

Report to	<b>Audit Committee</b>
Date	<b>18 March 2024</b>
Lead Officer	<b>Dafydd Edwards - Treasurer</b>
Contact Officer	<b>Helen MacArthur – Assistant Chief Fire Officer</b>
Subject	<b>Treasury Management Practices (TMPs)</b>



## PURPOSE OF REPORT

1. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management requires North Wales Fire and Rescue Authority (the Authority) to approve relevant practices, principles and schedules annually. These are required to ensure that the Authority's Treasury Management policy is set and adhered to, and to establish working practices and controls in order to implement the approved strategy.

## EXECUTIVE SUMMARY

2. As part of the governance arrangements for Treasury Management, the Authority is required to adhere to key elements of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code).
3. Section 5 of the Code sets out the formal documents that must be in place and approved by the Authority. These include:
  - A treasury management policy statement stating the policies, objectives, and approach to risk management in treasury management activities; and
  - A statement of treasury management practices (TMPs), setting out the manner in which the Authority / Service will seek to implement those policies to achieve the objectives, and prescribing how it will manage and control those activities.
4. The responsibility for establishing these arrangements ultimately rests with the Authority, who will approve the investment management policies, practices and activities, and approve an annual strategy and plan, in advance of the year. Thereafter, quarterly scrutiny and monitoring is delegated to the Audit Committee.

5. The day to day administration and execution of treasury management decisions are undertaken in accordance with the Service's scheme of delegation by the Head of Finance and Procurement and the Finance team, under the ACFO Finance and Resource's guidance, with oversight by the Authority Treasurer (the Section 151 Officer). All relevant officers will act in accordance with the Authority's policy statement, TMPs, and CIPFA's Code of Practice for treasury management.
6. The Authority's treasury advisor, Arlingclose, provides finance officers with daily information on investment counterparties' credit ratings, economic summaries, and advice on interest rate trends with a view to facilitating timely borrowing.
7. The Audit Committee will scrutinise reports on the Authority's treasury and investment management policies, practices and activities, and will recommend approval thereof by the Authority. In advance of each financial year, the Audit Committee will scrutinise reports on the Authority's annual strategy and plan, and will recommend approval by the Authority. The Audit Committee will also scrutinise and approve in-year quarterly updates and an annual report after year-end, in the form prescribed by the Authority's TMPs.

## RECOMMENDATION

8. Members are asked to:
  - i) **recommend that the Authority approve the Treasury Management Practices, Principles and Schedules for 2024/25 as set out in this report and Appendix. This will ensure compliance with CIPFA's Code of Practice for Treasury Management.**

## BACKGROUND

9. The Authority defines its treasury management activities as the management of the Authority's borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.
10. CIPFA's Treasury Management in the Public Services: Code of Practice (the Code) provides the governance framework for these activities. Compliance with the Code demonstrates that the Authority has taken reasonable measures in this complex and technical area.

## INFORMATION

11. Effective treasury management supports the Authority's achievement of its business and service objectives. The Authority 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.
12. The Authority's borrowing is required to be affordable, sustainable and prudent, and consideration will be given to the management of interest rate risk and refinancing risk. The source of borrowing and the type of borrowing should allow the Authority transparency and control over its debt. The Authority'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 Authority's long-term plans change is a secondary objective.
13. The Authority's priority in relation to its treasury investments (primarily cash deposits in banks) is the security of capital and liquidity (or accessibility) of these investments. The Authority's objective when investing treasury monies is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults, and the contradictory risk of receiving unsuitably low investment income.
14. The Authority only invests in the short term, for treasury management purposes and does not invest balances for more than one year.
15. Day to day management of the treasury function is implemented by the Finance and Procurement Department, with information and advice from the Authority's treasury advisor, Arlingclose. The Treasury Management Practices document sets out the responsibilities and duties of Members and officers, allowing a framework for reporting and decision making on all aspects of treasury management.
16. The Authority's proposed Treasury Management Practices for 2024/25 are set out within Appendix 1 of this report, and provide the mechanism by which the treasury management activities will be undertaken and the associated risks managed.

## IMPLICATIONS

Wellbeing Objectives	Effective treasury management enables the Authority to achieve its long-term well-being objectives which are: To support people to prevent accidental dwelling fires and stay safe if they do occur; To facilitate high quality, responsive and better integrated fire and rescue services so that prevention activity and emergency response can continue to be available when and where required, affordably, equitably and on the basis of risk
Budget	Minimum Revenue Provision and interest costs form part of the budget. For 2024/25 this will be £2.8m.
Legal	The Authority has a legal duty to set a balanced revenue budget. This includes the cost of treasury management.
Staffing	None – treasury management is competed by staff within the Finance and Procurement Department
Equalities/Human Rights/ Welsh Language	None
Risks	Income and expenditure is closely monitored to ensure that deviations from the approved budget are properly identified and reported to Members. This includes the movement in treasury management costs.