Paper B - Appendix 1B

Fermanagh & Omagh
District Council
Comhairle Ceantair
Fhear Manach agus na hÓmaí

Treasury Management Strategy Statement

2024/25

Contents

1. Introduction

Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested 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 financial risk are therefore central to the Council's prudent financial management.

A Council in carrying out its functions under Part 1 (Financial Adminstration) of the Local Government Finance Act (NI) 2011 and Regulation 19 of the Local Government (Capital Finance and Accounting) Regulations (Northern Ireland) 2011 shall have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Codes of Practice. Treasury risk management at the Council is conducted within the CIPFA framework '*Treasury Management in the Public Services': Code of Practice 2021 Edition* (the CIPFA Code) which requires authorities to approve a Treasury Management Strategy before the start of each financial year. In addition, the Department for Communities (DfC) issued *Guidance on Local Council Investments* in October 2011 that requires the Council to approve an Investment Strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Part 1 (Financial Adminstration) of the Local Government Finance Act (NI) 2011 and Regulation 19 of the Local Government (Capital Finance and Accounting) Regulations (Northern Ireland) 2011 to have regard to both the CIPFA Code and the DfC Guidance. The Strategy is based on this legislation and Code as well as CIPFA's Prudential Code and Guidance from the Department for Communities and the Council's Treasury Management Advisors.

The aim of the Treasury Management Strategy Statement is to set out the expected treasury management activities and treasury management practices for 2024/25 linked to the Council's Medium Term Financial Plan, Capital Plan, and Corporate Plan. The Strategy Statement is relevant to the Council, the Chief Financial Officer and all employees involved in developing and implementing this Strategy.

In accordance with the DfC Guidance, the Council will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large, unexpected change in interest rates, in the Council's capital programme or in the level of its investment balance.

2. External Context

Economic background: The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Council's Treasury Management Strategy for 2024/25.

The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level for the rest of 2023. In December 2023, members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%.

The November 2023 quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for Consumer Price Index (CPI) inflation was deemed to be highly uncertain, with upside risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.

Office for National Statistics (ONS) figures showed CPI inflation was 3.9% in November 2023, down from a 4.6% rate in the previous month and, in line with the recent trend, lower than expected. The core CPI inflation rate declined to 5.1% from the previous month's 5.7%, again lower than predictions. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling slowly, but taking until early 2025 to reach the 2% target before dropping below target during the second half of 2025 and into 2026.

ONS figures showed the UK economy contracted by 0.1% between July and September 2023. The BoE forecasts GDP will likely stagnate through 2024. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

The labour market appears to be loosening, but only very slowly. The unemployment rate rose slightly to 4.2% between June and August 2023, from 4.0% in the previous 3-month period, but the lack of consistency in the data between the two periods made comparisons difficult. Earnings growth has remained strong but has showed some signs of easing; regular pay (excluding bonuses) was up 7.3% over the period and total pay (including bonuses) up 7.2%. Adjusted for inflation, regular pay was up 1.4% and total pay up by 1.3%. Looking forward, the MPR showed the unemployment rate is expected to rise steadily over the forecast horizon to around 5% in late 2025/early 2026.

Eurozone inflation has declined steadily since the start of 2023, falling to an annual rate of 2.4% in November 2023. Economic growth has been weak, and GDP contracted by 0.1% in the three months to September 2023. In line with other central banks, the European Central Bank has increased rates, taking its deposit facility, fixed rate tender, and marginal lending rates to 3.75%, 4.25% and 4.50% respectively.

Credit outlook: There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recessions that increase the possibility of a deterioration in the quality of banks' assets. However, the institutions on our advisor Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast: Although UK inflation and wage growth remain elevated, the Council's Treasury Management Advisor, Arlingclose, forecasts that Bank Rate has peaked at 5.25%. The Bank of England's Monetary Policy Committee will start reducing rates in 2024 to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.

For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of existing investment rates (5%).

