Wiltshire Council

Cabinet

5 February 2019

Subject:	**Treasury Management Strategy 2019/2020**
Cabinet member:	**Cllr Philip Whitehead – Finance, Procurement, ICT and Operational Assets**
Key Decision:	**Non Key**

Executive Summary

This report presents the Treasury Management Strategy for 2019/2020 including:

a) Prudential and Treasury Indicators for the next three years

b) Debt management decisions required for 2019/2020 that do not feature within the Prudential or Treasury Indicators (paragraphs 71 to 76)

c) Minimum Revenue Provision Policy 2019/2020

d) Annual Investment Strategy for 2019/2020, with the following changes from 2018/2019,

- The ability to lend to selected property funds (CCLA)
- Increasing the monetary limits on certain counterparties
- Adjusting the high credit quality criteria

This report has been prepared in accordance with CIPFA Code of Practice for Treasury Management in the Public Services 2011, as revised December 2017. Any relevant changes within the code of practice have been reflected within the Treasury Management Strategy 2019/2020.

Proposals

The Cabinet is requested to recommend that the Council:

a) Adopt the Minimum Revenue Provision Policy (paragraph 32 – 34)

b) Adopt the Prudential and Treasury Indicators (paragraphs 24 – 31, 40 – 49 and Appendix A)

c) Adopt the Annual Investment Strategy (paragraph 77 onwards), including the ratification of the adjustment of the minimum requirement for high credit quality, the limits for certain counterparties and the ability to invest in the CCLA property fund

d) Delegate to the Director of Finance and Procurement the authority to vary the amount of borrowing and other long-term liabilities within the Treasury Indicators for the Authorised Limit and the Operational Boundary

e) Authorise the Director of Finance and Procurement to agree the restructuring of existing long-term loans where savings are achievable or to enhance the long-term portfolio

f) Agree that short term cash surpluses and deficits continue to be managed through temporary loans and deposits

g) Agree that any surplus cash balances not required to cover borrowing are placed in authorised money-market funds, particularly where this is more cost effective than short term deposits and delegate to the Interim Director of Finance and Procurement the authority to select such funds

Reasons for Proposals

To enable the Council to agree a Treasury Management Strategy for 2019/2020 and set Prudential Indicators that comply with statutory guidance and reflect best practice.

Alistair Cunningham
Corporate Director Growth, Investment & Place

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PURPOSE OF REPORT

1. This report asks the Cabinet to consider and recommend that the Council approve the Prudential and Treasury Indicators, together with the Treasury Management Strategy for 2019/2020.

Background

2. The Council is required to operate a balanced budget, which 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 appropriately risk assessed counterparties or instruments commensurate within the Council's risk appetite set out in the Strategy, providing adequate liquidity initially before considering investment return.

3. 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.

4. The contribution that 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.

5. 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. Further details on non-financial investments are given in the Capital Strategy 2019/2020.

6. CIPFA defines treasury management as:

   "The management of the local authority's borrowing, 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."

7. Revised reporting is required for the 2019/2020 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011.

Reporting Requirements - Capital Strategy

8. The CIPFA revised 2017 Prudential and Treasury Management Codes require for 2019/2020, all local authorities to prepare an additional report, the capital strategy, 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

9. The aim of the capital strategy is to ensure that all members fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

10. The 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.

11. The capital strategy will show,

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

12. 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.

13. 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 MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

14. 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.

Reporting Requirements – Treasury Management Reporting

15. Each year, the Council is required to receive and approve, as a minimum, three main reports, which incorporate a variety of policies, estimates and actuals.

    a) Treasury Management Strategy Statement including prudential and treasury indicators, which covers the following,
        - 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; and
        - an investment strategy (the parameters on how investments are to be managed).

    b) Mid-year Treasury Management Report, which will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.
    c) Annual Treasury Report, which is an outturn position document that provides details of a selection of actual prudential and treasury indicators and actual

treasury operations compared to the estimates within the strategy for the financial year.

Treasury Management Strategy 2019/2020

16. The strategy for 2019/2020 covers two main areas,

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

    Treasury Management Issues
    - 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; and
    - the policy on use of external service providers.

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

Training

18. The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training will be arranged as required.

19. The training needs of treasury management officers are periodically reviewed.

Treasury Management Consultants

20. The Council uses Link Asset Services, as its external treasury management advisors.

21. 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 advisers.

22. 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.

23. The scope of investments within the Councils 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 may require specialist advisers, and the Council will appoint external advisors appropriate to the activity.

Capital Prudential Indicators

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

Capital Expenditure

25. This indicator shows the anticipated level of capital expenditure for the five years 2018/2019 to 2022/2023. The Capital Programme 2019/2020 will be submitted to Cabinet and Council in February 2019. The estimates for future years are based on indicative figures as part of the Capital Programme, and are therefore subject to change.

