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Date: 23rd January 2025

Our Ref: MM

Dear Sir/Madam,

A meeting of the **AUDIT & STANDARDS COMMITTEE** will be held in the Council Chamber, Town Hall, Nuneaton, on **Tuesday, 4th February 2025** at **6.00pm**

Yours faithfully,

TOM SHARDLOW

Chief Executive

To: All Members of the Audit & Standards Committee

Councillors J. Bonner (Chair), D. Brown (Vice-Chair), T. Cooper, L. Cvetkovic, B. Hancox, J. Hartshorn, W. Markham, K. Price, B. Saru, C. Smith and M. Wright.

A G E N D A

PART I - PUBLIC BUSINESS

1. ANNOUNCEMENTS

To advise the meeting participants of the procedure that will be followed by the Members of the committee.

A fire drill is not expected, so if the alarm sounds please evacuate the building quickly and calmly. Please use the stairs and do not use the lifts. Once out of the building, please gather outside Lloyds Bank on the opposite side of the road.

Exit by the door by which you entered the room or by the fire exits which are clearly indicated by the standard green fire exit signs.

If you need any assistance in evacuating the building, please make yourself known to a member of staff.

Please also make sure all your mobile phones are turned off or set to silent.

2. APOLOGIES **-** To receive apologies for absence from the meeting.

3. MINUTES – To confirm the minutes of the meeting of the Audit and Standards Committee held on 12th November 2024, attached **(Page 5)** and the Extraordinary meeting of the Audit and Standards Committee held on 3rd December 2024 **(Page 11).**

4. DECLARATIONS OF INTEREST

To receive declarations of Disclosable Pecuniary and Other Interests, in accordance with the Members' Code of Conduct.

Declaring interests at meetings

If there is any item of business to be discussed at the meeting in which you have a disclosable pecuniary interest or non- pecuniary interest (Other Interests), you must declare the interest appropriately at the start of the meeting or as soon as you become aware that you have an interest.

Arrangements have been made for interests that are declared regularly by members to be appended to the agenda **(Page 14)**. Any interest noted in the Schedule at the back of the agenda papers will be deemed to have been declared and will be minuted as such by the Committee Services Officer. As a general rule, there will, therefore, be no need for those Members to declare those interests as set out in the schedule.

There are, however, TWO EXCEPTIONS to the general rule:

1. When the interest amounts to a Disclosable Pecuniary Interest that is engaged in connection with any item on the agenda and the member feels that the interest is such that they must leave the room. Prior to leaving the room, the member must inform the meeting that they are doing so, to ensure that it is recorded in the minutes.
2. Where a dispensation has been granted to vote and/or speak on an item where there is a Disclosable Pecuniary Interest, but it is not referred to in the Schedule (where for example, the dispensation was granted by the Monitoring

Officer immediately prior to the meeting). The existence and nature of the dispensation needs to be recorded in the minutes and will, therefore, have to be disclosed at an appropriate time to the meeting.

Note: Following the adoption of the new Code of Conduct, Members are reminded that they should declare the existence and nature of their personal interests at the commencement of the relevant item (or as soon as the interest becomes apparent). If that interest is a Disclosable Pecuniary or a Deemed Disclosable Pecuniary Interest, the Member must withdraw from the room.

Where a Member has a Disclosable Pecuniary Interest but has received a dispensation from Audit & Standards Committee, that Member may vote and/or speak on the matter (as the case may be) and must disclose the existence of the dispensation and any restrictions placed on it at the time the interest is declared.

Where a Member has a Deemed Disclosable Interest as defined in the Code of Conduct, the Member may address the meeting as a member of the public as set out in the Code.

Note: Council Procedure Rules require Members with Disclosable Pecuniary Interests to withdraw from the meeting unless a dispensation allows them to remain to vote and/or speak on the business giving rise to the interest.

Where a Member has a Deemed Disclosable Interest, the Council's Code of Conduct permits public speaking on the item, after which the Member is required by Council Procedure Rules to withdraw from the meeting.

5. PUBLIC CONSULTATION - Members of the Public will be given the opportunity to speak on specific agenda items, if notice has been received.

Members of the public will be given three minutes to speak on a particular item and this is strictly timed. The chair will inform all public speakers that: their comments must be limited to addressing issues raised in the agenda item under consideration: and that any departure from the item will not be tolerated.

The chair may interrupt the speaker if they start discussing other matters which are not related to the item, or the speaker uses threatening or inappropriate language towards Councillors or officers and if after a warning issued by the chair, the speaker persists, they will be asked to stop speaking by the chair. The chair will advise the speaker that, having ignored the warning, the speaker's opportunity to speak to the current or other items on the agenda may not be allowed. In this eventuality, the chair has discretion to exclude the speaker from speaking further on the item under consideration or other items of the agenda.

6. TREASURY MANAGEMENT 2024/25 – QUARTER 3 REVIEW - a report of the Finance Manager-Treasury and Assistant Director-Finance, attached **(Page 16).**

7. REVIEW OF TREASURY MANAGEMENT PRACTICES (TMPS) 2025/26 – a report of the Finance Manager – Treasury, attached **(Page 23).**

8 TREASURY MANAGEMENT STRATEGY STATEMENT 2025/26 – a report of the Finance Manager-Treasury and Strategic Director-Corporate Resources, attached **(Page 53).**

9. CONTRACT PROCEDURE RULES - a report of the Assistant Director – Democracy and Governance, attached **(Page 96).**

10. MEMBER INDUCTION AND TRAINING PROGRAMME 2025 – 2027 - a report of the Assistant Director – Democracy and Governance, attached **(Page 141) .**

11. ANY OTHER ITEMS - which in the opinion of the Chair should be discussed as a matter of urgency because of special circumstances (which must be specified).

NUNEATON AND BEDWORTH BOROUGH COUNCIL

AUDIT & STANDARDS COMMITTEE **12th November 2024**

A meeting of the Audit & Standards Committee was held on Tuesday, 12 November 2024 in the Council Chamber, Town Hall, Nuneaton.

Present

Councillor J. Bonner – Chair

Councillors: D. Brown (Vice-Chair), T. Cooper, L. Cvetkovic, B. Hancox, W. Markham, K. Price, B. Saru, C. Smith and M. Wright.

Apologies: None

PART I – PUBLIC BUSINESS

ASC20 **Minutes**

RESOLVED that
a) the minutes of the Audit and Standards Committee meeting held on 10th September 2024 be approved and signed by the Chair; and
b) the minutes of the Extraordinary Audit and Standards Committee meeting held on 8th October 2024 be approved and signed by the Chair.

ASC21 **Declarations of Interest**

RESOLVED that the declarations of interest are as set out in the Schedule attached to these minutes.

Councillor L. Cvetkovic proposed that all reports be published alongside the agenda, at least five working days prior to the Audit and Standards Committee meeting. This proposal was seconded by the Chair.

RESOLVED that all reports for the Audit and Standards Committee be published as part of the agenda, at least five working days prior to the meeting.

ASC22 **Statement of Accounts 2021/22 Approval**

A report of the Strategic Director – Corporate Resources and External Auditors (Grant Thornton) provided the final amended version of the 2021/22 Statement of Accounts for approval

Public Speakers: **Mr P. Smith**
Mr K. Kondakor

RESOLVED that
a) the Audit Findings Report and Opinion on the Statement of Accounts be noted;
b) delegated authority be given to the Strategic Director – Corporate Resources and Chair of Audit and Standards Committee to sign the Accounts; and
c) the Letter of Representation be approved as accurate and signed now the audit is completed.

ASC23 **Auditor's Annual Report – Value for Money Arrangements**

A Report of the Strategic Director – Corporate Resources and External Auditors (Grant Thornton) provided Members with the Annual Auditor's report combined for 2021/22 and 2022/23.

Public Speakers: **Mr P. Smith**
Mr K. Kondakor

RESOLVED that the Auditor's Annual Report (AAR) be noted

ASC24 **Internal Audit Plan 2024-25**

A Report of the Head of Audit and Governance gave the Committee an opportunity to discuss and agree proposed changes to the approved internal audit plan for 2024-25.

Public Speakers: **Mr P. Smith**
Mr K. Kondakor
Councillor M. Kondakor

RESOLVED that the proposed changes to the internal audit plan be approved.

ASC25 **Internal Audit Half Yearly Report**

The Head of Audit and Governance provided an overview of the work completed by the Internal Audit Section during 2024/25.

Public Speakers: **Mr P. Smith**
Mr K. Kondakor
Councillor M. Kondakor

RESOLVED that the key audit findings be noted.

ASC26 **Local Government and Social Care Ombudsman Annual Report**

A report of the Customer Experience and Data Protection Officer provided Members with the annual summary of the complaint statistics from the Local Government and Social Care Ombudsman for the year ending 31 March 2024.

Public Speakers: **Mr P. Smith**
Mr K. Kondakor

RESOLVED that the Annual Summary of complaints statistics from the Local Government and Social Care Ombudsman for the year ending 31 March 2024 be noted.

ASC27 **The Treasury Management 2024/25 Mid-Year Review**

A report of the Finance Manager – Treasury set out the Council's treasury position as of 30th September 2024.

Public Speaker: **Mr K. Kondakor**

RESOLVED that

a) the report be noted; and
b) IT BE RECOMMENDED TO COUNCIL that the Treasury Management Report for 2024/25 – Mid-year review be noted.

ASC28 **Removal of Elected Members from Grayson Place (NBBC) Limited and NABCEL Directorship Roles**

A Report of the Constitution Review Working Party to seek a recommendation for the removal of Elected Members from Grayson Place Limited and NABCEL directorship roles.

Public Speakers: **Mr K. Kondakor**
Councillor M. Kondakor

RESOLVED that

a) the report be considered;
b) the recommendation to remove Elected Members from Grayson Place (NBBC) Limited and NABCEL directorship roles for the reasons outlined in the report be endorsed;
c) IT BE RECOMMENDED TO COUNCIL to approve the removal of Elected Members from Grayson Place Limited and NABCEL directorship roles;
d) Delegated Authority be given to the Head of Paid for Service to appoint a third Director of Grayson Place (NBBC) Limited to meet the minimum threshold as per the Articles of Association; and
e) the amendment to the Articles of Association for NABCEL to reduce the number of Directors from five (5) to four (4) be supported by The Council.

ASC29 **Recommendations from the CRWP – Removal of Appeal Committee on the Dismissal of Employees**

A report of the Assistant Director- Democracy and Governance and Monitoring Officer gave Members the opportunity to consider and approve the recommendations from the Constitution Review Working Party and recommend changes to the Constitution.

Public Speaker: **Mr K. Kondakor**

RESOLVED that

a) the recommendations as set out in the report and appendices be approved; and
b) IT BE RECOMMENDED TO COUNCIL that the constitution be amended accordingly.

Councillor Cvetkovic moved in accordance with Council Procedure Rule 4A.21 to suspend standing orders to allow the business of the meeting to be concluded.

This was seconded by the Chairman. A vote was taken and the motion was passed.

ASC30 Recommendations from the CRWP – Changes to the Delegations of the Assistant Director of Planning

A report of the Assistant Director- Democracy and Governance and Monitoring Officer gave Members the opportunity to consider and approve the recommendations from the Constitution Review Working Party and recommend changes to the Constitution.

Public Speaker: Mr K. Kondakor

Councillor B. Hancox proposed that all recommendations be voted for as one motion. This was seconded by Councillor K. Price and the motion was passed.

Councillor L. Cvetkovic proposed an amendment to add a definition of 'major applications' to the Planning Applications Committee glossary. The motion was seconded by Councillor D. Brown and the motion was passed.

Councillor L. Cvetkovic proposed an amendment to not accept 'change 3' within the report. The motion was seconded by Councillor D. Brown, the motion was lost.

RESOLVED that

a) the recommendations as set out in the report and appendices be approved, with the addition of a definition for 'major applications' being added to the glossary; and
b) IT BE RECOMMENDED TO COUNCIL that the constitution be amended accordingly.

ASC31 Review of the Register of Members Interests and Gifts and Hospitality Registers 2023-2024

A report of the Monitoring Officer gave Members the opportunity to review the registration of Members' Interests and, Gifts and Hospitality by Members and Officers for the period 24th October 2023 - 15th October 2024.

RESOLVED that

a) the contents of the Register for Members' Interests between 24th October 2023 and 15th October 2024 be considered and noted; and
b) the contents of the Register of Gifts and Hospitality for Members and Officers between 24th October 2023 and 15th October 2024 be considered and noted.

ASC32 Any Other Items

An extraordinary meeting of the Audit and Standards Committee will take place on Tuesday, 3rd December 2024.

Chair ____________________

Audit and Standards – Schedule of Declarations of Interests – 2024/2025

	Name of Councillor	Disclosable Pecuniary Interest	Other Personal Interest	Dispensation
	General dispensations granted to all members under s.33 of the Localism Act 2011			Granted to all members of the Council in the areas of: - Housing matters - Statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992 - An allowance, payment given to members - An indemnity given to members - Any ceremonial honour given to members - Setting council tax or a precept under the Local Government Finance Act 1992 - Planning and Licensing matters - Allotments - Local Enterprise Partnership
	J. Bonner	Employed by Etone College (Matrix Academy Trust) - Teacher	The Labour Party (sponsorship) Member of: - The Labour Party - National Education Union	
	D. Brown	Employed by H.M Land Registry	-Regional Coordinator, Ragdoll Rescue Charity. -Trustee of the Exhall Education Foundation Charity	
	T. Cooper			
	L. Cvetkovic	Head of Geography (Teacher), Sidney Stringer Academy, Coventry	The Bulkington Volunteers (Founder); Bulkington Sports and Social Club (Trustee) Member on the following Outside Bodies: - Building Control Partnership Steering Group	
	B. Hancox		The Labour Party (sponsorship) Member of: - The Labour Party - Unite the Union - British Gurkha Veterans Association (Adviser) Representative on the following Outside Bodies: - Nuneaton Festival of Arts - Bedworth Neighbourhood Watch Committee - Nicolas Chamberlaine's School Foundation	

	Name of Councillor	Disclosable Pecuniary Interest	Other Personal Interest	Dispensation
	J. Hartshorn	Employed by Asda Nuneaton	Member of Nuneaton Conservatives	
	W. Markham		Governor at Ash Green School for SEND Member of the following bodies: - Unite Union - Free Speech Union - Exhall Multicultural Group	
	K. Price	Warwickshire County Council	The Labour Party Unite the Union BASW Social Work England Registration	
	B. Saru	- Director – Saru Embroidery Ltd - Co-founder and Owner – Fish Tale Ale Beer	- Labour Party (sponsorship) - Chair of the British Gurkha Veterans Association Representative on the following Outside Bodies: - Armed Forces Covenant	
	C. Smith	Software Engineer – Prophet PLC	- Member of Labour Party and Unite - Safeguarding – Manor Park RFC Representative on the following Outside Bodies: - Astley Charity	
	M. Wright			

NUNEATON AND BEDWORTH BOROUGH COUNCIL

AUDIT & STANDARDS COMMITTEE **3rd December 2024**

An extraordinary meeting of the Audit & Standards Committee was held on Tuesday, 3 December 2024 in the Council Chamber, Town Hall, Nuneaton.

Present

Councillor J. Bonner – Chair

Councillors: D. Brown (Vice-Chair), T. Cooper, L. Cvetkovic, B. Hancox, J. Hartshorn, W. Markham, K. Price, B. Saru, C. Smith and M. Wright.

Apologies: None

PART I – PUBLIC BUSINESS

ASC33 **Declarations of Interest**

RESOLVED that the declarations of interest are as set out in the Schedule attached to these minutes.

ASC34 **Statement of Accounts 2022/23 Approval**

A report of the Strategic Director – Corporate Resources and External Auditors (Grant Thornton) provided the final amended version of the 2022/23 Statement of Accounts for approval.

Public Speakers: **Mr P. Smith**
Mr K. Kondakor

RESOLVED that

a) the Audit Opinion on the Statement of Accounts be noted;

b) delegated authority be given to the Strategic Director – Corporate Resources and Chair of Audit and Standards Committee to sign the Accounts; and

c) the Letter of Representation be approved as accurate and signed.

ASC35 **Any Other Items**

An extraordinary meeting of the Audit and Standards Committee may be required to take place on Tuesday, 25th February 2025.

Chair _________________________

Audit and Standards –
Schedule of Declarations of Interests – 2024/2025

	Name of Councillor	Disclosable Pecuniary Interest	Other Personal Interest	Dispensation
	General dispensations granted to all members under s.33 of the Localism Act 2011			Granted to all members of the Council in the areas of: - Housing matters - Statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992 - An allowance, payment given to members - An indemnity given to members - Any ceremonial honour given to members - Setting council tax or a precept under the Local Government Finance Act 1992 - Planning and Licensing matters - Allotments - Local Enterprise Partnership
	J. Bonner	Employed by Etone College (Matrix Academy Trust) - Teacher	The Labour Party (sponsorship) Member of: - The Labour Party - National Education Union	
	D. Brown	Employed by H.M Land Registry	-Regional Coordinator, Ragdoll Rescue Charity. -Trustee of the Exhall Education Foundation Charity	
	T. Cooper			
	L. Cvetkovic	Head of Geography (Teacher), Sidney Stringer Academy, Coventry	The Bulkington Volunteers (Founder); Bulkington Sports and Social Club (Trustee) Member on the following Outside Bodies: - Building Control Partnership Steering Group	
	B. Hancox		The Labour Party (sponsorship) Member of: - The Labour Party - Unite the Union - British Gurkha Veterans Association (Adviser) Representative on the following Outside Bodies: - Nuneaton Festival of Arts - Bedworth Neighbourhood Watch Committee - Nicolas Chamberlaine’s School Foundation	

	Name of Councillor	Disclosable Pecuniary Interest	Other Personal Interest	Dispensation
	J. Hartshorn	Employed by Asda Nuneaton	Member of Nuneaton Conservatives	
	W. Markham		Governor at Ash Green School for SEND Member of the following bodies: - Unite Union - Free Speech Union - Exhall Multicultural Group	
	K. Price	Warwickshire County Council	The Labour Party Unite the Union BASW Social Work England Registration	
	B. Saru	- Director – Saru Embroidery Ltd - Co-founder and Owner – Fish Tale Ale Beer	- Labour Party (sponsorship) - Chair of the British Gurkha Veterans Association Representative on the following Outside Bodies: - Armed Forces Covenant	
	C. Smith	Software Engineer – Prophet PLC	- Member of Labour Party and Unite - Safeguarding – Manor Park RFC Representative on the following Outside Bodies: - Astley Charity	
	M. Wright			

Audit and Standards –
Schedule of Declarations of Interests – 2024/2025

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	T. Cooper			
	L. Cvetkovic	Head of Geography (Teacher), Sidney Stringer Academy, Coventry	Trustee of Bulkington Volunteers (Founder); Bulkington Sports and Social Club (Trustee) Member on the following Outside Bodies: - Building Control Partnership Steering Group	
	B. Hancox		The Labour Party (sponsorship) Member of: - The Labour Party - Unite the Union - British Gurkha Veterans Association (Adviser) Representative on the following Outside Bodies: - Nuneaton Festival of Arts - Bedworth Neighbourhood Watch Committee - Nicolas Chamberlaine's School Foundation	

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	B. Saru	- Director – Saru Embroidery Ltd - Co-founder and Owner – Fish Tale Ale Beer	- Labour Party (sponsorship) - Chair of the British Gurkha Veterans Association Representative on the following Outside Bodies: - Armed Forces Covenant	
	C. Smith	Software Engineer – Prophet PLC	- Member of Labour Party and Unite - Safeguarding – Manor Park RFC Representative on the following Outside Bodies: - Astley Charity	
	M. Wright			

AGENDA ITEM NO. 6

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to: **Audit & Standards Committee**

From: **Finance Manager – Treasury**
Assistant Director - Finance

Subject: **Treasury Management 2024/25 – Quarter 3 Review**

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1. Purpose of Report

1.1. The Council is required through the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) to report to full Council a mid-year review.

1.2. This report sets out the Council's treasury position as at 31st December 2024 and therefore any decisions made after this date are not reflected in this report.

2. Recommendations

2.1. That it be recommended to Council that the Treasury Management Report for 2024/25 – Quarter 3 be noted.

3. Background

3.1. The Council operates a balanced budget, which broadly means cash raised during the year will meet cash expenditure. Part of the purpose of treasury management operations is to ensure cashflow is planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity to meet cashflow before considering optimising investment returns.

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

3.3. Accordingly, Treasury Management is defined by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of

Practice as: “The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

3.4. This report has been written in accordance with the requirements of the CIPFA’s Code of Practice for Treasury Management. The primary requirements of the Code are as follows:

i.) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council’s treasury management activities.

ii.) Creation and maintenance of Treasury Management Practices which set out the way the Council will seek to achieve those policies and objectives.

iii.) Receipt by the full Council of an annual Treasury Management Strategy Statement – including the Annual Investment Strategy and Minimum Revenue Provision Policy – for the year ahead, a Mid-year Review Report (this report) and an Annual Report covering activities during the previous year.

iv.) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

v.) Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council, the delegated body is the Audit & Standards Committee.

3.5. This mid-year report has been prepared in compliance with the Code and covers the following:

- An economic update for the third quarter of 2024/25.
- A review of the Council’s investment portfolio as of Q3 2024/25.
- A review of the Council’s debt portfolio as of Q3 2024/25.
- A review of any debt rescheduling undertaken during 2024/25.

4. Economic Update for Q3 of 2024/25

4.1. The Council’s in-house team of qualified finance staff monitor and maintain the Council’s Treasury Management activity in line with the Council’s Strategy. The Council employs Link Group as its treasury management advisor and officers hold regular meetings with them concerning existing and future potential economic circumstances regarding both investments and short/long-term borrowing.

4.2. The third quarter of 2024/25 saw:

- GDP growth contracting by 0.1% m/m in October following no growth in the quarter ending September.
- The 3myy rate of average earnings growth increase from 4.4% in September to 5.2% in October;

- Core CPI inflation increase from 3.3% in October to 3.5% in November;
- The Bank of England cut interest rates from 5.0% to 4.75% in November and hold them steady in December.
- 10-year gilt yields starting October at 3.94% before finishing up at 4.57% at the end of December (peaking at 4.64%).

