



## **Basingstoke and Deane Borough Council**

### **TREASURY MANAGEMENT POLICY STATEMENT 2022/23**

#### **1 Introduction**

- 1.1 The council has adopted the key recommendations from the CIPFA Treasury Management Code of Practice. Accordingly, the council will create and maintain, as the cornerstone for effective treasury management, a Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of its treasury management activities.
- 1.2 The Council will receive reports on its treasury management practices and activity 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.
- 1.3 The Council delegates responsibility for the monitoring and scrutiny of treasury management practices and activity to the Audit and Accounts Committee.
- 1.4 The Council has delegated responsibility for the execution and administration of the treasury management policy, strategy, practices and activity to the council's Section 151 Officer. This officer should act in accordance with the council's treasury management policy statement, strategy and Treasury Management Practices (TMP's) being a member of the Consultative Committee of Accountancy Bodies (CCAB) or a member of the Chartered Institute of Management Accountants (CIMA) with standards of professional practice on treasury management.

#### **2 Treasury Management Policy Objectives**

- 2.1 The council defines its treasury management activities as:
- 2.2 "The management of the council'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."
- 2.3 The council acknowledges that it is responsible for its treasury management decisions and activities.

- 2.4 The council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the council and any financial instruments entered into to manage these risks.
- 2.5 The council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
- 2.6 The primary policy objective of the Treasury Management Strategy is:
- i) To invest prudently having regard to the security of investments.
- 2.7 The supplementary policy objectives of the Treasury Management Strategy (in order of importance) are:
- i) To maintain liquidity (accessibility) in the investment portfolio to meet the council's spending plans;
  - ii) To aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity and predictability of returns; and
  - iii) To minimise the cost of any temporary borrowing (which may be required for day-to-day cash flow reasons).

### **3 The Council's Approach to Environmental, Social and Governance (ESG) Investing**

- 3.1 Environmental, social, and governance (ESG) criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.
- 3.2 The council does not invest in equities directly and therefore does not have influence over the activities of companies that part-ownership might provide. However, as an investor the council is able to take the following approach:
- i) For direct investments, the council will seek to ensure that counterparties (excluding the UK Government and other UK Local Authorities) have 'Responsible Investment Policies or

Environmental, Social and Governance (ESG) policies' in place prior to investing;

- ii) For indirect investments, the council will seek to ensure that any fund managers used have their own responsible investment policies or have signed up to widely recognised policies such as the United Nations Principles for Responsible Investment;
- iii) The council will give preference to funds managed by investment managers that have signed up as active members of the Net Zero Asset Managers initiative (NZAM) or the Institutional Investors Group on Climate Change (IIGCC) whilst being considerate of potential financial returns.
- iv) The council recognises that it has no control or influence over where its counterparties themselves lend money or invest once an investment has been made.



Basingstoke  
and Deane

**Basingstoke and Deane Borough Council**

**TREASURY MANAGEMENT STRATEGY FOR 2022/23**

Contents:

1. Background
2. Interest Rate Forecasts
3. Overall Resources and the Treasury Management Portfolio
4. Risk Management Assessment
5. Treasury Management Risk Indicators
6. The Treasury Investment Strategy for 2022/23
7. Borrowing Requirement and Strategy for 2022/23
8. Treasury Management Performance Monitoring and Reporting
9. Training
10. Use of Investment Consultants/Treasury Advisors

## **1 Background Information**

1.1 This strategy statement has been produced in accordance with:

- i) The council's Treasury Management Policy Statement;
- ii) The latest Code of Practice on Treasury Management published by the Chartered Institute of Public Finance and Accountancy (CIPFA);
- iii) The council's constitution which requires the annual production of a Treasury Management Strategy for the forthcoming year; and
- iv) The Government Department guidance on local government investments which requires treasury management investments to consider security, liquidity and yield (in that order).

