



## TREASURY MANAGEMENT STRATEGY 2024/25

### Introduction

- 1.1 Treasury Management is the management of the council's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 1.2 This strategy has been prepared in accordance with the following guidance:
  - Department for Levelling Up, Housing and Communities (DLUHC) Statutory guidance on local government investments (2018)
  - DLUHC Statutory guidance on Minimum Revenue Provision (2018)
  - Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for capital finance in local authorities (2021)
  - CIPFA Treasury management in the public services: Code of practice (2021)
- 1.3 To support this Treasury Management Strategy (TMS), the council maintains Treasury Management Practices (TMP) that outline how the council's strategic policy objectives for treasury management will be achieved. The operational practices are maintained by the corporate finance team and approved by the Chief Finance Officer.
- 1.4 The council employs treasury management advisors, Link Group, who provide advice and guidance on treasury management activities, including interest rate forecasts. This is utilised to inform borrowing and investment decisions.
- 1.5 This report incorporates prudential and treasury indicators (Annex C) as required by the Prudential Code, and a treasury management policy statement (Annex E) as required by the Treasury Management Code of Practice.

### Economic Context

- 2.1 The UK economy remains challenging following a prolonged period of high interest rates and sticky inflation, caused by the global pandemic and the subsequent cost of living crisis. UK growth is stagnant, with Gross Domestic Product (GDP) at 0% for quarter 3 2023, currently narrowly avoiding a recession.
- 2.2 Domestic inflation rates are in decline, with Consumer Price Index (CPI) falling to 4.6% in October 2023, following a high of 11.1% in October 2022. The decline has been led mainly by falling food and energy prices.
- 2.3 Interest rates have been increasing since December 2021. In December 2023, the Bank of England's Monetary Policy Committee held the bank rate at 5.25% for the third time in succession. The market consensus is that the bank rate has likely peaked, given the declining trend in inflation, but a further rise is possible given the continued wage growth in the UK. Link Group have provided an interest rate forecast in Annex D, showing an expectation that interest rates will remain at 5.25% in the short term, and start falling gradually in quarter 2 2024/25.
- 2.4 There are some significant risks that could impact these forecasts. There are geo-political risks of ongoing conflicts, with a potential impact on oil prices and therefore an upside risk

to inflationary pressure. There are risks of inflationary pressure fuelled by wage growth, due to the continued low levels of UK unemployment (currently 4.2%).

## **Borrowing Strategy**

- 3.1 The council primarily borrows to fund capital expenditure; with borrowing driven by the requirements of the approved capital investment budget. The objective of the borrowing strategy is to manage the risk of current and potential future debt.
- 3.2 This strategy serves to balance the affordability of loan interest payments from the revenue budget with the long term stability of the debt portfolio. The strategy aims to achieve a low and certain cost of finance whilst retaining flexibility should financing requirements change in the future. The council will minimise cash balances by utilising internal borrowing where possible.
- 3.3 The Public Works Loan Board (PWLB) is the preferred route for borrowing across the local government sector. If borrowing is required, then the council will favour short term loans because the interest rates on long term loans are relatively high (PWLB 25 year rate is 5.5%, see Annex D). Longer term borrowing will only be considered when interest rates are lowered.
- 3.4 The approved sources of borrowing for the council are:-
  - Internal borrowing (reserves/balances)
  - Public Works Loan Board (PWLB)
  - UK Local Authorities
  - Any institution approved for investments (see Annual Investment Strategy section)
  - Any other bank or building society authorised to operate in the UK
  - UK public and private sector pension funds
  - Capital market bond investors
  - Local capital finance company and any other special purpose companies created to enable local authority bond issues
- 3.5 In addition, capital finance may be raised by the following methods that are not borrowing:-
  - Operating leases
  - Finance leases
  - Hire purchase arrangements
  - Private Finance Initiatives
  - Sale and leaseback arrangements
- 3.6 As at 31 October 2023, the council manages current loan debt of £121.3 million, which is detailed in Annex A (treasury portfolio) and Annex B (borrowing maturity profile). This comprises £109.3 million of Public Works Loan Board (PWLB) loans, which are all fixed interest long term loans, and £12 million Lender Option Borrower Option (LOBO) loans.
- 3.7 PWLB permits the repayment of loans before maturity by either paying a premium or receiving a discount according to a set formula based on current interest rates. This option will be kept under review and will be considered where this is expected to lead to an overall saving or reduction in risk.
- 3.8 The interest on the LOBO loans becomes due every 6 months. At this point, the lender has the option of increasing the interest rate, and the borrower can accept the interest rate increase, or pay back the loans.

