

<b>Report Title:</b>	2026/27 Treasury Management Strategy		
<b>Report to:</b>	Cabinet	<b>Date:</b>	11 <sup>th</sup> February 2026
<b>Report of:</b>	Director of Resources	<b>Cabinet Portfolio</b>	Resources
<b>Cabinet Lead Member</b>	Councillor Walmsley	<b>Wards Affected</b>	All
<b>Key Decision:</b>	<input checked="" type="checkbox"/> Forward Plan	<input checked="" type="checkbox"/> General Exception	<input type="checkbox"/> Special Urgency
<b>Integrated Impact Assessment:</b>			
Required:		No	Attached: No
<b>Contact Officer:</b>	Chris Warren	<b>Telephone:</b>	01706 252409
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<b>Valley Plan Priorities</b>	<b>Thriving Local Economy:</b> This involves securing new inward investment, creating a sustainable economy, matching local skills with future job opportunities, and supporting town centres as unique destinations.	<input type="checkbox"/>
	<b>High Quality Environment:</b> This includes having a "clean and green" local environment, reducing the borough's carbon footprint, improving waste and recycling rates, and delivering new homes with a good mix of housing tenures.	<input type="checkbox"/>
	<b>Healthy &amp; Proud Communities:</b> This priority focuses on improving the health and physical/mental wellbeing of residents, reducing health inequalities, ensuring access to better leisure facilities and health services, and fostering a sense of pride in the community.	<input type="checkbox"/>
	<b>Effective &amp; Efficient Council:</b> The aim is to provide good quality and responsive services, embrace new technology, be a financially sustainable council with a commercial outlook, and ensure sound governance.	<input checked="" type="checkbox"/>

## 1. PURPOSE OF THE REPORT AND EXECUTIVE SUMMARY

- 1.1. The purpose of the report is to inform members of the updated Treasury Management Strategy Statement (TMS) and Treasury Management Policy and Practices (TMP).
- 1.2. For consideration at Full Council, Members will be asked to approve the adoption of the Treasury Management Strategy Statement and Treasury Management Policy and Practices, which will ensure continued compliance with the Code and continue to manage the council's exposure to financial risk.
- 1.3. In light of the current economic climate and potential resultant changing cash flow requirements, Members are asked to delegate any minor amendments required within year to the Director of Resources in consultation with the Lead Member for Resources.

## 2. RECOMMENDATIONS

**Cabinet recommends that Council approves:**

- 2.1 The Treasury Management Strategy Statement, including the borrowing strategy.
- 2.2 The Investment Strategy, including Investment Indicators.

**2.3 The Minimum Revenue Provision (MRP) Statement.**

**2.4 To delegate any further minor amendments to the Director of Resources (s.151) in consultation with the Lead Member for Resources.**

**3. BACKGROUND AND REASON FOR THE DECISION**

3.1 This is an annual update of the Treasury Management Strategy Statement (Appendix 1) and the Treasury Management Policy and Practices (Appendix 2), based upon the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Treasury Management and Prudential Codes 2021.

3.2 Treasury management is concerned with how organisations manage their cash resources, and its scope covers borrowing, investment and hedging instruments and techniques. Risk is inherent in all treasury management activities and it is necessary to balance risk and return. In the public services it is generally considered that the priority is to protect capital rather than maximise return.

3.3 The Treasury Management Strategy for 2026/27 at Appendix 1 is written in conjunction with both the revenue budget for 2026/27 and the Capital Strategy and Capital Programme 2026/27 to 2027/28 which are also being placed before members for consideration, specifically in respect of the TMS at Appendix 1 key clauses as follows:

- Capital Strategy at 1.2.1
- Capital Expenditure at 2.1 and 5.1.1
- The Capital Financing Requirement (CFR) at 2.2
- Minimum Revenue Provision (MRP) and Voluntary Revenue Provision (VRP) at 2.5
- Interest expenditure and income at 2.1
- Credit Worthiness Policy at 4.2

3.4 The interest rates quoted at paragraphs 3.3 and 5.2 of the strategy reflect the average of samples gathered by MUFG Asset Services as at the 11<sup>th</sup> August 2025 from city and non-city forecasters, including HM Treasury. The forecasts are an estimate based on today’s financial climate. Whilst forecasters are comparatively confident about their estimates for the coming financial year, those for longer term are far less reliable.

3.5 The Treasury Management Strategy Statement covers:

- treasury controls and reporting mechanisms required to limit the treasury risk and activities of the Council
- the current and expected cash and reserve balances at (2.4)
- the borrowing requirement and borrowing limits at (3.1)
- prospects for interest rates at (3.3)
- policy on borrowing in advance of need at (3.5)
- the investment strategy and expected rates of return at (4.4)
- Prudential Indicators and the MRP strategy at (5.1)
- treasury management scheme of delegation at (5.6) and the relevant roles and responsibilities of delegated officers at (5.7)

3.6 As part of the council’s budget-setting work the estimates of future interest rates, capital

resources and expenditure and capital financing costs (through the Minimum Revenue Provision) have been included in arriving at a balanced budget for 2026/27.

- 3.7 The Treasury Management Policy and Practices at Appendix 2 provide further operational detail on the plans within the Treasury Management Strategy Statement. For 2026/27 there have been only very minor amendments to the Treasury Management Policy and Practises to cover the works with related parties and subsidiaries and to keep it in line with updates in the TMS above.
- 3.8 The Treasury Management Practises cover:
- risk management arrangements and techniques
  - performance measurement
  - decision making and operational controls within the day-to-day administration of treasury and cash flow management
  - measures to prevent money laundering
  - training requirements for staff included within the delegation arrangements in the Treasury Management Strategy Statement
  - further details on the use of external service providers
- 3.9 At times of low interest rates from banks, one alternative use of resources open to the council is the pre-payment of revenue creditors in order to achieve early payment discounts. These transactions are not treated as investments, therefore do not fall under the TMS or TMPs in the appendices attached. However, the same considerations of risk and reward should be considered prior to entering into any such agreement. The Director of Resources must be sure of the nature and obligation of the future transactions, their expected value and the credit worthiness of the supplier/counterparty involved. At present there are neither arrangements in place nor plans to enter into such agreements.

#### **4. RISK**

- 4.1 The key risks associated with the strategy include:
- An unexpected increase/decrease in bank base rates.
  - An unexpected reduction in cash balances. Each individual opportunity would be assessed on its own merits and reported to members at the next available opportunity.
- 4.2 All the issues raised and the recommendations in this report also involve risk considerations as set out below:
- Failure to comply with legal statute, Codes of Practice and regulations of the council.
  - Financial risks and credit risks exposure as a result of treasury management decisions. The TMS lays the ground rules for balancing the desire to maximise interest earning capacity with the potential risks of investments in the financial sector, especially in the current economic climate.

#### **5. SECTION 151 OFFICER COMMENTS (FINANCE)**

- 5.1 Finance matters are dealt with in the body of the report.

#### **6. MONITORING OFFICER COMMENTS (LEGAL)**

- 6.1 There are no material legal implications.

#### **7. INTERGRATED IMPACT ASSESSMENT IMPLICATIONS**

7.1 Not Applicable.

## **8. POLICY/STRATEGY FRAMEWORK IMPLICATIONS**

- 8.1 Consultation has taken place with the Council's treasury management advisors – MUFG Asset Services.
- 8.2 Officers have ensured that the documents attached meet the requirements of the current CIPFA revised Treasury Management Code of Practice and revised Prudential Code 2021 by adopting the proforma documents provided by MUFG Asset Services with only minor adaptations for local considerations.

## **9. LOCAL GOVERNMENT REORGANISATION IMPLICATIONS**

- 9.1 A decision has been made in 2026/27 at the time of writing, to produce a two year MTFS due to local government reorganisation.

## **10. BACKGROUND PAPERS**

- 10.1 Previously adopted 2025/26 Treasury Management Strategy and Treasury Management Practices [5th March 2025: Council | Rossendale Borough Council](#)



# Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement  
and Annual Investment Strategy  
**2026/27**



Effective and Efficient Council

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# 1. Key considerations

1. **2021 revised CIPFA Treasury Management Code and Prudential Code – changes which will impact on future TMS/AIS reports and the risk management framework**

CIPFA published the revised Codes on 20th December 2021 and stated that revisions need to be included in the reporting framework from the 2023/24 financial year. This Authority, therefore, has to have regard to these Codes of Practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

**The revised Treasury Management Code required all investments and investment income to be attributed to one of the following three purposes: -**

## **Treasury management**

Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

## **Service delivery**

Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

## **Commercial return**

Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to an authority's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

**The revised Treasury Management Code requires an authority to implement the following: -**

2. **Adopt a liability benchmark treasury indicator** to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained;
3. **Long-term treasury investments**, (including pooled funds), are to be classed as commercial investments unless justified by a cash flow business case;
4. **Pooled funds** are to be included in the indicator for principal sums maturing in years beyond the initial budget year;
5. Amendment to the **knowledge and skills register** for officers and members involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each authority;
6. **Reporting to members is to be done quarterly**. Specifically, the Director of Resources (s.151) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The s.151 officer is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the Authority's integrated revenue, capital and balance sheet monitoring;

7. **Environmental, social and governance (ESG)** issues to be addressed within an authority's treasury management policies and practices (TMP1).

**The main requirements of the Prudential Code relating to service and commercial investments are: -**

1. The risks associated with service and commercial investments should be proportionate to their financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services;
2. An authority must not borrow to invest for the primary purpose of commercial return;
3. It is not prudent for local authorities to make any investment or spending decision that will increase the CFR, and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority, and where any commercial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose;
4. An annual review should be conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;
5. A prudential indicator is required for the net income from commercial and service investments as a proportion of the net revenue stream;
6. Create new Investment Management Practices to manage risks associated with non-treasury investments, (similar to the current Treasury Management Practices).

**The Authority's Capital Strategy or Annual Investment Strategy should include: -**

1. The Authority's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the Authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;
2. An assessment of affordability, prudence and proportionality in respect of the Authority's overall financial capacity (i.e., whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services);
3. Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;
4. Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);
5. Requirements for independent, expert advice and scrutiny arrangements, noting that while business cases may provide some of this material, the information they contain should be periodically re-evaluated to inform the Authority's overall strategy;
6. State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return.



As this TMS and AIS deals solely with treasury management investments, the categories of service delivery and commercial investments should be addressed as part of the Capital Strategy report.

However, as investments in commercial property have implications for cash balances managed by the treasury team, it will be for each authority to determine whether to add a high level summary of the impact that commercial investments have, or may have, if it is planned to liquidate such investments within the two year time horizon of this report, (or a longer time horizon if that is felt appropriate).

## **1.1 Background**

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

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

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

CIPFA defines treasury management as:

*"The management of the local authority's borrowing, investments and cash flows, 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."*

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.

## **1.2 Reporting Requirements**

### **1.2.1 Capital Strategy**

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

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.

## 1.2.2 Treasury Management Reporting

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

- a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers: -
  - the capital plans, (including prudential indicators)
  - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
  - the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
  - an Annual Investment Strategy, (the parameters on how investments are to be managed)
- b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, members will receive quarterly update reports.
- c. **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

### Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Full Council. This role is undertaken by the Cabinet.

**Quarterly reports** – In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June, September, December and March) is also required. However, these additional reports do not have to be reported to Full Council/Board but do require to be adequately scrutinised. This role is undertaken by the Cabinet. (The reports, specifically, should comprise updated Treasury/Prudential Indicators.)

## 1.3 Treasury Management Strategy for 2026/27

The strategy for 2026/27 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

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.

## 1.4 Training

This organisation recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer will recommend and implement the necessary arrangements, including the specification of the expertise, knowledge and skills required by each role or member of staff.

The responsible officer will ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

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

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

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

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

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

Member training took place during 2025/26, further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed and actioned.

A formal record of the training received by officers central to the Treasury function will be maintained by Director of Resources. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained by Member Services.

### **1.5 The Authority uses treasury management consultants, MUFG Treasury Services Limited as its external treasury management advisors.**

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

It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

## 2. THE CAPITAL PRUDENTIAL INDICATORS 2026/27 – 2027/28

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 are prudent, affordable and sustainable.

