Reading Borough Council

Treasury Management Strategy Statement

2021/22

February 2021

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1. INTRODUCTION

Background

1.1 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 counterparties or instruments commensurate with the Council's risk appetite, providing adequate liquidity initially before considering investment return.

1.2 The second main function of the treasury management function 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 or repaid to meet Council risk or cost objectives.

1.3 The contribution the treasury management function makes to the authority 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.

1.4 Whilst loans to third parties will impact on the treasury function, they are generally classed as non-treasury activities, (arising usually from capital expenditure) and are separate from day to day treasury management activities.

1.5 The Chartered Institute of Public Finance and Accountancy (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."*

Reporting Requirements

1.6 The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a number of treasury management related strategies and policies for approval by Council.

Treasury Management

1.7 The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals, including:

a. A forward looking report (this report) covering:

- the Council's 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 (TMSS), (how investments and borrowing are to be organized), including treasury indicators; and
- an Investment Strategy, (the parameters within which investments are to be managed).

b. A mid-year treasury management report, this is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary and indicating whether any policies require revision.

c. An annual treasury outturn report, this is a backward-looking review and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the Strategy

Capital Strategy

1.8 The CIPFA Code also requires the Council to prepare a Capital Strategy Report which includes 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

1.9 The Capital Strategy is reported separately from the Treasury Management Strategy; 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 commercial investments usually driven by expenditure on an asset. 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 (Minimum Revenue Provision Policy);
- The risks associated with each activity.

Non-Treasury Investments

1.10 Where the Council has borrowed to fund any non-treasury investment, there should be an explanation of why borrowing was required.

1.11 If any non-treasury investment is found to have sustained a loss during the preparation of the final accounts oraudit process, the implications will be reported through the same procedure as the Capital Strategy.

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

1.13 The Council has no plans to invest in property primarily for yield in the period 2021/22-2023/24.

2. TREASURY MANAGEMENT STRATEGY FOR 2021/22

2.1 The strategy for 2021/22 covers two main areas:

a. Capital Issues

- the capital expenditure plans and the associated prudential indicators;
- the Minimum Revenue Provision (MRP) Policy.

b. 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.

2.2 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.

Training

2.3 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 for members of the Audit and Governance Committee as necessary in line with the requirements of the Code.

2.4 Staff regularly attend training courses and seminars provided by the Council's external treasury management advisers and CIPFA. Staff are also encouraged to study professional qualifications from CIPFA, or other appropriate organisations. The Council reviews the training needs of staff regularly to ensure they receive the necessary training to properly discharge their duties.

Treasury Management Consultants

2.5 The Council uses Link Group as its external treasury management advisors.

2.6 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times. All decisions will be made with due regard to all available information, including, but not solely, that provided by our treasury advisers.

2.7 The Council 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 subject to regular review.

3. THE CAPITAL PRUDENTIAL INDICATORS 2021/22 - 2023/24

3.1 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 below.

Capital Expenditure

3.2 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 as set out in Table 1 below.

Table 1. Capital Expenditure (2020/21 - 2023/24)

	Estimate 2020/21 £m	2021/22-2023/24 Estimate			
		2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Adult Social Care & Health Services	1.073	0.279	0.686	3.679	4.644
Economic Growth & Neighbourhood Services	44.492	50.584	43.204	26.908	120.696
Economic Growth & Neighbourhood Services - Education Schemes	6.957	20.899	16.544	6.608	44.051
Resources	7.589	4.559	3.498	0.543	8.600
Corporate	4.827	11.832	5.100	5.100	22.032
Non-HRA	**64.938**	**88.153**	**69.032**	**42.838**	**200.023**
HRA	**20.457**	**39.675**	**23.415**	**37.712**	**100.802**
Total	**85.395**	**127.828**	**92.447**	**80.550**	**300.825**

3.3 Table 2 below summarises how the above capital expenditure plans are expected to be financed by capital or revenue resources. Any shortfall results in a borrowing need (net borrowing requirement).