- 3.9 The council borrowing is forecast to be £119.4 million at 31 March 2024. This is expected to increase to £162.4 million by 31 March 2025. The estimated movement of £43.0 million in 2024/25 is represented by additional prudential borrowing to fund capital spend of £52.3 million less £9.3 million Minimum Revenue Provision (MRP) charge.
- 3.10 The council has no short term loans in its existing debt portfolio. Short term loans can increase the risk exposure to high interest rates. This risk is mitigated by applying a cap on short terms loans to 50% of the debt total.

## **Investment Strategy**

- 4.1 The objective of the investment strategy is to ensure prudence is applied and risks are managed when the council holds surplus funds (income received in advance of expenditure).
- 4.2 The council will primarily consider security (protecting the capital sum invested from loss) and liquidity (ensuring the funds are available for expenditure when needed) before yield. For 2024/25 the council will continue to focus on Money Market Funds (MMF) which are liquid, diverse and spread the credit risk. There are currently relatively high rates of interest to be gained on MMFs, whilst keeping the risk levels at an appropriate level.
- 4.3 The council applies the credit worthiness service provided by Link Group. This service employs a modelling approach utilising credit ratings from three main credit rating agencies (Fitch, Moody's and Standard and Poor's). This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system to which Link Group allocate a series of colour coded bands with suggested maximum durations for investments.
- 4.4 Typically the minimum credit ratings criteria the council use will be short-term rating (Fitch or equivalents) of F1 and a long term rating of A-. There may be occasions when the counterparty ratings from one agency are marginally lower than these ratings but still may be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.
- 4.5 The council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- (Fitch or equivalents). If investments are to be made overseas then approval ahead of the investment being made is required from the Chief Finance Officer. Santander UK plc (a subsidiary of Spain's Banco Santander) and Clydesdale Bank plc (a subsidiary of National Australia Bank) will be classed as UK banks due to their substantial franchises and the arms-length nature of the parent-subsiary relationship.
- 4.6 Investment limits for approved counterparties are detailed in the table below for specified investments. Specified investments are those denominated in pound sterling, due to be repaid within 12 months, not defined as capital expenditure and invested in UK government/Local Authority/a high credit quality investment scheme (A- UK domiciled or AA- non UK domiciled).

**Table 1 Investment limits for approved counterparties**

Counterparty	Investment type	Rating	£ limit	Time limit
Banks and Building societies	Term deposits, certificate of deposit or corporate bond	Yellow Purple Orange Blue Red Green No colour	£5m £5m £5m £5m £5m £5m £nil	5 years 2 years 1 year 1 year 6 months 100 days None
Council's banker			£5m	Liquid
Debt Management Account Deposit Facility (DMADF)	DMADF account	AAA	Unlimited	6 months
UK Government	UK gilts or Treasury bills	UK sovereign	Unlimited	1 year
Multilateral development banks	Bonds	AAA	£5m	6 months
Local Authorities	Term deposits		£10m	1 year
Money Market Funds (MMF)	MMF	AAA	£10m	Liquid
Pooled funds	Pooled funds		£5m per fund	

- 4.7 Investment limits are detailed in the table below for non-specified investments. Non-specified investments are those that do not meet the definition of specified investments, for the council, this means those longer than 12 months.

**Table 2 Investment limits for non-specified investments**

Investment type	£ limit
Total long term investments	£5m
Total investments with unrecognised credit ratings	£5m
Total non-specified investments	£10m

- 4.8 The council will take an active approach to invest in environmental, social and governance (ESG) entities, but this will be a secondary consideration to security, liquidity and yield.
- 4.9 As at 31 October 2023, the council has £78.9 million of investments, spread across banks, other local authorities and MMFs. This current investment portfolio is detailed in Annex A.