1.2 The council's Treasury Management Strategy is undertaken within the following context:

- i) The level of the council's investment balances is one of the highest of all district authorities and has been for some time. The council has therefore been able to take a longer term view on investment decisions; and
- ii) The income generated from investments is significant to the council and supports the cost of revenue services.

## **2 Interest Rate Forecast**

2.1 In order to put a treasury management strategy into context it is necessary to appreciate the current forecasts for interest rates.

2.2 The UK Central Bank Official Rate (base rate) is currently at 0.25%. According to HM Treasury, the latest average of forecasts from independent city forecasters is that the official rate will average 0.43% in 2022, 0.98% in 2023 and 1.30% in 2024.

2.3 The council's treasury advisors' (Arlingclose Ltd) most recent forecast is that the Bank of England will increase the Official Rate to 0.50% by the end of 2022/23.

2.4 The council's advisors' forecasts for interest rates for future years are shown in Table 1:

**Table 1 – Arlingclose's Forecast for Interest Rates (December 2021)**

	Official Bank Rate			Longer Term Rates (5yr Gilts)		
	Upside Risk	Central Case	Downside Risk	Upside Risk	Central Case	Downside Risk
	%	%	%	%	%	%
Mar-22	0.00	<b>0.50</b>	-0.25	+0.35	<b>0.60</b>	-0.20
Jun-22	+0.25	<b>0.50</b>	-0.25	+0.45	<b>0.60</b>	-0.25
Sep-22	+0.25	<b>0.50</b>	-0.25	+0.55	<b>0.60</b>	-0.25
Dec-22	+0.50	<b>0.50</b>	-0.25	+0.55	<b>0.60</b>	-0.25
Mar-23	+0.50	<b>0.50</b>	-0.25	+0.55	<b>0.60</b>	-0.25
Jun-23	+0.50	<b>0.50</b>	-0.25	+0.55	<b>0.60</b>	-0.25
Sep-23	+0.50	<b>0.50</b>	-0.25	+0.55	<b>0.60</b>	-0.25
Dec-23	+0.50	<b>0.50</b>	-0.25	+0.55	<b>0.60</b>	-0.25
Mar-24	+0.50	<b>0.50</b>	-0.25	+0.50	<b>0.65</b>	-0.30
Jun-24	+0.50	<b>0.50</b>	-0.25	+0.50	<b>0.70</b>	-0.35
Sep-24	+0.50	<b>0.50</b>	-0.25	+0.45	<b>0.75</b>	-0.40
Dec-24	+0.50	<b>0.50</b>	-0.25	+0.45	<b>0.75</b>	-0.40

2.5 Arlingclose's commentary on their forecast is as follows:

- i) "Risks to the forecast are initially weighted to the upside, but becoming more balanced over time. The Arlingclose central forecast remains below the market forward curve."
- ii) "Gilt yields will remain broadly flat from current levels. The risks around the gilt yield forecasts vary. The risk for short and medium term yields is initially on the upside but shifts lower later. The risks for long term yields are weighted to the upside."

### **3 Overall Resources and the Treasury Management Portfolio**

3.1 The council's Balance Sheet as at 31 March 2021 shows that it had overall net assets of approximately £397.60M. This included £316.60M of investment property and £129.70M of cash resources in the form of treasury investments. The majority of long-term assets and investments are held in the balance sheet at market fair value. Cash resources held in a liquid or readily realisable form are held in the balance sheet at cost.

3.2 The council's Medium Term Financial Forecast estimates that the council will have cash resources of £115.51M at the beginning of 2022/23. The latest forecast is for this to increase by £15.00M early in the year before reducing to £87.92M at the end of the year after planned expenditure on the Capital Programme. This results in an average balance for the year of £116.72M and this is expected to generate £1.88M of interest income in 2022/23.

- 3.3 A breakdown of the forecast investment portfolio position as at 31 March 2022 shows total investments of £115.51M (at cost) as shown in Table 2.

