

# Agenda

## Audit Committee Meeting

Date: Wednesday, 23 October 2024

Time 7.00 pm

Venue: Council Chamber, Swale House, East Street, Sittingbourne, ME10 3HT

Membership:

Councillors Andy Booth, Derek Carnell (Vice-Chair), Simon Clark (Chair), Charles Gibson, Angela Harrison, Tara Noe, Richard Palmer, Terry Thompson and Dolley Wooster.

Quorum = 3

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Pages

### Recording and Privacy Notice

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Visitors and members of the public who are unfamiliar with the building and procedures are advised that:

- (a) The fire alarm is a continuous loud ringing. In the event that a fire drill is planned during the meeting, the Chair will advise of this.
- (b) Exit routes from the chamber are located on each side of the room, one directly to a fire escape, the other to the stairs opposite the lifts.
- (c) In the event of the alarm sounding, leave the building via the nearest safe exit and gather at the assembly point on the far side of the car park. Do not leave the assembly point or re-enter the

building until advised to do so. Do not use the lifts.

- (d) Anyone unable to use the stairs should make themselves known during this agenda item.

2. Apologies for Absence

3. Minutes

To approve the [Minutes](#) of the Meeting held on 17 July 2024 (Minute Nos. 98 – 102) as a correct record.

4. Declarations of Interest

Councillors should not act or take decisions in order to gain financial or other material benefits for themselves, their families or friends.

The Chair will ask Members if they have any disclosable pecuniary interests (DPIs) or disclosable non-pecuniary interests (DNPIs) to declare in respect of items on the agenda. Members with a DPI in an item must leave the room for that item and may not participate in the debate or vote.

Aside from disclosable interests, where a fair-minded and informed observer would think there was a real possibility that a Member might be biased or predetermined on an item, the Member should declare this and leave the room while that item is considered.

Members who are in any doubt about interests, bias or predetermination should contact the monitoring officer for advice prior to the meeting.

- |    |                                       |         |
|----|---------------------------------------|---------|
| 5. | Audit Committee Annual Report         | 3 - 20  |
| 6. | Treasury Management 2024/25 Q1 Report | 21 - 34 |

### Issued on Tuesday, 15 October 2024

The reports included in Part I of this agenda can be made available in alternative formats. For further information about this service, or to arrange for special facilities to be provided at the meeting, please contact [democraticservices@swale.gov.uk](mailto:democraticservices@swale.gov.uk). To find out more about the work of this meeting, please visit [www.swale.gov.uk](http://www.swale.gov.uk)

**Chief Executive, Swale Borough Council,  
Swale House, East Street, Sittingbourne, Kent, ME10 3HT**

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<b>Audit Committee Meeting</b>	
<b>Meeting Date</b>	23rd October 2024
<b>Report Title</b>	Audit Committee Annual Report 2023/24
<b>EMT Lead</b>	Lisa Fillery – Director of Resources
<b>Head of Service</b>	Katherine Woodward –Head of Audit Partnership
<b>Lead Officer</b>	Katherine Woodward –Head of Audit Partnership
<b>Classification</b>	<b>Open</b>
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. That the Audit Committee Annual Report for 2023/24 (appendix I) is <b>agreed</b>.</li> <li>2. For the committee to approve the inclusion of the CIPFA checklist to demonstrate how the committee has fulfilled its duties</li> <li>3. That the Chairman of the Audit Committee presents the report to a meeting of Full Council to demonstrate how the Committee has discharged its duties.</li> </ol>

## 1 Purpose of Report and Executive Summary

- 1.1 The report details how the Audit Committee effectively fulfilled its duties during 2023/24. This report provides assurance to the Council that the Committee has monitored and addressed issues of governance, risk management and internal control throughout the year.

## 2 Background

- 2.1 The Audit Committee is required to monitor internal and external audit activity, review and comment on the effectiveness of the Council’s governance framework and review and approve the Council’s annual statement of accounts.

## 3 Proposals

- 3.1 To agree the Audit Committee Annual Report as attached in Appendix I.
- 3.2 To agree the inclusion of the CIPFA checklist to support the committee in demonstrating how it fulfils its duties.
- 3.3 That the Chairman of the Audit Committee presents the report to a meeting of the Full Council setting out how the Committee has discharged its duties.

## 4 Alternative Options

- 4.1 The production and presentation of an annual report is required by this Committee's terms of reference. Therefore, no other alternative could be recommended.

## 5 Consultation Undertaken or Proposed

- 5.1 The draft report was sent to the Chairman of the Audit Committee for consultation prior to submission for this meeting.

## 6 Implications

Issue	Implications
Corporate Plan	None identified at this stage.
Financial, Resource and Property	The role of the Audit Committee includes the review of the financial reports for the Council, including the approval of the Annual Statement of Accounts.
Legal, Statutory and Procurement	None identified at this stage.
Crime and Disorder	None identified at this stage.
Environment and Climate/Ecological Emergency	None identified at this stage.
Health and Wellbeing	None identified at this stage.
Safeguarding of Children, Young People and Vulnerable Adults	None identified at this stage.
Risk Management and Health and Safety	The role of the Audit Committee requires it to consider the effectiveness of the Council's risk management arrangements.
Equality and Diversity	None identified at this stage.
Privacy and Data Protection	None identified at this stage.

