NORWICH
City Council

Treasury Management Committee

Date: **Tuesday, 09 January 2024**
Time: **14:30**
Venue: **Westwick room, City Hall, St Peters Street, Norwich, NR2 1NH**

Committee members:

Councillors:
Kendrick
Stonard
Jones
Ackroyd
Price

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IN TRAN
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Agenda

EXEMPT ITEMS:

(During consideration of these items the meeting is not likely to be open to the press and the public.)

To consider whether the press and public should be excluded from the meeting during consideration of an agenda item on the grounds that it involves the likely disclosure of exempt information as specified in Part 1 of Schedule 12 A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

In each case, members are asked to decide whether, in all circumstances, the public interest in maintaining the exemption (and discussing the matter in private) outweighs the public interest in disclosing the information.

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Date of publication**: Friday, 22 December 2023**

NORWICH City Council

Item 3

MINUTES

Treasury Management Committee

15:30 to 16:55 **20 November 2023**

Present: Councillors Kendrick (in the chair), Ackroyd, Kidman (substitute for Councillor Jones), Price and Stonard

Apologies: Councillors Jones

In attendance: Gareth Robinson, Interim Head of Finance
Robert Mayes, Corporate Finance Business Partner
Caroline Knott, Senior Technical Accountant

(The committee meeting scheduled for 7 November 2023 was inquorate and therefore was reconvened. A revised version of the report at item 3 (below) Treasury Management Mid-Year Review Report 2023/24 was circulated as a supplementary agenda.)

1. Declarations of interest

There were none.

2. Minutes

RESOLVED to approve the minutes of the meeting held on 4 July 2023.

3. Treasury Management Mid-Year Review Report 2023/24

The Corporate Business Partner presented the revised report which had been updated to include the quarter 1 data in Appendix A and revised paragraph 36.

During the presentation the Corporate Finance Business Partner explained the movements in investments for the first six months of the year (Table 1 of the report) and said that during this period the council had made a prepayment of Employer secondary pension contribution of £15m and received a £1m discount for the early pay over. The council's employer pension contributions follow the 3-year triennial valuation on 31 March 2022. The financial risks and benefits had been assessed and the discount amount was advised by the Pension Fund Actuary in September/ October, and this had fed into the council's Medium Term Financial Strategy. In reply to a question on the reasons that the council did not retain the cash and invest the £15m as part of Treasury Management operations at the prevailing interest rates at the time, the Interim Head of Finance said that the council took the prudent decision that the returns from pre-paying the pension deficit at a discount would be guaranteed over a three-year period.

The Corporate Business Partner referred to paragraph 10 of the report and pointed out that actual interest received would exceed the budget and was forecast to be £4.500m. Link Asset Services, the councillor's treasury advisors, forecast that interest rates would remain high this calendar year and into the spring of next year, with interest rates falling by September and reduced rates into 2025. The chair said that the Bank of England target of 2 per cent had some way to go. The Corporate Business Partner said that whilst rates were high the council was looking to put off borrowing for as long as possible until rates lowered. During discussion the Corporate Finance Business Partner referred to the report that set out the options relating to the management of the council's maturing debt (item 7 (below).)

The committee noted that Table 4 set out the current capital programme budget. The capital programme was being financed by receipts and grants with very little net borrowing, in part due to the reprofiling of the loan to Lion Homes (Norwich) Limited (formerly Norwich Regeneration Limited). It was also noted that Table 5 showed that the council's capital financing requirement (CFR) or underlying need to borrow for capital purposes was in £320m and in a good place.

Discussion ensued on the prudential indicators relating to borrowing activity. A member asked whether a breach of the authorised limit would trigger a Section 114 notice. The Corporate Finance Business Partner referred to paragraph 28 and said that the operational boundary was set lower than the authorised limit and acted as a warning should borrowing approach the level of the authorised limit. The suggestion that officers could borrow up to £100m for capital projects was contradicted by other members as a hypothetical situation. Such a loan would require the S151 officer to be aware of it and also cabinet approval. The Corporate Finance Business Partner said that this committee considered the Treasury Management Strategy which sets out the council's borrowing plan for the year. Any change to this strategy would require going back to cabinet for approval.

In reply to a member's question, the Corporate Finance Business Partner explained that the refinancing of the maturing loans would be included in the Treasury Management Strategy. This was set a year in advance and updated quarterly. Officers were continuing to work on the best ways to prepare to meet the maturing loans. Members were referred to the charts 1 and 2 which set out the council's liability benchmark with and without additional borrowing being taken out over the maturity of all loans.

It was noted that Link Asset Services had reviewed the council's Minimum Revenue Policy (MRP) with regard to the new regulations. Further details were set out in the exempt report at item 6 (below).

A member said that it was important that the committee had input into the preparation of next year's Treasury Management Strategy and considered that January was too late. The Corporate Finance Business Partner said that there was plenty of time to review the strategy in January as in the previous year.

In reply to a member's question, the Corporate Finance Business Partner referred to the change to the Prudential Code that required councils to review assets held for investment purposes against ongoing borrowing requirements, and explained that the code did not require councils to enter into a fire sales of property, rather the properties should be reviewed and that return, service function, or economic regeneration should form part of the review. Officers were working with the Head of Property Services to review these assets. Members were advised that this was an annual review as set out in the Treasury Management Strategy.

The Interim Head of Finance said that this review was also part of a five-year process to identify assets for disposal and invest in new properties, with further details coming through as part of the budget process in February 2024. The Chartered Institute of Public Finance and Accountancy (CIPFA) was trying to ensure that councils made safer investments to generate local regeneration and benefit from business rates, whilst not investing in properties where they had no local knowledge. A member pointed out that the city council had made investments purely for yield and in other areas. The chair said that the city council was well regarded by other local authorities. The Interim Head of Finance said that the changes to the rules applied to new investments rather than existing ones that were continued to make good returns. The committee noted that the City of Edinburgh Council had invested in St Stephens Street in Norwich.

A member commented on the £99.223m held as investment property (paragraph 51 of the report) and said that the work of the Treasury Management Team was extremely important for the work of the council to provide services.

(The chair agreed to defer consideration of the recommendations until the additional reports at items 6 and 7 (below) had been considered.)

4. Draft Treasury Management Annual Workplan

The Corporate Finance Business Partner presented the report. The schedule was based on the previous year's around quarterly performance reporting and the annual review of the strategy in January of each year. It was proposed to bring forward initial changes to the Treasury Management Strategy in November 2024 because of the need to determine the approach regarding the maturing loans and incorporate it into the strategy at the January 2025 meeting.

RESOLVED to agree the work plan.

5. Exclusion of the Public

RESOLVED to exclude the public from the meeting during consideration of items 6* and 7* (below) on the grounds contained in the relevant paragraphs of Schedule 12A of the Local Government Act 1972 (as amended).

6. Minimum Revenue Provision (MRP) Policy Change 2023/24 (paragraph 3)

The Interim Head of Finance presented the report that provided advice from the council's treasury management advisors and further information to the item 3 (above). He explained that the Minimum Revenue Provision (MRP) is the minimum amount which a council must charge to its revenue budget each year, to set aside a provision for repaying external borrowing (loans), and likened it to a mortgage and its repayments.

RESOLVED to note the contents of the report.

7. Maturing Debt - Briefing Paper (paragraph 3)

The Corporate Finance Business Partner presented the report which sets out the options for addressing maturing debt, and together with the Interim Head of Finance, referred to the report and answered a member's questions.

(The committee then moved back into public session).

8. Treasury Management Mid-Year Review Report 2023/24 – Resolution

Having considered items 6 and 7 (above), the chair then moved the committee to the vote on the recommendations as set out in the report, and it was:

RESOLVED, with 4 members voting in favour, and 1 member abstaining from voting (Councillor Price) to:

(1) note the contents of the report and in particular the treasury management activity undertaken in the first six months of the 2023/24 financial year;

(2) agree the updated Minimum Revenue Provision (MRP) Policy as set out in appendix B;

(3) note the Voluntary Minimum Revenue Provision of £1.300m provided to date in relation to Lion Homes (Norwich) Ltd.

(4) propose that this report be considered and agreed by cabinet.

CHAIR

NORWICH City Council

Item 4

Committee Name: Treasury Management Committee

Committee Date: 09/01/2024

Report Title: Treasury Management 2023/24 3rd Quarter review

Portfolio: Councillor Kendrick, cabinet member for resources

Report from: Interim Chief Finance Officer (S.151)

Wards: **All Wards**

OPEN PUBLIC ITEM

Purpose

This report sets out the Council's Treasury Management performance for the 3rd Quarter of 2023/24.

Recommendation:

Committee is asked to note the contents of the report and in particular the treasury management activity undertaken in the 3rd Quarter of the 2023/24 financial year and recommends it for approval by Cabinet and Council.

Policy Framework

The Council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report meets the Norwich City Council is in good shape to serve the city corporate priority.

This report meets the treasury management strategy policy adopted by the Council.

Background

1. CIPFA (the Chartered Institute of Public Finance & Accountancy) defines treasury management as: "The management of the local authority's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
2. This report primarily reviews the council's treasury management activity during the first nine months of the financial year 2023/24 and reports on the prudential indicators as required by CIPFA's Treasury Management Code of Practice.
3. The original Treasury Management Strategy (TMS) and Prudential Indicators were reported to and approved by Council on 21 February 2023 and, as the original decision-making body, subsequent monitoring reports should also be considered by Full Council.
4. This Council has adopted the new CIPFA Code of Practice for Treasury Management in the Public Sector and operates its treasury management service in compliance with this Code. This requires that the prime objective of treasury management activity is the effective management of risk, and that borrowing activities are undertaken on a prudent, affordable and sustainable basis.

Investment Strategy

5. The TMS for 2023/24, which includes the Annual Investment Strategy, was approved by the council on 21 February 2023. It sets out the Council's investment priorities as being:
    - Security of capital.
    - Liquidity of capital; followed by
    - Yield.
6. No policy changes have been made to the investment strategy and the Council will therefore, continue to aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity.
7. The Council continues to consider the broader impact of its investments and a new element of the Treasury Management code will also require consideration of Environmental, Social and Governance (ESG) policies in placing future investments. Currently the Council has placed £10m in the Standard Chartered Bank Sustainable deposit fund; the deposit guarantees that investment is referenced against sustainable assets, both existing and future. The investments are referenced against the United Nations Sustainable Development Goals (SDGs) thus funds are put to work addressing some of the world's biggest long-term threats including, but not limited to, climate change, health, financial inclusion and education.

Treasury Management Third Quarter Review Report 2023/24

8. Due to Committee timings, it was not possible to include all the data for Quarter 3 as at 31st December. The Treasury Management Activity below shows the actual 30th November data and a forecast 31st December position. The forecast 31st December position will be updated verbally for the actual December position at the meeting on 9th January.

9. There were no Breaches to report in the third quarter against any of the key Prudential Indicators.

10. The Council held £112m of investments as at 30 November 2023. Table 1 below shows the movement in investments for the first three months of the year. The main components of the decrease between March and November were the usual precept payments and the prepayment of a pension fund contribution. The balance reflects the normal receipt of income and government grants towards the beginning of the year where amounts have not yet been expended.

Table 1

Investments	**Actual**	**Actual**	**Actual**	**Estimate**
	31-Mar-23	**30-Sep-23**	**30-Nov-23**	**31-Dec-23**
	£000	**£000**	**£000**	**£000**
Short term investments:				
Banks	25,000	35,000	36,000	45,000
Building Societies	0	6,000	6,000	6,000
Local Authorities	20,000	20,000	25,000	25,000
Cash Equivalents:				
Banks	14,600	16,343	10,576	1,471
Non- UK Banks	5,000	10,000	10,000	10,000
Building Societies	10,000	0		
Local Authorities	45,000	0	0	0
Money Market Funds	12,000	22,000	26,300	25,300
UK Government	0	3,000	0	0
Total	**131,600**	**112,343**	**113,876**	**112,771**

11. In setting its Treasury Management budgets the council set an investment interest income budget target of £4.032m for 2023/24 (2022/23 £0.220m). The budget target reflected the forecast increasing interest rate environment available for short term investments. The Link forecast interest rates as at 7th November are shown below in Table 2. As at 30th November the return on investments has resulted in £1.7m of actual interest being achieved by the Treasury Management Team. Forecasts show that the actual outturn is estimated to exceed budget.