4.3. The consequence of the above is that PWLB rates have rose slightly since our last update. PWLB 5 to 50 years Maturity Rates are, generally, in the range of 5.30% to 6.15%. This means it costs a little more to take out new borrowing now than previously. We are expecting, as the bank rate decreases, the PWLB rates to reduce, as well as other possible lenders.

4.4. We view the markets have built in decreases in the long-term gilt rates, but there are some differences in opinions on when a rate cut will occur meaning some variances in the short-term gilt market which will affect short term borrowing and the rates of any Money Market Funds (MMFs).

4.5. Following the 30th October Budget, the outcome of the US Presidential election on 6th November, and the 25bps Bank Rate cut undertaken by the Monetary Policy Committee (MPC) on 7th November, we significantly revised our central forecasts for the first time since May. In summary, Link has raised their Bank Rate forecast is now 50bps – 75bps higher than was previously the case, whilst our PWLB forecasts have been materially lifted to not only reflect our increased concerns around the future path of inflation, but also the increased level of Government borrowing over the term of the current Parliament.

Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

4.6. Overall, our advisors predict there is room to further loosen the Base Rate, but it may be slower than previously forecast. The Election in the US also will affect the US Treasury Bonds and indirectly UK Gilt Rates.

4.7. MPC meetings: 7th November & 18th December 2024

4.7.1. On 7th November, Bank Rate was cut by 0.25% to 4.75%. The vote was 8-1 in favour of the cut, but the language used by the MPC emphasised "gradual" reductions would be the way ahead with an emphasis on the inflation and employment data releases, as well as geo-political events.

4.7.2. At the 18th December meeting, another split vote arose. Members voted 6-3 to keep Bank Rate on hold at 4.75%, but dissenters (Dhingra, Ramsden and Taylor) were keen for rates to be cut further as concerns over the slowing down of the UK economy took root, despite near-term inflation fears remaining.

4.7.3. The MPC again stated that “a gradual approach” to rate cuts “remains appropriate” and that policy will “remain restrictive for sufficiently long”.

5. The Council’s Investment Portfolio as at 31st December 2024

5.1. The Treasury Management Strategy Statement (TMSS) for 2024/25, which includes the Annual Investment Strategy, in accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council’s investment priorities as being:

- Security of capital
- Liquidity
- Yield

5.2. A list of all investments held as at 31st December 2024 is shown below:

Counterparty	Amount Invested	Deposit Period	Maturity Date	Interest Rate
Fixed Term Deposit:				
Dundee City Council	£5.0m	4 Months	Feb 2025	4.95%
Cornwall Council	£10.0m	2 Months	Jan 2025	4.85%
Central Bedfordshire Council	£5.0m	2 Months	Jan 2025	5.10%
Total Fixed Term Deposits	**£20.0m**			**4.94%**
Notice Accounts:				
Total Notice Accounts	**£0.0m**			**N/A**
Property Funds				
CCLA Local Authority Property Fund	£2.0m	N/A	N/A	4.28%
Total Property Funds	**£2.0m**			**4.28%**
Money Market Funds:				
Federated Prime Rate	£7.4m	N/A	N/A	4.73%
Total Money Market Funds	**£7.4m**			**4.73%**
Instant Access/Call Accounts				
Lloyds Bank (Current Account)	£6.5m	Overnight	N/A	4.65%
Total Instant Access	**£6.5m**			**4.65%**
Total Investments	**£35.9m**			**4.81%**

FINANCIAL YEAR TO QUARTER ENDED 31/12/2024							
	Bank Rate	**SONIA**	**7 day**	**30 day**	**90 day**	**180 day**	**365 day**
High	5.25	5.20	5.20	5.21	5.23	5.26	5.33
High Date	02/04/2024	03/05/2024	13/05/2024	26/06/2024	26/07/2024	26/07/2024	01/08/2024
Low	4.75	4.70	4.70	4.71	4.83	4.97	5.09
Low Date	07/11/2024	07/11/2024	27/12/2024	11/12/2024	31/12/2024	31/12/2024	02/04/2024
Average	5.06	5.01	5.02	5.05	5.12	5.20	5.25
Spread	0.50	0.50	0.50	0.50	0.41	0.29	0.24

5.3. As illustrated, the Council underperformed the SONIA benchmark by 20 bps but is within the spread. The Council's budgeted investment return for 2024/25 is £675,800, and performance for the year to date is £586,000 above budget.

5.4. The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

6. The Council's Debt Position as at 31st December 2024

6.1. The Council's borrowing activity for the first 9 months of the financial year can be summarised as follows:

- No new loans were taken out
- £10m of debt matured
- £62.705m of debt is outstanding as at 31st December 2024 at an average rate of 3.64%.

6.2. Due to the high interest rates, the Treasury Team is minimalizing the amount of new external debt that the Council is undertaking, and are waiting for the rates to drop unless there is a cashflow reason or another business reason for externalising the Council's Debt.

6.3. The Council's Debt Position as at 31st December 2024 is shown below:

Borrowing	**2024/25 Opening Balance £m**	**Balance as of 31st December 2024 £m**	**2024/25 Closing Forecast £m**
General Fund			
PWLB	6.75	6.75	33.48
Market LOBO	2.00	2.00	2.00
HRA			
PWLB	63.96	53.46	63.96
Total	**72.71**	**62.71**	**98.57**

7. Debt Rescheduling

7.1. Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates. No debt rescheduling has therefore been undertaken to date in the current financial year.

7.2. The Council is currently breaching their Debt Maturity limits when the full Debt of both the General Fund and the HRA is considered. This is mainly due to HRA debts that were transferred from Central Government to the Council in 2011/12 which are expecting to mature in the next 5 years.

7.3. Part of the reason for the breach has been the use of internal borrowing over the last few years. Whilst making financial sense due to the high interest rates, this has indirectly led to the breach as the Council is not borrowing more long-term debt, and therefore the percentage of debt that is maturing shortly is higher. As the CPR figure earlier showed, the Council has more capacity for debt and therefore this is not as much a problem as if we were over-borrowed.

The Council is expecting to use external borrowing later this year, which should assist with correcting the Debt Maturity breach, even if you include the HRA figures.

Total Debt Maturity Profile				
Debt Maturity within	£m	% of Total Debt	% of Running Total Debt	% for Lower and Upper Limit of Debt
Under 6 months	0.0	00.0%	00.0%	0%-30%
1 Year	0.0	00.0%	00.0%	0%-35%
2-5 Years	38.7	61.7%	61.7%	0%-50%
5-10 Years	16.0	25.5%	87.2%	0%-75%
10 Years and Over	8.0	12.8%	100.0%	0%-100%
Total Debt	**70.2**	**100.0%**	**100.0%**	

7.4. If we look at just the General Fund Debt, there is no breach of the Debt Maturity limits. There is also room for capital loans in the 5-10 year region if needed, but this would have to evaluated over the Council's priorities and the expected lifespan of the asset linked to the capital spend.

General Fund Maturity Profile				
Debt Maturity within	£m	% of Total Debt	% of Running Total Debt	% for Lower and Upper Limit of Debt
Under 6 months	0.00	0.0%	0.0%	0%-30%
1 Year	0.00	0.0%	0.0%	0%-35%
2-5 Years	3.75	42.9%	42.9%	0%-50%
5-10 Years	0.00	0.0%	42.9%	0%-75%
10 Years and	5.00	57.1%	100.0%	0%-100%

Over				
Total Debt	**8.75**	**100.0%**	**100.0%**	

8. **Conclusion**

8.1. That the Audit & Standards Committee is recommended to note the Treasury Management 2024/25 Quarter 3 review

9. **Appendices (if none, state none)**

9.1. None

10. **Background Papers (if none, state none)**

10.1. None

AGENDA ITEM NO. 7

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to: **Audit and Standards Committee**

From: **Finance Manager - Treasury**

Subject: **Review of Treasury Management Practices (TMPs) 2025/26**

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1. Purpose of Report

   1.1. To provide Audit and Standards Committee with the reviewed Treasury Management Practices (TMPs) for approval.

2. Recommendations

   2.1. That the updated TMPs are noted and recommended to Council for approval.

3. Review Process

   3.1. The Treasury Management Practices are subject to review every year unless significant changes are identified in the interim period. Approval of reviews / significant changes are required by this committee.

4. Treasury Management Practices

   4.1. The updated TMPs is attached as Appendix A.

   4.2. There are no major changes from the previous TMPs approved in July 2024.

   4.3. The Key Changes:

   - Updates to Position titles to reflect current title
   - Addition of the new name of the Treasury Advisor in TMP11

5. Appendices

   5.1. Appendix 1 – TMPs 2025/26

6. Background Papers

   6.1. None

TREASURY MANAGEMENT PRACTICES

Nuneaton and Bedworth Borough Council 2025/26

Contents

TMP 1 Risk Management

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

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

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

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

The investment policy proposed for the Council is:

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

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

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

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

In accordance with the Code, the Council has set out additional criteria to limit the time and the amount of monies which will be invested in these bodies. These criteria are a maximum of £10m per organisation and with organisations that meet the Treasury Management Staff's

Non-specified investments – are any other type of investment (i.e., not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non-specified investments would include any sterling investments with: -

	Non-Specified Investment Category	Limit (£ or %)
a.	**Supranational Bonds greater than 1 year to maturity** **(a) Multilateral Development Bank bonds** - These are bonds defined as an international financial institution having as one of its objectives economic development, either generally or in any region of the world (e.g., European Reconstruction and Development Bank etc). **(b) A financial institution that is guaranteed by the United Kingdom Government** (e.g., National Rail) The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt-edged securities. However, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	AAA long term ratings £10m
b.	**Gilt edged securities** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	£10m
c.	**The Council's own banker** if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	£2m
d.	**Building Societies not meeting the basic security requirements under the specified investments**. 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 have a minimum asset size of £100m, but will restrict these types of investments to under 1 year.	£2m
e.	Any **Bank or Building Society** that has a minimum long-term credit rating of AA-, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	£10m
f.	Any **Non-Rated Subsidiary** of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to a guarantee from a parent company, the investment must be under 1 year, and the subsidiary must be UK based.	£2m
g.	**Share Capital** in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as	£2m

	such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. See note 1 below.	
h.	Other fund: The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. This Council will seek guidance on the status of any fund it may consider using and will update Cabinet before any use of a new style of fund.	

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

The monitoring of investment counterparties - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Director of Corporate Resources, and if required new counterparties which meet the criteria will be added to the list.

TMP 2 Performance Measurement

2.1 Evaluation and Review of Treasury Management Decisions

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

a. Monthly reviews carried out by the Treasury team
b. reviews with our treasury management consultants
c. annual review after the end of the year as reported to full council
d. Quarterly monitoring reports to Cabinet
e. comparative reviews
f. strategic, scrutiny and efficiency value for money reviews

2.1.1 Periodic reviews during the financial year

The Finance Manager - Treasury holds a treasury management review meeting with the Treasury team every month to review actual activity against the Treasury Management Strategy Statement and cash flow forecasts.
This will include :

a) Total debt (both on-and off balance sheet) including average rate and maturity profile
b) Total investments including average rate and maturity profile and changes to the above from the previous review and against the TMSS.

2.1.2 Reviews with our treasury management consultants

The treasury management team holds reviews with our consultants every 6 months to review the performance of the investment and debt portfolios.

2.1.3 Review reports on treasury management

An Annual Treasury Report is submitted to the Council each year after the close of the financial year which reviews the performance of the Investment and Debt portfolios. This report contains the following: -

a. total external debt (gross external borrowing plus other long term liabilities such as finance leases) and average interest rates at the beginning and close of the financial year compared to the Capital Financing Requirement
b. borrowing strategy for the year compared to actual strategy
c. whether or not a decision was made to defer borrowing or to borrow in advance
d. comment on the level of internal borrowing and how it has changed during the year
e. assumptions made about interest rates
f. investment strategy for the year compared to actual strategy
g. explanations for variance between original borrowing and investment strategies and actual
h. debt rescheduling done in the year
i. actual borrowing and investment rates available through the year
j. the performance and return of all investments by type of investment, evaluated against the stated investment objectives
k. the Report shall identify investments where any specific risks have materialised during the year and report on any financial consequences of that risk; together will details of any remedial action take. This includes reporting any short term borrowing costs incurred to remediate any liquidity problem.
l. the Report shall include details of any review of long-term investments, held by the authority, which was undertaken in the year in accordance with the Annual Investment Strategy.
m. compliance with Prudential and Treasury Indicators
n. other needed information

In addition, quarterly reports will be submitted to the Council each year to provide updates on the above.

2.1.4 Comparative reviews

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

- CIPFA Treasury Management statistics published each year for the last complete financial year
- CIPFA Benchmarking Club

2.2 Benchmarks and Calculation Methodology:

2.2.1 Debt management

- Average rate on all external debt
- Average rate on external debt borrowed in previous financial year
- Average rate on internal borrowing (based on rate of investment)
- Average period to maturity of external debt
- Average period to maturity of new loans in previous year
- Debt portfolio compared to the debt liability benchmark

2.2.2 Investment.

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

- Average daily SONIA rate
- Backward-looking compounded SONIA (based on the average rate to maturity. 7-days for short term, 3/6/9 months etc if longer).

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

2.3.1 Frequency and processes for tendering

Tenders are normally awarded on a 3 year basis with the option to extend for 1 year twice, if approved by the Cabinet. The process for advertising and awarding contracts will be in line with the Council's Contract Standing Orders.

2.3.2 Banking services

The Council's banking arrangements are to be subject to competitive tender every 5 years unless it is considered that there will be changes in the volume of transactions in the foreseeable future which renders a shorter period appropriate.
If tendering is not considered appropriate a specialist banking company must be appointed to ensure that the terms offered represent value for money.

2.3.3 Money-broking services

The Council will use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them.
An approved list of brokers will be established which takes account of both prices and quality of services.

2.3.4 Consultants'/advisers' services

This Council's policy is to appoint full-time professional treasury management consultants and separate leasing advisory consultants.

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

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

TMP 3 Decision Making and Analysis

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

3.1.1 Records to be kept

The Treasury section has a computerised system in which all investment and loan transactions are recorded. Full details of the system are covered in the user manual. The following records will be retained:

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

3.1.2 Processes to be pursued

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

3.1.3 Issues to be addressed.

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

a) Above all be clear about the nature and extent of the risks to which the Council may become exposed

b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained

c) Be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interests, and to deliver good housekeeping

d) Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded

e) Be content that the terms of any transactions have been fully checked against the market and have been found to be competitive.

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

a) consider the ongoing revenue liabilities created, and the implications for the organisation's future plans and budgets to ensure that its capital plans and investment plans are affordable, proportionate to the Council's overall financial capacity, and are within prudent and sustainable levels. This evaluation will be carried out in detail for three budget years ahead.
b) Less detailed evaluation will also be carried out over a longer period of 10 years to ensure that plans continue to be affordable, proportionate, prudent and sustainable in the longer term.
c) not borrow to invest primarily for financial return.
d) not borrow earlier than required to meet cash flow needs unless there is a clear business case for doing so.
e) not borrow unless it is to finance the current capital programme or to fund future debt maturities, or to ensure an adequate level of short-term investments to provide liquidity for the Council.
f) increase its CFR and borrowing solely for purposes directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.
g) undertake an annual review of any investments in commercial (debt for yield) schemes with a view to identify whether such assets should be sold to provide resources to finance capital expenditure plans or refinance maturing debt.
h) evaluate the economic and market factors that might influence the manner and timing of any decision to fund.
i) consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships.
j) consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use and, if relevant, the opportunities for foreign currency funding.
k) ensure that treasury management decisions are made in accordance with good professional practice.

3.1.3.3 In respect of investment decisions, the Council will:

a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions;
b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital;
c) ensure that any long-term treasury investment is supported by a business case.

TMP 4 Approved Instruments, Methods and Techniques

4.1 Approved Instruments, Method and Techniques

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined and parameters defined in TMP1.

Where the Council intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy.

The Council will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

The Council has reviewed its classification with financial institutions under MIFID II and has set out in the schedule to this document those organisations with which it is registered as a professional client and those with which it has an application outstanding to register as a professional client.

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

5.1 Allocation of responsibilities

(i) Full council

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

(ii) Cabinet

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

(iii) Audit and Standards Committee

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

5.2 Principles and Practices Concerning Segregation of Duties

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

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

5.3 Treasury Management Organisation Chart

Strategic Director – Corporate Resources
I
Assistant Director for Finance
I
Finance Manager - Treasury
I
Financial Accountant
I
Assistant Accountant ______________ Assistant Accountant ______________ Assistant Accountant

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

5.4.1. The responsible officer

The responsible officer is the person charged with professional responsibility for the treasury management function and in this Council is the Strategic Director – Corporate Resources. This person will carry out the following duties: -

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

5.4.2. The Treasury Management Team

The responsibilities of the Assistant Director of Corporate Resources is to act as the deputy responsible officer for the council when the responsible officer is unavailable. If the Responsible officer is available to undertake their duties, the Assistant Director of Finance will have the same level of responsibility (with regards to Treasury Management) as the Finance Manager – Treasury (see below).

The responsibilities of the Finance Manager - Treasury will be: -

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

The Finance Manager – Treasury requires at least 1 year of professional experience in Financial Markets (including knowledge of transactions or services envisaged). If they do not have this experience, they will need advice from Treasury Advisors before undertaking any new investments or supervision from a member of the Treasury Management Organisational Chart who has the relevant experience.

The treasury management team additionally includes the following persons: -

Financial Accountant

The Financial Accountant has the same limits on investments as the Finance Manager – Treasury, and will require authorisation from a more senior role to undertake new debt arrangements. They will also require at least 1 year of professional experience in Financial Markets, or supervision from another member of the Treasury Management Organisational Chart which has the relevant experience.

Assistant Accountant(s)

The Assistant Accountants can process investments with the deals being authorised by the Financial Accountant or more senior member of staff within the Treasury Management Organisation Chart above.

5.4.3. The Head of the Paid Service – the Chief Executive

The responsibilities of this post will be: -

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

5.4.4. The Monitoring Officer – the Head of Legal Services

The responsibilities of this post will be: -

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

5.4.5. Internal Audit

The responsibilities of Internal Audit will be: -

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

5.5 Absence Cover Arrangements

In the case of the Finance Manager – Treasury and the Financial Accountant both being absence, the Strategic Director – Corporate Resource and Assistant Director for Finance can deal for the Council. If secondary approval is needed, other Strategic Directors or the Chief Executive can provide this approval.

5.6 Dealing Limits

There is no specific dealing limit by post, but limits on dealing is within the TMSS.

5.7 List of Approved Brokers

A list of approved brokers is maintained within the Treasury Team and a record of all transactions recorded against them. See TMP 11.1.2.

5.8 Policy on Brokers' Services

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

5.9 Policy on Taping of Conversations

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

5.10 Direct Dealing Practices

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

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

5.11 Settlement Transmission Procedures

A formal letter signed by an agreed cheque signatory setting out each transaction must be sent to the local authority's bankers where preliminary instructions have been given by telephone. For payments a transfer will be made through the Online Banking system to be completed by 5pm on the day of transfer.

5.12 Documentation Requirements

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

5.13 Arrangements Concerning the Management of Third-Party Funds.

The Council holds a number of trust funds. The cash in respect of these funds is held in the Council's bank account but transactions are separately coded. Interest is given on credit balances at the average rate for internal balances for the year.

TMP 6 Reporting Requirements and Management Information Arrangements

6.1 Annual programme of reporting

a) Annual reporting requirements before the start of the year: -
- review of the organisation's approved clauses, treasury management policy statement and practices
- **treasury management strategy report** on proposed treasury management activities for the year comprising of the Treasury management strategy statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement.
- **capital strategy** to cover the following: -
    i. give a long-term view of the capital programme and treasury management implications thereof beyond the three year time horizon for detailed planning.
    ii. an overview of treasury and non-treasury investments to highlight the risks and returns involved in each and the balance, (proportionality), between both types of investments.
    iii. The authorities risk appetite and specific policies and arrangements for non-treasury investments
    iv. Schedule of non-treasury investments

b) Mid-year review

c) Quarterly monitoring

d) Annual review report after the end of the year

6.2 Annual Treasury Management Strategy Statement

1. The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Cabinet and then to the full Council for approval before the commencement of each financial year.

2. The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter -term variable interest rates. For instance, this Council may decide to postpone borrowing if fixed interest rates are expected to fall or borrow early if fixed interest rates are expected to rise.

3. The Treasury Management Strategy Statement is concerned with the following elements:
    a) Prudential and Treasury Indicators
    b) current Treasury portfolio position
    c) borrowing requirement
    d) prospects for interest rates
    e) borrowing strategy
    f) policy on borrowing in advance of need
    g) debt rescheduling
    h) investment strategy
    i) creditworthiness policy
    j) policy on the use of external service providers
    k) any extraordinary treasury issue
    l) the MRP strategy

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

6.3 The Annual Investment Strategy Statement

At the same time as the Council receives the Treasury Management Strategy Statement it will also receive a report on the Annual Investment Strategy which will set out the following: -

a) The Council's risk appetite in respect of security, liquidity and optimum performance
b) The definition of high credit quality to determine what are specified investments as distinct from non-specified investments
c) Which specified and non-specified instruments the Council will use
d) Whether they will be used by the in house team, external managers or both (if applicable)
e) The Council's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
f) Which credit rating agencies the Council will use
g) How the Council will deal with changes in ratings, rating watches and rating outlooks
h) Limits of value and time for individual counterparties and groups
i) Country limits
j) Maximum value and maximum periods for which funds may be prudently invested
k) Levels of cash balances and investments over the same time period (as a minimum) as the authority's capital investment plans and how the use of internal borrowing and borrowing in advance will influence those levels
l) Interest rate outlook
m) Budget for investment earnings
n) A review of the holding of longer-term investments
o) Use of a cash fund manager (if applicable)
p) Policy on the use of external service providers

6.4 The Annual Minimum Revenue Provision Statement

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

6.5 Policy on Prudential and Treasury Indicators

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

6.6 Quarterly and Mid-year reviews

The Council will review its treasury management activities and strategy on a quarterly and six monthly basis. The mid-year review will go to Full Council. This review will consider the following: -

a) activities undertaken
b) variations (if any) from agreed policies/practices
c) interim performance report
d) regular monitoring
e) monitoring of treasury management and prudential indicators

The quarterly review will monitor the treasury management and prudential indicators as part of the authority's general revenue and capital monitoring.