## Annual Minimum Revenue Provision Statement

- 5.1 Where the council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the notional repayment of debt is known as Minimum Revenue Provision (MRP). The Local Government Act 2003 requires the council to have regard to the DLUHC Guidance on MRP most recently issued in 2018. The broad aim of the guidance is to ensure that a prudent provision is made to enable debt to be repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.
- 5.2 The council's MRP policy was formally reviewed by the council's external Treasury Management advisors in 2022/23 with recommended revisions to the policy supported by the Scrutiny Management Board in January 2023. The revised methods which inform the basis of calculations for each source of borrowing remain consistent with those recommended by government guidance to determine a prudent level of MRP.
- 5.3 In line with the guidance, the policy for the 2024/25 calculation of MRP is as follows:

**Table 3 MRP methodology and charge**

	MRP methodology	Indicative MRP charge 2024/25 £000
Supported borrowing	Annuity basis at rate of 4%	892
Prudential borrowing	Annuity basis at rate of 4%	8,447
<b>Subtotal</b>		<b>9,339</b>
Finance leases and private finance initiatives	Equal to value of payments that reduce the liability each year	2,457
<b>Total</b>		<b>11,796</b>

## ANNEX A Treasury Portfolio

The table below shows the treasury investment and borrowing positions as at 31 March 2023 and 31 October 2023.

**Table 4 Treasury portfolio**

Treasury investments	31 March 23 £000	31 March 23 %	31 Oct 23 £000	31 Oct 23 %
Banks	15,650	28%	10,000	13%
Banks – ESG “green” deposits	10,000	18%	10,000	13%
Local authorities	7,500	14%	5,000	6%
DMADF (HM Treasury)	5,000	9%	-	-
Money market funds	17,450	31%	53,870	68%
<b>Total treasury investments</b>	<b>55,600</b>	<b>100%</b>	<b>78,870</b>	<b>100%</b>

Treasury borrowing	31 March 23 £000	31 March 23 %	31 Oct 23 £000	31 Oct 23 %
Public Works Loan Board (PWLB)	(110,567)	90%	(109,250)	90%
Lender Option Borrower Option (LOBO)	(12,000)	10%	(12,000)	10%
<b>Total treasury borrowing</b>	<b>(122,567)</b>	<b>100%</b>	<b>(121,250)</b>	<b>100%</b>

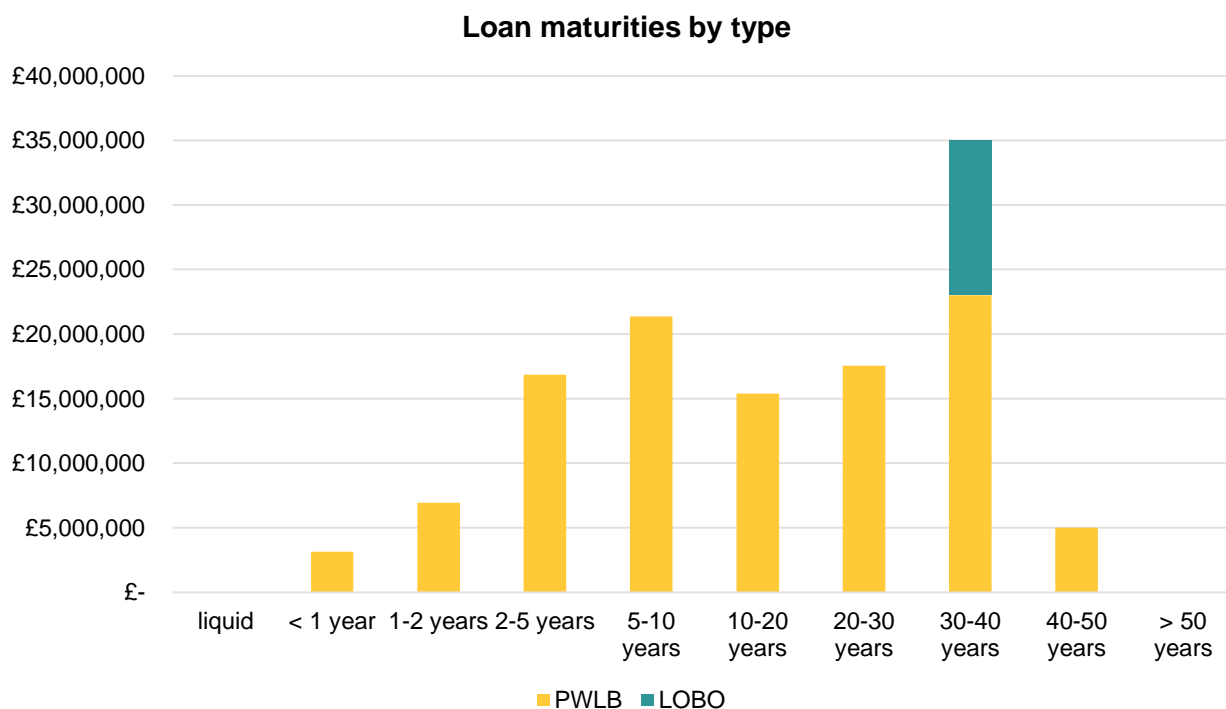
  

<b>Net treasury investments/(borrowing)</b>	<b>(66,967)</b>	<b>-</b>	<b>(42,380)</b>	<b>-</b>
---	-----------------	----------	-----------------	----------

