ARGYLL AND BUTE COUNCIL | **AUDIT AND SCRUTINY COMMITTEE**

FINANCIAL SERVICES | **13 MARCH 2025**

TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT STRATEGY 2025-26

1.0 EXECUTIVE SUMMARY

1.1 The Local Government in Scotland Act 2003 requires the council to have regard to the CIPFA Code of Practice on Treasury Management (revised 2021), the Code. The Treasury Management Strategy, including prudential and treasury Indicators, and the Annual Investment Strategy is a key reporting requirement, providing a comprehensive statement of treasury management policies and planned activity for the financial year ahead.

1.2 This report, prepared in compliance with the Code, covers the following:

- Capital Expenditure and Financing;
- An economic and interest rate update;
- Borrowing Strategy;
- Investment Strategy; and
- Prudential and Treasury Indicators 2025-28.

1.3 The report concludes that:

a) The Treasury Management Strategy provides a comprehensive statement of treasury management policies and planned activities, covering the relevant treasury and prudential indicators, the current and projected debt positions, and the Annual Investment Strategy for 2025-26.

b) A key driver of treasury management activity is the council's capital investment plans. Prudential indicators reflect the output from these plans and are designed to ensure that the council's capital investment plans are affordable, prudent and sustainable. Within the range of prudential indicators, there are several key indicators to ensure that the authority operates its activities within well defined limits.

c) Whilst the Capital Financing Requirement represents an underlying need to borrow, the council is currently maintaining an under-borrowed position. This strategy is prudent while medium and longer dated borrowing rates are expected to fall from their current levels, albeit that considerable uncertainty remains around interest rate forecasts.

d) The council's revenue budget includes appropriate provision for financing costs of capital expenditure. The key principles of the borrowing strategy will be to minimise debt interest costs over the medium term and to achieve a more even spread in the debt maturity profile.

e) The council's investment priorities will be security, liquidity and yield (return). A prudent approach to managing investment risk has been adopted. Exposure to credit risk will be limited by ensuring that all investments are placed with the higher rated bodies. A balanced view of risk against return will be taken in respect of all investments. It is anticipated that return on investments will be limited in 2025-26, as a result of Bank Rate forecasts and the over-riding principle of risk aversion.

1.4 The Audit and Scrutiny Committee is requested to:

a) Note that the report has been considered by the Policy and Resources Committee on 20 February 2025 and approved by full Council on 27 February 2025. Any recommendations arising from further scrutiny by the Audit and Scrutiny Committee will require to be presented to full Council at the earliest opportunity; and

b) Consider and endorse the Treasury Management Strategy and Annual Investment Strategy for 2025-26, and the Prudential and Treasury Indicators for 2025-26 to 2027-28.

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2. INTRODUCTION

2.1 Background

2.1.1 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, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'

2.1.2 The authority is required to operate a balanced revenue budget, which broadly means that cash raised during the year will meet cash expenditure. In addition, the authority's capital plans indicate the borrowing and longer term cash flow planning, required to meet its capital spending obligations. The treasury management operation ensures that cash flow is adequately planned, with cash being available when it is needed.

2.1.3 Surplus monies are invested in low risk counterparties or instruments commensurate with the council's low risk appetite, providing adequate liquidity initially before considering investment return. The management of longer term cash flow 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 risk or cost objectives.

2.1.4 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, impacting available resources. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund balance.

2.2 Reporting Requirements

2.2.1 The authority is required to receive and approve, as a minimum, three main treasury reports each year:

1) The Treasury Management Strategy, including prudential and treasury Indicators, and the Annual Investment Strategy (this report) – A forward looking report for the financial year ahead.
2) A Mid-year Treasury Management report – To update members on the capital and treasury position, amending prudential and treasury indicators, as necessary; and any required policy revisions.
3) An Annual Treasury Management report – A backward looking review, providing details of actual treasury activity, and prudential and treasury indicators, compared to the approved estimates.

2.2.2 The above reports require to be adequately scrutinised before being recommended to full Council for approval. This role will be undertaken by the Policy and Resources and Audit and Scrutiny Committees. In addition to the three major reports detailed above, quarterly reporting (end of June/end of December) is also required. These additional reports do not have to be reported to full Council but do require to be adequately scrutinised. This role will be undertaken by the Audit and Scrutiny Committee.