3. Local Context

On 31 December 2023, the Council held £3.5m of borrowing and £26m of treasury investments. The Council's investments will be spread over a number of financial institutions and return on investments will vary in accordance with the market. The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs or securing its interest revenues. Forecast changes in these sums are shown in the Balance Sheet analysis (at 31st March each year) in Table 1 below.

Table 1: Balance sheet summary and forecast.

	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m	2028/29 Forecast £m
Capital financing requirement	6.0	7.3	6.0	4.9	29.4	46.3	51.0
External Borrowing	(3.9)	(3.2)	(2.6)	(2.0)	(12.0)	(30.4)	(37.4)
Internal borrowing	**2.1**	**4.1**	**3.4**	**2.9**	**17.4**	**15.9**	**13.6**
Usable Reserves	23.1	23.0	20.0	15.0	10.0	10.0	10.0
Treasury investments	29.3	26.0	25.0	25.0	10.0	10.0	10.0

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current policy is to maintain borrowing below underlying requirements, sometimes known as internal borrowing.

The Council has an increasing CFR due to the significant capital programme proposed and will therefore be required to borrow in the medium term when investments are depleted over the forecast period. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council 's total debt should be lower than its highest forecast CFR over the next three years. Table 1 above shows that the Council expects to comply with this recommendation during 2024/25.

Liability benchmark

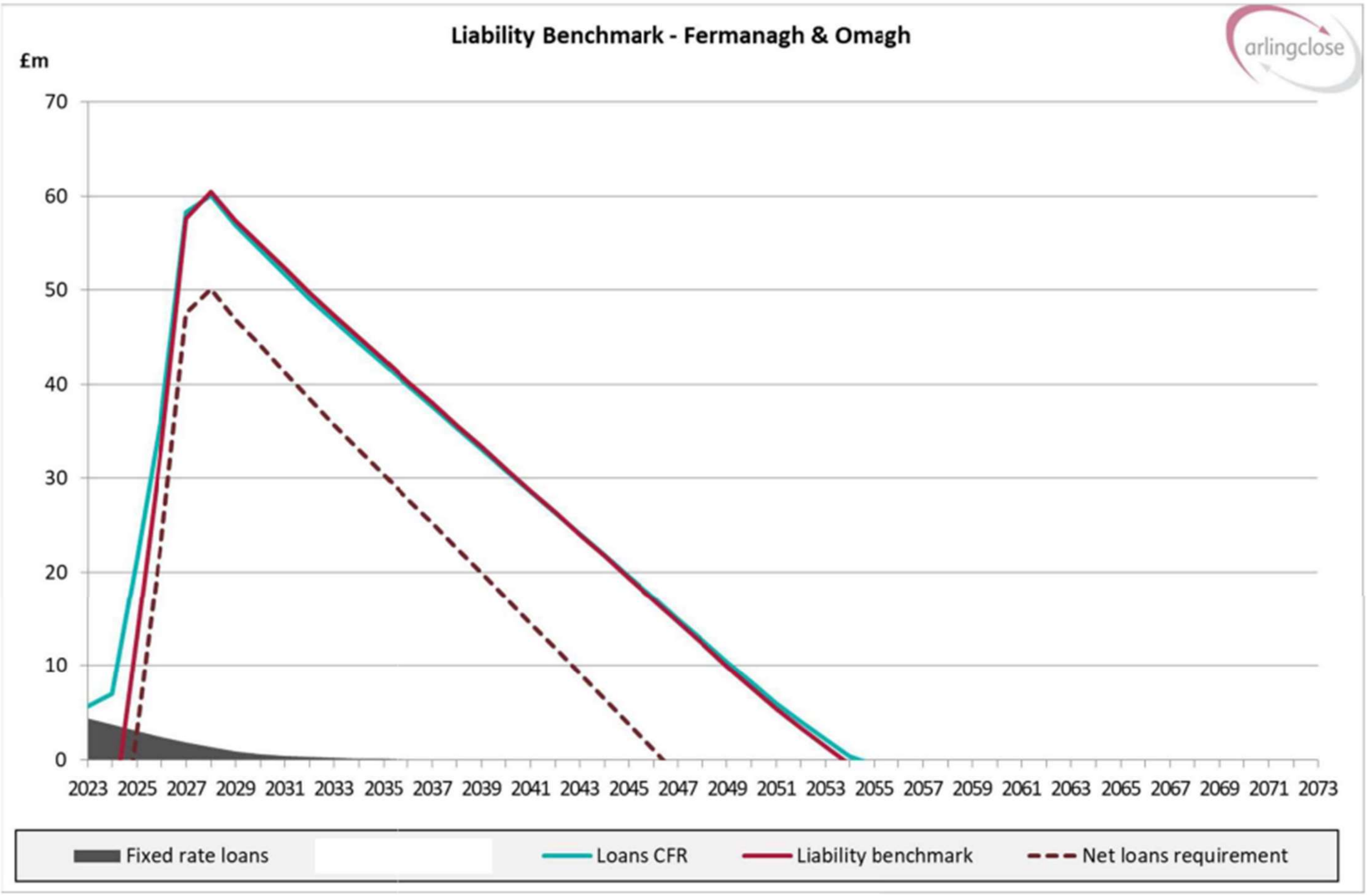
To compare the Council's actual borrowing against an alternative policy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as Table 1 above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shapes its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 2: Liability benchmark