Table 2. Financing of Capital Expenditure (2020/21 - 2023/24)

General Fund & HRA	Estimate 2020/21 £m	2021/22-2023/24 Estimate			
		2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Capital Expenditure	**85.395**	**127.828**	**92.447**	**80.550**	**300.825**
Capital receipts	(6.954)	(2.362)	(4.850)	(0.801)	(8.013)
Capital grants	(49.103)	(50.995)	(34.543)	(17.971)	(103.509)
Capital reserves (HRA)	(8.064)	(10.710)	(10.920)	(11.130)	(32.760)
Revenue	(0.327)	0.000	0.000	0.000	0.000
Net Borrowing Requirement	**20.947**	**63.761**	**42.134**	**50.648**	**156.543**

3.4 It should be noted that previously agreed investment in new commercial property purchases totalling £180.000m has been removed from the Capital Programme in 2020/21 following the approval of Policy Committee on 14th December 2020.

Capital Financing Requirement

3.5 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is the Council's underlying need to borrow, or net borrowing requirement.

3.6 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 each assets life, and so charges the economic consumption of capital assets as they are used.

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

3.8 The CFR projections are set out in Table 4 below:

Table 4. CFR Projections

Capital Financing Requirement	Estimate 2020/21 £m	2021/22-2023/24 Estimate 2021/22 £m	2022/23 £m	2023/24 £m	Total £m
CFR - General Fund	409.801	442.444	466.481	480.009	
CFR - HRA	195.969	218.516	227.326	253.908	
Total CFR	**605.497**	**660.960**	**693.807**	**733.917**	
Movement in CFR	12.909	55.463	32.847	40.110	128.420
Movement in CFR represented by:					
Net financing need for year	20.947	63.761	42.134	50.648	156.543
Less MRP/VRP and other financing movements	(8.038)	(8.298)	(9.287)	(10.538)	(28.123)
Movement in CFR	**12.909**	**55.463**	**32.847**	**40.110**	**128.420**

4. MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT

4.1 The Council is required to annually set aside revenue funds for the prudential repayment of outstanding capital borrowing in accordance with provisions set out in CIPFA's Prudential Code and Ministry of Housing, Communities and Local Government's (MHCLG) Statutory Guidance on Minimum Revenue Provision. The setting aside of revenue funds for the future repayment of outstanding borrowing is referred to as a Minimum Revenue Provision (MRP) charge. The Council is also allowed to undertake additional voluntary payments if requried.

4.2 As part of the regulatory framework, Full Council is required to approve a Minimum Revenue Provision (MRP) Policy.

4.3 The MRP policy, in accordance with proper practice, considers outstanding capital borrowing to be the Council's Capital Financing Requirement (CFR) rather than external loans taken out to finance capital expenditure. Accordingly, any reference in this policy to the repayment of capital borrowing relates to the setting aside of resources to reflect movements within the Council's CFR rather than to the physical repayment of external debt.

General

4.4 Provision for the repayment of outstanding capital borrowing will generally be made in accordance with the guidance and regulations to reflect the estimated life over which the capital assets acquired are anticipated to provide useful economic benefit. A schedule setting out expected lives of standard categories of assets is provided below. However, this may be adjusted on an individual asset by asset basis depending on the specific circumstances. The Council's statutory s151 officer will, as necessary determine individual asset lives for MRP purposes (in accordance with the overriding requirement to allow for the prudent provision for repayment of debt).

Table 5. Standard Expected Asset Lives

Asset Type	Expected Life (Years)
Major New Builds	40-50
Freehold Land	50
Major Extensions	20-40
Major Refurbishments	20
Major Transport Infrastructure / Regeneration	30
Other Transport Schemes	20
Other Small Capital Schemes	10
Large Vehicles (Refuse Freighters/Buses etc.)	7-9
Other Vehicles	5
Software Licenses	Length of License
Share Capital	20
Capital Grants / Loans to Others	Expected Life of Asset Held by Third Party

4.5 Of the four standardised methods set out as examples in the statutory regulations for the calculation of MRP, the Council has adopted the "Asset Life

Method - Annuity" as the one which best allows for the prudent repayment of capital borrowing over the life of individual capital assets. MRP is the principal element for the repayment of borrowing. The annuity is the repayment profile determined by the useful life of the asset and an appropriate interest rate.

4.6 Assets acquired and with notional outstanding capital borrowing will continue to have an annual MRP charge levied at 2% of the identified capital debt balance at 31 March 2011.