### 2.1 Capital Expenditure and Financing

This prudential indicator is a summary of the Authority's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts: -

**Table 1**

Capital Expenditure	2026/27 £'000	2027/28 £'000	Total Expenditure £'000
Operations & Communities	10,271	680	10,951
Corporate Services & Buildings	3,420	265	3,685
Housing	2,021	1,000	3,021
Regeneration	12,786	1,737	14,523
Climate change	1,679	-	1,679
<b>Total</b>	<b>30,177</b>	<b>3,682</b>	<b>33,859</b>

Other long-term liabilities - the above financing need excludes other long-term liabilities, such as PFI and leasing arrangements that already include borrowing instruments.

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

**Table 2**

Financing of Capital Expenditure	2026/27 £'000	2027/28 £'000	Total Expenditure £'000
Capital Receipts	3,123	-	3,123
Capital Grants	14,135	2,737	16,872
Capital Reserves	-	-	0
Earmarked Reserves	215	-	215
<b>Total in-year resources</b>	<b>17,473</b>	<b>2,737</b>	<b>20,210</b>
Net Financing need for year	12,704	945	13,649

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

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

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

The CFR includes any other long-term liabilities (for example, finance leases). Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of schemes already include a borrowing facility provided by the lease financier and so the Authority is not required to separately borrow for these schemes.

Members are asked to approve the CFR projections below:

**Table 3**

<b>Capital Financing Requirement (CFR)</b>	<b>2026/27 Estimate £'000</b>	<b>2027/28 Estimate £'000</b>
Opening CFR	18,344	30,346
Movement in CFR	12,002	7
Closing CFR	30,346	30,353
<b>Movement in CFR is represented by</b>		
Net Financing need for year	12,704	945
Less MRP repayments	- 702	- 938
Movement in CFR	12,002	7

The movement in CFR in 2026/27 is £12,002k, which includes the following projects:

- Rossendale Town Centres (CRP)
- Rawtenstall Gyratory (CRP)
- Building of Waste Transfer Station

**Table 4**

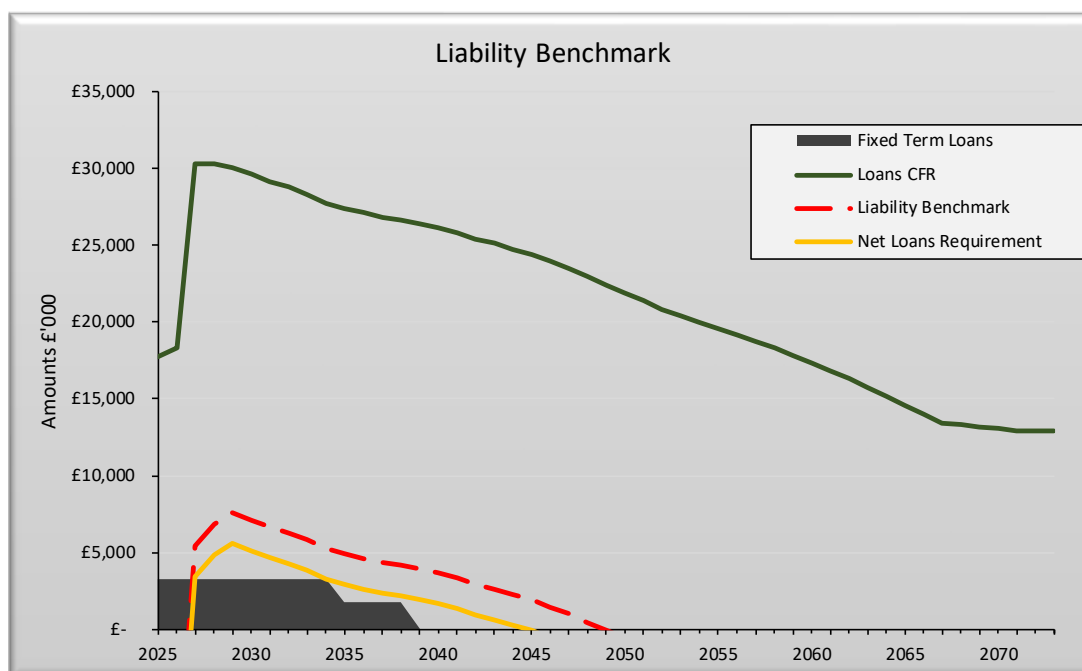
<b>External Borrowing Requirement</b>	<b>2026/27 Estimate £'000</b>	<b>2027/28 Estimate £'000</b>
Service Spend	9,581	945
Housing	450	-
Regeneration	2,673	-
<b>Closing CFR</b>	<b>12,704</b>	<b>945</b>

### 2.3 Liability Benchmark

The Authority is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

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

**Table 5**

## 2.4 Core Funds and Expected Investment Balances

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

**Table 6**

Year End Resources	2026/27 Estimate £000	2027/28 Estimate £000
General Fund Balance	1,000	1,000
Earmarked Reserves	13,941	11,710
Capital Receipts	1,600	-
Government Grants Unapplied	250	100
Net to/(-)from reserves	( 2,231)	( 1,115)
<b>Total Reserves</b>	<b>14,560</b>	<b>11,695</b>
(Under)/Over Borrowing (see 3.1)	( 14,920)	( 14,774)
Expected Resources	( 360)	( 3,079)
<b>Cash Balances</b>	<b>9,000</b>	<b>6,400</b>
Working Capital*	8,640	3,321

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

## 2.5 Minimum Revenue Provision (MRP) Policy Statement

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

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

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

Members are recommended to approve the following MRP Statement:

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

- **Asset life method (annuity)** – MRP will be based on the estimated life of the assets;

Capital expenditure incurred during 2026/27 will not be subject to an MRP charge until 2027/28, or in the year after the asset becomes operational.

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

MRP in respect of assets acquired under Finance Leases or PFI will be charged at an amount equal to the principal element of the annual repayment.

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

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

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

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

Cumulative VRP overpayments made to date are £657k (made in 2018/19).



### 3. BORROWING

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

#### 3.1 Current Portfolio Position

The overall treasury management portfolio as at 31/03/25 and for the position as at 31/12/2025 are shown below for both borrowing and investments.

**Table 7**

<b>Treasury Portfolio</b>	<b>31/03/2025 Actual £000</b>	<b>31/12/2025 Current Portfolio £000</b>
<b>External Borrowing:</b>		
Public Works Loan Board Loan 1	1,840	1,748
Public Works Loan Board Loan 2	1,450	1,400
<b>Total External Borrowing</b>	<b>3,290</b>	<b>3,148</b>
<b>Treasury Investments:</b>		
Nat West	1,817	1,241
Handelsbanken	-	-
Lloyds	2,000	2,000
LCC Call Account	2,000	2,000
DMO	6,000	20,000
<b>Total Treasury Investments</b>	<b>11,817</b>	<b>25,241</b>
<b>Net Borrowing / (Lending)</b>	<b>(8,527)</b>	<b>(22,093)</b>

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 8**

<b>Borrowing Position</b>	<b>2026/27 Estimate £000</b>	<b>2027/28 Estimate £000</b>
Debt at 1st April	3,006	15,426
New Debt	12,704	945
Debt Repayments	( 284)	( 792)
<b>Debt at 31st March</b>	<b>15,426</b>	<b>15,579</b>
PWLB Loan 1	1,472	1,288
PWLB Loan 2	1,250	1,150
Estimated New Debt	12,704	13,141
<b>Capital Financing Requirement (CFR)</b>	<b>30,346</b>	<b>30,353</b>
Under / (over) Borrowing	14,920	14,774

Within the range of prudential indicators there are several key indicators to ensure that the Authority operates its activities within well-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 2026/27 and the following financial year. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes. The Director of Resources reports that the Authority complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes account of current commitments, existing plans and the proposals in this budget report.

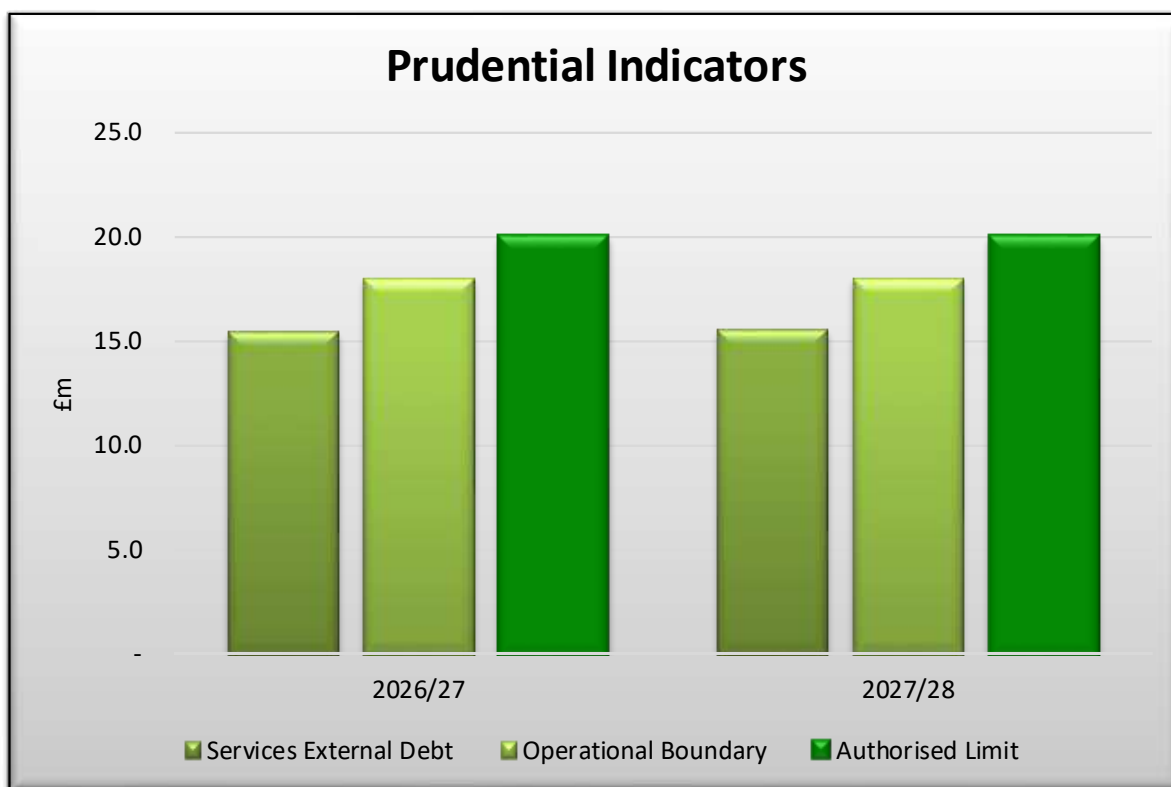
### **3.2 Treasury Indicators: Limits to Borrowing Activity**

- **The Operational Boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under- borrowing by other cash resources.
- Members are asked to approve the following Operational boundary of £18m

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

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all local authority plans, or those of a specific authority, although this power has not yet been exercised.
- Members are asked to approve the following authorised limit of £20m
- In graphical terms the relationship between the total CFR, the current external borrowing and the suggested authorised limits and operational boundaries can be shown below. The prudent level of future potential borrowing is clearly visible as the gap between the forecast CFR and the current and future estimated borrowing levels.

**Table 11**



### 3.3 Prospects for Interest Rates

Members have appointed MUFG Group as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. MUFG provided the following forecasts on 11 August 2025. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

MUFG Corporate Markets Interest Rate View 11/08/2025													
	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
<b>BANK RATE</b>	4.00	4.00	3.75	3.75	3.50	3.50	3.50	3.50	3.25	3.25	3.25	3.25	3.25
<b>3 month ave earnings</b>	4.00	4.00	3.80	3.80	3.50	3.50	3.50	3.50	3.30	3.30	3.30	3.30	3.30
<b>6 month ave earnings</b>	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.30	3.40	3.40	3.40
<b>12 month ave earnings</b>	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.40	3.50	3.60	3.60
<b>5 yr PWLB</b>	4.80	4.70	4.50	4.40	4.30	4.30	4.30	4.20	4.20	4.20	4.20	4.10	4.10
<b>10 yr PWLB</b>	5.30	5.20	5.00	4.90	4.80	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60
<b>25 yr PWLB</b>	6.10	5.90	5.70	5.70	5.50	5.50	5.50	5.40	5.40	5.30	5.30	5.30	5.20
<b>50 yr PWLB</b>	5.80	5.60	5.40	5.40	5.30	5.30	5.30	5.20	5.20	5.10	5.10	5.00	5.00

*Additional notes by MUFG Corporate Markets on this forecast table: -*

- Our last interest rate forecast update was undertaken six months ago, in February 2025. Throughout the intervening period we have successfully forecast a gradual reduction in Bank Rate, although we were not overly persuaded that a cut in August was the correct policy, given even the Bank of England anticipates CPI inflation hitting 4% in the autumn. As it happened, a 5-4 split vote for a rate cut to 4% laid bare the different views within the Monetary Policy Committee, with the accompanying commentary noting the decision was “finely balanced” and that future rate cuts would be undertaken “gradually and carefully”.