## ANNEX B Borrowing Maturity Profile

The chart below shows when each loan matures over the next 50 years. The green block represents the LOBO loans, and the orange blocks represent PWLB loans.

**Chart 1 Loan maturity profile**



## ANNEX C Prudential and Treasury Indicators

### Background

- 1.1 The Local Government Act 2003 requires local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice.
- 1.2 To demonstrate that the council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored. The indicators set out parameters within which the council should operate to ensure the objectives of the Prudential Code are met.

### Prudential Indicator 1: Estimates of capital expenditure

- 2.1 The Prudential Code requires local authorities to make reasonable estimates of the total capital expenditure that it plans to incur during the forthcoming financial year and at least the following two financial years, as well as actual capital expenditure for the previous financial year.
- 2.2 The actual amount of capital expenditure that was incurred during 2022/23, the forecast amount for 2023/24 and the estimated amounts for 2024/25 plus two further years, based on the current approved capital programme, are noted in Table 5 below.

**Table 5 Estimates of capital expenditure and funding**

	2022/23 actual £000	2023/24 forecast £000	2024/25 estimate £000	2025/26 estimate £000	2026/27 estimate £000
Capital expenditure	46,411	68,873	156,373	50,791	19,187
Grants, contributions and capital receipts	36,431	51,013	104,053	23,551	7,306
Prudential borrowing	9,980	17,860	52,320	27,240	11,881
<b>Total funding</b>	<b>46,411</b>	<b>68,873</b>	<b>156,373</b>	<b>50,791</b>	<b>19,187</b>

### Prudential Indicator 2: Capital financing requirement

- 3.1 The Prudential Code requires local authorities to make reasonable estimates of the total capital financing requirement at the end of the forthcoming financial year and the following two years, as well as the actual capital financing requirement for the previous financial year.
- 3.2 The capital financing requirement (CFR) measures the council's underlying need to borrow for a capital purpose. It represents the capital expenditure not financed by capital receipts, capital grants, contributions or a direct revenue charge. The actual CFR for 2022/23, the forecast amount for 2023/24 and the estimated amounts for 2024/25 plus two further years are noted in Table 6 below.

**Table 6 Capital financing requirement**

	2022/23 actual £000	2023/24 forecast £000	2024/25 estimate £000	2025/26 estimate £000	2026/27 estimate £000
CFR excluding PFI	261,398	269,018	310,584	326,478	326,056
PFI and finance leases*	43,046	41,705	39,390	37,048	34,670
<b>Total CFR</b>	<b>304,444</b>	<b>310,723</b>	<b>349,974</b>	<b>363,526</b>	<b>360,726</b>

\* this value is expected to increase following the adoption of IFRS 16 from 1 April 2024.

**Prudential Indicator 3: Gross debt and the capital financing requirement**

- 4.1 The Prudential Code requires local authorities to ensure that the total gross debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.
- 4.2 This indicator monitors the requirement for debt not to exceed the CFR. The actual ratio for 2022/23, the forecast amount for 2023/24 and the estimated amounts for 2024/25 plus two further years. The ratio of gross debt to CFR is below 100% for each of the disclosed years, confirming that gross debt does not exceed CFR, and that the council is operating within the parameters as set out in the Prudential Code.

**Table 7 Ratio of gross debt to CFR**

	2022/23 actual £000	2023/24 forecast £000	2024/25 estimate £000	2025/26 estimate £000	2026/27 estimate £000
Gross debt	123,833	137,326	182,709	203,800	209,257
CFR	304,444	310,723	349,974	363,526	360,726
<b>Ratio of gross debt to CFR</b>	<b>41%</b>	<b>44%</b>	<b>52%</b>	<b>56%</b>	<b>58%</b>

**Prudential Indicator 4: Authorised limit for external debt**

- 5.1 The Prudential Code requires local authorities to set an authorised limit for its gross external debt for the forthcoming financial year and the following two years.
- 5.2 The authorised limit represents an upper limit of borrowing that the council can legally owe. The actual limit for 2022/23, the forecast amount for 2023/24 and the estimated amounts for 2024/25 plus two further years. By comparing the gross debt figures in table 7 to the authorised limits in table 8, it is confirmed that the council is operating within the parameters as set out in the Prudential Code.