Capital Expenditure	2018/2019 Estimate £million	2019/2020 Estimate £million	2020/2021 Estimate £million	2021/2022 Estimate £million	2022/2023 Estimate £million
General Fund	120.266	136.991	59.636	41.665	30.698
Housing Revenue Account (HRA)	19.130	15.944	15.145	10.232	9.831
Commercial Activities/Non-financial investments*	0.000	20.000	21.000	21.000	21.000
Total	**139.396**	**172.935**	**95.781**	**72.897**	**61.529**

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

26. The table below summarises the above 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	**2018/2019 Estimate £million**	**2019/2020 Estimate £million**	**2020/2021 Estimate £million**	**2021/2022 Estimate £million**	**2022/2023 Estimate £million**
Capital Receipts	12.164	9.567	3.500	0.000	0.000
Capital Grants & Contributions	80.454	71.628	33.694	25.403	25.220
Capital Reserves	0.000	0.000	0.000	0.000	0.000
Revenue	0.000	0.000	0.000	0.000	0.000
HRA (excluding borrowing)	16.998	9.550	9.633	9.959	9.633
Total Financing (non-borrowing)	**109.616**	**90.745**	**46.827**	**35.362**	**34.853**
HRA Borrowing	0.00	3.257	4.205	0.273	0.198
Net Financing Need (Borrowing) – General Fund	29.780	78.933	44.749	37.262	26.478
Net Financing Need (Borrowing) – Total	**29.780**	**82.190**	**48.954**	**37.535**	**26.676**
Total Financing	**138.396**	**172.935**	**95.781**	**72.897**	**61.529**

The Council's Borrowing Need (the Capital Financing Requirement)

27. The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is 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 indebtedness and so its underlying borrowing need. Any capital expenditure which has not immediately been paid for, through a revenue or capital resources, will increase the CFR.

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

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

30. The CFR projections are summarised in the table below,

	2018/2019 Estimate £million	2019/2020 Estimate £million	2020/2021 Estimate £million	2021/2022 Estimate £million	2022/2023 Actual £million
CFR – General Fund	431.107	466.056	465.755	462.375	447.273
CFR – HRA	119.864	123.122	127.327	127.600	127.797
Total CFR	**550.971**	**589.178**	**593.082**	**589.975**	**575.070**
Movement in CFR	**11.643**	**38.207**	**3.904**	**(3.107)**	**(14.905)**
Represented by					
Net Financing Need (General Fund)	29.780	78.933	44.749	37.262	26.478
Net Financing Need (HRA)	0.00	3.257	4.205	0.273	0.198
Total Net Financing Need	**29.780**	**82.190**	**48.954**	**37.535**	**26.676**
Less MRP/VRP	(10.989)	(12.088)	(15.781)	(16.690)	(17.705)
Less Other Long Term Liabilities (PFI)	(2.776)	(2.895)	(2.974)	(2.952)	(2.876)
Less Other Financing Movements	(4.372)	(29.000)	(26.295)	(21.000)	(21.000)
Movement in CFR	**11.643**	**38.207**	**3.904**	**(3.107)**	**(14.905)**

31. 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 paragraph 25 above and these details demonstrate the scope of this activity and, by approving these figures, consideration is given to the scale, proportionate to the Council's remaining activity.

Minimum Revenue Provision (MRP) Policy Statement

32. The minimum revenue provision (MRP) is the amount set aside for the repayment of the debt as a result of borrowings made to finance capital expenditure.

33. 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 MRP), although it is also allowed to undertake additional voluntary revenue payments (VRP) if required.

34. MHCLG regulations have been issued which require full Council to approve an MRP statement in advance of each year. The following MRP policy was approved in October 2017 following a full review. It is recommended that Council approves the same MRP policy without change for 2019/2020:

a. In respect of the Council's supported borrowing: MRP will be provided for in accordance with existing practice outlined in the former regulations but on a 2% straight-line basis, i.e. provision for the full repayment of debt over 50 years.

b. MRP for capital expenditure incurred wholly or partly by unsupported (prudential) borrowing or credit arrangements: equal Instalments to be determined by reference to the expected life of the asset. Asset life is deemed to begin once the asset becomes operational. MRP will commence from the financial year following the one in which the asset becomes operational.

c. MRP in respect of unsupported (prudential) borrowing: equal Instalments taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset life method as recommended by the statutory guidance.

d. The Council retains the right to make additional voluntary payments to reduce debt if deemed prudent.

Borrowing

35. The capital expenditure plans set out in paragraph 25 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 and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury/prudential indicators, the current and projected debt positions and the annual investment strategy.

Current Portfolio Position

36. The overall treasury management portfolio as at 31 March 2018 and for the position as at 30 November 2018 are shown below for both borrowing and investments.

Treasury Portfolio				
	Actual 31/03/2018 £million	Actual 31/03/2018 %	Current 30/11/2018 £million	Current 30/11/2018 %
Treasury Investments				
Banks	29.000	45.53	77.007	63.23
Building Societies	8.000	12.56	8.000	6.57
Local Authorities	13.000	20.41	34.000	27.92
Money Market Funds	13.693	21.50	2.761	2.28
Total Treasury Investments	**63.693**	**100.00**	**121.768**	**100.00**
Treasury Borrowing				
Local Authorities	0.000	0.00	0.000	0.00
PWLB	266.933	81.40	266.933	81.40
LOBOs	61.000	18.60	61.000	18.60
Total External Borrowing	**327.933**	**100.00**	**327.933**	**100.00**
Net Treasury Investments/ (Borrowing)	**(264.240)**		**(206.165)**	

37. The Council's forward projections for borrowing are summarised in the tables below. These table show the actual external gross debt, against the underlying capital borrowing need (the CFR), highlighting any over or under borrowing, for both the general fund and the HRA.

External Debt General Fund	2017/2018 Actual	2018/2019 Estimate	2019/2020 Estimate	2020/2021 Estimate	2021/2022 Estimate
Debt at 1 April	**219.123**	**209.123**	**224.232**	**249.198**	**258.425**
Expected Change in Debt	(10.000)	15.109	24.966	9.227	6.131
Debt at 31 March	**209.123**	**224.232**	**249.198**	**258.425**	**264.556**
CFR	414.653	431.107	466.056	465.755	462.375
PFI Liability	50.920	48.420	45.920	43.420	40.920
Under/ (Over) Borrowing	**154.610**	**158.455**	**170.938**	**163.910**	**156.899**

External Debt HRA	2017/2018 Actual	2018/2019 Estimate	2019/2020 Estimate	2020/2021 Estimate	2021/2022 Estimate
Debt at 1 April	**118.810**	**118.810**	**114.000**	**117.527**	**121.463**
Expected Change in Debt	0.000	(4.810)	3.257	4.206	0.272
Debt at 31 March	**118.810**	**114.000**	**117.257**	**121.462**	**121.735**
CFR	124.675	119.865	123.122	127.327	127.600
Under/ (Over) Borrowing	**5.865**	**5.865**	**5.865**	**5.865**	**5.865**

38. 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 2019/2020 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.

39. The Interim Director of Finance and Procurement confirms 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 report.

Treasury Indicators: Limits to Borrowing Activity

Operational Boundary

40. The operational boundary 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.

41. The operational boundary is based on a prudent estimate of the most likely maximum level of external borrowing for both capital expenditure and cash flow purposes, which is consistent with other budget proposals.

42. The basis of the calculation for HRA borrowing 2019/2020 is the HRA CFR.

Operational Boundary	2019/2020 £million	2020/2021 £million	2021/2022 £million
General Fund Debt	488.951	488.728	485.326
HRA Debt	123.122	127.327	127.600
Other Long-Term Liabilities	0.200	0.200	0.200
Total	**612.273**	**616.255**	**613.126**

Authorised Limit for External Debt

43. The authorised limit for debt is a key indicator which represents a control on the maximum level of borrowing. This represents a legal 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.

44. The authorised limit 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.

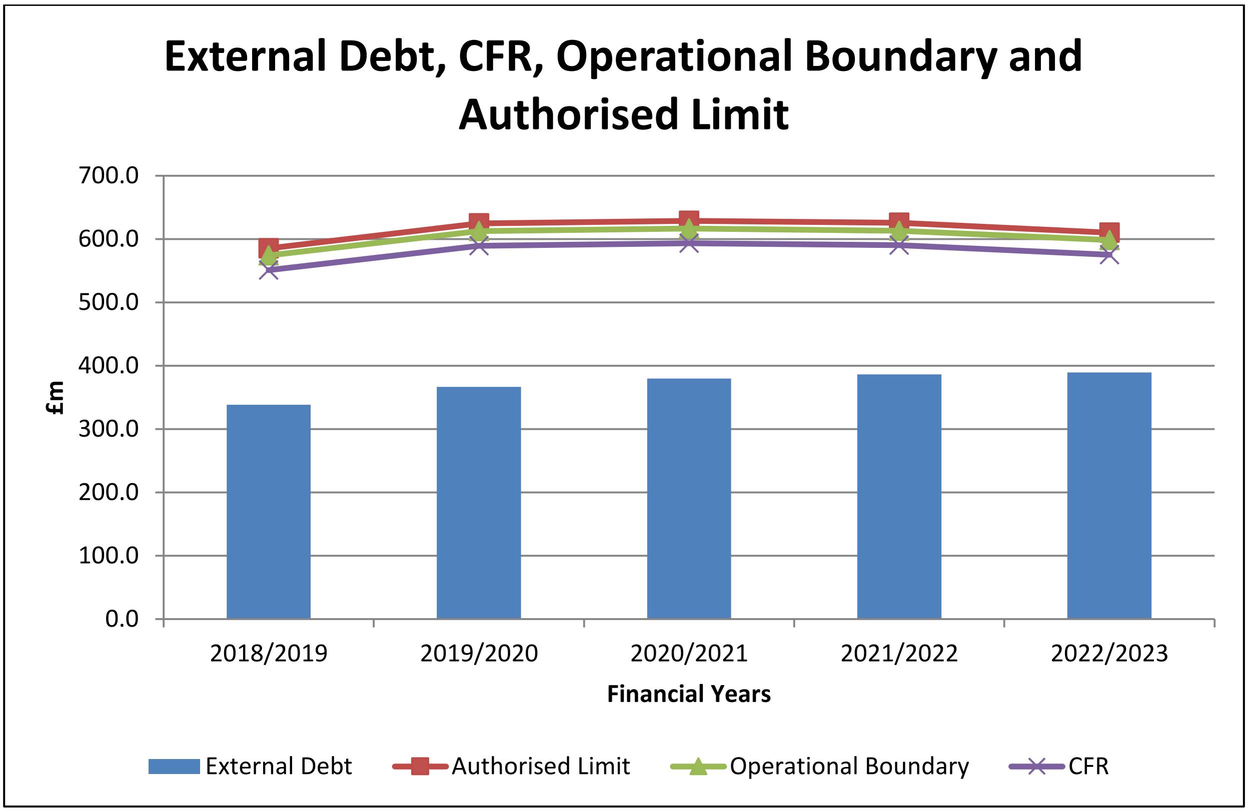
45. The authorised limit is the operational boundary, including an allowance for unplanned and irregular cash movements. This allowance is difficult to predict, Cabinet approved an amended allowance of 2.5% in the Treasury Management Strategy 2012/2013 at its meeting on 15 February 2012.

46. It is proposed that an allowance of 2.5% is continued for General Fund borrowing for 2019/2020 to 2021/2022, but this will be kept under review. The allowance provides for the possibility of additional borrowing during the year as a result of Government support for further schemes and provides headroom where the projection proves too optimistic (payments made earlier or receipt of income delayed against that forecast).

47. There is no allowance in respect of HRA borrowing, so it has been decided that this borrowing should not exceed the CFR.

Authorised Limit	**2019/2020 £million**	**2020/2021 £million**	**2021/2022 £million**
General Fund Debt	501.175	500.946	497.459
HRA Debt	123.122	127.327	127.600
Other Long-Term Liabilities	0.200	0.200	0.200
Total	**624.497**	**628.473**	**625.259**

48. The following bar/line graph shows external debt against the CFR, operation boundary and authorised limit.



Abolition of the HRA Debt Cap

49. In October 2018 the Prime Minister announced a policy change regarding the abolition of the HRA debt cap. The Chancellor announced in the Budget that the applicable date was 29 October 2018.

Monitoring and Reporting of the Prudential Indicators

50. Progress will be monitored throughout the year, particularly against the two borrowing limits (operational boundary and authorised limit) above. Cabinet will be kept informed of any issues that arise, including potential or actual breaches.

51. The elements within the Authorised Limit and the Operational Boundary, for borrowing and other long-term liabilities require the approval of the Council. In order to give operational flexibility, members are asked to delegate to the Director of Finance and Procurement, the ability to effect movements between the two elements where this is considered necessary. Any such changes will be reported to members.

52. The operational boundary is a key management tool for in-year monitoring. It will not be significant if the operational boundary is breached temporarily on occasions due

to variations in cash flow. However, a sustained or regular trend above the operational boundary is considered significant and will lead to further investigation and action as appropriate.

53. Any breach of the operational boundary will be reported to members at the earliest meeting following the breach. The authorised limit will, in addition, need to provide headroom over and above the operational boundary, sufficient for unusual cash movements, for example, and should not be breached.

Borrowing Strategy

54. 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 have been used as a temporary measure (internal borrowing). This strategy is prudent, as investment returns are low and counterparty risk is still an issue that needs to be considered.

55. Against this background and the risks within the economic forecast, caution will be adopted with the 2019/2020 treasury operations. The Director of Finance and Procurement will, through delegation and reporting, monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

    a) if it was considered that there was a significant risk of a sharp fall in long and short-term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

    b) if it was considered that there was a significant risk of a much sharper rise in long and short-term 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 projected to be in the next few years.

56. Any decisions will be reported to Cabinet at the earliest meeting following the decision.

Rate and Timing of Borrowing

57. In 2019/2020 one (HRA PWLB) loan of £8 million will mature and become repayable (March 2020). This loan will be refinanced in early 2019 in advance of the repayment date, to minimise the risks associated with any potential interest rate rises.

58. The timing of any borrowing is crucial in terms of interest rates and the potential to minimise interest costs. Prior to any actual borrowing the treasury team will, in conjunction with our treasury advisers, proactively manage the interest rate position, using all information available to inform the borrowing decision.

59. It is, of course, not always possible to obtain the lowest rates of interest, as there is a risk that unforeseen events can significantly alter the level of rates, however, ongoing active monitoring of rates will mitigate against this risk.

60. In supporting the capital programme, the Council will consider all borrowing options, such as:

    a) internal borrowing, using medium term cash balances;
    b) fixed rate Public Works Loan Board (PWLB) borrowing;
    c) long term fixed rate market loans.