4.7 Assets under construction including regeneration sites undergoing development, which have yet to fully deliver their expected benefits will not be subject to MRP charges to the Revenue Account until such time as they become operational for a full accounting year. Accordingly, on becoming operational, the charge for MRP will not commence until the following financial year.

4.8 Any prior error or change in assumption as to expected future asset life may be adjusted for in the current (or future) financial year, subject to any constraints on such adjustment as set out in the Prudential Code or Statutory Regulations.

4.9 Whilst the above sets out the Council's general MRP principles and policy, a number of specific instances and circumstances require separate treatment with regard to MRP in order to ensure the charge to revenue is both prudent for the repayment of debt and accurately reflects the economic benefits being realised. These are set out below:

Specific MRP Cases

4.10 Capital expenditure financed by finance lease or other service concessions (including Private Finance Initiative schemes) include within their annual payments both an interest and principal repayment element. The principal element included within these payments will be used to represent the MRP charge in accordance with the contractual agreement rather than separately calculating an MRP charge under the usual annuity method.

4.11 Capital loans to third parties with terms that include annual principal repayment (either equal instalment or annuity-based) will not be charged a separately calculated MRP charge as the annual principal repayments will be used to reduce the CFR and accordingly reduce the overall capital borrowing.

4.12 Short term loans for capital purposes (those with a full repayment date of five years or less) will generate a receipt on their maturity which for capital accounting purposes counts as a capital receipt. On the basis that such capital receipts will be applied to reduce the Capital Financing Requirement – and as such deemed to repay the capital borrowing – no MRP charge will be made on such loans.

4.13 Capital loans to wholly-owned subsidiaries will not be subject to MRP charges in circumstances where the net worth of the subsidiary is (or is reasonably expected to be in the short to medium term) in excess of the loan and as such a disposal of those assets would provide sufficient funds to fully repaying the outstanding capital borrowing of the Council.

4.14 Charges for the provision to repay capital debt relating to share capital for group holdings will not be applied in circumstances where any proposed debt restructuring and re-gearing is expected to lead to the redemption of called up share capital over the short to medium term.

4.15 Where the Council has outstanding borrowing relating to historic individual and specific investment in property assets, in exceptional circumstances where a substantial void period in lettings occur, the Council reserves the right to take a temporary "holiday" in MRP payments for that asset until the property is either let, or a strategy determined to change the asset use or dispose of the asset and thus generate a capital receipt is agreed. Any MRP holiday arising from such a situation will be reversed by correspondingly adjusting future MRP charges over the estimated remaining life of the asset or a capital receipt realised.

4.16 Individual assets being subject to an MRP charge will cease to be subject to MRP charges at the point they are identified as surplus and have a likely expectation of generating a capital receipt in the short to medium term.

4.17 The Housing Revenue Account (HRA) is not subject to the same statutory annual requirement to make an MRP charge as the General Fund. It is however required to make provision for the repayment of capital debt over the longer term (broadly over the thirty year life of the HRA Business Plan). In prior years, the HRA has set aside 2% per annum of its CFR to meet this obligation. This Policy proposes that this blanket 2% per annum policy is dis-continued and that the HRA is given greater flexibility to make provision for the repayment of debt over the life of its Business Plan. The HRA Business Plan provides for significant investment in modernising its existing holdings as well as new housing stock, the application of a more flexible and long term strategy for debt repayment will ease pressure on HRA balances and enable greater provision of decent homes whilst still allowing the overall level of debt to be repaid over the long term. The Council's s151 officer will continue to ensure that the HRA Business Plan provides for the prudent repayment of debt over the longer term.

4.18 Subject to affordability and the sustainability of the budget and Medium Term Financial Strategy, the Council's s151 Officer will continue to explore opportunities for the earlier reduction of outstanding debt for both the General Fund and HRA, and where appropriate and subject to available resources, reserve the power to make supplementary MRP contributions over and above the minimum previously determined as prudent, where longer term financial benefits may be derived.

Capital Receipts

4.19 Capital receipts may ordinarily be applied to fund capital expenditure or be set aside for the repayment of debt. An exemption currently applies until 31st March 2022, which allows capital receipts to be used to fund revenue expenditure which generates future and ongoing savings and service transformation – referred to as the Flexible Use of Capital Receipts.