3. RECOMMENDATIONS

3.1 The Audit and Scrutiny Committee is requested to:

a) Note that the report has been considered by the Policy and Resources Committee on 20 February 2025 and approved by full Council on 27 February 2025. Any recommendations arising from further scrutiny by the Audit and Scrutiny Committee will require to be presented to full Council at the earliest opportunity; and

b) Consider and endorse the Treasury Management Strategy and Annual Investment Strategy for 2025-26, and the Prudential and Treasury Indicators for 2025-26 to 2027-28.

4. TREASURY MANAGEMENT STRATEGY 2025-26

4.1 Capital Expenditure and Financing

4.1.1 The authority'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 are prudent, affordable and sustainable.

4.1.2 The Capital Expenditure prudential indicator is a summary of the authority's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The following table summarises the capital expenditure plans, as outlined within the proposed capital plan 2025-28.

	2025-26 Estimate £m	2026-27 Estimate £m	2027-28 Estimate £m
Executive Directorate (Douglas Hendry)			
Education	2.946	1.988	1.988
Facility Services - Shared Offices	3.681	0.667	0.382
Major Projects/CHORD	10.865	10.018	0.000
Executive Directorate (Kirsty Flanagan)			
ICT	1.352	0.820	0.688
Roads and Infrastructure	48.500	39.110	33.979
Development and Economic Growth	1.104	0.000	0.000
Health and Social Care Partnership	2.084	0.000	0.382
Live Argyll	0.474	0.468	0.382
Total	**71.006**	**53.071**	**37.801**

Note: The above financing need excludes other long-term liabilities, such as PFI and leasing arrangements that already include borrowing instruments.

4.1.3 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.

	2025-26 £m	2026-27 £m	2027-28 £m
Gross Capital Expenditure	**71.006**	**53.071**	**37.801**
Financing:			
Specific Project Income	8.302	5.000	0.000
General Capital Grant	11.178	8.633	8.633
Asset Sales	0.750	0.500	0.500
Earmarked Reserves/Revenue	5.577	5.030	0.000
Total	**25.807**	**19.163**	**9.133**
Net Financing Need	**45.199**	**33.908**	**28.668**

4.2 The Authority's Borrowing Need (the Capital Financing Requirement)

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

4.2.2 The CFR does not increase indefinitely, as prudent annual repayments from revenue need to be made, which reflect the useful life of capital assets financed by borrowing. This authority has chosen to make debt repayments through scheduled debt amortisation (loans fund charges).

4.2.3 The CFR includes any other long term liabilities (e.g., PPP schemes, finance leases). Whilst these increase the CFR, and therefore the authority's borrowing requirement, these types of schemes include a borrowing facility by the PPP or lease provider and so the authority is not required to separately borrow for these schemes. The council hold long term liabilities within its CFR in this respect totalling an estimated £106.346m as at 31 March 2025.

4.2.4 Council is asked to approve the CFR projections outlined in the table below.

	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Opening CFR	360	394	415
Movement in CFR	34	21	16
Closing CFR	**394**	**415**	**431**

Net financing need for the year (above)	45	34	29
Less Loans Fund principal repayments and other financing movements including new PPP/ finance lease arrangements and principal repayments	11	13	13
Movement in CFR	**34**	**21**	**16**

4.2.5 In addition to the CFR, there will be a refinancing requirement in respect of the repayment of PWLB loan principal of £1.680m each year. These repayments of principal relate to a 10 year PWLB loan (original principal £21m), which was taken on a fixed Equal Instalments of Principal (EIP) basis. All other PWLB loans will be repayable on maturity, with no maturity loans due to mature in the period to 31 March 2028.