- What we also know after last week's release of the Bank of England's Quarterly Monetary Policy Report is that annual UK GDP is expected to be in the region of 1.2% for Q3 2025, rising to 1.7% by Q3 2028. The Bank anticipates wage growth to moderate to a sustainable 3.75% and CPI inflation to return to 2% in around 18 months' time.
- With the August rate cut now done, we are comfortable revising our previous forecast for a November rate cut, instead pushing that back to February 2026, on the basis that CPI inflation should have peaked by then and will be on a slow downwards trajectory back to 2% by 2027. Further gradual reductions in Bank Rate to 3.25% are then anticipated but, and it is a big BUT, only if inflation and employment data are supportive of such cuts.
- For threats to that central scenario abound. What if wage increases remain stubbornly high and in the region of 5% even as the economy stutters towards a position of flatlining or tepid growth? There are several sectors of the domestic economy, including social care provision, where staff shortages remain - even as unemployment ticks higher (currently 4.7%). And what about the hikes in general taxation likely to arise from the November (date still to be confirmed) Budget? There is an estimated £15bn - £25bn second "black hole" to fill, so will there be further borrowing announced by the Chancellor to add to taxation funding? If so, how will gilt markets react to these variables...and will there be additional geo-political factors to also bake in, particularly the Fed's monetary policy decision in September (currently 85% prospect of a rate cut) and the ongoing tariff policies emanating from the White House. And, of course, how will the ongoing conflicts in the Middle East and between Russia and Ukraine influence matters?
- Moreover, it looks likely that the Bank of England will reduce the pace of its Quantitative Tightening from an annual £100bn (October 2024 to September 2025) to a range between £60bn and £75bn from October 2025 (Market Participants Survey, August 2025). If that policy move also sees a shift in the gilts being sold to having shorter durations, this should prove supportive of the gilt market generally.
- Accordingly, our updated central forecast is made with several hefty caveats. We are confident, as we have been for some time, that our forecast for Bank Rate and the 5-year PWLB Certainty Rate is robust. But for the 10-, 25- and 50-years part of the curve, the aforementioned factors may all have a role to play in whether we end up above, close to or below our new forecasts. As it is, we have lifted our starting points and finishing points within the medium to longer dated forecasts. Clients will be aware from presentations at our Strategic Issues webinars that net annual gilt issuance of c£180bn is around a four-fold increase compared to recent annual issuance, and with pension fund and insurance company investment favouring shorter durations, it has been left to transient foreign investors and hedge funds to fill the investor vacuum. Whilst this backdrop prevails, we see no obvious reason why medium to longer gilt yields will not remain at elevated levels, even allowing for a gradual reduction in inflation over the course of the forecast. Consequently, our forecasts at Q3 2028 are 20 basis points higher than previously projected for the 10 years and 50 basis points higher for 25 to 50 years.
- Our revised PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012. Please note, the lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an HRA (standard rate minus 60 bps) and is set to prevail until at least the end of March 2026. Hopefully, there will be a further extension to this discounted rate announced in the Budget.
- Money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.

- The MUFG Corporate Markets forecast for average earnings are averages i.e., rates offered by individual entities may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.

### Gilt yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, but the risks to our forecasts are generally to the upsides. Our target borrowing rates are set **two years forward** (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below: -

PWLB borrowing	Current borrowing rates as at 11/08/2025 p.m. %	Target borrowing rate now (end of Q2 2027) %	Target borrowing rate previous (end of Q2 2027) %
5 years	4.78	4.20	4.20
10 years	5.36	4.70	4.50
25 years	6.10	5.40	5.00
50 years	5.87	5.20	4.70

**Borrowing advice:** Our long-term (beyond 10 years) forecast for the neutral level of Bank Rate remains at 3.5%. 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 be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should also be considered. Temporary borrowing rates will, generally, fall in line with Bank Rate cuts.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are set out below.

Average earnings in each year	Now %	Previously %
2025/26 (residual)	3.90	4.10
2026/27	3.60	3.60
2027/28	3.30	3.50
2028/29	3.50	3.50
2029/30	3.50	3.50
Years 6-10	3.50	3.50
Years 10+	3.50	3.50

We will continue to monitor economic and market developments as they unfold. Typically, we formally review our forecasts following the quarterly release of the Bank of England's Monetary Policy Report but will consider our position on an ad-hoc basis as required.

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

### **3.4 Borrowing Strategy**

The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels, albeit only once prevailing inflation concerns are addressed by restrictive near-term monetary policy. That is, Bank Rate remains relatively elevated in 2026 even if further rate cuts arise.

Against this background and the risks within the economic forecast, caution will be adopted with the 2026/27 treasury operations. The Director of Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

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

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

### **3.5 Policy on Borrowing in Advance of Need**

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

### **3.6 Rescheduling**

Rescheduling of current borrowing in our debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.

If rescheduling is to be undertaken, it will be reported to the Cabinet, at the earliest meeting following its action.

### **3.7 New Financial Institutions as a Source of Borrowing and / or Types of Borrowing**

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

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

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

### 3.8 Approved Sources of Long and Short-term Borrowing

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

## 4 ANNUAL INVESTMENT STRATEGY

### 4.1 Investment Policy – Management of Risk

The Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets and service investments, are covered in the Capital Strategy, (a separate report).

The Council's investment policy has regard to the following: -

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

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

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

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

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.
2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Authority will engage with its advisors to maintain a monitor on market pricing such as "**credit default swaps**" and overlay that information on top of the credit ratings.
3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This Authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use.
5. **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.



6. **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.

7. **Transaction limits** are set for each type of investment in 4.2.

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

#### **Changes in risk management policy from last year.**

The above criteria are unchanged from last year.

#### **4.2 Creditworthiness Policy**

The primary principle governing the Authority's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Authority will ensure that: -

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Authority's prudential indicators covering the maximum principal sums invested.

The Director of Resources will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Full Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which members may use, rather than defining what types of investment instruments are to be used.

Credit rating information is supplied by MUFG Corporate Markets, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur, and this information is considered before dealing. For instance, a negative rating watch applying to a counterparty at the minimum authority criteria will be suspended from use, with all others being reviewed in light of market conditions.

The criteria for providing a pool of high-quality investment counterparties, (both specified and non-specified investments) is:

- Banks 1 - good credit quality – the Authority will only use banks which:
  - i. are UK banks; and/or
  - ii. are non-UK and domiciled in a country which has a minimum sovereign Long-Term rating of AAA

and have, as a minimum, the following Fitch, Moody's and Standard & Poor's credit ratings (where rated):

- i. Short Term – F1
  - ii. Long Term – A
- Banks 2 – The Authority's own banker for transactional purposes if the bank falls below the above criteria, although in this cash balances will be minimised in both monetary size and time invested.

- Bank subsidiary and treasury operation - The Authority will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Money Market Funds (MMFs) using only those with AAA long-term rating backed up with lowest volatility rating Money Market Funds (MMFs)
- UK Government (including gilts, Treasury Bills and the DMADF)
- Local authorities, parish councils etc
- Housing associations
- Rossendale Leisure Trust
- Other related parties (where a charge can be placed on land or equity to preserve the Councils right to resources)

**Use of additional information other than credit ratings.** Additional requirements under the Code require the Authority to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, rating Watches/Outlooks) will be applied to compare the relative security of differing investment opportunities.

**Time and monetary limits applying to investments.** The time and monetary limits for institutions on the Authority's counterparty list are as follows (these will cover both specified and non-specified investments): -

**Table 12**

Investment Type / Minimum Credit Rating (Note 1)	Banks Unsecured (Note 2)	Banks Secured (Note 3)	Government (Note 4)
UK Government	n/a	n/a	£ Unlimited 5 years
UK Treasury Bills	n/a	n/a	£1m in Total for 6 months
UK Local Authorities	n/a	n/a	£8m each for periods of up to 1 year
Investment Rated A-	£5m each for 6 months	£5m each for 6 months	£8m each for overnight / call deposits
Money Market Funds (Note 5)	£2m per Fund up to 6 months		n/a
Registered Providers (Note 6)	£2m in total for 1 year		
Any other organisation (Note 7)	£1.5m for maximum of 10 years		

**Notes to Table 12: -**

**1. Credit rating:** Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

**2. Banks unsecured:** Includes accounts, deposits, certificates of deposit and unsecured bonds with banks and building societies. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

**3. Banks secured:** Includes covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits.

**4. Government:** Includes loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts as a contingency in the event of a crisis.

**5. Pooled Funds:** These Funds are shares in diversified investment vehicles which invest in any of the investment types above (Notes 2 to 4), plus equity shares and property. These funds provide wide diversification, together with the services of a professional Fund Manager. The Money Market Funds offer same-day liquidity and very low volatility and are used as an alternative to instant access bank accounts. There is no sector limit applying to Money Market Funds although the Council will take care to diversify its liquid investments over a variety of providers to minimise risk.

**6. Registered providers:** These are longer term loans or bonds that are secured or guaranteed on the assets of Registered Providers of Social Housing. These bodies are highly regulated by Homes England and are likely to receive government support if needed.

**7. Other organisations:** This is subject to an external credit assessment, specific advice from the Council's treasury management adviser and full Council approval.

**Operational bank accounts:** The Council's own bank account which is used for all of the Council's operational activities will have a minimum credit rating of BBB- and assets greater than £25 billion. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity. The balances in the Council's own bank account will be up to a maximum of £8m, or 50% of the resources available at the time of investing, whichever is the larger.

The proposed criteria for specified and non-specified investments are referenced in Section 5.4 below.

### **Creditworthiness**

Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK.

### **CDS prices**

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the autumn of 2022, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. MUFG Corporate Markets monitor CDS prices as part of their creditworthiness service to local authorities has access to this information via its MUFG Corporate Markets-provided Passport portal.

### **4.3 Limits**

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

#### 4.4 Investment Strategy

**In-house funds.** Investments will be made with reference to the core balance and cashflow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that rates can be expected to fall throughout 2026, but only if the CPI measure of inflation maintains a downwards trend towards the Bank of England's 2% target. Rates may be cut quicker than expected if the economy stagnates.

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

#### Investment returns expectations.

The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to fall to a low of 3.25% in 2027.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year were updated on 11 August 2025 and are as follows: -

**Table 13**

Average earnings in each year	Now %	Previously %
2025/26 (residual)	3.90	4.10
2026/27	3.60	3.60
2027/28	3.30	3.50
2028/29	3.50	3.50
2029/30	3.50	3.50
Years 6-10	3.50	3.50
Years 10+	3.50	3.50

Caution must be exercised in respect of all interest rate forecasts.

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

**Investment treasury indicator and limit** - total principal funds invested for greater than 365 days. These limits are set with regard to the Authority's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

Members are asked to approve the following treasury indicator and limit: -

**Table 14**

Upper limit for principal sums invested for longer than 365 days		
	2026/27	2027/28
Principal sums invested for longer than 365 days	£1.5m	£1.5m

#### **4.5 Investment Performance / Risk Benchmarking**

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 Report.

- Security – The Authority's maximum security risk benchmark for the current portfolio. The exposure to credit risk is monitored by measuring the average credit rating of its investment portfolio with a target rating of A-.
- Liquidity – in respect of this area the Authority seeks to manage its cashflow so as not to go overdrawn.
- Yield – for returns on investments is the Sterling Overnight Index Average (SONIA). Actual investment returns are monitored against budget.

#### **4.6 End of Year Investment Report**

At the end of the financial year, the Authority will report on its investment activity as part of its financial monitoring process.

## **5 APPENDICES**

1. Prudential and treasury indicators
2. Interest rate forecasts
3. Economic background
4. Treasury management practice 1 – credit and counterparty risk management
5. Approved countries for investments
6. Treasury management scheme of delegation
7. The treasury management role of the section 151 officer

## 5.1 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2026/27 – 2027/28

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.