## 7 Appendices

7.1 The following documents are to be published with this report and form part of the report:

- Appendix I: Audit Committee Annual Report 2023-24

## **8 Background Papers**

8.1 None

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SWALE BOROUGH COUNCIL

# Audit Committee

## 2023/24

# Annual Report



# 1. Introduction by Chairman of Audit Committee

As the Chair of the Audit Committee, it is my pleasure to introduce the annual report, providing an overview of the Committee's activity during the Municipal Year 2023/24.

The Council continues to face challenges from the impact of the cost-of-living crisis, rising inflation and economic pressures facing the authority. As a committee, we have maintained our focus on the issues facing the Council from a risk, control, and governance perspective. This report looks back and gives us opportunity to reflect on the activity and achievements of the Committee during the Municipal Year 2023/24.

The Committee has discharged its responsibility to provide independent assurance on the adequacy of the Council's risk management framework and the associated control environment. We have also provided robust scrutiny and challenge of the Authority's financial performance.

During 2023/24 the Committee met six times and I was pleased to note, among the highlights, the sign off of the 2022/23 Annual Accounts, consideration of the Council's risk management processes and a positive opinion on the Council's control and governance from our internal auditors.

I would like to take this opportunity to thank Members and Officers that have supported the Committee over the last year. Their professionalism, integrity, and openness have helped us to discuss, challenge and debate key issues and agree solutions and improvements where appropriate to do so.



Councillor Simon Clark – Audit Committee Chairman



## 2. Purpose of the Audit Committee Annual Report

Under CIPFA best practice the Audit Committee should produce an annual report on its performance to Full Council. This report summarises the work of the Audit Committee during 2023-24 and how it has fulfilled its duty. To assess its performance the following key areas have been considered, as aligned to CIPFA best practice:

- Purpose of the Committee
- Membership and Attendance
- Performance in delivery of its Terms of Reference
- Compliance to CIPFA Audit Committee Best Practice Self-Assessment
- Conclusions including training and development

## 3. Purpose of the Committee

The Audit Committee operates in accordance with the [Audit Committees, Practical Guidance for Local Authorities](#). This guidance (updated in 2022) sets out the purpose of an Audit Committee and is published by the Chartered Institute of Public Finance (CIPFA). The guidance states:

### **CIPFA's Position Statement:**

Audit Committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that arrangements are effective.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

The Committee is independent from management and other Committees, this is important as it ensures that duties can be discharged in line with the agreed Terms of Reference (attached as an appendix to this report). This includes rights of access and reporting lines direct to statutory officers, the Head of Audit Partnership and appointed external auditors where appropriate.

The Committee is not a substitute for the management function of internal audit, risk management, governance, or any other sources of assurance. The role of the Committee is to examine these functions and to offer views and recommendations on the way in which these functions are managed and conducted.

The production and presentation of an annual report is required by the Committee's Terms of Reference. The purpose of this report is to outline where the Committee has gained assurance during the year, particularly over areas of governance, risk management, Standards, and internal control.

## 4. Membership & Meetings

During 2023/24 the Audit Committee was comprised of nine Members and met six times, including a meeting to elect the chairs only as part of the annual council meeting on 18 May 2023

The Committee is supported throughout the year by senior officers and managers of the Council who are regularly present. In addition, the Council's External Auditors (Grant Thornton) regularly attend meetings of the Committee.

The following table outlines Member attendance at 2023/24 Audit Committee meetings.

Name	Role	17-Apr-23	17-May-23	24-July-23	23-Oct-23	24-Jan-24	19-Feb-24
Cllr Simon Clark	Chair	Apologies	✓	✓	✓	✓	✓
Cllr Derek Carnell	Vice-Chair	✓ (Chair)	✓	✓	Apologies	Apologies	✓
Cllr Andy Booth	Member		✓	✓	Apologies	✓	Apologies
Cllr Ann Hampshire	Member	Absent					
Cllr Angela Harrison	Member	✓		✓	✓	✓	✓
Cllr Mike Henderson	Member	Apologies	Apologies	✓	Apologies	Apologies	Apologies
Cllr Denise Knights	Member	✓					
Cllr Rich Lehmann	Member		✓	✓	✓ Virtual	✓ Virtual	Apologies
Cllr Peter Marchington	Member	Absent					
Cllr Pete Neal	Member	Apologies					
Cllr Tara Noe	Member		✓	✓ (Virtual)	✓	✓	✓
Cllr Richard Palmer	Member	✓		Apologies	✓	✓	✓
Cllr Dolly Wooster	Member		✓	Apologies	✓	✓ Virtual	✓
Cllr Tim Gibson	Visiting Member	✓ Substitute					
Cllr Elliot Jayes	Visiting Member	✓ Virtual					
Cllr Ann Cavanagh	Visiting Member			✓ Substitute	✓ Virtual		
Cllr Angie Valls	Visiting Member			✓ Substitute			
Cllr Chris Palmer	Visiting Member				✓ Substitute	✓ Substitute	
Cllr Tony Winckless	Visiting Member				✓ Virtual		
Cllr Claire Martin	Visiting Member					✓ Substitute	

