	2.00%

The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population. It may also be affected by the deal the UK agrees as part of Brexit.

There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, or a return of investor confidence in equities, could impact gilt yields (and so PWLB rates) in the UK.

Negative investment rates
While the Bank of England said in August/September 2020 that it is unlikely to introduce a negative Bank Rate, at least in the next 6-12 months, and in November omitted any mention of negative rates in the minutes of the meetings of the Monetary Policy Committee, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the COVID crisis; this has caused some local authorities to have sudden large increases in cash balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

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 councils 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. This council will use an investment benchmark to assess the investment performance of its investment portfolio of 7 day LIBID (London Interbank Bid Rate).

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 policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that of treasury management. The council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the council’s risk exposure where applicable.

Annex 1

<u>Approved Countries for Investments (as at 20/01/21)</u>

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, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

Based on lowest available rating

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

AA+
- Canada
- Finland
- U.S.A.

AA
- Abu Dhabi (UAE)
- France

AA-
- Belgium
- Hong Kong
- Qatar
- U.K.

Appendix 4

MINIMUM REVENUE PROVISION POLICY STATEMENT 2021/22 (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 2021/22 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 MHCLG 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

2021/22

Together we make a difference....

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1.0	**INTRODUCTION**
1.1	The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code 2017 requires local authorities to produce a capital strategy in order to demonstrate that the council does the following: • 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, and; • gives due consideration to the impact on the achievement of priority outcomes.
1.2	The capital strategy forms part of the council's integrated revenue, capital and balance sheet planning.
1.3	The strategy is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services. It also provides an overview of how associated risk is managed and the implications for future financial sustainability.
1.4	The purpose of this document is to ensure that Members have sufficient detail to allow them to fully understand the overall capital strategy, its governance procedures and risk appetite.
1.5	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.
1.6	CIPFA guidance indicates that the Capital Strategy should have regard to the following areas, each of which will be covered in this document: • Capital expenditure • Debt and borrowing and treasury management • Commercial activity • Other long-term liabilities • Knowledge and skills • The future ambition of the Council's capital programme
1.7	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.
	The Capital Strategy is reviewed annually and presented to full Council for approval.
2.0	**KEY DOCUMENTS**
2.1	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. • 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' around financial discipline and commercialism, 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. 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).
3.0	**CAPITAL EXPENDITURE**
3.1	This section will cover the following areas identified by CIPFA guidance where their impact is material: • An overview of the governance process for approval and monitoring capital expenditure • 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.
	The Definition of Capital Expenditure
3.2	The council has two types of expenditure as defined in the annual statement of accounts:

	• *Revenue expenditure*: the everyday costs incurred with running the council such as employee costs, premises related expenditure and various supplies and services.
	• *Capital expenditure*: 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	In brief, there are three routes under which expenditure can qualify as capital and these are: • 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	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 licences), grants to third parties, incidental costs involved in a capital project (e.g. officers' salaries and professional fees).
3.5	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.
3.6	The key principle to follow is that 'everything is revenue unless you can prove it is capital'.
	The Capital Programme, Governance and Approval Process
3.7	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 High Street transformation High Street 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.

3.8	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.
3.9	From 2018/19 onwards, 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.
	Asset Management
3.10	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, etc. The latest detailed Asset Management Strategy and Action Plan can be found on the council's website.
3.11	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
3.12	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 (31/03/2020)**
Property Assets	69	£42.767m
Investment Assets	50	£6.773m
Community Assets	103	£4.702m
Heritage Assets	3	£0.331m
Assets Held for Sale	0	£0m
TOTAL	**225**	**£54.573m**

Long-Term Borrowing

3.13 In an effort to reduce the council's reliance on borrowing and following concerns about the sustainability of continuing to borrow in the current economic climate, a Capital Investment Reserve was created as part of the 2009/10 closure of accounts. The council has the following outstanding long term borrowing:

Date	Loan ref.	Value (£)	Period (Years)	Rate (%)	Maturing
05/03/2008	494404	552,000	30	4.48	September 2037
05/03/2008	494405	1,000,000	50	4.41	September 2057
Total		**1,552,000**			

4.0 DEBT AND BORROWING AND TREASURY MANAGEMENT

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

- A projection of external debt and use of internal borrowing to support capital expenditure (internal borrowing refers to the use of cash balances to finance capital expenditure in place of borrowing money from external sources).
- Provision for the repayment of debt over the life of the underlying debt.
- 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.