### 5.1.1 Capital Expenditure

Table 15

Capital Expenditure	2026/27 £'000	2027/28 £'000	Total Expenditure £'000
Operations & Communities	10,271	680	10,951
Corporate Services & Buildings	3,420	265	3,685
Housing	2,021	1,000	3,021
Regeneration	12,786	1,737	14,523
Climate change	1,679	-	1,679
<b>Total</b>	<b>30,177</b>	<b>3,682</b>	<b>33,859</b>

### 5.1.2 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. Members are asked to approve the following indicators: -

#### Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs), against the net revenue stream.

Table 16

Ratio of financing costs to Net Revenue Stream	2026/27 Estimate £'000	2027/28 Estimate £'000
Financing Costs	792	1,703
Proportion of net revenue stream	5.33%	11.91%

The estimates of financing costs include current commitments and the proposals in this budget report.

### 5.1.3 Maturity Structure of Borrowing

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.

Members are asked to approve the following treasury indicators and limits:

Maturity structure of fixed interest rate borrowing 2026/27			
	Lower	Upper	
Under 12 months		0%	30%
12 months to 2 years		0%	40%
2 years to 5 years		0%	50%
5 years to 10 years		0%	60%
10 years to 20 years		0%	100%
20 years to 30 years		0%	100%
30 years to 40 years		0%	100%
40 years to 50 years		0%	100%
Maturity structure of variable interest rate borrowing 2026/27			
	Lower	Upper	
Under 12 months		0%	0%
12 months to 2 years		0%	0%
2 years to 5 years		0%	0%
5 years to 10 years		0%	0%
10 years to 20 years		0%	0%
20 years to 30 years		0%	0%
30 years to 40 years		0%	0%
40 years to 50 years		0%	0%

#### 5.1.4. Control of Interest Rate Exposure

Please see paragraphs 3.3, 3.4 and 4.4.

#### 5.2 INTEREST RATE FORECASTS 2025-2028

MUFG Corporate Markets Interest Rate View 11/08/2025													
	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
BANK RATE	4.00	4.00	3.75	3.75	3.50	3.50	3.50	3.50	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	4.00	4.00	3.80	3.80	3.50	3.50	3.50	3.50	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.30	3.40	3.40	3.40
12 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.40	3.50	3.60	3.60
5 yr PWLB	4.80	4.70	4.50	4.40	4.30	4.30	4.30	4.20	4.20	4.20	4.20	4.10	4.10
10 yr PWLB	5.30	5.20	5.00	4.90	4.80	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60
25 yr PWLB	6.10	5.90	5.70	5.70	5.50	5.50	5.50	5.40	5.40	5.30	5.30	5.30	5.20
50 yr PWLB	5.80	5.60	5.40	5.40	5.30	5.30	5.30	5.20	5.20	5.10	5.10	5.00	5.00



### 5.3 ECONOMIC BACKGROUND (to 13 November 2025)

The first half of 2025/26 saw:

- A 0.3% pick up in GDP for the period April to June 2025. More recently, the economy flatlined in July, with higher taxes for businesses restraining growth, but picked up to 0.1% m/m in August before falling back by 0.1% m/m in September.
- The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% to 4.6% in September.
- CPI inflation has ebbed and flowed but finished September at 3.8%, whilst core inflation eased to 3.5%.
- The Bank of England cut interest rates from 4.50% to 4.25% in May, and then to 4% in August.
- The 10-year gilt yield fluctuated between 4.4% and 4.8%, ending the half year at 4.70% (before falling back to 4.43% in early November).

From a GDP perspective, the financial year got off to a bumpy start with the 0.3% m/m fall in real GDP in April as front-running of US tariffs in Q1 (when GDP grew 0.7% on the quarter) weighed on activity. Despite the underlying reasons for the drop, it was still the first fall since October 2024 and the largest fall since October 2023. However, the economy surprised to the upside in May and June so that quarterly growth ended up 0.3% q/q. Nonetheless, the 0.0% m/m change in real GDP in July, followed by a 0.1% m/m increase in August and a 0.1% decrease in September will have caused some concern. GDP growth for 2025 and 2026 is currently forecast by the Bank of England to be in the region of 1.4% before picking up in 2027.

Sticking with future economic sentiment, the composite Purchasing Manager Index (PMI) for the UK increased to 52.2 in October. The manufacturing PMI output balance improved to just below 50 but it is the services sector (52.2) that continues to drive the economy forward. Nonetheless, the PMIs suggest tepid growth is the best that can be expected in the second half of 2025 and the start of 2026. Indeed, on 13 November we heard that GDP for July to September was 0.1% q/q.

Turning to retail sales volumes, and the 1.5% year-on-year rise in September, accelerating from a 0.7% increase in August, marked the highest gain since April. On a monthly basis, retail sales volumes rose 0.5%, defying forecasts of a 0.2% fall, following an upwardly revised 0.6% gain in August. Household spending remains surprisingly resilient, but the headwinds are gathering.

As per the recent publication of the November Budget, the public finances position looks weak. The £20.2 billion borrowed in September was slightly above the £20.1 billion forecast by the OBR. For the year to date, the £99.8 billion borrowed is the second highest for the April to September period since records began in 1993, surpassed only by borrowing during the COVID-19 pandemic. The main drivers of the increased borrowing were higher debt interest costs, rising government running costs, and increased inflation-linked benefit payments, which outweighed the rise in tax and National Insurance contributions.

The weakening in the jobs market looked clear in the spring. May's 109,000 m/m fall in the PAYE measure of employment was the largest decline (barring the pandemic) since the data began and the seventh in as many months. The monthly change was revised lower in five of the previous seven months too, with April's 33,000 fall revised down to a 55,000 drop. More recently, however, the monthly change was revised higher in seven of the previous nine months by a total of 22,000. So instead of falling by 165,000 in total since October, payroll employment is now thought to have declined by a smaller 153,000. Even so, payroll employment has still fallen in nine of the ten months since the Chancellor announced the rises in National Insurance Contributions (NICs) for employers and the minimum wage in the October 2024 Budget. The number of job vacancies in the three months to October 2025 stood at 723,000 (the peak was 1.3 million in spring 2022). All this suggests the labour market continues to loosen, albeit at a slow pace.

A looser Labour market is driving softer wage pressures. The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% in April to 4.6% in September. The rate for the private sector slipped from 4.3% to 4.2%.

CPI inflation remained at 3.8% in September, whilst core inflation fell to 3.5%. Services inflation stayed at 4.7%. A further loosening in the labour market and weaker wage growth may be a requisite to UK inflation coming in below 2.0% by 2027.

An ever-present issue throughout recent months has been the pressure being exerted on medium and longer dated gilt yields. The yield on the 10-year gilt moved sideways in the second quarter of 2025, rising from 4.4% in early April to 4.8% in mid-April following wider global bond market volatility stemming from the “Liberation Day” tariff announcement, and then easing back as trade tensions began to de-escalate. By the end of April, the 10-year gilt yield had returned to 4.4%. In May, concerns about stickier inflation and shifting expectations about the path for interest rates led to another rise, with the 10-year gilt yield fluctuating between 4.6% and 4.75% for most of May. Thereafter, as trade tensions continued to ease and markets increasingly began to price in looser monetary policy, the 10-year yield edged lower, and ended June at 4.50%.

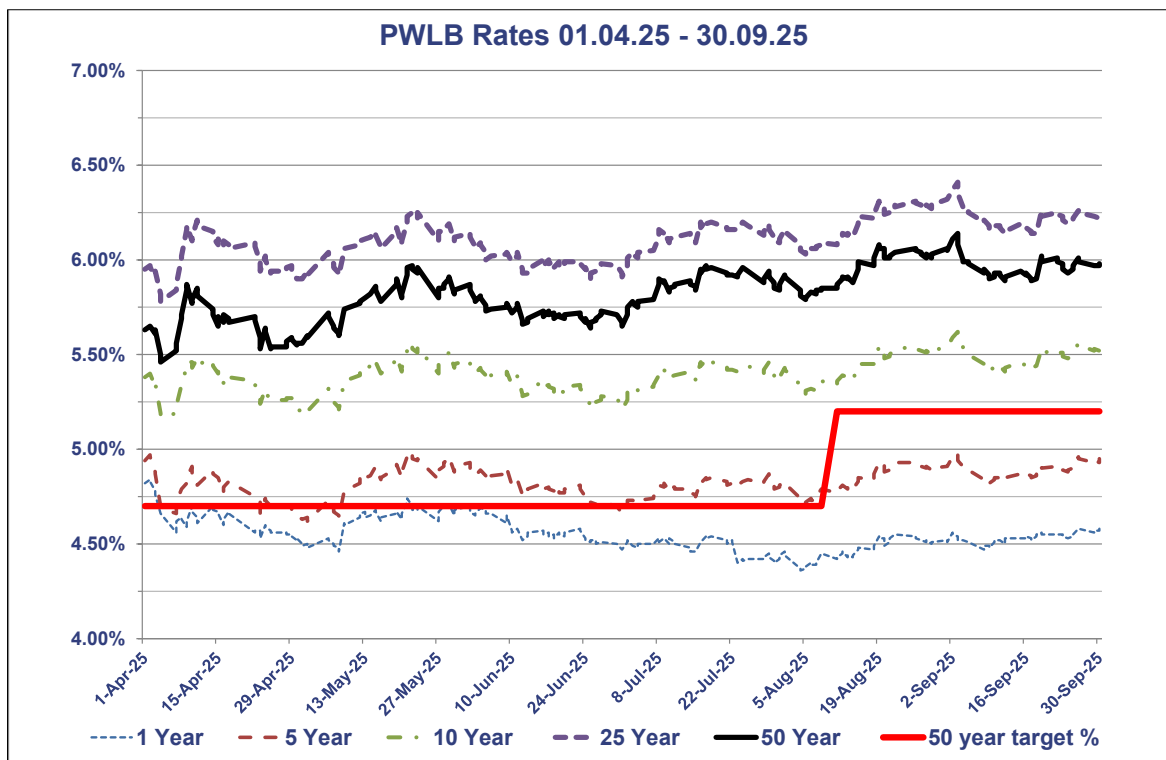
More recently, the yield on the 10-year gilt rose from 4.46% to 4.60% in early July as rolled-back spending cuts and uncertainty over Chancellor Reeves’ future raised fiscal concerns. Although the spike proved short lived, it highlighted the UK’s fragile fiscal position. In an era of high debt, high interest rates and low GDP growth, the markets are now more sensitive to fiscal risks than before the pandemic. During August, long-dated gilts underwent a particularly pronounced sell-off, climbing 22 basis points and reaching a 27-year high of 5.6% by the end of the month. While yields have since eased back, the market sell-off was driven by investor concerns over growing supply-demand imbalances, stemming from unease over the lack of fiscal consolidation and reduced demand from traditional long-dated bond purchasers like pension funds. For 10-year gilts, by late September, sticky inflation, resilient activity data and a hawkish Bank of England kept yields elevated over 4.70% although by early November yields had fallen back again to a little over 4.40%.