The Committee is supported throughout the year by senior officers and managers of the Council who are regularly present, including:

- Chief Executive
- Director of Resources
- Director of Regeneration and Neighbourhoods
- Monitoring Officer
- Head of Finance
- Head of Mid Kent Audit Partnership
- Audit Delivery Manager
- Audit Planning Manager
- Head of Regeneration, Economic Development and Property and Interim Head of Planning
- Climate Change Officer

All Committee agendas, papers and minutes are available on the [Council's website](#)

## 5. Delivery of the Committees Terms of Reference

The Audit Committee have drawn on a variety of sources of assurance to fulfil their responsibilities. During 2023/24 the Committee considered, examined and made decisions on the following areas within its Terms of Reference:

Finance Activity
<p><b>Treasury Management Outturn Report for 22/23 – July 2023</b></p> <p>The report presented to Members was prepared in line with the CIPFA's Code of Practice on Treasury Management. It included Prudential Indicators and Treasury Management Strategy Statement on Financing and Investment Activities. Members approved the Treasury Management Stewardship report for 2022/23, and the Prudential and Treasury Management Indicators.</p>
<p><b>Mid-Year Treasury Management Review for 23/24 – Jan 2024</b></p> <p>This report was presented to Members. It outlined the mid-year outturn position on treasury management transactions for 2022/23, including compliance with treasury limits and Prudential and Treasury Performance Indicators. Members noted the report, and the Prudential and Treasury Management Indicators.</p>
<p><b>Annual Financial Report 2022/23 and Audit Findings Report – Oct 23 and Jan 2024</b></p> <p>The report was presented to Members. It outlined the Council's Annual Financial Report for 2021/22 and included the External Auditors Findings report and the Letter of Representation for the Committees consideration. Members noted the External Auditors Findings report and approved the Annual Financial Report and Letter of Representation.</p>
<p><b>Treasury Management Strategy 2024/25 – Jan 2024</b></p> <p>The report presented to Members included Prudential Indicators and Treasury Management Strategy Statement on Financing and Investment Activities. Members approved the Treasury Management Strategy report for 2023/24, and the Prudential and Treasury Management Indicators.</p>
Internal Audit Activity
<p><b>Internal Audit and Assurance Plan 2023/24 – April 2023</b></p> <p>The internal Audit plan for 2023/24 was presented to members for their approval. Members approved the 2023/24 plan, and noted there was enough resource to deliver the plan independently and without inappropriate influence from management.</p>
<p><b>Annual Internal Audit Report &amp; Opinion 2022/23 – July 2023</b></p> <p>The annual assurance report on the Council's Internal Control, Governance, and Risk Management activities was presented to Members. The report concluded that the Head of Audit was able to provide sound assurance with no qualifications to the opinion. Members noted the opinion, and the Head of Audit Partnership's assurance of independence and conformance with the standards</p>
<p><b>Interim Internal Audit &amp; Assurance Report 2023/24 – Jan 2024</b></p> <p>The internal audit update report presented to Members, detailed the progress against the audit plan for 2023/24. Members noted the report</p>
<p><b>Outstanding Audit Actions Update – Feb 2024</b></p> <p>The Committee requested and received an update on the outstanding audit actions relating to Planning Obligations. Progress was discussed and noted.</p>
External Audit Activity
<p><b>External Audit Plan 2022/23 – April 2023</b></p> <p>External audit presented to Members the report which included an overview of the scope, cost, and timing of the audit for 2022/23. Members noted the External Audit Plan.</p>
<p><b>External Audit Annual Report 2021/22 and 2022/23– April 2023 and Jan 2024</b></p>

The Annual Financial Reports for 2020/21 and 2022/23 were presented to Members. The report issued an unmodified audit opinion. This meant that no major adjustments were required to the Council's annual financial report.

**External Audit Progress Report 2022/23 – July 2023**

The progress on the 2022/23 audit was presented to the committee. Members noted the progress.

**Other Activity**

**Audit Committee Annual Report 2022/23 – Oct 2023**

A report on the activity of the Audit Committee was presented to members. It outlined the attendance of members, details the Terms of Reference for the committee, and activity of the committee throughout the year. The Audit Committee Annual report was agreed by Members, and the Chair of the Audit Committee will present the report to Full Council to discharge their duties.

**Risk Management Annual Update 2022/23 – April 2023**

The report detailed for Members the Council's risk management framework arrangements. Members noted the risk management framework arrangements.

## 6. CIPFA Self-Assessment of Good Practice

The 2022 CIPFA Audit Committee Guidance provides a framework for assessing the Audit Committee against good practice. Where an Audit Committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective Audit Committee. A regular self-assessment should be used to support the planning of the Audit Committee work programme and training plans.