6.7 Annual Review Report on Treasury Management Activity

An annual report will be presented to the Cabinet and then to the full Council at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following: -

a) transactions executed and their revenue (current) effects
b) report on risk implications of decisions taken and transactions executed
c) compliance report on agreed policies and practices, and on statutory/regulatory requirements
d) performance report
e) report on compliance with CIPFA Code recommendations, approved policies and practices, the member approved treasury management strategy and on statutory/regulatory requirements
f) monitoring of treasury management indicators

6.8 Management Information Reports

Management information reports will be prepared every month by the Finance Manager - Treasury and will be presented to the Strategic Director – Corporate Resources.

These reports will contain the following information: -
a) a summary of transactions executed and their revenue (current effects);
b) measurements of performance including effect on loan charges/investment income;
c) degree of compliance with original strategy and explanation of variances.
d) any non-compliance with Prudential limits or other treasury management limits.

6.9 Publication of Treasury Management Reports

Reports made to Cabinet and Council will be published as part of the meetings agenda.

TMP 7 Budgeting, Accounting and Audit Arrangements

7.1 Statutory/Regulatory Requirements

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

7.2 Sample Budgets / Accounts / Prudential and Treasury Indicators

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

7.3 List of Information Requirements of External Auditors.

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

7.4 Monthly Budget Monitoring Report

Monthly Budget Monitoring reports are produced for the Strategic Director – Finance and Governance whilst a quarterly budget monitoring report goes to Cabinet. The report is intended to highlight any variances between budgets and spend in order that the Council can assess its financial position. Details of treasury management activities are included within this report.

TMP 8 Cash and Cash Flow Management

8.1 Arrangements for Preparing/Submitting Cash Flow Statements

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

A debt liability benchmark will be created and monitored on a quarterly basis to inform a long-term view of liquidity requirements.

8.2 Bank Statements Procedures

The Council receives daily bank statements and a daily download of data from its bank. All amounts on the statement are checked to source data from Payroll, Creditors etc.
A formal bank reconciliation is undertaken on a daily basis by the Treasury Management Team on the Council's finance system.

8.3 Payment Scheduling and Agreed Terms of Trade with Creditors

Our policy is to pay creditors within 30 days of the invoice date, and this effectively schedules the payments. Certificated payments to sub-contractors must be paid within 14 days.

8.4 Arrangements for Monitoring Debtors / Creditors Levels

The Assistant Director for Finance is responsible for monitoring the levels of debtors and creditors. Details are passed to the treasury team on a monthly basis to assist in updating the cash flow models.

8.5 Procedures for Banking of Funds

All money received by an officer on behalf of the Council will without unreasonable delay be passed to the cashiers to deposit in the Council's banking accounts. The cashiers will notify the Treasury Management Team by the following morning of cash and cheques banked the previous day so that the figures can be taken into account in the daily cash flow.

8.6 Practices Concerning Prepayments to Obtain Benefits

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

TMP 9 Money Laundering

9.1 Proceeds of Crime Act 2002

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

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

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

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

9.2 The Terrorism Act 2000

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

9.3 The Money Laundering Regulations 2012, 2015 and 2017

Organisations pursuing relevant business (especially those in the financial services industry regulated by the FCA) are required to do the following: -

- identify and assess the risks of money laundering and terrorist financing
- have policies, controls and procedures to mitigate and manage effectively the risks of money laundering and terrorist financing identified through the risk assessments
- appoint a nominated officer
- implement internal reporting procedures
- train relevant staff in the subject
- obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken
- report their suspicions.

9.4 Local authorities

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and subsequent Terrorism Acts and may commit most of the principal offences under the POCA but are not legally obliged to apply the provisions of the Money Laundering Regulations 2012, 2015 and 2017. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly this Council will do the following: -

a) evaluate the prospect of laundered monies being handled by them
b) determine the appropriate safeguards to be put in place
c) require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness
d) make all its staff aware of their responsibilities under POCA

e) appoint a member of staff to whom they can report any suspicions. This person is Corporate Fraud Officer
f) in order to ensure compliance is appropriately managed, this Council will require senior management to give appropriate oversight, analysis and assessment of the risks of clients and work/product types, systems for monitoring compliance with procedures and methods of communicating procedures and other information to personnel.
g) The officer responsible for the creation and monitoring the implementation of a corporate anti money laundering policy and procedures is Head of Audit and Governance and it shall be a requirement that all services and departments implement this corporate policy and procedures.

9.5 Procedures for Establishing Identity / Authenticity of Lenders

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

The Council does not accept loans from individuals.

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

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

9.6 Methodologies for Identifying Deposit Takers

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

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

TMP 10 Training and Qualifications

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

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

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively. The present arrangements, including a knowledge and skills schedule, are detailed in the schedule to this document.

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

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

10.1 Details of Approved Training Courses

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

10.2 Records of Training Received by Treasury Staff

The Finance Manager - Treasury will maintain records on all staff and the training they receive.

10.3 Record of Secondment of Senior Management

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

10.4 Statement of Professional Practice (SOPP)

1. Where the Chief Financial Officer is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

2. Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

10.5 Member training records

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

10.6 Members charged with governance

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

TMP 11 Use of External Service Providers

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

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

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

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

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

11.1.1 Banking Services

a) Name of supplier of service is the Lloyds Bank.
b) Regulatory status – banking institution authorised to undertake banking activities by the FCA
c) The branch address is:
17/23 Coventry Street, Warwickshire CV11 5TD
Tel :- 0345 602 1997
d) Contract commenced 01/11/2022 and runs for 7 years until 31/10/2029.
e) Cost of service is variable depending on schedule of tariffs and volumes
f) Payments due Monthly
g) Early Termination details:
Following a review of the pricing table, if Lloyds changes the terms and conditions and an agreement cannot be reached, then the Council can cancel immediately. Otherwise if the Council cancels the contract in advance, the full remaining value of the contract is due.

11.1.2 Money-Broking Services

The Council will use money brokers for temporary borrowing and investment and long term borrowing. It will seek to give an even spread of business amongst the approved brokers. The performance of brokers is reviewed by the Finance Manager - Treasury every year to see if any should be taken off the approved list and replaced by another choice and will make appropriate recommendations to change the approved brokers list to the Assistant Director - Finance. A minimum of two brokers will be available at any one time to ensure value for money.

Broker 1
King and Shaxon Limited
First Floor, 155 Fenchurch Street LONDON EC3M 6AL
0207 426 5950
Authorised and Regulated by FCA (FCA No: 823315)

Broker 2
Tradition (UK) Ltd
Beaufort House, 15 St Botolph Street, London, EC3A 7QX
Authorised and Regulated by FCA (FCA No: 139200)

Broker 3
BGC Sterling Treasury
5 Churchill Place, London, E14 5HU
0207 894 7742
Authorised and Regulated by FCA as part of BGC Brokers L.P (FCA No 454814)

Broker 4
Imperial Treasury Services
5 Port Hill, Hertford, SG14 1PJ
01992 945550
Imperial Treasury Services Ltd is an Appointed Representative of Frank Investments Limited a firm which is authorised and regulated by the FCA (FCA No. 627697)

11.1.3 Consultants'/Advisers' Services

Treasury Consultancy Services

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

The performance of consultants will be reviewed by the Finance Manager – Treasury every year to check whether performance has met expectations.

a) Name of supplier of service is Link Group, Treasury solutions. Their address is 65 Gresham Street London EC2V 7NQ
b) Regulatory status: investment adviser authorised by the FCA
c) Contract commenced 01/10/2022 and runs for 3 years ending on 30/09/2025.

Other Consultancy services may be employed on short term contracts as and when required.

11.1.4 Credit Rating Agency

The Council receives a credit rating service through its treasury management consultants, the costs of which is included in the consultant's annual fee.

11.2 Procedures and Frequency for Tendering Services

See TMP2

TMP 12 Corporate Governance

12.1.1 List of Documents to be Made Available for Public Inspection

a. The Council is committed to the principle of openness and transparency in its treasury management function and in all its functions.

b. It has adopted the CIPFA Code of Practice on Treasury Management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.

c. The following documents are available for public inspection: -

- Treasury Management Policy Statement
- Treasury Management Strategy Statement
- Annual Investment Strategy
- Minimum Revenue provision policy statement
- Annual Treasury Review Report
- Treasury Management monitoring reports (e.g. half yearly, quarterly)

- Annual accounts and financial instruments disclosure notes
- Annual budget
- Year Capital Plan
- Capital Strategy

- Minutes of Council / Cabinet / committee meetings

- Schedule of all external funds managed by the Council on behalf of others and the basis of attributing interest earned and costs of these investments.

Appendix 1. Environmental, Social and Governance risk management

Policy on ESG issues

ESG is an area that CIPFA is still working on after the 2022 revised codes. In particular, work will be needed to coordinate the priority which needs to be given to issues of security, liquidity and yield (SLY) while also accommodating ESG principles as a fourth priority and principle to apply.

The assessment and implementation of ESG considerations are better developed in equity and bond markets than for short-term cash deposits, primarily due to the wider scope of potential investment opportunities. Furthermore, there is a diversity of market approaches to ESG classification, analysis and integration. This means that a consistent and developed approach to ESG for public service organisations, focussed on more typical Treasury-type investments, is currently difficult to achieve. CIPFA, therefore, recommends authorities to consider their credit and counterparty policies in light of ESG information and develop their own ESG investment policies and treasury management practices consistent with their organisation's own relevant policies, such as environmental and climate change policies.

CIPFA does not expect that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level.

When drafting an ESG "policy", Councils will need to understand that anything too "broad" in its approach could have a material impact on potential counterparties, which could then limit diversification and / or security considerations in investment processes. Furthermore, Councils will also need to be clear that when choosing between two counterparties that pass all relevant "security" tests, that the additional implementation of an ESG policy may mean that a lower investment rate is achieved by choosing the counterparty that passes the council's ESG requirements.

Please note that these are examples of ESG factors that are considered by Credit Rating Agencies, such as Fitch, Moody's and Standard & Poor's when assigning credit ratings to counterparties. The credit ratings provided by these agencies are also used as the basis for selecting suitable counterparties by Councils.

- ***Environmental:*** *Emissions and air quality, energy and waste management, waste and hazardous material, exposure to environmental impact.*

- ***Social:*** *Human rights, community relations, customer welfare, labour relations, employee wellbeing, exposure to social impacts.*

- ***Governance:*** *Management structure, governance structure, group structure, financial transparency.*

This Council is supportive of the Principles for Responsible Investment (www.unpri.org) and will seek to bring ESG (environmental, social and governance) factors into the decision-making process for investments. Within this, the Council is also appreciative of the Statement on ESG in Credit Risk and Ratings which commits signatories to incorporating ESG into credit ratings and analysis in a systemic and transparent way. The Council uses ratings from Fitch, Moody's and Standard & Poor's to support its assessment of suitable counterparties. Each of these rating agencies is a signatory to the ESG in credit risk and ratings statement, which is as follows:

“We, the undersigned, recognise that environmental, social and governance (ESG) factors can affect borrowers’ cash flows and the likelihood that they will default on their debt obligations. ESG factors are therefore important elements in assessing the creditworthiness of borrowers. For corporates, concerns such as stranded assets linked to climate change, labour relations challenges or lack of transparency around accounting practices can cause unexpected losses, expenditure, inefficiencies, litigation, regulatory pressure and reputational impacts.

At a sovereign level, risks related to, inter alia, natural resource management, public health standards and corruption can all affect tax revenues, trade balance and foreign investment. The same is true for local governments and special purpose vehicles issuing project bonds. Such events can result in bond price volatility and increase the risk of defaults.

In order to more fully address major market and idiosyncratic risk in debt capital markets, underwriters, credit rating agencies and investors should consider the potential financial materiality of ESG factors in a strategic and systematic way. Transparency on which ESG factors are considered, how these are integrated, and the extent to which they are deemed material in credit assessments will enable better alignment of key stakeholders.

In doing this the stakeholders should recognise that credit ratings reflect exclusively an assessment of an issuer’s creditworthiness. Credit rating agencies must be allowed to maintain full independence in determining which criteria may be material to their ratings. While issuer ESG analysis may be considered an important part of a credit rating, the two assessments should not be confused or seen as interchangeable.

*With this in mind, we share a common vision **to enhance systematic and transparent consideration of ESG factors in the assessment of creditworthiness**.”*

For short term investments with counterparties, this Council utilises the ratings provided by Fitch, Moody’s and Standard & Poor’s to assess creditworthiness, which do include analysis of ESG factors when assigning ratings. The Council will continue to evaluate additional ESG-related metrics and assessment processes that it could incorporate into its investment process and will update accordingly.

This Council will not invest in companies whose core activities pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the Council’s mission and values e.g.:

a. Human rights abuse (e.g., slave or child labour, political oppression)
b. Activities that damage the environment by extraction of fossil fuels, destruction of habitat, or creation of pollutants
c. Socially harmful activities (e.g., tobacco, gambling)
d. Manufacture of weapons

If information is received that alerts the Council that a current investment is with a company whose cores activities pose risk of serious harm to individuals or groups, or whose activities are inconsistent with the Council’s mission and values (even if the core activities have changed during the investment), the Council will aim to deinvest at the earliest possible opportunity from that company, and will not extend any current investments.

AGENDA ITEM NO.8

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to: **Audit & Standards Committee**

From: **Finance Manager – Treasury**
Strategic Director – Corporate Resources

Subject: **Treasury Management Strategy Statement 2025/26**

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1. Purpose of Report

1.1. The Local Government Act 2003 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services (the Code) require Council's to "have regard to" the Prudential Code and to set Prudential Indicators for the forthcoming 3 years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

1.2. Regulations also require an Annual Investment Strategy, Treasury Management Strategy and Minimum Revenue Provision (MRP) Policy to be approved.

2. Recommendations

2.1. That Committee recommend to Council the approval of the Treasury Management Strategy Statement including all Prudential Indicators, the MRP policy and Annual Investment Strategy.

3. The Prudential System for Capital Finance

3.1. The Council is required to manage its treasury and capital expenditure activities under a National Code. The main aims of the system are to ensure that:

3.1.1. Capital investment plans of local authorities are affordable and sustainable;

3.1.2. Treasury management decisions are taken in accordance with best professional practice; and

3.1.3. Financial planning and asset management are integrated into the Council's overall corporate planning arrangements.

Treasury Management Strategy

3.2. 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 commensurate with the Council's risk appetite, providing adequate liquidity initially before considering investment return.

3.3. The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield.

3.4. Treasury operations are measured within a set of prudential indicators (Appendix 1). The main purpose of these indicators is to provide the limits and benchmarks to control the level of capital expenditure, borrowing and investment. The Council is expected to operate comfortably within these limits.

3.5. The Prudential System allows councils the freedom to borrow on a prudential basis. Any new borrowing must be accommodated within any maximum debt limits or caps set by Central Government and the Council must demonstrate that it can afford to service and repay the debt within its financial plans.

3.6. The Strategy aims to provide transparency for treasury decisions including the use of counterparties, together with assessing how risk is managed on a day- to-day basis.

3.7. The Council has more capital investment in 2025/26 General Fund capital programme which will be funded by internal borrowing and paid off over the asset's useful life on an annuity.

3.8. A review of CFR was undertaken by the Council's Finance Manager (Treasury). A reconciliation exercise was successfully undertaken which has subsequently been used to calculate MRP over the medium term.

3.9. The Strategy is set out in Appendix 1

Prudential Indicators

3.10. As above, the prudential indicators consider the affordability and impact of capital expenditure plans and set out the Council's overall capital framework.

3.11. The CIPFA codes require a prescribed set of prudential indicators to be produced annually and monitored throughout the year. The indicators required under the regulations are set out along with explanations in Appendix 1.

Minimum Revenue Provision Policy

3.12. MRP statement provides details on the amount charged to revenue for the repayment of internal debt over the capital programme. The MRP Policy is at Appendix 1.

Annual Investment Strategy

3.13. CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. Appendix 1 deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets and service investments, will be covered in the Capital Strategy which is in the process of collation.

4. Financial Implications

4.1. The report sets out the annual update of the core strategies which underpin the Council's approach to managing its capital investment.

5. Conclusion

5.1. The Assistant Director – Finance with the support of Finance Manager (Treasury) and Link Asset Services, will monitor economies in the UK and overseas, regularly review the debt portfolio and the creditworthiness of individual institutions, utilising a methodology which does not rely solely on credit ratings to ensure that any investments made are with countries and institutions that are deemed of high credit quality to reduce the risk of loss of principal invested.

6. Appendices

6.1. Appendix 1 – Treasury Management Strategy Statement 2025/26

7. Background Papers

7.1. None

Appendix 1

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

Nuneaton and Bedworth Borough Council
2025/26

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Key Considerations

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

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

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

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

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

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

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

1. **Adopt a liability benchmark treasury indicator** to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of 10 years, with material differences between the liability benchmark and actual loans to be explained;

2. **Long-term treasury investments**, (including pooled funds), are to be classed as commercial investments unless justified by a cash flow business case;

3. **Pooled funds** are to be included in the indicator for principal sums maturing in years beyond the initial budget year;

4. Amendment to the **knowledge and skills register** for officers and members involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each authority;

5. **Reporting to members is to be done quarterly.** Specifically, the Chief Finance Officer (CFO) is required to establish procedures to monitor and report

performance against all forward-looking prudential indicators at least quarterly. The CFO is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the authority's integrated revenue, capital and balance sheet monitoring;

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

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

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

An authority's Capital Strategy or Annual Investment Strategy should include: -

1. The authority's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;

2. An assessment of affordability, prudence and proportionality in respect of the authority's overall financial capacity (i.e., whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services);

3. Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;

4. Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);

5. Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information

contained in them will need to be periodically re-evaluated to inform the authority's overall strategy);

6. State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return.

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

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

1.1 Background

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

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

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

CIPFA defines treasury management as:

> *"The management of the local authority's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

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

1.2 Reporting Requirements

1.2.1 Capital Strategy

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

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

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

1.2.2 Treasury Management Reporting

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

a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers: -
   - the capital plans, (including prudential indicators)
   - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
   - the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
   - an Annual Investment Strategy, (the parameters on how investments are to be managed)

b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, this Council will receive quarterly update reports.

c. **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny
The above reports are required to be adequately scrutinised before being recommended to the Full Council. This role is undertaken by the Audit and Standards Committee.

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

1.3 Treasury Management Strategy for 2025/26

The strategy for 2025/26 covers two main areas:

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

Treasury management issues
- the current treasury position
- treasury indicators which limit the treasury risk and activities of the Council
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling

- the investment strategy
- creditworthiness policy; and
- the policy on use of external service providers

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

1.4 Training

The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

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

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

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

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

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

Treasury management Training was provided by the Council's Treasury Advisors in January 2025 and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed, and staff are provided training as required.

A formal record of the training received by officers central to the Treasury function will be maintained by Finance Manager - Treasury. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained by Finance Manager - Treasury.

1.5 Treasury Management Consultants

The Council uses Link Group, Link Treasury Services Limited as its external treasury management advisors.

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

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

2. THE CAPITAL PRUDENTIAL INDICATORS 2025/26 – 2027/28

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans are prudent, affordable and sustainable.

2.1 Capital Expenditure and Financing

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The Capital expenditure and HRA business plan are still being finalised, and the figures below are based on the current information. An update will be sent to Council if required.
Members are asked to approve the capital expenditure forecasts: -

Capital expenditure £m	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Non-HRA	**24.25**	**38.49**	**36.64**	**10.29**	**6.24**
HRA	**17.34**	**22.08**	**15.90**	**11.69**	**11.69**
Total	**41.59**	**60.57**	**52.51**	**21.98**	**17.93**

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

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

Financing of capital expenditure £m	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Capital receipts	0.11	0.10	0.00	0.00	0.00
Capital grants	17.37	28.73	22.05	5.13	5.13
Capital reserves	8.72	1.76	1.69	0.29	0.29
Revenue	3.89	21.08	13.16	12.56	12.51
Net financing need for the year	**11.50**	**8.90**	**15.61**	**4.00**	**0.00**

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

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

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

The CFR includes any other long-term liabilities (e.g., PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility by the PFI, PPP lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has no such schemes within the CFR.

The Council is asked to approve the CFR projections below:

£m	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Capital Financing Requirement					
Non-HRA	16.06	24.46	35.93	39.20	38.19
Housing	92.93	92.93	96.54	96.54	96.54
Total CFR	**108.99**	**117.39**	**132.46**	**135.46**	**134.72**
Movement in CFR	**10.85**	**8.40**	**15.08**	**3.28**	**(1.02)**

Movement in CFR represented by					
Net financing need for the year (above)	**11.50**	**8.90**	**15.61**	**4.00**	**0.00**
Less MRP/VRP and other financing movements	(0.65)	(0.50)	(0.53)	(0.72)	(1.02)
Movement in CFR	**10.85**	**8.40**	**15.08**	**3.28**	**(1.02)**

External borrowing £m	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Service spend	0.0	0.00	0.00	0.00	0.00
Housing	16.0	10.00	13.61	10.00	10.00
Regeneration	0.0	8.90	12.00	4.00	0.00
Preventative action	0.0	0.00	0.00	0.00	0.00
Projects for yield	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
TOTAL	**16.0**	**18.90**	**25.61**	**14.00**	**10.00**

External borrowing £m	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Treasury Management	**16.0**	**18.90**	**27.61**	**22.15**	**11.00**

2.3 Liability Benchmark

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

There are four components to the LB: -

1. **Existing loan debt outstanding**: the Council's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement**: this will show the Council's gross loan debt less treasury management investments at the last financial year-end, projected into

the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.

4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

2.4 Minimum Revenue Provision (MRP) Policy Statement

The Council is recommended to approve the following MRP Statement:

For expenditure incurred before 1 April 2008 which forms part of supported capital expenditure, the MRP policy will be:

Example approach:

- 4% reducing balance (regulatory method) - MRP will follow the historical practice outlined in former regulations as 4% of the opening GF CFR balance less adjustment A; or

From 1 April 2008 for all unsupported borrowing the MRP policy will be (amend as appropriate):

- Asset life method (annuity)

Regulation 27(3) allows a local authority to charge MRP in the financial year following the one in which capital expenditure finance by debt was incurred.

Capital expenditure financed by borrowing in 2024/25 will not be subject to an MRP charge until 2025/26, or in the financial year following the one which the asset first becomes available for use.