**Table 2 – Expected Treasury Investment Portfolio 31 March 2022**  
**(Amounts shown at cost)**

<b>31/3/2021 Actual £M</b>	<b>31/3/2020 %</b>	<b>Instruments</b>	<b>31/3/2022 Forecast £M</b>	<b>31/3/2022 %</b>	<b>2021/22 Limit</b>
46.50	37%	Money Market Funds	20.51	18%	£50.00M
0.00	9%	Gilts	5.00	4%	91%
0.00	0%	Supranational Bonds	10.00	9%	£50.00M
		<b>Collective Investment Schemes</b>			
70.00	55%	Bond Funds	70.00	60%	
10.00	8%	Property Funds	10.00	9%	
<b>80.00</b>	63%	<b>Collective Investment Schemes Total</b>	<b>80.00</b>	69%	£120.00M
<b>126.50</b>	<b>100%</b>	<b>Total Treasury Investments</b>	<b>115.51</b>	<b>100%</b>	

- 3.4 Table 2 illustrates that the council has maintained its core of long-term strategic funds which provide the bulk of the council's treasury investment income. As Covid-19 related uncertainty reduced in 2021/22 the council has looked to reduce the amount of cash held in liquidity instruments, such as money market funds, and has made some investments in gilts and AAA rated Supranational bonds which provide a significantly increased rate of return in comparison.

#### **4 Risk Management Assessment**

- 4.1 Treasury management involves the management of risk as no treasury management activity is without some risk.
- 4.2 Due to the size, complexity and importance of the income generated from treasury management activities it is important that all associated risks are assessed and managed.
- 4.3 The main risks associated with treasury management are as follows:
- i) **Credit and counterparty risk** (risk to capital) – the risk that a third party will fail to meet its contractual investment obligation resulting in a loss of the council's capital investment or the risk that there will be a permanent reduction in the capital value of the investment.
  - ii) **Liquidity risk** – the risk that the council will commit too much of its investments in fixed term investments and might have to recall investments prematurely resulting in possible additional costs or losses upon disposal of tradable securities.

- iii) **Market or interest rate risk** – the risk that fluctuating interest rates will have an adverse impact on the council's investment income or the value of its investments.
- iv) **Other risks** – this includes inflation risks and risks associated with cash management, legal requirements and fraud.

4.4 These risks are managed as follows:

**i) Credit and Counterparty Risk (risk to capital)**

Wherever possible the council will attempt to externalise the management of credit risk through the use of pooled funds and fund managers who have the required knowledge, experience and resources needed to assess and monitor credit risk effectively.

For any remaining internally managed credit risk the council's exposure to this risk is controlled by limiting the maximum sum invested with any single counterparty and by restricting investments to only those counterparties considered to be of high credit quality, as agreed in the council's Treasury Management Practices.

The council's treasury advisors (Arlingclose Ltd) provide advice on the security of the council's investments which includes credit ratings and other factors such as sovereign guarantees, country of origin, credit default swaps, share prices and market sentiment.

The assessment of security also includes credit ratings produced by the international credit rating agencies which are used throughout the banking and investment industry. Credit ratings are continuously monitored.

The market prices of the council's tradable investments are also monitored as these give an indication of market sentiment which can include credit concerns.

If the credit rating of a counterparty or a security held by the council is downgraded with the result that it no longer meets the council's minimum acceptable credit quality or other factors give cause for serious concern then potential opportunities to dispose of the security will be investigated.

The council requires the necessary flexibility in its treasury management investment strategy to enable it to move a proportion of the portfolio into safer investment instruments during times of general concern about credit risk.

## **ii) Liquidity Risk**

This risk is managed by maintaining a minimum proportion of investments in the short term for cash flow purposes and by setting a maximum amount that can be invested long term (more than 364 days).

When investing in external funds the council will have regard to each fund's access requirements (daily, monthly, quarterly etc.) and will ensure that a suitable mix of fund liquidity is available to meet planned expenditure.