	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m	2028/29 Forecast £m
CFR	6.0	7.3	6.0	4.9	29.4	46.3	51.0
Current External Borrowing	(3.9)	(3.2)	(2.6)	(2.0)	(1.5)	(1.0)	(0.7)
Internal (over Borrowing)	**2.1**	**4.1**	**3.4**	**2.9**	**27.9**	**45.3**	**50.3**
Balance Sheet Resources	30.0	26.0	25.0	19.0	17.5	15.5	12.0
Investments (Borrowing)	**27.9**	**21.9**	**21.6**	**16.1**	**(10.4)**	**(29.8)**	**(38.3)**
Treasury Investments	29.0	26.0	25.0	25.0	10.0	10.0	10.0
New Borrowing	**0**	**0**	**0**	**0**	**10.5**	**19.3**	**8.5**
Net Investment Position (Less Current External Borrowing)	**24.0**	**18.7**	**19.0**	**14.1**	**(11.9)**	**(30.8)**	**(39.0)**
Liquidity Allowance	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Liability Benchmark	**14.0**	**8.7**	**9.0**	**4.1**	**(21.9)**	**(40.8)**	**(49.0)**

Following on from the Medium-Term Forecasts in Table 2 above, the Council's long-term liability benchmark, which is shown in the chart below, assumes capital expenditure funded by borrowing of an average of £7.5m per year, minimum revenue provision on new capital expenditure based on a 25–30 year asset life, income and expenditure increasing by on average 4%-5%, and reserves decreasing in line with spend on the Capital Programme.



The table below shows the change in the Net Investment/Borrowing position and the Net Interest income/cost position as the Council's planned borrowing increases in line with the proposed Capital Forecast over the Medium Term.

Table 3: Net Summary Interest Position

	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m	2028/29 Forecast £m
Treasury Investments	29.0	26.0	25.0	25.0	10.0	10.0	10.0
External Loan Balance	(3.9)	(3.2)	(2.6)	(2.0)	(12.0)	(30.4)	(37.4)
Net Investment/ (Borrowing) Position	**25.1**	**22.8**	**22.4**	**23.0**	**(2.0)**	**(20.4)**	**(27.4)**
Investment Income (Reserves)	0.4	1.3	0.9	0.7	0.3	0.3	0.3
Loan Interest Payable	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)	(0.6)	(1.6)
Net Interest Income/ (Costs)	**0.2**	**1.1**	**0.7**	**0.6**	**0.2**	**(0.3)**	**(1.3)**

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 from loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure (this is known as the Council's Internal Borrowings).

Objectives: The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective. Recent experience has shown that the penalties in respect of early redemption of loans outweigh the benefits of re-financing the loans at lower interest rates. There are no current plans to carry out any debt rescheduling however, debt restructuring opportunities will be kept under review and should this situation change, Council will be informed.