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

The Council has determined that MRP is not required for borrowing or credit arrangements used to finance capital expenditure on housing assets and accounted for within the Housing Revenue Account (HRA) as it has determined, through its duty to charge depreciation and hold a Major Repairs Reserve, that prudent provision has been made.

Capital loans

The Council has not issued capital loans that are categorised as commercial/non-commercial and has therefore chosen to not apply MRP. If this changes, a MRP policy will be submitted to Cabinet and Council for review.

Capital receipts

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

Where no principal repayment is made in a given year, MRP will be charged as follows:

The annual capital amount is charged to MRP excluding any interest accrued.

Share Capital

Where the Council incurs expenditure that is capitalised on or after April 2008, which is financed by borrowing for the acquisition of share capital, Regulation 25(1)(d) Acquisition of share capital sets out the maximum period for an authority to provide MRP of 20 years.

MRP on Borrowing for Shares is calculated over 20 years unless it there are valid reasons to reduce this length. If Shares are brought to ensure Council maintains partial control over an asset, then the maximum length of the MRP is linked to the remaining asset lifespan or 20 years (whichever is shorter).

MRP Overpayments

Under the MRP guidance, charges made in excess of the statutory MRP can be made and are known as voluntary revenue provision (VRP).

Any overpayments must be allocated to an asset, rather than the CFR as a whole. Any VRP payments will be used to recalculate the CFR of the asset being paid against, and will change the future MRP of that asset.

3. BORROWING

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

3.1 Current Portfolio Position

The overall treasury management portfolio as at 31.3.24 and for the position as at 31.12.24 are shown below for both borrowing and investments.

TREASURY PORTFOLIO				
	actual	actual	current	current
	31.3.24	**31.3.24**	**31.12.24**	**31.12.24**
Treasury investments	£000	%	£000	%
Banks	2,556	9%	6,491	18%
Building societies - unrated	0	0%	0	0%
Building societies - rated	0	0%	0	0%
Local authorities	13,000	46%	20,000	56%
DMADF (H.M.Treasury)	0	0%	0	0%
Money Market Funds	11,000	39%	7,350	21%
Certificates of Deposit	0	0%	0	0%
Total managed in house	**26,556**	**93%**	**33,841**	**94%**
Bond Funds	0	0%	0	0%
Property Funds	2,000	7%	2,000	6%
Total managed externally	**2,000**	**7%**	**2,000**	**6%**
Total treasury investments	**28,556**	**100%**	**35,841**	**100%**
Treasury external borrowing				
Local Authorities	0	0%	0	0%
PWLB	70,705	97%	60,705	97%
LOBOs	2,000	3%	2,000	3%
Total external borrowing	**72,705**	**100%**	**62,705**	**100%**
Net treasury investments / (borrowing)	**-44,149**	**0**	**-26,864**	**0**

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
External Debt					
Debt at 1 April	64.21	72.71	81.61	97.22	109.37
Expected change in Debt	8.50	8.90	15.61	12.15	0
Other long-term liabilities (OLTL)	0	0	0	0	0
Expected change in OLTL	0	0	0	0	0

Actual gross debt at 31 March	**72.71**	**81.61**	**97.22**	**109.37**	**109.37**
The Capital Financing Requirement	**108.99**	**117.39**	**132.46**	**135.46**	**134.72**
Under / (over) borrowing	**36.28**	**35.78**	**35.24**	**26.09**	**25.35**

Within the range of prudential indicators there are several key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2025/26 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Strategic Director of Corporate Resources reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes account of current commitments, existing plans and the proposals in this budget report.

3.2 Treasury Indicators: Limits to Borrowing Activity

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

Operational Boundary £m	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Debt	115.0	125.0	135.0	145.0
Other long-term liabilities	2.0	2.0	2.0	2.0
Total	117.0	127.0	137.0	147.0

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

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all local authority plans, or those of a specific authority, although this power has not yet been exercised.
- The Council is asked to approve the following Authorised Limit:

Authorised Limit £m	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Debt	140.0	156.0	162.0	160.0
Other long-term liabilities	4.0	4.0	4.0	4.0
Total	144.0	160.0	166.0	164.0

3.3 Prospects for Interest Rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 11 November 2024. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

Additional notes by Link on this forecast table: -

- Following the 30 October Budget, the outcome of the US Presidential election on 6 November, and the 25bps Bank Rate cut undertaken by the Monetary Policy Committee (MPC) on 7 November, we have significantly revised our central forecasts for the first time since May. In summary, our Bank Rate forecast is now 50bps – 75bps higher than was previously the case, whilst our PWLB forecasts have been materially lifted to not only reflect our increased concerns around the future path of inflation, but also the increased level of Government borrowing over the term of the current Parliament.

- If we reflect on the 30 October Budget, our central case is that those policy announcements will be inflationary, at least in the near-term. The Office for Budgetary Responsibility and the Bank of England concur with that view. The latter have the CPI measure of inflation hitting 2.5% y/y by the end of 2024 and staying sticky until at least 2026. The Bank forecasts CPI to be 2.7% y/y (Q4 2025) and 2.2% (Q4 2026) before dropping back in 2027 to 1.8% y/y.

- The anticipated major investment in the public sector, according to the Bank, is expected to lift UK real GDP to 1.7% in 2025 before growth moderates in 2026 and 2027. The debate around whether the Government's policies lead to a material uptick in growth primarily focus on the logistics of fast-tracking planning permissions, identifying sufficient skilled labour to undertake a resurgence in building, and an increase in the employee participation rate within the economy.

- There are inherent risks to all the above. The worst-case scenario would see systemic blockages of planning permissions and the inability to identify and resource the additional workforce required to deliver large-scale IT, housing and infrastructure projects. This would lead to upside risks to inflation, an increased prospect of further Government borrowing & tax rises, and a tepid GDP performance.

- Our central view is that monetary policy is sufficiently tight at present to cater for some further moderate loosening, the extent of which, however, will continue to be data dependent. We forecast the next reduction in Bank Rate to be made in February and for a pattern to evolve whereby rate cuts are made quarterly and in keeping with the release of the Bank's Quarterly Monetary Policy Reports (February, May, August and November).

- Any movement below a 4% Bank Rate will, nonetheless, be very much dependent on inflation data in the second half of 2025. The fact that the November MPC rate cut decision saw a split vote of 8-1 confirms that there are already some concerns around inflation's stickiness, and with recent public sector wage increases beginning to funnel their way into headline average earnings data, the market will be looking very closely at those releases.

- Regarding our PWLB forecast, the short to medium part of the curve is forecast to remain elevated over the course of the next year, and the degree to which rates moderate will be tied to the arguments for further Bank Rate loosening or otherwise. The longer part of the curve will also be impacted by inflation factors, but there is also the additional concern that with other major developed economies such as the US and France looking to run large budget deficits there could be a glut of government debt issuance that investors will only agree to digest if the interest rates paid provide sufficient reward for that scenario.

- So far, we have made little mention of the US President election. Nonetheless, Donald Trump's victory paves the way for the introduction/extension of tariffs that could prove inflationary whilst the same could be said of further tax cuts and an expansion of the current US budget deficit. Invariably the direction of US Treasury yields in reaction to his core policies will, in all probability, impact UK gilt yields. So, there are domestic and international factors that could impact PWLB rates whilst, as a general comment, geo-political risks abound in Europe, the Middle East and Asia.

- Our revised PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012. Please note, the lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an HRA (standard rate minus 60 bps).

Gilt yields and PWLB rates

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

PWLB debt	Current borrowing rate as at 11.11.24 p.m.	Target borrowing rate now (end of Q3 2026)	Target borrowing rate previous (end of Q3 2026)
5 years	5.02%	4.30%	3.90%
10 years	5.23%	4.50%	4.10%
25 years	5.66%	4.90%	4.40%
50 years	5.42%	4.70%	4.20%

Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate has been increased to 3.25% (from 3%). As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should also be considered. Temporary borrowing rates will, generally, fall in line with Bank Rate cuts.

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

Average earnings in each year	Now	Previously
2024/25 (residual)	4.60%	4.25%
2025/26	4.10%	3.35%
2026/27	3.70%	3.10%
2027/28	3.50%	3.25%
2028/29	3.50%	3.25%
Years 6 to 10	3.50%	3.25%
Years 10+	3.50%	3.50%

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

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

3.4 Borrowing Strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels, albeit only once prevailing inflation concerns are addressed by restrictive near-term monetary policy. That is, Bank Rate remains relatively elevated in 2025 even if some rate cuts arise.

Against this background and the risks within the economic forecast, caution will be adopted with the 2025/26 treasury operations. The Strategic Director of Corporate Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates,* then borrowing will be postponed.

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

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

The Council plans to manage externalising its internal debt whilst monitoring the interest rates to ensure sufficient cashflows are available. Decisions over whether short-term debt should be taken whilst the Council waits for the interest rate to drop or to fix the interest rate will be taken on a case by case basis.

3.5 Policy on Borrowing in Advance of Need

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

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Rescheduling

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

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

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

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

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

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

3.8 Approved Sources of Long and Short-term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	✔	✔
UK Municipal Bond Agency	✔	✔
Local Authorities	✔	✔
Banks	✔	✔
Pension Funds	✔	✔
Insurance Companies	✔	✔

UK National Wealth Fund	✔	✔
Market (long-term)	✔	✕
Market (temporary)	✔	✕
Market (LOBOs)	✔	✕
Stock Issues	✔	✔
Local Temporary	✔	✕
Local Bonds	✔	
Local Authority Bills	✔	✕
Overdraft		✔
Negotiable Bonds	✔	✕
Internal (capital receipts & revenue balances)	✔	✔
Commercial Paper	✕	
Medium Term Notes	✕	
Finance Leases	✔	✔

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy – Management of Risk

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

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

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

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

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

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

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in

Appendix 5.4 under the categories of 'specified' and 'non-specified' investments.

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

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

5. **Non-specified and loan investment limits.** The Council has determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified treasury management investments of 50%.

6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.

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

8. This Council will set a limit for its investments which are invested for **longer than 365 days**, (see paragraph 4.4).

9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).

10. This Council has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Council in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in **sterling**.

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

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

Changes in risk management policy from last year.
The above criteria are unchanged from last year.

4.2 Creditworthiness Policy

This Council applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays: -

1. "watches" and "outlooks" from credit rating agencies;
2. CDS spreads that may give early warning of changes in credit ratings;
3. sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, and any assigned Watches and Outlooks, in a weighted scoring system which is then combined with an overlay of CDS spreads. The end-product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will, therefore, use counterparties within the following durational bands:

- Yellow 5 years *
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria the Council uses will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in the downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition, this Council will also use market data and market information, as well as information on any external support for banks to help its decision-making process.

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

	Colour (and long-term rating where applicable)	Money and/or % limit	Transaction limit	Time limit
Banks *	**Yellow**	**£10m**	**£10m**	**5yrs**
Banks	**Purple**	**£10m**	**£10m**	**2 yrs**
Banks	**Orange**	**£10m**	**£10m**	**1 yr**
Banks – part nationalised	**Blue**	**£10m**	**£10m**	**1 yr**
Banks	**Red**	**£2m**	**£2m**	**6 mths**
Banks	**Green**	**£2m**	**£2m**	**100 days**
Banks	**No Colour**	**Not to be used**	**N/A**	
Limit 3 category – Council's banker (where "No Colour")	**No Colour**	**£2m**	**£2m**	**1 day**
Other institutions limit	**-**	**As per above**	**As per above**	**As per above**
DMADF	**UK sovereign rating**	**unlimited**	**unlimited**	**6 months**
Local authorities	**n/a**	**£10m**	**£10m**	**1yrs**
Housing associations	**Colour bands**	**£10m**	**£10m**	**As per colour band**
	Fund rating**	**Money and/or % Limit**		**Time Limit**
Money Market Funds CNAV	**AAA**	**£10m**	**£10m**	**Liquid**
Money Market Funds LVNAV	**AAA**	**£10m**	**£10m**	**Liquid**
Money Market Funds VNAV	**AAA**	**£10m**	**£10m**	**Liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.25	**Dark Pink / AAA**	**£8m**	**£8m**	**liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.50	**Light Pink / AAA**	**£8m**	**£8m**	**liquid**

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

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

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

a. **Non-specified treasury management investment limit.** The Council has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being 50% of the total treasury management investment portfolio.

b. **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of AA-** from Fitch or equivalent. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.6. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

Other limits. In addition: -

- no more than 10% will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies/institutions;
- sector limits will be monitored regularly for appropriateness.

4.3 Investment Strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that the risks are relatively balanced between Bank Rate staying higher for longer, if inflation picks up markedly through 2025 post the 30 October 2024 Budget, or it may be cut quicker than expected if the economy stagnates. The economy only grew 0.1% in Q3 2024, but the CPI measure of inflation is now markedly above the 2% target rate set by the Bank of England's Monetary Policy Committee two to three years forward.

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

Investment returns expectations.
The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to fall to a low of 3.5%.

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

Average earnings in each year	Now		Previously
2024/25 (residual)	4.60%		4.25%
2025/26	4.10%		3.35%
2026/27	3.70%		3.10%
2027/28	3.50%		3.25%
2028/29	3.50%		3.25%
Years 6 to 10	3.50%		3.25%
Years 10+	3.50%		3.50%

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

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

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. 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.

The Council is asked to approve the following treasury indicator and limit: -

Upper limit for principal sums invested for longer than 365 days			
£m	**2025/26**	**2026/27**	**2027/28**
Principal sums invested for longer than 365 days	£10m	£5m	£2m
Current investments as at 31.12.24 in excess of 1 year maturing in each year	£0m	£0m	£0m

4.4 Investment Performance / Risk Benchmarking

This Council will use an investment benchmark to assess the investment performance of its investment portfolio against the 7 day SONIA rates.

4.5 End of Year Investment Report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

5 APPENDICES

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

5.1 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2025/26 – 2027/28

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

5.1.1 Capital Expenditure

Capital expenditure £m	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Business and Regeneration	15.24	18.76	9.03	0.00	0.00
Resources and Customer Services	0.35	0.30	0.10	0.10	0.10
Housing	6.09	8.45	5.27	5.27	5.27
Planning and Enforcement	0.14	0.00	0.00	0.00	0.00
Leisure, Community and Health	0.93	10.89	22.19	4.88	0.83
Miscellaneous Projects	1.50	0.10	0.05	0.05	0.05
Non-HRA	**24.25**	**38.49**	**36.64**	**10.29**	**6.24**
HRA	**17.34**	**22.08**	**15.87**	**23.42**	**11.69**
Total	**41.59**	**60.57**	**52.51**	**33.71**	**17.93**

5.1.2 Maturity Structure of Borrowing

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits: -

Maturity structure of fixed interest rate borrowing 2025/26		
	Lower	**Upper**
Under 12 months	0%	35%
Up to 2 years	0%	40%
Up to 5 years	0%	50%
Up to 10 years	0%	60%
Up to 20 years	0%	70%
Up to 30 years	0%	80%
Up to 40 years	0%	90%
Up to 50 years	0%	100%
Maturity structure of variable interest rate borrowing 2025/26		
	Lower	Upper
Under 12 months	0%	35%
Up to 2 years	0%	40%
Up to 5 years	0%	50%
Up to 10 years	0%	60%
Up to 20 years	0%	70%
Up to 30 years	0%	80%
Up to 40 years	0%	90%
Up to 50 years	0%	100%

5.1.3. Control of Interest Rate Exposure

Please see paragraphs 3.3, 3.4 and 4.4.

5.2 INTEREST RATE FORECASTS 2024-2027

Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

PWLB forecasts are based on PWLB certainty rates.

5.3 ECONOMIC BACKGROUND (to 12th December 2024)

The third quarter of 2024 (July to September) saw:

- GDP growth stagnating in July following downwardly revised Q2 figures (0.5% q/q)
- A further easing in wage growth as the headline 3myy rate (including bonuses) fell from 4.6% in June to 4.0% in July;
- CPI inflation hitting its target in June before edging above it to 2.2% in July and August;
- Core CPI inflation increasing from 3.3% in July to 3.6% in August;
- The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady in its September meeting;
- 10-year gilt yields falling to 4.0% in September.

Over the aforementioned period, the economy's stagnation in June and July pointed more to a mild slowdown in UK GDP growth than a sudden drop back into a recession. However, in the interim period, to 12 December, arguably the biggest impact on the economy's performance has been the negative market sentiment in respect of the fallout from the Chancellor's Budget on 30 October.

If we reflect on the 30 October Budget, our central case is that those policy announcements will prove to be inflationary, at least in the near-term. The Office for Budgetary Responsibility and the Bank of England concur with that view. The latter have the CPI measure of inflation hitting 2.5% y/y by the end of 2024 and staying sticky until at least 2026. The Bank forecasts CPI to be elevated at 2.7% y/y (Q4 2025) before dropping back to sub-2% in 2027. Nonetheless, since the Budget, the October inflation print has shown the CPI measure of inflation bouncing up to 2.3% y/y with the prospect that it will be close to 3% by the end of the year before falling back slowly through 2025. The RPI measure has also increased significantly to 3.4% y/y.

How high inflation goes will primarily be determined by several key factors. First amongst those is that the major investment in the public sector, according to the Bank of England, will lift UK real GDP to 1.7% in 2025 before growth moderates in 2026 and 2027. The debate around whether the Government's policies lead to a material uptick in growth primarily focus on the logistics of fast-tracking planning permissions, identifying sufficient skilled labour to undertake a resurgence in building, and an increase in the employee participation rate within the economy.

There are inherent risks to all the above. The worst-case scenario would see systemic blockages of planning permissions and the inability to identify and resource the additional workforce required to deliver large-scale IT, housing and infrastructure projects. This would lead to upside risks to inflation, an increased prospect of further Government borrowing & tax rises in the June 2025 Spending Review (pushed back from the end of March), and a tepid GDP performance.

Regarding having a sufficiently large pool of flexible and healthy workers, the initial outlook does not look bright. Research from Capital Economics has alluded to an increase of some 500,000 construction workers being needed to provide any chance of the Government hitting its target of 300,000 new homes being built in each of the next five years (234,000 net additional dwellings in England in 2022/23). But the last time such an increase was needed, and construction employment is currently at a nine-year low, it took 12 years to get there (1996 to 2008). Also note, as of October 2024, job vacancies in the construction sector were still higher than at any time in the 20 years preceding the pandemic.

Currently, it also seems likely that net inward migration is set to fall, so there is likely to be a smaller pool of migrant workers available who, in the past, have filled the requirement for construction worker demand. The Government plans to heavily promote training schemes, particularly to the one million 16- to 24-year-olds who are neither in education nor work. But it is arguable as to whether the employee shortfall can be made up from this source in the requisite time, even if more do enter the workforce.

Against, this backdrop, there may be a near-term boost to inflation caused by a wave of public sector cash chasing the same construction providers over the course of the next year or so, whilst wages remain higher than the Bank currently forecasts because of general labour shortages, including in social care where Government accepts there is a 150,000 shortfall at present.

Unemployment stands at a low 4.3% (September), whilst wages are rising at 4.3% y/y (including bonuses) and 4.8% (excluding bonuses). The Bank would ideally like to see further wage moderation to underpin any further gradual relaxing of monetary policy. Indeed, over the next six months, the market is currently only pricing in Bank Rate reductions in February and May – which would see Bank Rate fall to 4.25% - but further cuts, thereafter, are highly likely to be even more data-dependent.

If we focus on borrowing, a term we are likely to hear throughout 2025 is "bond vigilante". Essentially, this represents a generic term for when the market is ill at ease with the level of government borrowing and demands a higher return for holding debt issuance. In the UK, we do not need to go back too far to recall the negative market reaction to the Truss/Kwarteng budget of 2022. But long-term borrowing rates have already gradually moved back to those levels since their recent low point in the middle of September 2024. Of course, the UK is not alone in this respect. Concerns prevail as to what the size of the budget deficit will be in the US, following the election of Donald Trump as President, and in France there are on-going struggles to form a government to address a large budget deficit problem too. Throw into the mix the uncertain outcome to German elections, and there is plenty of bond investor concern to be seen.

Staying with the US, Donald Trump's victory paves the way for the introduction/extension of tariffs that could prove inflationary whilst the same could be said of further tax cuts. Invariably the direction of US Treasury yields in reaction to his core policies will, in all probability, impact UK gilt yields. So, there are domestic and international factors that could impact PWLB rates whilst, as a general comment, geo-political risks continue to abound in Europe, the Middle East and Asia.

In the past month, the US Core CPI measure of inflation has indicated that inflation is still a concern (3.3% y/y, 0.3% m/m), as has the November Producer Prices Data (up 3.0 y/y v a market estimate of 2.6% y/y, 0.4% m/m v an estimate of 0.2% m/m) albeit probably insufficient to deter the FOMC from cutting US rates a further 0.25% at its December meeting. However, with Trump's inauguration as President being held on 20 January, further rate reductions and their timing will very much be determined by his policy announcements and their implications for both inflation and Treasury issuance.

Looking at gilt movements in the first half of 2024/25, and you will note the 10-year gilt yield declined from 4.32% in May to 4.02% in August as the Bank's August rate cut signalled the start of its loosening cycle. More recently, however, 10 year gilt yields have spiked back up to 4.35%.