This can be found at Appendix B. It will also inform this annual report.

Assessing the Audit Committee against that framework, the following areas were identified for development:

- Review the Committees Terms of Reference to determine if any further improvements could be made in line with guidance available.
- An assessment be undertaken of the committee's knowledge and skills.
- Develop training and support arrangements for committee members following the knowledge and skills assessment.
- Evaluate how the committee adds value to the organisation and explore obtaining feedback on the committee's role within the organisation.
- Develop and action plan to support the committee.

There was one area of non-compliance on the subject of appointing an independent member to the committee. It is considered best practice for Audit Committees to have an independent member and is the recommendation of standard setters in the field, however, this committee has decided that it will not appoint an independent member at this time and will be reviewed again following the next Local Elections.

## 7. Conclusions

Whilst the Audit Committee generally complies with the CIPFA Position Statement and the self-assessment, there are some areas that could be improved upon for full compliance (see section 6 for details).

The committee understand the importance of receiving training to keep its skills and knowledge current and has regularly undertaken training throughout 2023/24, including the following to support the committee's development:

- Overview of the Audit Committee, Annual Governance Statement, and Internal Audit
- Statement of Accounts
- Treasury Management

These sessions have been well attended by members of the committee.

The Audit Committee has worked in partnership with the Council's Internal and External Auditors and received support from Officers. This has provided robust and effective independent assurance to the Council on a wide range of risk, governance, and internal control issues.

In addition to receiving and commenting on regular reports and attending training and development opportunities, the committee also makes recommendations to other committees and officers of the council on important items that arise through the committee's discussions.

Through this review the Audit Committee can demonstrate that it has appropriately and effectively fulfilled its duties during 2023/24 and this can also be seen as set out in the respective minutes.

# Appendix A – Audit Committee Terms of Reference

**Membership:** Nine (9) Members

**Purpose:** The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority’s financial and nonfinancial performance to the extent that it affects the authority’s exposure to risk and weakens the control environment, and to oversee the financial reporting process.

Audit Activity	Regulatory Framework	Accounts
To consider the Head of Audit Partnership’s annual report and opinion, and a summary of audit activity (actual and proposed) and the level of assurance it can give over the council’s governance arrangements, and any report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.	To review any issue referred to it by the Chief Executive or a Director or any Council body.  To monitor the effective development and operation of risk management and corporate governance in the Council.	To review and approve the annual statement of accounts. Specifically, to consider whether there are concerns arising from the financial statement or from the audit that need to be brought to the attention of the Policy and Resources Committee or the Council.
To consider reports dealing with the management and performance of Internal Audit Services, including consideration and endorsement of Internal Audit Plans.	To monitor council policies on ‘Whistleblowing’ and the ‘Antifraud and Corruption Strategy’.	To consider the external auditor’s report to those charged with governance on issues from the audit of the accounts.
To consider the external auditor’s annual letter, the report to those charged with governance, and any specific reports as agreed with the external auditor.	To consider and comment on the authority’s Annual Governance Statement and agree its adoption as part of the approval of the annual accounts.	To be responsible for ensuring effective scrutiny of the treasury management strategy and policies (Note: Council is responsible for adopting the Treasury Management strategy and policy).
To oversee the appointment of the Council’s external auditor, comment on the scope and depth of external audit work and ensure that it gives value for money.	To consider the council’s arrangements for governance and whether adequate safeguards are in place to secure compliance with its own and other published standards and controls and best practice.	To present an annual report to the Council providing assurance that the responsibilities of the Committee have been met.



## Appendix B

# CIPFA Self-Assessment of Good Practice – Swale Borough Council

## Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

### Audit committee purpose and governance

1	Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3	Has the committee maintained its advisory role by not taking on any decision-making powers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
7	Does the governing body hold the audit committee to account for its performance at least annually?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
<b>8</b> Does the committee publish an annual report in accordance with the 2022 guidance, including:					
<ul style="list-style-type: none"> <li>compliance with the CIPFA Position Statement 2022</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>results of the annual evaluation, development work undertaken and planned improvements</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>how it has fulfilled its terms of reference and the key issues escalated in the year?</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>Functions of the committee</b>					
<b>9</b> Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
Governance arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Risk management arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Internal control arrangements, including: <ul style="list-style-type: none"> <li>financial management</li> <li>value for money</li> <li>ethics and standards</li> <li>counter fraud and corruption</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Annual governance statement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Financial reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Assurance framework	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Internal audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
External audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>10</b> Over the last year, has adequate consideration been given to all core areas?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>11</b> Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>12</b> Has the committee met privately with the external auditors and head of internal audit in the last year?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

### Membership and support

13 Has the committee been established in accordance with the 2022 guidance as follows?					
• Separation from executive	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
• A size that is not unwieldy and avoids use of substitutes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
18 Is adequate secretariat and administrative support provided to the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