4.20 The Council's s151 Officer will apply General Fund capital receipts so as to optimise the benefit to the Revenue Account whilst being mindful of the long term need to prudently repay capital debt.

4.21 To the above end, all capital receipts (unless statutorily or contractually ring-fenced to specific purposes) will be applied to their most beneficial purpose.

Where capital receipts are applied to repay debt, such repayments will be applied against the remaining borrowing identified on an asset by asset basis and the MRP liability adjusted accordingly.

MRP Overpayments

4.22 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 31st March 2020 nil overpayments were made, and there is no expectation that any VRP contributions will be made in the period 2020/21-2023/24.

5. BORROWING STRATEGY

5.1 The capital expenditure plans set out in section 3 of this report summarise the Council's proposed service capital expenditure activity. 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 Treasury Management Portfolio Position

5.2 The overall treasury management portfolio as at 31st March 2020 and for the position as at 31st December 2020 are shown below for both borrowing and investments.

Table 6. Treasury Portfolio

General Fund & HRA	31st March 2020		31st December 2020	
Debt Portfolio	**Principal (£m)**	**Average Rate %**	**Principal (£m)**	**Average Rate %**
Fixed Rate Loans				
PWLB	362.160	3.26	360.890	3.28
Local Authorities	10.000	0.90	0.000	N/A
Market	30.000	4.18	30.000	4.18
Variable Rate Loans				
PWLB	4.821	0.48	4.821	0.23
Total Debt	**406.981**	**3.27**	**395.711**	**2.56**
Total Investments	**75.536**	**3.42**	**95.596**	**3.24***
Net Debt	**331.445**		**300.115**	

*The weighted average rate of return was 1.35%

5.3 The Council's investment portfolio summary as at 31st March 2020 together with the position as at 31st December 2020 is summarised below:

Table 7. Investment Portfolio Summary

	31st March 2020 (£m)	31st March 2020 (%)	31st December 2020 (£m)	31st December 2020 (%)
Treasury Investments				
Banks	1.000	2%	19.275	33%
Building Societies - rated	0.000	0%	0.000	0%
Building Societies - unrated	0.000	0%	0.000	0%
Local Authorities	0.000	0%	0.000	0%
DMADF (HM Treasury)	0.000	0%	0.000	0%
Money Market Funds (MMF)	23.915	60%	25.000	42%
Total Managed In-house	**24.915**	**62%**	**44.275**	**75%**
Total Managed Externally - Property Funds	**15.000**	**38%**	**15.000**	**25%**
Total Treasury Investments	**39.915**	**100%**	**59.275**	**100%**
Non-Treasury Investments				
Reading Transport Ltd	6.121	17%	6.821	19%
Homes for Reading Ltd	24.500	69%	24.500	67%
Brighter Future for Children Ltd	5.000	14%	5.000	14%
Total Non-Treasury Investments	**35.621**	**100%**	**36.321**	**100%**
Total - All Investments	**75.536**	**100%**	**95.596**	**100%**

5.4 The Council's forward projections for borrowing are summarised in Table 8 below which shows actual external debt compared to the underlying need to borrow (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table 8. Borrowing Estimates

	2020/21 Forecast £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
External Debt				
Debt at 1st April	**406.981**	**417.928**	**479.149**	**514.022**
Net Change in Debt	10.947	61.221	34.873	48.038
Debt at 31st March	**417.928**	**479.149**	**514.022**	**562.330**
PFI Liabilities at 1st April	**26.244**	**25.270**	**24.261**	**23.147**
Net Change in PFI Liabilities	(0.974)	(1.009)	(1.114)	(1.304)
PFI Liabilities at 31st March	**25.270**	**24.261**	**23.147**	**21.843**
Total Gross Debt at 31 March	443.198	503.410	537.169	584.173
Capital Financing Requirement	605.497	660.960	693.807	733.917
(Under)/Over Funding of CFR	**(162.299)**	**(157.550)**	**(156.638)**	**(149.744)**
(Under)/Over Borrowing (exc PFI)	**(187.569)**	**(181.811)**	**(179.785)**	**(171.587)**

5.5 Within the above figures the level of debt relating to historic (pre 1st April 2020) commercial property investment activity / non-financial investment is:

Table 9. Analysis of Non-Financial Investment Borrowing

	2020/21 Forecast £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
External Debt for Non-Financial Investments				
Actual Debt at 31 March	75.667	75.667	75.667	75.667
Percentage of Total External Debt	**17%**	**15%**	**14%**	**13%**

5.6 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 its CFR in the preceding year plus the estimates of any additional CFR for 2020/21 and the subsequent 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.

