**SPECIFICATION - REQUIREMENTS**

**1 Introduction**

1.1 F&HDC’s net expenditure for 2021/22 before use of reserves is £20m. The balance sheet position remains strong with ear-marked usable reserves at 31 March 2021 of £56.3m. General fund ear-marked reserves account for £23.5m of this, being set aside for significant service improvement initiatives.

**2 Scope**

2.1 Treasury management functions are carried out by F&HDC's in-house finance team. This team is responsible for providing the information to enable senior management and members make responsible investment and borrowing decisions. They report on treasury management activities to senior managers and elected Members as well as forecasting and monitoring the capital financing and interest balances budgets, modelling scenarios for effective use of F&HDC’s resources, financial accounting for treasury activities and production of policy and procedural documentation. For context, the following table provides a profile of treasury management activities for 2020/21:

|  |  |
| --- | --- |
| **Investments** |  |
| Investment Balance as at 31/3/2021 | £18.8m |
| Weighted Average Maturity (WAM) at 31/3/2021 | 19 days |
| Average Interest Rate Returned in 2020/21 | 2.00% |
| **Borrowing** |  |
| Capital Financing Requirement (CFR) at 31/3/2021 | £126.9m |
| External Borrowing at 31/3/2021 (PWLB) | £79m |
| Average Interest Rate Paid in 2020/21 | 3.14% |

**3 Core Requirement**

**Economic Advice and Interest Rate Forecasting**

3.1 Provision of intra-day PWLB rates by email or through your client web portal.

3.2 Forecasting and notification of imminent changes to PWLB rates given regard to F&HDC’s underlying borrowing strategy by telephone, email or other appropriate electronic communication channels agreed with F&HDC.

3.3 The daily provision of key economic information likely to impact on interest rates relevant for the local authority treasury management function by email or through your client web portal.

3.4 Regular notification (minimum weekly) by email or through your client web portal of interest rate forecasts ranging from short-term (quarterly for next 18 months) to the medium term (annual up to 5 years). Covers base rate, short-term and long term money rates and selected PWLB rates (eg 5, 10, 20 & 50 years).

3.5 A monthly newsletter by email or other appropriate electronic communication channel detailing key economic issues likely to have an impact on local authority treasury management decisions, which explain and interpret complex issues in an easy to read and understandable form.

3.6 A comprehensive quarterly review of economic and interest rates outlook by email or other appropriate electronic communication channel.

**Investment Advice**

3.7 To advise on keeping F&HDC’s funds secure and on how risk should be managed.

3.8 To advise on the formulation, and subsequent amendment, of a suitable investment strategy appropriate to the Council’s financial objectives, ensuring advice is compliant with changing regulations, accounting standards, professional codes and best practice.

* 1. To advise on the ‘in-house’ management of investments giving regard to the economic conditions and interest rates provided above and to F&HDC’s approved Annual Investment Strategy. Advice to include suggestions regarding investment on, but not limited to, the following:
1. options
2. instruments
3. duration
4. amounts

3.10 To provide information on F&HDC’s investment performance including comparison to other public sector clients.

3.11 The consultant should be prepared to explain their reasoning for any investment advice or suggestions made including relevant key risks to be considered.

**Investment Counterparty Advice**

3.12 To assist in establishing a suitable credit risk assessment approach for counterparties required as part of the Annual Investment Strategy which reflects the Council’s appetite for risk.

3.13 To provide up to date advice, and in accordance with the Chartered Institute of Public Finance Accountants (CIPFA) and Department for Levelling Up,
Housing & Communities (DLUHC) guidance and/or instructions, on which counterparties should be included or removed from F&HDC’s lending lists and the limits for individual (or group) counterparties (amount and period of investment).

3.14 To provide up to date information and advice relevant to monitoring credit risk, and in accordance with CIPFA and DLUHC guidance and/or instructions, to include:

1. maintaining an investment counterparty list based on the risk criteria outlined in the Council’s approved Annual Investment Strategy, specifically guidance on which counterparties should be included or removed from F&HDC’s lending lists and the limits for individual (or group) counterparties (amount and period of investment).
2. providing a ‘live’ or current counterparty list through your client web portal,
3. notification of any changes to counterparty credit ratings immediately by email.
4. providing advice on any credit rated or non-credit rated institution as requested by the Council in relation to its investment activity.

**Debt and Borrowing Advice**

3.15 Borrowing Advice

1. To advise on the formulation, and subsequent amendment, of a suitable borrowing strategy appropriate to F&HDC’s financial objectives, ensuring advice is compliant with changing regulations, accounting standards, professional codes and best practice.
2. To advise on the appropriate borrowing level linked to the balance sheet.
3. To advise on the timing and duration of borrowing with regard to F&HDC’s expenditure plans, prospect for interest rates and existing maturity profile of borrowings.
4. To advise on the amount of variable rate debt that may be beneficial to hold at any one time.
5. To advise on the source of funds (PWLB, market loans or other instruments).
6. To provide information and advice on new developments regarding borrowing, both regulatory and market related.

3.16 Debt Restructuring

1. To review F&HDC’s debt portfolio to identify possible opportunities to restructure it to achieve savings to the General Fund and/or Housing Revenue Account.
2. To advise on the accounting treatment of debt restructuring transactions to satisfy regulatory and statutory obligations.

3.17 The consultant should be prepared to explain their reasoning for any debt or borrowing advice or suggestions made including relevant key risks to be considered.

**Strategy Production and Advice**

3.18 Financial Overview

* + 1. To perform an annual Balance Sheet review, first one to be within one month of contract start date, to ascertain the optimum levels for borrowings and investments giving regard to the Capital Financing Requirement, the levels of cash reserves and balances and current and forecast market conditions.
		2. To provide future years’ forecasts of interest rates together with key economic data and relevant commentary to assist in determining the financial implications for the debt and investment portfolios.
		3. To attend a review meeting with the Council at least twice a year to cover both relevant treasury management and capital accounting issues. The consultant must be able to explain any technical issues in a manner that is relevant to the audience.

3.19 To provide advice and guidance on formulating and maintaining a Treasury Management and Investment Strategy, Prudential Indicators, Minimum Revenue Provision policy and calculation and the Capital Financing Requirement. The advice shall be tailored to the specific needs of F&HDC, taking into account its appetite for risk.

3.20 To keep strategies under review to ensure they remain current and relevant. Strategy review meetings shall be held with Council officers at least twice per year, meetings to be held at F&HDC's principal offices. The Supplier shall attend one meeting a year of the relevant Committee responsible for scrutinising the Treasury Management function to comment on treasury management strategies and performance.

3.21 To provide timely template reports to assist with the production of the following treasury management reports and documents:

1. Annual Treasury and Investment Strategies
2. Quarterly and Mid-Year Review Reports
3. Annual Treasury Review Report
4. Treasury Management Practices

**Regulatory and Accounting Technical Advice**

3.22 To have a proactive approach to developments and opportunities in treasury management, including bringing to F&HDC's attention changes to legislation and accounting requirements.

3.23 To provide full, clear and unambiguous explanations of all technical issues as they arise.

3.24 To provide timely guidance and support on issues in order for F&HDC to meet all relevant legislative and regulatory requirements and including CIPFA’s

1. Code of Practice for Treasury Management in the Public Services.
2. Prudential Code for Capital Finance in Local Authorities.

3.25 To provide timely guidance and support on all technical and accounting issues linked to treasury management and capital finance arising from relevant legislation and codes of practice and support on documentation for year-end Accounts and external audit challenges.

3.26 To include an annual closure of accounts service as part the contract to include provision of Fair Value and credit loss calculations for all loans and investments and a review of Treasury Management Closure of Accounts Working Papers.

3.27 To provide timely guidance and suggested responses to consultation documents issued by either the Government or CIPFA concerning proposed changes to legislation or accounting issues relevant to treasury management or capital accounting.

**Training and Support**

3.28 To provide free to attend seminars and training opportunities relevant to both treasury management and capital accounting designed to support the ` the relevant designated officers within the Council with access to a dedicated website to support the consultancy service provided.

**4. Optional Services**

4.1 Please provide a cost for the following options:

* 1. If F&HDC were to use an external fund manager for any or all of its investment portfolio to review their performance and provide advice, on an annual basis. This is to exclude the CCLA Local Authorities Property Fund which is already held as part of F&HDC’s current and ongoing investment portfolio.
	2. To provide a training event for Council Members based on F&HDC’s requirements, but specifically to enhance the understanding of their role in Treasury management and their ability to scrutinise both treasury management and capital prudential indicators. The event is to be held at a time and location convenient for the Members.
	3. Leasing Advisory Service - Where notified by F&HDC the Supplier shall, provide a leasing advisory service offering option appraisal, Purchase Agency Agreement facility, tendering support, existing lease agreement administration and end of lease support or general support regarding regulatory framework governing leasing in the public sector.

**5. Staff Qualifications and Experience**

5.1 The Relationship Manager allocated to F&HDC must be CCAB (Consultative Committee of Accounting Bodies) qualified with a minimum of five years local government/public sector experience in this area. Officers involved in providing Advice and Closure of Accounts Review and Fair Value Calculations must be CCAB qualified, preferably with a minimum five years local government/public sector experience. The supplier must have access to qualified Economic Analysts with relevant experience in this area. They must also have significant experience of rescheduling debt with other local authorities or Public Bodies.

**6.** **Contract and Performance Management Requirements**

**6.1 Responsibilities of F&HDC**

6.1.1 F&HDC will monitor the contract with on-going review of service delivery and identify a Contract Manager to liaise with the Supplier’s Account Manager to remedy any non-delivery issues.

**6.2 Responsibilities of the Supplier**

6.2.1 The supplier will work with the Contract Manager of F&HDC to review and resolve any issues in a timely manner

6.2.2 Communications

* Response to queries via telephone and/or email to be within twenty four hours
* Template reports required at least four weeks prior to committee meeting dates
* Performance Benchmarking reports required no later than ten days after quarter end.

6.2.3 Web Services

* Any web services provided to be accessible during normal working hours of 8am to 5pm.

**6.3 Account Management**

6.3.1 F&HDC’s Contract Manager will be identified and can be contacted for further information or any issues or to give feedback

6.3.2 The Contract Manager shall be available for queries during Normal Working Hours.

* + 1. The Supplier has nominated an Account Manager for F&HDC. Any contact F&HDCs makes with the Supplier, should, in the first instance be made through xxxxxxx by contacting F&HDC on xxxxxx (to be added before contract signing)
		2. The supplier Account Manager shall be available for queries during Normal Working Hours 8:00am to 5:00pm.

6.4 Monitoring and Review

6.4.1 F&HDC requires regular contact from their Account Manager with additional attendance by the Account Manager at ad-hoc internal review meetings. Initially for the first six months, bi-monthly meetings should be diarised, with quarterly meetings thereafter. F&HDC and the Supplier may agree to move this to less frequently, if this proves appropriate for the circumstances.

6.5 Complaints and issues

6.5.1 In the event of any issues, F&HDC Contract Manager shall in the first instance contact the Supplier’s Account Manager for resolution.

* + 1. Any complaints raised will be managed in accordance with the agreed complaints procedure. This process ensures that all complaints are dealt with in a professional manner, and to the satisfaction of F&HDC.