### Effectiveness of the committee

20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
22 Are meetings effective with a good level of discussion and engagement from all the members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
23 Has the committee maintained a non-political approach to discussions throughout?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
26 Do audit committee recommendations have traction with those in leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
27 Has the committee evaluated whether and how it is adding value to the organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
28 Does the committee have an action plan to improve any areas of weakness?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29 Has this assessment been undertaken collaboratively with the audit committee members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>Subtotal score</b>	0	0	8	42	105
<b>Total score</b>	155				
<b>Maximum possible score</b>	200**				

<b>Audit Committee Meeting</b>	
<b>Meeting Date</b>	23 October 2024
<b>Report Title</b>	Treasury Management Quarterly Report April - June 2024
<b>EMT Lead</b>	Lisa Fillery, Director of Resources
<b>Head of Service</b>	Claire Stanbury, Head of Finance and Procurement
<b>Lead Officer</b>	Olga Cole, Management Accountant
<b>Classification</b>	<b>Open</b>
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. To note the performance information in this report.</li> <li>2. To note the prudential and treasury management indicators within the report.</li> </ol>

## 1 Purpose of Report and Executive Summary

- 1.1 The purpose of this report is to review the Quarter 1 position on treasury management transactions for 2024/25, including compliance with treasury limits and Prudential and Treasury Management Indicators.
- 1.2 The Treasury Management Strategy is underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve, as a minimum, treasury management semi-annual and annual outturn reports.
- 1.3 The Council's Treasury Management Strategy for 2024/25 was approved at a meeting on 21 February 2024. The Council has invested and borrowed substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk is therefore central to the Council's Treasury Management Strategy.
- 1.4 In conclusion the Council reports that all treasury management activity undertaken in the period has complied with its Prudential Indicators for 2024/25 which were set in February 2024 as part of the Council's Treasury Management Strategy Statement. The Council is required to report on the highly technical Prudential Indicators. There are no issues of concern to highlight with Members. The indicators are based on approved commitments and the current budget.

## 2 External Context

- 2.1 **Economic background:** UK headline consumer price inflation (CPI) continued to decline over the quarter, falling from an annual rate of 3.2% in March to 2.0% in May, in line with the Bank of England's target. The core measure of inflation, however, only declined from 4.2% to 3.5% over the same period, which, together with stubbornly services price inflation at 5.7% in May, helped

contribute to the BoE maintaining Bank Rate at 5.25% during the period, a level unchanged since August 2023.

- 2.2 Data released during the period showed that the UK economy had emerged from the technical recession at the end of 2023 to expand by 0.7% (upwardly revised from the initial estimate of 0.6%) in the first quarter of the calendar year. Monthly GDP data showed zero growth in April following an expansion of 0.4% in the previous month.
- 2.3 The Bank of England’s Monetary Policy Committee (MPC) maintained Bank Rate at 5.25% throughout the quarter. Arlingclose, the Council’s treasury adviser, maintained its view that 5.25% is the peak in Bank Rate and that interest rates will most likely be cut later in 2<sup>nd</sup> half of 2024.
- 2.4 Arlingclose’s Economic Outlook for the remainder of 2024/25 (based on 25th June 2024 interest rate forecast).

	Current	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27
<b>Official Bank Rate</b>													
<b>Upside risk</b>	0.00	0.25	0.50	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>Central Case</b>	5.25	5.00	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
<b>Downside risk</b>	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00

The MPC held Bank Rate at 5.25% in June. Arlingclose see rate cuts from Q3 2024 to a low of around 3% by late 2025. The risks over the medium term are deemed to be to the upside as while inflation has fallen to target, it is expected to pick up again later in the year, with services price inflation and wage growth remaining strong.

- 2.5 **Credit review:** Arlingclose maintained its advised recommended maximum unsecured duration limit on all banks on its counterparty list at 100 days.
- 2.6 During the quarter, Fitch revised its outlook on Transport for London (TfL) to stable from negative while S&P upgraded its long-term rating for TfL to AA- from A+, in line with its rating of the UK sovereign. Fitch also upgraded the long-term ratings for the main four Australian banks – Australia & New Zealand Banking Group, Commonwealth Bank of Australia, National Australia Bank and Westpac. Having placed Warrington Borough Council on review for a downgrade in March, Moody’s subsequently withdrew its ratings for the council in June.
- 2.7 Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Council’s counterparty list recommended by Arlingclose remain under constant review.

Borrowing

- 2.8 CIPFA’s 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Council.

- 2.9 As outlined in the treasury strategy, the Council's chief objective when borrowing has been to strike an appropriate risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. At the present time short term interest rates are higher than long term interest rates.
- 2.10 Whilst the cost of short-term borrowing from other local authorities spiked to around 7% in late March 2024, primarily due a dearth of LA-LA lending/borrowing activity during the month, as expected shorter-term rates reverted to a more normal range and were generally around 5.25% through the quarter.
- 2.11 The PWLB certainty rate for 10-year maturity loans was 4.80% at the beginning of the quarter and 4.96% percent at the end. The lowest available 10-year maturity rate during the quarter was 4.80% and the highest was 5.18%. Rates for 20-year maturity loans ranged from 5.24% to 5.57% during the quarter, and 50-year maturity loans from 5.06% to 5.40%.

At 30th June the Council held £10m of loans, same position to 31st March 2024, as part of its strategy for funding previous (and current) years' capital programmes. Outstanding loans at 30 June 2024 are detailed in Appendix I.

### Investments

- 2.12 The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown. These counterparties were agreed by Council earlier this year when the 2024/25 Treasury Strategy was approved.

<b>Counterparty</b>	<b>Time Limit</b>	<b>Cash Limits</b>
The UK Government	50 years	Unlimited
Local Authorities and other government entities	25 years	£3m
Major UK banks / building societies unsecured deposits*	13 months	£3m
Leeds Building Society unsecured deposits*	As per credit advice	£1.5m
Close Brothers unsecured deposits*	As per credit advice	£1.5m
Money Market Funds*	n/a**	£3m each
Strategic Pooled Funds e.g., Absolute return, Equity income, Corporate Bond Funds, Multi Asset Funds	n/a**	£3m each
CCLA Property Fund	n/a**	£3m
Registered providers (unsecured) *	5 years	£3m in aggregate
Secured Investments*	25 years	£3m in aggregate

Counterparty	Time Limit	Cash Limits
Other Investments *	5 years	£3m in aggregate
Non treasury investments	As per credit advice	To be agreed on a case by case basis

\* Minimum credit rating: Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

\*\*These funds have no defined maturity dates but are available for withdrawal after a notice period.

- 2.13 The Council holds significant investment funds, representing income received in advance of expenditure plus balances and reserves held. During the three months to 30 June 2024 the Council held an average daily cash balance of £16.9m (£19.6m June 2023). The balances invested at 30 June 2024 are detailed in Appendix I.
- 2.14 The Council's budgeted investment income for the three months to 30 June 2024 was £132k (£57k June 2023) and the actual income received was £177k (£170k June 2023), of which £38k (£34k for Q1 2023-24) was from the Council's long-term investment in the Church, Charities and Local Authorities (CCLA) Mutual Investment Property Fund.
- 2.15 The results for the three months to 30 June 2024 show that the Council achieved 0.11% (0.23% June 2023) average return above the average Sterling Overnight Index Average (SONIA) and 0.07% average return rate below the average Bank of England Base Rate.

#### Externally Managed Pooled Funds

- 2.16 The Council has £3m invested in an externally managed property fund, which is the CCLA property fund, where short term security and liquidity and lesser considerations, and the objectives instead are regular revenue income and long term price stability. The fund generated an average total return of 5.03%, comprising of a £38k (3.84%, £34k June 2023) income return.
- 2.17 Since this fund has no defined maturity date, but is available for withdrawal after a 6 months' notice period, its performance and continued suitability in meeting the Council's investment objectives are regularly reviewed. Considering its performance and the Council's latest cash flow forecasts, investment in this fund has been maintained. Strategic fund investments are made in the knowledge that capital values will move both up and down over months and even years; but with the confidence that over the medium term total returns will exceed cash interest rates.



2.18 In April 2023 the Department for Levelling Up, housing and Communities published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended for 2 years to 31 March 2025 but no other changes have been made; whether the override will be extended beyond the new date is unknown but commentary to the consultation outcome suggests not. The Council has set up a reserve of £250k to mitigate the impact of the statutory override not being extended and unrealised losses on pooled investment funds are required to be recognised.

MRP Regulations

- 2.19 On 10 April 2024 amended legislation and revised statutory guidance were published on Minimum Revenue Provision (MRP), the majority of changes taking effect from the 2025/26 financial year.
- 2.20 The regulations require that local authorities cannot exclude any amount of the CFR from their MRP calculation unless by an exception set out in law. Capital receipts cannot be used to directly replace, in whole or part, the prudent charge to revenue for MRP.

Compliance with Prudential Indicators

- 2.21 The Council reports that all treasury management activity undertaken in the period has complied with its Prudential Indicators for 2024/25 which were set in February 2024 as part of the Council’s Treasury Management Strategy Statement. The Council is required to report on the highly technical Prudential Indicators. There are no issues of concern to highlight with Members. The indicators are based on approved commitments and the current budget.
- 2.22 Prudential and Treasury Management Indicators are set out in Appendix II.

**3 Proposals**

3.1 No changes are proposed at this stage.

**4 Alternative Options Considered and Rejected**

4.1 The Head of Finance and Procurement will consider changes to the counterparty criteria with reference to the Council’s agreed policy with regard to risk.

**5 Consultation Undertaken or Proposed**

5.1 Consultation has been undertaken with the Council’s treasury management consultants Arlingclose.

**6 Implications**

Issue	Implications
-------	--------------

Corporate Plan	Supports delivery of the Council's objectives.
Financial, Resource and Property	As detailed in the report.
Legal, Statutory and Procurement	CIPFA produce a framework for managing treasury activities, called a 'Code'. Councils are legally required to have regard to this Code and members of CIPFA are expected to comply with its requirements. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the DLUHC Guidance.
Crime and Disorder	Following CIPFA's Treasury Management Code of Practice is important to avoid involvement in potential fraud or money laundering.
Environment and Climate/Ecological Emergency	The Council does not own any shares or corporate bonds so there are no ethical investment considerations to be met.
Health and Wellbeing	Not relevant to this report.
Safeguarding of Children, Young People and Vulnerable Adults	Not relevant to this report.
Risk Management and Health and Safety	Risk is controlled through adherence to specific guidance included in CIPFA's Treasury Management Code of Practice. The principle of security of funds over-rides investment performance.
Equality and Diversity	Not relevant to this report.
Privacy and Data Protection	Not relevant to this report.

## 7 Appendices

7.1 The following documents are to be published with this report and form part of the report.

- Appendix I: Investments and Borrowing as at 30 June 2024
- Appendix II: Prudential and Treasury Management Indicators

## 8 Background Papers

8.1 None.

## Investment and Borrowing Levels

Appendix I

### Investments and Borrowings as at 30 June 2024

Counterparty	Long-Term Rating	Balance Invested & Borrowed at 30 June 2024 £'000
<b><u>Money Market Funds</u></b>		
Invesco Money Market Fund	AAAmmf	3,000
Morgan Stanley Money Market Fund	AAAmmf	2,900
Black Rock Money Market Fund	AAAmmf	3,000
Aberdeen Money Market Fund	AAAmmf	3,000
CCLA Property Fund		3,000
<b>Total Fixed Term Deposits, Money Market and Property Funds</b>		<b>14,900</b>
<b>TOTAL INVESTMENTS</b>	<b>Maturity Date</b>	<b>£'000</b>
North Northamptonshire Council	08/01/2025	(5,000)
PWLB Loan	31/08/2025	(5,000)
<b>TOTAL BORROWING</b>		<b>(10,000)</b>

The Ratings above are from Fitch credit rating agency. The Long-Term Rating is the benchmark measure of probability of default. These ratings are shown for illustrative purposes only, as the Council uses the lowest rating across three agencies on which to base its decisions.

AAAmmf: Fund has very strong ability to meet the dual objective of providing liquidity and preserving capital.

### Investment Activity in 2024/25

Investments	Balance on 01/04/2024 £'000	Investments Made £'000	Investments Repaid £'000	Balance on 30/06/2024 £'000	Average Rate %
Short Term Investments & Money Market Funds	12,210	57,885	(58,195)	11,900	5.18
Pooled Property Fund	3,000	0	0	3,000	5.03
<b>TOTAL INVESTMENTS</b>	<b>15,210</b>	<b>57,885</b>	<b>(58,195)</b>	<b>14,900</b>	

**Borrowing Activity in 2024/25**

<b>Borrowing</b>	<b>Balance on 01/04/2024</b>	<b>Borrowing Made</b>	<b>Borrowing Repaid</b>	<b>Balance on 30/06/2024</b>	<b>Average Rate</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>
External Borrowing	10,000	0	0	10,000	5.69
<b>Total Borrowing</b>	<b>10,000</b>	<b>0</b>	<b>0</b>	<b>10,000</b>	

The Council's short-term borrowing cost has remained high with the currently high Base Rate and short-dated market rates. The average rate on the Council's loans at 30<sup>th</sup> June 2024 was 5.69%.

**Non-Treasury Investments**

The definition of investments in the Treasury Management Code covers all the financial assets of the Council, as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and/or for commercial purposes (made primarily for financial return).

The Council holds £3.896m (£4.173m June 2023) of a long-standing portfolio of 11 investment properties within the borough. These investments are expected to generate £0.2m (£0.2m June 2023) of annual investment income for the Council after taking account of direct costs, representing a rate of return of 5.7% (5.8% June 2023).

**1. Background**

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA’s Prudential Code for Capital Finance in local authorities (the “CIPFA Prudential Code”) when setting and reviewing their Prudential Indicators.

**2. Gross Debt and the Capital Financing Requirement (CFR)**

This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.

<b>Capital Financing Requirement</b>	<b>2023/24 Actual</b>	<b>2024/25 Revised Estimate</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>
	<b>£’000</b>	<b>£’000</b>	<b>£’000</b>	<b>£’000</b>
Capital Financing Requirements	52,113	72,390	77,412	76,445
External Borrowing	(10,000)	(30,500)	(40,500)	(50,500)
<b>Cumulative External Borrowing Requirements</b>	<b>42,113</b>	<b>41,890</b>	<b>36,912</b>	<b>25,945</b>

**External Borrowing:** as at 30 June 2024 the Council had £10 million of external borrowing – please see Appendix I for further details.