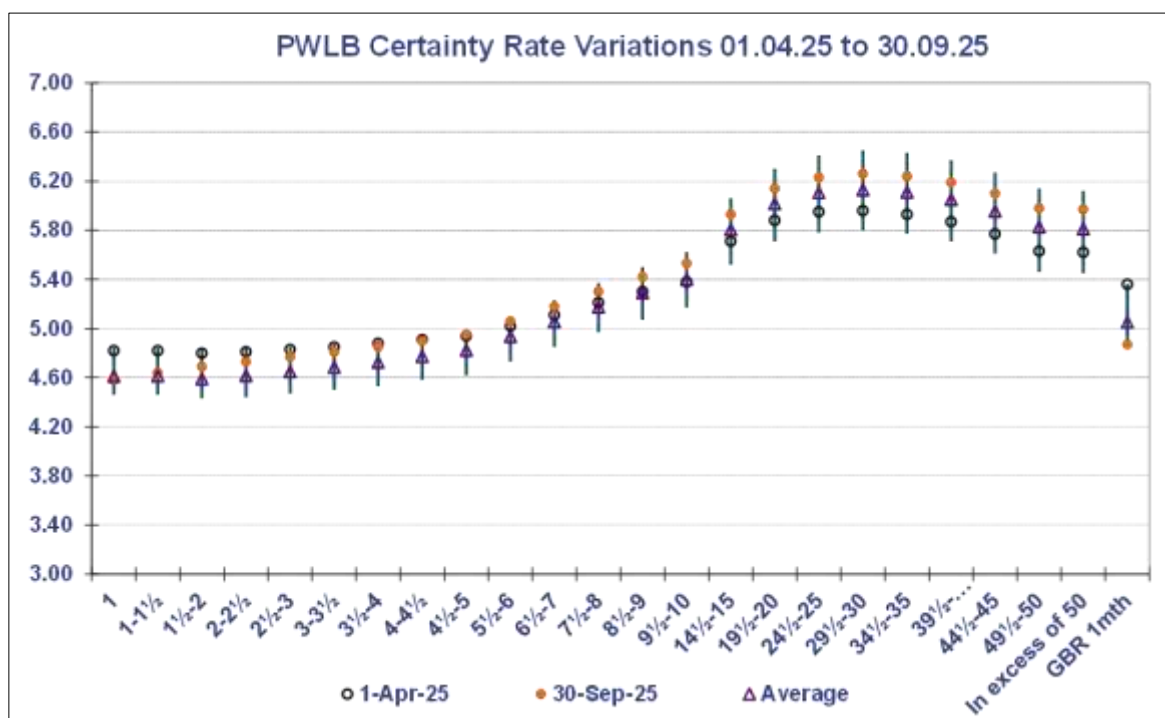
The FTSE 100 fell sharply following the “Liberation Day” tariff announcement, dropping by more than 10% in the first week of April - from 8,634 on 1 April to 7,702 on 7 April. However, the de-escalation of the trade war coupled with strong corporate earnings led to a rapid rebound starting in late April. As a result, the FTSE 100 ended June at 8,761, around 2% higher than its value at the end of March and more than 7% above its level at the start of 2025. Since then, the FTSE 100 has enjoyed a further 4% rise in July, its strongest monthly gain since January and outperforming the S&P 500. Strong corporate earnings and progress in trade talks (US-EU, UK-India) lifted share prices and the index hit a record 9,321 in mid-August, driven by hopes of peace in Ukraine and dovish signals from Fed Chair Powell. September proved more volatile and the FTSE 100 closed September at 9,350, 7% higher than at the end of Q1 and 14% higher since the start of 2025. Future performance will likely be impacted by the extent to which investors’ global risk appetite remains intact, Fed rate cuts, resilience in the US economy, and AI optimism. A weaker pound will also boost the index as it inflates overseas earnings. In early November, the FTSE100 climbed to a record high just above 9,900.

### MPC meetings: 8 May, 19 June, 7 August, 18 September, 6 November 2025

- There were five Monetary Policy Committee (MPC) meetings in the first half of the financial year. In May, the Committee cut Bank Rate from 4.50% to 4.25%, while in June policy was left unchanged. In June's vote, three MPC members (Dhingra, Ramsden and Taylor) voted for an immediate cut to 4.00%, citing loosening labour market conditions. The other six members were more cautious, as they highlighted the need to monitor for "signs of weak demand", "supply-side constraints" and higher "inflation expectations", mainly from rising food prices. By repeating the well-used phrase "gradual and careful", the MPC continued to suggest that rates would be reduced further.
- In August, a further rate cut was implemented. However, a 5-4 split vote for a rate cut to 4% laid bare the different views within the Monetary Policy Committee, with the accompanying commentary noting the decision was "finely balanced" and reiterating that future rate cuts would be undertaken "gradually and carefully". Ultimately, Governor Bailey was the casting vote for a rate cut but with the CPI measure of inflation expected to reach at least 4% later this year, the MPC was wary of making any further rate cuts until inflation begins its slow downwards trajectory back towards 2%.
- With wages still rising by just below 5%, it was no surprise that the September meeting saw the MPC vote 7-2 for keeping rates at 4% (Dhingra and Taylor voted for a further 25bps reduction). Moreover, the Bank also took the opportunity to announce that they would only shrink its balance sheet by £70bn over the next 12 months, rather than £100bn. The repetition of the phrase that "a gradual and careful" approach to rate cuts is appropriate suggested the Bank still thought interest rates will fall further.
- At the 6 November meeting, Governor Bailey was once again the deciding vote, keeping Bank Rate at 4% but hinting strongly that a further rate cut is imminent. With GDP for Q3 disappointing, and the September CPI number staying at 3.8%, the market is split over whether the next rate cut will be in December or February.

### PWLB RATES 01.04.25 - 30.09.25





### HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.25 – 30.09.25

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2025	4.82%	4.94%	5.38%	5.95%	5.63%
30/09/2025	4.58%	4.95%	5.53%	6.23%	5.98%
Low	4.36%	4.62%	5.17%	5.78%	5.46%
Low Date	04/08/2025	02/05/2025	02/05/2025	04/04/2025	04/04/2025
High	4.84%	4.99%	5.62%	6.41%	6.14%
High Date	02/04/2025	21/05/2025	03/09/2025	03/09/2025	03/09/2025
Average	4.55%	4.82%	5.40%	6.11%	5.83%
Spread	0.48%	0.37%	0.45%	0.63%	0.68%

## 5.4 TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

The MHCLG issued Investment Guidance in 2018, updated by the 2021 Prudential Code, and this forms the structure of the Authority's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for local authorities to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective, the Guidance requires this Authority to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the Code on 24/02/2010 and will apply its principles to all investment activity. In accordance with the Code, the Director of Resources has produced its treasury management practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.

**Annual Investment Strategy** - The key requirements of both the Code and the investment guidance are for the Authority to set an Annual Investment Strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of the following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Authority will use. These are high security, and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Authority is:

**Strategy guidelines** – The main strategy guidelines are contained in the body of the Treasury Management Strategy Statement.

**Specified investments** – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Authority has the right to be repaid within 12 months if it wishes. They also include investments which were originally classed as being non-specified investments, but which would have been classified as specified investments apart from originally being for a period longer than 12 months once the remaining period to maturity falls to under 12 months.

These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with: -

- The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity).
- Supranational Bonds of less than one year's duration.
- A Local Authority, Housing Association, Parish Council or Community Council.
- Pooled investment vehicles (such as Money Market Funds) that have been awarded a high credit rating by a credit rating agency for example, Standard and Poor's, Moody's and/or Fitch rating agencies.
- A body that is considered of a high credit quality (such as a bank or building society). This category covers bodies with a minimum Short-Term rating of A- (or the equivalent) as rated by Standard and Poor's, Moody's and / or Fitch rating agencies.

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. These criteria are set out in 4.2 above.

**Non-specified investments** – are any other type of investment (i.e., not defined as specified above). These are set out in 4.2 above.

NOTE 1. Officers will seek further advice on the appropriateness and associated risks with investments in these categories.

**The monitoring of investment counterparties** - The credit rating of counterparties will be monitored regularly. The Authority receives credit rating information (changes, rating watches and rating outlooks) from MUFG Corporate Markets as and when ratings change, and counterparties are checked promptly. 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. Any counterparty failing to meet the criteria will be removed from the list immediately by the Director of Resources, and if required new counterparties which meet the criteria will be added to the list.

## **5.5 APPROVED COUNTRIES FOR INVESTMENTS**

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

***Based on lowest available rating (as at 13.11.25)***

### **AAA**

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

### **AA+**

- Canada
- U.S.A.

### **AA**

- Abu Dhabi (UAE)
- Finland
- Qatar

### **AA-**

- U.K.

### **A+**

- Belgium
- France

## **5.6 TREASURY MANAGEMENT SCHEME OF DELEGATION**

### **(i) Full Council**

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

### **(ii) Cabinet**

- approval of/amendments to the Council'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.

### **(iii) Audit & Accounts Committee**

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



## 5.7 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.
- preparation of a Capital Strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe.
- ensuring that the Capital Strategy is prudent, sustainable, affordable 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 Council has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the Council does not undertake a level of investing which exposes the Council 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 Council
- ensuring that the Council 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: -
  - *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.*

### **The Deputy S151 Officer (being the Head of Financial Services)**

In the absence of the S151 Officer, the Deputy S151 Officer will take over the responsibilities noted above.

#### **The Finance Officer (Exchequer Services)**

- Transfer of funds between the Council's approved call and notice accounts.

#### **Authorised Signatories**

The following posts have been designated as those authorised to act as bank signatories for the Council:

- Director of Resources (S151 Officer)
- Head of Financial Services (Deputy S151 Officer)
- Finance Officer (Exchequer)
- Principal Accountant
- Accountant (x2)
- Accounts Technician



# Treasury Management Policy and Practices 2026/27



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# **The Treasury Management Policy Statement**

## **The treasury management policy statement**

This council defines its treasury management activities as:

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

## **Clauses to be formally adopted**

1. This Council will create and maintain, as the cornerstones for effective treasury management:
  - a Treasury Management Policy Statement (TMS), stating the policies, objectives and approach to risk management of its treasury management activities
  - suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
  - investment management practices (IMPs) for investments that are not for treasury management purposes.

The content of the policy statement, TMPs and IMPs will follow the recommendations contained in Sections 6, 7 and 8 of the CIPFA Treasury Management Code (the Code), subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.

2. This Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs and IMPs.

3. This Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Director of Resources, and for the execution and administration of treasury management decisions to the Director of Resources, who will act in accordance with the organisation's policy statement and TMPs
4. This organisation nominates the Director of Resources to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

# TMP 1 RISK MANAGEMENT

The responsible officer (in the case of Rossendale Borough Council, The Director of Resources) will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

## **1. Credit and Counterparty Risk Management**

Credit and counter-party risk is the risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.

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

The organisation's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. 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 individual investment level.

### **1.1. Policy on the use of credit risk analysis techniques**

- 1.1.1. The Council will use credit criteria in order to select creditworthy counterparties for placing investments with.
- 1.1.2. Credit ratings will be used as supplied from all three rating agencies - Fitch, Moodys and Standard & Poors
- 1.1.3. Treasury Management Consultants will provide regular updates of changes to all ratings relevant to the council.
- 1.1.4. The responsible officer will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising maturity periods, type, group, sector, country and counterparty limits

In addition, a credit default swap overlay is used as a further safeguard to give early warning of potential creditworthiness problems which may only belatedly lead to actual changes in credit ratings.

As this methodology is complex, readers are referred to the document produced by MUFG Asset Services "Treasury Solutions Credit Policy Guide December 2015" for a full explanation.

- 1.1.5. Credit ratings for individual counterparties can change at any time. The Director of Resources is responsible for applying approved credit rating criteria for selecting approved counterparties. Treasury management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties.
- 1.1.6. This organisation will not rely solely on credit ratings in order to select and monitor the creditworthiness of counterparties. In addition to credit ratings it will therefore use other sources of information including: -
- The quality financial press
  - Market data
  - Information on government support for banks and
  - The credit ratings of that government support
- 1.1.7. Maximum maturity periods and amounts to be placed in different types of investment instrument are shown below. At present the maximum investment period for Specified Investments is less than 365 days.
- 1.1.8. Diversification: this organisation will avoid concentrations of lending and borrowing by adopting a policy of diversification. It will therefore use the following: -

Investment Type / Minimum Credit Rating (Note 1)	Banks Unsecured (Note 2)	Banks Secured (Note 3)	Government (Note 4)
UK Government	n/a	n/a	£ Unlimited 5 years
UK Treasury Bills	n/a	n/a	£1m in Total for 6 months
UK Local Authorities	n/a	n/a	£8m each for periods of up to 1 year
Investment Rated A-	£5m each for 6 months	£5m each for 6 months	£8m each for overnight / call deposits
Money Market Funds (Note 5)	£2m per Fund up to 6 months		n/a
Registered Providers (Note 6)	£2m in total for 1 year		
Any other organisation (Note 7)	£1.5m for maximum of 10 years		



## Notes

1. *Credit rating: Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.*
2. *Banks unsecured: Includes accounts, deposits, certificates of deposit and unsecured bonds with banks and building societies. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.*
3. *Banks secured: Includes covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits.*
4. *Government: Includes loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts as a contingency in the event of a crisis.*
5. *Pooled Funds: These Funds are shares in diversified investment vehicles which invest in any of the investment types above (Notes 2 to 4), plus equity shares and property. These funds provide wide diversification, together with the services of a professional Fund Manager. The Money Market Funds offer same-day liquidity and very low volatility and are used as an alternative to instant access bank accounts. There is no sector limit applying to Money Market Funds although the Council will take care to diversify its liquid investments over a variety of providers to minimise risk.*
6. *Registered providers: These are longer term loans or bonds that are secured or guaranteed on the assets of Registered Providers of Social Housing. These bodies are highly regulated by the Homes and Communities Agency and are likely to receive government support if needed.*
7. *Other organisation: This is subject to an external credit assessment, specific advice from the Council's treasury management adviser and full Council approval.*
  - *Operational bank accounts: The Council's own bank account which is used for all of the Council's operational activities will have a minimum credit rating of BBB- and assets greater than £25 billion. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity. The balances in the Council's own bank account will be up to a maximum of £5m, or 50% of the resources available at the time of investing, whichever is the larger.*

- Country limits – normally, a minimum sovereign rating of AAA is required for an institution to be placed on our approved lending list. However, UK banks will be considered regardless of the UK's sovereign rating at the time of investment.
- 1.1.9. Investments will not be made with counterparties that do not have a credit rating in their own right, other than in the case of Non-specified Investments where the counterparty is one of the Council's related parties and where a charge can be placed on land or equity in order to preserve the Council's rights to its resources.
  - 1.1.10. The definition of 'high credit quality' in order to determine what are specified investments as opposed to non specified investments which do not have high credit ratings is set out at the end of TMP1 in schedule 1.
  - 1.1.11. Should the Council ever begin to use **external fund manager(s)** they will adhere to the counterparty credit criteria and maximum individual limits set by the Council; however, it is understood that fund manager(s) may use a subset of the counterparty list so derived.