Strategy: The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently at a 15-year high but are expected to fall in the coming years and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. The Council's Treasury Advisors, Arlingclose, will assist the Council with this 'cost of carry' and breakeven analysis.

The Council has previously raised all of its long-term borrowing from the Government Loans Fund via the Department of Finance but will consider long-term loans, when the need arises, from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. The Council does not need to, in the medium term, arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. Government loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity in order to retain its access to the government loans fund.

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, on receipt of a clear business case, 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. In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing
- Hire purchase

- Private Finance Initiative
- Sale and leaseback

The borrowing requirement comprises the expected movement in the Capital Financing Requirement (CFR). The Council's gross capital financing requirement for 2024/25 is estimated at £6.0m, but this can vary if the capital programme is amended during the year. Borrowing is held with the Government Loans Fund and at historical rates of between 2.93% and 10.88%. The Council's total estimated debt is lower than the highest forecasted Capital Financing Requirement over the period 2024-2029 as detailed in Table 1 above.

5. Treasury Investment Strategy

Strategy: As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of funds will be maintained to diversify risk into different sectors and boost investment income. The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. However the Council may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years and to manage inflation risk by investing usable reserves in instruments whose value rises with inflation.

Objectives
Both the CIPFA Code and the DfC guidance require 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. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in this Strategy Statement.

ESG policy: Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but frameworks for evaluating investment opportunities are still developing and therefore the Council's ESG process does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. The Council's aim is to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing frameworks are in place.

Strategy Statement: In setting this Strategy Statement, the Council is adopting the key principles and the clauses of CIPFA's Treasury Management in the Public Services, Code of Practice as described in Section 4 and 5 of that Code.

The Council defines its treasury management activities as:

(i) The management of its 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.
(ii) The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered to manage these risks.
(iii) The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Given the risk from short-term unsecured bank investments, the Council aims to continue to further diversify into more secure and/or higher yielding asset classes during 2024/25; the majority of Council surplus cash is currently invested in short-term unsecured bank deposits. This diversification represents an ongoing continuation of plans in place to diversify investments. The Council will seek to ensure that its stated treasury management strategy and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and will accordingly seek to protect itself from the effects of such fluctuations.

Under the IFRS 9 Accounting Standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

The Council will ensure that it has adequate though not excessive cash resources, borrowing arrangements, overdraft, or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its service objectives. Each investment decision is made with regard to cash flow requirements, resulting in a range of maturity periods within the investment portfolio.

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's treasury investment balance has ranged between £29.3m and £26.2m. Levels are expected to decrease over the forthcoming and subsequent years in line with proposed spend (subject to Business Case approval) and funding of the Council's capital programme.

Approved counterparties
The Council will only invest in specified investments which offer high security and high liquidity and satisfy the conditions below: -

Specified Investments

- The investment is denominated in sterling and any payments or repayments in respect of the investment are payable in sterling only
- The investment is not a long-term investment (has a maturity of less than one year)
- The investment does not involve the acquisition of share capital or loan capital in any body corporate
- The investment is made with a body or in an investment scheme which is deemed to have a good credit rating, or with the UK Government or a local Council
- The Council defines “good credit rating” organisations and securities as those having a long-term credit rating of “BBB” or higher. For money market funds and other pooled funds “good credit rating” is defined as those having a credit rating of “A-” or higher.

The following categories of investments may be used under the definition of specified investments:

- Short term cash deposits
- Call and notice accounts
- Certificates of Deposit (with maturity dates <1 year)
- UK Government Gilts (with maturity dates <1 year)
- Treasury Bills
- Money Market Funds
- Covered bonds (with maturity dates < 1 year)
- Loans to other Local Authorities

Non-Specified Investments

Non-specified investments are those investments which do not, by definition, meet the requirements of a specified investment as set out above.

The Council will only invest in non-specified investments which offer high security and high liquidity and satisfy the conditions below:-

- The investment is denominated in sterling and any payments or repayments in respect of the investment are payable in sterling only
- The investment does not involve the acquisition of share capital or loan capital in any body corporate
- The investment is made with a body or in an investment scheme which is deemed to have a good credit rating, or with the UK Government or a local Council
- The Council defines “good credit rating” organisations and securities as those having a long-term credit rating of “BBB” or higher. For money market funds and other pooled funds “good credit rating” is defined as those having a credit rating of “A-” or higher.