5.7 The Executive Director of Resources 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 report.

Treasury Indicators: Limits to Borrowing Activity

5.8 **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.

Table 10. Operational Boundary

	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Capital Financing Requirement	605.497	660.960	693.807	733.917
Headroom	20.000	20.000	20.000	20.000
Total	**625.497**	**680.960**	**713.807**	**753.917**

5.9 **The authorised limit for external debt.** This is a key prudential indicator and 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 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.

5.10 The Authorised Borrowing limits are set out below:

Table 11. Authorised Limit

	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Operational Boundary	625.497	680.960	713.807	753.917
Headroom	40.000	40.000	40.000	40.000
Total	**665.497**	**720.960**	**753.807**	**793.917**

Prospects for Interest Rates

5.11 The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 9th November 2020, which have been amended to include the 1% reduction in PWLB rates announced on 25th November 2020. These are forecasts for certainty rates (gilt yields plus 80bps).

Table 12. Interest Rate Projections (%)

	Dec 20	Mar 21	Jun 21	Sep 21	Dec 21	Mar 22	Jun 22	Sep 22	Dec 22	Mar 23	Jun 23	Sep 23	Dec 23	Mar 24
Bank Rate	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3m av earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6m av earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
1yr av earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5yr PWLB	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10yr PWLB	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25yr PWLB	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50yr PWLB	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

5.12 The Coronavirus Pandemic has had a significant economic impact on the UK and on economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings to 16th November 2020, although some forecasters had suggested that a cut into negative territory could happen. No increase in Bank Rate is expected in the forecast table above as economic recovery is expected to be only gradual and, therefore, prolonged.

5.13 Gilt yields had already been on a generally falling trend up until the Coronavirus crisis hit western economies during March 2020, following which we have seen them fall to unprecedented lows as investors in anticipation of impending recessions in western economies moved cash into safe haven assets i.e. government bonds. Massive quantitative easing by western central banks has also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in "normal" times would have caused bond yields to rise sharply.

5.14 As the interest forecast table for PWLB certainty rates above shows, there is expected to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum lost caused by the Coronavirus pandemic. However, gilt yields, and therefore PWLB rates are subject to volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment, (as shown on 9th November when the first results of a successful Covid-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period.

Investment and Borrowing Rates

5.15 Investment returns are likely to remain exceptionally low during 2021/22 with little increase in the following two years.

5.16 Borrowing interest rates fell to historically low rates as a result of the Covid-19 crisis and the quantitative easing operations of the Bank of England. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. The unexpected increase of 100 bps in PWLB rates on top of the then current margin over gilt yields of 80 bps in October 2019, required an initial major rethink of local authority treasury management strategy and risk management. However, in March 2020, the Government started a consultation process for reviewing the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure.

5.17 On 25th November 2020, the Chancellor announced the conclusion to the review of PWLB rates; the standard and certainty margins were reduced by 1% 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 (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

5.18 **Borrowing for capital expenditure**. As Link's long-term forecast for Bank Rate is 2.00%, and all PWLB rates are under 2.00%, there is currently value in borrowing from the PWLB where there is a need to borrow. Longer-term borrowing could also be undertaken for the purpose of certainty, where that is desirable, or for flattening the profile of a heavily unbalanced maturity profile.

5.19 While the Council will not be able to completely avoid borrowing to finance new capital expenditure, to replace maturing debt and the rundown of internal cash balances, there will be a cost of carry in the current market (the difference between higher borrowing costs and lower investment returns)associated with any new borrowing that causes a temporary increase in cash balances. The Council's borrowing strategy is outlined below.

Borrowing Strategy

5.20 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 an issue that needs to be considered.