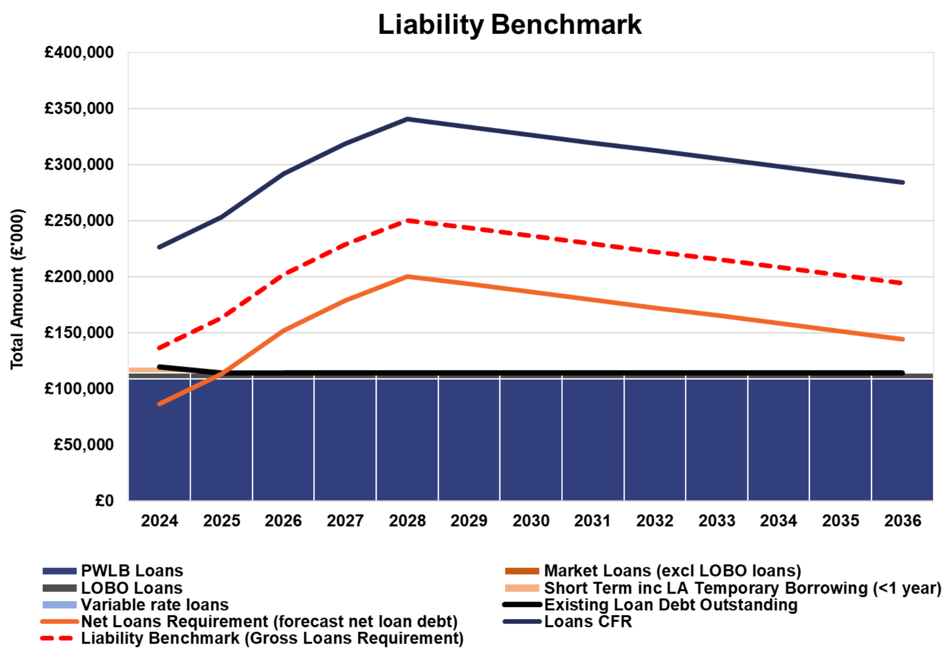
4.2.6 There is also a potential for market loans to be recalled. The council has one outstanding market or LOBO loan for £5.255m, maturing 2048, with call dates every 6 months. This loan could potentially be recalled at the 22 June or 22 December call dates in any year.

4.2.7 Any PWLB or LOBO loans maturing during the year will ultimately require replacement borrowing to maintain the council's cashflow position. In addition, the council will continue to actively monitor potential restructuring opportunities, in order to generate cash savings, at a minimum risk, and improve the balance of the loan debt maturity profile.

4.3 Liability Benchmark

4.3.1 The authority is required to estimate and measure the Liability Benchmark for the forthcoming financial year and the following two financial years, as a minimum. There are four components to the Liability Benchmark, also reflected in the graph below:

1. **Existing loan debt outstanding**: the authority's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Loans Fund advances/Loans Fund principal repayments.
3. **Net loans requirement**: this will show the authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned Loans Fund principal repayments and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance. Any years where actual loans are less than the benchmark indicate a future borrowing requirement. Any years where actual loans outstanding exceed the benchmark represent an overborrowed position, which will result in excess cash requiring investment.



4.4 Core Funds and Expected Investment Balances

4.4.1 The application of resources to either finance capital expenditure or to support the revenue budget will have an ongoing impact on cash balances available for investment. It is anticipated that treasury investments will be held to manage day to day cashflow requirements, with balances expected to fluctuate throughout the year. Whilst the council holds significant usable reserve balances, due to the strategy of internal borrowing, as outlined within the Borrowing Strategy section, investment balances are expected to be low throughout the year.

4.5 Statutory Repayment of Loans Fund Advances

4.5.1 The authority is required to set out its policy for the statutory repayment of loans fund advances prior to the start of the financial year. The repayment of loans fund advances ensures that the council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years

4.5.2 A variety of options are provided to councils, so long as a prudent provision is made each year. A review of the council's loan fund advances was undertaken during 2019-20 to ensure the council continues to make a prudent provision each year for the repayment of loans fund advances.

4.5.3 For all new loans fund advances the policy for repayment will be in accordance with the following methodology, as appropriate:

1. **Asset life method** – loans fund advances will be repaid with reference to the life of an asset using a 5.1% annuity rate;
2. **Funding / Income profile method** – loans fund advances will be repaid by reference to an associated income stream.

4.5.4 Using the asset life method, the council is required to ensure that the debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The following table details the repayment period applicable to each asset type.

Asset Type	Repayment Period (Years)
Land (including cemeteries)	100
Road Structures - Bridges, Retaining Walls, Sea Walls, Flood Defences	60
Piers and Harbours - Major Structural Work	60
Piers and Harbours - Medium Term Works e.g painting/cathodic protection	20
Piers and Harbours - Limited Lifespan Improvements	10
Roads and Footways	20
Street Lighting	30
Vehicles & Plant	7
IT Equipment	5
Major Regeneration Works (Public Realm etc)	60
New Builds including Schools	60
Buildings - Electrical	40
Buildings - Plant	20
Buildings - Roofing	35
Buildings - Windows & External Doors	20
Buildings - Structural	25

4.6 Current Treasury Portfolio Position

4.6.1 The overall treasury management portfolio as at 31.3.24 and for the position as at 31 December 2024 are shown below for both borrowing and investments.