61. The decision will be made whilst maintaining an appropriate balance between PWLB and market debt in the debt portfolio.

Lender Option Borrower Option (LOBO) Market Loans

62. Wiltshire Council currently has borrowings of £61 million in LOBO loans.

63. There are two main types of LOBO loan (of which the Council has both in its portfolio)

    a) a loan with an 'initial period' at a relatively low rate of interest, on the completion of which, the rate will automatically increase to a 'secondary rate' under the terms of the loan agreement. The interest rate is then subject to 'call option dates' at certain predetermined stages (e.g. every six months, every five years) over the life of the loan, at which time the lender has the option to set a revised interest rate and the borrower has the option to repay the loan without penalty;
    b) a loan subject to 'call option dates' only (i.e. there is no 'secondary rate') at which time the lender has the option to raise the interest rate and the borrower has the option to repay the loan without penalty.

64. If the lender exercises his option to revise the interest rate at one of the 'call option dates', the Council's strategy is that it will always exercise its option to repay the

loan. Consideration will then be given to refinancing the debt where the overall level of debt prior to the repayment needs to be maintained.

65. In the current market of relatively low interest rates and very little significant upward movement in rates predicted in the near future, it is unlikely that the loans would be called in the short to medium term.

Short Term Cash Deficits

66. Temporary loans, where both the borrower and lender have the option to redeem the loan within twelve months, are used to offset short term revenue cash deficits. They may also be used to cover short term capital requirements until longer term loans become more cost effective. The majority of these loans will be at fixed interest rates, maturing on specific dates. The strategy is that the Council shall utilise temporary loans for any short-term cash deficits that arise in respect of revenue and/or capital.

Short Term Cash Surpluses

67. It is anticipated that temporary short term (up to three months) cash surpluses will arise regularly during the year, due to timing differences between income streams and payments. Investment of these surpluses will be in specific investments (e.g. short-term Sterling investments of less than one year). Such investments will normally be short term deposits maturing on specific dates that reflect cash flow requirements at the date the deposit is made. However, under certain market conditions, money market funds will be used, particularly if they provide improved returns.

Longer Term Cash Surpluses (over three months, up to one year)

68. Some cash surpluses, for example core revenue balances, net creditors, accrued reserves and special funds such as those for insurance and PFI can be invested on a long-term basis. These cash surpluses may be used for capital financing requirements, where longer term interest rates mean that it is less cost effective to take out longer term loans.

69. Improved returns may be obtained by placing these surpluses in money market funds. The Director of Finance and Procurement has delegated authority to select money market funds and appoint external cash managers within the current approved strategy and it is proposed that this authority is retained.

70. The proposed Investment Strategy for 2019/2020 includes the use of unspecified investments (e.g. more than 12 months to maturity and for which external

professional advice is required) that the Council's treasury adviser may recommend for investment of longer term cash surpluses.

Policy on Borrowing in Advance of Need

71. Any decision to borrow in advance will be within forward approved CFR estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the security of such funds is ensured. Borrowing more than, or in advance of, the Council's needs in order to profit from investment in a non-financial asset should be fully explained within the Council's Capital Strategy.

72. 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.

Debt Rescheduling

73. As short term borrowing rates will be cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the debt repayment cost (i.e. premiums for early repayment).

74. The reasons for any rescheduling to take place will include:

    a) the generation of cash savings and/or discounted cash flow savings;
    b) helping to fulfil the treasury strategy;
    c) enhancing the balance of the portfolio (the maturity profile and/or the balance of volatility).

75. Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt early as short term rates on investments are likely to be lower than rates paid on current debt.

76. All rescheduling will be reported to members in a treasury report at the earliest meeting following its action.

Annual Investment Strategy

Investment Policy – Management of Risk

77. The MHCLG and CIPFA have extended the meaning of investments to include both financial and non-financial investments. This report deals solely with financial investments, (managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy (a separate report).

78. Council's investment policy has regard to the following,
    - MHCLG 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.

79. The Council's investment priorities will be security first, portfolio liquidity second, then yield (return).

80. The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. The Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means,

    a) Minimum acceptable credit criteria 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.

    b) 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 its advisors to maintain a monitor on market pricing such as credit default swaps and overlay that information on top of the credit ratings.

    c) 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.

d) The 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 B under the categories of ‘specified’ and ‘non-specified’ investments.

   a) Specified Investments are those with a high level of credit quality and subject to a maturity limit of one year.
   b) 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.

e) Non-specified investments limit. The Council has determined that it will limit the maximum total exposure to non-specified investments to be £30 million, in line with the limits for investments for longer than 365 days.

f) Lending Limits, (amounts and maturity) for each counterparty will be set through applying the matrix table in paragraph 86 and 91.

g) The Council will set a limit for the amount of its investments which are invested for longer than 365 days (see paragraph 102)

h) Investments will only be placed with counterparties from countries with a specified minimum sovereign rating (see paragraph 94)

i) The Council has engaged external consultants (see paragraph 20) to provide expert advice on how to optimise an appropriate balance on security, liquidity and yield, given the risk appetite of the Council in the context of the expected level of cash balances and need for liquidity throughout the year.

j) All investments will be denominated in sterling.

k) As a result of the change in accounting standards for 2018/2019 under IFRS 9, the 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 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 commencing from 1 April 2018)

81. The Council will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance (see paragraph 104). Regular monitoring of investment performance will be carried out during the year.

82. Property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

83. The Council will consider an investment in the CCLA Property Fund (a fund tailored to Local Authorities), and investment limits have been set as per non-specified investments. This would provide additional diversification of the Council's investments and the potential for earning a higher investment yield on the core investment balance.

Changes in Risk Management Policy from 2018/2019

84. The following criteria have been changed from last year,

    a. Monetary lending limits for the following types of investments have been increased from £8 million to £10 million, as comparable with other similar local authorities (see paragraph 89). The previous limits have been in place since the inception of the unitary authority, since which the Council has more surplus cash to invest on a daily basis. The increase in this limit will assist officers in placing funds, as many counterparties only deal in multiples of £5 million.

        - UK incorporated banks (that have a long term credit rating of less than AA but also satisfy the credit rating conditions within this Strategy);
        - Overseas banks (that have a long term credit rating of less than AA but also satisfy the credit rating conditions within this Strategy)
        - UK Building societies with long term credit rating of at least A
        - Government backed overseas banks and their subsidiaries

Creditworthiness Policy

85. The 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, Moodys and Standard & Poors. The credit ratings of counterparties are supplemented with the following overlays:
    - Credit watches and credit outlooks from credit rating agencies;
    - CDS spreads to give early warning of likely changes in credit ratings;
    - Sovereign ratings to select counterparties from only the most creditworthy countries.

86. The above 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

Colour	Maximum Investment
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 (only applies to nationalised or semi nationalised UK banks)
Orange	1 year
Red	6 months
Green	100 days
No colour	not to be used

87. 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.

88. 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.

89. All credit ratings will be monitored daily. 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.

90. 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, information on any external support for banks to help support its decision making process.

91. In addition to the above criteria, the following limits will be applied to the total cumulative investments placed with an individual institution (or group of institutions where there is common ownership)

Monetary Limit	Counterparties
Up to £15 million	UK incorporated banks with a long term credit rating of at least AA
	Overseas banks that have a long term credit rating of at least AA
	Multilateral development banks
	Local authorities and other public bodies
	Money market funds
Up to £12 million	Government backed UK banks and UK building societies and their subsidiaries
Up to £10 million	UK incorporated banks (that have a long term credit rating of less than AA but which also satisfy the credit rating conditions within this Strategy);
	Overseas banks (that have a long term credit rating of less than AA but which also satisfy the credit rating conditions within this Strategy)
	UK Building societies with long term credit rating of at least A
	Government backed overseas banks and their subsidiaries

Changes in Creditworthiness Policy from 2018/2019

92. Following advice from Link Asset Services, the additional minimum requirement for high credit quality, relating to the application of ratings from Fitch, to banks and building societies, has been removed this year.

93. Currently, the Council utilises the creditworthiness service provided by Link Asset Services, and their sophisticated modelling approach, which takes account of a wide variety of credit checks. Therefore, the application of an additional layer of ratings criteria by the Council's own treasury officers is unnecessary, given the expertise already employed by the Council's advisors.

Other Limits

94. Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

    a. Non-specified investment limit. The Council has determined that it will limit the maximum total exposure to non-specified investments as being £30 million.

    b. Country limit. The Council has determined that it will only use approved counterparties from the UK and countries with a minimum sovereign credit rating of AA- from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix C. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

c. Other limits. Limits in place above will apply to a group of counterparties.

Investment Strategy

95. 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)

96. Greater returns are usually obtainable by investing for longer period. 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 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
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment Returns Expectations

97. Bank rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 of 2022. Bank rate forecasts for financial year ends are as follows:

Year	Bank Base Rate
2018/2019	0.75%
2019/2020	1.25%
2020/2021	1.50%
2021/2022	2.00%

98. The suggested budgeted investment earnings rates for returns on investments places for periods up to about 3 months during each financial year are as follows:

Year	Budgeted Earnings Rate
2018/2019	0.75%
2019/2020	1.00%
2020/2021	1.50%
2021/2022	1.75%
2022/2023	1.75%
2023/2024	2.00%
Later Years	2.50%

99. The overall balance of risks to economic growth in the UK is probably neutral.

100. The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forwards positively.

Investment Treasury Indicator and Limit

101. This investment treasury indicator limits the total 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 any unnecessary borrowing, and are based on the availability of funds after each year end.

102. The Council is asked to approve the treasury indicator and limit:

Maximum Principal Sums Invested > 365 days			
	2019/2020	**2020/2021**	**2021/2022**
Principal Sums Invested > 365 Days	£30m	£30m	£30m
Current Investments > 365 Days maturing in each year	£0m	£0m	£0m

103. For its cash flow generated balances, the Council will seek to utilise its HSBC overnight investment instant access account, money market funds and short dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

Investment Risk Benchmarking

104. The Council will use an investment benchmark to assess the investment performance of its investment portfolio of the relevant LIBID rate (dependant on the average duration of the fund).

End of Year Investment Report

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

Overview and Scrutiny Engagement

106. None have been identified as arising directly from this report.

Safeguarding Implications

107. None have been identified as arising directly from this report.

Public Health Implications

108. None have been identified as arising directly from this report.

Procurement Implications

109. None have been identified as arising directly from this report.

Equalities Impact of the Proposal

110. None have been identified as arising directly from this report.

Environmental and Climate Change Considerations

111. None have been identified as arising directly from this report.

Risks Assessment

112. The primary treasury management risks to which the Council is exposed are adverse movements in interest rates and the credit risk of its investment counterparties.

113. The Prudential & Capital Indicators and the Annual Investment Strategy take account of the forecast movement in interest rates and allow sufficient flexibility to be varied if actual movements in interest rates are not in line with the forecast.

114. The Council's treasury adviser is currently reporting the following in terms of investment and borrowing rates,

    a) Investment returns are likely to remain low during 2019/2020 but to be on a gently rising trend over the next few years.

b) Borrowing interest rates have been volatile so far in 2018/2019 and have increased modestly since the summer. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;

c) There will remain a cost of carry (the difference between higher borrowing costs and lower investment returns), to any new long term borrowing that causes a temporary increase in cash balances, and this position will, most likely, incur a revenue cost.

d) It is unlikely that MPC will increase Bank Rate (from 0.75%) in February 2019, ahead of the deadline in March for Brexit. The next increase in Bank Rate is therefore forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

Financial Implications

115. These have been examined and are implicit throughout the report.

Legal Implications

116. None have been identified as arising directly from this report.

Options Considered

117. Future consideration will be given to alternative borrowing and investment options to improve the cost effectiveness of and return on treasury activities for the Council.

118. The options in relation to the revenue and capital budgets in these proposals are fully consistent with the figures included within the budget considerations.

Proposals

119. The Cabinet is requested to recommend that the Council approves and adopts the Treasury Management Strategy for 2019/2020, as follows,

   a. Adopt the Minimum Revenue Provision Policy (paragraphs 32 – 34)

   b. Adopt the Prudential and Treasury Indicators (paragraphs 24 – 31, 40 – 49 and Appendix A)

c. Adopt the Annual Investment Strategy (paragraph 77 onwards) including the ratification of the adjustment of the minimum requirement for high credit quality, the limits for certain counterparties and the ability to invest in the CCLA property fund

d. Delegate to the Interim Director of Finance and Procurement the authority to vary the amount of borrowing and other long term liabilities within the Treasury Indicators for the Authorised Limit and the Operational Boundary

e. Authorise the Interim Director of Finance and Procurement to agree the restructuring of existing long-term loans where savings are achievable or to enhance the long term portfolio

f. Agree that short term cash surpluses and deficits continue to be managed through temporary loans and deposits

g. Agree that any surplus cash balances not required to cover borrowing are placed in authorised money-market funds, particularly where this is more cost effective than short term deposits and delegate to the Interim Director of Finance and Procurement the authority to select such funds

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Background Papers

The following unpublished documents have been relied on in the preparation of this report:

None.

Appendices

Appendix A Prudential and Treasury Indicators 2019/2020, 2020/2021 & 2021/2022
Appendix B Specified and non-specified Investments
Appendix C Approved countries for investments
Appendix D Treasury Management Scheme of Delegation
Appendix E Role of the Section 151 Officer

Capital Prudential and Treasury Indicators for 2018/2019, 2019/2020 & 2020/2021

1. The Prudential and Treasury Management Codes and Treasury Guidelines require the Council to set a number of Prudential and Treasury Indicators for the financial year ahead. This appendix sets out the indicators required by the latest code.

Affordability Prudential Indicators

2. The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators,

Ratio of Financing Costs to Net Revenue Stream

3. This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream

	2017/2018 Actual (%)	2018/2019 Estimate (%)	2019/2020 Estimate (%)	2020/2021 Estimate (%)	2021/2022 Estimate (%)
General Fund	5.5	5.8	6.3	7.4	7.5
HRA	14.5	14.6	14.4	15.1	15.8

4. The estimates in financing costs above include current commitments and the proposals in this budget report.

Maturity Structure of Borrowing

5. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

6. In order to protect the Council from interest rate risk and to safeguard the continuity of treasury management financing costs, the following limits have been adopted.

Maturity Structure of Fixed Interest Rate Borrowing 2019/2020		
	Lower (%)	Upper (%)
Under 12 months	0	25
12 months to 2 years	0	25
2 years to 5 years	0	45
5 years to 10 years	0	75
10 years and above	0	100

7. In addition to the indicators (above) it is considered prudent that, under normal circumstances, no more than 15% of long term loans, excluding LOBO loans, should fall due for repayment within any one financial year and 25% in the case of LOBO loans, where maturity is deemed to be the "next call option date".

Control of Interest Rate Exposure

8. This identifies a maximum limit for fixed and variable interest rates based upon the debt position net of investments

Interest rate exposures	2019/2020	2020/2021	2021/2022
	Upper Limit (%)	Upper Limit (%)	Upper Limit (%)
Limits on fixed interest rates based on net debt	100	100	100
Limits on variable interest rates based on net debt	50	50	50

Treasury Management Practice (TMP) 1
Credit and Counterparty Risk Management

Specified Investments.

1. All such investments will be sterling denominated, with maturities up to a maximum of 1 year, meeting the minimum 'high' quality criteria.

Non-Specified Investments.

2. These are any investments which do not meet the specified investment criteria.

3. A maximum of £30 million will be held in aggregate non-specified investments.

4. A variety of instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made, it will fall into one of the above categories.

5. The criteria applying to institutions or investment vehicles are as follows,

	Minimum credit criteria/ colour band	**Maximum maturity period**
Specified Investments		
DMADF – UK Government	N/A	6 months
UK Government Gilts	UK sovereign rating	12 months
UK Government Treasury Bills	UK sovereign rating	12 months
Bonds issued by multilateral development banks	AAA	6 months
Money Market Funds CNAV	AAA	Liquid
Money Market Funds LVAV	AAA	Liquid
Money Market Funds VNAV	AAA	Liquid
Ultra Short Dated Bonds (1.25)	AAA	
Ultra Short Dated Bonds (1.5)	AAA	
Local Authorities	N/A	12 months
Term Deposits with Banks and Building Societies	Blue Orange Red Green No Colour	12 months 12 months 6 months 100 days Not for use
Certificates of Deposit or Corporate Bonds	Blue Orange Red Green No Colour	12 months 12 months 6 months 100 days Not for use
Gilt Funds	UK sovereign rating	

Non-Specified Investments		
Term Deposits with Banks and Building Societies	Purple Yellow	2 years 5 years
UK Government Gilts	UK sovereign rating	50 years
Property Fund (CCLA)	N/A	N/A

6. The criteria in this appendix are intended to be the operational criteria in normal times. At times of heightened volatility, risk and concern in financial markets, this strategy may be amended by temporary operational criteria further limiting investments to counterparties of a higher creditworthiness and / or restricted time limits.

Accounting treatment of investments.

7. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

Monitoring of Investment Counterparties

8. The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Interim Director of Finance and Procurement, and if required new counterparties which meet the criteria will be added to the list.

Approved Countries for Investments

This list is based on those countries which have sovereign ratings of AA- or higher (the lowest rating from Fitch, Moody's and S&P is shown) 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 Asset Services credit worthiness service.

Rating	Country
AAA	Australia
	Canada
	Denmark
	Germany
	Luxembourg
	Netherlands
	Norway
	Singapore
	Sweden
	Switzerland
AA+	Finland
	U.S.A.
AA	Abu Dhabi (UAE)
	France
	Hong Kong
	U.K.
AA-	Belgium
	Qatar

Appendix D

Treasury Management Scheme of Delegation

Full Council

1. Receiving and reviewing reports on treasury management policies, practices and activities;

2. Budget consideration and approval;

3. Approval of annual strategy.

Cabinet

1. Approval of/amendments to the organisation’s adopted clauses, treasury management policy statement and treasury management practices;

2. Budget consideration and proposal;

3. Approval of the division of responsibilities;

4. Receiving and reviewing regular monitoring reports and acting on recommendations;

Scrutiny – Finance Task Group

1. Reviewing the treasury management policy and procedures and making recommendations to the responsible body.

The Treasury Management Role of the Section 151 Officer

1. Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;

2. Submitting regular treasury management policy reports;

3. Submitting budgets and budget variations;

4. Receiving and reviewing management information reports;

5. Reviewing the performance of the treasury management function;

6. Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;

7. Ensuring the adequacy of internal audit, and liaising with external audit;

8. Approving the selection of external service providers and agreeing terms of the appointment.

9. Preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe (say 20+ years – to be determined in accordance with local priorities.)

10. Ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money

11. 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 Council

12. Ensure that the Council has appropriate legal powers to undertake expenditure on non-financial assets and their financing

13. Ensuring the proportionality of all investments so that the Council does not undertake a level of investing which exposes the Council to an excessive level of risk compared to its financial resources

14. 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

15. Provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees

16. Ensuring that members are adequately informed and understand the risk exposures taken on by the Council

17. Ensuring that the Council has adequate expertise, either in house or externally provided, to carry out the above

18. Creation of Treasury Management Practices which specifically deal with how non-treasury investments will be carried out and managed.