The following categories of investments may be used under the definition of Non-Specified Investments:

- Long term cash deposits (over 365 days)
- Long term loans to other local authorities (over 365 days)

Operational bank accounts

The Council may incur operational exposures, for example through its current accounts. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be continually monitored. Day to day banking will be provided by Bank of Ireland. Only cash resources deemed necessary to meet short term cash flow requirements will be retained in a current account at Bank of Ireland. The Council does not propose to change this unless doubt over its financial standing should arise.

If the long-term credit rating of Bank of Ireland is downgraded to below the minimum rating of “BBB”, the bank’s activities must be cautiously monitored to ensure necessary actions are taken to mitigate risks of financial loss. If the rating falls to “BB”, the value of investments should be capped with this bank at £500,000 and held in an instant access account.

Minimum credit rating
Credit Ratings are obtained and monitored by the Council’s Treasury Management Advisors, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “negative watch”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

The Council understands that credit ratings are good, but not perfect predictors of investment default. Full regard will therefore be given to relevant information, advice and guidance provided to the Council by its Treasury Management Advisors and other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria. If any doubt exists over its financial standing, then the institution will be removed from the counterparty list.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council ’s cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Counterparty List
A counterparty list will be maintained in compliance with the above criteria and the criteria will be revised and submitted to the Council for approval as necessary. Approved Financial Institutions must meet a minimum rating of “BBB.” If any of the financial institutions (or that of its group) cannot meet these criteria it will need to provide evidence to the Council to support its financial standing in order that it can be considered good credit quality. This Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited. The Council will spread its liquid cash over the providers to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

The Council has invested in a number of institutions not approved by its Treasury Management advisors, Arlingclose. These are the smaller local banks which do not fall within Arlingclose’s approval criteria. Any funds held in these accounts are on a short term or instant access basis to minimise any risk to the Council and as with all institutions, used by the Council, information is monitored and if any adverse changes should occur officers will act immediately to release funds from these institutions.

Investment Limits
The Council will invest surplus cash balances to a maximum (where possible) of 25% of the overall level of funds or £2 million with any one financial institution allocated on the basis of highest interest yield after being satisfied of the credit quality of the institution and the liquidity of the investment. Any variation of these balances will be presented to Council for approval. The Council is aware that its level of investment within any approved counterparty is significant in comparison to the total level of investment held and during 2024/25 the Council will aim to further extend the list of approved counterparties with the aim of reducing the level of funds held within any one financial institution. In particular, the Council will seek to explore more investment opportunities to include Money Markets within its maximum limit of investing for periods greater than 364 days of £2m in 2024/25.

6. Treasury Management Prudential Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the credit rating of its investment portfolio. The target Credit risk rating indicator for 2024/25 is BBB or higher. The current average counterparty rating of all financial institutions in which the Council holds investments is A+.

Credit risk indicator	Target
Portfolio average credit rating	**A+**

Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£4m

Interest rate exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates, based on current levels of external borrowing, will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	(£5,400)
Upper limit on one-year revenue impact of a 1% fall in interest rates	£5,400

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

Maturity Structure of Borrowing: This indicator is set to control the Council 's exposure to refinancing risk. Maturity structures of borrowing are the gross limits set to reduce the Council's exposure to large, fixed rate sums falling due to refinancing within the same financial year and are required for upper and lower limits. The percentage for the Lower Limit is the percentage of the Council's total debt that will mature in the periods defined. The percentage for the Upper Limit is the percentage of the Council's total debt that will mature in the periods defined and allowance of a maximum of 10% of additional borrowing repaid in that period.

Maturity Structure of Borrowing	Lower Limit	Upper Limit +10%
Under 12 Months	1%	1%
12 Months to 2 Years	2%	2%
2 Years to 5 Years	41%	45%
5 Years to 10 Years	65%	77%
10 Years and Above	100%	100%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Total Principal Sums Invested for periods longer than 1 year: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end which have been set at a maximum of 20% of the lowest cash position estimated for the year are detailed below.