Table 2

Link Group Interest Rate View 07.11.23													
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
5 yr PWLB	5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
10 yr PWLB	5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
25 yr PWLB	5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
50 yr PWLB	5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

BALANCE SHEET POSITION

External Borrowing

12. Table 3 below shows that as at 30 November the Council had external borrowing of £206.871m, of which £158.631m relates to the Housing Revenue Account (HRA). In the first three months of the year the Council has not completed any borrowing or repayments. The next repayment of maturing loan totals £2.5m and is due in September 2024. Currently there are no proposals to borrow in the current financial year.

Table 3

Long Term Borrowing	Actual 31-Mar-23	Actual 30-Sep-23	Actual 30-Nov-23	Forecast 31-Dec-23	TMSS Forecast 31-Mar-24	Revised Forecast 31-Mar-24
	£000	£000	£000	£000	£000	£000
Public Works Loan Board	205,648	201,648	201,648	201,648	201,648	201,648
Money Market	5,000	5,000	5,000	5,000	5,000	5,000
3% Stock (Perpetually irredeemable)	499	467	133	133	467	133
Other financial intermediaries (Salix)	131	105	79	79	79	79
Corporate Bonds and External Mortgages	11	11	11	11	11	11
Total	**211,288**	**207,231**	**206,871**	**206,871**	**207,205**	**206,871**

Capital Expenditure

13. The 2023/24 capital programme budgets were approved as part of the budget report to full Council on 21 February 2023. The 30th November revised budget has been used in the draft 2024/25 Treasury Management Strategy.

Table 4

	2023/24 Original Budget	2023/24 Revised Budget Q6	2023/24 Revised Budget Nov-23
	£000	**£000**	**£000**
General Fund capital expenditure	25,595	20,840	20,354
General Fund capital loans	3,000	1,000	1,000
HRA	35,656	33,544	33,247
Capital Expenditure	**64,251**	**55,384**	**54,601**

Financing – Nov-23	**£'000**
Capital receipts	1,043
Capital receipts (ringfenced)	0
Retained "one for one" RTB receipts	6,267
Major repairs reserve	20,250
Contributions and grants	13,566
Revenue contribution	5,823
Revenue contribution from earmarked reserves	43
Greater Norwich growth partnership	533
Community infrastructure levy	1,256
S106	876
Total	**49,657**
Borrowing need for the year	4,944
Total Financing	**54,601**

Capital Financing Requirement (CFR)

14. In 2023/24 the Council has applied General Fund capital receipts against its Capital Financing Requirement following a review by the Council's Treasury Management advisors. This approach together with the recommended policy changes to the MRP policy has reduced the MRP charge and used borrowing as replacement funding source. Overall, this approach has delivered financial benefits and matched longer life assets against borrowing.

Table 5

	2023/24 Original Estimate	2023/24 Revised Estimate Nov-23
	£000	**£000**
Opening General Fund CFR	**112,652**	**112,112**
Movement in General Fund CFR	3,384	(20,814)
Closing General Fund CFR	**116,036**	**91,298**
Movement in CFR represented by:		
Borrowing need (Incl. LHL loan requirement)	3,000	4,944
Loan repayment	(16)	(56)
Appropriations		
Less MRP and other financing adj.	400	(25,702)
Movement in General Fund CFR	**3,384**	**(20,814)**
Opening HRA Fund CFR	**208,533**	**208,532**
Movement in HRA CFR	690	0
Closing HRA CFR	**209,223**	**208,532**
TOTAL CFR	**325,259**	**299,831**

Prudential Indicators relating to Borrowing Activity

15. There has been no new borrowing activity to 30th November and there are no plans to borrow for the remainder of 2023/24.

16. Authorised Limit – This represents the legal limit beyond which borrowing is prohibited and needs to be set and revised by Council. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. The limit represents the CFR (assumed fully funded by borrowing) plus a margin to accommodate any unplanned adverse cash flow movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The authorised limit has not been breached; Table 3 above indicates that the level of external borrowing at 30th November 2023 was £207m, is estimated to remain around the same level by March 2024 and is well within the authorised limit in Table 6.

Table 6

Prudential Indicator	2023/24
	£000
Original Authorised Limit for external debt in TMS	**355,259**
Revised Authorised Limit for external debt	**329,831**

17. Operational Boundary – This indicator is based on the probable external debt during the year; it is set deliberately lower than the authorised limit. This limit acts as an early warning indicator should borrowing be approaching the

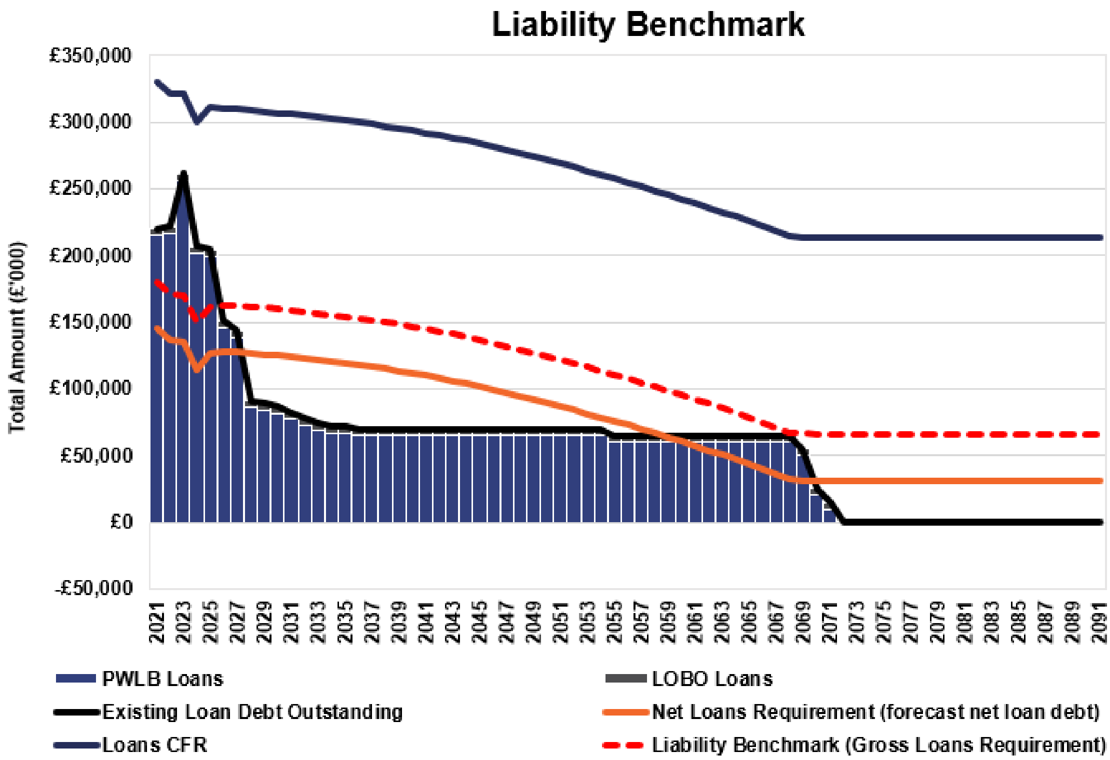
Authorised Limit. This limit may be breached on occasion under normal circumstances, but sustained or regular breaches should trigger a review of borrowing levels. The operational boundary has not been breached and current external borrowing is well below the Operational Boundary.

Table 7

Prudential Indicator	2023/24
	£000
Original Operational boundary for external debt in TMS	**325,259**
Revised Operational boundary for external debt	**299,831**

18. Liability Benchmark - CIPFA introduced the liability benchmark as a new Prudential Indicator for 2023/24. The liability benchmark is a projection of the amount of loan debt outstanding that the authority needs each year into the future to fund its existing debt liabilities, planned prudential borrowing and other cash flows. Chart 1 below shows the Benchmark if no additional borrowing is taken over the maturity of all loans. The chart shows the Council's existing outstanding loan debt in the blue and grey bars bordered by the black line. The dark blue line which shows the Loans CFR. The Orange line shows the net outstanding loan position after deducting treasury management investments. The red dotted line is the Liability Benchmark (Gross Loan requirement) which is net loans plus a liquidity allowance. The liability Benchmark is significantly below the CFR demonstrating the Councils under borrowed and internally borrowed position.

Chart 1



Minimum Revenue Provision Policy (MRP)

19. The Council's MRP policy has been revised and details of the changes were report to the Treasury Management Committee in November as part of the Mid-Year Review report. There are no revisions to the policy to report in the 3rd Quarter.

Consultation

20. The report is the Quarter 3 position statement for Treasury Management activity for 2023/24. The report was considered by the newly formed Treasury Management Committee who noted and endorsed the report for consideration at Cabinet and Council.

Implications

Financial and Resources

21. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan and Budget. This report is for information only and there are no proposals in this report that would reduce or increase resources.

Legal

22. The Council must have regard to the provisions of the Treasury Management code of practice when undertaking and reporting on its treasury activities. The requirement for Council to approve its Treasury Management Strategy and to receive reports, on its treasury management performance, are requirements of the Code of Practice.

23. The mid-year report must set out performance against the approved Prudential Indicators and any breaches of them.

Statutory Considerations

Consideration	**Details of any implications and proposed measures to address:**
Equality and Diversity	None
Health, Social and Economic Impact	None
Crime and Disorder	None
Children and Adults Safeguarding	None
Environmental Impact	Sustainable investment products are an area of growth in the market. These options will be considered where the investments are in line with approved Treasury Management Strategy. Security, liquidity and yield remain the cornerstones of the Treasury Management Strategy, and it is vital that all investments continue to ensure the security of council funds as a priority and remain compatible with the risk appetite of the council and its cash flow requirements.

Risk Management

24. Managing risk is a major part of treasury management activity. All the limits and indicators in place to reduce the level of risk have been adhered to so that risks are at an acceptable level as in the treasury management strategy.

Risk	Consequence	Controls Required
Future interest rate changes can offer both opportunity and risk. Cashflow requirements are know to avoid the need for unplanned borrowing or overdraft facilities to meet expenses as they fall due.	Future loan interest rate changes need to be assessed against the cost of borrowing and the council's ability to fund expenditure from its own cashflows (internal borrowing). Investment rates offer an opportunity to generate income in support of council priorities subject to the achievement of security and liquidity considerations.	To mitigate the risk, we will work closely with our treasury advisors to review interest rate forecasts to assess when we should borrow. Surplus cash for investing is only available on a short-term basis until required to meet on-going or capital expenditures. The existence of reserves provides some longer-term opportunities to generate investment returns but must be undertaken alongside an assessment of risk and knowledge of the council's cashflow requirements.

Other Options Considered

25. No other options have been considered. The report is to inform the treasury management committee and the council of the treasury activity for the period 1 April 2023 to 31 December 2023.

Reasons for the decision/recommendation

26. To ensure the treasury management committee and Council are kept informed of treasury activity in line with the Financial Regulations.

Background papers: None

Appendices: None

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Item 5

Committee Name: Treasury Management Committee

Committee Date: 09/01/2024

Report Title: Draft 2024/25 Treasury Management Strategy

Portfolio: Councillor Kendrick, cabinet member for resources

Report from: Interim Chief Finance Officer (S.151)

Wards: **All Wards**

OPEN PUBLIC ITEM

Purpose

This report sets the draft 2024/25 Treasury Management Strategy.

Recommendation:

That the committee notes the Treasury Management Strategy for the year to 31 March 2025 and recommends it for approval by Cabinet and Council.

Policy Framework

The Council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report meets the Norwich City Council is in good shape to serve the city corporate priority.

This report meets the treasury management strategy policy adopted by the Council.

Report Details

1. Attached at Appendix 1 is the draft 2024-25 Treasury Management Strategy (TMS) for the financial year ending 31st March 2025. The TMS has been prepared with reference to the Council's Treasury Advisors TMS template, regulatory and CIPFA best practice guidance.

2. The Council is required to approve the TMS as part of its budget setting process for the coming 2024/25 financial year.

Consultation

3. The report introduces the draft 2024/25 TMS for review by the treasury management committee to ensure that the council meets its regulatory and best practice requirements. No additional consultation has been undertaken.

Implications

Financial and Resources

4. There are no proposals in this report that would reduce or increase resources however it does report on the performance and plans of the council in managing its borrowing and investment resources which have significant financial implications for the council.