TREASURY PORTFOLIO				
	Actual 31 March 2024		Actual 31 December 2024	
Treasury investments	**£m**	**%**	**£m**	**%**
Banks	18.133	55%	10.016	30%
Local Authorities	10.000	30%	0.000	0%
Money Market Funds	1.400	4%	20.000	60%
Third Party Loans (RSLs)	3.543	11%	3.408	10%
Total treasury investments	**33.076**	**100%**	**33.424**	**100%**
Treasury external borrowing				
PWLB	108.877	92%	107.197	95%
Market Loans (LOBO)	5.255	4%	5.255	5%
Temporary Borrowing*	5.256	4%	0.297	0%
Local Bonds	0.018	0%	0.018	0%
Total external borrowing	**119.406**	**100%**	**112.767**	**100%**

**Note: This represents short term borrowing from various institutions.*

4.6.2 The council's forward projections for borrowing are summarised in the following table. This table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement), highlighting any over or under borrowing.

	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Debt at 1 April	153	220	275
Expected change in Debt	67	55	37
Other long-term liabilities (OLTL)	106	101	95
Expected change in OLTL	(5)	(6)	(6)
Actual Gross Debt at 31 March	**321**	**370**	**401**
The Capital Financing Requirement	**394**	**415**	**431**
Under / (over) borrowing	**73**	**45**	**30**

4.6.3 Within the range of prudential indicators there are several key indicators to ensure that the authority operates its activities within well defined limits. One of these is that the authority 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 2025/26 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

4.6.4 The council's Section 95 Officer reports that the council has complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes account of current commitments, existing plans and the proposals in the 2025-26 Budget Pack in respect of the Capital Plan 2025-28.

4.7 Treasury Indicators: Limits to Borrowing Activity

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

Operational Boundary	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Debt	293	320	341
Other long-term liabilities	101	95	90
Total	**394**	**415**	**431**

4.7.2 **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 to manage day to day cashflow requirements 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 local authority plans, or those of a specific authority, although this power has not yet been exercised.

- Council is asked to approve the following Authorised Limit:

Authorised Limit	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Debt	298	325	346
Other long-term liabilities	104	98	93
Total	**402**	**423**	**439**

4.8 Prospects for Interest Rates

4.8.1 The council's treasury advisor has provided an update on the current economic position, given within Appendix 1. Part of this advisory service is also to assist the authority to formulate a view on interest rates. The following forecasts have been provided for short term (Bank Rate) and long term (PWLB certainty rates) borrowing.

(a) Long term PWLB rates:

PWLB rates	Dec 2024 %	March 2025 %	March 2026 %	March 2027 %	Dec 2027 %
5 year	5.0	4.9	4.5	4.1	3.9
10 year	5.3	5.1	4.7	4.3	4.1
25 year	5.6	5.5	5.1	4.7	4.5
50 year	5.4	5.3	4.9	4.5	4.3

The current and expected interest rates for long term borrowing from the PWLB highlight a gradual decrease from the current position. The PWLB rates quoted (gilt yields plus 80 bps) take account of the application of a 0.2% certainty rate reduction, introduced by the government in return for council's providing their borrowing forecast information. Argyll and Bute Council is able to access the certainty rate reduction.

(b) Short term borrowing rates:

Bank Rate	Dec 2024 %	March 2025 %	March 2026 %	March 2027 %	Dec 2027 %
	4.75	4.50	3.75	3.50	3.50

The 'Bank Rate' is the official Bank of England rate paid on commercial bank reserves. The current and Bank Rate forecasts also highlight an expected gradual decrease from the current position. Short term borrowing rates will generally fall in line with Bank Rate cuts.

4.8.2 Considerable uncertainty remains around interest rate forecasts. As all PWLB certainty rates are currently significantly above the longer term Bank Rate forecast (10 years 3.25%), borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end. MUFG will continue to monitor economic and market developments as they unfold and advise the authority accordingly. Typically, forecasts are reviewed following the quarterly release of the Bank of England's Monetary Policy Report but will be considered on an ad hoc basis, as required.

4.9 Borrowing Strategy

4.9.1 The council is currently maintaining an under borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the authority's reserve balances and cash flow has been used as a temporary measure (internal borrowing). This strategy is prudent while medium and longer dated borrowing rates are expected to fall from their current levels, albeit only once prevailing inflation concerns are addressed by restrictive near term monetary policy.