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Principal sums invested > 364 days	£2m	£2m	£2m	£2m	£2m	£2m

Financial Implications

The budget for investment income in 2024/25 is £974k, which includes Investment income Directly attributable to Council Reserves of £782k, which is based on an average investment portfolio of £26m at an average interest rate of 5.2%. The budget for debt interest paid in 2024/25 is £163k based on a portfolio of debt of £3.2m at an average interest rate of 6.6%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecasts, performance against budget will be correspondingly different.

7. Related Matters

Financial Derivatives: Local authorities have previously made use of Financial Derivatives embedded into loans and investments both to reduce interest rate risk (e.g., interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g., Lender Option Borrower Option loans and callable deposits). The General Power of Competence in Section 79 of the Local Government Act (Northern Ireland) 2014 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e., those that are not embedded into a loan or investment). The Council does not use Financial Derivatives currently, but should the Council decide to enter into any Financial Derivative transactions in the future, they may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit. In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into Financial Derivatives to ensure that it fully understands the implications.

Markets in Financial Instruments Directive: The Council has opted up to professional client status with its providers of financial services, including advisors and banks, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

Treasury Management Advisors: - The Council has external providers in respect of Treasury Management advice procured through a joint collaborative procurement with the other Local Authorities in Northern Ireland. The treasury management advisors provide specific advice on investment, debt, and capital finance issues. The quality of this service will be controlled by regular monitoring of their performance against performance indicators as set out in their service contract. The Council recognises that the responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon any advisors.
The services provided by Arlingclose include:

- Daily reports of Bank Credit Ratings
- Weekly and monthly updates of economic data
- Alerts of any significant changes in economic data or bank ratings

- One to one advice as required by the Council.
- Training for Council staff on a bi-annual basis

Training and Qualifications

The needs of the Council's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA.

Accounting and Audit Arrangements

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The Policy and Resources Committee will have responsibility for the scrutiny of treasury management practices.

Corporate Governance

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness, transparency, honesty, integrity, and accountability. The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption, or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements to these ends. The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements and will maintain all related records to demonstrate compliance. It recognises that future legislative or regulatory changes may impact on its treasury management activities and, in so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the Council.

Reporting Arrangements

The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is always a clarity of treasury management responsibilities.

The Council will ensure that regular reports are prepared and considered on the implementation of its Treasury Management Strategy Statement on the effects of decisions taken and transactions executed and on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities. The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of polices, estimates and actuals. The **Council** will receive and review all reports on treasury management strategies, practices and activities. It will approve the Treasury Management Strategy Statement for 2024/25 in advance of the year as well as receive quarterly reviews and an annual report after the close of the financial year.

The **Policy and Resources Committee** has delegated responsibility from the Council for the implementation, regular monitoring of and approval of Treasury Management Strategy Statement for 2024/25. The Committee will also receive regular updates regarding revenue budgets and expenditure as well as updates on capital expenditure. This will include **A quarterly treasury management report** and **A mid year treasury management report** which will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy or any policies require revision and **An annual treasury report** which will provide details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy. It will also approve the selection of external service providers, as required.

The **Chief Financial Officer** has overall responsibility for the implementation and monitoring of the Treasury Management Strategy Statement for 2024/25. Further, the Chief Financial Officer is required to put forward a recommendation for the Treasury Management Strategy Statement for 2024/25 and to review and monitor compliance regularly. Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Chief Financial Officer and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis to ensure that these are adequate for liquidity purposes. The Chief Financial Officer will design, implement and monitor all arrangements for the identification, management, and control of treasury management risk, report annually on the adequacy of these arrangements, and report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives in this respect.

The **Head of Finance** has responsibility for the day-to-day management and administration of the Treasury Management Strategy Statement for 2024/25. The Head of Finance will prepare regular budgetary and management information as well as timely treasury management reports in line with the reporting requirements listed above.

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness.