Classification	Decision Type
Open	Non - Key

Report to:	Overview and Scrutiny- 8 February Cabinet – 16 February	**Date:** 8 February 2022 16 February 2022
Subject:	Treasury Management Strategy and Prudential Indicators 2022/23	
Report of	Leader and Cabinet Member for Finance and Growth	

Executive Summary:

1.0 The report sets out the proposed strategy for 2022/2023 in respect of the following aspects of the Treasury management function. It is based upon the Treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor. The Strategy covers:

- Capital plans and prudential indicators;
- The minimum revenue provision policy.
- The current treasury position.
- Treasury limits in force which will limit the treasury risk and activities of the Council.
- Prospects for interest rates.
- The borrowing strategy.
- Policy on borrowing in advance of need.
- Debt rescheduling.
- The investment strategy.
- Creditworthiness policy.
- Policy on use of external service providers.

1.1 The primary objective of the Council's treasury management function will continue to be the minimisation of financing costs whilst ensuring the stability of the Council's long term financial position by borrowing at the lowest rates of interest and by investing surplus cash to earn maximum interest, all at an acceptable level of risk.

1.2 The overall strategy for 2022/23 will be to finance capital expenditure by reducing cash/investment balances and using short term temporary borrowing rather than more expensive longer-term loans. The taking out of longer-term loans (1 to 10 years) to finance capital spending will only then be considered if required by the Council's underlying cash flow needs. Some long-term loans (over 10 years) may be undertaken to replace debt which matures in the year. With the reduction of cash balances the level of short-term investments will fall. Given that investment returns are likely to remain low, estimated at 0.75% for the financial year 2022/23, then savings will be made from reducing investments rather than taking out more expensive long-term loans.

1.3 All prospects for rescheduling debt will be considered, in order to generate savings by switching from higher costing long term debt to lower costing shorter term debt.

Recommendations

Overview and Scrutiny Committee is asked to

- Note the report.
- Consider whether they wish to make any recommendations to Cabinet on the content of this report

Cabinet is requested to approve, for onward submission to Council, the:

- Prudential Indicators forecast for 3 years.
- Treasury Management Strategy for 2022/23.
- Minimum Revenue Provision Policy for 2022/23.
- Schemes of Delegation and Responsibility attached at Appendices 2 and 6.

It is recommended that Council approves the report.

Reasons for the recommendations:

It is a requirement of the CIPFA Code that the Council receives an annual treasury management strategy report.

2.0 BACKGROUND

2.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

2.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

2.3 The contribution the treasury management function makes to the council is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

2.4 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

2.5 CIPFA defines treasury management as:
"The management of the local authority's 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."

2.6 Reporting requirements

2.6.1 Capital Strategy

2.6.1.1 The CIPFA 2017 Prudential and Treasury Management Code requires all Local Authorities to prepare a capital strategy report, which will provide the following:

- A high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services,
- An overview of how the associated risk is managed,
- The implications for future financial sustainability

2.6.1.2 The aim of this capital strategy is to ensure that elected members understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedues and risk appetite.

2.6.1.3 This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy is included in the capital budget report.

2.6.1.4 Where a physical asset is being bought, details of market research, advisers used (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

2.6.1.5 Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MInistry of Housing, Communities and Local Government (MHCLG) Investment Guidance and CIPFA Prudential Code have not been adhered to.

2.6.1.6 If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the Capital Strategy.

2.6.1.7 To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

2.6.2 Treasury Management reporting

2.6.2.1 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and treasury indicators and treasury strategy which includes:

* The capital plans (including prudential indicators).
* A minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time).
* The treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators.
* An investment strategy (the parameters on how investments are to be managed).

A mid year treasury management report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is operating as intended or whether any policies require revision.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

2.6.2.2 The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Overview and Scrutiny Committee and Cabinet.

2.7 Treasury Management Strategy for 2022/23

2.7.1 The strategy for 2022/23 covers two main areas:

Capital

- The capital expenditure plans and the associated prudential indicators.
- The minimum revenue provision (MRP) policy.

Treasury management

- The current treasury position.
- Treasury indicators which limit the treasury risk and activities of the Council.
- Prospects for interest rates.
- The borrowing strategy.
- Policy on borrowing in advance of need.
- Debt rescheduling.
- The investment strategy.
- Creditworthiness policy.
- The policy on use of external service providers.

2.7.2 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

2.8 Training

2.8.1 The CIPFA Code requires the responsible officer to ensure that members with responsibilty for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Further training for members will be scheduled in 2022/23. The training needs of treasury management officers is reviewed as part of the Councils personal development process.

2.9 Treasury Management consultants

2.9.1 The Council uses Link Asset Services, Treasury solutions as its external treasury management advisors.

2.9.2 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisors.

2.9.3 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2.9.4 The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties. The commercial type investments require specialist advisers, and the Council uses Bilfinger GVA in relation to this activity.

3.0 THE CAPITAL PRUDENTIAL INDICATORS 2022/23 – 2024/25

3.1 The Council's capital expenditure plans are the key driver of treasury management activity. The outputs of the capital expenditure plans are reflected in prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

3.2 Capital expenditure

3.2.1 This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital Expenditure	2020/21 Actual £m	2021/22 Q3 Forecast £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Non-HRA	29.066	34.351	108.215	65.857	21.578
HRA	7.841	14.656	14.500	0.000	0.000
Commercial activities / non-financial investments *	0.000	0.000	21.500	0.000	0.000
Total	**36.907**	**49.007**	**144.215**	**65.857**	**21.578**

*Commercial activities / non-financial investments relate to areas such as capital expenditure on investment properties, loans to third parties etc.

3.2.2 Other long-term liabilities – The above financing need excludes other long-term liabilities.

3.2.3 The table below summarises the Councils capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of Capital Expenditure	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Capital receipts	1.605	0.087	0.203	9.900	0.000
Capital grants	8.926	12.187	52.205	16.526	3.466
Capital reserves (HRA)	7.265	12.158	16.320	0.000	0.000
Revenue	1.243	2.619	1.329	0.000	0.000
Total	**19.040**	**27.051**	**70.057**	**26.426**	**3.466**
Net financing need	**17.867**	**21.956**	**74.158**	**39.431**	**18.112**

3.2.4 The table above does not utilise the full extent of the planned capital receipts from the accelerated land disposal plan. The flexible use of capital receipts to support transformation and long-term saving strategies has been extended. The Council will look to utilise capital receipts in this way and use any additional receipts to support the net financing need in the table above.

3.3 The Council's borrowing need (the Capital Financing Requirement)

3.3.1 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

3.3.2 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life, and so charges the economic consumption of capital assets as they are used.

3.3.3 The CFR includes any other long term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility and so the Council is not required to separately borrow for these schemes.

Capital Financing Requirement	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
CFR – non HRA	147.047	166.687	253.808	291.060	306.670
CFR – HRA	118.784	118.833	103.275	103.275	103.275
CFR - Commercial activities / non-financial investments	8.914	8.918	8.918	8.918	8.918
Total CFR	**274.745**	**294.438**	**366.001**	**403.253**	**418.863**
Movement in CFR	**15.441**	**19.692**	**71.563**	**37.253**	**15.609**

3.3.4 A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the council's overall financial position. The capital expenditure figures shown in 3.2 and the details above demonstrate the scope of this activity and, by approving these figures, consider the scale proportionate to the Council's remaining activity.

3.4 Minimum revenue provision (MRP) policy statement

3.4.1 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

3.4.2 MHCLG regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils. The Council is recommended to approve the following MRP Statement for the year 2022/23:-

- MRP for supported financing will be calculated using 2.39% over 50 years under the Annuity method of calculating MRP.
- The Asset Life method of calculating repayment provision will be used for prudential borrowing.
- The Executive Director of Finance may from time to time and when it is beneficial to the efficient financial administration of the Council, vary the amounts charged as MRP in the year by making additional and voluntary payments of MRP. In these circumstances, the amount paid would not prejudice the existing strategy or be counter to the regulatory intent of that strategy.

3.4.3 These options provide for a reduction in the borrowing need over the asset's life.

3.4.4 There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place).

3.4.5 MRP Overpayments – A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision (VRP) or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31st March 2021 the total VRP overpayments were £2.789m.

4 BORROWING

4.1 The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

4.2 Current portfolio position

4.2.1 To assist Members in agreeing a strategy for 2022/23 the Council's current treasury portfolio position (at nominal value) is detailed below:

		31st March 2021			Forecast 31st March 2022		
		Principal		Avg.	Principal		Avg.
		£m	£m	Rate	£m	£m	Rate
Fixed rate funding							
	PWLB Bury	133.885			164.695		
	PWLB Airport	11.828			11.828		
	Market Bury	60.300	206.013		55.300	231.823	
Variable rate funding							
	PWLB Bury	0			0		
_	Market Bury	0	0		0	0	
Temporary Loans / Bonds		0.003	0.003		0.003	0.003	
Total Debt			**206.016**	**3.53%**		**231.826**	**3.53%**
Total Cash Investments			**15.928**	**0.13%**		**2.200**	**0.16%**
Total Investment Properties			**8.914**	**5.01%**		**8.918**	**1.96%**

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement – CFR), highlighting any over or under borrowing.

£m	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
External Debt					
Debt at 1 April	215.902	206.016	231.826	305.494	344.885
Debt Repayments	(21.186)	(5.190)	(13.190)	(5.190)	(2.490)
New Loans	11.300	0.000	13.000	5.000	2.300
Unsupported borrowing (Prudential)		31.000	73.858	39.581	18.262
Debt at 31 March	**206.016**	**231.826**	**305.494**	**344.885**	**362.957**
Net change	**(9.886)**	**25.810**	**73.668**	**39.391**	**18.072**

4.2.1 The forecast accumulated capital financing requirement at the end of 2021/22 is £294.4m. The forecast borrowing at the end of 2021/22 is £231.8m meaning that the Councils under borrowed by £62.6m.

4.2.2 The cash investment portfolio after the Capital Programme has been spent during 2021/22 is estimated to be around £2.2m. In preference to taking out long term borrowing, the Council is taking temporary loans and reducing investments to finance capital expenditure because investment returns are low at the present time. The estimated rate of interest on investments for 2021/22 is 0.16% against the 3 month investment benchmark of 0.2%.

4.2.3 The Council has also invested in properties that deliver a sustainable rental yield; under its “Property Investment Strategy”

4.2.4 Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

4.2.5 The Executive Director of Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

4.2.6 Comparisons have also been made with other GM authorities to assess their long-term borrowing as a percentage of their long-term assets as reported in their 2020/21 annual accounts. For Bury this percentage is 29.73% and the range for Greater Manchester was 13.03% to 42.80%.

4.3 Treasury Indicators: limits to borrowing activity

4.3.1 **The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

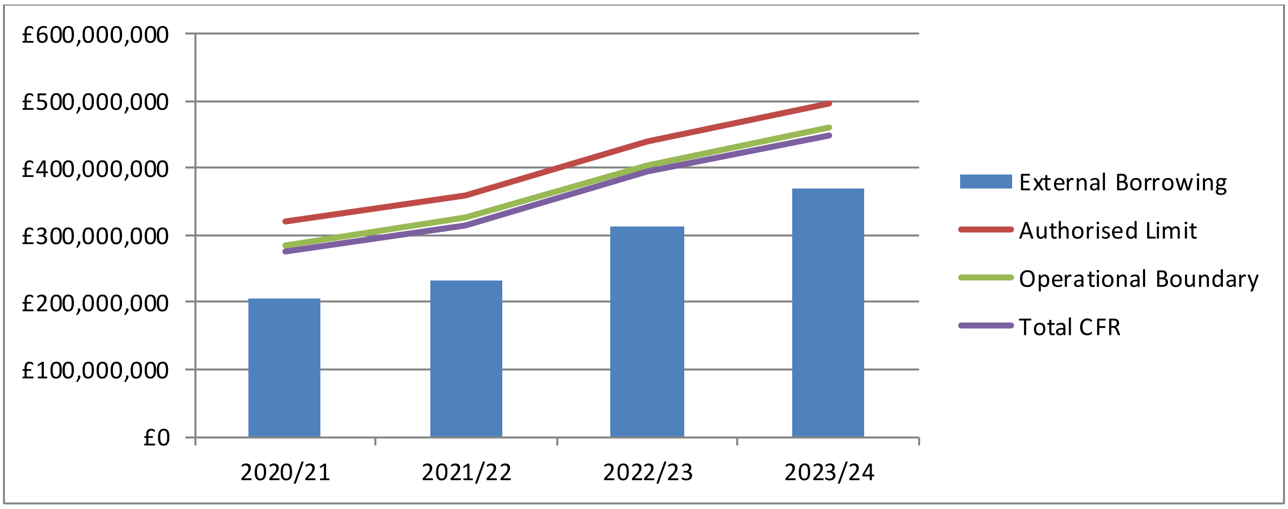
Operational boundary	**2021/22 Estimate £m**	**2022/23 Estimate £m**	**2023/24 Estimate £m**	**2024/25 Estimate £'000**
Borrowing	294.400	366.000	403.300	418.900
Other long-term liabilities	5.000	5.000	5.000	5.000
Commercial activities / non - financial investments	10.000	10.000	10.000	10.000
Total	**309.400**	**381.000**	**418.300**	**433.900**

4.3.2 **The authorised limit for external debt.** A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

Authorised limit	**2021/22 Estimate £m**	**2022/23 Estimate £m**	**2023/24 Estimate £m**	**2024/25 Estimate £'000**
Borrowing	329.400	401.000	438.300	453.900
Other long term liabilities	5.000	5.000	5.000	5.000
Commercial activities / non - financial investments	10.000	10.000	10.000	10.000
Total	**344.400**	**416.000**	**453.300**	**468.900**

Capital Finance Requirement (including PFI and finance leases)



4.4 Prospects for interest rates

4.4.1 The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The prospects for interst rates can be seen in Appendix 1 with the interest rate forecast in Appendix 2.

4.5 Borrowing strategy

4.5.1 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 with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

4.5.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Executive Director of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *If it was felt that there was a significant risk of a sharp FALL in borrowing rates,* then long term borrowings will be postponed.

- *If it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

4.5.3 Any decisions will be reported to the appropriate decision making body at the next available opportunity.

4.6 Policy on borrowing in advance of need

4.6.1 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, 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.

4.6.2 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

4.7 Debt rescheduling

4.7.1 Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of Public Works Loan Board (PWLB) rates over gilt yields was reduced by 100 basis points (1%) in November 2020.

4.7.2 If rescheduling was done, it will be reported to the Council, at the earliest meeting following its action.

4.8 New financial institutions as source of borrowing and / or types of borrowing

4.8.1 Currently the PWLB Certainty Rate is set at gilts + 80 basis points (0.8%) for both HRA and non-HRA borrowing. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years – still cheaper than the certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).
- Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time).

4.8.2 Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

5 ANNUAL INVESTMENT STRATEGY

5.1 Investment policy – management of risk

5.1.1 The Department of Levelling Up, Housing and Communities (DLUHC – formerly MHCLG) and CIPFA have extended the meaning of “investments” to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team).

5.1.2 The Council’s investment policy has regard to the following:-

- DLUHC’s Guidance on Local Government Investments (“the Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the Code”).
- CIPFA Treasury Management Guidance Notes 2018.

5.1.3 The Council’s investment priorities will be security first, portfolio liquidity second and then yield (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council’s risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options. The detailed Annual Investment Strategy can be seen in Appendix 3.

6 End of year investment report

6.1 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

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Links with the Corporate Priorities:

A strong financially sustainable Council is essential to the delivery of the Let's Do It Strategy.

Equality Impact and considerations:

Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -
(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.

Assessment of Risk:

The following risks apply to the decision:

Risk / opportunity	**Mitigation**
There are significant risks in the financial position both in the current and future financial years. Financial sustainability is critical and the report sets out areas of concern that need to be addressed.	Regular monitoring and reporting ensures that any changes in the financial position are quickly identified and action can be taken to manage he overall position.
Delays in delivering projects within the capital programme provide an opportunity to review projects and align to the changing position that has arisen due to Covid and to ensure that projects align to the Let's Do It strategy.	The longer term medium financial strategy takes account of any in-year changes in funding and demand and ensures the Council has a longer term view for future years.

Legal Implications:

The Treasury Management Strategy, Minimum Revenue Provision Policy and Annual Investment Strategy set out the Council's policies for managing its investments which includes giving priority to security and liquidity. It is effectively the management of the Council's 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. The Local Government Act 2003 (the Act) and supporting regulations require the Council to 'have regard to' the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code and to set Prudential and Treasury Indicators to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

The Council also has an obligation to comply with the Ministry for Housing, Communities and Local Government (MHCLG) Guidance under section 15(1)(a). The Act requires the Council to set out its Treasury Management Strategy at the start of each new financial year and to prepare an Annual Investment Strategy. This report sets out the Council's policy for maintaining capital security whilst managing its investments and for giving priority to the security and liquidity of those investments. The borrowing strategy aims to minimise the revenue cost of debt whilst securing the Council from revenue pressures in the event of interest rate volatility.

Financial Implications:

The financial implications are set out in the report. The continuation of the Covid pandemic has impacted significantly on both the revenue and capital budgets across the whole of the Council and needs to be carefully monitored.

Appendix 1 - Interest and Borrowing Rates

1. Interest Rates

1.1 Link provided the following forecasts on 20th December 2021. These are forecasts for certainty rates, gilt yields plus 80 basis points (0.8%).

Link Group Interest Rate View	20.12.21													
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

1.2 Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut the Bank Rate to 0.10%, it left the Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021. As shown in the forecast table above, the forecast for the Bank rate now includes four increases, one in quarter 2 of 2022 to 0.5%, then quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00%, and, finally, one in quarter 1 of 2025 to 1.25%.

1.3 Significant risks to the forecasts include:

- Mutations of the virus rendering current vaccines ineffective, with tweaked vaccines to combat mutations being delayed or not administered quickly enough to avoid further lockdowns. 25% of the population not being vaccinated is a significant risk to the NHS being overwhelmed and lockdowns being the only remaining option.
- Labour and supply shortages proving more enduring and disrupting and depressing economic activity.
- The Monetary Policy Committee (MPC) acting too quickly, or too far, over the next three years to raise the Bank Rate, causing UK economic growth, and increases in inflation, to be weaker than anticipated.
- The Monetary Policy Committee tightening monetary policy too late to ward off building inflationary pressures
- The Government acting too quickly to cut expenditure to balance the national budget.
- UK / EU trade arrangements impacting on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- Longer term US treasury yields rising strongly and pulling gilt yields up higher than forecast.
- Major stock markets, for example in the US, becoming increasingly judged as being over-valued and susceptible to major price corrections. Central banks becoming increasingly exposed to the “moral hazard risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.
- Geopolitical risks, for example in Ukraine, Iran, North Korea, but also in Europe and Middle Eastern countries, and on-going global power influence struggles between Russia / China / US. These could lead to safe haven flows.

1.4 The overall balance of risks to economic growth in the UK is now to the downside, including risks from Covid and its variants – both domestically and their potential effects worldwide.

1.5 It is not expected that the Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%. The forecast includes four increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%. However, it is likely that these forecasts will need changing within a relatively short timeframe for the following reasons: -

- Uncertainty over how severe an impact Omicron could have on the economy, whether there will be another lockdown or similar and, if there is, whether there would be significant fiscal support from the Government for businesses and jobs.
- Before Omicron, there were already increasing grounds for viewing the economic recovery as running out of steam during the autumn and now into the winter. This could lead to stagflation, or even into recession, which would then pose a dilemma for the MPC as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.
- Some current key supply shortages could spill over into causing economic activity in some sectors to take a significant hit
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation.
- Offsetting this, consumers are sitting on over £160bn of excess savings left over from the pandemic causing uncertainty over when this will be spent, and whether in part or in total.
- The economy coped well with the end of furlough on 30th September, when around 1 million people coming off furlough did not result in a huge spike in unemployment. However, vacancies have been hitting record levels so there is a continuing acute shortage of workers. This is a potential danger area if this shortage drives up wages which then feed through into producer prices and the prices of services i.e., a second-round effect that the MPC would have to act against if it looked like gaining significant momentum.
- Further uncertainty in relation to Covid beyond the Omicron mutation.

1.6 In summary, with the elevated level of uncertainty prevailing on several different fronts, forecasts will need to be reviewed constantly.

1.7 It should also be borne in mind that the Bank Rate being cut to 0.25% and then to 0.10%, were emergency measures to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away such emergency cuts on no other grounds than they are no longer warranted, and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

1.8 Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates above shows, there is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period.

1.9 While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on gilt yields. As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields. This is a significant upward risk exposure to forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.

1.10 There are downside risks from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. There is uncertainty over how this will interplay with the Bank of England not reinvesting maturing gilts and then later selling gilts.

1.11 There is a balance of upside risks to forecasts for medium to long term PWLB rates

1.12 One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major banks like the Bank of England, to tolerate a higher level of inflation than in the previous two decades. The Bank of England has amended it's target for monetary policy so that inflation should be 'sustainably over 2%', before starting on raising Bank Rate.

1.13 For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn.

2. Investment and borrowing rates

2.1 Investment returns are expected to improve in 2022/23. However, while markets are pricing in a series of bank rate increases, actual economic circumstances may see the MPC fall short of expectations.

2.2 Borrowing interest rates fell to historically low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.

2.3 On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 basis points in October 2019. The standard and certainty margins were reduced by 100 basis points but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The new margins over gilt yields are as follows: -.

- **PWLB Standard Rate** is gilt plus 100 basis points (1%)
- **PWLB Certainty Rate** is gilt plus 80 basis points (0.8%)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (1%)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (0.8%)
- **Local Infrastructure Rate** is gilt plus 60bps (0.6%)

2.4 Link's long-term forecast for Bank Rate is 2.00%. As some PWLB rates are under 2.00%, there remains value in considering long-term borrowing from the PWLB where appropriate. Temporary borrowing rates are likely, however, to remain near bank rate and may also prove attractive as part of a balanced debt portfolio.

2.5 While this Council will not be able to avoid borrowing to finance new capital expenditure, to replace maturing debt and the reduction of reserves, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances.

APPENDIX 2: Interest Rate Forecasts 2021 – 2025

PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012

Link Group Interest Rate View 20.12.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Bank Rate														
Link	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
Capital Economics	0.25	0.25	0.50	0.75	0.75	0.75	0.75	1.00	1.00	-	-	-	-	-
5yr PWLB Rate														
Link	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
Capital Economics	1.40	1.40	1.50	1.50	1.60	1.70	1.70	1.80	1.90	-	-	-	-	-
10yr PWLB Rate														
Link	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
Capital Economics	1.60	1.60	1.70	1.70	1.80	1.80	1.90	2.00	2.00	-	-	-	-	-
25yr PWLB Rate														
Link	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
Capital Economics	1.80	1.80	1.90	1.90	2.00	2.10	2.10	2.20	2.30	-	-	-	-	-
50yr PWLB Rate														
Link	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Capital Economics	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.20	2.30	-	-	-	-	-

Appendix 3 - ANNUAL INVESTMENT STRATEGY

1. Investment policy – management of risk

1.1 The guidance from the DLUHC and CIPFA place a high priority on the management of risk. This Coucil has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

- Minimum acceptable **credit citeria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.
- **Other information**: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with it's advisors to maintain a monitor on market pricing such as "**credit default swaps**" and overlay that information on top of the credit ratings..
- **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- This Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 3 under the categories of "specified" and "non-specified" investments.
    - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
    - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
- **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 2.6 of Appendix 2.
- This Council will set a limit for the amount of its investments which are invested for **longer than 365 days** (see paragraph 4.5 of Appendix 2)
- Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating** (see Appendix 4)
- This Council has engaged **external consultants** (see paragraph 2.9.1), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Council in the context of the expected level of cash balances and need for liquidity throughout the year.
- All investments will be denominated in **sterling**.
- As a result of the change in accounting standards for 2020/21 under IFRS 9, this Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23.)

1.2 However, this Council will also pursue **value for** money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investments performance (see section 4 of Appendix 2). Regular monitoring of investment performance will be carried out during the year.

1.3 The above criteria are unchanged from 2021/22.

2. Creditworthiness policy

2.1 This Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

2.2 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years
- Dark Pink 5 years for Ultra Short Dated Bond Funds with a credit score of 1.25
- Light Pink 5 years for Ultra Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

2.3 The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

2.4 Typically the minimum credit ratings criteria the Council use will be a 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 rating agency are marginally lower than these ratings but may still 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.

2.5 All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

2.6 Sole reliance will not be placed on the use of this external service. In addition the Council will also use market data and market information and information on any external support for banks to help support its decision making process.

	Colour (and long term rating where applicable)	Time Limit
Banks *	**yellow**	**5 yrs**
Banks	**purple**	**2 yrs**
Banks	**orange**	**1 yr**
Banks – part nationalised	**blue**	**1 yr**
Banks	**red**	**6 mths**
Banks	**green**	**100 days**
Banks	**No colour**	**Not to be used**
Limit 3 category – Council's banker (where "No Colour")		**1 day**
Debt Management Account Default Facility (DMADF)	**UK sovereign rating**	**6 months**
Local authorities	**n/a**	**5 yrs**
Housing associations	**Colour bands**	**As per colour band**
	Fund rating	**Time Limit**
Money Market Funds – Constant Net Asset Value (CNAV)	**AAA**	**liquid**
Money Market Funds – Low Volatility Net Asset Value - (LVNAV)	**)AAA**	**liquid**
Money Market Funds – Variable Net Asset Vaue- (VNAV)	**AAA**	**liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.25	**Dark pink / AAA**	**liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.50	**Light pink / AAA**	**liquid**

2.7 Significant levels of downgrades to Short – and long – Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

2.8 **Credit Default Swap (CDS) prices -** Although bank CDS prices, (these are market indicators of credit risk), spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. However, it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

3. Other limits

3.1 The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 3, although the Council's current approach is to use UK High Street Banks and other public bodies. The list of counterparties will be added to, or deducted from, by officers should ratings change in accordance with this policy.

4. Investment Strategy

4.1 **In-house funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that the Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that the Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

4.2 . The current forecast shown in paragraph 3.4.1, includes a forecast for a first interest rise in the Bank rate in May 2022.

4.3 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year, (based on a first increase in the Bank rate in quarter 2 of 2022), are as follows:

Average earnings in each year	
2022/23	0.50%
2023/24	0.75%
2024/25	1.00%
2025/26	1.25%
Long term later years	2.00%

4.4 For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short – dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

4.5 **Investment treasury indicator and limit** - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

Maximum principal sums invested for longer than 365 days			
£m	**2022/23**	**2023/24**	**2024/25**
Principal sums invested For longer than 365 days	£10m	£10m	£10m

5. Investment performance / risk benchmarking

5.1 This Council will use an investment benchmark to assess the investment performance of its investment portfolio of overnight, 7 day, 1, 3, 6 or 12 month compounded.

APPENDIX 4: Approved countries for investments

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

AAA

- Australia
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- U.K.

(note the Council only invests in the highest rated UK institutions)

APPENDIX 5: The treasury management role of the section 151 officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

The above list of specific responsibilities of the S151 officer in the 2017 Treasury Management Code has not changed. However, implicit in the changes in both codes, is a major extension of the functions of this role, especially in respect of non-financial investments, (which CIPFA has defined as being part of treasury management).

- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following *(TM Code p54): -*
    - o *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*
    - o *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*
    - o *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;*

- *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*

- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*