**Table 8 Authorised limit**

	2022/23 actual £000	2023/24 forecast £000	2024/25 estimate £000	2025/26 estimate £000	2026/27 estimate £000
External borrowing	350,000	350,000	350,000	350,000	350,000
Other long term liabilities	70,000	70,000	70,000	70,000	70,000
<b>Total authorised limit</b>	<b>420,000</b>	<b>420,000</b>	<b>420,000</b>	<b>420,000</b>	<b>420,000</b>

**Prudential Indicator 5: Operational boundary for external debt**

- 6.1 The Prudential Code requires local authorities to set an operational boundary for its gross external debt for the forthcoming financial year and the following two years.
- 6.2 The operational boundary is the limit beyond which external debt is not normally expected to exceed, and provides a parameter to monitor day to day treasury management activity. The actual limit for 2022/23, the forecast amount for 2023/24 and the estimated amounts for 2024/25 plus two further years. By comparing the gross debt figures in table 7 to the operational boundaries in table 9, it is confirmed that the council is operating within the parameters as set out in the Prudential Code.

**Table 9 Operational boundary**

	2022/23 actual £000	2023/24 forecast £000	2024/25 estimate £000	2025/26 estimate £000	2026/27 estimate £000
External borrowing	340,000	340,000	340,000	340,000	340,000
Other long term liabilities	60,000	60,000	60,000	60,000	60,000
<b>Total operational boundary</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>

**Prudential Indicator 6: Ratio of financing costs to net revenue stream**

- 7.1 The Prudential Code requires local authorities to estimate the proportion of financing costs to net revenue stream for the forthcoming financial year and the following two years, as well as actual figures for the previous financial year.
- 7.2 This ratio highlights the proportion of the revenue budget required to meet financing costs and is an indicator of the affordability of borrowing. The actual limit for 2022/23, the forecast amount for 2023/24 and the estimated amounts for 2024/25 plus two further years. The calculated ratios of between 7% and 9% confirm that the council's borrowing is currently considered to be affordable.

**Table 10 Ratio of financing costs to net revenue stream**

	2022/23 actual £000	2023/24 forecast £000	2024/25 estimate £000	2025/26 estimate £000	2026/27 estimate £000
MRP (excluding PFI)	9,228	8,649	9,339	10,692	11,477
Interest payable	4,990	4,542	5,812	7,211	7,931
<b>Total financing costs</b>	<b>14,218</b>	<b>13,191</b>	<b>15,151</b>	<b>17,903</b>	<b>19,408</b>
Net revenue stream	185,943	193,308	205,170	220,348	220,874
<b>Ratio of financing costs to net revenue stream</b>	<b>8%</b>	<b>7%</b>	<b>7%</b>	<b>8%</b>	<b>9%</b>

**Prudential Indicator 7: Maturity structure of borrowing**

- 8.1 The council sets upper and lower limits for the maturity structure of its borrowing to mitigate against the risk of exposure to interest rate fluctuations on debt refinancing. The table below shows the upper limit, the lower limit, the actual level for 2022/23 and the forecast level for 2023/24. This confirms that the council is operating within the lower and upper limit.

**Table 11 Maturity structure of borrowing**

	2022/23 actual %	2023/24 forecast %	Lower limit %	Upper limit %
Under 12 months	4%	2%	0%	10%
Between 12 months and 24 months	6%	6%	0%	10%
Between 24 months and 5 years	14%	14%	0%	25%
Between 5 years and 10 years	17%	18%	0%	35%
10 years and above	59%	60%	0%	80%
	<b>100%</b>	<b>100%</b>		

**Prudential Indicator 8: Upper limit of investments over 364 days**

- 9.1 The council sets an upper limit for total principal sums invested over 364 days to mitigate against the risk of exposure to loss due to early repayment requirements. The actual limit for 2022/23, the forecast amount for 2023/24 and the estimated amounts for 2024/25 plus two further years. This is monitored through-out the year in day to day treasury management activity.

**Table 12 Upper limit of investments over 364 days**

	2022/23 actual £000	2023/24 forecast £000	2024/25 estimate £000	2025/26 estimate £000	2026/27 estimate £000
Upper limit	5,000	5,000	5,000	5,000	5,000

**Prudential Indicator 9: Ratio of net commercial and service investments income to net revenue stream**

- 10.1 The Prudential Code requires local authorities to estimate the proportion of net income from commercial and service investments to net revenue stream for the forthcoming financial year and the following two years, as well as actual figures for the previous financial year.
- 10.2 This ratio highlights the proportion of the revenue income budget reliant on commercial income. The actual limit for 2022/23, the forecast amount for 2023/24 and the estimated amounts for 2024/25 plus two further years. The calculated ratios of 1% confirm that the council is not over reliant on this income.

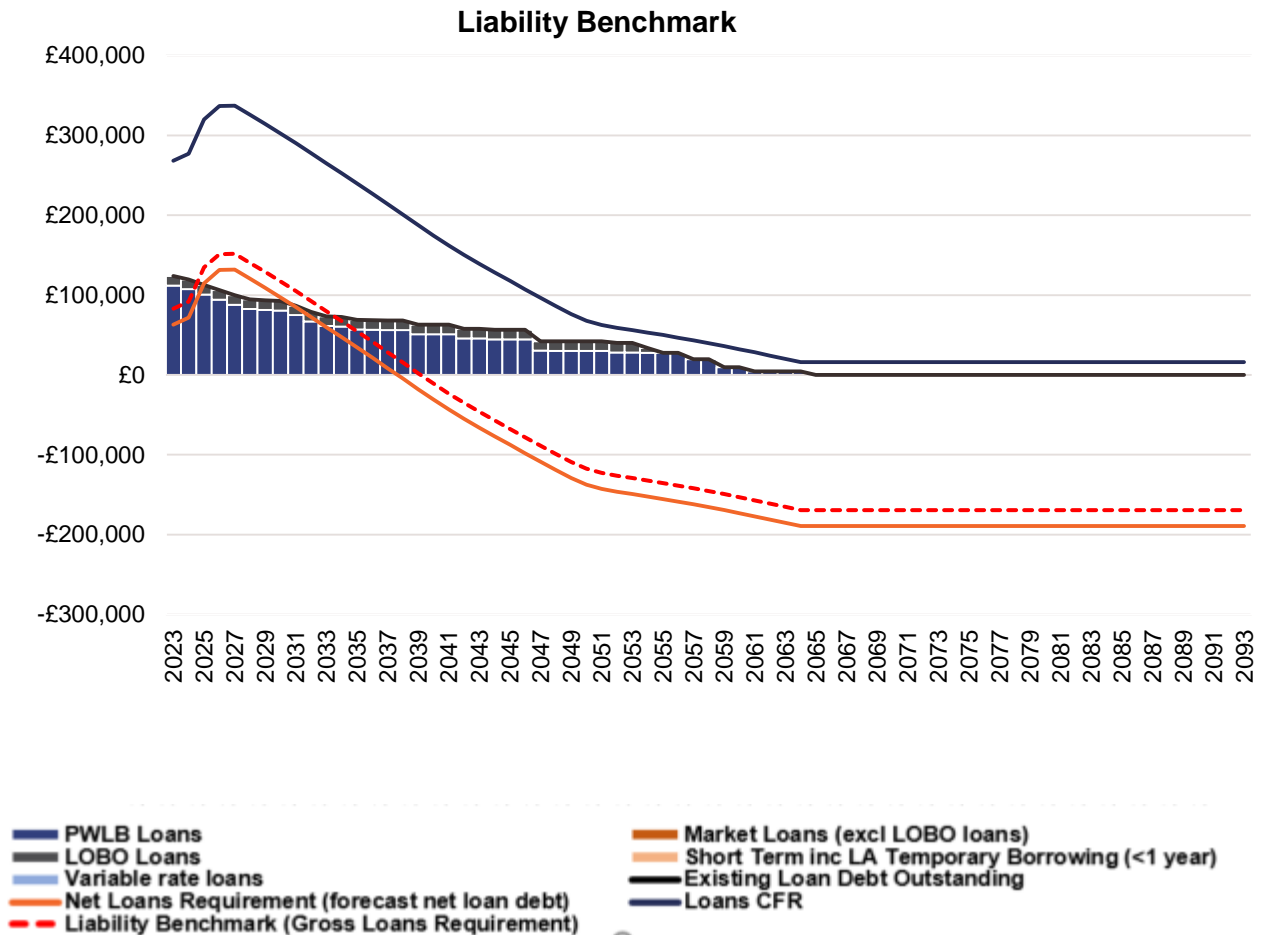
**Table 13 Ratio of net commercial and service investments income to net revenue stream**