## 1.2 Liquidity Risk Management

This is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will be thereby compromised.

This organisation will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives. This organisation will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

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

The Finance Officers shall seek to minimise the balance held in the Council's main bank accounts at the close of each working day. The use of alternative call accounts and short-term notice accounts (under 90 days) shall be used in order to achieve this aim.

### 1.2.2. Details of:

#### a. Standby facilities

At the end of each financial day the balance in the Council's current account is automatically transferred to/from the Special Business Investment Account (SIBA) to maximise the interest available on the Council's operational bank accounts. In practice the current account and the SIBA account are now operated as one account. Individual daily debit balances on the current account are not treated as an overdraft.

The Council also maintain one or more on-call, and notice accounts up to 90 days with other banks. These accounts are used for reserve cash balances which may be required without notice. Such instant access is possible, but would lead to some loss of interest commensurate with the notice period waived.

b. Bank overdraft arrangements

Previous overdraft facilities have now ceased due to the sweeping action described above and following the bank imposing an arrangement fee for overdrafts on the SIBA account.

c. Short-term borrowing facilities

The Council accesses temporary loans through approved brokers on the London money market. The approved operational borrowing limit for short term debt in 2026/27 is £28.7m.

d. Insurance/guarantee facilities

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

### **1.3 Interest Rate Risk Management**

The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

This organisation will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.

It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

#### **1.3.1 Policies concerning the use of instruments for interest rate management.**

a. forward dealing

Consideration will be given to dealing from forward periods dependent upon market conditions.

b. callable deposits (England and Wales only)

The Council may use callable deposits as part as of its Annual Investment Strategy (AIS), which now forms part of the Annual Treasury Management Strategy Statement. The credit criteria and maximum periods are set out in the Schedule of Specified and Non Specified Investments appended to the AIS.

### **1.4 Exchange Rate Risk Management**

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

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

## **1.5 Refinancing Risk Management**

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

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

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

### **1.5.1. Debt/Other Capital Financing, Maturity Profiling, Policies and Practices**

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

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

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

Rescheduling will be reported to the Cabinet at the meeting immediately following its action.

### **1.5.2. Projected Capital Investment Requirements**

In 2026/27 the decision has been made to produce only a two-year capital expenditure plan due to the Local Government Reorganisation, anticipated to be in place from April 2028. The capital plan will be used to prepare a two-year revenue budget for all forms of financing charges. In addition, the responsible officer will draw up a capital strategy report which will give a longer-term view.

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

### **1.5.3 Policy Concerning Limits on Affordability and Revenue Consequences of Capital Financing**

In considering the affordability of its capital plans, the Council will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on council tax. It will also take into account affordability in the longer term beyond this three-year period.

The Council will use the definitions provided in the Prudential Code for borrowing, capital expenditure, capital financing requirement, debt, financing costs, investments, net borrowing, net revenue stream, other long-term liabilities.

## **1.6 Legal and Regulatory Risk Management**

The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

This organisation will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may affect with the organisation, particularly with regard to duty of care and fees charged.

This organisation recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

### **1.6.1. References to Relevant Statutes and Regulations –**

The treasury management activities of the Council shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council, and as amended during the period of the Treasury Management Strategy Statement (TMS). These include but are not limited to:

- Local Government Finance Act 1988 Section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- Requirement to set a balanced budget - Local Government Finance Act 1992 Section 32 for billing authorities and Section 43 for major precepting authorities.
- Local Government Act 2003
- S.I. 2003 No. 2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 (13.11.03)
- S.I. 2003 No. 3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary (10.12.03), as amended, including by S.I. 2015 No. 341, S.I. 2021 No. 611, S.I. 2022 No. 1232, S.I. 2023 No. 241, S.I. 2024 No. 478 and S.I. 2025 No. 422, and subsequent amendments.
- S.I. 2004 No. 533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 (8.3.04)
- S.I. 2004 No. 534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 (8.3.04)
- S.I. 2004 No. 3055 The Local Authorities (Capital Finance and Accounting) (Amendment) (England) (No. 2) Regulations 2004
- S.I. 2006 No. 521 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006
- S.I. 2007 No. 573 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007
- Local Government and Public Involvement in Health Act 2007 s238(2) – power to issue guidance; to be used re: MRP
- S.I. 2008 No. 414 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2008
- S.I. 2009 No. 321 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2009

- S.I. 2009 No. 2272 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.2) Regulations 2009
- S.I. 2009 No. 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009
- S.I. 2010 No. 454 (Capital Finance and Accounting) (Amendment) (England) Regulations 2010
- Localism Act 2011
- S.I. 2012 No. 265 Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012
- S.I. 2012 No. 711 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2012
- S.I. 2012 No. 1324 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.3) Regulations 2012
- S.I. 2012 No. 2269 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 4) Regulations 2012
- S.I. 2013 No. 476 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2013
- S.I. 2015 No. 234 Accounts and Audit Regulations 2015, as amended, including by the Accounts and Audit (Amendment) Regulations issued between 2016 and 2024, and subsequent amendments.

#### **Guidance and codes of practice**

- CIPFA's Treasury Management Codes of Practice and Guidance Notes 2021,
- CIPFA Prudential Code for Capital Finance in Local Authorities 2021
- CIPFA Local Authority Capital Accounting (latest edition)
- CIPFA Standard of Professional Practice on Ethics – based on the International Ethics Standards Board for Accountants (IESBA) Code of Ethics (2018).
- The Good Governance Standard for Public Services 2004
- Delivering Good Governance in Local Government: Framework (CIPFA / SOLACE), as updated.
- CIPFA LAAP (Local Authority Accounting Panel) Bulletins and guidance, as issued and updated.
- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (based on IFRS), as adopted for the relevant financial year.
- Public Works Loan Board (PWLB) circulars and guidance on lending policy, as issued.
- The UK Money Markets Code (formerly known as The London Code of Conduct / Non-Investment Products Code (NIPS) for principals and broking firms in the wholesale markets.
- Relevant provisions of the Financial Conduct Authority (FCA) Handbook, including market conduct and investment rules.
- The Council's Standing Orders relating to Contracts
- The Council's Financial Regulations
- The Council's Scheme of Delegated Functions

#### **1.6.2 Procedures for Evidencing the Council's Powers/Authorities to Counterparties**

The Council's powers to borrow and invest are contained in legislation.

Investing: Local Government Act 2003, Section 12

Borrowing: Local Government Act 2003, Section 1

In addition, the Council will make available, on request, the following the scheme of delegation for treasury management activities set out in the Treasury Management Strategy, which specifies:

- which officers carry out these duties
- which officers are the authorised signatories

#### **Required Information on Counterparties**

Lending shall only be made to counterparties on the Approved Lending list. This list has been compiled using advice from the Council's treasury advisers based upon credit



ratings supplied by Fitch, Moodys and Standard & Poors. Lending can also be made to one of the Council's related parties or subsidiaries.

#### **1.6.3 Statement on the Council's Political Risks and Management of Same**

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

#### **1.6.4 Monitoring Officer**

It is the duty of the monitoring officer to ensure that the treasury management activities of the Council are lawful.

#### **1.6.5. Director of Resources**

The Director of Resources is the s.151 Officer. The duty of this officer is to ensure that the financial affairs of the Council are conducted in a prudent manner and to make a report to the Council if he has concerns as to the financial prudence of its actions or its expected financial position.

### **1.7 Fraud, Error and Corruption, and Contingency Management**

The risk that the Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

This Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

The Council will therefore:-

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

#### **1.7.1. Details of Systems and Procedures to be Followed, Including Internet Services**

##### **Authority**

- The Scheme of Delegation to Officers sets out the delegation of duties to officers.
- All loans and investments are negotiated by the responsible officer or authorized persons.
- Loan procedures are defined in the Financial Regulations section of the Council's Constitution.

## **Procedures**

- The electronic banking procedures include internet access to the Council's bank accounts for both downloading statements and entering one-off same-day transactions. The electronic authorisation of transactions through chip and pin cards and passwords follows the same pattern of required signatories as paper transactions do (i.e. one signature up to £5,000 and two signatures for transactions over £5,000).
- Autopay online is the system used by the Council for the transfer of payment and collection files to the BACs processing centre. BACs collection and payment files are generated by the payroll, creditors, benefits and revenues software systems and transferred through a secure internet portal by the authorised signatories. Files must be generated, approved and sent by two different people.
- Full details of operational procedures are maintained by the Finance Officer (Exchequer Services).

## **Investment and borrowing transactions**

- A detailed register of all loans and investments is maintained by the Finance Officer (Exchequer Services). A written acknowledgement of each deal is sent promptly to the lending or borrowing institution where transactions are done directly with the organisation.
- Written confirmation is received and checked against the dealer's records for the transaction.
- Any discrepancies are immediately reported to the Director of Resources for resolution.
- All transactions placed through brokers are confirmed by a broker note showing details of the loan arranged. Written confirmation is received and checked against the dealer's records for the transaction. Any discrepancies are immediately reported to the Director of Resources for resolution.

## **Regularity and security**

- Lending is only made to institutions on the Approved List of Counterparties.
- All loans raised, and repayments made, go directly to and from the bank account of approved counterparties.
- Counterparty limits are set for every institution that the Council invests with.
- Brokers have a list of named officials authorised to agree deals.
- There is a separation of duties in the section between dealers and the checking and authorisation of all deals.
- The Council's bank holds a list of Council officials who are authorised signatories for treasury management transactions.
- Payments can only be authorised in a formal letter by an authorised signatory, the list of signatories having previously been agreed with the current provider of our banking services.
- The NatWest Bankline system can only be accessed by a password and online payments require chip and pin authorisation from one or more of the bank signatories (two for payments over £5,000).
- There is adequate insurance cover for employees involved in loans management and accounting.

## **Checks**

- The bank reconciliation is carried out monthly from the bank statement to the financial ledger.
- A debt charge/investment income listing is produced every month when a review is undertaken against the budget for interest earnings and debt costs.



### **Calculations**

- The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the Finance Officer (Exchequer Services). This is used to check the amount paid to lenders.
- These interest and expense rates are then used to calculate the principal, interest and debt management expense charges to the General Fund.

#### **1.7.2. Emergency and Contingency Planning Arrangements Disaster Recovery Plan.**

The Council's main Business Continuity Plan includes a detailed section covering the essential financial systems and procedures, including banking, payments and revenue collection. All members of the treasury management team are familiar with this plan and new members will be briefed on it. The plan is reviewed and updated at regular intervals with both paper and electronic copies being available.

All computer files are backed up on the server to enable files to be accessed from remote sites.