Legal

5. The Council is required by regulations issued under the Local Government Act 2003 to determine its treasury management strategy on an annual basis. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

Statutory Considerations

Consideration:	**Details of any implications and proposed measures to address:**
Equality and Diversity	n/a
Health, Social and Economic Impact	n/a
Crime and Disorder	n/a
Children and Adults Safeguarding	n/a
Environmental Impact	Sustainable investment products are an area of growth in the market. These options will be considered where the investments are in line with approved Treasury Management Strategy. Security, liquidity and yield remain the cornerstones of the council's Treasury Management Strategy, and it is vital that all investments ensure the security of council funds as a priority and remain compatible with the risk appetite of the council and its cash flow requirements.

Risk Management

Risk	Consequence	Controls Required
Future interest rate changes can offer both opportunity and risk.	Future interest rate changes need to be assessed against the cost of borrowing.	To mitigate the risk, we will continue to work closely with the council's advisors to review interest rate forecasts to assess when we would look to borrow.

Other Options Considered

6. No other options to be considered. The report is to inform the treasury management committee of the draft 2024/25 TMS for the year to 31 March 2025, prior to its consideration by the council.

Reasons for the decision/recommendation

7. To ensure that the committee are kept informed of treasury activity and have an opportunity to input into the draft treasury management strategy.

Background papers: None

Appendices:

Appendix 1 – Draft 2024-25 Treasury Management Strategy

Contact Officers:

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5. TREASURY MANAGEMENT STRATEGY

Background

5.1 The Council is required to operate a balanced budget. Part of the council's treasury management operation is to ensure that cash flow is planned, so that cash is available when it is needed. Surplus monies are invested in counterparties or instruments commensurate with the Council's low risk appetite, providing liquidity before considering investment return.

5.2 Another function of treasury management is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing needs 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 loans or using cash flow surpluses. Sometimes, when it is prudent and economic, loan debt may be restructured to support the Council's risk or cost objectives.

5.3 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 expenditure or for larger capital projects. The council's treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the 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 result in a loss of resources to the General Fund.

5.4 The Chartered Institute of Public Finance & Accountancy (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."

5.5 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

5.6 This section of the budget report meets the council's legal obligation under the Local Government Act 2003 to have regard to relevant codes of practice and guidance issued by CIPFA (Chartered Institute of Public Finance & Accountancy) and the DLUHC (Department for Levelling Up, Housing and Communities).

5.7 This section of the budget report also fulfils the requirement for council to approve:

- A treasury management strategy before the start of each financial year (as required by CIPFA's Treasury Management Code).
- Prudential indicators to ensure that the council's capital investment plans are affordable, prudent and sustainable (as required by CIPFA's Prudential Code).

- An investment strategy before the start of each financial year (as required by DLUHC's Investment Code).
- A Minimum Revenue Provision (MRP) policy (as required by DLUHC's MRP guidance).

5.8 The council's investment in commercial property, equity shares, and lending to third parties is considered in the capital strategy in Section 4.

5.9 However, for the purposes of clarity, the projections, indicators and limits given in this section of the budget report include:

- The general fund and HRA proposed capital programme and its funding as set out in Section 4, Tables 4.4 and 4.5.
- The implications for the council's capital financing requirement and borrowing position arising from the non-financial investments proposed in Section 4 of this report.

Reporting Requirements

Capital Strategy

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

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

5.11 The aim of the strategy is to ensure that all the Authority's elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

Treasury management reporting requirements

5.12 The Council's Treasury Management Committee meets quarterly to support the in-depth consideration of a range of matters relating to the governance of the Council's treasury management activity.

5.13 To support the Committee to meet its terms of reference and schedule forward meeting dates, an annual workplan has been adopted as follows:

January	**Treasury Management Committee - January Meeting** Consider the Annual Treasury Management Strategy Statement (TMS) prior to adoption by council
February	Full Council to receive Treasury Management Strategy
April	**Treasury Management Committee - April Meeting** Review proposed treasury activity for forthcoming year Initial update on end of year position
May	Statutory Accounts preparation
June	Treasury Management Outturn Report preparation
July	**Treasury Management Committee - July Meeting** Consider outturn position report
August	Full Council to receive Treasury Management Outturn Report
October	Treasury Management Mid-Year Review Report preparation
November	**Treasury Management Committee - November Meeting** Consider mid-year report Consider initial Treasury Management Strategy changes for forthcoming year
December	Full Council to receive Treasury Management Mid-Year Review Report

5.14 All Treasury Management reports will initially be presented to the Treasury Management Committee before onward reporting to Cabinet and Full Council.

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

- Annual reporting requirements before the start of the year including - a review of the organisation’s approved plans, treasury management policy statements, prudential and treasury indicators and treasury strategy (this report).

- A mid-year treasury management report – This will update members with the progress of activities undertaken, any material decisions, interim performance including an update on the capital position and amend any polices or prudential indicators as necessary.

- An annual treasury report after year-end – This provides details of compliance with prudential and treasury indicators, the impact of actual treasury operations compared to the estimates within the strategy.

5.16 As part of implementing the new requirements of the Treasury Management Code of Practice, in addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) is also required. These additional reports will also be presented to the Treasury Management Committee. Full details of the scheme of delegation are shown at Appendix D.

Treasury management - role of the Section 151 Officer

5.17 Under the Treasury Management Code of Practice, the council's S151 officer has specific responsibilities. A list of responsibilities is supplied at Appendix E.

Treasury management practices

5.18 The new CIPFA Treasury Management Code provides details of what CIPFA recommends an organisation's treasury management practices (TMPs) should include;

TMP1 Risk management
TMP2 Performance measurement
TMP3 Decision making and analysis
TMP4 Approved instruments, methods and techniques
TMP5 Organisation, clarity and segregation of responsibilities and dealing arrangements
TMP6 Reporting requirements and management information arrangements
TMP7 Budgeting, accounting and audit arrangements
TMP8 Cash and cash flow management
TMP9 Money laundering
TMP10 Training and qualifications
TMP11 Use of external service providers
TMP12 Corporate governance

5.19 Each TMP requires a detailed explanation of the practices undertaken by the Council's Treasury Management team. The council's TMP's will continue to be developed to respond to best practice and regulatory updates.

Treasury Management Strategy 2024/25

5.20 The strategy for 2024/25 covers two main areas:

Capital issues:

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

Treasury management issues:

- the current treasury position
- treasury indicators which limit the treasury risk and activities of the Authority
- 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

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

Training

5.22 The CIPFA Treasury Management Code requires the responsible officer to ensure that all staff and members with responsibility for treasury management receive adequate training in this area. The S151 officer is responsible for this function in this Council. Full details of the S151 officer's responsibilities are shown at Appendix E.

5.23 The Code also states that "all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

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

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and council members to undertake self-assessment against the required competencies.
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis."

5.25 The training needs of treasury management officers are recorded and periodically reviewed as part of the formal annual employee performance review. Member training is delivered via the Treasury Management Committee. At its meeting on 4th July 2023 members of the Treasury Management Committee received training presentations from the Councils Treasury Advisors including an Economic Outlook and balance sheet review.

Treasury management advisers

5.26 The council uses Link Asset Services as its external treasury management advisors .

5.27 Responsibility for treasury management decisions remains with the council at all times. Although the council will from time to time require the services of specialists, consultants and advisers in order to acquire access to specialist skills, undue reliance will not be placed upon the services and advice provided.

The Capital Prudential Indicators 2024/25 – 2028/29

5.28 The council's capital expenditure plans are a key driver of treasury management activity. A summary of the council's capital budget plans and how these are being financed is shown in table 5.1.

Capital Expenditure and Financing

5.29 This prudential indicator is a summary of the Authority's capital expenditure plans, both those agreed previously, and those forming part of the new budget cycle. The table below summarises the capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of capital resources results in a need for borrowing.

Table 5.1: The council's capital expenditure and financing plans

	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000
Capital expenditure						
General Fund	20,354	26,946	4,651	3,622	2,598	3,141
Equity investment	0	0	0	0	0	0
Capital Loans	1,000	5,000	1,000	0	0	0
Total General Fund Expenditure	**21,354**	**31,946**	**5,651**	**3,622**	**2,598**	**3,141**
Housing Revenue Account	**33,247**	**41,107**	**39,571**	**38,433**	**33,975**	**27,415**
TOTAL CAPITAL EXPENDITURE	**54,601**	**73,053**	**45,222**	**42,054**	**36,573**	**30,556**
Financing						
Capital receipts	1,043	4,223	10,455	11,084	8,790	3,546
Capital receipts (ringfenced)	0	0	0	0	0	0
Retained "one for one" RTB receipts	6,267	7,055	6,324	5,657	3,852	1,228
Major repairs reserve	20,250	20,147	14,676	14,572	16,880	17,428
Contributions and grants	13,566	18,956	1,750	1,865	1,850	1,950
Revenue contribution	5,823	10,045	7,986	6,985	4,278	342
Revenue contribution from earmarked reserves	43	0	0	0	0	0
Greater Norwich growth partnership	533	214	0	0	0	0
Community infrastructure levy	1,256	97	2,067	792	823	1,366
S106	876	0	0	0	0	0
Total	**49,657**	**60,737**	**43,257**	**40,955**	**36,473**	**25,859**
Borrowing need for the year	**4,944**	**12,316**	**1,964**	**1,100**	**100**	**4,696**
TOTAL FINANCING	**54,601**	**73,053**	**45,222**	**42,054**	**36,573**	**30,556**

The Authority's Borrowing Need (the Capital Financing Requirement)

5.30 The Capital Financing Requirement (CFR) calculation for 2024/25 and future years of the capital programme is shown below in table 5.2(i). This is the total historic outstanding capital expenditure yet to be financed from revenue or capital resources and a future projection of CFR based on capital expenditure plans. It is a measure of the council's indebtedness, and therefore its underlying borrowing need. The CFR also includes other long-term liabilities such as finance leases.

5.31 The CFR incorporates interim figures in relation to the new reporting requirements detailed within IFRS16. The reporting standard requires the liabilities of certain leases currently accounted for through the revenue spend of the Council, to be shown on the balance sheet, for example, if the lease has more than a year to run or is above a de-minimis value. An example for Norwich is vehicles procured through an operating lease.

5.32 IFRS16 remains a requirement of closing the accounts for 2024/25 and officers continue to undertake the required data gathering exercise, which will clarify the full impact on the CFR for the Council. It is therefore important to note that there may be a requirement to refresh the authorised limit and operational boundary once the review is substantially complete later in the 2024/25 financial year.

5.33 The general fund CFR does not increase indefinitely, as a Minimum Revenue Provision (MRP) is made each year which is a statutory annual revenue charge which broadly reduces indebtedness in line with each asset's expected life.

5.34 The repayment of loan debt made to external organisations also reduces the CFR where the loan has been financed by borrowing.

5.35 In 2023/24 the Council has applied General Fund capital receipts against its Capital Financing Requirement following a review by the Council's Treasury Management advisors. This approach together with the recommended policy changes to the MRP policy has reduced the MRP charge and used borrowing as replacement funding source. Overall, this approach has delivered financial benefits and matched longer life assets against borrowing.

Table 5.2(i): Capital Prudential Indicators

	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000
Capital financing requirement at end of year						
General Fund	91,298	104,651	105,507	105,582	104,609	103,487
Housing Revenue Account	208,533	208,533	208,533	208,533	208,533	213,229
TOTAL	**299,831**	**313,184**	**314,040**	**314,115**	**313,142**	**316,716**
General fund	-20,814	13,352	856	75	-973	-1,122
Housing Revenue Account	0	0	0	0	0	4,696
TOTAL	**-20,814**	**13,352**	**856**	**75**	**-973**	**3,574**

5.36 Table 5.2(ii) below shows the planned external borrowing for capital expenditure purposes conforming to DLUHC requirements for applying for certainty rate borrowing from the PWLB. The table also shows details of planned borrowing for Treasury Management purposes which would encompass both the externalisation of internal borrowing and refinancing. The table also shows that the Council has no plans to invest in projects for yield which would prevent the Council borrowing from the PWLB.

Table 5.2(ii)

External Borrowing	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000
Service spend	20,354	26,946	4,651	2,622	2,598	3,141
Housing (Incl. Preventative action)	33,247	41,107	39,571	38,433	33,975	27,415
Regeneration	1,000	5,000	1,000	1,000	-	-
Projects for yield	-	-	-	-	-	-
TOTAL	**54,601**	**73,053**	**45,222**	**42,054**	**36,573**	**30,556**
Treasury Management	4,944	12,316	1,964	1,100	100	4,696

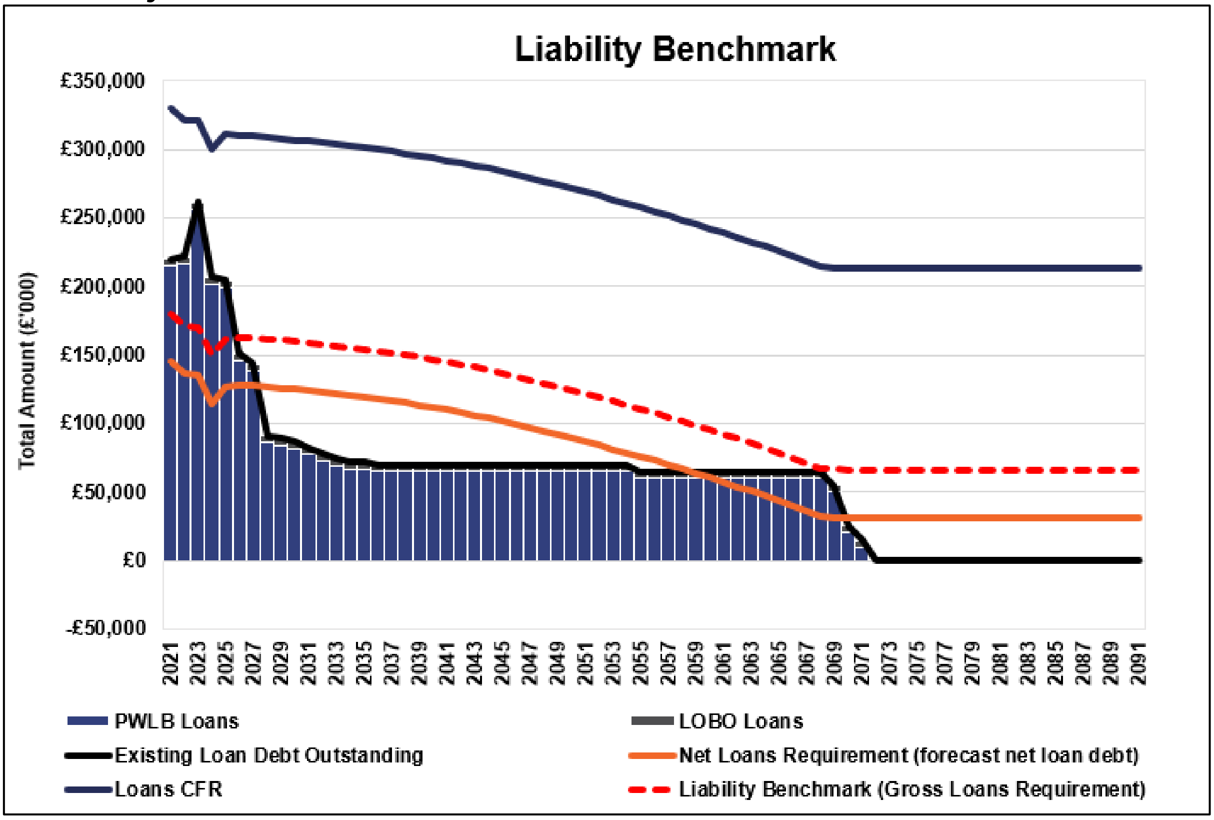
Liability Benchmark

5.37 The Authority is required to estimate and measure the Liability Benchmark for the forthcoming financial year and the following two financial years, as a minimum. The Benchmark is included to determine the appropriate structure of the Councils external loans profile and is presented as a chart reflecting four balances as follows:

- Existing loan debt outstanding: the authority's existing loans which are still outstanding in future years.
- Loans CFR: calculated in accordance with the loans CFR definition in the Prudential Code, and projected into the future based on approved prudential borrowing and planned MRP taking account of approved prudential borrowing.
- Net loans requirement: the authority's gross loan debt, less treasury management investments, at the last financial year end, projected into the future based on its approved prudential borrowing, planned MRP and any other forecast major cash flows and,
- Liability benchmark (or Gross Loans Requirement) = Net loans requirement + short term liquidity allowance.

5.38 Chart 5.1 shows the Council's existing outstanding loan debt in the blue and grey bars bordered by the black line. The dark blue line which shows the Loans CFR. The Orange line shows the net outstanding loan position after deducting treasury management investments. The red dotted line is the Liability Benchmark (Gross Loan requirement) which is net loans plus a liquidity allowance. The liability Benchmark is significantly below the CFR demonstrating the Councils under borrowed and internally borrowed position.

Chart 5.1Liability Benchmark



5.39 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. Forward projections will be added in the final version of the Strategy appended to the budget papers.

Table 5.2(iii)

Estimated Resources	2023/24 Estimate £'000
General Fund Reserve	-8,236
GF Earmarked Reserves	-13,994
HRA Reserve	-45,954
HRA Earmarked Reserve	-1,609
Capital Receipts Reserve	-39,127
Major Repairs Reserve	-4,037
Capital Grants Unapplied	-1,210
Total Core Funds	**-114,167**
Working Capital*	**1,000**
Expected Investment Balances	**112,000**

*Working capital balances shown are estimated year-end; these may be higher or lower during the year depending on the day-to-day demands.

Minimum Revenue Provision (MRP) Policy Statement

5.40 The proposed MRP Policy Statement is set out in Appendix A.

5.41 Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, the Council is required to pay off a proportion of the accumulated unfunded general fund capital expenditure each year (capital financing requirement) through an annual revenue charge (the MRP). This includes MRP for commercial properties and other non-treasury investments financed by borrowing.

5.42 The Council overpaid £6.982m of MRP in previous years. This amount is being gradually released to the general fund revenue budget on a straight-line basis over 40 years. From the 2023/24 TM Strategy onwards, there is £5.934m over 34 years still to be released.

5.43 It should be noted that it is not the council's policy to charge minimum revenue provision (MRP) on loans to third parties so long as there is no indication that the loan will not be repaid in full. All third-party loans are reviewed annually with an assessment made of any MRP payments required.

5.44 Currently there is no requirement for the Housing Revenue Account to make MRP provisions, although a voluntary revenue provision can be considered. The benefit of such a provision would be to provide a mechanism for the prudential repayment of debt over the life of the business plan. In the absence of a repayment mechanism, the business plan demonstrates that debt could continue to be financed via the resources available without a specific provision being made. The current position is kept under review and will continue to adopt a prudent approach, in line with national guidance and best practice.

5.45 At the time of drafting the TMS, officers are awaiting details of the Consultation on the Statutory Guidance on Minimum Revenue Provision for application after April 2024 to be published by the Government. Members will be advised of any material implications arising from this consultation either as a supplementary appendix or as a verbal update at the committee meeting.

Borrowing

5.46 The capital expenditure plans set out in tables 5.1 and 5.2 above, 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, ensuring that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities.

Table 5.3: The Council's current investment and borrowing position

	31/03/2023 Actuals £000	%	30/11/2023 Actuals £000	%
Investments				
Banks	44,600	33.9	61,343	54.6
Building Societies	10,000	7.6	6,000	5.3
Local Authority	65,000	49.4	20,000	17.8
UK Government	0	0.0	3,000	2.7
Money Market Funds	12,000	9.1	22,000	19.6
TOTAL	**131,600**	**100.0**	**112,343**	**100.0**
Borrowing				
PWLB	205,648	97.3	201,648	97.3
Banks	5,000	2.4	5,000	2.4
Others	641	0.3	583	0.3
TOTAL	**211,289**	**100.0**	**207,231**	**100.0**

5.47 On the 30th of November 2023, the council held £207.2m of external borrowing and £112.3m of treasury investments. On 30th November 2023, the council held £207.2m of external borrowing and £112.3m of treasury investments.

5.48 During 2023/24 the council has not taken nor does it intend in the short term to take on any new long-term borrowing.

5.49 Investment balances have decreased since the start of 2023/24. This is mainly due to the pre-payment of Employer deficit pension contributions to the pension fund. Cash balances are expected to marginally decrease towards the year end .

Maturity Structure of Borrowing Strategy

5.50 These lower and upper limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing.

Table 5.4: Maturity structure of borrowing

Maturity structure of fixed interest rate borrowing	Lower Limit	Upper Limit
Under12 Months	0%	30%
12 months to 2 years	0%	60%
2 years to 5 years	0%	60%
5 years to 10 years	0%	60%
10 years to 15 years	0%	60%
15 years to 20 years	0%	60%
20 years and above	0%	80%

The table below summarises the council's forward projections for borrowing based on the assumptions given in table 5.1 above.

5.51 The Authority'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.

Table 5.5(i): Estimated forward projections for borrowing

	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000
External Debt						
Debt as at 1 April	210,648	206,648	204,148	204,148	204,148	204,148
Expected change in debt	(4,000)	(2,500)	0	0	0	0
Other long-term liabilities	649	513	369	217	217	217
Actual gross debt as at 31 March	**207,297**	**204,661**	**204,517**	**204,365**	**204,365**	**204,365**
Capital Financing Requirement	299,831	313,184	314,040	314,115	313,142	316,716
Under/(Over) borrowing	**92,534**	**108,523**	**109,523**	**109,750**	**108,777**	**112,351**

N.B. Other long-term liabilities are any liabilities and other credit arrangements that are outstanding for periods in excess of 12 months e.g. finance leases.

5.52 Over the six-year period covered by this TM Strategy, the following loan maturities and new borrowing are expected to occur:

Table 5.5(ii): Estimated forward projections for borrowing (refinancing maturing loans)

Amount of Each Loan Maturing	Financial Year	New Borrowing	Financial Year
2,061,140	2022-23	0	2022-23
48,898,000	2022-23	0	2022-23
4,000,000	2023-24	0	2023-24
2,500,000	2024-25	2,500,000	2024-25
2,500,000	2025-26	2,500,000	2025-26
700,000	2025-26	0	2025-26
50,000,000	2025-26	50,000,000	2025-26
2,500,000	2026-27	2,500,000	2026-27
5,000,000	2026-27	5,000,000	2026-27
50,000,000	2027-28	50,000,000	2027-28
2,500,000	2027-28	2,500,000	2027-28
170,659,140		**119,700,000**	

5.53 Within the range of prudential indicators there are several key indicators to ensure that the Authority operates its activities within defined limits. One of these is that the Authority 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 2024/25 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.

5.54 The Council's S.151 Officer reports that the Authority complied with this prudential indicator in the current year and does not envisage breaches in the future. This view takes account of current commitments, existing plans and the proposals in this budget report.

5.55 During 2023/24 the council will not take any new long-term borrowing. £45M of borrowing was taken out during 2021/22 whilst interest rates were at historical low levels ahead of a scheduled repayment of self-financing debt in March 2023. The subsequent high interest rate environment is being closely monitored in the light of further significant tranches of debt falling due (£100m 2025/26 onwards)

5.56 The council is currently maintaining an under-borrowed position. This means that the capital borrowing need (CFR) has not been fully funded with external loan debt, as cash supporting the council's reserves, balances and cash flow is used as a temporary measure. This strategy is prudent as external loan costs are currently high with interest rising and set to be at higher levels for some time.

5.57 The council has been well served by this policy over the last few years. The Section 151 Officer will continue to review and adopt a pragmatic approach to changing circumstances to avoid incurring higher borrowing costs as set out below:

- If it is felt that there is a significant risk of a sharp FALL in long- and short-term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed and a potential rescheduling from fixed rate funding into short term borrowing will be considered.
- If it was felt that there was a significant risk of a much sharper RISE in long- and short-term rates than that currently forecast, perhaps arising from 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.

Investment Property Review

5.58 The revised Treasury Management and Prudential codes require Councils to review assets held for investment purposes annually against ongoing borrowing requirements and consider disposal of those investments to finance borrowing where the sale of an investment is financially viable.

5.59 To inform its Investment Strategy and take into account the CIPFA code requirements, the Council commissioned a review of its investment portfolio in Autumn 2022 in conjunction with Jones Lang LaSalle (JLL). This has resulted in a number of proposed asset disposals over the past 12 months. JLL have been commissioned to undertake a further piece of work alongside budget setting to set out an action plan for all investment properties over the next 5 years, this will include a pipeline of asset disposals along with assets which require a more detailed asset review. The aim is to adopt that action plan alongside the Treasury Management Strategy.

Treasury Indicators 2023/24 – 2027/28

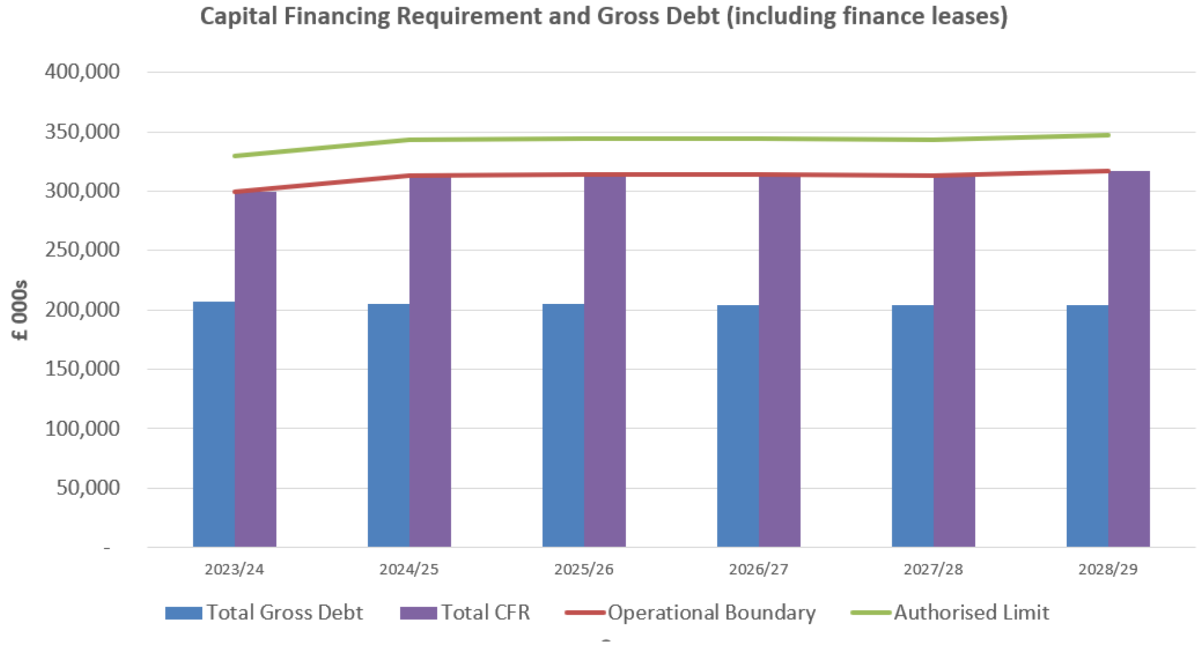
5.60 Table 5.6 below sets out the required affordable borrowing limit, namely:

a. The operational boundary - the limit beyond which external debt is not normally expected to exceed.
b. The authorised limit for gross external debt - a statutory limit determined under section 3 (1) of the Local Government Act 2003. It represents the legal limit on the maximum level of borrowing beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It is also the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

Table 5.6: Treasury Indicators – Limits to Borrowing Activity

	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000
Gross Debt						
Borrowing	207,297	204,661	204,517	204,365	204,365	204,365
Operational boundary for external debt						
Operational boundary	299,831	313,184	314,040	314,115	313,142	316,716
Authorised limit for external debt						
Authorised limit	329,831	343,184	344,040	344,115	343,142	346,716
Actual external debt						
Borrowing	206,648	204,148	204,148	204,148	204,148	204,148
Debt maturity profile - all borrowing %						
Less than one year	2%	1%	26%	4%	26%	1%
Between one and two years	1%	26%	4%	26%	1%	1%
Between 2 and 5 years	54%	30%	28%	3%	3%	4%
Between 5 and 10 years	6%	7%	7%	6%	6%	4%
Between 10 and 15 years	4%	2%	1%	27%	4%	26%
Between 15 and 20 years	0%	0%	0%	0%	26%	30%
Over 20 years	33%	34%	34%	34%	34%	34%
Upper limit for fixed interest rates	100%	100%	100%	100%	100%	100%
Upper limit for variable interest rates	20%	20%	20%	20%	20%	20%
Upper limit for investments > 365 days	£30m	£30m	£30m	£30m	£30m	£30m
Current treasury investments as at 30/11/2023 in excess of 1 year maturing in each year	-	-	-	-	-	-

Chart 5.2: Forecast of CFR and borrowing limits



Prospects for Interest Rates

5.61 The Council's treasury advisor's assist the Council to formulate a view on interest rates. Link provided the following forecasts on 7 November 2023. These are forecasts for certainty rates, which are gilt (government bond) yields plus 80 bps.

Table 5.7 Interest Rate Forecasts

Link Group Interest Rate View 07.11.23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
5 yr PWLB	5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
10 yr PWLB	5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
25 yr PWLB	5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
50 yr PWLB	5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

Source: Link

5.62 Links central forecast reflects a view that the MPC will be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least the second half of 2024. They expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move. There is a likelihood of the overall economy enduring at least a mild recession over the coming months, although most recent GDP releases have been surprised with their on-going robustness.

5.63 In the coming months, the forecasts provided by LINK will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.

5.64 On the positive side, consumers are still believed to be sitting on some excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing somewhat better at this stage of the economic cycle than may have been expected. However, most of those excess savings are held by more affluent households whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

5.65 A full economic outlook from the Councils Treasury Advisors (Link) is shown at Appendix C.

PWLB Rates

5.66 PWLB interest rates on borrowing are expected to remain high before following the base rate movement down over time. Table 5.7 above shows the Link forecast PWLB rates over the next 2 years. In producing the forecast Link have taken into account the following risks.

5.67 The balance of risks to the UK economy: -

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

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

- Labour and supply shortages prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).

- The Bank of England has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than currently anticipated.

- UK / EU trade arrangements – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

- Geopolitical risks, for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

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

- Despite the recent tightening to 5.25%, the Bank of England proves too timid in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.

- The pound weakens because of a lack of confidence in the UK Government's pre-election fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.

- Longer-term US treasury yields rise strongly if inflation remains more stubborn there than the market currently anticipates, consequently pulling gilt yields up higher. (We saw some movements of this type through October although generally reversed in the last week or so.)

- Projected gilt issuance, inclusive of natural maturities and QT, could be too much for the markets to comfortably digest without higher yields compensating.

Link Group Forecasts

5.70 Link now expect the MPC will keep Bank Rate at 5.25% for the remainder of 2023 and the first half of 2024 to combat on-going inflationary and wage pressures. We do not think that the MPC will increase Bank Rate above 5.25%, but it is possible.

5.71 The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, as inflation starts to fall through the remainder of 2023 and into 2024.

5.72 Links long-term (beyond 10 years) forecast for Bank Rate has increased from 2.75% to 3% and reflects Capital Economics' research that suggests AI and general improvements in productivity will be supportive of a higher neutral interest rate. As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates will remain elevated for some time to come but may prove the best option whilst the market continues to wait for inflation, and therein gilt yields, to drop back later in 2024.

5.73 Links suggested budgeted earnings rates for investments up to about three months' duration in each financial year are rounded to the nearest 10 basis points. Investment earnings have been revised somewhat higher for all years from 2025/26 as Bank Rate remains higher for longer. As part of our modelling for budgeting purposes the Council has adopted a prudent 25 basis points reduction on the average earnings outlined below.

Table 5.8

Average earnings in each year	Now	Previously
2023/24 (residual)	5.30%	5.30%
2024/25	4.70%	4.70%
2025/26	3.20%	3.00%
2026/27	3.00%	2.80%
2027/28	3.25%	3.05%
Years 6 to 10	3.25%	3.05%
Years 10+	3.25%	3.05%

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

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

Borrowing Strategy

5.76 The Council is currently maintaining an under-borrowed position. This means that the Capital Financing Requirement, has not been fully funded with loan debt, as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy.

5.77 Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations. The Council's S151 officer and the treasury team will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

5.78 Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

Policy on borrowing in advance of need

5.79 CIPFA's Prudential Code allows borrowing in advance of need when changes in interest rates mean that it benefits the council to borrow before the planned expenditure is incurred. This will be considered carefully, and appropriate advice will be sought from the council's treasury management advisers.

5.80 Borrowing in advance of need from a treasury management perspective will be made within the following constraints:

- It will be limited to no more than 75% of the expected increase in borrowing need (CFR) over the three-year planning period; and
- The authority would not look to borrow more than 3 years in advance of need (current and next two financial years).

5.81 The risks associated with any advanced borrowing from a treasury management perspective will be subject to appraisal and will be reported via the mid-year or annual Treasury Management reports.

Debt rescheduling

5.82 Where short-term borrowing rates are cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

5.83 Any rescheduling will take account of:

- The generation of cash savings and / or discounted cash flow savings;
- Helping to fulfil the treasury strategy;
- Enhancing the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

UK Municipal Bond Agency (MBA)

5.84 It is possible that the MBA will be offering loans to local authorities in the future at rates expected to be lowered than offered by the PWLB. The Council may make use of this new source of borrowing as and when appropriate.

Approved Sources of Long and Short-term Borrowing

On Balance Sheet	**Fixed**	**Variable**
PWLB	●	●
UK Municipal Bond Agency	●	●
Local Authorities	●	●
Banks	●	●
Pension Funds	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock Issues	●	●
Internal (capital receipts & revenue balances)	●	●
Finance Leases	●	●

Annual Investment Strategy

Treasury investment policy

5.85 The council's treasury management investment policy has regard to DLUHC's Guidance on Local Government Investments ("the Guidance") and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code") as well as the CIPFA Treasury Management Guidance Notes 2021. The Council's treasury management investment priorities will be Security first, Liquidity second, and then Yield.

5.86 All funds invested by the in-house treasury management team as part of the normal treasury management processes are made with reference to the cash flow requirements of the council and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Careful consideration will be given before investing sums identified for longer term investments.

5.87 The Council has defined the list of types of investment instruments that the treasury management team are authorised to use below and table 5.9.

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

  In accordance with the Code, the Authority has set out additional criteria to limit the time and the amount of monies which will be invested in these bodies (see table 5.9).

- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. The Non-specified Investments are listed in table 5.9.

ii. The Council has engaged external consultants (Link) 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.

iii. All investments will be denominated in sterling.

As a result of the change in accounting standards for 2023/24 under IFRS 9, this Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23. More recently, a further extension to the over-ride to 31.3.25 has been agreed by Government.

Risk Management and Creditworthiness Policy

5.88 Management of risk is placed in high priority in accordance with the DLUHC and CIPFA Guidance. In order to minimise the risk to treasury investments, the council applies minimum acceptable credit criteria to generate a list of highly creditworthy counterparties which it maintains. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the long-term ratings. Credit rating information is supplied by Link Group, our treasury advisors, on all active counterparties that comply with the criteria below in table 5.9.

5.89 Ratings will not be the sole determinant of the quality of an institution; the financial sector will be continuously monitored on both micro and macro basis and in relation to the economic and political environments in which these institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this, the council will engage with its advisors to watch the market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.

5.90 Other information sources used will include the financial press, share price and other such information relating to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties. For local authority or related counterparties, the financial standing and other available information will be considered before placing investments.

5.91 Where applicable consideration will be given to the materiality of expected credit losses for treasury investments before they are used.

5.92 The counterparty list for treasury investments will be revised from time to time and submitted to council for approval as necessary.

5.93 In its selection process, the council will apply its approved minimum criteria to the lowest available rating for any institution. Credit rating information is supplied by Link Asset Services; the Council’s treasury consultants. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list.

5.94 Any rating changes, rating watches (notification of a possible change), rating Any rating changes, rating watches (notification of a possible change), rating outlooks (notification of a possible longer-term change) are provided to officers almost immediately after they occur and this information is considered before dealing. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Where a credit rating agency announces that a rating is on review for possible downgrade so that it may fall below the approved minimum rating criteria, then future investments (other than existing investments) will not be made with that organisation until the outcome of the review is announced. Building Societies will be subject to an additional criterion where the assets on their balance sheet are taken into account to asses credit worthiness. The counterparty list will therefore permit investment with building societies where their credit ratings are below the minimum for banks, but where the assets on the building societies balance sheet exceed £2.5bn.

5.95 The list of types of investment instruments that the treasury management team are authorised to use are categorised as specified and non- specified investments.

- **Specified investments** that the Council will use are high security and high liquidity investments in sterling and with a maturity of no more than a year.
- **Non-specified investments** are high security, high credit quality, in some cases more complex instruments for periods in excess of one year.

5.96 The council will consider the use of new investment instruments after careful consideration by officers and approval by council.

5.97 While all investments will be denominated in sterling, investments will only be placed with counterparties from countries with a specified minimum sovereign rating in table 5.10.

5.98 Lending and transaction limits for each counterparty will be set in the Treasury Management Principles (TMPs) through applying the matrix table 5.9 below.

Table 5.9: specified and non-specified investment approved instruments and limits

Counterparty/Financial instrument	Minimum Long-term Credit Criteria or Equivalent	Specified Investments		Non-specified Investments	
		Maximum duration	Counterparty Limit (£m)	Maximum duration	Counterparty Limit (£m)
DMAF - UK Government	n/a	3 months	£30m	n/a	n/a
UK Government gilts	UK Sovereign rating	12 months	£15m	3 years	£5m
UK Government Treasury bills	UK Sovereign rating	6 months	£10m	n/a	n/a
Money Market Funds - CNAV	AAA	Liquid	£10m per fund £25m overall limit	n/a	n/a
Money MARKET Funds - LVNAV	AAA			n/a	n/a
Money Market Funds - VNAV*	AAA			n/a	n/a
UK Local Authority term deposits (LA)**	n/a	12 months	£13m per LA	5 years	£5m per LA
Term Deposits with UK Building Societies	Assets worth at least £2.5bn but do not meet the minimum Bank/Building Society credit Criteria	12 months	£5m	n/a	n/a
Banks/UK Building Societies (Term deposits, CD, Call & Notice accounts)	AAA	12 months	£20m	2 years	£10m
Banks/UK Building Societies (Term deposits, CD, Call & Notice accounts)	AA+ AA	12 months	£17m	12 months	£5m
Banks/UK Building Societies (Term deposits, CD, Call & Notice accounts)	AA- A+ A	12 months	£10m	n/a	n/a
Banks/UK Building Societies (Term deposits, CD, Call & Notice accounts)	A-	6 months	£5m	n/a	n/a
The Authority's own banker	A-	12 months	£15m (for day to day operational working capital requirements – not for investment purposes)	Non-specified investment if banker fails to meet the minimum credit criteria	balances will be minimised as far as is possible.
Property Funds	Credit loss analysis, financial and legal due diligence	n/a	n/a	n/a	£5m per fund
Loan Capital and other third party loans including parish councils	Subject to financial & legal due diligence	considered on individual basis	n/a	considered on individual basis	n/a

* Specialist advice will be obtained before the use of VNAV money market funds
** Local authorities will reviewed in line with CIPFA suggested indicators

5.99 The identification and rationale supporting the selection of these investments, the maximum limits and monetary limits to be applied are set out in table 5.9 above.

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

Sovereign limits

5.101 Alongside changes in banking regulations which are focused on improving the banking sectors resilience to financial and economic stress, due care will be taken to consider the country, group and sector exposure of the Council's investments.

5.102 The Council will only use approved counterparties from the UK and countries with a sovereign credit rating from the three main rating agencies equal to or above AA-. In addition:

- No more than 20% will be placed with any non-UK country at any time and would always be sterling investments
- Sector limits will be monitored regularly for appropriateness.

5.103 Due to the current economic outlook for the UK economy, the UK sovereign rating is currently on the lowest acceptable level suggested for approved countries of AA-. However, if credit rating agencies downgrade the UK below AA- (the minimum Sovereign rating for 2024/25), the council will immediately seek advice from its treasury adviser and report to cabinet at the earliest possible reporting date.

Table 5.10: Sovereign rating for 2023/24

AAA	Sweden	**AA**
Australia	Switzerland	Abu Dhabi (UAE)
Denmark		France
Germany	**AA+**	**AA-**
Luxembourg	Canada	Belgium
Netherlands	Finland	Hong Kong
Norway	USA	Qatar
Singapore		U.K.

Bank of England iteration UK bank stress tests

5.104 In addition to the use of credit ratings provided by the three main rating agencies the other factors identified in paragraphs 5.72 and 5.73 will be taken into consideration when selecting UK banks.

Money Market Funds (MMFs)

5.105 Money market funds are pooled investment vehicles consisting of instruments similar to those used by the council. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager and analyst team. Fees are deducted from the interest paid to the council.

Building societies

5.106 Although the regulation of building societies is no longer any different to that of banks, the council may use building societies which meet the minimum credit rating for Banks and Building Societies or have a minimum asset size of £2.5bn but will restrict these types of investments to fixed deposits subject to lower cash limit and shorter time limit.

Current account banking

5.107 The council's current accounts are held with Barclays Bank UK Plc (Ring Fenced Bank RFB). In the event of the credit rating of Barclays Bank UK Plc (RFB) falling to a point lower than the council's minimum credit criteria of A- long term rating, the council will treat its bank as "high credit quality" for the purpose of making investments that can be withdrawn on the next working day.

UK banks – ring fencing

5.108 The council will continue to assess any newly formed entities against existing criteria and those with sufficiently high ratings will be considered for investment purposes.

Investment risk benchmarking

5.109 These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or annual Treasury Management report.

5.110 **Security benchmark** – Counterparty risk will increase as duration of investment increases. The council will continue its policy of investing the majority of its investments with duration of less than 12 months. The councils security risk benchmark for the current portfolio, when compared to the historic default tables is 0.04%. This benchmark is an average risk of default measure and will be monitored retrospectively and action taken to manage the security risk when considering future investments.

5.111 **Liquidity** – in respect of this area the council seeks to maintain:

- Bank overdraft – zero balance
- Liquid short-term deposits of at least £1m available with a week's notice.
- Weighted average life benchmark is expected to be 0.50 years, with a maximum of 1.00 year. However, this benchmark may change if the Council decides to invest longer than 12 months.

5.112 **Yield** - local measures of yield benchmarks are:

- Investments – internal returns above the 7-day SONIA (Sterling Overnight Index Average) rate.

Ethical investment

5.113 The council will not knowingly invest directly in businesses whose activities and practices pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the council's mission and values.

5.114 This applies to direct treasury investment only. The council's normal money market activity would usually be with financial institutions which may have unknown indirect links with companies which the council will be unable to monitor. However, where known links are publicly available the council will not knowingly invest.

Environmental, Social and Corporate Governance Policy

5.115 The updated Treasury Management Code published in December 2021 included a requirement under TMP1 that 'the organisation's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations'. The Code acknowledges that this is a developing area, and it is not implied that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at the individual investment level. The council will continue to review and build on the emerging guidance in this area of treasury management as well as seek updates on good practice from its Treasury Management advisors.

5.116 The Council recognises that environment, social and governance (ESG) factors can influence investment performance and the ability to achieve sustainable returns. The Councils Treasury Management (TM) Committee therefore considers the following two key areas of responsible investment:

- Corporate Governance – acting as responsible and active investors.
- Sustainable investment – considering the financial impact of environmental, social and governance (ESG) factors on its investments.

5.117 The TM Committee takes ESG matters very seriously and will regularly conduct reviews of its policies in this area with advice from its Treasury Advisors. The TM Committee has developed the following responsible investment beliefs.

- The TM Committee has an overriding duty to manage its investments in accordance with the Committees Terms of reference and the council's legal obligation under the Local Government Act 2003;
- The Committee will adopt the relevant codes of practice and guidance issued by CIPFA (Chartered Institute of Public Finance & Accountancy) and the DLUHC (Department for Levelling Up, Housing and Communities) including CIPFA's Treasury Management Code of practice and the Prudential Code.
- The TM Committee consider proactive management of our ESG approach and will therefore encourage the Council's TM Advisers to actively engage with officers and the financial markets to identify suitable counterparty's and investments.

5.118 As part of their Environmental, Social and Governance (ESG) considerations, our TM Advisors should review the market for approaches to environmental factors such as fossil fuels and climate change along with Social factors such as employee rights and Governance factors such as compliance with standard industry practice and Legislation.

5.119 The TM Committee expects its advisors to demonstrate a positive review of the market in response to:

- Matters of social responsibility.
- Environmental policy on how their impact can be minimised.
- Monitor risks and opportunities associated with climate change and fossil fuels.
- Anticipate future legislative requirements.

5.120 As part of the Council's Counterparty list, the Council has access to a Sustainable triple A rated Money Market Fund. This allows the Council to place up to £10M of its surplus cash in an ESG focused fund which is low risk provides next day liquidity and market rate return.

Policy on charging interest to the Housing Revenue Account (HRA)

5.121 Following the reform of housing finance, the council can adopt its own policy on sharing interest costs and income between the General Fund (GF) and the Housing Revenue Account (HRA).

5.122 The CIPFA Code recommends that authorities state their policy on this matter each year in their treasury management strategy. The charge is required to be fair to the general fund and to the HRA. This council's policy is to charge the HRA with actual interest and an element for any under-borrowing or surplus cash at the Council's pooled borrowing/investment rates.

Policy on use of financial derivatives

5.123 The council will not use standalone derivatives except where they can be clearly demonstrated to reduce the overall level of financial risk that the council is exposed to.

List of Appendices

APPENDIX A

Minimum Revenue Provision (MRP) policy statement

For capital expenditure incurred:

1. In 2023/24, the Authority's MRP policy was subject to a comprehensive review of MRP charges and methodology by the Council's Treasury Advisors. This policy reflects the new MRP calculation methods that have been implemented.
2. For supported capital expenditure incurred before 1st April 2008, the Authority will apply the Asset Life Method using an annuity calculation and will take account of the regulatory calculated Adjustment A, which was a means of maintaining broad neutrality between the old and new MRP systems that took effect prior to April 2008.
3. Unsupported borrowing will be subject to MRP under option 3 of the guidance (Asset Life Method). MRP will be based on the estimated life of the assets in accordance with the statutory guidance using the annuity method, calculated on a weighted average basis.
4. MRP in respect of unsupported borrowing taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset lives as recommended by the statutory guidance.
5. The interest rate applied to the annuity calculations will reflect the market conditions at the time and will, for the current financial year, be based on PWLB annuity rates.
6. Where applicable, repayments included in annual PFI or finance leases are applied as MRP.
7. MRP Overpayments - The MRP Guidance allows that any charges made in excess of the statutory minimum revenue provision (MRP), i.e. voluntary revenue provision (VRP) or overpayments, can be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. The amount of VRP overpayments up to 31st March 2023 was £1.300m
8. MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for asset under construction where the MRP will be deferred until the year after the asset becomes operational.
9. For capital loans to third parties the MRP policy is not to provide MRP on loans where there is an agreed repayment plan.

Appendix B

1. Key Financial, Capital Prudential and Treasury Indicators 2022/23 – 2028/29

Background

1.1 Local government finance is subject to a high level of regulation. There are various codes of practice which the council, under legislation, has a duty to have regard to when taking its budget decisions.

1.2 This section of the report provides information to show the affordability, proportionality, and value of potential risk exposure with regard to the council's proposals for borrowing, lending to third parties, investment in equity shares in third parties, as well as its commercial income streams.

1.3 DLUHC has suggested various financial indices that could be used to fulfil this requirement and recommends that councils should "where appropriate" consider setting self-assessed limits or targets for these indices.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/678866/Guidance_on_local_government_investments.pdf

1.4 For the majority of indicators, the council has not elected to set self-assessed limits. This will be kept under review as better benchmarking data becomes available from other authorities. The annual limit regarding borrowing along with a number of other prudential and Treasury Management indicators are set in the above Treasury Management Strategy.

1.5 The indices chosen as being the most appropriate for the council's circumstances at present take as their starting point figures from the 2022/23 draft statement of accounts and project these forward for this financial year and the five following years. Members should note that at the time of publication the 2021/22 and 2022/23 accounts were still subject to external audit.

1.6 The DLUHC do not specify any indices for the HRA – they are given in the tables that follow where appropriate to do so using locally derived indicators.

Key Financial Indicators Balance Sheet position - strong

1.7 The balance sheet provides a "snapshot" of the council's financial position at a specific point in time showing what it owns and owes. The council currently has a strong balance sheet position. The balance sheet in the draft 2022/23 statement of accounts shows total long-term assets valued at £1.2bn, most of which are land and property assets including the council's HRA housing. The Councils usable Reserves totals £184M

1.8 As at 31 March 2023, the council had external borrowing of £213m (£208m long-term, £5m short-term) which is 18% of the value of the council's assets. In addition, the council had borrowed £108m internally from its own cash holdings to temporarily fund capital expenditure and investments. The total long-term indebtedness of the council at the end of last financial year was therefore £321m (this figure is known as the capital financing requirement (CFR)).

1.9 Long term investments (equity shares) as at the 31 March 2023 include a £3.4m shareholding in Lion Homes (Norwich Ltd (LHL) and £0.370m shareholding in Norwich City Services Ltd (NCSL).

1.10 In the 2022/23 long term debtors, the amounts lent to third parties on commercial terms comprise a £6.150m loan to LHL, £1.140m capital loan to NCSL, a £0.500m working capital loan to NCSL and a £0.104m loan to Norwich Preservation Trust. The council also makes “soft” loans (on non-commercial terms) to others, for example home improvement loans to residents. Only the lending undertaken on commercial terms needs to be considered as part of the requirements arising from the revised Investment Code.

Forecast Balance Sheet position

1.11 The council’s budget proposals contained within this budget report will result in a growing balance sheet both in terms of the long-term assets that will be held by the council (in particular social housing and long-term debtors) as well as its long-term liabilities (its capital financing requirement or underlying need to borrow).

Core Funds and Expected Investment Balances

1.12 The application of resources (reserves, capital receipts 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.). A table detailing estimated year-end balances for each resource and anticipated day-to-day cash flow balances are included in the main Treasury Management Strategy document.

2. Capital Prudential and Treasury Indicators

2.1 Capital Expenditure - The Authority’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 Capital expenditure plans are shown in the Treasury Management Strategy document

2.2 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 Authority’s overall finances.

2.3 The Council’s Capital expenditure plans should be considered alongside the cost of past borrowing, maintenance requirements and planned disposals. The authority’s MRP or loans fund repayment policy will also have a critical impact on the overall affordability of new borrowing. This indicator identifies the trend in the Capital Financing costs are shown as a % net revenue stream (taxation and non-specific grant income excluding capital grants, contributions and donated assets).

	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
	£000	£000	£000	£000	£000	£000	£000
Capital Financing costs as a% of Net Revenue Stream							
Non-HRA	9%	4%	4%	4%	4%	4%	4%
HRA	11%	9%	9%	9%	10%	10%	10%

2.4 This indicator shows the HRA debt per dwelling and shows a consistent estimated debt of £15K per dwelling.

	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
	£000	£000	£000	£000	£000	£000	£000
HRA Debt per Dwelling							
HRA debt £m	208,533	208,533	208,533	208,533	208,533	208,533	208,533
Number of HRA dwellings	14,257	14,239	14,128	14,005	13,908	13,908	13,908
Debt per dwelling £	14,627	14,645	14,760	14,890	14,994	14,994	14,994

Maturity Structure of Borrowing

2.5 Maturity structure of borrowing. These gross limits are set to reduce the Authority's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits. The maturity structure of borrowing are shown in Treasury Management Strategy.

Control of Interest Rate Exposure

2.6 The measures to manage the Control of interest rate exposure (including Interest rate forecasts, Prospect for Interest Rates, Borrowing Strategy and Annual Investment Strategy) are shown in the main Treasury Management Strategy.

3. The Council's non-financial (commercial) investments to net Revenue Stream

3.1 This ratio shows the general fund's dependence on commercial income to deliver core general fund services. The ratio is shown as a % against net revenue stream (taxation and non-specific grant income excluding capital grants, contributions and donated assets).

Net commercial income to Net Revenue Stream

	2022/23 Actual £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/26 Estimate £000	2028/29 Estimate £000
Commercial Property Income	-7,322	-6,423	-6,041	-6,212	-6,212	-6,212	-6,212
Commercial Property Expenditure	3,146	2,623	2,432	2,456	2.468	2,475	2,479
MRP	809	829	850	871	894	916	939
Airport Industrial Net Income	-79	-44	0	0	0	0	0
Net Commercial Property Income	**-3,446**	**-3,015**	**-2,759**	**-2,885**	**-2,850**	**-2.821**	**-2,794**
Lending interest income	-335	-349	-715	-715	-715	-715	-715
Assumed lending cost	152	158	222	242	242	242	242
Net 3rd Party Lending Income	**-183**	**-191**	**-493**	**-473**	**-473**	**-473**	**-473**
Net Commercial Income	**-3,629**	**-3,206**	**-3,252**	**-3,358**	**-3,324**	**-3,294**	**-3,267**
Net Revenue Stream	**-20,121**	**-21,533**	**-22,485**	**-23,295**	**-23,862**	**-24,457**	**-25,080**
Net Commercial Income as a % of Net Revenue Stream	**18%**	**15%**	**14%**	**14%**	**142%**	**13%**	**13%**

3.2 For 2023/24 onwards the net and gross income from Commercial property shown in table 6.3 are based on the proposed budget assumptions. Income from the council’s car parks is not included in this analysis as the primary reason for owning and managing them is not solely for-profit making purposes.

Appendix C

ECONOMIC BACKGROUND

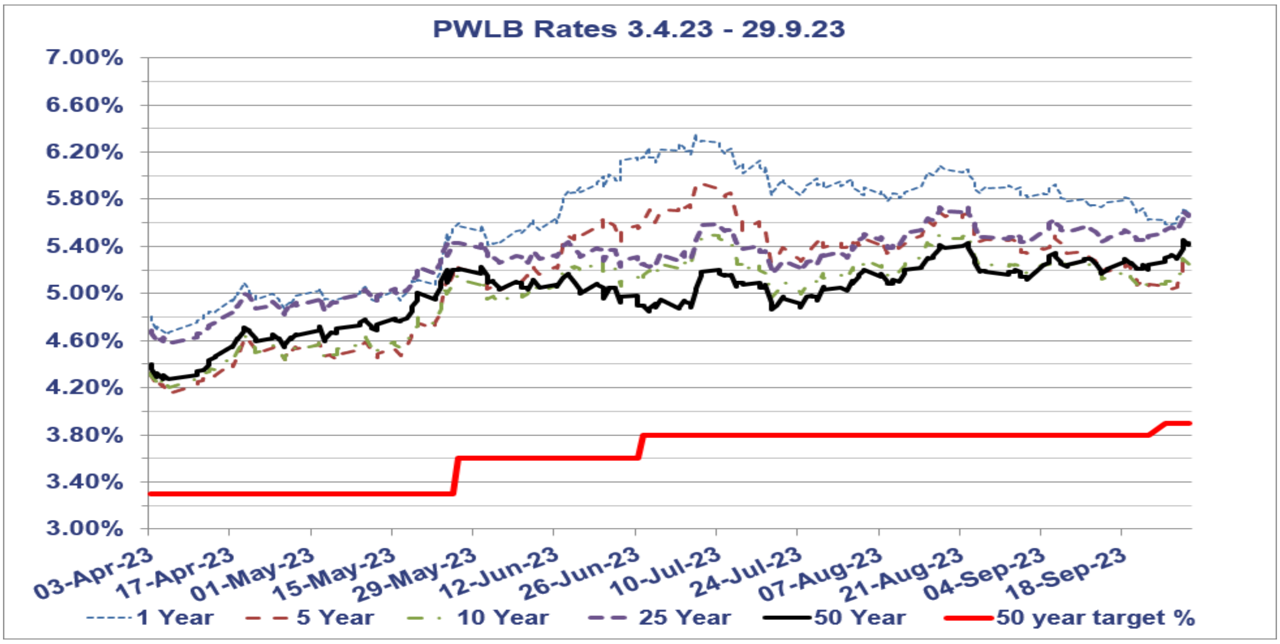
- The first half of 2023/24 saw:
  - Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
  - Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
  - CPI inflation falling from 8.7% in April to 6.7% in September, its lowest rate since February 2022, but still the highest in the G7.
  - Core CPI inflation declining to 6.1% in September from 7.1% in April and May, a then 31 years high.
  - A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose by 7.8% for the period June to August, excluding bonuses).
- The registering of 0% GDP for Q3 suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.
- The fall in the composite Purchasing Managers Index from 48.6 in August to 46.7 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0% q/q rise in real GDP in the period July to September, being followed by a contraction in the next couple of quarters.
- The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.
- As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of- living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.
- The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.
- But the cooling in labour market conditions still has not fed through to an easing in wage growth. The headline 3myy rate rose 7.8% for the period June to August, which meant

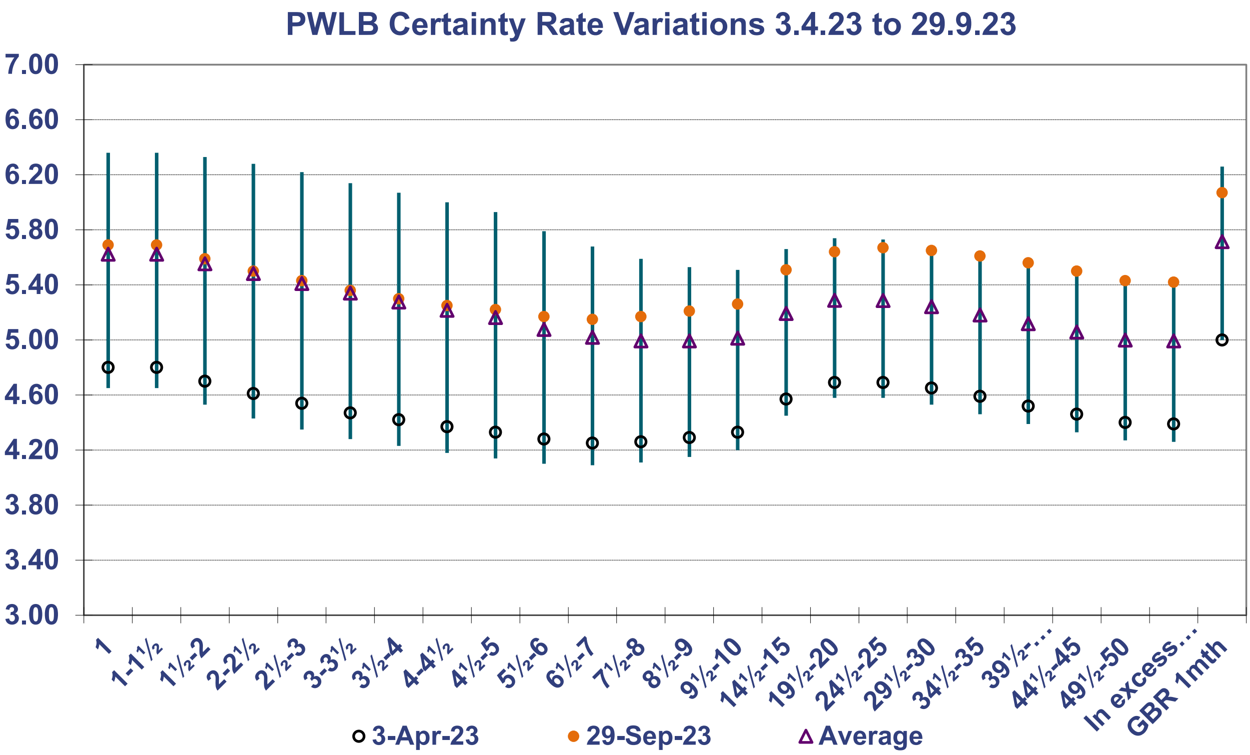
UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular annual average total pay growth for the private sector was 7.1% in June to August 2023, for the public sector this was 12.5% and is the highest total pay annual growth rate since comparable records began in 2001. However, this is affected by the NHS and civil service one-off non-consolidated payments made in June, July and August 2023. The Bank of England's prediction was for private sector wage growth to fall to 6.9% in September.

- CPI inflation declined from 6.8% in July to 6.7% in August and September, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.1%. That reverses all the rise since March.
- In its latest monetary policy meeting on 06 November, the Bank of England left interest rates unchanged at 5.25%. The vote to keep rates on hold was a split vote, 6-3. It is clear that some members of the MPC are still concerned about the stickiness of inflation.
- Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. In terms of messaging, the Bank once again said that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures", citing the rise in global bond yields and the upside risks to inflation from "energy prices given events in the Middle East". So, like the Fed, the Bank is keeping the door open to the possibility of further rate hikes. However, it also repeated the phrase that policy will be "sufficiently restrictive for sufficiently long" and that the "MPC's projections indicate that monetary policy is likely to need to be restrictive for an extended period of time". Indeed, Governor Bailey was at pains in his press conference to drum home to markets that the Bank means business in squeezing inflation out of the economy.
- This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates in the future.

In the table below, the rise in gilt yields across the curve as a whole in 2023/24, and therein PWLB rates, is clear to see.

PWLB RATES 01.04.23 - 29.09.23





HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.23 – 29.09.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.14%	4.20%	4.58%	4.27%
Date	06/04/2023	06/04/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.51%	5.73%	5.45%
Date	06/07/2023	07/07/2023	22/08/2023	17/08/2023	28/09/2023
Average	5.62%	5.16%	5.01%	5.29%	5.00%
Spread	1.71%	1.79%	1.31%	1.15%	1.18%

The peak in medium to longer dated rates has generally arisen in August and September and has been primarily driven by continuing high UK inflation, concerns that gilt issuance may be too much for the market to absorb comfortably, and unfavourable movements in US Treasuries.

The S&P 500 and FTSE 100 have struggled to make much ground through 2023.

CENTRAL BANK CONCERNS

Currently, the Fed has pushed up US rates to a range of 5.25% to 5.5%, whilst the MPC followed by raising Bank Rate to 5.25%. EZ rates have also increased to 4% with further tightening a possibility.

Ultimately, however, from a UK perspective it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

Appendix D

TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Cabinet and Full council – Responsible Body

- receiving and reviewing reports on treasury management policies, practices and activities.
- approval of annual strategy.
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices.
- budget consideration and approval.
- approval of the division of responsibilities.
- receiving and reviewing regular monitoring reports and acting on recommendations.
- approving the selection of external service providers and agreeing terms of appointment.

(ii) Treasury Management Committee - Body with responsibility for scrutiny

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

The above list of specific responsibilities of the S151 officer in the 2021 Treasury Management Code has not changed. However, implicit in the changes in both Codes, is a major extension of the functions of this role, especially in respect of non-financial investments, (which CIPFA has defined as being part of treasury management).

- preparation of a Capital Strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe *(say 20+ years – to be determined in accordance with local priorities.)*
- ensuring that the Capital Strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the Authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the Authority does not undertake a level of investing which exposes the Authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by the Authority
- ensuring that the Authority has adequate expertise, either in house or externally provided, to carry out the above

- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following (TM Code p54): -
    - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;

    - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;

    - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

    - Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;

    - Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

Item 6

Committee Name: Treasury Management Committee

Committee Date: 09/01/2024

Report Title: Effective Scrutiny of Treasury Management Draft Self-Assessment

Portfolio: Councillor Kendrick, resources

Report from: Interim Chief Finance Officer (S.151)

Wards: All Wards

Open PUBLIC ITEM

Purpose

This report sets out the Draft Effective Scrutiny of Treasury Management Self-Assessment.

Recommendation:

That the Treasury Management Committee notes the report and the draft Effective Scrutiny self-assessment questionnaire.

Policy Framework

The Council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report meets the Norwich City Council is in good shape to serve the city corporate priority

This report meets the regulatory and best practice guidance governing Treasury Management in Local Authorities.

Report Details

1. Attached at Appendix A is the draft Effective Scrutiny of Treasury Management Self-Assessment.

2. The Council is required by CIPFA's Treasury Management Code of Practice to nominate a responsible body for the scrutiny of treasury management strategy and policies. The Treasury Management Committee fulfils this requirement for the City Council

3. In order to undertake this role effectively, the nominated committee will require support, training and guidance and the self-assessment questionnaire helps develop and review areas where support and training is needed.

Consultation

4. The report introduces the draft the draft Effective Scrutiny self-assessment questionnaire to ensure that council meet its regulatory and best practice requirements. No additional consultation has been undertaken.

Implications

Financial and Resources

5. There are no proposals in this report that would reduce or increase resources however the Treasury Management Committee does report on the performance of the council in managing its borrowing and investment resources which have significant financial implications for the council.

Legal

6. The Council is required by CIPFA's Treasury Management Code of Practice to nominate a responsible body for the scrutiny of treasury management strategy and policies.

Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	n/a
Health, Social and Economic Impact	n/a
Crime and Disorder	n/a
Children and Adults Safeguarding	n/a
Environmental Impact	n/a

Risk Management

Risk	Consequence	Controls Required
Insufficient skills and knowledge to provide effective TM scrutiny.	Demonstrating compliance with the Treasury Management Code, scrutiny is an important part of ensuring effective governance of treasury management.	Identify any areas where support or training is needed to ensure the development of effective scrutiny.

Other Options Considered

7. No other options to be considered. .

Reasons for the decision/recommendation

8. To ensure that the council is kept informed of treasury activity and that those charged with undertaking the scrutiny function for treasury activities are fully and appropriately trained and supported.

Background papers: None

Appendices:

Appendix A – Effective Scrutiny of Treasury Management Draft Self-Assessment

Contact Officers:

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IN TRAN communication for all	If you would like this agenda in an alternative format, such as a larger or smaller font, audio or Braille, or in a different language, please contact the committee officer above.

Appendix A

CIPFA - Effective Scrutiny of Treasury Management - Self-assessment by members responsible for the scrutiny of treasury management - DRAFT

CIPFA's Treasury Management In The Public Services: Code of Practice and Cross-sectoral Guidance Notes (2021 edition) requires public service organisations to nominate a responsible body for the scrutiny of treasury management strategy and policies. To undertake this role effectively, the nominated committee will require support, training and guidance. CIPFA's publication Audit Committees: Practical Guidance for Local Authorities and Police (2022 edition) provides guidance for the audit committee if it is nominated to take on the scrutiny role. It also identifies core areas of knowledge committee members would need to undertake this role effectively.
Effective scrutiny is important. As well as demonstrating compliance with the Treasury Management Code, scrutiny is an important part of ensuring effective governance of treasury management.

- It helps develop a better understanding of the treasury risks faced by the organisation.
- It helps ensure better decision making on strategy and policy matters.
- It improves accountability and transparency.
- It improves knowledge and understanding of treasury matters among the members of the governing body.

This self-assessment tool has been designed to support the development of effective scrutiny. There are several ways it can be used, including the following.

- For self-assessment by the committee responsible for undertaking the scrutiny.
- For self-assessment by the responsible committee with additional input from the audit committee (where the audit committee doesn't undertake this function directly).
- For review as part of an internal audit of treasury management.
- For review by the treasury officers/finance team responsible for reporting to the committee.

The most important thing is that the review is used to identify any areas where support or training is needed to ensure the development of effective scrutiny.
This assessment tool replaces the 2014 edition.
CIPFA Better Governance Forum and Treasury Management Network 2022

Aspects of delivering effective scrutiny	Yes	No	Partly	Comments/examples	Action plan for improvement or development
Clearly defined responsibility					
Has the organisation nominated a responsible committee for scrutiny in compliance with the CIPFA Treasury Management Code of Practice?	Yes			The Treasury Management Committee has been set up to scrutinise the TM process.	
Does the committee responsible for scrutiny have appropriate and up-to-date terms of reference outlining its role in relation to treasury management?	Yes			Terms of reference (Constitution, Treasury Management Committee) 2022-11-14\terms of reference.docx	
Knowledge and training					
Do those responsible for scrutiny have an appropriate level of knowledge in the following areas:					
• Regulatory requirements?	Yes			Reports to Committee include details of the regulatory requirements and treasury risks.	
• Treasury risks?	Yes				
• The organisation's treasury management strategy?	Yes			The Council's TM Strategy is available on the NCC website; here below is a link to the appropriate webpage: Treasury management strategy | Treasury management strategy | Norwich City Council	

Aspects of delivering effective scrutiny	Yes	No	Partly	Comments/examples	Action plan for improvement or development
• The organisation's policies and procedures in relation to treasury management?	Yes			Training was provided by our advisors (Link Group) to all Members and Officers at the Committee meeting on 14 November 2022. Updated training was provided online by our advisors (Link Group) to all Members and Officers at the Committee meeting on 4 July 2023.	
Have committee members been provided with training for their role?	Yes			As well as the training completed on the 14 November 2022 and the training completed on the 4 July 2023, training for Members and Officers is on a continual basis; Members are made aware of suitable training events. CIPFA-led training was offered in October 2023 and further opportunities will be identified and shared.	Further training will be completed by Members and Officers; all training is recorded in the TM training log; a copy of which is available upon request.
Support for effective scrutiny					
Has adequate time been made on the committee agenda to allow for sufficient scrutiny to take place?	Yes			The TM Committee has a workplan and this is refreshed and agreed annually, to ensure agendas are not overly crowded and allow time for scrutiny.	

Aspects of delivering effective scrutiny	Yes	No	Partly	Comments/examples	Action plan for improvement or development
Have reports and briefings been provided in good time to committee members?	Yes			Reports are circulated in accordance with the distribution of agenda deadlines in accordance with statutory deadlines.	
Have reports and briefings been presented to the committee with adequate explanations and minimal jargon?	Yes			Reports include detailed analysis of the key capital and prudential indicators.	

Aspects of delivering effective scrutiny	Yes	No	Partly	Comments/examples	Action plan for improvement or development
Coverage of the required areas					
During the past year, has the committee undertaken scrutiny as follows:					
• Reviewed whether appropriate policy and procedures have been adopted?			Partly	The TM Committee has now been in operation for just over one year. Its role and the role of Members continues to develop.	Reviews and training are ongoing.
• Reviewed the robustness of the process for strategy development – for example, whether option appraisals and opportunity costing have been used?			Partly	The TM Committee has now been in operation for just over one year. Its role and the role of Members continues to develop.	Reviews and training are ongoing.
• Received regular briefings on performance, issues and trends affecting treasury management?	Yes			The TM Committee has now been in operation for just over one year. Its role and the role of Members continues to develop.	Reviews and training are ongoing.
• Reviewed the organisation's risk profile and treasury risks and how these are managed?			Partly	The TM Committee has now been in operation for just over one year. Its role and the role of Members continues to develop.	Reviews and training are ongoing.

Aspects of delivering effective scrutiny	Yes	No	Partly	Comments/examples	Action plan for improvement or development
• Reviewed the role of external advisors and the adequacy of other sources of financial information?	Yes			The TM Committee has now been in operation for just over one year. Its role and the role of Members continues to develop.	Reviews and training are ongoing.
• Reviewed assurances on treasury management, including internal audit reports and management reports?			Partly	The TM Committee has now been in operation for just over one year. Its role and the role of Members continues to develop.	Reviews and training are ongoing.
During the past year, has the committee scrutinised how effectively decision-making bodies are performing their roles as defined by clauses 2 and 3 in the Treasury Management Code of Practice? For instance, does the committee know whether the nominated body responsible for implementation and monitoring (clause 3) has carried out this role satisfactorily?			Partly	The TM Committee has now been in operation for just over one year. Its role and the role of Members continues to develop.	Reviews and training are ongoing.
Quality of scrutiny					
Is the committee able to demonstrate its effectiveness in providing scrutiny in any of the following ways:					

Aspects of delivering effective scrutiny	Yes	No	Partly	Comments/examples	Action plan for improvement or development
• Questioning and constructive challenge?			Partly	The TM Committee has now been in operation for just over one year. Its role and the role of Members continues to develop.	Reviews and training are ongoing.
• Recommendations for additional actions?			Partly	The TM Committee has now been in operation for just over one year. Its role and the role of Members continues to develop.	Reviews and training are ongoing.
• Ensuring that adequate plans are in place to provide assurance?			Partly	The TM Committee has now been in operation for just over one year. Its role and the role of Members continues to develop.	Reviews and training are ongoing.
• Following up any recommendations or action plans?			Partly	The TM Committee has now been in operation for just over one year. Its role and the role of Members continues to develop.	Reviews and training are ongoing.
• Providing a report to full council on the scrutiny undertaken?			Partly	The TM Committee has now been in operation for just over one year. Its role and the role of Members continues to develop.	Reviews and training are ongoing.

Impact of scrutiny					
Is the committee able to demonstrate the impact of undertaking scrutiny?	Yes			The TM Committee has now been in operation for just over one year. Its role and the role of Members continues to develop.	Reviews and training are ongoing.

Completion date of assessment: 9 January 2024
Completed by: Treasury Management Committee