If the council uses fixed long term investments it will set limits on the maximum amount that can be invested in each future year to ensure that the maturity structure for its investments results in a significant amount of investments maturing each year. The maturities can be used (rather than being re-invested) if required for short term cash requirements.

The council also has the option to borrow short term funds in order to meet its commitments if necessary.

## **iii) Market or Interest Rate Risk**

The Treasury Management Strategy attempts to control interest rate risk by spreading investments across different financial instruments and for different time periods.

When using external funds consideration is given to the interest rate risk characteristics of each fund as part of the selection process.

The fund manager's ongoing effectiveness in managing the risk is monitored on a regular basis with the assistance of the council's treasury advisors.

The council aims to use a mix of instruments in order to spread the risk and reduce the overall volatility. Limits are set on the maximum amount in each type of investment.

A proportion of investments in long term fixed rate instruments would provide the council with stable and known amounts of income for a sustained period of time.

A proportion of investments at variable interest rates would enable the council to benefit from future increases in interest rates.

Internally managed investments that have a fluctuating market price, such as fixed income securities, are purchased with the intention that they will be held to maturity ('buy to hold'), thereby reducing the impact of market risk.

In addition, the council currently has an interest rate risk reserve (estimated to be £2.60M as at 31 March 2022).

#### iv) Other Risks

These risks are managed through the council's adoption of standard Treasury Management Practices which are reviewed annually. These cover all aspects of treasury management procedures including cash flow forecasting, documentation, monitoring, reporting and division of duties.

All treasury management procedures and transactions are subject to annual inspections by both internal and external auditors.

The council also employs external financial advisors to provide information on market trends, credit rating alerts, lending criteria advice and investment opportunities.

The council will ensure that all staff and elected members tasked with treasury management responsibilities have access to appropriate training relevant to their needs and understand fully their roles and responsibilities.

### 5 Treasury Management Prudential Indicators

5.1 The council measures and manages its exposure to treasury management risk using the following indicators. The 2022/23 indicator amounts are the forecast levels and are benchmarks for monitoring purposes during the year rather than limits to be enforced. The previous year's indicators have been included for comparison.

5.2 The council will control its exposure to the risk of incurring losses by seeking early repayment or the sale of long-term investments with fixed maturity dates by setting maturity limits. The limits per year on the long-term principal sum invested to final maturities beyond the period end will be:

<b><u>Long Term Treasury Management Investments</u></b>	Year 1	Years 4 to 5	Years 6 to 10
Limit on principal invested beyond year-end (per year)	£30.00M	£20.00M	£10.00M
Total amount invested in long term instruments with no fixed maturity date	£120.00M	N/A	N/A

5.3 The council will measure its exposure to credit risk by monitoring the overall credit rating/score of its treasury portfolio. This is calculated by applying a score to each investment (AAA = 1, AA+ = 2, etc.) and taking the average, weighted by the size of the investment. Unrated investments are assigned a score based on their perceived risk. The 2022/23 level remains one notch above the council's minimum of A-.

<b>Credit Risk Indicator</b>	2021/22	2022/23
Portfolio average credit rating	A	A

- 5.4 The council will measure its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without borrowing. This indicator has been reduced from the previous year to reflect the reduction in investment balances expected during 2022/23.

<b>Liquidity Risk Indicator</b>	2021/22	<b>2022/23</b>
Total cash available within 3 months	£100.00M	<b>£70.00M</b>

- 5.5 The interest rate risk indicator is set to measure the council's exposure to interest rate risk by monitoring the impact that a 1% rise or fall in interest rates would have on the council's income. This indicator will be affected by the amount of investments held at variable rates of interest and the indicator for 2022/23 reflects the expectation that a majority of the council's treasury investments will not be held at fixed rates of interest.