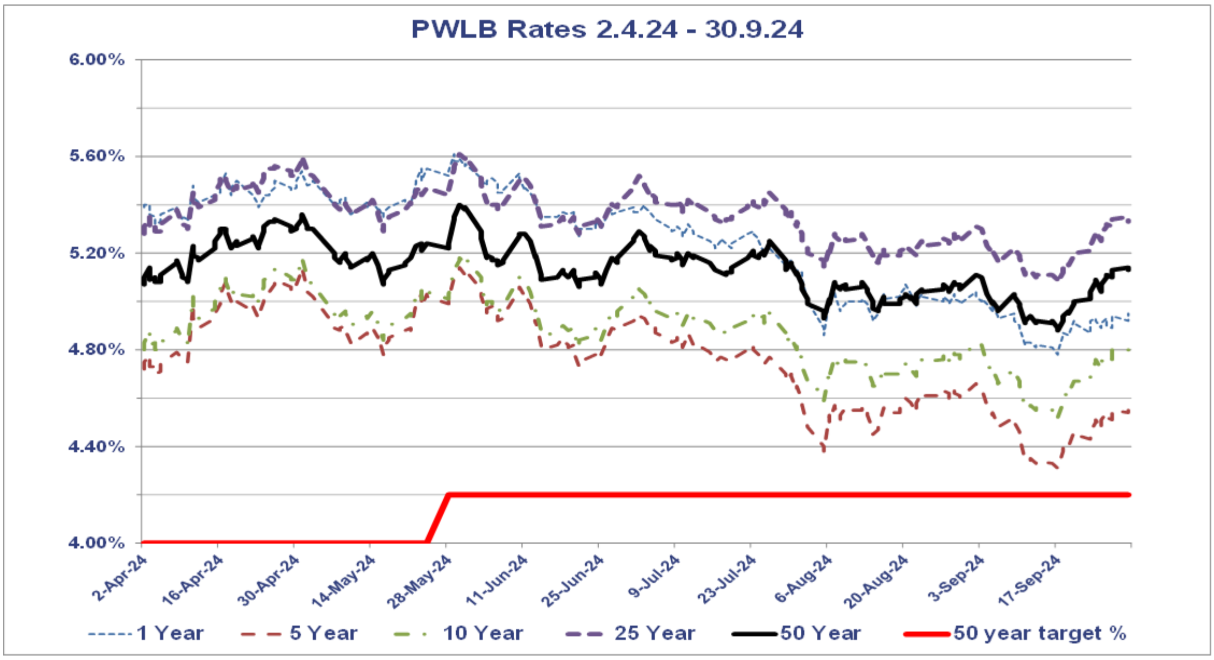
The FTSE 100 reached a peak of 8,380 in the third quarter of 2024 (currently 8.304), but its performance is firmly in the shade of the US S&P500, which has breached the 6,000 threshold on several occasions recently, delivering returns upwards of 25% y/y. The catalyst for any further rally (or not) is likely to be the breadth of AI's impact on business growth and performance.

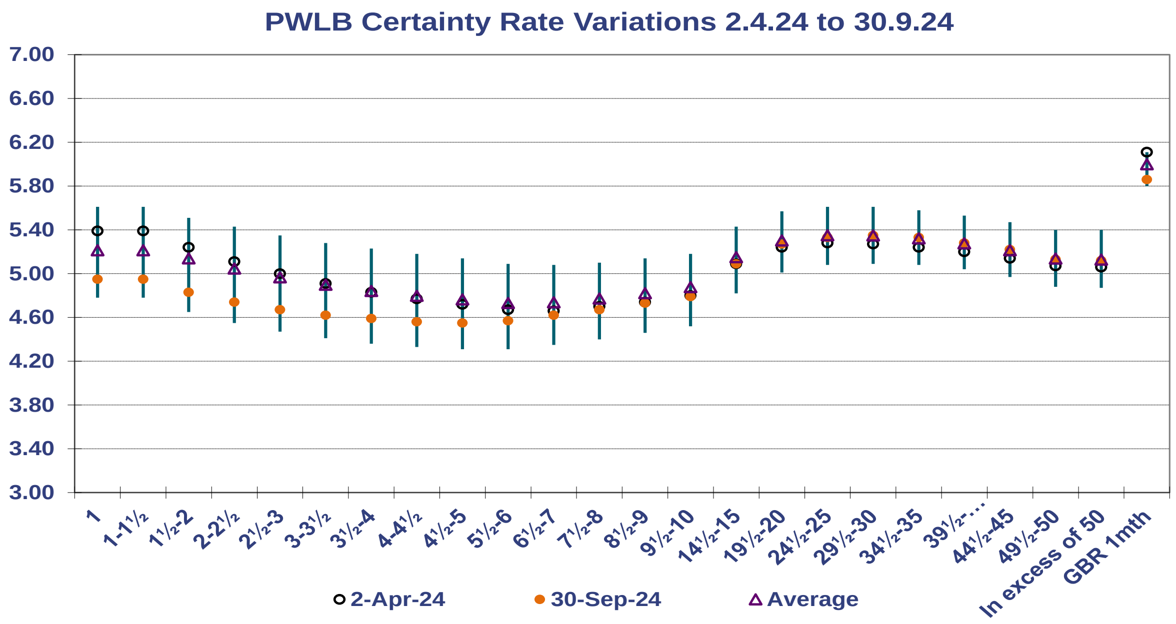
MPC meetings: 9 May, 20 June, 1 August, 19 September, 7 November 2024

- On 9 May, the Bank of England's Monetary Policy Committee (MPC) voted 7-2 to keep Bank Rate at 5.25%. This outcome was repeated on 20th June.
- However, by the time of the August meeting, there was a 5-4 vote in place for rates to be cut by 25bps to 5%. However, subsequent speeches from MPC members have supported Governor Bailey's tone with its emphasis on "gradual" reductions over time.
- Markets thought there may be an outside chance of a further Bank Rate reduction in September, following the 50bps cut by the FOMC, but this came to nothing.
- On 7 November, Bank Rate was cut by 0.25% to 4.75%. The vote was 8-1 in favour of the cut but the language used by the MPC emphasised "gradual" reductions would be the way ahead with an emphasis on the inflation and employment data releases, as well as geo-political events.

In the chart below, despite a considerable gilt market rally in mid-September, rates started and finished the six-month period under review in broadly the same position.

PWLB RATES 02.04.24 - 30.09.24





HIGH/LOW/AVERAGE PWLB RATES FOR 02.04.24 – 30.09.24

	1 Year	5 Year	10 Year	25 Year	50 Year
02/04/2024	5.39%	4.72%	4.80%	5.28%	5.07%
30/09/2024	4.95%	4.55%	4.79%	5.33%	5.13%
Low	4.78%	4.31%	4.52%	5.08%	4.88%
Low date	17/09/2024	17/09/2024	17/09/2024	17/09/2024	17/09/2024
High	5.61%	5.14%	5.18%	5.61%	5.40%
High date	29/05/2024	01/05/2024	01/05/2024	01/05/2024	01/05/2024
Average	5.21%	4.76%	4.88%	5.35%	5.14%
Spread	0.83%	0.83%	0.66%	0.53%	0.52%

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

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

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

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

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

The investment policy proposed for the Council is:

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

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

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

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

In accordance with the Code, the Council has set out additional criteria to limit the time and the amount of monies which will be invested in these bodies. These criteria are a maximum of £10m per organisation and with organisations that meet the Treasury Management Staff's

Non-specified investments – are any other type of investment (i.e., not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non-specified investments would include any sterling investments with: -

	Non-Specified Investment Category	Limit (£ or %)
a.	**Supranational Bonds greater than 1 year to maturity** **(a) Multilateral Development Bank bonds** - These are bonds defined as an international financial institution having as one of its objectives economic development, either generally or in any region of the world (e.g., European Reconstruction and Development Bank etc). **(b) A financial institution that is guaranteed by the United Kingdom Government** (e.g., National Rail) The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt-edged securities. However, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	AAA long term ratings £10m
b.	**Gilt edged securities** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	£10m
c.	**The Council's own banker** if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	£2m
d.	**Building Societies not meeting the basic security requirements under the specified investments**. 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 have a minimum asset size of £100m, but will restrict these types of investments to under 1 year.	£2m
e.	Any **Bank or Building Society** that has a minimum long-term credit rating of AA-, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	£10m
f.	Any **Non-Rated Subsidiary** of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to a guarantee from a parent company, the investment must be under 1 year, and the subsidiary must be UK based.	£2m
g.	**Share Capital** in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an	£2m

	application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. See note 1 below.	
h.	Other fund: The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. This Council will seek guidance on the status of any fund it may consider using and will update Cabinet before any use of a new style of fund.	

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

The monitoring of investment counterparties - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Director of Corporate Resources, and if required new counterparties which meet the criteria will be added to the list.

5.5 APPROVED COUNTRIES FOR INVESTMENTS

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

Based on lowest available rating (as at 25.11.24)

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- Qatar

AA-

- Belgium

- France
- **U.K.**

5.6 TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Full council

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

(ii) Cabinet

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

(iii) Audit and Standards Committee

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

5.7 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a Capital Strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe
- ensuring that the Capital Strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the Council has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the Council does not undertake a level of investing which exposes the Authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by the Authority
- ensuring that the Council has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following :-
    - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*
    - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*
    - *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;*

- *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*
- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

AGENDA ITEM NO. 9

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to: **Audit and Standards Committee – 4th February 2025**

From: **Assistant Director – Democracy & Governance**

Subject: **Contract Procedure Rules – February 2025 Update**

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1. Purpose of Report

1.1. The purpose of this report is to note the proposed changes to the Contract Procedure Rules considering the changes in procurement law, then to recommend to Full Council for formal approval in order to change and update the Constitution.

2. Recommendations

2.1. To note the proposed changes to the Contract Procedure Rules; and

2.2. IT BE RECOMMENDED TO COUNCIL that the Constitution be amended accordingly.

3. Background

3.1. Under section 135 of the Local Government Act 1972, a local authority may make standing orders (or as defined by this Council, Contract Procedure Rules) with respect to the making of contracts by them or on their behalf for the supply of goods or materials or for the execution of works. The current Contract Procedure Rules (CPR's) have been in place since February 2024 following Audit and Standards approval (granted January 2024) and Full Council approval (granted February 2024).

4. Body of the report

4.1. The Council has continued to prepare for the incoming procurement regulation changes as mandated by the Procurement Act 2023. Due to the changes, there has been a need to review the CPR's to ensure they align with the new legislation and regulation.

4.2. Appendix A include the revised CPR's for review and approval.

4.3. The CPR's form part of the Constitution at Part 4 – Rules of Procedure, 4G Contract Procedure Rules.

4.4. As set out in the Audit and Standards report dated January 2024, the Procurement Act 2023 received Royal Assent on 26 October 2023 and is due to come into force on 24th February 2025. Following the UK's exit from the EU, the UK Government deposited its Instrument of Accession to join the World Trade Organisation's (WTO) Agreement on Government Procurement (GPA) becoming an independent member when the transition period ended on 31 December 2020. This guarantees access to £1.3 trillion in overseas public procurement markets providing major export opportunities for British businesses. Due to the UK's commitment to the GPA and following the UK's departure from the EU, the UK can create its own legislative framework working in accordance with the principles of the GPA:

a) Fairness
b) Impartiality
c) Transparency
d) Non-discrimination

4.5. The Procurement Act intends to comprehensively streamline and simplify the complex framework of regulations that currently govern public procurement by creating a new legislative framework for UK public procurement. The key things to note regarding the new Procurement Act, which have been incorporated into the drafted CPR's:

a) Four regimes brought into one new Act
b) New procedures will see procurements completed in a more agile way
c) There will be a duty on authorities to consider carving up contracts into smaller 'lots'
d) More information will need to be shared publicly about procurements and suppliers
e) Provisions to ensure prompt payment across the supply chain
f) Introduction of a new oversight body
g) New 'remedies regime' to deal with procurement challenges
h) Increased data collection, with a wide range of notices required
i) Implied terms to promote compliance with the Act
j) Exclusion and debarment
k) Greater transparency in relation to contract modifications (variations)

4.6. The draft CPR's proposed and attached to this report have been consulted on with Officers internally, namely the Council's Senior Leadership Team. The key changes compared to the current CPR's are set out below.

Existing	Proposed Recommended Changes
The current CPR's are not in a clear structure so it can be difficult for officers to read and follow the CPR's.	The current draft has been divided into sections (as below) and mirrored to follow the flow of a procurement process. This will provide a clearer structure and flow to the CPR's allowing all officers to quickly and easier identify a specific procedure rule depending on the stage of the procurement cycle. Section B, C, D and E follow the new Cabinet Office defined 'The Procurement Pathway'. Section A – Introduction and Scope Section B – Plan Section C – Define Section D – Procure Section E – Manage Section E – General Section F – Exemptions Section G – Glossary
Partnering This was limited in detail previously and failed to make it clear that a joint venture and/or a public-private partnership (PPP's) is bound by the Procurement legislation and therefore in scope of the CPR's.	***(See page 6 Procedure Rule 3).*** The procedure rule has been included in Section A – Introduction and Scope to clarify. It also contains some industry examples when partnering arrangements are generally seen.
KPI's There was limited detail in the current CPR's regarding KPI's and supplier performance management.	***(See page 10 and 11 Procedure Rule 9).*** The new legislation requires more transparency and accountability from public sector organisations as part of the procurement lifecycle, including contract management. For the first time, KPIs will be legislated for in UK public procurement legislation. From February 2025, any new contract awarded under the new regime with an estimated value of more than £5 million, section 52(1) generally requires that a contracting authority must set at least three KPIs in respect of the contract. The contracting authority must then publish the KPI's and the supplier's performance against the KPI's. This is a legislative requirement so feedback for this item it so clarify whether the procedure rule is clear and it makes sense to officers.
Supplier Performance Monitoring (in addition to KPI's above) Whilst the current CPR's have information regarding contract management, it is limited in detail.	**Please also see 19.3 Supplier Performance Monitoring (page 30 and 31).** Due to the new KPI requirement as per the row above, an additional section has been included under the Contract Management procedure rule to provide additional information and guidance for officers. This is a legislative requirement so feedback for this item is to clarify whether the procedure rule is clear and it makes sense to officers. Furthermore, we would appreciate your feedback in terms of the use of Dash and PowerBi to centrally report supplier performance KPI's as a tool to track and monitor KPI performance of suppliers when a

	contract is estimated above £5m. The procedure rule also reiterates the responsibilities of a Principal Contract Officer to ensure the Council manages its contracts effectively.
Social Value The current CPR's doesn't have a dedicated Procedure Rule regarding social value. Its referenced within other procedure rules.	***(See page 11 Procedure Rule 10).*** A new procedure rule related to Social Value so it's not diluted within another procedure rule. It is important to note as per the Public Services (Social Valie) Act 2012, there is an obligation to consider social value. We are seeing more public sector bodies accounting for social value as part of the evaluation criteria in tenders/quotes and it is recognised as best practice. Central Government mandate 10% towards social value. We have therefore proposed for goods and/or services quotations or tenders above the UK procurement threshold (£214k including VAT) and £500,000 (NET) for works quotations or tenders must be earmarked for social value purposes.
Closed quotations Means procurements below the UK threshold not via a framework agreement where a pre-selected list of suppliers is chosen by the Council and they are invited. So it isn't openly advertised. No approval was required previously, this was subject to the Procurement Officer and service area.	***(See page 15,16 and 17 Procedure Rule 14 (14.4)).*** Guidance states that for below threshold procurements, contracting authorities may have flexibility and refer to their own rules. So, the proposal is to retain this option but in accordance with Procedure Rule 14. but approval must be sought and given from the Procurement Service Manager and/or Assistant Director – Democracy and Governance where it is intended to undertake a closed quotation process. Where approval is sought, which will end up being the exception rather than the rule, will require at least 5 interested bidders to be invited and the same bidders cannot be asked for similar requirements due to risk of service delivery in the event of supplier failure but to also ensure suitable competition.
Advertising Requirements including Procurement Notices Limited detail in the current CPR's as it is a legislative requirement and included in the procurement teams process	***(See page 20, 21 and 22 Procedure Rule 14 (14.9)).*** Due to the magnitude of changes in relation to the transparency of data and requirement to publish notices (certainly in relation to contract award and contract management), this has been included in full until a time when both service areas and the procurement team are 100% comfortable with the new regime and requirements placed on the Council because of the new legislation.
Anonymised opening records The current CPR's are silent on this but it's a practice the Procurement Team currently implement to mitigate risk of bias for the	***(See page 22 Procedure Rule 15 (15.3)).*** Inclusion in the CPR's provides the statute for the procurement team to do this and protect both the Council and Officers from claims of bias in the event a

purposes of the evaluation process.	bidder feels they have been treated unfairly. The process helps mitigate risk of challenge and having it documented in the procedure rules adds more gravitas.
Contract Management 1. Principal Contract Officer This was contained in the current CPR's but was light on information. 2. Contract variations This was contained in the current CPR's but was light on information.	***Principal Contract Officer*** ***(See page 27 and 28 Procedure Rule 19 (19.1)).*** Additional information (responsibilities and guidance) has been provided to reiterate the actions and responsibilities of the lead officer. This makes it absolutely clear what responsibilities a principal contract officer has in relation to their contract and procurement activity. ***Contract Variations*** ***(See page 28, 29 and 30 Procedure Rule 19 (19.2)).*** Due to the magnitude of changes in relation to the transparency of data and contract variations, this has been included in full until a time when both service areas and the procurement team are 100% comfortable with the new regime and requirements placed on the Council as a result of the new legislation. Furthermore, providing in full provides the clarity for Principal Contract Officers regarding the tests associated with a contract variation for it to be deemed compliant or not. Advice must always be sought but officers may wish to have the information readily available for ease prior to considering a contract variation.
Conflicts of Interest This was already contained in the current CPR's and was clear	***(See page 32 and 33 Procedure Rule 21).*** A key change to the new procurement regulations requires the contracting authority to undertake frequent and regular checks for any conflicts of interest throughout the procurement process and to maintain a record. This has therefore been updated to confirm this.

5. <u>Appendices</u>

Appendix A – Contract Procedure Rules

6. <u>Background Papers (if none, state none)</u>

None.

MATTHEW WALLBANK

CONTRACT PROCEDURE RULES (CPR’s)

Contents

Section A – Introduction and Scope

1. PROCEDURE RULE 1: Introduction

1.1. Contract Procedure Rules (CPR's) are permitted in accordance with section 135 of the Local Government Act 1972, to make standing orders with respect to the making of contracts by them and on their behalf, for the supply of goods, services and/or for the execution of works.

1.2. As a public sector organisation that is funded and uses public resources, the Council must set and follow the highest standards of financial control and stewardship to ensure effective governance. Contract Procedure Rules provide Officers and Members with procedures to follow to ensure that the required standards are met. The CPR's are consistent with procurement legislation designed to ensure that the Council achieves value for money and social value, that it complies with statutory requirements, that its affairs are prudently managed and properly controlled. Any permission to waive a procedure rule is outlined in Procedure Rule 24, otherwise known as an Exemption.

1.3. The purpose of these Procedure Rules are to:-

a) Ensure that the Council promotes the probity and integrity of the procurement process;
b) Provide employees involved in the procurement process a framework within which to work;
c) Ensure fairness in allocating contracts and protect employees from allegations of corruption and/or collusion from suppliers and contractors;
d) Promote public accountability;
e) Ensure transparency;
f) Ensure compliance with all legal requirements;
g) Achieve value for money on behalf of the Council; and
h) Support and deliver the Council's corporate aims and objectives.

1.4. Procedure rules must be complied with strictly. They are minimum requirements and any instances of non-compliance may result in disciplinary action being taken as a breach of legislation, statute and the Constitution. From an operational perspective, failure to comply with the procurement legislation will result:

a) in the contract being deemed ineffective (terminated);
b) in the contract term being shorted;
c) in a financial penalty for the Council.

1.5. Any consultant, agent, project manager or contractor acting on behalf of the Council who undertakes a procurement which results in the Council appointing a supplier, must also comply with these Procedure Rules and this must be a condition of their employment.

1.6. Contracts let on behalf of a consortium, association or similar body of which the Council is a member should comply with the rules of the body or lead authority.

1.7. The amounts £A to £D in these Procedure Rules have the initial values given to them as follows:-

£A = £7,500
£B = £25,000
£C = £125,000
£D = £3,500,000

1.8. All monetary values included in these Procedure Rules relate to the total value of the contract or framework agreement (Lifetime Contract Value) including extension options and shall be deemed to exclude any Value Added Tax applicable unless otherwise stated.

1.9. The Strategic Director – Corporate Resources is designated as the responsible officer in accordance with Section 151 of the Local Government Act 1972 (for the proper administration of the Council's financial affairs) and the designated officer in accordance with Section 114 of the Local Government Finance Act 1988 (incurring of unlawful expenditure) and is referred to in these Procedure Rules as the Chief Financial Officer.

1.10. The Chief Financial Officer shall review all monetary limits annually and any amendments, if appropriate having regard to inflation and other relevant factors, shall be reported to the Senior Leadership Team then the Audit and Standards Committee for consideration with a recommendation to Council for approval and adoption.

1.11. References to the Chief Financial Officer shall include other employees authorised to undertake duties on behalf of the Chief Financial Officer such as the Deputy Chief Financial Officer (Assistant Director – Finance).

1.12. References to the Monitoring Officer shall include other employees authorised to undertake duties on behalf of the Monitoring Officer such as the Deputy Monitoring Officer (Elections and Democratic Services Manager).

1.13. Questions of interpretation of these Contract Procedure Rules should be referred to the Monitoring Officer, the Procurement Service Manager, the Procurement Team and/or the Chief Financial Officer.

2. PROCEDURE RULE 2: Scope

2.1. These Contract Procedure Rules relate to any arrangement made by, or on behalf of, the Council for the execution of work or for the provision of goods and/or services. These include but not limited to arrangements for:-

a) The supply or disposal of goods;
b) Hire, rental or lease of goods or equipment;
c) Execution of works such as new build, construction works, demolition and/or refurbishment works;
d) The delivery of services including those relating to the recruitment of temporary staff, professional and consultancy services; and
e) Service Concessions and Work Concessions as defined by Part 1 Key Definitions of the Procurement Act 2023.

2.2. These Procedure Rules do not apply to:-

a) The employment of permanent staff;
b) Land and building agreements, broadcasting agreements, electronic communication services, alternative dispute resolution services, legal representation services and financial lending as defined in Schedule 2 Exempted Contracts Part 2 of the Procurement Act 2023;
c) Grants* from the Council (except where they are to buy services); and
d) Any other requirements that fall in scope of Schedule 2 Exempted Contracts Part 2 of the Procurement Act 2023 with the exception of Vertical and Horizontal arrangements.

**grants issued by the Council are subject to the Financial Procedure Rules.*

2.3. The use of e-procurement technology and Purchasing Cards does not negate the requirement to comply with all elements of these Contract Procedure Rules.

2.4. Officers and the Procurement Team must note these CPR's are intended to go live in February 2025 which is when the new Procurement Act will officially go live (24th February 2025). The fundamental principle is that procurements that commence (the date a tender is launched) after the entry into force of the Act (24th February 2025) must be conducted by reference to the Act only, whilst those that were commenced under the previous legislation (the Public Contracts Regulations 2015 (PCR), the Utilities Contracts Regulations 2016 (UCR), the Concession Regulations 2016 (CCR) and the Defence and Security Public Contracts Regulations 2011 (DSPCR)) must continue to be procured and managed under that legislation.

