

## POLICY AND RESOURCES COMMITTEE – 29 JANUARY 2024

### PART I - NOT DELEGATED

#### 6. FINANCIAL PLANNING – CAPITAL STRATEGY AND THE TREASURY MANAGEMENT POLICY (DoF)

##### 1. Summary

1.1 The purpose of this report is to enable the Policy and Resources Committee to recommend to the Council its capital strategy and treasury management policy over the medium term (2024/25 to 2026/27). This report is the second of four that is covered under the recommendations report at **Item 8** on this agenda.

##### 2. Details

2.1 The capital strategy (the Strategy) is designed to give a clear and concise view of how the council determines its priorities for capital investment, decides how much it can afford to borrow and sets its risk appetite. It is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

2.2 The framework the government uses to control how much councils can afford to spend on capital investment is known as the Prudential Framework. The objectives of the Prudential Code, which sets out how this framework is to be applied, are to ensure that local authorities' capital investment plans are:

- affordable, prudent, and sustainable,
- that treasury management decisions are taken in accordance with good professional practice, and
- that local strategic planning, asset management planning and proper option appraisal are supported.

2.3 This capital strategy sets out how the Council will achieve the objectives set out above.

##### **Capital Investment Programme – Expenditure**

2.4 Capital Investment is the term used to cover all expenditure by the council that can be classified as capital under legislation and proper accounting practice. This includes expenditure on:

- property, plant and equipment,
- heritage assets,
- investment properties., and
- loans to subsidiaries and joint ventures

2.5 Property, plant and equipment includes assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes. They are expected to be used during more than one financial year. Expenditure on the acquisition, creation or enhancement of these assets is capitalised on an accruals basis, provided that the Council is likely to benefit from the future economic benefits or service potential and the cost of the item can be measured reliably. Expenditure on repairs and maintenance is charged to the revenue account when it is incurred.

2.6 Heritage Assets are held with the objective of increasing knowledge, understanding and the appreciation of the Council's history and local area.

- 2.7 Investment properties are those that are used solely to earn rentals and/or for increases in value. The definition is not met if the property is used in any way for the delivery of services or production of goods or is held for sale.
- 2.8 Detailed accounting policies in relation to assets and capital expenditure may be found in the annual statement of accounts.
- 2.9 **Appendix 1** shows the 2023/24 revised capital budget and draft capital budgets for the period 2024/25 to 2026/27. The appendix contains the title, description and officers' comments relating to the progress of the 2023/24 schemes. A summary of the proposed capital programme is set out in the following table:

Capital Investment Programme	Forecast Year End 2023/24 £000	Proposed Budget 2024/25 £000	Proposed Budget 2025/26 £000	Proposed Budget 2026/27 £000
General Public Services & Economic Development	3,027	1,861	1,792	1,792
Climate Change, Leisure & Community	1,518	1,258	793	793
Policy and Resources	1,419	1,053	778	827
Major Projects	13,957	0	0	0
<b>Total Capital Investment</b>	<b>19,921</b>	<b>4,172</b>	<b>3,363</b>	<b>3,412</b>

- 2.10 The 2023/24 programme has decreased from the latest approved budget by **£0.101m**. This includes re-phasing of a scheme into 2024/25, budget savings and a Capital Contribution from Lawn Tennis Association (LTA). The schemes that contribute to this variation to budget are as follows:
- Princess Trust budget no longer required (£0.010m)
  - Community CCTV full budget not required this year (£0.005m)
  - TRH Whole Life Costing rephased into 2024/25 (£0.135m)
  - South Oxhey Playing Fields – LTA Capital Contribution £0.049m
- 2.11 The £13.937M for major projects relates to Council decisions to purchase the Foxgrove Path pre-emption site from Hertfordshire County Council to allow the delivery of affordable housing in partnership with Watford Community Homes and the Local Authority Housing Fund projects to accept grant funding from the Government to support the delivery of additional homes through Three Rivers Homes Ltd.
- 2.12 Variances to the medium term capital programme which have been identified up to the end of November and are shown in detail at **Appendix 2**.
- 2.13 Following the re-phasing, the capital programme for 2023/24 now totals **£19.921m**. The services capital programme included in MTFP shows schemes totalling **£4.172m** in 2024/25; **£3.363m** in 2025/26 and **£3.412m** in 2026/27.
- 2.14 The larger capital schemes over the next three financial years include:
- Disabled Facility Grants - £1.758m
  - Waste and Recycling Vehicles - £2.400m
  - Replacement Grounds Maintenance Vehicles – £1.620m
  - Garage Improvements - £0.450m

2.15 There is a proposal for three new schemes for 2024/25:

- Watersmeet Electrical - £0.144m
- Car Park Restoration - £0.235m
- GIS – £0.013m

### **Capital Investment Programme – Funding**

2.16 The Capital Investment Programme can be funded from a variety of sources. Explanations of the funding sources are set out in the following paragraphs.

2.17 Government Grants & Other Contributions: These are grants for specific purposes which may be available from the Government, e.g. Disabled Facility Grants. The Council can also attract partnership funding from other local authorities and agencies e.g. Local Enterprise Partnership (LEP). The Council has also benefited in the past from other funding such as lottery grants.

2.18 Section 106 Contributions: These are contributions from developers to the public services and amenities required for the development. These have been in part replaced by the Community Infrastructure Levy. Current Section 106 monies are guaranteed.

2.19 Capital Receipts Reserve: Capital receipts are derived when selling assets such as land. The main receipt relates to the arrangements made when the Council sold its housing stock to Thrive Homes Ltd in 2008; the Transfer Agreement included a Right to Buy (RTB) Sharing Agreement whereby the Council is entitled to a share of the post-transfer receipts from RTB sales and a 'VAT Shelter Agreement' whereby the Council benefits from the recovery of VAT on continuing works carried out by Thrive. The current MTFP forecasts that this reserve will be fully utilised to support the capital programme.

2.20 Revenue Contributions: Revenue balances from the General Fund may be used to support capital expenditure.

2.21 New Homes Bonus Reserve: New Homes Bonus is a grant relating to the number of new homes delivered in a local authority area. There are no government restrictions on whether this is capital or revenue, nor is there any ring-fence imposed. It is anticipated that there would be a reduction in the amount received from 2023/24 onwards.

2.22 Borrowing: The Council is allowed to borrow to support its capital expenditure as long as this is prudent, sustainable, and affordable. The Council has borrowed to support the new leisure centre provision in South Oxhey. Where the Council decides to borrow to fund capital expenditure the annual cost of borrowing is included within the revenue budget.

2.23 The capital programme includes an assessment of likely available resources to finance capital expenditure and includes assumptions regarding capital receipts, which have been estimated at £1.100m per year.

2.24 **Appendix 3** shows the sources of capital funding proposed over the period 2023/24 to 2026/27, including the funding generated in each year and balances carried forward at the end of each year. The funding for the proposed capital programme is set out in the table on the following page:

Funding	Forecast Year End 2023/24	Proposed Budget 2024/25	Proposed Budget 2025/26	Proposed Budget 2026/27
	£000	£000	£000	£000
Grants	5,157	586	586	586
Reserves	333	100	95	95
Capital Receipts	1,100	1,000	1,000	1,000
Section 106 and CIL	1,146	320	0	0
Borrowing	12,185	2,166	1,707	1756
<b>Total Funding Applied</b>	<b>19,922</b>	<b>4,172</b>	<b>3,388</b>	<b>3,437</b>

2.25 Borrowing in 2023/24 arises predominantly as a result of the major projects and will be repaid in line with repayments made by Watford Community Housing and Three Rivers Homes Ltd. As MRP is charged in line with these principle repayments there is no impact on the revenue account.

**Appendix 4** shows details of all Section 106 contributions currently received and available to use.

### Future Investment

2.26 Future Investment Schemes will be assessed on the basis of a full business case which will include full resourcing for the project and an assessment of affordability. Priority areas for future capital investment are:

- Schemes that generate a financial surplus for the Council; and in particular those that increase the supply of housing locally (for example through the joint ventures with Watford Community Housing and Thrive).
- Schemes that generate revenue budget savings for the Council.
- Schemes that allow the Council to benefit from future economic regeneration potential within the local area; especially those that attract additional investment into the local area from regional or national agencies.
- Schemes that provide additional or improved services to the Council's residents, in line with the Council's Strategic Plan.

2.27 The Council will continue to seek opportunities to work in partnership with others to promote economic development and the provision of housing within Three Rivers wider economic area. Current partners include Countrywide Properties for the South Oxhey scheme, along with Watford Community Homes and Thrive Homes as the two major local registered social providers.

2.28 The Council has established Three Rivers Commercial Services to allow it to work more closely with providers and exploit future commercial opportunities. The Council currently has two joint ventures with Watford Community Housing, Three Rivers Development LLP and Three Rivers Homes Ltd.

### 3. Treasury Management

3.1 The Council is required to operate a balanced budget over the medium term which, after allowing for contributions to and from reserves, broadly means that cash raised

during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing the requisite liquidity before considering investment return.

- 3.2 The Treasury Management Strategy Statement (**Appendix 5**) details the policies, practices, objectives and approaches to risk management of its treasury management activities, which is to be monitored by the Audit Committee. The Council's investment strategy's primary objectives are safeguarding the repayment of the principal and interest of its investments on time, and then ensuring adequate liquidity, with the investment return being the final objective. The strategy allows the Director of Finance, in consultation with the Lead Member, the delegated authority to approve any variation to the Treasury Management Strategy during the year with the objective of maximising the Council's returns without significantly increasing risk. This could include use of other investment instruments such as Government bonds or Gilts.

#### **4. Prudential Indicators**

- 4.1 All Local Authorities are required to set prudential indicators for the forthcoming year and following years before the beginning of the forthcoming year. The indicators must be set by full Council.
- 4.2 The prudential indicators fall into two main categories of 'Prudence' and 'Affordability'. The indicators for Prudence are further separated between those relating to the Council's capital expenditure plans and those relating to levels of external debt.

##### **Prudence – Capital Expenditure**

- 4.3 The Capital Financing Requirement (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 Council's underlying borrowing need. Any capital expenditure, which has not immediately been paid for, will increase the CFR. An increase in the CFR does not necessarily mean that the council will borrow externally to fund the increase. The Council manages its cash balances as a whole and may choose to use internal cash (generated by holding reserves and through timing differences between income and expenditure).

- 4.4 The table below sets out the Council's estimates of capital expenditure over the medium term financial planning period and the estimated impact on the Council's CFR.

	2023/24	2024/25	2025/26	2026/27
	Forecast	Estimate	Estimate	Estimate
	£m	£m	£m	£m
<b>Total Proposed Capital Expenditure</b>	<b>19,921</b>	<b>4,172</b>	<b>3,363</b>	<b>3,412</b>
Capital Financing:				
Grants	(5,157)	(586)	(586)	(586)
Reserves	(333)	(100)	(95)	(95)
Capital Receipts	(1,100)	(1,000)	(1,000)	(1,000)
Section 106 and CIL	(1,146)	(320)	0	0
<b>Total Funding</b>	<b>(7,736)</b>	<b>(2,006)</b>	<b>(1,681)</b>	<b>(1,681)</b>
Gap	12,185	2,166	1,682	1,731
MRP	(0.172)	(0.374)	(0.460)	(0.527)
Opening CFR	25.786	37.799	39.964	41.186
<b>Closing CFR</b>	<b>37.799</b>	<b>39.964</b>	<b>41.186</b>	<b>42.390</b>

Note the opening CFR is subject to restatement following the conclusion of the outstanding external audits.

#### Prudence – External Debt

- 4.5 There are two limits on external debt: the 'Operational Boundary' and the 'Authorised Limit'. Both are consistent with existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices.
- 4.6 These prudential indicators ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and next two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue purposes.
- 4.7 The Operational Boundary is the limit beyond which external borrowing is not normally expected to exceed. In most cases this would link directly to the authority's plans for capital expenditure, its estimates for CFR and its estimate of cashflow requirements for the year for all purposes. The Council may need to borrow, this limit represents a contingency should the need arise. The additional headroom allows the Council to externalise borrowing currently covered by utilising cash reserves – should interest rates reduce.

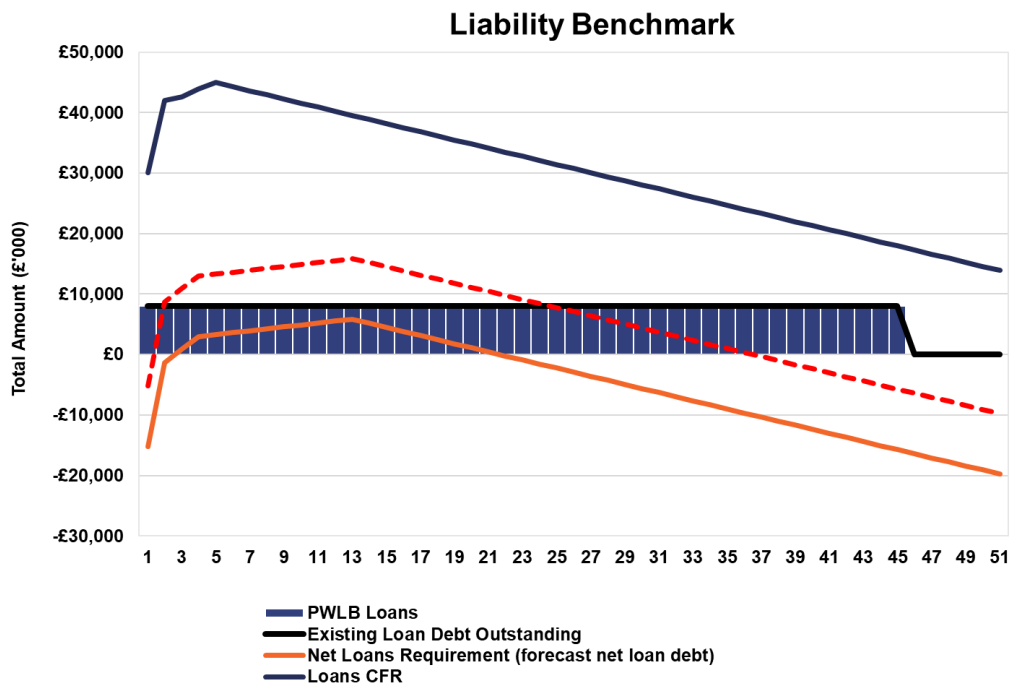
Operational Boundary	2023/24 £m	2024/25 Estimate £m	2025/25 Estimate £m	2026/27 Estimate £m
Borrowing	8.000	20.000	25.000	25.000

4.8 The Authorised Limit for External Borrowing controls the overall level of borrowing and represents the limit beyond which external long and short term borrowing is prohibited, and this limit needs to be set or revised by the Council. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (2) of the Local Government Act 2003.

Authorised Limit	2023/24 £m	2024/25 Estimate £m	2025/25 Estimate £m	2026/27 Estimate £m
Borrowing	25.000	25.000	25.000	25.000

### Treasury Management Indicator – The Liability Benchmark

4.9 The Treasury Management Code of Practice requires local authorities to calculate their Liability Benchmark. The benchmark includes a projection of external debt required over the long term to fund the organisation’s approved budgets and plans compared to the Forecast of total borrowing outstanding. The benchmark should be used to evaluate the amount, timing and maturities needed for new borrowing in relation to the organisation’s planned borrowing needs in order to avoid borrowing too much, too little, too long or too short.



### Affordability

4.10 The fundamental objective in the consideration of the affordability of the authority’s capital plans is to ensure that the level of investment in capital assets proposed means that the total capital investment of the authority remains within sustainable limits.

4.11 In considering the affordability of its capital plans, the authority is required to consider its forecast financial position, including all of the resources currently available to it and estimated for the future, together with the totality of its capital, borrowing and investment plans, income and expenditure forecasts and risks.

- 4.12 The following indicators provide an indication of the impact of the capital investment plans on the Council's overall finances.

#### **Financing costs to net revenue stream**

- 4.13 This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream. The net revenue stream is the Council's core funding of Council Tax, Business rates, and unringfenced central government grants. Investment income includes interest from Treasury Management activities and interest from loans to joint ventures and subsidiaries.

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Net Cost of Capital	0.050	(0.206)	0.038	0.038	0.038
Net Revenue Stream	11.496	14.579	13.973	14.251	14.499
<b>Ratio %</b>	<b>0.4%</b>	<b>-1.4%</b>	<b>0.3%</b>	<b>0.3%</b>	<b>0.3%</b>

#### **Net income from commercial investment to net revenue stream**

- 4.14 This indicator is intended to show the financial exposure of the authority to the loss of income.
- 4.15 Net income from commercial investments comprises net income from financial investments (other than treasury management investments), together with net income from other assets held primarily for financial return, such as commercial property.

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Commercial Investment Income	1.100	0.930	0.950	0.982	0.982
Net Revenue Stream	11.496	14.579	13.973	14.251	14.499
<b>Ratio %</b>	<b>9.6%</b>	<b>6.3%</b>	<b>6.8%</b>	<b>6.9%</b>	<b>6.8%</b>

### **5. The Minimum Revenue Provision (MRP) Strategy and Policy Statement**

- 5.1 The Minimum Revenue Provision (MRP) is designed to pay off an element of the capital spend which has not already been financed from existing revenue or capital resources. The Council is required to make prudent provision, by way of a charge to the revenue account, which means that the repayment of debt is enabled over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.
- 5.2 The Council is also able to increase the rate it reduces its CFR by undertaking additional voluntary payments (voluntary revenue provision - VRP) in addition to any MRP; this is not currently the Council's policy.
- 5.3 Government Regulations require the Council to approve a MRP Statement in advance of each year. The Council's MRP policy statement is at **Appendix 6**.



- 5.4 Three Rivers District Council's process is to produce for approval by the Director of Finance, in consultation with the Portfolio Holder, a business case for each scheme intended to be unfunded from other resources. This will clearly show the level of MRP which is proposed to ensure that the repayment of any debt can be made in a period commensurate with the period over which the expenditure provides benefits or makes returns.
- 5.5 Where the Council decides to borrow to fund capital expenditure the annual cost of borrowing is included within the revenue budget.

## **6. Skills and Knowledge and Professional Advice**

- 6.1 The Council has a shared service with Watford Borough Council for the provision of the finance function allowing access to a greater range of professional skills than would otherwise be available if each council had a separate team. The council uses external advisers on all major projects.
- 6.2 The Council contracts with Link Asset Services for the provision of Treasury advice. Link Asset Services provide non-regulated advice on the management of the council's cash flows, investments and borrowings and a markets information service. The Council's VAT advisers are PSTax.

## **7. Risk**

- 7.1 Financial risks are closely monitored as a separately identifiable part of the corporate risk management framework. The Council's risk appetite is evolving as it becomes involved in a wider range of major property lead investments both within its economic area linked to regeneration and more widely for income generation purposes.
- 7.2 The Council takes advice from its professional advisers to both identify and mitigate the key risks it faces and ensures that all decisions are made with an understanding of the risks involved.
- 7.3 Whilst recognising the importance of generating income to support services, the Council will ensure that its external income is actively managed to safeguard the future financial sustainability of the council. In this respect it will continue to seek to balance income from its commercial investment activities against its overall level of risk and the amount of reserves available to mitigate this risk.
- 7.4 In assessing the risk of its commercial investments the Council will consider the level of risk inherent in the income stream, the security held, its ability to realise assets or other security should the need arise and the level of income received from commercial investments compared to the total income of the council.

## **8. Options/Reasons for Recommendation**

- 8.1 The recommendations at agenda Item 11 enable the Committee to make recommendations to the Council on 20 February 2024 concerning the Council's budget.

## **9. Policy/Budget Reference and Implications**

- 9.1 The recommendations in this report contribute to the process whereby the Council will approve and adopt its strategic, service and financial plans under Article 4 of the Council's Constitution.

**10. Equal Opportunities, Legal, Staffing, Environmental, Community Safety, Customer Services Centre and Communications, Health & Safety & Website Implications**

10.1 None specific.

**11. Financial Implications**

11.1 As contained in the body of the report.

**12. Risk Management Implications**

12.1 There are no risks to the Council in agreeing the recommendation below.

**13. Recommendation**

13.1 That the report is noted.

Report prepared by: Sally Riley- Finance Business Partner  
Report Checked by: Alison Scott - Director of Finance

**Background Papers**

Reports and Minutes of;

- The Policy and Resources Committee
- Council

**Appendices**

1. Capital Investment Programme 2023/24 to 2026/27 - Expenditure
2. Capital Investment Programme 2023/24 to 2026/27 - Variances
3. Capital Investment Programme 2023/24 to 2026/27 - Funding
4. Section 106 Balances 2023/24
5. Treasury Management Strategy Statement
6. Minimum Revenue Provision (MRP) Strategy and Policy Statement

***The recommendations contained in this report DO NOT constitute a KEY DECISION but contribute to the process whereby the Council will approve and adopt its Strategic, Service and Financial Plans under Article 4 of the Council's Constitution***

## CAPITAL INVESTMENT PROGRAMME 2023/24 to 2026/27 – EXPENDITURE

General Public Services & Economic Development										
Housing, Public Health & Wellbeing	Original Budget 2023/24 £	Latest Budget 2023/24 £	P8 Spend To Date £	Forecast Outturn 2023/24 £	Variance £	Latest Budget 2024/25 £	Proposed 2024/25 £	Proposed 2025/26 £	Proposed 2026/27 £	Comments
Disabled Facilities Grant	586,000	780,325	429,878	780,325	0	586,000	586,000	586,000	586,000	Budget will be spent
Home Repairs Assistance	2,000	2,000	0	2,000	0	2,000	2,000	2,000	2,000	Demand Led service, no applications received to date
<b>Sub-total Housing, Public Health &amp; Wellbeing</b>	<b>588,000</b>	<b>782,325</b>	<b>429,878</b>	<b>782,325</b>	<b>0</b>	<b>588,000</b>	<b>588,000</b>	<b>588,000</b>	<b>588,000</b>	

Economic Development & Planning Policy	Original Budget 2023/24 £	Latest Budget 2023/24 £	P8 Spend To Date £	Forecast Outturn 2023/24 £	Variance £	Latest Budget 2024/25 £	Proposed 2024/25 £	Proposed 2025/26 £	Proposed 2026/27 £	Comments
Princes Trust-Business Start-up	10,000	10,000	0	0	(10,000)	10,000	0	0	0	Budget no longer required. SLA no longer in place as Princes Trust can no longer deliver the service
Listed Building Grants	2,500	2,500	0	2,500	0	2,500	2,500	2,500	2,500	Demand Led service, no applications received to date
Integration of Firmstep to uniform Licensing applications	0	4,775	0	4,775	0	0	0	0	0	Budget will be spent
<b>Sub-total Economic Development &amp; Planning Policy</b>	<b>12,500</b>	<b>17,275</b>	<b>0</b>	<b>7,275</b>	<b>(10,000)</b>	<b>12,500</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	

Public Services	Original Budget 2023/24 £	Latest Budget 2023/24 £	P8 Spend To Date £	Forecast Outturn 2023/24 £	Variance £	Latest Budget 2024/25 £	Proposed 2024/25 £	Latest Budget 2025/26 £	Proposed 2025/26 £	Latest Budget 2026/27 £	Proposed 2026/27 £	Comments
Cycle Schemes	20,000	24,564	0	24,564	0	25,000	0	25,000	0	25,000	0	Future Years Budget virement to Transport and Infrastructure
Disabled Parking Bays	2,500	2,500	0	2,500	0	2,500	2,500	2,500	2,500	2,500	2,500	Budget will be spent
Waste Plant & Equipment	25,000	40,610	11,479	40,610	0	25,000	25,000	25,000	25,000	25,000	25,000	Budget will be spent
Waste Services Depot	0	56,541	0	133,541	77,000	0	0	0	0	0	0	£77,000 budget virement from Waste & Recycling Vehicles budget unspent in 2023/24 to facilitate the construction of a vehicle maintenance building in order to meet regulatory requirements.
EV Charging Points	460,000	460,000	0	460,000	0	0	0	0	0	0	0	There are ongoing discussions regarding an EV charging scheme in some of the Council's car parks and a potential to secure some external funding towards the costs. Discussions have been lengthened by the high costs of a power supply to the proposed charging infrastructure due to absence of an adequate electrical supply to many of our car parks. An update will be provided at the next budget monitoring cycle.
Controlled Parking	50,000	161,234	47,443	161,234	0	50,000	0	50,000	0	50,000	0	Future Years £25,000 Budget virement to Transport and Infrastructure and £25,000 budget no longer required
Parking Bay & Verge Protection	95,000	102,482	0	102,482	0	40,000	0	40,000	0	40,000	0	Future Years Budget virement to Transport and Infrastructure
Highways Enhancement	30,062	30,062	0	30,062	0	50,000	0	50,000	0	50,000	0	Future Years Budget virement to Transport and Infrastructure
Replacement Bins	115,000	92,190	82,229	92,190	0	115,000	115,000	115,000	115,000	115,000	115,000	Budget will be spent. Planned replacements and new properties.
Bus Shelters	0	51,594	51,594	51,594	0	4,344	0	9,000	0	9,000	0	Future Years Budget virement to Transport and Infrastructure
Waste & Recycling Vehicles	858,000	1,070,413	220,099	993,413	(77,000)	800,000	800,000	800,000	800,000	800,000	800,000	Procurement of vehicles underway. Update will be provided at next budget monitoring cycle. Delays caused by uncertainty around government changes and lead in times for new vehicles. £77,000 budget virement to Waste Services Depot to facilitate the construction of a vehicle maintenance building.
Retail Parades	30,000	28,200	0	28,200	0	30,000	0	30,000	0	30,000	0	Future Years Budget virement to Transport and Infrastructure
Car Park Restoration	35,000	41,001	0	41,001	0	35,000	35,000	35,000	35,000	35,000	35,000	Survey has been carried out which has identified significant works in M&S and Denham Way Car Parks. There is insufficient budget to cover these works in year and a business case has been submitted to enable the works to be carried out. See Growth Bid below. Further Capital works will be required at Chorleywood Cemetery, Talbot Road West and Bury Lane no later than 2025-26.
Estates, Paths & Roads	20,000	20,000	10,376	20,000	0	20,000	20,000	20,000	20,000	20,000	20,000	Survey is currently being undertaken which will identify a programme of works required
Energy Performance Certificate	2,300	0	0	0	0	0	0	0	0	0	0	0
TRDC Footpaths & Alleyways	25,000	56,335	14,973	56,335	0	25,000	25,000	25,000	25,000	25,000	25,000	Survey currently being undertaken to establish condition, this will enable a programme of works to be developed
Transport and Infrastructure	0	0	0	0	0	0	199,344	0	204,000	0	204,000	Future Years creation of a single programme which will allow for in-year prioritisation by General Public Services and Economic Development Committee and delivery of a coherent programme. Budget virements from Parking Bay & Verge Protection £40,000, Bus Shelters £9,000, Cycle Schemes £25,000, Highways Enhancements £50,000, Retail Parades £30,000 and Controlled Parking £25,000.
<b>Sub-total Public Services</b>	<b>1,767,862</b>	<b>2,237,726</b>	<b>438,193</b>	<b>2,237,726</b>	<b>0</b>	<b>1,221,844</b>	<b>1,022,500</b>	<b>1,226,500</b>	<b>1,226,500</b>	<b>1,226,500</b>	<b>1,226,500</b>	
<b>Total General Public Services &amp; Economic Development</b>	<b>2,368,362</b>	<b>3,037,326</b>	<b>868,071</b>	<b>3,027,326</b>	<b>(10,000)</b>	<b>1,822,344</b>	<b>1,613,000</b>	<b>1,827,000</b>	<b>1,817,000</b>	<b>1,827,000</b>	<b>1,817,000</b>	

Climate Change, Leisure & Community										
Community Partnerships	Original Budget 2023/24 £	Latest Budget 2023/24 £	P8 Spend To Date £	Forecast Outturn 2023/24 £	Variance £	Latest Budget 2024/25 £	Proposed 2024/25 £	Proposed 2025/26 £	Proposed 2026/27 £	Comments
Capital Grants & Loans	0	0	0	0	0	20,000	20,000	20,000	20,000	
Community CCTV	6,000	11,720	0	6,000	(5,720)	6,000	6,000	6,000	6,000	Full budget not required this financial year
<b>Sub-total Community Partnerships</b>	<b>6,000</b>	<b>11,720</b>	<b>0</b>	<b>6,000</b>	<b>(5,720)</b>	<b>26,000</b>	<b>26,000</b>	<b>26,000</b>	<b>26,000</b>	
Leisure	Original Budget 2023/24 £	Latest Budget 2023/24 £	P8 Spend To Date £	Forecast Outturn 2023/24 £	Variance £	Latest Budget 2024/25 £	Proposed 2024/25 £	Proposed 2025/26 £	Proposed 2026/27 £	Comments
Denham Way MUGA	0	30,000	30,450	30,000	0	0	0	0	0	Project Complete
Barton Way MUGA	0	2,449	2,248	2,449	0	0	0	0	0	Project Complete
Aquadrome	22,500	0	0	0	0	0	0	0	0	
Aquadrome Bridge Replacement	0	0	0	0	0	320,524	320,524	0	0	Project due to commence 2024/25
Leavesden Country Park Gate	0	191,256	26,367	191,256	0	0	0	0	0	Budget will be spent
Watersmeet Electrical	23,000	26,234	24,034	26,234	0	0	0	0	0	Budget will be spent
South Oxhey Playing Fields	468,750	457,330	469,135	506,498	49,168	0	0	0	0	Capital Contribution from Lawn Tennis Association
Watersmeet Projector	80,000	80,000	53,320	80,000	0	0	0	0	0	Minor peripheral work to be completed. Update to be given at next budget monitoring cycle
Scotsbridge-Chess Habitat	8,190	8,190	0	8,190	0	0	0	0	0	Project being led by Countryside Management Service in partnership with the Environment Agency
Open Space Access Improvements	60,000	75,390	35,196	75,390	0	60,000	60,000	60,000	60,000	Budget will be spent
Improve Play Area-Future Schemes	115,000	120,680	6,223	20,680	(100,000)	120,000	120,000	120,000	120,000	£50,000 budget virement to Lincoln Drive Play Area and £50,000 budget virement to Fearney Mead Play Area
Aquadrome-Whole Life Costing	11,000	11,000	1,718	11,000	0	11,000	11,000	11,000	11,000	Budget will be spent
Replacement Ground Maintenance Vehicles	264,000	264,000	0	264,000	0	540,000	540,000	540,000	540,000	Update will be provided at next budget monitoring cycle due to the length of time required to build the vehicles
Watersmeet-Whole Life Costing	20,000	20,000	17,049	20,000	0	20,000	20,000	20,000	20,000	Budget will be spent
Pavilions-Whole Life Costing	11,000	11,000	4,230	11,000	0	11,000	11,000	11,000	11,000	Many of the Pavilions are coming to end of life - a full review of usage is underway; budget may need to be rephased once the outcome is known.
Outdoor Fitness Zones	27,200	160,532	160,532	160,532	0	0	0	0	0	Project Complete
Fearney Mead Play Area	0	0	0	50,000	50,000	0	0	0	0	Budget virement from Improve Play Areas - Future Schemes
South Oxhey Playing Fields	0	0	0	50,000	50,000	0	0	0	0	Budget virement from Improve Play Areas - Future Schemes
<b>Sub-total Leisure</b>	<b>1,110,640</b>	<b>1,458,061</b>	<b>830,502</b>	<b>1,507,229</b>	<b>49,168</b>	<b>1,082,524</b>	<b>1,082,524</b>	<b>762,000</b>	<b>762,000</b>	
Sustainability & Climate	Original Budget 2023/24 £	Latest Budget 2023/24 £	P8 Spend To Date £	Forecast Outturn 2023/24 £	Variance £	Latest Budget 2024/25 £	Proposed 2024/25 £	Proposed 2025/26 £	Proposed 2026/27 £	Comments
Cemetery-Whole Life Costing	5,000	5,000	170	5,000	0	5,000	5,000	5,000	5,000	Planned works at Woodcock Hill
<b>Sub-total Sustainability &amp; Climate</b>	<b>5,000</b>	<b>5,000</b>	<b>170</b>	<b>5,000</b>	<b>0</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	
<b>Total Climate Change, Leisure &amp; Community</b>	<b>1,121,640</b>	<b>1,474,781</b>	<b>830,672</b>	<b>1,518,229</b>	<b>43,448</b>	<b>1,113,524</b>	<b>1,113,524</b>	<b>793,000</b>	<b>793,000</b>	

Policy & Resources										
Leader & Resources	Original Budget 2023/24 £	Latest Budget 2023/24 £	P8 Spend To Date £	Forecast Outturn 2023/24 £	Variance £	Latest Budget 2024/25 £	Proposed 2024/25 £	Proposed 2025/26 £	Proposed 2026/27 £	Comments
Professional Fees-Internal	157,590	157,590	0	157,590	0	157,590	157,590	157,590	157,590	Actioned at year end
Election Equipment	6,000	14,510	8,125	14,510	0	6,000	6,000	6,000	6,000	Budget will be spent
Street Lighting Replacement	0	126,735	42,275	126,735	0	0	0	0	0	Works are progressing and on target
Members' IT Equipment	79,210	31,306	31,306	31,306	0	0	0	0	48,780	All equipment now purchased and distributed, no further spend expected this financial year or until 2027/28 or 2028/29
Rickmansworth Work Hub	28,606	28,606	25,406	28,606	0	0	0	0	0	Budget will be spent
ICT-Managed Project Costs	330,000	330,000	0	330,000	0	240,000	240,000	60,000	60,000	Budget will be spent
Hardware Replace Prog	0	0	0	0	0	0	0	40,000	40,000	
Garage Improvements	150,000	142,709	20,211	142,709	0	150,000	150,000	150,000	150,000	Budget will be spent
ICT Website Development	14,870	14,870	0	14,870	0	0	0	0	0	Budget will be spent
ICT Hardware Replacement Prog	66,200	59,584	3,850	59,584	0	114,824	114,824	45,000	45,000	Budget will be spent
TRH Whole Life Costing	170,000	527,907	261,674	392,907	(135,000)	170,000	305,000	170,000	170,000	£135,000 budget rephased into 2024/25 for Air conditioning works scheduled for spring/summer
Basing House-Whole Life Costing	90,000	59,830	17,924	59,830	0	60,000	60,000	60,000	60,000	Works to the toilets underway and due for completion December 2023
Business Application Upgrade	20,000	20,000	0	20,000	0	20,000	20,000	90,000	90,000	Budget will be spent
Three Rivers House Transformation	0	15,585	0	15,585	0	0	0	0	0	Budget will be spent
Property Information System	0	24,481	16,612	24,481	0	0	0	0	0	Budget will be spent
<b>Sub-total Leader &amp; Resources</b>	<b>1,112,476</b>	<b>1,553,713</b>	<b>427,383</b>	<b>1,418,713</b>	<b>(135,000)</b>	<b>918,414</b>	<b>1,053,414</b>	<b>778,590</b>	<b>827,370</b>	

Major Projects	Original Budget 2023/24 £	Latest Budget 2023/24 £	P8 Spend To Date £	Forecast Outturn 2023/24 £	Variance £	Latest Budget 2024/25 £	Proposed 2024/25 £	Proposed 2025/26 £	Proposed 2026/27 £	Comments
South Oxhey Initiative	0	6,934	0	6,934	0	0	0	0	0	Budget will be spent
South Oxhey Initiative	0	0	0	0	0	0	0	0	0	
Property Investment Board	0	3,607,038	3,605,111	3,607,038	0	0	0	0	0	Budget will be spent
Local Authority Housing Fund	0	10,343,225	50,000	10,343,225	0	0	0	0	0	Full Council have approved the transfer of 3 garage sites for development of 16 new build properties and the acquisition of the remaining 8 properties is ongoing.
<b>Sub-total Major Projects</b>	<b>0</b>	<b>13,957,197</b>	<b>3,655,111</b>	<b>13,957,197</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total Policy &amp; Resources</b>	<b>1,112,476</b>	<b>15,510,910</b>	<b>4,082,494</b>	<b>15,375,910</b>	<b>(135,000)</b>	<b>918,414</b>	<b>1,053,414</b>	<b>778,590</b>	<b>827,370</b>	
<b>Total Capital Programme</b>	<b>4,602,478</b>	<b>20,023,017</b>	<b>5,781,237</b>	<b>19,921,465</b>	<b>(101,552)</b>	<b>3,854,282</b>	<b>3,779,938</b>	<b>3,363,590</b>	<b>3,412,370</b>	

Growth Bids	2023/24	Latest Budget 2024/25 £	Proposed Budget 2024/25 £	Proposed Budget 2025/26 £	Proposed Budget 2026/27 £
Car Park Restoration	0	0	235,000	0	0
GIS	0	0	13,500	0	0
Watersmeet Electrical	0	0	144,100	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>392,600</b>	<b>0</b>	<b>0</b>
<b>Net Budget</b>		<b>0</b>	<b>4,172,538</b>	<b>3,363,590</b>	<b>3,412,370</b>

## CAPITAL INVESTMENT PROGRAMME 2022/23 to 2025/26 VARIANCES

Description	Details of Outturn Variances to Latest Approved Budget	2023/24 £	2024/25 £	2025/26 £	2026/27 £
<b>General Public Services &amp; Economic development</b>					
Princess Trust - Business Startup	Budget no longer required. SLA no longer in place as Princes Trust can no longer deliver the service	(10,000)	(10,000)	(10,000)	(10,000)
Waste Services Depot	£77,000 budget virement from Waste & Recycling Vehicles to facilitate the construction of a vehicle maintenance building	77,000	0	0	0
Waste & Recycling Vehicles	£77,000 budget virement to Waste Services Depot to facilitate the construction of a vehicle maintenance building.	(77,000)	0	0	0
Parking Bay & Verge Protection		0	(40,000)	(40,000)	(40,000)
Bus Shelters	Remove a number of individual lines within Capital Programme as current amounts are historic and result in a high level of re-phasing in order to create sufficient pots to deliver programmes. Creation of a single programme which will allow for in-year prioritisation by General Public Services and Economic Development Committee and delivery of a coherent programme. Giving a saving of £25,000 per year.	0	(4,344)	(9,000)	(9,000)
Cycle Schemes		0	(25,000)	(25,000)	(25,000)
Highways Enhancements		0	(50,000)	(50,000)	(50,000)
Retail Parades		0	(30,000)	(30,000)	(30,000)
Controlled Parking		0	(50,000)	(50,000)	(50,000)
Transport and Infrastructure		0	179,000	179,000	179,000
<b>Total General Public Services &amp; Economic Development</b>		<b>(10,000)</b>	<b>(30,344)</b>	<b>(35,000)</b>	<b>(35,000)</b>
<b>Climate Change, Leisure &amp; Community</b>					
Improve Play Areas - Future Schemes	£50,000 budget virement to Lincoln Drive Play Area and £50,000 budget virement to Fearney Mead Play Area	(100,000)	0	0	0
Lincoln Drive Play Area	Budget virement from Improve Play Areas - Future Schemes	50,000	0	0	0
Fearney Mead Play Area	Budget virement from Improve Play Areas - Future Schemes	50,000	0	0	0
South Oxhey Playing Fields	Capital Contribution from Lawn Tennis Association	49,168	0	0	0
Community CCTV	Full budget not required this financial year	(5,720)	0	0	0
<b>Total Climate Change, Leisure &amp; Community</b>		<b>43,448</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Policy &amp; Resources</b>					
TRH Whole Life Costing	Budget rephased into 2024/25 for Air conditioning works scheduled for spring/summer	(135,000)	135,000	0	0
<b>Total Policy &amp; Resources</b>		<b>(135,000)</b>	<b>135,000</b>	<b>0</b>	<b>0</b>
<b>Total Variances for Period 6 (November) 2023</b>		<b>(101,552)</b>	<b>104,656</b>	<b>(35,000)</b>	<b>(35,000)</b>

## CAPITAL INVESTMENT PROGRAMME 2023/24 to 2026/27 FUNDING

Capital Programme	2023/24			2024/25	2025/26	2026/27
	Original Budget	Latest Budget	Outturn Forecast at P8	Forecast	Forecast	Forecast
	£	£	£	£	£	£
<b>Balance Brought Forward</b>						
Govt Grants: Disabled Facility Grants	(1,063,531)	(1,063,531)	(1,121,582)	(1,179,633)	(1,179,633)	(1,179,633)
Section 106 Contributions	(1,489,612)	(1,489,612)	(1,489,612)	(1,539,656)	(1,539,656)	(1,539,656)
Capital Receipts Reserve	0	0	0	0	0	0
Future Capital Expenditure Reserve	0	0	0	0	0	0
New Homes Bonus Reserve	(222,787)	(222,787)	(222,787)	0	0	0
<b>Total Funding Brought Forward</b>	<b>(2,775,930)</b>	<b>(2,775,930)</b>	<b>(2,833,981)</b>	<b>(2,719,289)</b>	<b>(2,719,289)</b>	<b>(2,719,289)</b>
<b>Generated in the Year</b>						
Govt Grants: Disabled Facility Grants	(586,000)	(723,315)	(723,315)	(586,000)	(586,000)	(586,000)
Section 106 Contributions	0	(265,832)	(265,832)	0	0	0
Capital Receipts Reserve	(1,100,000)	(1,100,000)	(1,100,000)	(1,000,000)	(1,000,000)	(1,000,000)
Future Capital Expenditure Reserve		0	0	0		
New Homes Bonus Reserve	(110,247)	(110,247)	(110,247)	(100,025)	(95,000)	(95,000)
<b>Total Generated</b>	<b>(1,796,247)</b>	<b>(2,199,394)</b>	<b>(2,199,394)</b>	<b>(1,686,025)</b>	<b>(1,681,000)</b>	<b>(1,681,000)</b>
<b>Use of Funding</b>						
Govt Grants: Disabled Facility Grants	586,000	665,264	665,264	586,000	586,000	586,000
Section 106 Contributions	0	215,788	215,788	0	0	0
CIL Contributions	929,779	929,779	929,779	320,524	0	0
Capital Receipts Reserve	1,100,000	1,100,000	1,100,000	1,000,000	1,000,000	1,000,000
Local Authority Housing Fund	0	4,491,613	4,491,613	0	0	0
Future Capital Expenditure Reserve	0	0	0	0	0	0
New Homes Bonus Reserve	333,034	333,034	333,034	100,025	95,000	95,000
Borrowing	1,653,665	12,287,539	12,185,987	2,165,989	1,682,590	1,731,370
<b>Total Use of Funding</b>	<b>4,602,478</b>	<b>20,023,017</b>	<b>19,921,465</b>	<b>4,172,538</b>	<b>3,363,590</b>	<b>3,412,370</b>
<b>Balance Carried Forward</b>						
Govt Grants: Disabled Facility Grants	(1,063,531)	(1,121,582)	(1,179,633)	(1,179,633)	(1,179,633)	(1,179,633)
Section 106 Contributions	(1,489,612)	(1,539,656)	(1,539,656)	(1,539,656)	(1,539,656)	(1,539,656)
Capital Receipts Reserve	0	0	0	0	0	0
Future Capital Expenditure Reserve	0	0	0	0	0	0
New Homes Bonus Reserve	0	0	0	0	0	0
<b>Total Funding Carried Forward</b>	<b>(2,553,143)</b>	<b>(2,661,238)</b>	<b>(2,719,289)</b>	<b>(2,719,289)</b>	<b>(2,719,289)</b>	<b>(2,719,289)</b>
<b>Total Expenditure Capital Investment Programme</b>	<b>4,602,478</b>	<b>20,023,017</b>	<b>19,921,465</b>	<b>4,172,538</b>	<b>3,363,590</b>	<b>3,412,370</b>



## SECTION 106 BALANCES 2022/23

TA4950 - Reserves	Balance at 1 April 2023	Movement In year		Balance at 31 March 2024
		Contribution FROM	Contribution on TO	
0159 - Resv-S106-Maint-Crox Common Mr	(0.24)	0.00	0.00	(0.24)
0166 - Resv-Env Maint Commuted Sums	(31,965.42)	0.00	0.00	(31,965.42)
0169 - Leavesden Hospital Open Space	(769,123.50)	0.00	0.00	(769,123.50)
0171 - Resv-S106 Huntonbury Village	(55,616.43)	0.00	0.00	(55,616.43)
0173 - Resv-S106 Green Lane	(19,832.04)	0.00	0.00	(19,832.04)
0177 - Resv-S106 Tanners Hill Amenity	(59,890.25)	0.00	0.00	(59,890.25)
0190 - Resv-S106 Oxhey Nu Oaklands Av	(132.41)	0.00	0.00	(132.41)
0193 - Resv-S106 Horsefield - Abbots Langley (Op SP)	(809,666.94)	0.00	0.00	(809,666.94)
0196 - Resv-S106-Traffic Reg Orders	(26,549.85)	(4,000.00)	0.00	(30,549.85)
0197 - Resv-S106-Happy Man Berry Lane	(6,151.61)	0.00	0.00	(6,151.61)
0198 - Resv-S106-Gade View	(28,444.60)	0.00	0.00	(28,444.60)
0227 - S106 Long Island Ex'ge (TRO)	(2,042.89)	0.00	0.00	(2,042.89)
0238 - S106 Leavesden Country Park	(0.65)	0.00	0.00	(0.65)
0246 - S106 Hayling & Holmside Rise (Op Sp)	(105.09)	0.00	0.00	(105.09)
0259 - S106 - Swan House, Homestead Road (AH)	(88,538.92)	0.00	0.00	(88,538.92)
0260- S106 - Former Pocklington House site, Eastbury Avenue (AH)	(446,030.20)	0.00	0.00	(446,030.20)
0261 - S106 - 10 Harrogate Road (AH)	(29,980.10)	0.00	0.00	(29,980.10)
0262 - S106 - 6 Berkeley Close, Abbots Langley (AH)	(67,669.00)	0.00	0.00	(67,669.00)
0263 - S106 - 28 Chapel Close (AH)	(41,948.33)	0.00	0.00	(41,948.33)
0264 - S106 - Threshing Barn, Bullsland Farm, Bullsland Lane (AH)	(282,898.60)	0.00	0.00	(282,898.60)
0265 - S106 - 165-167 Hampermill Lane (AH)	(122,512.50)	0.00	0.00	(122,512.50)
0267 - S106- Petherick Pastures, Bucks Hill (AH)	(91,970.66)	0.00	0.00	(91,970.66)
0268 - S106 - Bell PH, 117 Primrose Hill, Kings Langley (AH)	(35,000.00)	(53,450.26)	0.00	(88,450.26)
0269 - S106 - 228 Gosforth Lane (AH)	(24,207.21)	0.00	0.00	(24,207.21)
0270 - S106 - Forge Mews, Church Street (AH)	(28,125.00)	(14,947.39)	0.00	(43,072.39)
0271 - S106 - The Old Chapel, Mallard Road, Abbots Langley (AH)	0.00	(33,213.32)	0.00	(33,213.32)
0272 - S106 - Maple Lodge Close, Maple Cross (BNG)	0.00	(160,220.84)	0.00	(160,220.84)
<b>Total</b>	<b>(3,068,402)</b>	<b>(265,832)</b>	<b>0</b>	<b>(3,334,234)</b>

Three Rivers District Council

APPENDIX 5

# Treasury Management Strategy Statement 2023/24

## **1. Summary**

- 1.1. This document sets out the Council's Treasury Management Strategy Statement (TMSS).
- 1.2. The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as: "the management of the local authority's 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".
- 1.3. The TMSS supports the delivery of the Council's Capital Strategy and provides additional detail on how the Council manages its Treasury Management Activity.
- 1.4. The TMSS details the policies, practices, objectives and approaches to risk management of its treasury management activities, which is to be monitored by the Audit Committee. The primary objectives of the Treasury Management Strategy Statement are:
  - Security - Safeguard the repayment of the principal and interest of its investments on time
  - Liquidity - Ensure adequate liquidity to meet obligations as they fall due
  - Yield - Investment return is the final objective and is considered after security and liquidity requirement have been satisfied.
- 1.5. This statement is reviewed and approved annually by Council alongside the Council's budget, Medium Term Financial Plan (MTFP) and Capital Strategy.
- 1.6. The Director of Finance in consultation with the Lead Member for Resources and Shared Services has delegated authority to approve any variation to the Strategy Statement during

the year with the objective of maximising the Council's returns without significantly increasing risk.

## **2. Risks**

- 2.1. The key Treasury Management risks are set out in the CIPFA Treasury Management Code of Practice ("the TM Code"). The following paragraphs set out these risks and how they are managed:

### **Liquidity Risk**

That the Council may not have the cash it needs on a day to day basis to pay its bills.

This risk is managed through forecasting and the retention by the Council of an adequate working capital balance. In addition, through the Public Works Loan Board and other organisations, the Council is able to access short term borrowing, usually within 24 hours.

### **Interest Rate Risk**

That the costs and benefits expected do not materialise due to changes in interest rates.

This risk is managed through the placing of different types and maturities of investments, the forecasting and monitoring of the interest budget (with assistance from the Council's retained advisors).

### **Exchange Rate Risk**

That losses or gains are made due to fluctuations in the prices of currency.

The Council does not engage in any significant non-sterling transactions.

### **Credit and Counterparty Risk**

That the entity holding Council funds is unable to repay them when due. This risk is managed through the maintenance of a list of authorised counterparties, with separate limits to ensure that the exposure to this risk is limited.

## **Refinancing Risk**

That the loans taken by the Council will become due for repayment and need replacing at a time when there is limited finance available or interest rates are significantly higher.

The timing of loan maturities is monitored along with interest rate forecasts. Officers ensure that due dates are monitored and seek advice from the Council's advisors about when to raise any finance needed.

## **Legal and Regulatory Risk**

That the Council operates outside its legal powers.

This risk is managed through the Council's training and development of Officers involved in Treasury Management, the independent oversight of Internal and External Audit, and the advice (for example on the contents of this strategy) taken from the Council's Treasury advisors.

## **Fraud, Error and Corruption**

The risk that losses will be caused by impropriety or incompetence.

This risk is managed through the controls in the Council's financial procedures. For example, the segregation of duties between those making investment decisions and those transferring funds.

## **Market Risk**

That the price of investments held fluctuates, principally in secondary markets.

The majority of the Council's investments are not traded, but where they are (e.g. Property investment portfolio) the main investments' value comes from the income they generate which is generally long term and secure.

### **3. Treasury Indicators: Limits to Borrowing Activity**

- 3.1. There are two limits on external debt: the 'Operational Boundary' and the 'Authorised Limit'. Both are consistent with existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices. These indicators are set out in the Capital Strategy.
- 3.2. The key difference is that the Authorised Limit cannot be breached without prior approval of the Council. The Operational Boundary is a more realistic indicator of the likely position. The difference between the authorised limit and operational boundary for borrowing is that the authorised limit includes a head room for borrowing for future known capital needs now. The Authorised Limit represents the limit beyond which borrowing is prohibited, and needs to be revised if necessary by members.

### **4. Borrowing Strategy**

- 4.1. The Council's treasury team maintains a cashflow forecast and works its liquidity requirements within this forecast; it may, on rare occasions, be necessary to borrow short-term for cashflow purposes. This will be in the form of short term debt or overdraft facilities and is normally for small amounts for minimum durations. As this is based on need and has a defined repayment period it is not normally included within the limits set above.
- 4.2. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will

be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated (ie: the cost of holding does not outweigh the benefits of early borrowing) and that the Council can ensure the security of such funds. Any associated risks will be approved and reported through the standard reporting method.

## **5. Investment Policy**

- 5.1. The Council's investment policy has regard to the statutory Guidance on Local Government Investments and TM Code. The Council's investment priorities are security first, liquidity second, then yield.
- 5.2. Investment instruments identified for use in the financial year are listed below under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices Schedules and are detailed at Annex A.
- 5.3. As part of its diversification of investments, the Council has invested some of its core funds (ie: funds not immediately required for cashflow reasons) in longer-term investment property instruments. These are in the form of individual assets directly owned by the council. Although the Council has no current investments or plans to invest in pooled property funds, these are an option that could be considered in the future. All property investments are controlled through the Property Investment Board (PIB) and each investment is subject to its own business case and appraisal before a decision to invest is taken and before any Council funds are committed.
- 5.4. During 2020/21 the Council made a small Money Market Fund investment with Royal London Asset Management to diversify placement of some longer term cash. It is intended to continue to make use of this fund during 2024/25.

## **6. Creditworthiness policy**

- 6.1. The Council will ensure:
  - It maintains a policy covering both the categories of investment types it will invest in and the 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.
  - 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 Council's prudential indicators covering the maximum principal sums invested.
- 6.2. The Director of Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary and will provide an overall pool of counterparties considered high quality.
- 6.3. Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the Council's criteria. 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 a possible longer term

change) are provided to officers almost immediately after they occur and this information is considered before dealing.

## **7. Counterparty Categories**

7.1. The Council uses the following criteria in choosing the categories of institutions in which to invest:

- **Banks 1 - Good Credit Quality**

The Council will only use UK banks or foreign banks trading in the UK in sterling denomination and which meet the Rating criteria.

- **Banks 2 – The Council’s Own Banker**

For transactional purposes, if the bank falls below the above criteria, it will be included, although in this case balances will be minimised as far as possible in both monetary size and time within operational constraints.

- **Bank Subsidiary and Treasury Operations**

The Council will use these where the parent bank has the necessary ratings outlined above and the parent has provided an indemnity guarantee.

- **Building Societies**

The Council will use all Societies which meet the ratings for banks outlined above.

- **Specific Public Bodies**

The Council may lend to Public Bodies other than Local Authorities. The criterion for lending to these bodies is that the loan has been approved by Council.

- **Money Market Funds AAA Rated**

The Council may lend to Money Market Funds in order to spread its investment risk.

- **Local Authorities**

A limit of £5m per authority will be applied.

- **Debt Management Deposit Account Facility**

A Government body which accepts local authority deposits.

- **Council Subsidiaries (non-specified)**

The Council will lend to its subsidiaries subject to approval of a business case by the Portfolio Holder, in consultation with the Director of Finance. Business cases must be accompanied by an independent assessment of viability, and be subjected to regular monitoring by the Director of Finance.

7.2. Further details of counterparty categories and limits are set out Annex A Schedule of Specified and Non-Specified Investments.

7.3. The Council will also consider investment in property in accordance with its Property Investment Strategy. All property investments will be dependent on a standalone business case being proven.

## **8. The Monitoring of Investment Counterparties**

- 8.1 The credit rating of counterparties is monitored regularly. The main rating agencies (Fitch, Moody's and Standard & Poor's) provide credit ratings for financial institutions. The Council receives credit rating information (changes, rating watches and rating outlooks) from Capita Asset Services Treasury Solutions as and when ratings change, and counterparties are checked promptly. The Council considers minimum short term ratings as key criteria in the choice of creditworthy investment counterparties; F1+, P-1 and A-1+ are the highest short term credit ratings of Fitch, Moody's and Standard & Poor's respectively. Minimum Short Term Ratings, where given, must be met for all categories.
- 8.2 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 Finance, and if required new counterparties which meet the criteria will be added to the list.
- 8.3 For non-specified investments (e.g. e-f above) the progress of the entity against the approved, independently verified business case will be monitored by the Director of Finance.

## **9. Use of Additional Information Other Than Credit Ratings**

- 9.1 Additional requirements under the Code of Practice require the Council 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, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

## **10. Time and Monetary Limits Applying to Investments**

- 10.1 The time and monetary limits for institutions on the Council's Counterparty List summarised in the table below, are driven by the above criteria. These limits will cover both Specified and Non-Specified Investments.

## **11. Exceptional Circumstances**

- 11.1 The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Whilst Members are asked to approve this base criteria above, under the exceptional current market conditions Director of Finance may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly, the time periods for investments will be restricted.
- 11.2 Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (DMO) – a Government body which accepts local authority deposits,



money Market Funds, and strongly rated institutions. The credit criteria have been amended to reflect these facilities.

**12. Investment Strategy**

12.1 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).

12.2 Investment Treasury Indicator and Limit - total principal funds invested for greater than one year. These limits are set with regard to the Council’s liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

Treasury Indicator & Limit	2023/24	2024/25	2025/26	2026/27
Maximum Principal Sums invested for greater than one year (excluding property investment and loans to Council subsidiaries).	£10m	£10m	£10m	£10m

**13. Investment Risk & Security Benchmarking**

13.1 These benchmarks are simple guides to maximum risk and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmarks 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. The benchmarks are as follows:

**Security:**

Security of the investments is measured by credit ratings, which is supplied by the three main credit rating agencies (Fitch, Moodys and Standard & Poors). Where investments are made to Council subsidiaries (non-listed), the security is measured through a business case with independent viability assessment.

**Liquidity:**

The Council set liquidity facilities/benchmarks to maintain:

- Authorised bank overdraft - nil.
- Liquid short term deposits of at least £0.5m available with a week’s notice.

The Council has the benefit of instant access to its funds on the general account with Lloyds.

**Yield:**

The Council benchmarks the yield on its operational cash against SONIA (the Sterling Overnight Index Average). This is a measure of market rates for actual returns on

overnight cash deposits. Performance against this indicator will be reported in the reports produced at mid-year and year-end.

#### **14. Reporting Requirements**

- 14.1 The Audit Committee has the responsibility for the scrutiny of Treasury Management policies and practices and receives the Treasury Management Policy for review prior to approval by Council.
- 14.2 An annual report on the performance of the Treasury Management function, including the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy is considered by Council following the end of the financial year
- 14.3 Council also receives a Mid-Year Treasury Management Report setting out activity to 30 September.

#### **15. Policy on the Use of External Service Providers**

- 15.1 Link Asset Services are the appointed external advisors. The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.
- 15.2 The Council will also, from time to time, procure specialist advice for ad-hoc pieces of work; this will be procured in accordance with the Council's normal procedure rules.

#### **16. Member and Officer Training**

- 16.1 In order to ensure that Members and Officers are sufficiently trained and qualified to monitor and manage the Council's Treasury Management activity, the following measures are in place:
  - Ensuring that officers attend suitable courses and seminars to keep their technical knowledge up to date;
  - Keeping up to date with CIPFA publications on Treasury Management;
  - Regular briefings both by email and face to face with the Council's Treasury advisors;
  - Reports and briefing sessions to Members on major changes to Treasury policies and strategies.

Non Specified Investment Category	Limit (£ or %)
<p><b>Any bank or building society</b> that has a minimum long term credit rating of A (or equivalent), for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).</p>	£5m
<p><b>The Council's own banker</b> if it fails to meet the basic credit criteria.</p>	In this instance balances will be minimised as much as possible
<p><b>Building Societies not meeting the basic security requirements</b> under the specified investments.</p> <p>The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which were originally considered Eligible Institutions and have a minimum asset size of £5,000m, but will restrict these types of investments to £2m for up to six months.</p>	£2m
<p><b>Specific Public Bodies</b></p> <p>The Council can seek Member approval to make loans to other public bodies for periods of more than one year.</p>	£10m
<p><b>Loans to Council Subsidiaries</b></p> <p>The Council will lend to its subsidiaries subject to approval of a business case by the Portfolio Holder, in consultation with the Director of Finance. Business cases must be accompanied by an independent assessment of viability, and be subjected to regular monitoring by the Director of Finance.</p>	£10m limit for any single loan
<p><b>Other unspecified investments</b></p> <p>The strategy allows the Portfolio Holder, in consultation with the Director of Finance, in consultation with the Lead Member, the delegated authority to approve any variation to the Treasury Management Strategy during the year which may be brought about by investigating the opportunity to invest for greater than one year and also to invest in other investment instruments i.e Government bonds, Gilts and investment property with a view of to maximising the Council's returns without significantly increasing risk. This allows the addition of further unspecified investments, subject to conditions which will be generally similar to (e).</p>	£10m

		Minimum Short Term Ratings		Schedule 1 (A) – UK Banks & Building Societies			
Institution Type	Fitch	Moody's	S&P				
The Council's own Bankers	F1m	P-1	A-1	If Council's own bankers fall below the minimum long term criteria for UK banks, cash balances will be managed within operational liquidity constraints and balances will be minimised as much as possible.			
Wholly Owned Subsidiaries of UK Clearing Banks - Parent Ratings	F1	P-1	A-1	Long Term Credit Rating: AA(F), Aa2(M), AA(S&P)	Long Term Credit Rating: Single A (All agencies)	Long Term Credit Rating: Lower than A (All agencies)	Long Term Credit Rating: Lower than A
Partially Owned Subsidiaries of UK Clearing Banks - Parent Ratings	F1	P-1	A-1				
UK Building Societies (Credit Rated)	F1	P-1	A-1				
UK Building Societies (Unrated)				Assets over £15bn	Assets over £5bn	Assets of £2.5bn	Assets of £1bn
	<b>Maximum Amount / Duration:</b>			<b>£10m 364 Days</b>	<b>£10m 6 Months</b>	<b>£10m 3 Months</b>	<b>£10m 1 Month</b>

## Schedule 1 (B) – Other Entities

Specific Public Bodies	As approved by Members – up to £10m for up to 10 years
Debt Management Deposit Facility (UK Government)	Unlimited – this is the Council’s Safe-Haven Deposit facility with the UK Government
Money Market Funds (AAA Rated)	£10m per fund
Municipal Bond Agency	As approved by Members
UK Local Authorities	<p>A Maximum of £5m applies per Authority.</p> <p>The Council can invest in all UK Local Authorities whether rated or not.</p> <p>The Council will not lend to an authority which is subject to a s.114 notice without member approval.</p>

Notes:

1. F1+, P-1 and A-1+ are the highest short term credit ratings of Fitch, Moody's and Standard and Poor's respectively.
2. Minimum Short Term Ratings - Where given, these must be met, for all categories (except RBS Group).
3. Building Societies - A Building Society has to meet either the ratings criteria or the assets criterion to be included in the category, not both.
4. Maximum amount is the maximum, in total, over all investments, with any one institution (with the exception of RBS Group).

### Minimum Revenue Provision (MRP) Strategy and Policy Statement

The Minimum Revenue Provision (MRP) is designed to pay off an element of the capital spend which has not already been financed from existing revenue or capital resources. The Council is required to make prudent provision, by way of a charge to the revenue account, which means that the repayment of debt is enabled over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

The Council is also able to increase the rate it reduces its CFR by undertaking additional voluntary payments (voluntary revenue provision - VRP) in addition to any MRP; this is not currently the Council's policy.

Government Regulations require the Council to approve a MRP Statement in advance of each year. The following is the Council's MRP statement:

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be:

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3)

This option provides for a reduction in the borrowing need over the asset's estimated life.

No MRP provision is made in respect of investments or payments to the joint ventures as such investments are intended to be time-limited and allow for the repayment of debt. For finance leases the council will charge MRP to its General Fund each year dependant on the life of the underlying asset.