### 3. Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax.

<b>Capital Expenditure and Financing</b>	<b>2023/24 Actual</b>	<b>2024/25 Revised Estimate</b>	<b>2025/26 Original Estimate</b>	<b>2026/27 Original Estimate</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Total Expenditure</b>	<b>11,020</b>	<b>31,384</b>	<b>10,625</b>	<b>4,935</b>
<b>Source of Funding</b>				
Capital grants and other contributions	3,780	16,469	2,725	2,725
Reserves	623	871	350	460
Borrowing	4,789	14,044	7,550	1,750
Capital Receipts	1,800	0	0	0
Direct Revenue Funding	28	0	0	0
<b>Total Financing</b>	<b>11,020</b>	<b>31,384</b>	<b>10,625</b>	<b>4,935</b>

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

This is an indicator of affordability, highlighting the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code. The ratio is based on costs net of investment income.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2023/24 Actual</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>
	0.47%	6.85%	6.59%	5.36%

### 5. Actual External Debt

This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

<b>Actual External Debt as at 30/06/2024</b>	<b>£'000</b>
Borrowing	10,000
Other Long-term Liabilities	0
<b>Total</b>	<b>10,000</b>

**6. Authorised Limit and Operational Boundary for External Debt**

The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long- and short-term borrowing, overdrawn bank balances and long-term liabilities). This Prudential Indicator separately identifies borrowing from other long-term liabilities such as finance leases. It is consistent with the Council’s existing commitments, its proposals for capital expenditure and financing, and its approved treasury management strategy and practices.

The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

<b>Authorised Limit and Total Debt</b>	<b>30/06/2024 Boundary £'000</b>	<b>30/06/2024 Actual Debt £'000</b>	<b>Complied</b>
Borrowing	55,000	10,000	✓
Other Long-Term Liabilities	2,500	0	✓
<b>Total Authorised Limit</b>	<b>57,500</b>	<b>10,000</b>	✓

The Operational Boundary links directly to the Council’s estimates of the CFR and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst-case scenario but without the additional headroom included within the Authorised Limit.

<b>Operational Boundary</b>	<b>30/06/2024 Boundary £'000</b>	<b>30/06/2024 Actual Debt £'000</b>	<b>Complied</b>
Borrowing	45,000	10,000	✓
Other Long-term Liabilities	1,000	0	✓
<b>Total Debt</b>	<b>46,000</b>	<b>10,000</b>	✓

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

The Head of Finance and Procurement confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the period to 30 June 2024.

**7. Interest Rate Exposure**

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

<b>Upper Limit for Interest Rate Exposure</b>	<b>Actual level at 30/06/24</b>	<b>2024/25 Approved Limit</b>	<b>Complied</b>
Interest on fixed rate borrowing	100%	100%	✓
Interest on fixed rate investments	-0%	-100%	✓
Interest on variable rate borrowing	0%	100%	✓
Interest on variable rate investments	-100%	-100%	✓

**8. Maturity Structure of Borrowing**

This indicator is set to control the Authority’s exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

<b>Maturity structure of borrowing</b>	<b>Existing level at 30/06/24</b>	<b>Lower Limit for 2024/25</b>	<b>Upper Limit for 2024/25</b>	<b>Complied</b>
	%	%	%	
Under 12 months	50	0	100	✓
12 months and within 24 months	50	0	100	✓
24 months and within 5 years	0	0	100	✓
5 years and within 10 years	0	0	100	✓
10 years and above	0	0	100	✓



**9. Credit Risk**

The Council considers security, liquidity and yield, in that order, when making investment decisions. Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council’s assessment of counterparty credit risk.

The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- sovereign support mechanisms;
- credit default swaps (where quoted);
- share prices (where available);
- economic fundamentals, such as a country’s net debt as a percentage of its GDP;
- corporate developments, news, articles, markets sentiment and momentum; and
- subjective overlay.

The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

The Head of Finance and Procurement confirms that there were no breaches to counterparty limits or credit ratings at the time of placing investments.

**10. Principal Sums Invested for Periods Longer than over 364 days**

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

<b>Total Principal Sums Invested Over 364 Days</b>	<b>2024/25</b> <b>£’000</b>
Upper Limit Estimate	10,000
Actual	3,000
Complied?	✓

11. Investment Benchmarking for the three months to 30 June 2024

Average Actual Return on Investments	Original Estimate Return on Investments	Average Bank Base Rate	Average Overnight SONIA Rate
5.18%	5.15%	5.25%	5.07%

12. Liability Benchmark

	31.3.24 Actual £m	31.3.25 Estimate £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m
Loans CFR	52.1	65.1	71.3	71.6	70.1
Less: Balance sheet resources	(55.4)	(50.9)	(50.4)	(49.9)	(49.9)
<b>Net loans requirement</b>	<b>(3.3)</b>	<b>14.2</b>	<b>20.9</b>	<b>21.7</b>	<b>20.2</b>
Plus: Liquidity allowance	10	10	10	10	10
<b>Liability benchmark</b>	<b>6.7</b>	<b>24.2</b>	<b>30.9</b>	<b>31.7</b>	<b>30.5</b>

The long-term liability benchmark above assumes capital expenditure funded by borrowing, minimum revenue provision on new capital expenditure based on income, expenditure and reserves all increasing by inflation and appropriate asset life values (8 years for waste vehicles, 50 years for all other assets).