2.5. Any contracts awarded under the previous legislation will continue to be managed under that legislation until such a time as the contract, or commercial tool ceases to exist. This means that in respect of modifications, for example, contracting authorities can only modify contracts awarded under the previous legislation using provisions set out at regulation 72 of the PCR, regulation 88 of the UCR and regulation 43 of the CCR as appropriate. In addition, contracts awarded via a Framework Agreement that was procured under the previous regime will result in that call off contract being awarded present to the previous legislation not the new Procurement Act. As a result, for the next two (2) financial years at least, it is highly likely that the procurement process will be a hybrid of both the old legislation and the new legislation effective 24th February 2025. These CPR's are heavily bias towards the new Procurement Act rather than the previous legislation to ensure compliance. The Procurement Team have been trained and are aware of the procedures to mitigate risk of non-compliance with the relevant procurement legislation.

3. PROCEDURE RULE 3: Partnering

3.1. A partnership is an agreement between the Council and one or more independent legal bodies, organisations or entities to work collectively to achieve a common purpose with specified aims and objectives. These are more commonly known as Public-Private Partnerships (PPPs). PPPs are common in almost every aspect of public infrastructure in England and Wales, including:

a) roads, schools, university student accommodation, prisons, defence, healthcare and hospitals;
b) waste to energy and waste management;
c) public security and border control;
d) waste water transportation;
e) certain natural resources developments; and
f) street lighting, energy transmission and other energy projects, including solar.

3.2. For the avoidance of any doubt, partnering arrangements which involve a joint venture or contractual arrangement with a private sector body are subject to the provisions of these Procedure Rules.

Section B – Plan

Pre-procurement process including the development of strategy and plan in line with business objectives and commercial policy outcomes, have clear and transparent commercial pipelines and a good understanding of the market.

4. PROCEDURE RULE 4: Steps Prior To Purchase

4.1. Before beginning a purchase the employee responsible for it must appraise the purchase, in a manner commensurate with its complexity and value, by:-

a) Appraising the need for the expenditure and its priority;
b) Defining the purpose and objectives and intended outcomes of the purchase;
c) Confirming that approval has been given for the expenditure and that an appropriate budget exists;
d) Allocating resources to ensure capacity and capability throughout all stages;
e) Defining requirements and success criteria that are relevant, specific and proportionate;
f) Ensuring the Business Case has been approved where applicable;
g) Referring to the Procurement Toolkit on HPRM/Dash or contacting the Procurement Team;
h) Completing the Procurement Checklist located with the Procurement Toolkit on Dash/HPCM;
i) Consider how the contract might improve the economic, social and environmental wellbeing of the borough and consider if external consultation is required (Public Services (Social Value) Act 2012);
j) Checking to ensure that the Procurement Team do not already have a preferred supplier agreement for the product/service or if a local agreement would be suitable;
k) Assessing the risks associated with the purchase and determine how to adequately manage them;
l) Considering what procurement method is most likely to achieve the objectives, including internal or external sourcing, partnering, and collaborative procurement arrangements with another local authority, government department, statutory undertaker or public service purchasing consortium;
m) Consulting users as appropriate about the proposed procurement method, contract standards and methods of performance and user satisfaction monitoring;
n) Selecting the terms and conditions that are to apply to the proposed contract in consultation with the Procurement Team and Legal Services Team;
o) Decide if the contract can be awarded in separate Lots to obtain better value and additional benefits (encourage SME's or more local suppliers);
p) Ensuring that the purchase has been reported in the Forward Plan if it is a Key Decision i.e. incurring expenditure or creating savings of

more than £125k unless approval has been granted separately. If it has not been reported as part of the Forward Plan or a previous Cabinet report, it will be necessary to seek approval from Cabinet for the spend.

4.2. Officers must not enter into separate contracts or select a method of calculating the total value in order to minimise the application of these Contract Procedure Rules or Procurement Regulations.

4.3. The splitting of contracts to avoid the procurement regulations applying is prohibited. However, the Council may decide to award one procurement in separate Lots as per Part 3 Award of public contracts and procedures section 18 (Duty to consider lots). Contact the Procurement Team for advice.

4.4. Wherever possible, consideration should be given to contract mergers and aggregation with existing preferred contracts to encourage value for money or collaboration with other public sector bodies. It is essential that if a contract already exists for the supply of the same goods, services or works, the existing contract must be used in the first instance, but only if the scope is similar and any contract modification requirements are adhered to. Please contact the Procurement Team for advice and guidance. Further information is contained in Procedure Rule 19.2.

4.5. The calculation of the Lifetime Contract Value must be calculating by the Council. It must estimate the value of a contract as the maximum amount it could expect to pay under the contract including, where applicable, amounts already paid. The amount the Council could expect to pay includes the following—

(a) the value of any goods, services or works provided by the contracting authority under the contract other than for payment;
(b) amounts that would be payable if an option in the contract to supply additional goods, services or works were exercised;
(c) amounts that would be payable if an option in the contract to extend or renew the term of the contract were exercised;
(d) amounts representing premiums, fees, commissions or interest that could be payable under the contract (including indexation);
(e) amounts representing prizes or payments that could be payable to participants in the procurement.

Please note the term in the Glossary for the purposes of calculating a Concession Contract value.

5. PROCEDURE RULE 5: Long Term Arrangements

5.1. Better value for money and improved quality of service delivery can be achieved by entering into long-term agreements with the supply chain. Therefore, Officers must package contracts in such a way that they reduce the number of times that the Council needs to seek competitive tenders due to the administrative burden associated with a procurement process but also to ensure it is proportionate for the supply chain. This can be achieved by amalgamating similar types of supplies and services into single contracts and then seeking competitive tenders but this must be balanced with the duty to consider Lots. Officers must also consider the term of the contract when considering the plan stage of the procurement process. For instance, it would not be proportionate or prudent to procure a refuse collection service contract for six (6)/ twelve (12) months given the plant and equipment that would be required to fulfil the service, but also the staffing required. It would in this scenario be more proportionate and prudent to offer a contract period of at least five (5) years.

6. PROCEDURE RULE 6: Transfer Of Undertakings (Protection Of Employment) Regulations 2006

6.1. All procurements where applicable must indicate how the Council intends to deal with [The Transfer of Undertakings (Protection of Employment) Regulations 2006] (TUPE). This is a critical element of the procurement process and the lead service area must consider this, liaising with Human Resources (HR) and the current supplier. This will relate to employees transferring from a Council service to an external provider (outsourcing), or vice versa (in-sourcing) or where employees transfer from an external provider to another external provider following a procurement process. If the latter, the involvement from HR will be light touch as the Council facilitates the process and transfer of TUPE information.

6.2. When the Council considers there to be a TUPE transfer from the Council, the advice of the People Services Manager, Assistant Director – Central Operations and Monitoring Officer must be sought. The Assistant Director – Finance and Strategic Director – Corporate Resources will be notified.

6.3. All contracts shall require a successful tenderer to undertake to comply with its obligations under TUPE.

7. PROCEDURE RULE 7: Preliminary Market Engagement

7.1. The Council may conduct preliminary market engagement prior to the publication of a tender and competitive procurement process, for the purpose of:

a) developing the Council requirements and approach to the procurement;
b) designing a procedure, conditions of participation or award criteria;
c) preparing the tender notice and associated tender documents (for instance Lots, procurement route to market, timescales associated to the tender stage, whether site visits would be beneficial);
d) identifying suppliers that may be able to supply the goods, services or works required;
e) identifying likely contractual terms;

f) building capacity among suppliers in relation to the contract being awarded.

7.2. In carrying out preliminary market engagement, a contracting authority must take steps to ensure that:

a) suppliers participating in the preliminary market engagement are not put at an unfair advantage, and
b) competition in relation to the award of the public contract is not otherwise distorted.

7.3. The Procurement Team must be involved and where it is likely that the requirement is above threshold, the Procurement Team will need to publish a Preliminary Market Engagement Notice as set out in Procedure Rule 14. The Procurement Team have templates available for officers to undertake a preliminary market engagement exercise and will facilitate this via the tendering portal for efficiency and audit purposes. Alternatively, preliminary market engagement could be undertaken via a framework with suppliers under the relevant scope/lot.

Section C – Define

Identify options and determine relevant procurement requirements that encourage broad participation and are open and accessible to all.

8. PROCEDURE RULE 8: Specification

8.1. A Specification is a statement of requirements which must be produced by the Officers in the service as the expert within their field with support/advice from the Procurement Team. It provides a detailed description of the goods, services and/or works a supplier is expected to supply during the lifetime of the contract. It is also a record against which suppliers can be measured and is legally binding.

8.2. It should encourage fair and open competition within the marketplace and help suppliers make informed decisions on whether to bid.

8.3. The Specification is a core document for the procurement and subsequent contract. A supplier shouldn't need to make assumptions as a good specification must include all the right information to enable the supplier to cost up goods, services and/or works accurately so a Council can evaluate bids on a like for like basis. The specification mustn't mislead suppliers or give them false expectations.

8.4. Officers must ascertain the relevant British or equivalent International Industry standard that applies to the contract and these must be used to properly describe the required quality. Clarification can be sought from the Procurement Team where applicable.

8.5. For guidance on how to write a specification, Officers may use the standard template available and review guidance available such as the

Procurement Essentials guidance created by Crown Commercial Services - [How to write a specification – Procurement Essentials - CCS].

9. PROCEDURE RULE 9: Key Performance Indicators

9.1. A Key Performance Indicator (KPI) is a quantifiable measure against which a supplier's performance of a contract can be assessed during the life-cycle of the contract. This ensures the Council has a way to hold the supplier to account regarding performance and helps evidence good or poor performance.

9.2. The Procurement Team will assist the Officer with the production of the KPI's but it is the Officers responsibility to finalise and decide the KPI for inclusion in the specification and contract. The KPI's need to be measurable and relevant to the requirement and contract. It is also the Principal Contract Officer's responsibility during contract management to monitor performance against the KPI's agreed.

9.3. Where the value of the public contract is estimated more than £5 million, the Council must set at least three KPI's in respect of the Contract. The obligation to set at least three KPIs does not apply if the contracting authority considers that the supplier's performance could not appropriately be assessed by reference to KPIs. This might include, for example, where the contract is for a one-off delivery of or off-the-shelf goods.

9.4. Where more than three (3) KPIs are set, the Council will be required to publish all KPIs. Please refer to Procedure Rule 19 for more information related to the management, monitoring and publication of KPI's once the contract has been awarded. Please see Procedure Rule 14 and 19.

10. PROCEDURE RULE 10: Social Value

10.1. The Council must consider how its requirement, procurement and contract will support the delivery and achievement of wider benefits including but not limited to social, economic and environmental sustainability benefits.

10.2. As a minimum, between 5% and 10% of the evaluation criteria must be earmarked for social value purposes in the following Quotations and/or Tenders:

a) Where the value of the proposed contract for goods and/or services is above the UK Public Procurement threshold; or
b) Where the value of the proposed contract for the execution and undertaking of works exceeds £500,000 (Net).

11. PROCEDURE RULE 11: Award Criteria

11.1. Award criteria means criteria set which Tenders or Quotations will be assessed for the purpose of awarding a public contract. In all tenders and quotes, the award criteria must be clearly defined and transparently communicated in the procurement documents to bidders. When setting award criteria, Officers must ensure that all award criteria relates to the subject-matter of the contract, is sufficiently clear, measurable and specific, do not break the rules on technical specifications and remain proportionate, having regard to the nature, complexity and cost of the contract.

11.2. The Procurement Team will assist the Officer with the production and finalisation of the award criteria but it is the Officers responsibility to finalise and decide the award criteria noting advice from the Procurement Team. Please also note, it is not the Procurement Team responsibility to evaluate the award criteria, that is a responsibility for the Officers.

11.3. Examples of award criteria themes including but are not limited to:

a) Level of service;
b) Quality of goods;
c) Cost effectiveness;
d) Delivery requirements;
e) Environmental considerations;
f) Functional characteristics, such as security, safety and control features;
g) After sales service;
h) Experience/Case Study;
i) Communication and expectation management;
j) Health and Safety;
k) Technical assistance;
l) Social value (please note Procedure Rule 10).

12. PROCEDURE RULE 12: Contract Documents, Signing and Sealing

12.1. High level detail for all contracts valued at £C (£125k) or above (or £B £25k if open advert at the point of award), must be published on the Council's Transparency Pages and Contracts Finder in accordance with The Local Government Transparency Code 2015.

12.2. All contracts shall clearly specify:-

a) The work to be done or the goods, materials or services to be supplied;
b) That all goods supplies and services used or supplied are to comply with any relevant standards specification or code of practice in force at the date of the tender (British or International equivalent);
c) The price to be paid with a statement of any discounts or deductions (amount and timing);
d) Any insurance requirements;
e) Any health and safety requirements;
f) Safeguarding vulnerable people requirements (if appropriate);

g) The terms of the Bribery Act 2010 or any other legislation that deals with Bribery and Corruption in force at the time the contract is let;
h) Compliance with the Equality Act 2010;
i) The time within which the contract is to be performed;
j) The provisions for the Council to terminate the contract; and
k) A mechanism for agreeing price escalation and or cost reduction requirements;
l) That both parties will comply with the provisions of the GDPR Regulation including the data controller and processor responsibilities;
m) That the supplier may not assign or sub-contract without prior written approval;
n) Any insurance requirements;
o) Health and Safety requirements;
p) Sustainability requirements;
q) Confidentiality;
r) A right of access to relevant documentation and records of the contractor for monitoring and audit purposes, if relevant;
s) Key Performance Indicators; and
t) That the Freedom of Information Act 2000 and The Local Government Transparency Code 2015 may require the Council to release information provided by the suppliers.

12.3. The formal advice of the Procurement Team must be sought for the following contracts:-

a) Where the total value exceeds £B (£25k);
b) Those involving leasing arrangements;
c) Where it is proposed to use a supplier's own terms (which should be the exception for exceptional reasons rather than the rule); and
d) Those which are complex or high risk in any other way.

12.4. All contracts over £C (£125k) must be concluded formally in writing and signed by an authorised signatory and formally sealed by the Legal Services Team before the supply, service or construction work begins, except in exceptional circumstances, and then only with the written authority is provided by the Chief Financial Officer, Deputy Chief Financial Officer or Monitoring Officer. An award letter is insufficient. All contracts should be given a unique number allocated by the Procurement Team who should also be supplied with a copy of the contract.

12.5. The Principal Contract Officer from the service area must ensure approval and authority is in place prior to the award and signing of the Contract.

12.6. A contract must be sealed by the Council if:-

a) The Council may wish to enforce the contract more than six (6) years after its end;

b) The price paid or received under the contract is a nominal price and does not reflect the value of the goods or services;
c) There is any doubt about the authority of the person signing for the other contracting party; or
d) The total value of the contract exceeds £C (£125k).

13. PROCEDURE RULE 13: Liquidated Damages, Bonds And Parent Company Guarantees

13.1. A risk assessment and financial check of every contract for the purposes of determining the level of security needed, if any, must be made by the appropriate Strategic Director or Assistant Director in consultation with the Procurement Team. Typically, this would be discussed at the pre-procurement planning stage when considering the criteria for the procurement as is considered in the Procurement Checklist.

13.2. For every contract where it is considered that the Council would suffer loss if the contract works, supplies or services are not provided in the time specified, the contract shall provide for the payment of liquidated damages by the contractor to reflect the anticipated loss to the Council.

13.3. Employees must consult with the Chief Financial Officer to establish whether a parent company guarantee is necessary when a supplier is a subsidiary company and:-

a) The award is based on an evaluation of the parent company; or
b) There is some concern about the financial stability of the supplier.

13.4. Employees must consult with the Chief Financial Officer to establish whether a bond is needed where:-

a) It is proposed to make stage payments during the life of the contract and there is some concern about the financial stability of the supplier; or
b) There will be a cost to maintain service delivery if the supplier goes into liquidation; or
c) Where a parent company guarantee cannot be provided (i.e. due to the company not having a parent company).

Section D – Procure

Prepare procurement documentation and publish, select suitable suppliers, evaluate bids, award and mobilise the contract.

14. PROCEDURE RULE 14: Procurement Process, Advertising Requirements and Procurement Notices

14.1. Further to 1.4 above, the penalties for non-compliance with procurement regulations are severe and failure to comply could expose the Council to legal action by suppliers, resulting in setting aside the contract, fines, re-tendering costs and compensation.

14.2. The Procurement Team must be notified and involved in all procurements above £B (£25k) as a minimum to ensure the process undertaken is compliant. This also ensures all awarded procurements are recorded on the Central Procurement Database.

14.3. The only exception to 14.2 is where a procurement is due to be awarded via a Framework Agreement or falls in scope of the Vertical or Horizontal arrangement regardless of the value (if below £b (£25k)). The Procurement Team must always be consulted and involved in the process to ensure a compliant award.

14.4. **<u>Quotations and Tenders</u>**

14.4.1. For the purposes of Quotations and Tenders (excluding Framework Agreement call-offs, Vertical and/or Horizontal Arrangements), please find below the matrix outlining the process to be followed.

Estimated Value of the Whole Contract*	Minimum Number of Suppliers to be Invited	Minimum Advertising Requirements	Procurement Method	Process Records Required	Form of Contract Required
Less than £A (£7.5k)	No minimum numbers, but must demonstrate value for money	Not Mandatory - Supplier selection based on Officer knowledge	Written Quote	Written record documenting the process (Including Written Quote submitted – if applicable)	Purchase Order (PO) and Invoice. Contract may be required depending on the risk and nature of the award.
£A to £B (£7.5k to £25k)	3 written Quotations	Not Mandatory - Supplier selection based on Officer Knowledge	Written Quotation (E-Mail or Purchasing system are also acceptable)	Quotations obtained and record documenting the process and reasoning as to the selection of the successful supplier	Purchase Order (PO) and Invoice. Formally signed contract may be required depending on the risk and nature of the award.
£B to £C or D if Works (£25k to £125k or £3.5M if Works)	**Must be via the Procurement Team** If open, sealed Tenders and no minimum amount need to be invited as it's an openly advertised opportunity. If however it is deemed to be closed, a minimum of five (5) must be invited to obtain at least three (3) Quotations.	Advertisement on the authorised eTendering Portal and Find a Tender (if open advert). Option to undertake closed Quotation process but must be justified and approved by the Procurement Service Manager and/or Assistant Director – Democracy and Governance. At least five (5) suppliers invited.	Invitation to Quote if closed (Consult the Procurement Team) or Invitation to Tender if open (Consult the Procurement Team)	Procurement Documents, Clarification Register, Submission Documents, Contract	Signed contract/agreement, PO and Invoice (Record on Central Contracts Database)
More than £C (£125k) to threshold or more than D (£3.5M) if Works	**Must be via the Procurement Team** Open sealed Tender.	Advertisement on the authorised eTendering Portal and Find a Tender. No option for it to be closed.	Invitation to Tender - Sealed Tenders (Consult the Procurement Team) No option for it to be closed.	Procurement Documents, Clarification Register, Submission Documents, Contract	Formal Sealed Contract (Record on Central Contract Database)

Above threshold	**Must be via the Procurement Team** Open sealed Tender.	Advertising on Find a Tender and Contracts Finder. No option for it to be closed.	Follow Regulations (Consult the Procurement Team). No option for it to be closed.	Complete Log of entire procedure	Formal Sealed Contract (Record on Central Contract Database)

* Including extension options and shall be deemed to exclude any Value Added Tax applicable to the contract/framework agreement.

14.4.2. Invitation to Quotes may be undertaken on a closed basis (£B to £C or D if Works (£25k to £125k or £3.5M if Works). This is where the contracting authority invites quotes from a closed group of pre-selected suppliers via the e-tendering portal provided it does not advertise the procurement in any other way (for example in a newspaper or on a local website or openly on the portal). The reasoning for the selection of suppliers must be justified (for instance all SME's, they are local in the Borough or County) and at least five (5) suppliers must be invited. The same five (5) suppliers cannot keep being reinvited to similar invitations to quote due to risk of service delivery in the event of supplier failure but to also ensure suitable competition. If the intention is to undertake a closed invitation to quote process, approval must always be given by the Procurement Service Manager and/or Assistant Director – Democracy and Governance. Where a closed invitation to quote procedure is not being undertaken (and this excludes a framework agreement award, vertical and horizontal awards), the process will be deemed a below threshold tender and must therefore comply where relevant to the Procurement Act.

14.4.3. Timescales for above threshold and below threshold Tenders are outlined in the Procurement Act. For the purposes of Invitation to Quote processes, this must be out to the market for at least 30 days unless justified and approved by the Procurement Service Manager and/or Assistant Director – Democracy and Governance.

14.4.4. For Tenders which exceed £C (£125k) or £D (£3.5M) if Works, consideration should be given to re-tendering where two or fewer tenders are received, and where prices are high and VFM cannot be demonstrated. But this needs to be balanced with other factors such as programme, priority, risk and whether the opportunity was limited or restricted in some form.

14.4.5. Standstill Period is compulsory on all procurements above £C (£125k) including Works above £C (£125k) unless waivered following approval with the Chief Financial Officer. A Standstill period must always apply to an above threshold Tender as per the Regulations. It is optional for a competition via a Framework Agreement and would be deemed best practice if time permits, unless the Framework Agreement mandates a Standstill Period. Where a Standstill Period is not mandatory as per the Regulations, it will be called a Voluntary Standstill Period.

14.4.6. Concession contracts have the same threshold as 'works' contracts. In simple terms, a contract is a 'concession' when the economic operator is compensated by the ability to exploit the requirement on behalf of the authority (i.e. Leisure Centre Operator). However, concession contracts vary from standard service and works contracts in that, the operator must take the risk that no income is generated and a loss could be incurred. A full definition of what is meant by a 'concession contract' can be found in the Glossary of Terms. If you believe your requirement could be a concession contract, please contact the Procurement Team for advice.

14.5. Framework Agreements (CHAPTER 4 Award under frameworks)

14.5.1. A Framework Agreement means an agreement between a contracting authority and one or more suppliers that provides for the future award of contracts by a contracting authority to the supplier or suppliers. A contract can be awarded via a Framework Agreement but it must be done so in accordance with the Framework Agreement terms and conditions. All purchases made via a Local Authority consortium or public sector Framework Agreement, such as CSW, ESPO, CCS, PFH or PAGABO, are deemed to comply with these Contract Procedure Rules and an exemption is not required.

14.5.2. Framework Agreements, due to their nature, may be comprised of several suppliers, and a robust selection process should be undertaken to ensure value for money is achieved. The Council must comply with the Framework Agreement call-off process to ensure compliance with the Regulations to result in a compliant award. Call-off Contracts may be awarded with or without competition between suppliers on the framework. Advice must always be sought from the Procurement Team who will facilitate and manage the process for Officers.

14.5.3. Access to Framework Agreements will be defined by the Framework Agreement owner.

14.5.4. The Procurement Team must vet the Framework Agreement to ensure it is a compliant Framework Agreement to use. Even though the Council may not be the Framework Agreement owner, any procurement process via a Framework Agreement to award a Call-off Contract will be the sole liability of the Council. Therefore, should the Framework Agreement be deemed non-compliant and/or the call-off process was non-compliant, the contract awarded will still be liable for the consequences set out in 1.4. This is why due diligence of the framework agreement is still required.

14.5.5. Where the Council may use a new Framework Agreement that requires the completion of an Access Agreement, approval must be granted by the Procurement Service Manager and/or Assistant Director – Democracy and Governance following a review and upon issue of a Delegated Officer Decision.

14.6. **Collaborative Procurements**

14.6.1. Typically, most procurements and contracts awarded will be in the form of a Tender or Quotation process as outlined above. However, there are alternative routes to market such as accessing a public sector compliant Framework Agreement or a collaborative Tender/Quote process led by another public sector body in order to secure better value for money. The Procurement Team must be consulted where a purchase is to be made using collaborative purchasing arrangements with another public sector body (including central government), statutory undertaker or public service purchasing consortium. Where the Council is acting as the lead authority in a consortium for the procurement of goods, works or services, these Contract Procedure Rules will be applicable. Where the Council is a participating buyer/customer to a wider collaborative procurement (such as a regional procurement exercise led by another borough/district or county council or, part of a national aggregated procurement exercise), the lead authority will comply with the regulations and their Contract Procedure Rules (or equivalent). However, Officers are informed that this relates only to the competitive part of the procurement process. The Principal Contract Officer at the Council will still be required to comply with internal process, governance, sign off and approval.

14.7. **Vertical Arrangements**

14.7.1. For the purposes of the Regulations, the Vertical Arrangement exemption applies only to contracting authorities that are public authorities and it does not apply to public undertakings or private utilities. The exemption is available where a contracting authority (or two or more contracting authorities acting together) contracts with 'controlled person' over which the contracting authority owner has the form of control set out in the Act. One example of a controlled person is a local authority trading company that the contracting authority owner has set up, either on its own or with other contracting authorities, to provide services.

14.7.2. Schedule 2 Exempted Contracts, paragraph 2(2) of sets out the criteria that determine whether the person is 'controlled', all of which must be met in order for the exemption to apply. These are:

a) The Council is a parent undertaking, as defined in paragraph 2(4) (which refers to the definition in Section 1162 Companies Act 2006);
b) No other person exercises (directly or indirectly) a decisive influence over the activities of the controlled person; and
c) The controlled person carries out more than 80% of its activities for, or on behalf of, the contracting authority owner (the Council), or for or on behalf of other persons controlled by the contracting authority owner; and
d) Where there is joint control by more than one contracting authority owner, each contracting authority owner is represented on the

controlled person's board or equivalent decision-making body, and the controlled person does not carry out activities which are contrary to the interests of one or more of the contracting authority owners.

14.7.3. This exemption (not to be confused with Procedure Rule 24 of the CPR's) applies to contracts awarded by the contracting authority owner (the Council) to the controlled person and to contracts awarded by the controlled person to its contracting authority owner. There still remains a requirement to publish notices, obtain and demonstrate value for money and undertake contract management duties. The exemption removes the need to undertake a competitive procurement process only. Therefore pre-procurement stages and contract management stages still apply.

14.8. **<u>Horizontal Arrangements</u>**

14.8.1. For the purposes of the regulations, the Horizontal Arrangement exemption applies only to contracts between contracting authorities and only where both of the co-operating contracting authorities are public authorities - it does not apply to public undertakings or private utilities.

14.8.2. A Horizontal Arrangement exists between co-operating contracting authorities when:

a) the arrangement is intended to achieve common goals in connection with the exercise of their public functions; and
b) the arrangement is solely in the public interest; and
c) no more than 20% of the activities envisaged by the arrangement are intended to be carried out for reasons other than for the purposes of their public functions.

14.9. **<u>Advertising Requirements including Procurement Notices</u>**

14.9.1. For the purposes of Above Threshold and all Invitation to Quotes or Tenders undertaken on an open basis, please find below the advertising and notice requirements throughout the lifetime of the procurement cycle.

a) Preparation Stage

i. <u>Pipeline Notice (Mandatory if applicable):</u> if a contracting authority considers they will pay >£100 million for contracts for goods and services in the upcoming financial year, then the publication of a pipeline notice 56 days prior to commencement of the financial year (being the 1st of April) setting out information about public contracts with an estimated value of over £2million each is mandatory.

ii. <u>Planned Procurement Notice (Optional):</u> this is an optional notice intending to show that a public body intends to publish a tender notice in the future.

iii. Preliminary Market Engagement Notice (Mandatory if applicable): contracting authorities are not obliged to perform Prior Market Engagement but where they do, they will be required to publish a Prior Market Engagement Notice or provide reasons for conducting Prior Market Engagement in the tender notice. This is a change from the current Public Contracts Regulations 2015 which does not require (but allows) the publication of such notice.

b) Procurement stage

i. Tender Notice (Mandatory if applicable): where a contracting authority is planning to award a public contract via a competitive procedure, then tender notice will be mandatory and commences the procedure. This is the equivalent to the current contract notice.

iv. Transparency Notice (Mandatory if applicable): this is mandatory if there is a direct award made by a public body and replaces the current voluntary transparency notice.

v. Below Threshold Tender Notice (Mandatory if applicable): this is mandatory where the contracting authority intend to advertise for the purpose of inviting tenders for a below threshold procurement (being a contract with estimated value of not less than £12,000 (inc. VAT) for central government authorities and not less than £30,000 (inc. VAT) for all other contracting authorities) and must be published prior to advertising a notifiable below threshold contract.

vi. Procurement Termination Notice (Mandatory if applicable): these do not extend to private utilities or contracts awarded under section 41 as specified in paragraph 15 of Schedule 5, however, they are mandatory for public contracts where after publishing a tender or transparency notice the contracting authority decides not to award the contract.

c) Contract award

i. Contract Award Notice (Mandatory if applicable): this is published at conclusion of procurement and before entering into the contract and sets out the intention to enter into a public contract – this is mandatory. It should be noted that contracting authorities will be required to give an assessment summary (the equivalent to the current standstill letters, albeit with different requirements) to each supplier that submitted a tender before publishing the contract award notice.

ii. Contract Details Notice (Mandatory if applicable): this shows that a contract has been entered into and is mandatory. In addition

   a. Publication of contract (Mandatory if applicable): contracting authorities who enter into a public contract with a value of more than £5m will have to publish a copy of the contract within 90 days of entering into the contract (or 180 days if the contract is light touch). However, Welsh contracting authorities are required to publish contracts only if the contract was awarded as part of a procurement under a reserved procurement arrangement (i.e a framework or Dynamic Market awarded by an English / nondevolved contracting authority) and the value of the call off is over £5m.

iii. Procurement Termination Notice (Mandatory if applicable): this is a new requirement where a contracting authority is now required to publish a notice where it decides to abandon a procurement. Such a notice must be published as soon as reasonably practicable after making the decision.

iv. Below-Threshold Contract Details Notice (Mandatory if applicable): where a contracting authority enters into a notifiable below-threshold contract (being a contract with estimated value of not less than £12,000 (inc. VAT) for central government authorities and not less than £30,000 (inc. VAT) for all other contracting authorities) then the contracting authority must publish a contract details notice as soon as reasonably practicable after entering into the contract.

d) Contract performance management

i. Contract Change Notice (Mandatory if applicable): mandatory where an above-threshold modification is made to the contract. This is a wider requirement compared to the Public Contracts Regulations 2015 which only require contract modification notices in limited circumstances. No contract change notice is required to be published where the modification do not increase or decrease the value of the contract (a) in the case of supply of goods and services contracts, by 10% or less or (b) in the case of works contracts, 15% or less.

ii. Contract Termination Notice (Mandatory if applicable): this is mandatory and must be published within 30 days of contract termination date, (whether termination is due to expiry or otherwise). This is a new requirement.

iii. Payments Compliance Notes (Mandatory if applicable): this is mandatory and must show the contracting authorities compliance with 30-day payment terms. Such notices must be published within 30 days of the last reporting period (being each 6 month period on either the 31 March or 30 September)

iv. Contract Performance Notice (Mandatory if applicable): with the exception of private utilities, (where no contract performance notice will be required), where a contracting authority has included KPIs in the contract and the contract has a value of over £5million then the contracting authority must at least once every year assess the suppliers performance against those KPIs and publish information about the suppliers performance. In addition, contracting authorities will be required to share information about breaches of contract or poor performance (including those which result in termination, payment of damages or a settlement agreement) by the supplier within 30 days of the breach or poor performance.

e) Relevant at more than one part of the procurement process

i. Dynamic Market Notices (Mandatory if applicable): this notice mandatory where a dynamic market will be publicised, established, awarded or where it will be terminated. A Dynamic Market Notice will get updated as it passes each stage. No Dynamic Market Notice is required to be provided for a termination if the dynamic market is established by a private utility.

15. PROCEDURE RULE 15: Receipt And Opening Of Tenders/Quotations

15.1. All sealed Quote and Tenders must be via a procurement portal. Where utilising the Council e-tendering portal (rather than a framework provider portal or lead authority (such as another public sector body)), at least two officers from the Procurement Team must receipt and undertake the opening ceremony. Any faxed, post and/or email submissions must be rejected.

15.2. A summary of the tender or quote opening information as detailed below shall be produced and retained with the contract documents:

a) Title of the Contract
b) Names of all tenderers
c) The amount of each tender
d) Date and time of opening
e) Name of those present at opening
f) Verification that all documents are present

15.3. The Procurement Team will download the tender or quote responses and make them available to relevant Officers as required for record/audit/evaluation. This will result in an initial anonymised tender opening record and pricing documents will not be shared until the pass/fail and quality assessment has been undertaken to mitigate any potential bias during the evaluation process.

16. PROCEDURE RULE 16: Evaluation, Award and Debriefing Suppliers

16.1. With the exception of debriefing required or permitted by these Procedure Rules, the confidentiality of quotations, tenders and the identity of suppliers must be preserved at all times and the information about a bid response must not be given to any other supplier or external party unless for a justifiable reason (insurance advisors, externally appointed project manager/consultant). Freedom of Information Act 2000 Sections 43 and 44 refer to exemptions for confidential and commercially sensitive information.

16.2. The Procurement Team must ensure all contracts awarded above £25k (or below if involved or appointed via a Framework Agreement Call-off) have a contract record created in the Central Contract Database and where applicable, a Contract Notice published.

16.3. **Evaluation**

16.3.1. Bids must be evaluated and awarded in accordance with the evaluation and award criteria defined in the procurement documents by a minimum of two officers who have the technical ability to evaluate the submission. The Procurement Team are able to advise on the process but shall not undertake the award criteria (quality) assessment unless there is a justifiable reason approved by the Procurement Service Manager and/or Assistant Director – Democracy and Governance for their involvement in the evaluation process. The Procurement Team will however review the pass/fail criteria, conditions of participation and pricing documentation. During this process, officers shall ensure that submitted tender prices are compared with any pre-tender estimates and that any discrepancies are examined and resolved satisfactorily. If any particularly low bids are received or if there are large discrepancies between the bids received, it is advised to undertake an abnormally low price clarification process. Where a bid is considered to be abnormally low the Procurement Team will follow the process outlined in the regulations.

16.4. **Award**

16.5. Where required by the regulations, before entering into a public contract (awarding), the Council must publish a contract award notice setting out that the Council intends to enter into a contract and observe a Standstill Period. But before publishing a contract award notice, the Council must provide an assessment summary to each supplier that submitted an assessed tender which contains information about the Council's assessment of the tender, and if different, the most advantageous tender submitted in respect of the contract.

16.6. The Contract must be signed by an authorised officer of the Council's Legal Team as per the approved signatory and delegations list, and a copy of the contract must be forwarded to the Procurement Team to update the Central Contract Database. The Legal Team will require the relevant approval and authority in accordance with the Council Constitution in order to sign the Contract for the provision of goods, services and works.

16.7. **Standstill Period**

16.7.1. The Council must not enter into a public contract before the end of the mandatory standstill period, or if later, the end of another standstill period provided for in the contract award notice.

16.7.2. The Council will need to observe the mandatory Standstill Period which is the period of eight working days beginning with the day on which a contract award notice is published in respect of the contract.

16.7.3. Where there is no requirement to observe a mandatory Standstill Period, the Council will (unless approved by the Procurement Service Manager and/or Assistant Director – Democracy and Governance) hold a Voluntary Standstill Period. Like the mandatory Standstill Period, the voluntary Standstill Period must be at least eight working days. A voluntary Standstill Period is not required for tenders or quotes below £125k.

16.7.4. If the award decision is challenged by an unsuccessful tenderer then the contract will not be awarded, the standstill is likely to be extended subject to the reason for the challenge, and advice must be obtained from the Assistant Director – Democracy & Governance and the Procurement Service Manager.

16.7.5. If a supplier requests in writing the reasons for a decision, they must be given the reasons in writing prior to completion of the standstill period or within five (5) working days from receipt of the request if no standstill is being followed. If requested, tenderers who were deselected in any pre-selection stage be given the outcome of the procurement for transparency purposes.

17. PROCEDURE RULE 17: Post Tender Negotiation

17.1. Seeking clarification of an invitation to tender is permitted but must be undertaken via the electronic tender portal. However, if it is in fact deemed negotiation rather than clarification, it must be undertaken in a controlled environment with a clear agenda and minutes of meetings/discussions with at least one member of the Procurement Team in attendance.

17.2. Discussions with bidders after submission of a tender and before the award of a contract with a view to obtaining an adjustment to price, delivery or content must be the exception rather than the rule. It must not be conducted in procurements above the threshold where it might distort competition unless permitted by the regulations. The only exception to this is if the Competitive Flexible Procedure has been used which includes one or more stages of negotiation.

17.3. If post tender negotiations are necessary after a single stage tender or after the second stage of a two stage tender (for instance where prices are significantly higher than the available budget or where no suitable or bids are acceptable without modification), then such negotiations shall only be undertaken as part of the closure of the procurement stage and re-opening of a new stage to ensure all bidders are treated fairly and equally to reduce challenge. A record of the minutes of negotiation meetings shall be kept on file and the changes communicated transparently.

17.4. The Assistant Director – Democracy & Governance must be formally consulted wherever it is proposed to enter into post tender negotiation. Negotiations must be conducted by a team of at least two employees, one of whom must be from the Legal Services Team or Procurement Team.

18. PROCEDURE RULE 18: Records

18.1. The Council and officers must retain documentation and communication as required by the regulations. This includes:

a) all and any records as the Council considers sufficient to explain a material decision made for the purpose of awarding or entering into a public contract;
b) records of any communication between the Council and a supplier that is made in relation to the award or entry into of a public contract, and before the contract is entered into.

18.2. All procurements awarded need to be added to the Central Procurement Database.

18.3. In the event of a legal challenge all communications including e mails, may be requested by a Court as evidence. Therefore, it is essential that all documentation is stored securely and all communications/notes are undertaken in a professional manner.

18.4. All records must be kept for at least three (3) years after the final settlement of the contract, twelve (12) years if the contract is under seal. However, tender documents, which relate to unsuccessful contractors, need only to be kept for a period of 12 months from award of the contract, provided there is no dispute about the award. In some cases it may be desirable to retain documents for a longer period by scanning or using some other suitable method. Where the cost of the contract is to be met in part or in whole, by sources of external funding, the written records shall be retained in accordance with any directions of the external funder.

Section E – Manage

Establish a contract management plan to monitor performance and ensure successful delivery of contractual obligations, exit and contract closure.

19. PROCEDURE RULE 19: Contract Management

19.1. **Responsibility of the Principal Contract Officer**

19.1.1. A Principal Contract Officer must be nominated for all contracts over £B (£25k). The nominated person will be responsible for the planning, coordination, monitoring and controlling of the contract, and ensuring completion on time, within cost and to the required quality standards. This cannot be a member of the Procurement Team unless the contract is for the Procurement Team (such as the company credit rating solution or e-tendering portal).

19.1.2. The Principal Contract Officer should:-

a) Maintain a risk register during the contract period;
b) Undertake appropriate risk assessments;
c) For each risk identified, ensure that contingency measures are in place;
d) Confirm the financial stability and insurance cover of the contractor at least annually; and
e) Be proactive to ensure the contract is reviewed at least annually (if longer than twelve (12) months) to effectively and efficiently plan for any extension period (if permitted by the contract) and/or begin planning for any new procurement if the contract is an ongoing requirement rather than a one off purchase.

19.1.3. During the life of the contract the following issues must be monitored:-

a) Performance;
b) Compliance with specification and contract;
c) Budget, cost, variations, quality and value for money;
d) User satisfaction and risk management; and

e) Customer complaints.

19.1.4. Principal Contract Officers are advised to hold regular contract meetings with their contracted suppliers at least once a quarter and to hold documentation as evidence of meetings (minutes) as appropriate. These meetings should be used to discuss updates, performance, invoicing, provisionally discuss changes (personnel or contract variations) before formally agreeing and end of contract arrangements (TUPE, providing back to the Council any documentation, keys, equipment etc). These meetings will ensure consistent communication between the parties.

19.2. **Contract Variations**

19.2.1. Following the award of any contract, changes may need to be made for certain reasons such as changes in procedure, legislation, pricing, the terms of the contract and/or specification. A contract may be modified in accordance with this procedure rule and the procurement regulations, but certain criteria must be met to modify a contract. If the proposed variation is not compliant with the criteria, the variation is not permissible.

19.2.2. It is the Principal Contract Officer's responsibility to manage the contract and ensure any variation to a contract is checked prior to agreeing with the supplier, ensuring liaison with the Procurement and Legal Services Team. Any change to a contract must be documented appropriately via a contract variation schedule and signed off by the parties.

19.2.3. A contract can be modified based on the below criteria:

a) Non-substantial
b) Below threshold
c) Provided for in the contract
d) Urgency and the protection of life
e) Genuine unforeseeable circumstances
f) Materialisation of a known risk
g) Additional goods, services or works
h) Transfer on corporate restructuring

a)	Non-substantial	Modification is permitted on this ground if it is not a 'substantial modification as defined in section 74(3), i.e. if it does not: • increase or decrease the term of the contract by more than 10% of the maximum term provided for on award; or • materially change the scope of the contract; or • materially change the economic balance of the contract in favour of the supplier.

b)	Below threshold	Modification is permitted on this ground if it: • does not increase or decrease the estimated value of a goods or services contract by more than 10%, or a works contract by more than 15%; and • does not materially change the scope of the contract. • cannot be made on the grounds at Schedule 8 or is not a substantial modification (as set out in section 74(3))
c)	Provided for in the contract	Modification is permitted on this ground if the possibility of the modification is unambiguously provided in: • the contract as awarded; and • the tender or transparency notice for the award of that contract; and • the modification would not change the overall nature of the contract.
d)	Urgency and the protection of life	Modification is permitted on this ground if its purpose: • could, alternatively, be achieved by directly awarding a contract under section 41 (Direct award in special cases); and • such direct award could be made by reference to either extreme and unavoidable urgency (under Schedule 5, paragraph 13) or regulations made under section 42 (Direct award to protect life, etc).
e)	Genuine unforeseeable circumstances	Modification is permitted on this ground if: • the circumstances giving rise to the modification could not reasonably have been foreseen by the contracting authority before the award of the contract; and • it does not change the overall nature of the contract; and • it does not increase the estimated value of the contract by more than 50%. This 50% threshold does not apply if the contract is a utilities contract
f)	Materialisation of a known risk	Modification is permitted on this ground if: • a 'known risk' (as defined in Schedule 8, paragraph 6) has materialised which was not caused by any act or omission of the contracting authority or supplier, and as a result the contract cannot be delivered to the contracting authority's satisfaction; and • it is in the public interest in the circumstances to amend the contract rather than award a new contract; and • it does not increase the estimated value of the contract by more than 50% (unless it is a utilities

		contract, in which case the 50% cap does not apply); and • it was set out in the tender notice or transparency notice for award of the contract that the contract may require amendment due to the identified risk; and • goes no further than necessary to address the known risk. When considering the public interest in relation to this type of modification, the contracting authority: • must consider whether a new contract (rather than a modification) could provide more value for money; and • may consider technical and operational matters.
g)	Additional goods, services or works	Modification is permitted on this ground if: • it is for goods, service or works that are additional to (which would include a repetition of) goods, services or works already provided for in the contract; and • using a different supplier would result in the supply of goods, services or works that are different from, or incompatible with, those already provided for in the contract; and • the contracting authority considers that the difference or incompatibility would result in: ○ disproportionate technical differences in operation or maintenance or other significant inconvenience; and ○ substantial duplication of costs for the authority; and • the modification would not increase the estimated value of the contract by more than 50%. This limit of 50% does not apply if the contract being modified is a utilities contract.
h)	Transfer on corporate restructuring	The novation or assignment of a public contract to another supplier (which would include another contracting authority) is a permitted modification if it is required following a corporate restructuring or similar circumstance. Section 74(9) prohibits a contracting authority from modifying a contract to change a supplier except where this ground applies. The new supplier must not be an excluded supplier.

19.2.4. Where the total cost of any contract is expected to exceed the contract sum and/or budget, this will be escalated in accordance with the virement limits procedure within the Financial Procedure Rules, in consultation with the Chief Financial Officer. The limits are:

a) £5,000 Budget Holder;
b) £10,000 Assistant Director
c) £50,000 Strategic Director;
d) Any increase in excess of £50,000 will require Portfolio Holder and Cabinet approval.

19.3. **Supplier Performance Monitoring**

19.3.1. Further to Procedure Rule 9, the Principal Contract Officer must monitor and measure the suppliers performance against the agreed KPI's.