	<b>2022/23 actual £000</b>	<b>2023/24 forecast £000</b>	<b>2024/25 estimate £000</b>	<b>2025/26 estimate £000</b>	<b>2026/27 estimate £000</b>
Total net income from commercial and service investments	2,135	2,365	2,369	2,373	2,378
Net revenue stream	185,943	193,308	205,170	220,348	220,826
<b>Ratio of commercial income to net revenue stream</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>

**Prudential Indicator 10: Liability benchmark**

- 11.1 The liability benchmark provides a measure of how well the existing loans portfolio matches planned borrowing needs for capital. It is calculated by deducting investable resources on the balance sheet from the outstanding debt liability, adjusting for a minimum investment allowance. A borrowing requirement is anticipated where the liability benchmark (red dotted line) is greater than the existing debt.
- 11.2 The existing loans portfolio is shown on the chart below as blue and grey bar charts. The liability benchmark is the red dotted line. By comparing these, it can be seen that the council is under-borrowed, meaning that it is utilising its strong balance sheet position instead of increasing loan debt. There is no short term additional borrowing need for the current approved capital commitments.

**Chart 2 Liability benchmark in £'000s**



## ANNEX D Interest Rate Forecast

Link Group provide the council with interest rate forecasts as part of their advisory role. The following forecasts for the bank base rate and Public Works Loan Board (PWLB) rates were provided on 7 November 2023.

**Table 14 Link Group interest rate forecasts**

	Dec 23	Mar 24	Jun 24	Sep 24	Dec 24	Mar 25	Jun 25	Sep 25	Dec 25	Mar 26	Jun 26	Sep 26	Dec 26
Bank base rate %	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
PWLB 5 year rate %	5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
PWLB 10 year rate %	5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
PWLB 25 year rate %	5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
PWLB 50 year rate %	5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

# ANNEX E Treasury Management Policy Statement

## Statement of Purpose

- 1.1 Herefordshire Council adopts the recommendations made in CIPFA's Treasury Management in the Public Services: Code of Practice guidance, which was revised in 2021. The council adopts the following key principles and clauses.

## Key Principles

- 2.1 Herefordshire Council adopts the following three key principles (identified in Section 4 of the Code):
- The council will put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of its treasury management activities.
  - The council will ensure that its policies and practices make clear that the effective management and control of risk are prime objectives of its treasury management activities and that responsibility for these lies clearly with the council. In addition, the council's appetite for risk will form part of its annual strategy and will ensure that priority is given to security and portfolio liquidity when investing treasury funds.
  - The council acknowledges that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of business and service objectives, and that within the context of effective risk management, the councils treasury management policies and practices should reflect this.

## Adopted Clauses

- 3.1 Herefordshire Council formally adopts the following clauses (identified in Section 5 of the code):
- The council will create and maintain, as the cornerstones for effective treasury management:
    - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
    - Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the council. Such amendments will not result in the organisation materially deviating from the Code's key principles.

- Full council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close in the form prescribed in its TMPs.
- The responsibility for the implementation and regular monitoring of treasury management policies and practices is delegated to Cabinet and for the execution and administration of treasury management decisions to the Director of Resources and Assurance, who will act in accordance with the organisation's policy statement

and TMPs and, if they are a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

- The council nominates Scrutiny Management Board to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

### **Definition of Treasury Management**

4.1 Herefordshire Council defines its treasury management activities as: -

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

### **Policy Objectives**

- 5.1 Herefordshire Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the council, and any financial instruments entered into to manage these risks.
- 5.2 Herefordshire 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.

### **Non-treasury investments**

- 6.1 Herefordshire Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries and investment property portfolios.
- 6.2 Herefordshire Council will ensure that all investments in the capital programme will set out, where relevant, the risk appetite and policy and arrangement for non-treasury investments. The risk appetite for these activities may differ from that of treasury management.
- 6.3 Herefordshire Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisations risk exposure within its annual statement of accounts.