Capital Investments vs. Treasury Management Investments

4.2 'Treasury Management Activities' are defined by CIPFA as:

> *"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."*

4.3 Unlike capital investments, for treasury management investments the security and liquidity of funds is placed ahead of any investment return.

4.4 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.

4.5 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

	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 80% 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), Coastal Communities Funding for Fleetwood Market improvements and Digital Signage, High Streets Heritage Action Zone Funding (Historic England) for the transformation of Fleetwood High Street and works to our parks (Environmental Fund and Friends Groups).
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: • 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."
4.13	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.
5.0	**COMMERCIAL ACTIVITY**
5.1	This section will cover the following areas identified by CIPFA guidance where their impact is material: • 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.
5.2	The council's Commercialisation Strategy 2018 – 2023 can be found at Appendix 1 to this report. It was previously approved as part of the Capital Strategy by full Council.
5.3	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. Authorities may invest in other financial assets, including loans and property primarily for financial return, which are not part of treasury management activity. Other investments may include: • '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.
5.4	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.

5.5	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. • 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.
6.0	**OTHER LONG-TERM LIABILITIES**
6.1	This section will cover the following areas identified by CIPFA guidance where their impact is material: • An overview of the governance process for approval and monitoring and ongoing risk management of any other financial guarantees and other long-term liabilities.
6.2	Liabilities related to the Defined Benefit Pension Scheme are excluded from this definition related to treasury management.
6.3	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 deferred, is being undertaken and this may alter the position but the impact is still being evaluated.
7.0	**KNOWLEDGE AND SKILLS**
7.1	This section will cover the following areas identified by CIPFA guidance where their impact is material: • A summary of the knowledge and skills available to the authority and confirmation that these are commensurate with the authority's risk appetite.
	Officer Training
7.2	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.
7.3	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

	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 a pre-council 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	The council uses Link Group, Treasury Solutions Limited 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 our external providers. 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.
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). This document contains the following Vision Statement (further detail is available on our website at www.wyre.gov.uk): "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."
8.3	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.
8.4	Wyre has a strong track record of attracting external investment through successful funding bids and benefactor donations. In the recent Coastal Communities Funding (Five) round the focus has been on joining up our coastline and beginning the journey to establish Fleetwood Market as a key anchor point in Fleetwood's town centre. This has yielded nearly £800,000 in external funding for the creation of the new Market House Studios, Outdoor Units and Digital Signage. Bids for Heritage Action Zone funding from Historic England have been successful and £1.7 million of funding over 4 years has been secured.
8.5	During 2020/21 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.
9.0	**USEFUL LINKS**
9.1	The following documents can all be found on the Wyre Council website: www.wyre.gov.uk.
9.2	• 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	**APPENDICES**
10.1	The following appendices are included for information: • Appendix 1 – Commercialisation Strategy • Appendix 2a and 2b – Capital Strategy - Long Term Forecast

Wyre Council - Commercialisation Strategy 2018/19 to 2022/23

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.

The Strategic Narrative contains three big goals and these are:

- An integrated and community-focused service offer.
- A flexible and change-ready workforce.
- Financial discipline and commercial awareness.

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

- By 2020 we will have implemented new ways to replenish dwindling government funding for local authorities.
- Our employees will be commercially minded with the ability to spot and maximize commercial opportunities.
- We will be financially astute delivering quality services, in conjunction with partners, on time and on budget.

Our approach will include:

- **Maintaining financial discipline.** 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 £2.7m in 2022/23 (as at October 2018) 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 new 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
- Annual Benchmarking Report

Aims and Objectives

Essentially, the strategy aims to deliver a financial return, which contributes to closing the growing funding gap currently forecast to be £2.7m in 2022/23 (as at October 2018).