#### **1.7.3. Insurance Cover Details**

##### **Fidelity Insurance**

The Council has 'Fidelity' insurance cover with Zurich Municipal which covers the loss of cash by fraud or dishonesty of employees. This cover is limited to £5m for any one event with an excess of £5k for any one event.

##### **Professional Indemnity Insurance**

The Council also has an 'Officials Indemnity' insurance policy with Zurich Municipal which covers loss to the Council from the actions and advice of its officers which are negligent and without due care. This cover is limited to £5m for any one event with an excess of £5k for any one event.

#### **1.8 Market Risk Management**

The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

This organisation will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

##### **1.8.1. Details of Approved Procedures and Limits for Controlling Exposure to Investments whose Capital Value May Fluctuate (Gilts, CDs, Etc.)**

These are controlled through setting limits on investment instruments where the principal value can fluctuate. The limits are determined and set through the Annual Investment Strategy (which now forms part of the Annual Treasury Management Strategy Statement).

# **TMP 2 PERFORMANCE MEASUREMENT**

## **2.1 Evaluation and Review of Treasury Management Decisions**

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

- a. monthly reviews carried out by the Director of Resources and Head of Financial Services, reported as part of the regular financial monitoring reports to Cabinet.
- b. weekly review reports from our treasury management consultants detailing current markets, forecasts and model portfolio returns.
- c. annual review of performance and strategy with our treasury management consultants.
- d. comparative reviews with neighbouring authorities.

### **2.1.2 Reviews with our treasury management consultants**

The Director of Resources meets with our consultants every 12 months to review the performance of the investment and debt portfolios. Ad-hoc reviews are conducted by arrangement as outlined at 2.3.4.

### **2.1.3 Annual Review after the end of the financial year**

In addition to the regular financial monitoring reports to Cabinet, the end of March out-turn report includes an annual treasury management report which reviews the performance of the debt and investment portfolios. This report contains the following:

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

### **2.1.4 Comparative reviews**

When data becomes available, comparative reviews are undertaken to see how the performance of the Authority on debt and investments compares to other authorities with similar size portfolios (but allowing for the fact that Prudential and Treasury Indicators are locally set). Data can be sourced from: -

- CIPFA Treasury Management statistics published each year for the last complete financial year
- Neighbouring Lancashire authorities
- MUFG Asset Services model portfolio

## **2.2 Benchmarks and Calculation Methodology:**

### **2.2.1 Debt management**

- Average rate on all external debt
- Average period to maturity of external debt
- Average period to maturity of new loans in previous year

### **2.2.2 Investment**

The performance of investment earnings will be measured against the following benchmarks: -

MUFG Asset Services model portfolio

- *Weighted average rate of return*
- *Weighted average maturity*

Performance may also be measured against other local authority funds with similar benchmarks and parameters managed by other fund managers.

## **2.3 Policy concerning methods for testing Value for Money in Treasury Management**

### **2.3.1 Frequency and processes for tendering**

Tenders are normally awarded on a five-year basis. The process for awarding contracts will be in line with the Council's Contract Standing Orders.

### **2.3.2 Banking services**

The Council's banking arrangements are to be subject to competitive tender unless it is considered that there will be changes in the volume of transactions in the foreseeable future which renders a shorter period appropriate.

### **2.3.3 Money-broking services**

The Council may use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them.

### **2.3.4 Consultants'/advisers' services**

This Council's policy is not to appoint full-time professional treasury management consultants (MUFG Asset Services advise on an ad hoc basis, alongside automated updates).

### **2.3.5 Policy on External Managers (Other than relating to Superannuation Funds)**

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

## **TMP 3 DECISION-MAKING AND ANALYSIS**

### **3.1 Funding, Borrowing, Lending, and New Instruments/Techniques:**

#### **3.1.1 Records to be kept**

The following records will be retained:-

- Daily and monthly cash balance forecasts
- Brokers' confirmations for investment and temporary borrowing transactions
- Confirmations from borrowing /lending institutions where deals are done directly
- PWLB loan confirmations
- PWLB debt portfolio schedules.
- Certificates for market loans, local bonds and other loans
- Contract notes received from fund manager(s)
- Fund manager(s) valuation statements (if applicable)

#### **3.1.2 Processes to be pursued**

- Cash flow analysis.
- Debt and investment maturity analysis
- Ledger reconciliation
- Review of opportunities for debt restructuring (if applicable)
- Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer value for money)
- Performance information (for example, monitoring of actual against budget for debt charges, interest earned, debt management; also monitoring of average pool rate, investment returns, etc).

#### **3.1.3 Issues to be addressed**

##### **3.1.3.1. In respect of every treasury management decision made the Council will:**

- a) Above all, be clear about the nature and extent of the risks to which the Council may become exposed
- b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
- c) Be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interests, and to deliver good housekeeping
- d) Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded
- e) Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

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

- a) consider the ongoing revenue liabilities created, and the implications for the organisation's future plans and budgets
- b) evaluate the economic and market factors that might influence the manner and timing of any decision to fund
- c) consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships
- d) consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use and, if relevant, the opportunities for foreign currency funding.

**3.1.3.3 In respect of investment decisions, the Council will:**

- a) consider the optimum period, in the light of cash flow availability and prevailing market conditions;
- b) consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital;
- c) in the case of investments outside the banking sector the Council will consider the appropriate level of asset security, such as Land Registry charges, local Land Charges, or holding asset deeds.

# **TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**

## **4.1 Approved Activities of the Treasury Management Operation**

- borrowing
- lending
- debt repayment and rescheduling
- consideration, approval and use of new financial instruments and treasury management techniques
- managing the underlying risk associated with the Council's capital financing and surplus funds activities
- managing cash flow
- banking activities
- the use of external fund managers (other than Pension Fund)
- leasing

## **4.2 Approved Instruments for Investments**

Refer to the Treasury Management Strategy.

## **4.3 Approved Techniques**

- Forward dealing
- The use of structured products such as callable deposits

## **4.4 Approved Methods and Sources of Raising Capital Finance**

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

<b>On Balance Sheet</b>	<b>Fixed</b>	<b>Variable</b>
PWLB	●	●
Market (long term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Local temporary	●	●
Local Bonds	●	
Overdraft		●
Internal (capital receipts & revenue balances)	●	●
Leasing	●	●
Deferred Purchase	●	●

## **Other Methods of Financing**

- Government and EC Capital Grants
- Lottery monies
- PFI/PPP

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

#### **4.5 Investment Limits**

The Treasury Management Strategy Statement sets out the limits and the guidelines for use of each type of investment instrument.

#### **4.6 Borrowing Limits**

See the Treasury Management Strategy Statement and Prudential and Treasury Indicators.

# **TMP 5 Organisation, Clarity and Segregation of Responsibilities and Dealing Arrangements**

## **5.1 Allocation of responsibilities**

### **(i) Full Council**

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual treasury management strategy
- approval of capital strategy and capital programme
- approval of annual revenue budget

### **(ii) Cabinet**

- recommendation of amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and recommendations
- 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
- reviewing the treasury management policy and procedures

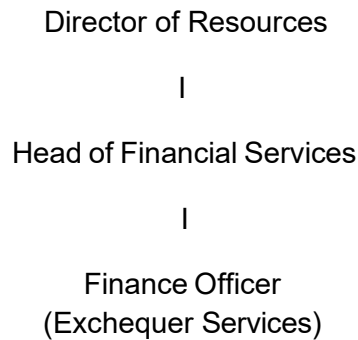
## **5.2 Principles and Practices Concerning Segregation of Duties**

5.2.1 The following duties must be undertaken by separate officers: -

Dealing	Negotiation and approval of deal. Receipt and checking of brokers confirmation note against loans diary. Reconciliation of cash control account. Bank reconciliation
Accounting Entry	Production of transfer note. Processing of accounting entry
Authorisation/Payment of Deal	Entry onto system. Approval and payment.



### 5.3 Treasury Management Organisation Chart



### 5.4 Statement of the treasury management duties/responsibilities of each treasury post

#### 5.4.1. The responsible officer

The responsible officer is the person charged with professional responsibility for the treasury management function and in this Council is the Director of Resources (this post is also the S151 officer). This officer will carry out the following duties: -

- a) recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- b) submitting regular treasury management policy reports
- c) submitting budgets and budget variations
- d) receiving and reviewing management information reports
- e) reviewing the performance of the treasury management function
- f) ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- g) ensuring the adequacy of internal audit, and liaising with external audit
- h) recommending the appointment of external service providers.
- i) The responsible officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
- j) The responsible officer may delegate his power to borrow and invest to members of his staff, principally the Head of Financial Services, to act as temporary cover for leave/sickness. All transactions must be authorised by at least two of the bank signatories as approved in the Treasury Management Strategy Appendix 5.6.
- k) The responsible officer will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
- l) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations
- m) It is also the responsibility of the responsible officer to ensure that the Council complies with the requirements of The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

#### **5.4.2. Head of Financial Services (Deputy S151 officer)**

The responsibilities of this post will be: -

- a) duties as delegated by the responsible officer in accordance with 5.4.1 (j)
- b) execution of transactions in accordance with good governance arrangements and adequate segregation – (second signatory)
- c) oversight and review of forecast cash balances to inform treasury management decision making.

#### **5.4.3. Finance Officer (Exchequer Services)**

The responsibilities of this post will be: -

- a) execution of transactions
- b) adherence to agreed policies and practices on a day-to-day basis
- c) maintaining relationships with counterparties and external service providers
- d) monitoring performance on a day-to-day basis
- e) submitting management information reports to the responsible officer
- f) identifying and recommending opportunities for improved practices

#### **5.4.4. The Head of the Paid Service – the Chief Executive**

The responsibilities of this post will be: -

- a) Ensuring that the system is specified and implemented
- b) Ensuring that the responsible officer reports regularly to Full Council and Cabinet on treasury policy, activity and performance.

#### **5.4.5. The Monitoring Officer**

The responsibilities of this post will be: -

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

#### **5.4.6. Internal Audit**

The responsibilities of Internal Audit will be: -

- a) Reviewing compliance with approved policy and treasury management practices.
- b) Reviewing division of duties and operational practice.
- c) Assessing value for money from treasury activities.
- d) Undertaking probity audit of treasury function.

### **5.5 Absence Cover Arrangements**

The Head of Financial Services is also the deputy S151 Officer. The Head of Financial Services will also ensure that cover is available for the Finance Officer (Exchequer Services) and other treasury management officers as necessary.

If and when this organisation intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements

and management information arrangements and the implications properly considered and evaluated.

## **5.6 Dealing Limits**

The following posts are authorised to deal:

- The Director of Resources, who delegates authority to the Head of Finance where necessary, limited to investments and loans of £5m per transaction. Amounts in excess of this limit should be deposited into instant access accounts.

## **5.7 Policy on Brokers' Services**

It is this Council's policy to rotate business between brokers.

## **5.8 Policy on Taping of Conversations**

It is not this Council's policy to tape brokers conversations.

## **5.9 Direct Dealing Practices**

The Council will consider dealing directly with counterparties if it is appropriate and the Council believes that better terms will be available. At present, most deals are arranged by this method. There are certain types of accounts and facilities, however, where direct dealing is required, as follows;

- Business Reserve Accounts:
- Call Accounts:
- Money Market Funds.

## **5.10 Settlement Transmission Procedures**

A formal letter signed by an agreed bank signatory setting out each transaction must be sent to the local authority's bankers where preliminary instructions have been given by telephone. For payments a transfer will be made through BACs or CHAPs to be completed by the appropriate bank deadlines in place that day.

## **5.11 Documentation Requirements**

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

## **5.12 Arrangements Concerning the Management of Third-Party Funds.**

The Council does not currently manage any third-party funds. Trust funds are now held and administered by the Community Foundation for Lancashire.

## **5.13 Council Cheque and Bank Signatories**

The posts delegated with cheque and bank signatory authority are listed below:

- Director of Resources (S151)
- Head of Financial Services (Deputy S151)
- Principal Accountant
- Accountant
- Finance Officer (Exchequer Services)

# **TMP 6 Reporting Requirements and Management Information Arrangements**

## **6.1 Annual programme of reporting**

- a) Annual reporting requirements before the start of the year: -
  - a. review of the organisation's approved clauses, treasury management policy statement and practices
  - b. strategy report on proposed treasury management activities for the year comprising of the Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement
  - c. capital strategy to give a longer-term view of the capital programme and treasury management implications thereof beyond the three-year time horizon for detailed planning
- b) Regular review by Cabinet within the Financial Monitoring Reports incorporating Mid-Year Review
- c) Annual review report after the end of the year within the out-turn Financial Monitoring Report.

## **6.2 Annual Treasury Management Strategy Statement (TMS)**

- 1. The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Cabinet and then to the full Council for approval before the commencement of each financial year.
- 2. The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, this Council may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.
- 3. The Treasury Management Strategy Statement is concerned with the following elements:
  - a) prudential and treasury indicators
  - b) current treasury portfolio position
  - c) borrowing requirement
  - d) prospects for interest rates
  - e) borrowing strategy
  - f) policy on borrowing in advance of need
  - g) debt rescheduling
  - h) investment strategy
  - i) creditworthiness policy
  - j) policy on the use of external service providers
  - k) any extraordinary treasury issue
  - l) the MRP/VRP strategy

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

### **6.3 The Annual Investment Strategy**

Included within the Treasury Management Strategy Statement is the report on the Annual Investment Strategy which sets out the following: -

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

### **6.4 The Annual Minimum Revenue Provision Policy Statement**

This statement will be submitted as one element of the Annual Treasury Management Strategy Statement and will set out how the Council will make revenue provision for repayment of its borrowing using the four options for so doing.

### **6.5 Policy on Prudential and Treasury Indicators**

1. The Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.
2. The responsible officer is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to the full Council.

### **6.6 Regular and midyear review**

The Council will review its treasury management activities and strategy on at least a six-monthly basis, though in practice as part of regular financial monitoring to Cabinet. This review will consider the following:

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

## **6.7 Management Information Reports, including a year-end performance report**

Management information reports will be prepared for each Cabinet meeting, the final report going to the first available Cabinet after the year-end. These reports will contain the following information: -

- a) a summary of transactions executed (may want to add brokers used and fees paid) and their revenue (current effects);
- b) measurements of performance including effect on loan charges/investment income;
- c) degree of compliance with original strategy and practices and explanation of variances.
- d) any non-compliance with Prudential limits or other treasury management limits.

## **6.8 Publication of Treasury Management Reports**

Treasury Management information reports will be prepared for each Cabinet meeting and these are available as part of the agenda documents on the Council's website at [www.rossendale.gov.uk](http://www.rossendale.gov.uk) .

The Annual Treasury Management Strategy Statement and the Treasury Management Practices are reviewed at the Full Council meeting each February and are again available as part of the agenda documents on the Council's website at [www.rossendale.gov.uk](http://www.rossendale.gov.uk).

# **TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS**

## **7.1 Statutory/Regulatory Requirements**

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices. The Council has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code') 2021 edition, together with those of its specific recommendations that are relevant to this Council's treasury management activities.

## **7.2 Sample Budgets / Accounts / Prudential and Treasury Indicators**

The Director of Resources will prepare at least a two-year medium term financial plan with Prudential and Treasury Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the function, together with associated income. The Director of Resources will exercise effective controls over this budget and monitoring of performance against Prudential and Treasury Indicators, and will report upon and recommend any changes required in accordance with TMP6.

The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 Risk management, TMP2 Performance measurement, and TMP4 Approved instruments, methods and techniques.

## **7.3 List of Information Requirements of External Auditors.**

- Reconciliation of loans outstanding in the financial ledger to Treasury Management records
- Maturity analysis of loans outstanding
- Certificates for new long-term loans taken out in the year
- Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Calculation of interest on working balances
- Interest accrual calculation
- Principal and interest charges reports from the ledgers
- Analysis of any deferred charges
- Calculation of loans fund creditors and debtors
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential and Treasury Indicators
- Review of observance of limits set by Prudential and Treasury Indicators
- Calculation of the Minimum Revenue Provision
- External fund manager(s) valuations including investment income schedules and movement in capital values (if applicable)

## **7.4 Quarterly Budget Monitoring Report**

Quarterly Budget Monitoring reports are produced for the Director of Resources with these reports being reviewed by Cabinet. The report is intended to highlight any variances between budgets and spend in order that the Council can assess its financial position. Details of treasury management activities are included within the Cabinet report.

## **TMP 8 Cash and Cash Flow Management**

### **8.1 Arrangements for Preparing/Submitting Cash Flow Statements**

Cash flow projections are prepared annually and updated monthly and daily. The annual and monthly cash flow projections are prepared according to known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

The responsible officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1 - Liquidity risk management, and for the purpose of identifying future borrowing needs.

### **8.2 Bank Statements Procedures**

The Council receives daily bank statements via a daily download of data from its bank. All amounts on the statement are checked to source data from Payroll, Creditors etc.

A formal bank reconciliation is undertaken on a monthly basis by the Finance Team.

### **8.3 Payment Scheduling and Agreed Terms of Trade with Creditors**

Our policy is to pay all creditors as per the agreed terms of trading.

### **8.4 Arrangements for Monitoring Debtors / Creditors Levels**

The Head of Finance is responsible for monitoring the levels of debtors and creditors.

### **8.5 Procedures for Banking of Funds**

All money received by an officer on behalf of the Council will, without unreasonable delay, be passed to the Exchequer Team to deposit in the Council's banking accounts. Cash and cheques banked the previous day will be taken into account in the daily cash flow.

### **8.6 Practices Concerning Prepayments to Obtain Benefits**

The Council has no formal arrangement in place. Where such opportunities arise, the prepayment would be sought and authorised by the Director of Resources.



# **TMP 9 Money Laundering & Proceeds of Crime**

## **9.1 Proceeds of Crime Act 2002**

Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 (and associated Orders and amendments, including those enacted in 2024 and 2025) established the main offences relating to money laundering. In summary, these are:

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

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

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

## **9.2 The Terrorism Act 2000, as amended by subsequent legislation (including the Terrorism Act 2006, Counter-Terrorism and Security Act 2015, and related provisions)**

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

## **9.3 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, and subsequent amendments**

Organisations pursuing relevant business (especially those in the financial services industry regulated by the FSA) are required to appoint a nominated officer and implement internal reporting procedures; train relevant staff in the subject; establish internal procedures with respect to money laundering; obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken and report their suspicions.

## **9.4 Local authorities**

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and subsequent Terrorism Acts and may commit most of the principal offences under the POCA, but are not legally obliged to apply the provisions of the Money Laundering, Terrorist Financing and Transfer of Funds regulations 2017. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes.

Accordingly, this Council will do the following: -

- a) evaluate the prospect of laundered monies being handled by them
- b) determine the appropriate safeguards to be put in place
- c) require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness
- d) make all its staff aware of their responsibilities under POCA
- e) appoint a member of staff to whom they can report any suspicions. This person is Director of Resources.
- f) in order to ensure compliance is appropriately managed, this Council will require senior management to give appropriate oversight, analysis and assessment of the risks of clients and work/product types, systems for monitoring compliance with procedures and methods of communicating procedures and other information to personnel.
- g) The officer responsible for the creation and monitoring the implementation of a corporate anti money laundering policy and procedures is The Head of Legal and Democratic Services and it shall be a requirement that all services and departments implement this corporate policy and procedures.

### **9.5 Procedures for Establishing Identity / Authenticity of Lenders**

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

The Council does not accept loans from individuals.

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FCA website on [www.fca.gov.uk](http://www.fca.gov.uk).

When repaying loans, the procedures in 9.6 will be followed to check the bank details of the recipient.

### **9.6 Methodologies for Identifying Deposit Takers**

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

All transactions will be carried out by BACS or CHAPs for making deposits or repaying loans.

## **TMP 10 Training and Qualifications**

The Council recognises that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity. There are two categories of relevant individuals: -

- a) Treasury management staff employed by the Council
- b) Members charged with governance of the treasury management function

All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Council operates a Personal Development Review system which identifies the training requirements of individual members of staff engaged on treasury related activities.

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

### **10.1 Details of Approved Training Courses**

Treasury management staff and members will go on courses provided in-house or by our treasury management consultants, CIPFA, money brokers etc.

### **10.2 Records of Training Received by Treasury Staff**

The People and Policy department will maintain records on all staff and the training they receive.

### **10.3 Record of Secondment of Senior Management**

Records will be kept of senior management who are seconded into the treasury management section in order to gain firsthand experience of treasury management operations.

### **10.4 Statement of Professional Practice (SOPP)**

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

### **10.6 Member training records**

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

### **10.7 Members charged with governance**

Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

# **TMP 11 Use of External Service Providers**

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

This Council will employ the services of other organisations to assist it in the field of treasury management. In particular, it will use external consultants to provide specialist advice in this ever more complex area. However, it will ensure that it fully understands what services are being provided and that they meet the needs of this organisation, especially in terms of being objective and free from conflicts of interest.

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

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

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

### **11.1.1 Banking Services**

- a) Name of supplier of service is the NatWest Bank.
- b) Regulatory status – banking institution authorised to undertake banking activities by the FSA
- c) The branch address is:  
  
Chatham Customer Service Centre,  
Western Avenue, Waterside Court,  
Chatham Maritime,  
Chatham,  
Kent,  
ME4 4RT  
  
Tel: 0151 802 9354 (Business Banking) or  
0870 240 3355 (Branch Banking)
- d) Contract commenced 1992
- e) Cost of service is variable depending on a schedule of tariffs set annually applied to volumes of transactions
- f) Payments are due monthly and quarterly

### **11.1.2 Money-Broking Services**

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

### **11.1.3 Consultants'/Advisers' Services**

#### **Treasury Consultancy Services**

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

The performance of consultants will be reviewed annually by the Director of Resources to check whether performance has met expectations.

- a) Name of supplier of service is MUFG Corporate Markets. Their address is Central Square, 29 Wellington Street, Leeds, LS1 4DL
- b) Regulatory status: investment adviser authorised by the FCA
- c) Cost of service in 2025/26 was £8,800.
- d) Payments are due bi-annually in April and October

### **11.1.4 Procedures and Frequency for Tendering Services**

As per the Council's contract procedure rules.

# TMP 12 Corporate Governance

## 12.1.1 List of documents to be made available for public inspection

- a. The Council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.
- b. It has adopted the CIPFA Code of Practice on Treasury management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.
- c. The following documents are available for public inspection: -
  - Treasury Management Strategy Statement
  - including the Annual Investment Strategy
  - Treasury Management Policy Statement
  - Minimum Revenue Provision Policy Statement
  - Treasury Management monitoring reports produced as part of the Council's regular financial monitoring reports to Cabinet.
  - Annual Statement of Accounts
  - Annual Revenue Budget and MTFS
  - Capital Strategy and 5 Year Capital Programme
  - Minutes of Council / Cabinet / committee meetings
  - Third party expenditure via quarterly corporate spend analysis published on the website to comply with the coalition government's transparency agenda.

## **IMP Investment Management Practices for Investments that are not part of Treasury Management activity**

This Council recognises that investments taken for non-treasury management purposes require careful investment management. Such investments include loans supporting service outcomes, investments in subsidiaries, or investment property portfolios.

The Council's annual treasury management strategy, Capital Strategy, Investment Strategy and similar documents will cover all the organisation's investments, and will set out, where relevant, specific policies and arrangements for non-treasury investments.

This schedule will include a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and contingent liabilities and the Authority's risk exposure. It will be recognised that the risk appetite for these activities may differ from that for treasury management and this is contained within the Council's approved. Capital Strategy.

CIPFA recommends separate Investment Management Practices (IMPs) for non-treasury activities and acknowledges reference to TMPs 1, 2, 5, 6, and 10 for the management of **Risk, Performance, Governance, Reporting and Training**, respectively.

### **Information suggested for non-treasury investments:**

#### **1.1 Risk management**

The cross-sectoral guidance recognises the categories of investments as follows:

- For treasury management purposes
- For service delivery purposes
- For commercial purposes, including non-financial assets held primarily for financial return, such as commercial properties.

Organisations are required to establish investment management practices for their non-treasury management investments, similar to their treasury management practices. The IMP recommends a schedule for each such investment portfolio, setting out the investment objectives, investment criteria, risk management arrangements, decision-making and reporting arrangements, performance measurement and management, and arrangements for training and qualifications.

The basic principle is that the TM Code covers all investments, and the organisation should ensure that it has due diligence, investment management and risk management arrangements in place and monitored actively for its service and commercial investment portfolios, as well as for its treasury management investments.