19.3.2. If the Contract is in scope of the Procurement Regulations and has an estimated value of more than £5 million, the Council will be required to set at least three KPIs in respect of the contract and the three (3) KPI's (unless more than three (3) are set), must be published at least once every twelve (12) months. The intention is to create a contract KPI page via DASH and PowerBi so the Principal Contract Officer is reminded to obtain the KPI data, submit via DASH so that the KPI's can be published by the Procurement Team in accordance with the Procurement Regulations for contracts that exceed £5 million. As per Procedure Rule [7], The obligation to set and publish at least three KPIs does not apply in relation to certain types of public contracts:

a) a framework (although it does apply to call off contracts under frameworks where these are over £5m);
b) a utilities contract awarded by a private utility;
c) a concession contract; or
d) a light touch contract.

20. PROCEDURE RULE 20: Extensions Of Existing Contracts

20.1. Subject to compliance with the regulations, contract extensions can be awarded when:

a) Value for money can be demonstrated for the Council;
b) The option to extend was written into the original contract;
c) The extension period is less than the original contract term; and
d) For Contracts subject to Regulations, the Notice and Award Notice included the option to extend.

20.2. Short term extensions may be permitted if compliant with the criteria included in Procedure Rule 17 (Contract Variations). This must however be the exception rather than the rule. Principal Contract Officers need to be proactive and plan their reviews accordingly to ensure contracts that need to be re-procured are doing so in sufficient time to mitigate risk of a gap in provision.

20.3. The extension must be approved in advance by the Chief Financial Officer or Strategic Director for major contracts and for lower value contracts, the Service Manager and/or Assistant Director in consultation with the Procurement Team. Before approval is given it must be satisfied that:-

a) The total contract value including the extension is less than the threshold or it will be subject to Regulations unless the extension was permitted in the tender or quote and contract;
b) The Council is satisfied the supplier is performing against the contract and delivering the expected outcomes to be achieved when the contract was awarded;
c) That the likely benefit of new competition for a new contract would be outweighed by the administrative cost and/or delay involved; and
d) That the interests of the Council will not be compromised by the negotiation.

Section E – General

Procedure Rules outlined below are not specific to a stage of the Procurement Pathway (Plan, Define, Procure and/or Manage) so have been included in Section E – General as they apply throughout the entire procurement and contract lifecycle.

21. PROCEDURE RULE 21: Conflict of Interest

21.1. Officers and Elected Members must comply with the Code of Conduct and wider legislation surrounding the declaration of any conflict of interest that may be directly or indirectly be linked with a procurement process. Under the Procurement Act, the Council will be required to demonstrate throughout the lifecycle the ongoing assessment and review of potential conflict of interests and where identified, mitigate risk. A conflict of interest arises in a procurement context where there is a conflict between the interests of a person acting in relation to a procurement and those of the procurement itself (this includes any decision maker, whether a senior Officer or Elected Member such as a member of Cabinet or the relevant Portfolio Holder). Therefore, Officers participating in the procurement process will be asked to declare throughout the procurement process any conflict of interest that may impact the procurement process.

21.2. Conflicts of interest need to be managed effectively to ensure that the public can trust contracting authorities to carry out public procurement responsibly and impartially. It also helps to encourage suppliers to participate in procurements, providing confidence that they will be treated fairly and that there will be genuine competition.

21.3. The Procurement Officer will be required to create and maintain a conflicts assessment for each procurement process and to publicly confirm that this has been done and that it has been reviewed and revised as necessary.

21.4. Mitigations will include but not be limited to reassigning staff and/or decision makers, require a suppliers bid team to change and/or in exceptional circumstances where there is no way to remove any conflict of interest, exclude the supplier from the procurement process. Advice must always be sought from the Monitoring Officer and the Procurement Service Manager where a conflict of interest is identified during a procurement process.

21.5. Further information is contained in Chapter 6 (General provision about award and procedures), Part 5 of the Procurement Act (Conflicts of Interest).

21.6. Officers and Elected Members are reminded that the identification of a conflict of interest in connection the procurement process does not negate the requirement to declare the conflict as a Declaration of Interest as specified in the Constitution. If it comes to the attention of a member or employee of the Council that a contract, in which he or she has a financial or non-financial interest, has been or is proposed to be entered into by the Council, he or she must record it in the Interests Register which is maintained by the Monitoring Officer. Where necessary the Monitoring Officer will report such declarations to the relevant Officers and Members. Such written notice is required irrespective of whether the interest is direct or indirect. An indirect interest is distinct from a direct interest in as much as it is not a contract to which the member or employee is directly a party.

21.7. The Monitoring Officer shall ensure that the attention of all members is drawn to the National Code of Local Government Conduct and the local Member Code of Conduct and that all employees are aware of the Employee Code of Conduct.

22. PROCEDURE RULE 22: Gifts and Hospitality (Corruption and Bribery)

22.1. In accordance with the Council's policy on Gifts and Hospitality, no Officer or Elected Member must not invite or accept any gift or reward in respect of the award or performance of any contract. It will be for the employee to prove that anything received was not received corruptly. High standards of conduct are obligatory. Corrupt behaviour will lead to dismissal and is a criminal offence under the Bribery Act 2010.

22.2. All formal written contracts must include a provision that permits the Council to terminate a contract and to recover loses if the supplier (including its employees, agents or third parties) including anyone acting on behalf of the supplier:

a) Offer, give or agree to give to anyone any inducement or reward in respect of this or any other Council contract (even if the supplier does not know what has been done); or

b) Commit an offence under the Bribery Act 2010 or any other legislation that deals with Bribery and Corruption in force at the time the contract is let; or
c) Commit any fraud in connection with this or any other Council contract whether alone or in conjunction with Council members, contractors or employees.

23. PROCEDURE RULE 23: Freedom Of Information Act 2000 Exemptions

23.1. Section 43 exempts information where disclosure would be likely to prejudice the commercial interests of any person. It also includes a specific exemption for trade secrets. It protects not only the commercial interests of the public authority that holds the information.

23.2. In using this exemption, you should bear in mind that the commercial sensitivity, particularly the market sensitivity, of information will usually decrease in time.

23.3. More information and advice can be obtained from the Solicitor to the Council or the Assistant Director – Democracy & Governance.

Section F – Exemptions

The Procedure Rule outlined below is not specific to a stage of the Procurement Pathway (Plan, Define, Procure and/or Manage) but could be required throughout the procurement and contract lifecycle.

24. PROCEDURE RULE 24: Exemptions

24.1. Only under exceptional an/or unavoidable circumstances shall authority be given to waive the Contract Procedure Rules. Generally, an exemption will only be approved if it is because of an unforeseeable emergency involving immediate risk to persons or property, disruption to council services or in the best interest of the service and only where it is not in breach of the Procurement Regulations.

24.2. An Exemption may be permitted to waiver a requirement of the CPR's and advice should always be sought from the Procurement Team and it must be cross checked against the Regulations.

24.3. Examples of a justifiable reason for an exemption include:

a) Direct award to a single supplier below the Procurement Regulation Threshold due to an unforeseen health and safety risk;
b) A waiver to obtain 3 sealed quotes and instead obtain 3 written quotes for a value at £45,000 on the basis value for money can be achieved and the process followed to obtain 3 quotes demonstrates value for money.

24.4. All exemptions must be requested using the Exemption Request Form in HPCM/Dash. Exemptions granted shall be recorded on the Contract Database and must therefore include Procurement Team. Requests for all exemptions and the reasons for accepting or rejecting the request must be in writing (includes e-mail).

24.5. An exemption to these Contract Procedure Rules may only be made:-

a) By the Chief Financial Officer in consultation where required with the Assistant Director – Democracy & Governance and the Procurement Service Manager for contracts estimated to be valued up to £C (£125k) or up to the threshold.
b) If the Chief Financial Officer is applying for an exemption (or the Assistant Director – Democracy & Governance) then he/she must consult with the Chief Executive and Assistant Director – Finance to ensure scrutiny and governance).

24.6. Exemptions cannot be requested if the value of the contract exceeds the threshold. That said, a Direct Award is possible for above threshold procurements if undertaken in accordance with the provisions set out in Part 3 Award of public contracts and procedures Chapter 3 – Direct Award.

24.7. Under the principles of value for money (VFM) the Council should discourage requests for the Council to obtain only one quotation or tender unless there is only one suitable supplier available. Where there is only one suitably qualified supplier such as for education services and embedded software licence renewals, then all reasonable efforts to secure VFM must be made.

Section G – Glossary

‘**Above Threshold**’ a procurement process or contract award that would have a value in excess of the Threshold that applies for that type of contract.

‘**Business Case**’ means a formal document that has been reviewed and agreed providing the justification for the undertaking of a project, programme or portfolio.

‘**Chief Financial Officer**’ means the individual as outlined in Procedure Rule 1.9.

‘**Central Procurement Database**’ means an electronic method of tendering and recording of contract data using electronic equipment for the processing (including digital compression) and storage of data which is transmitted, conveyed and received via a e-tendering system.

‘**Competitive Flexible Procedure**’ means a procurement procedure when above threshold allow the Council the freedom to design its own procedure. The Council may choose to incorporate numerous processes into the procedure, such as negotiation, dialogue or a demonstration stage.

‘**Concession**’ means a contract where the supplier receives at least part of their remuneration from users of the works or services they are providing. As such, suppliers are exposed to a potential loss on their investment due to demand fluctuations.

‘**Constitution**’ means the formal document in place at the Council which underpins all activity by setting out how the council conducts its business, including: who is responsible for making decisions and how decisions are made.

‘**Council**’ means the local authority.

‘**Dynamic Market**’ means a list of qualified suppliers (i.e. suppliers who have met the ‘conditions for membership’ of the dynamic market) who are eligible to participate in future procurements.

‘**DASH**’ refers to the internal case management system at the Council.

‘**Direct Award**’ refers to the process of awarding a contract without competition.

‘**Economic operator**’ or ‘**supplier**’ means any legal person or public entity or group of such persons and/or entities, including any temporary association of undertakings, which offers the execution of works and/or a work, the supply of products or the provision of services on the market;

‘**Exemption**’ is where a there is a need to seek a waiver to the Contract Procedure Rules to disapply a particular rule.

‘**Forward Plan**’ is a document that sets out information about 'key decisions' that the council will make at the next cabinet meeting or at other bodies/people that may make them.

‘**Framework Agreement**’ is an agreement or arrangement between one or more procurers and one or more suppliers that establishes the requirement and contract conditions that will apply to future orders or tasks (Call off contracts) that the procurer(s) may enter into during the period for which the framework agreement is established.

‘**Framework Agreement Call Off**’ is a contract awarded via a Framework Agreement.

‘**Horizontal arrangement**’ means the arrangement set out in 14.8.

‘**Key Decision**’ is a decision as defined in the Constitution.

‘**Legal Services Team**’ refers to the in-house Council Legal Team.

‘**Lifetime Contract Value’** means the value of your contract which must account for the full lifetime of your contract (including any possible extension periods), account for any inflationary increases, provisional sums and estimated amount of expenditure via the contract during its term.

In the case of a Concession contract, the Lifetime Contract Value shall account for payments made by the Council and the potential monetary value for the supplier to exploit the works or services during the contract period. Therefore, the value calculation for a concession contract must take into account the full range of potential consideration to be received by the supplier over the length of the contract, including any renewals or extensions.

‘**Lots**’ refers to the process of splitting a larger single procurement into smaller ‘chunks’ which are then procured under separate contracts with different suppliers (some suppliers may be successful in more than one lot and may be awarded more than one contract) via a single procurement process.

‘**Members**’ refers to a Council Councillor who has been chosen by election which can include members of Cabinet as well.

‘**Monitoring Officer**’ refers to one of the statutory roles of a council with a specific duty to ensure the council, its Officers, and its Members, maintain the highest standards in all they do. The role is set out in Council Constitution. The Monitoring Officers' legal basis is found in Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000.

‘**Officer(s)**’ refers to the Council’s paid employees who support the whole council, not just the cabinet.

‘**Parent company guarantee**’ refers to a form of guaranty whereby a parent, as guarantor, assumes the responsibility for the performance of an action or obligation of its subsidiary by agreeing to compensate the beneficiary in the event of such non-performance.

'**Procurement Act**' refers to the Procurement Act 2023 which officially commences 24th February 2025.

'**Purchasing Cards**' refers to corporate credit cards that businesses can use to simplify their procurement processes.

'**Procurement Checklist**' refers to an internal pre-procurement document used by Officers and the Procurement Team to undertake procurement processes.

'**Procurement Regulations**' or '**regulations**' refers to the Procurement legislation in place at the time of the procurement process which is relevant. Further information is contained in 2.4 and 2.5.

'**Procurement Team**' refers to the in-house Procurement Team.

'**Principal Contract Officer**' refers to the lead officer responsible for the contract and procurement, who manages the contract once awarded.

'**PowerBi**' refers to the a data visualisation platform used primarily for business intelligence purposes.

'**Quotation**' means an invitation below a certain threshold (see 14.4) for economic operators to submit their bids, outlining how they can fulfil the required specifications, at a specified price or rate.

'**Senior Leadership Team**' refers to the senior team made up of the Chief Executive, Strategic Directors and Assistant Directors.

'**Standstill Period**' refers to a short pause between the point when the contract award decision is notified to bidders, and the final contract conclusion.

'**SME / small-to-medium-enterprises'** means an enterprise falling within the category of micro, small and medium-sized enterprises defined by the Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises.

'**Specification**' means a set of documented requirements to be satisfied by a material, design, product, or service.

'**Social Value**' means the consideration by a public sector authority to look beyond the financial cost of a contract to consider how the services they commission and procure can improve the economic, social and environmental wellbeing of an area.

'**Tender**' means an invitation above a certain threshold (see 14.4) for economic operators to submit their bids, outlining how they can fulfil the required specifications, at a specified price or rate.

‘**Value for money**’ means the most advantageous combination of cost, quality and sustainability to meet requirements.

‘**Vertical arrangement**’ means the arrangement set out in 14.7.

AGENDA ITEM NO. 10

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to: Audit and Standards Committee – 4th February 2025 From:

Assistant Director – Governance & Democracy

Subject: Member Induction and Training Programme 2025 - 2027

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1. Purpose of Report

1.1. To provide the Committee with:

1.1.1. a draft Elected Member Induction and Training programme for the next municipal year and year after;
1.1.2. to seek approval and/or suggested changes from the committee to refine and update (where applicable) as per this Committee's role and function; and

1.2. To highlight to the Committee and Elected Members, the additional guidance, support and training offered by third party organisations, such as the Local Government Association, which is available for Members.

2. Recommendations

2.1. The draft Elected Member Training programme 2025/2026 for next municipal year be noted and approved; and

2.2. Delegated authority be granted to the Assistant Director – Democracy & Governance to liaise with the Chair of the Audit and Standards Committee to refine and make any necessary minor amendments so the programme can be finalised and implemented; and

2.3. The draft Elected Member Induction and Training programme 2026/2027 be noted at this stage.

3. Body of Report

3.1. The Audit and Standards Committee has a key role in directing the provision of member development to ensure that elected members receive training, which meets their needs as decision makers and ward councillors. The Committee therefore needs to review and update the training and development needs which involves the consideration of the training programme. The programme includes items that the Committee consider mandatory and areas that it also feels necessary for members to be aware of in carrying out their duties generally as a councillor and in their specific roles.

3.2. Members are expected to ensure they are regularly updated with the necessary knowledge of key legislation relating to their work as councillors as well as their specific roles. This is particularly important to enable councillors to make informed decisions. The training and development opportunities detailed in this report would assist in the delivery of that objective. In addition, there are also constitutional requirements for elected members to receive training on specific matters (such as regulatory committee training).

3.3. Member training and development is necessary for providing elected members with key knowledge to enable them to undertake their public roles. The Council should therefore put in place adequate provision for training and development for its members (particularly the newly elected members) and provide support and encouragement to members to undertake the training provided.

3.4. Please note:

a) The draft training themes contained in section 4 and 5 of this report will either be delivered face-to-face or virtually;
b) A full programme with dates and times will be produced subject to 2.1 and 2.2 of the report;
c) The Council does utilise an e-learning system so additional (or follow up) e-learning will also be available for elected members in addition to the programme below;
d) The Council can refer external training sessions to elected members such as the training offered by the Local Government Association (LGA) from time to time;
e) All elected members will be invited to each training session; and
f) Should a specific training need/requirement be identified during the municipal year, officers may provide a training session related to the specific item.

4. <u>Proposed Training programme 2025/2026</u>

4.1. Table 1 below sets out the training themes proposed to be delivered as part of the elected member training programme for the next municipal year. They cover training themes required by the constitution but also include sessions which provide an overview of the council and the processes and procedures it has in place from a governance and legal process for elected members to be aware of. The training will enable elected members to obtain an understanding of the council and its key responsibilities. Within the draft programme, there is a proposed 6 month catch up to provide elected members (aimed more at new elected members) an opportunity to provide feedback on the training delivered (from the perspective of a new member) to enable the council to improve its training delivery, but to also allow the new members an opportunity to follow up with any questions or queries council officers may be able to help with since being in post.

Table 1

Member Training (to be undertaken between April – September when there is no Election – next envisaged April 2025 – September 2025).
1. Cabinet Member Session (only if there are changes to Cabinet Members)
• Introduction • Expectations • Role • Responsibilities • Workload • Portfolio Holder and Officer Protocol Led by the Strategic Director's and CEO as a group to with Portfolio Holder(s).
2. Chair Training
Local Government Association led.
3. Corporate Governance Training
• Media Training • Freedom of Information • Data Protection • Member Enquiry Form • Safeguarding • Risk Management & Performance • Procurement • Accounts Payable • Bribery, Gifts & Hospitality
4. Local Government Finance Training
5. Equality and Diversity Training
6. Lone Working, Health & Safety
7. Planning Committee
8. Licensing Committee
9. Audit and Standards Committee *(including internal audit and corporate fraud)*
10. Shareholder Committee

11. Overview and Scrutiny Panel Training
12. Power hour
Covering up to 3 key topics (to be confirmed in advance) for service areas to provide specific training based on high volume areas of resident enquiries (Council Tax, Business Rates, Housing Allocations for instance). Members to select topics based on a survey issued by officers to inform training.
13. 6-month catch-up / follow up
This session presents an opportunity 6 months into the municipal year for Elected Members to ask any general questions, to seek feedback regarding any additional training requirements and to provide officers with feedback (if necessary) for future consideration with regards to training.

5. Draft Induction and Training programme 2026/2027

5.1. Table 2 below sets out the proposed induction and training programme for the municipal year 2026/2027. It is a draft programme at this stage and will be reported to the Audit and Standards Committee during the 2025/2026 municipal year for approval prior to the 2026/2027 municipal year. This is therefore for noting at this stage.

Table 2

Member Induction Training (to be undertaken following an Election – next envisaged May 2026)
1. Introduction and Equipment Day – Entire Day
Part 1 – AM 09:30 – 12:00 • Photograph taken in reception for ID badge. • Welcome. • Overview of the Council – vision, values, structure and corporate plan. • Tour of Town Hall (Committee Rooms, Chamber, Mayors Parlour etc). Part 2 – PM 13:00 – 16:30 • IT Requirements/Session • ID badge collection. • Local Government Association session. • Declaration of Interest session.
2. Overview of the political management arrangements – 2 hours
Part 1 – 1 hour • Cabinet, Scrutiny, Leader and Executive Model. • Procedures and protocols.

• Members Allowance Scheme <u>Part 2 – 1 hour</u> Council Procedure Rules
3. Cabinet Member Session
• Introduction • Expectations • Role • Responsibilities • Workload • Portfolio Holder and Officer Protocol Led by the Strategic Director's and CEO as a group to with Portfolio Holder(s).
4. Chair Training
Local Government Association led.
5. Corporate Governance Training
• Media Training • Freedom of Information • Data Protection • Member Enquiry Form • Safeguarding • Risk Management & Performance • Procurement • Accounts Payable Bribery, Gifts & Hospitality
6. Local Government Finance Training
7. Equality and Diversity Training
8. Lone Working, Health & Safety
9. Planning Committee
10. Licensing Committee

11. Audit and Standards Committee *(including internal audit and corporate fraud)*
12. Shareholder Committee
13. 6-month catch-up / follow up
- This session presents an opportunity 6 months into the municipal year for Elected Members to ask any general questions, to seek feedback regarding any additional training requirements and to provide officers with feedback (if necessary) for future consideration with regards to training.

6. Financial Implications

   a. All training proposed, with the exception of Chair Training if the Local Government Association (LGA) deliver, under section 4 and 5 of this report will be undertaken in-house and will therefore be at no cost.

   b. Should any training be identified as best delivered by external means, this would need to be accounted for as part of the budget and paid via an approved budget unless provided as part of an existing membership (i.e. Local Government Association).

   c. If, however, the Committee determines additional sessions would be beneficial to include in the draft programme, officers will review and identify any suggestion put forward by the Committee whether the training can be undertaken in-house or whether external training support is required. As per 2.2 of this report, where necessary, the Assistant Director – Governance & Democracy may liaise with the Chair of the Audit and Standards Committee to refine and finalise as required via delegated authority.

7. Local Government Association (Information only)

7.1. As referred in section 3.4 d of this report, the LGA provide a range of e-learning, training material and sessions for elected members such as:

- Councillor e-learning*:
  - Audit committees (an introduction)
  - Biodiversity for councils
  - Building safety
  - Children's Services

- o Commissioning council services
- o Community engagement and leadership
- o Corporate parenting
- o Councillor Code of Conduct
- o Councillor induction
- o Economic development
- o Equality, diversity and inclusion
- o Facilitation and conflict resolution
- o Handling intimidation
- o Holding council meetings online
- o Influencing skills
- o Licensing for councillors
- o Local government finance
- o Performance management
- o Planning
- o Police and crime panels
- o Scrutiny for councillors
- o Stress management and personal resilience
- o Supporting mentally healthier communities
- o Supporting your constituents with complex issues
- o The effective ward councillor
- o The importance of speech, language and communication in the early years
- o UK General Data Protection Regulation (GDPR) One-to-one coaching for councillors
- o Leadership Essentials

*correct as of 6th December 2024.

7.2. For the avoidance of any doubt, the information contained in section 7.1 of the report is not included in the proposed elected member induction and training programme. The purpose of including section 7 in this report is to highlight to members the additional training, guidance and support offered by 3rd parties, such as the LGA, to support elected members in their role as a councillor.

7.3. Should any member wish to participate in any training or sessions delivered by a 3rd party organisation, such as the LGA, the member should contact a member of the Democratic Services team to establish the scope of the session/training and any cost implications.

END

MATTHEW WALLBANK