4.9.2 Short term borrowing from money markets or other local authorities is currently expected to be cheaper than long term borrowing and will therefore be attractive throughout the financial year. However, as with internal borrowing, short term savings by delaying new long term external borrowing requires to be balanced with potential additional long term costs.

4.9.3 Current PWLB rates are forecast to gradually decrease over the next couple of years. As a result, consideration will be given to the timing of any new fixed rate long term borrowing. Although more expensive in the short term, this may be more cost effective over the longer term and also provides an element of budget certainty in respect of future years.

4.9.4 The council's annual revenue estimates include appropriate provision for financing costs of capital expenditure. The key principles of the strategy will be to minimise debt interest costs over the medium term and to achieve a more even spread in the debt maturity profile. It is anticipated that a range of solutions will be employed in order to mitigate against interest rate risk, and to provide longer term cost certainty, as outlined above.

4.9.5 Against the economic background and the risks within interest rate forecasts, caution will be adopted with the 2025-26 treasury operations. The Section 95 Officer, in conjunction with the treasury advisors, will monitor interest rate forecasts and adopt a pragmatic approach to changing circumstances, with any new borrowing reported to committee at the next available opportunity.

4.10 Policy on Borrowing in Advance of Need

4.10.1 The authority will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the authority can ensure the security of such funds. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

4.11 Rescheduling

4.11.1 The principle reasons for debt rescheduling include:

- The generation of cash savings; and
- To enhance the balance of the debt maturity profile, mitigating the risk of refinancing at a higher rate of interest in any year in the future.

4.11.2 Opportunities for debt rescheduling within the current debt portfolio will be monitored on an ongoing basis throughout the year. There may be potential opportunities to generate savings and enhance the balance of the debt maturity profile by switching from long term debt to short term debt. However, these options would need careful consideration in light of the short term nature of potential savings and the likely cost of re-financing those short term loans on maturity, if required, together with any debt repayment premiums that may be incurred. Whilst premature redemption rates remain elevated, rescheduling opportunities to generate savings are not expected to be available. This would only expect to be undertaken, where a rebalancing of the portfolio, to provide more certainty, is considered appropriate. Any rescheduling undertaken will be reported to Council, at the earliest opportunity.

4.12 New Financial Institutions as a Source of Borrowing

4.12.1 Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources:

- Local authorities (primarily shorter dated maturities out to 3 years or so – generally still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a "cost of carry" or to achieve refinancing certainty over the next few years).

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

4.13 Approved Sources of Long and Short Term Borrowing

4.13.1 A summary of the council's approved sources and types of borrowing are set out within Appendix 2.

4.14 Treasury and Prudential Indicators 2025-28

4.14.1 A key driver of treasury management activity is the council's capital investment plans. The treasury management function ensures that sufficient cash is available to meet capital spending commitments. Prudential indicators reflect the output from these plans and are designed to ensure that the council's capital investment plans are affordable, prudent and sustainable. Required updates to the prudential and treasury indicators for 2024-25 were outlined within the Treasury Management Strategy Mid-year Review Report, approved by Council on 20 December 2024. The prudential and treasury indicators for 2025-26 to 2027-28 are outlined in Appendix 3 and reflect the proposed Capital Plan 2025-28. These indicators are relevant for the purpose of setting an integrated treasury management strategy.

5. ANNUAL INVESTMENT STRATEGY

5.1 Investment Policy

5.1.1 The council's investment policy implements the requirements of the following:

- Local Government Investments (Scotland) Regulations 2010, (and accompanying Finance Circular 5/2010),
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")

5.1.2 The council's investment priorities, in order of importance, will be security, minimising the risk of any loss on the principal sum invested; portfolio liquidity, ensuring that cash is available when required; and yield (return), the rate of interest earned from the investment. The authority will aim to achieve the optimum return on its investments, commensurate with proper levels of security and liquidity, and with regard to the authority's risk appetite. The risk appetite of the council will be low, with security of investments the key priority.

5.1.3 In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider opportunities for 'laddering' investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated.

5.1.4 The borrowing of monies purely to invest or on-lend and make a return is not permitted and the council will not engage in such activity. The limit of investments will reflect the level of available council reserve fund balances and borrowing in advance to meet capital financing requirements, in line with the borrowing strategy, together with provision for managing the council's day to day cash flow requirements.

5.1.5 The guidance from the Scottish Government and CIPFA places a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

1. 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.

2. 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’ (CDS) and overlay that information on top of the credit ratings.