<b>Interest Rate Risk Indicator</b>	2021/22	<b>2022/23</b>
Revenue impact of a 1% change in rates	£0.70M pa	<b>£0.80M pa</b>

- 5.6 The price/market risk indicator is set to measure the council's exposure to price/market risk by monitoring the revenue impact that a 1% rise or fall in the capital value of the council's investments would have on the council's income (before the effect of the government's temporary statutory override).

This indicator will be affected by the amount of investments that have a market price and the 2022/23 level is expected to be lower compared to the previous year due to the expected reduction in investment balances.

<b>Price/Market Risk Indicator</b>	2021/22	<b>2022/23</b>
Revenue impact of a 1% change in value of investments	£0.80M pa	<b>£0.70M pa</b>

- 5.7 These indicators will be monitored throughout the year and will be reported quarterly to the Audit and Accounts Committee and half-yearly to Council.

## **6 The Treasury Investment Strategy for 2022/23**

### **Background**

- 6.1 The Treasury Management Strategy is prepared in accordance with central government guidance on Local Government Investments and CIPFA's Treasury Management Code of Practice.
- 6.2 The Treasury Management Strategy sets out the ranges and limits within which the treasury management function can operate. It states which investment instruments the council may use for the prudent management of its treasury balances during the financial year and sets limits on the different types of investment instrument.

### **Investment Objectives**

- 6.3 The treasury management policy objectives for this council are to invest prudently having regard to all of the associated risks including the security of investments and to maintain liquidity in the investment portfolio to meet the council's spending plans.

### **Fund Selection**

- 6.4 The selection of collective investment schemes or pooled funds will be determined following a selection process that will include evaluation of certain criteria including the size, duration, and creditworthiness of the underlying investments, income distribution levels, past performance, management fees and risk and reward profiles.
- 6.5 The council will seek to ensure that any fund managers used have their own responsible investment policies or have signed up to widely recognised policies, for example the United Nations Principles for Responsible Investment.
- 6.6 The council will give preference to funds managed by investment managers that have signed up as active members of the Net Zero Asset Managers initiative (NZAM) or the Institutional Investors Group on Climate Change (IIGCC). As part of these organisations the fund managers are committed to support investing aligned with the goal of net zero greenhouse gas emissions by 2050 or sooner whilst giving regard to level of financial returns.
- 6.7 Any selection of funds or fund managers by the council would be made with the assistance of its treasury management advisors Arlingclose Ltd.

### **Counterparty Selection**

- 6.8 For in-house specified investments the council has determined that the minimum allowable credit rating for investments that are not with the UK Government or a UK local authority will be a long term rating of: A- (Fitch); A3 (Moody's); A- (Standard & Poor's). The lowest available counterparty credit rating will be used to determine credit quality.
- 6.9 The council will seek to prioritise counterparties (excluding the UK Government and other UK Local Authorities) that have 'Responsible Investment Policies or Environmental, Social and Governance (ESG) policies' in place prior to investing.
- 6.10 In the event that the credit rating of the council's contracted provider of banking services falls below the council's minimum credit rating criteria the bank will continue to be used for business continuity and short term liquidity

requirements (overnight and weekend) and the council will ensure that balances are kept at the minimum amount practicable.

- 6.11 Currently, the council's banking services are provided by HSBC Bank Plc.
- 6.12 For long term investments with other UK local authorities the council will consider their financial strength by assessment of their financial statements and other external indicators where available.
- 6.13 For externally managed investments minimum credit ratings shall be determined by the fund managers as part of their own investment policy and this policy will be considered fully by the council as part of the fund selection process prior to investment in any fund.
- 6.14 The council understands that credit ratings are not perfect predictors of investment default. Full regard will therefore be given to other available information on credit quality including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
- 6.15 All credit ratings and other factors detailed above are monitored by Arlingclose Ltd (the council's treasury advisors) and the council is alerted to any changes.
- 6.16 The council will consider the use of counterparties outside of the United Kingdom where the country of origin has a sovereign rating of not lower than AA+ or equivalent. The council may also have exposure to non-UK investments indirectly through the use of money market funds and collective investment funds.