5.21 The most cost effective borrowing currently is internal borrowing which involves running down cash balances and foregoing interest earned (at historically low rates), in lieu of taking out new borrowing at a higher rate. The Council will look to utilise temporary and short term borrowing, if a borrowing need arises, as this is a cheaper option than long term borrowing at present. However, in view of the overall forecast for long term borrowing rates to increase over the next few years, consideration will also be given to weighing the short term advantage of internal, temporary and short term borrowing against potential longer term costs if the opportunity is missed for taking loans at rates which will be higher in future years.

5.22 Against this background and the risks within the economic forecast, the Treasury Team will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. If during the period there was a significant risk of a sharp 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.

5.23 Any decisions will be reported subsequently to the Audit & Governance Committee.

Policy on Borrowing in Advance of Need

5.24 The Council will not borrow more than or in advance of its needs purely 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.

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

Debt Rescheduling

5.26 The reasons for any debt re-scheduling to take place will include:

- The generation of cash savings and/or discounted cashflow savings
- Helping to fulfill the treasury management strategy
- Enhancing the balance of the portfolio (the maturity profile and/or the balance of volatility

5.27 It is not anticipated that the Council will carry out any debt rescheduling in the near future due to the high cost premiums outweighing any potential savings. Any rescheduling will be reported to Members in a treasury report at the earliest meeting following its action.

5.28 The Authority holds £25m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. Although the Council understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

Approved Sources of Long and Short-term Borrowing

5.29 The list of approved lenders and types of funding that can be secured with each entity is set out below:

On Balance Sheet	Fixed	Variable
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Overdraft		●
Finance leases	●	●

6. ANNUAL INVESTMENT STRATEGY

Investment Policy – Management of Risk

6.1 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. Non-financial investments, essentially the purchase of income yielding assets, are covered in the Council's Capital Strategy.

6.2 The Council's Investment Policy has regard to the following:

- MHCLG'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

6.3 The Council's investment priorities are 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 consider the value available in periods over 12 months with high credit rated financial institutions, as well as wider range fund options.

6.4 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 :

i. The application of minimum acceptable **credit criteria** to generate a list of creditworthy counterparties. This also enables diversification and the avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

ii. Continually monitoring and assessing at both a micro and macro level; the financial sector 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.

iii. Reviewing other information sources including the financial press, share price etc. pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

iv. The Council defining the **types of investment instruments** that the Treasury Management Team are authorised to use as follows:

   - **Specified investments** - those with a high level of credit quality and subject to a maturity limit of one year.

- **Non-specified investments** - 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. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity. For example, an 18-month deposit would still be non-specified even if it has only 11 months left until maturity.

v. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments to £30m of the total investment portfolio.

vi. **Lending limits**, (amounts and maturity) for each counterparty will be set through applying the matrix in Table 13.

vii. This authority will set a £30m limit for the amount of its investments which are invested for **longer than 365 days**.

viii. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**.

ix. This authority has engaged **external consultants**, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

x. All investments will be denominated in **sterling**.

xi. As a result of the change in accounting standards for 2020/21 under IFRS 9, this authority 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 commencing from 1st April 2018. As a result of this exemption, the Council will not need to charge the General Fund with any adverse movement in the value of its investment in the CCLA pooled property fund, should one materialise. In 2019/20, the net unrealised loss relating to this investment was £0.541m, however due to the statutory override there was no impact on the General Fund.

6.5 However, this authority will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year

6.6 The cash investment limit for Non-Specified Investments (which includes pooled property funds) is proposed to be increased from £20m to £30m to provide the Council with additional investment options given the uncertainty within the current market.

Creditworthiness Policy

6.7 The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security and monitoring their security; and
- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

6.8 The Council's Section 151 Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

6.9 Credit rating information is supplied by the Council's treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. Notification of a negative rating Watch applying to a counterparty with the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

6.10 The criteria for providing a pool of high quality investment counterparties, (both specified and non-specified investments) is set out in Table 12 below, as are the time and monetary limits for institutions on the Council's counterparty list:

Table 13. Investment Criteria

	Credit Rating	Counterparty Limit	Time Limit
Banks and organisations and securities whose lowest long-term credit rating published by Fitch, Moody's or Standard & Poor is:	AAA	£20m (each)	5 Years
	AA+		3 Years
	AA		
	AA-		2 Year
	A+		
	A		1 Year
	A-		
The Council's current account, Lloyds Bank Plc should circumstances arise when it does not meet above criteria	N/A	£1m (total)	Next Day
UK Building Societies without credit rating	N/A	£10m (each)	1 Year
UK Government (irrespective of credit rating)	N/A	Unlimited	50 Years
UK Local Authorities (irrespective of credit rating)	N/A	£20m (each)	50 Years
UK Registered Providers of Social Housing whose published long-term credit rating is A- or higher	A-	£5m (each)	2 Years
UK Registered Providers of Social Housing whose published long-term credit rating is lower than A- or without a long-term credit rating	N/A	£2m (each)	1 Year
	Fund rating	**Cash Limit**	**Time**
Money Market Funds	AAA	£20m (each)	liquid
Pooled Funds (including pooled property funds)	AAA	£30m (total)	liquid

6.11 The credit rating of counterparties is monitored regularly. The Council receives credit rating information including changes, rating watches and rating outlooks from Link Group as and when ratings change, following which the Council's schedule of approved counterparties is promptly updated - 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 and if required new counterparties which meet the criteria will be added to the list by the Council's Section 151 Officer.

Creditworthiness

6.12 Although the credit rating agencies changed their outlook on many UK banks from Stable to Negative during the quarter ended 30th June 2020 due to upcoming risks to banks' earnings and asset quality caused by the pandemic, the majority of ratings were affirmed due to the continuing strong credit profiles of major financial institutions, including UK banks. As we move into future quarters, more information will emerge on actual levels of credit losses. Agencies may therefore adjust their ratings (negatively or positively), although it should also be borne in mind that banks went into this pandemic with strong balance sheets. This is predominantly a result of regulatory changes imposed on banks following the Great Financial Crisis. Indeed, the Financial Policy Committee (FPC) report on 6th August 2020 revised down their expected credit losses for the UK banking sector to “somewhat less than £80bn”. It stated that in its assessment, “banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC’s central projection”. The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC’s projection, with unemployment rising to above 15%.

Credit Default Swap (CDS) Prices

6.13 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 normal levels. Nevertheless, prices are still elevated compared to end-February 2020. Pricing is likely to remain volatile as uncertainty continues. However, sentiment can easily shift, so 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 portal.

Other Limits

6.14 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 at £30m maximum.

b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of *AA-* from Fitch or equivalent. The list of countries that qualify using this credit criteria as at the date of this report are set out in Annexe 3 to this appendix. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

c) **Other limits.** In addition:

- no more than £20m will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

6.15 As an additional layer of security, a concentration of investments in too few counterparties or countries will be avoided with officers ensuring that the portfolio is diversified across counterparties/countries.

Investment Strategy

6.16 **In-house funds.** Investments will be made with reference to the core balance and cash flow requirements and the interest rate outlook. 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 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.

6.17 The Council will not knowingly invest directly in businesses whose activities and practices pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the Council's Corporate Plan and values. This would include institutions with material links to:

- human rights abuse (e.g. child labour, political oppression)
- environmentally harmful activities (e.g. pollution, destruction of habitat, fossil fuels)
- socially harmful activities (e.g. tobacco, gambling)

Investment Return Expectations

6.18 Bank Rate is unlikely to rise from 0.10% for a considerable period, as set out in Table 12. It is very difficult to say when it may start rising but it may be assumed that investment earnings from money market-related instruments will be sub 0.50% for the foreseeable future.

6.19 There is relatively little UK domestic risk of increases or decreases in Bank Rate or significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, or a return of investor confidence in equities, could impact gilt yields,(and so PWLB rates) in the UK.

Negative Investment Returns

6.20 While the Bank of England said in August / September 2020 that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, and in November omitted any mention of negative rates in the minutes of the meeting of the Monetary Policy Committee, some deposit accounts are already offering negative rates for shorter periods.

6.21 Money market fund (MMFs) yields have continued to drift lower. Some managers have already resorted to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a surfeit of money swilling around at the very short end of the market. This has seen a number of market operators, now including the Debt Management Account Deposit Facility (DMADF), offer nil or negative rates for very short term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions for investments at the very short end of the yield curve.

6.22 Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term.

Investment Treasury Indicator and Limit

6.23 The Investment treasury indicator and limit refer to the 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.

6.24 Table 14 below sets out the limits on investments that can be longer than 365 days

Table 14. Upper limit for principal sums invested on fixed terms for longer than 365 days

	2021/22	2022/23	2023/24
Principal sums invested for longer than 365 days	£30m	£30m	£30m
Current investments as at 31.01.21 in excess of 1 year maturing in each year	Nil	Nil	Nil

6.25 As at 31st January 2021, the Council has £15.000m invested in pooled property funds which have no fixed maturity, as set out in Table 7.

6.26 For its cash flow generated balances, the Council will seek to utilise its notice accounts, money market funds and short-dated deposits in order to benefit from the compounding of interest.

Policy on Apportioning Interest to the HRA

6.27 Reform of the Housing Revenue Account Subsidy system was completed at the end of 2011/12, the Council was required to pay MHCLG £147.8m. Prior to 2012/13 The Council would recharge interest expenditure and income attributable to the HRA in accordance with determinations issued by MHCLG. The Council subsequently adopted a policy that it would continue to manage its debt as a single pool using a similar regime to that applied prior to self-financing and which would not result in a material change to the average interest rate paid by the Council.

6.28 During 2016/17 and 2017/18 the methodology was adjusted to recognise that in essence the £147.8m of loans the Council borrowed at the time of self-financing were primarily taken for HRA debt, and therefore the operation of the single pool should not lead to the average interest rate charged to the HRA being less than the average rate on the remaining part of those loans.

6.29 The HRA also has a notional cash balance which may be positive or negative. This balance is measured each month and interest transferred between the General Fund and HRA at the net average rate earned by the Council on its portfolio of treasury investments (excluding the CCLA Property Fund) and short-term borrowing.

End of Year Investment Report

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

External Fund Managers

6.31 The Council does not currently employ external fund managers for any part of its investment portfolio, other than for pooled property fund, and does not plan to do so. If in future, officers determine that an external fund manager will add value to the Council's treasury management function, a report will be brought to the Audit and Governance Committee to first seek approval of a change in policy and subsequently the appointment of a preferred fund manager.

7. ANNEXES

Annexe 1 – Prudential and Treasury Indicators

Annexe 2 – Treasury Management Scheme of Delegation

Annexe 3 – List of Approved Countries for Investment

THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2021/22 - 2023/24

1. 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

	Estimate 2020/21 £m	2021/22-2023/24 Estimate			
		2021/22 £m	2022/23 £m	2023/24 £m	Total £m
General Fund	64.938	88.153	69.032	42.838	200.023
HRA	20.457	39.675	23.415	37.712	100.802
Total	**85.395**	**127.828**	**92.447**	**80.550**	**300.825**

Affordability Prudential Indicators

2. Section 5 in the main body of the Strategy 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.

	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
General Fund	10.5	11.4	13.2	13.8
HRA	12.6	17.2	17.1	16.7
Total	**10.9%**	**12.7%**	**14.1%**	**14.5%**

Maturity Structure of Borrowing

4. 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. Council is asked to approve the following limits:

Maturity structure of fixed interest rate borrowing 2021/22		
	Lower	**Upper**
Under 12 months	0%	10%
12 months to 2 years	0%	20%
2 years to 5 years	0%	20%
5 years to 10 years	0%	30%
10 years to 20 years	0%	40%
20 years to 30 years	0%	50%
30 years to 40 years	0%	60%
40 years to 50 years	0%	60%
Maturity structure of variable interest rate borrowing 2020/21		
	Lower	**Upper**
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years to 20 years	0%	100%
20 years to 30 years	0%	100%
30 years to 40 years	0%	100%
40 years to 50 years	0%	100%

TREASURY MANAGEMENT SCHEME OF DELEGATION

i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of/amendments to the council's adopted clauses, treasury management policy statement and treasury management practices;
- approval of annual Strategy.

ii) Audit & Governance Committee

- Receive and recommend to Full Council amendments to the council's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

iii) Section 151 Officer

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

APPROVED COUNTRIES FOR INVESTMENT

1. The below list of approved countries for investment is based on the lowest available rating from all ratings agencies (as at 1st December 2020).

AAA

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

AA+

- Canada
- Finland
- United States of America

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- United Kingdom