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	2020/21 Budget £	2021/22 Budget £	2022/23 Budget £	2023/24 Budget £	2024/25 Budget £	2025/26 Budget £	2026/27 Budget £	2027/28 Budget £	2028/29 Budget £	2029/30 Budget £
Playground Refurbishment Unallocated	Capital Receipts	15,542									
Jubilee Gardens Refurbishment	Grants and Contributions/Capital Receipts	42,000									
Tebay Playground Refurbishment	Capital Receipts	7,000									
Preesall Playing Fields Environmental Improvements	Grants and Contributions	74,070									
Refurbishment of Children's Playground Jean Stansfield	Grants and Contributions	1,475									
Kings George Playing Fields Phase 2	Grants and Contributions	31,605									
Restoration of the Mount	Grants and Contributions	1,021,886									
Wheeled Bins (box exchange programme 2019/20)	Revenue -Capital Investment Reserve	42,469									
Children's Playground Refurbishment Memorial Park Fleetwood	Grants and Contributions/Capital Receipts	37,500									
Cell Eleven Monitoring	Grants and Contributions	32,777									
Rossall Sea Wall Improvement Works	Grants and Contributions	238,432									
Wyre Beach Management Business Case	Grants and Contributions	3,974,633									
Disabled Facilities Mandatory Grants	Grants and Contributions	2,154,964	1,833,127	1,833,127	1,833,127	1,833,127	1,833,127	1,833,127	1,833,127	1,833,127	1,833,127
Empty Homes Delivery	Grants and Contributions	17,049									
Vehicle Replacement/Str. Cleansing Mtnce	Revenue -Vehicle Replacement Reserve	3,045,842	393,495	155,200	149,500	302,500	215,000	215,000	215,000	3,200,000	215,000
Citizen Access Portal	Revenue -Value For Money Reserve	76,867									
Cash Receipting System Upgrade	Revenue -Value For Money Reserve	24,746									
Tablet Devices for Councillors	Revenue -IT Strategy Reserve	6,545									
LED Lighting Works -Civic Centre	Capital Receipts	33,820									
Replacement of Core IT Network Infrastructure	Revenue -IT Strategy Reserve	249,257									
St Chad`s Churchyard Boundary Wall Works	Revenue -Capital Investment Reserve	62,910									
CCF5 Fleetwood Market Outdoor Area/Digital Signage	Grants and Contributions	330,475									
CCF5 Adelaide Street Studios	Grants and Contributions	120,537									
Fleetwood HAZ	Grants and Contributions	122,350	516,000	855,000	214,656						
TOTAL		**11,764,751**	**2,742,622**	**2,843,327**	**2,197,283**	**2,135,627**	**2,048,127**	**2,048,127**	**2,048,127**	**5,033,127**	**2,048,127**

Funding Sources	2020/21 £	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26	2026/27	2027/28	2028/29	2029/30
Grants and Contributions	8,190,265	2,349,127	2,688,127	2,047,783	1,833,127	1,833,127	1,833,127	1,833,127	1,833,127	1,833,127
Revenue -Capital Investment Reserve	105,379									
Revenue -IT Strategy Reserve	255,802									
Revenue -Vehicle Replacement Reserve	3,023,842	393,495	155,200	149,500	302,500	215,000	215,000	215,000	3,200,000	215,000
Revenue -Value For Money Reserve	101,613									
Capital Receipts	87,850									
Loan										
TOTAL	**11,764,751**	**2,742,622**	**2,843,327**	**2,197,283**	**2,135,627**	**2,048,127**	**2,048,127**	**2,048,127**	**5,033,127**	**2,048,127**

Please note:- Purple text indicates externally funded schemes

NOTE: The above assumes Disabled Facilities Grants will continue to be funded at the same level. An estimate of the rolling programme of vehicle replacements has been used to provide a forecast.
As such not all works or funding have been approved and both are subject to change.

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