#### **Investment Balances / Liquidity of Investments**

- 6.17 Based on cash flow forecasts, the council anticipates its treasury investments balance at the end of 2022/23 will be £90.07M. Of this, approximately £10.00M is required for cash flow requirements.
- 6.18 Giving due consideration to the council's level of balances over the next three years, the need for liquidity and its spending commitments, the council has determined that £80.00M of its overall balances could be prudently committed to investments with a maturity beyond 364 days.
- 6.19 Where investments are made in longer term instruments, the council will have regard to liquidity by using funds with appropriate withdrawal policies or by spreading fixed term investments over future years ensuring that significant amounts mature each year.

#### **Allowable Investment Types for 2022/23**

- 6.20 In deciding which types of investment to use the council has regard to its

treasury management advisors. This year's strategy has been produced following consultation with the council's advisors and with assessment of the risks and returns of the different instruments used.

6.21 All investments will be denominated in pounds sterling.

6.22 This Authority defines "high credit quality" organisations and securities as:

- UK Government
- UK Local Authorities
- UK registered providers of social housing
- AAA rated Supranational bonds
- AAA rated covered bonds
- AAA rated Money Market Funds
- Banks and building societies with a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.

6.23 The investment types that this council will allow to be used for new investment in 2022/23 and the applicable limits are shown in Table 4.

**Table 4 – Allowable investment types and limits**

	<b>Maturity</b>	<b>Counter-</b>	<b>Maximum</b>
	<b>Limit</b>	<b>party</b>	<b>Limit £'s/</b>
		<b>Limit</b>	<b>% age of</b>
<b>Type of Investment</b>		<b>2022/23</b>	<b>Portfolio</b>
Government Gilts	10 years	None	90%
Treasury Bills	6 months	None	90%
H M Treasury (DMADF)	6 months	None	100%
Supranational Bonds	10 years	£20.00M	£50.00M
Local Authority Loans	5 years	£5.00M	£50.00M
Loans to Registered Providers	5 years	£5.00M	£10.00M
Money Market Funds	Not applicable	£10.00M	£50.00M
Bond Funds	Not applicable	£20.00M	£70.00M
Multi-Asset Funds	Not applicable	£10.00M	£20.00M
Property Funds	Not applicable	£10.00M	£20.00M
Equity Funds	Not applicable	£10.00M	£10.00M
Short Term Cash Funds	Not applicable	£5.00M	£15.00M
Bank and Building Society Covered Bonds <sup>2</sup>	5 years	£5.00M	£20.00M
REITS (Real Estate Investment Trusts)	Not applicable	£10.00M	£10.00M
Bank Overnight Call Accounts <sup>2</sup>	Overnight	£5.00M	£10.00M
<sup>1</sup> Counterparty limit is per fund manager. <sup>2</sup> Includes a £20.00M limit on each allowable foreign country.			

- 6.24 For bank and building society investments counterparties will be chosen in conjunction with the council's treasury advisors and will be approved by the Section 151 Officer. A group of banks under the same ownership will be treated as a single organisation for counterparty limit purposes.
- 6.25 Money market funds are used primarily for liquidity purposes and provide same day access to cash. The limits for money market funds are separate to those of other collective investment schemes which are used for investments with a much longer time horizon.
- 6.26 The code requires the council to state its position regarding the use of derivative investments. The council does not intend to use standalone financial derivatives directly. However, the use of derivatives by fund managers or collective investment schemes is permitted.
- 6.27 Under the IFRS 9 accounting standard the council is required to state its business model for accounting for certain investments. The council aims to achieve value from its internally managed investments by a business model of collecting the income under a buy to hold strategy and does not aim to make short term gains from selling investments when the valuation of those investments change.
- 6.28 The Authority has opted up to professional client status with its providers of financial services, including advisers, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Section 151 Officer believes this to be the most appropriate status.

## **7 Borrowing Requirement and Strategy for 2022/23**

- 7.1 Any borrowing (long term or short term) will be within the council's Authorised Borrowing Limit of £50.00M as set out in the council's Capital Investment Strategy.
- 7.2 The council currently has no plans or intentions to carry out any long term external borrowing during 2022/23 however it has taken steps to secure preferential borrowing rates (called the Certainty Rate) from the PWLB in case the borrowing position changes.
- 7.3 CIPFA's Prudential Code for Capital Finance in Local Authorities includes a Prudential Indicator expressing that the Authority's total debt should not exceed its highest forecast Capital Financing Requirement (CFR) for the current and next two years. Table 5 shows that the council's debt does not exceed its CFR during 2022/23 and over the period of the medium-term financial forecast.

**Table 5 – Balance Sheet Summary and Forecast**

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Capital Financing Requirement (CFR)	actual	estimate	estimate	estimate	estimate	estimate
	£M	£M	£M	£M	£M	£M
Balance brought forward	0.00	2.20	0.00	5.60	14.40	25.00
New borrowing	2.20	0.00	0.00	0.00	0.00	0.00
Minimum revenue provision (MRP)	0.00	0.00	0.00	0.00	0.00	0.00
Movement in other liabilities	0.00	(2.20)	5.60	8.80	10.60	0.00
<b>General Fund CFR</b>	<b>2.20</b>	<b>0.00</b>	<b>5.60</b>	<b>14.40</b>	<b>25.00</b>	<b>25.00</b>
<b>Total CFR</b>	<b>2.20</b>	<b>0.00</b>	<b>5.60</b>	<b>14.40</b>	<b>25.00</b>	<b>25.00</b>
Less: External debt	2.20	0.00	0.00	0.00	0.00	0.00
<b>Internal borrowing</b>	<b>0.00</b>	<b>0.00</b>	<b>5.60</b>	<b>14.40</b>	<b>25.00</b>	<b>25.00</b>
Usable Reserves	101.00	86.01	62.74	60.45	61.50	66.10
(Less)/Plus:Working capital	25.50	29.50	25.18	17.76	7.81	8.36
<b>Treasury investments</b>	<b>126.50</b>	<b>115.51</b>	<b>87.92</b>	<b>78.21</b>	<b>69.31</b>	<b>74.46</b>

7.4 The council might occasionally borrow on a short term basis for cash flow reasons.

## **8 Treasury Management Performance Monitoring and Reporting**

8.1 Performance of the council's treasury function will continue to be monitored monthly and will be reported quarterly to the Audit and Accounts Committee. Half year and outturn reports on treasury management activities and performance will also be prepared for Full Council.

8.2 The council participates in quarterly portfolio benchmarking provided by its treasury advisors Arlingclose. This benchmarking includes measures of the level of risk taken and the corresponding returns. Results of the benchmarking exercise are included in the monitoring reports detailed above.

## **9 Training**

9.1 The Treasury Management Code of Practice requires the Section 151 Officer to ensure that all members tasked with treasury management responsibilities, including scrutiny of the function, have access to appropriate training relevant to their needs and understand fully their roles and responsibilities.

9.2 Treasury workshops are provided for members of the Audit and Accounts Committee and are open to all members of the council. The workshops may be delivered by a combination of external training providers, council officers and the council's treasury advisors.

9.3 Officers responsible for treasury management attend external workshops

and seminars as part of their continuing professional development.

## **10 Use of Investment Consultants/Treasury Advisors**

10.1 The council has contracted Arlingclose Ltd. as treasury advisors. Under the contract Arlingclose provide the following services:

- Advice on counterparty selection and creditworthiness;
- Assistance in compliance with codes of practice;
- Economic and interest rate forecasts;
- Strategy and review meetings;
- An annual report on the council's investment strategy and portfolio;
- Advice and guidance on treasury management issues;
- Benchmarking and performance monitoring;
- Seminars and training events; and
- Performance monitoring of externally managed investments.