3. Other information sources used will include the financial press, share price and other such information pertaining to the financial sector, in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This council has defined the list of types of investment instruments that the treasury management team are authorised to use and lending limits (amounts and maturity). A limit for the amount of its investments which are invested for longer than 365 days has also been set.
5. Investments will only be placed with counterparties from countries with a specified minimum sovereign rating and all investments will be denominated in sterling.

However, 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 throughout the year.

5.1.6 Investment instruments identified for potential use during the year, together with associated treasury risk mitigations and monetary limits, are outlined in Appendix 4. Information on Environmental, Social and Governance (ESG) considerations is also provided. Within the constraints of the policy, due consideration will be given to the diversification of investments**,** in order to limit a concentration of investments with too few counterparties or countries, and to ESG factors**.**

5.1.7 There has been considerable change in the types of investment instrument brought to the market in recent years. Given the fluidity of this area, members will be kept informed and requested to approve the use of any new instruments, as appropriate, in order to allow maximum flexibility.

5.2 Creditworthiness Policy

5.2.1 The council applies the creditworthiness service provided by MUFG (formerly Link Group). This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody’s and Standard & Poor’s. The credit ratings of counterparties are supplemented with the following overlays: -

1. “watches” and “outlooks” from credit rating agencies;
2. CDS spreads that may give early warning of changes in credit ratings;
3. sovereign ratings to select counterparties from only the most creditworthy countries.

5.2.2 This modelling approach combines credit ratings, and any assigned Watches and Outlooks, in a weighted scoring system, which is then combined with an overlay of CDS spreads. The end product of this is a series of colour coded bands, which indicate the relative creditworthiness of counterparties. These colour codes are used by the authority to determine the suggested duration for investments.

5.2.3 All credit ratings will be monitored on an ongoing basis throughout the year. Through its use of the MUFG creditworthiness service, the council is alerted to changes to ratings of all three agencies and will also be advised of information in movements in Credit Default Swap spreads and other market data on a daily basis. If a downgrade results in the counterparty / investment scheme no longer meeting the authority's minimum criteria, its further use as a new investment will be withdrawn immediately. Sole reliance will not be placed on the use of this external service. All available information will be considered when making investment decisions.

5.2.4 The council will continue to limit exposure to credit risk by ensuring that all investments are placed with the higher rated bodies from a weekly credit list of worldwide potential counterparties. For illustration purposes, a snapshot of this counterparty list as at 7 February 2025 is provided in Appendix 5.

5.2.5 The council essentially adopts a hybrid approach in formulating its creditworthiness policy. In addition to the MUFG creditworthiness service, which provides details of the most highly credit rated institutions (counterparties) and suggested investment durations, the council also places a monetary limit on each type of investment or counterparty, as outlined within Appendix 4. These investment criteria will be kept under review throughout the year and amended, if required, to ensure that they continue to be fit for purpose.

5.3 Investment Strategy

5.3.1 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. Accordingly, 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.

5.3.2 The current forecast shown in paragraph 4.8.1 includes a forecast for Bank Rate to fall to a low of 3.5%. However, as there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts. The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Average earnings in each year	%
2025/26	4.10%
2026/27	3.70%
2027/28	3.50%

5.3.3 For its cash flow generated balances, the authority will seek to utilise its business reserve instant access accounts, Money Market Funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

5.3.4 An investment treasury indicator and limit requires to be set in respect of total principal funds invested for greater than 365 days. These limits are set with regard to the authority'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. The council is asked to approve the following Treasury Indicator and limit:

Upper limit for principal sums invested for longer than 365 days			
	2025/26 £m	**2026/27 £m**	**2027/28 £m**
Principal sums invested for longer than 365 days	20	20	20
Current investments in excess of 1 year maturing in each year	0	0	0

5.4 Investment Performance / Risk Benchmarking

5.4.1 The Section 95 Officer will continue to monitor the economic environment and adopt a pragmatic approach to changing circumstances. A balanced view of risk against return will be taken in respect of all investments. The authority may use an investment benchmark to assess the investment performance of its investment portfolio of overnight, 7 day, 1, 3, 6 or 12 month compounded SONIA (Sterling Overnight Index Average), as appropriate. However, it is anticipated that return on investments will be limited in 2025-26, as a result of Bank Rate forecasts and the over-riding principal of risk aversion. Investment activity will be reported at the end of the financial year, as part of the Annual Treasury Report.

5.5 Non-treasury investments

5.5.1 Non-treasury investments are defined as the following categories:

- All shareholding, unit holding and bond holding, including those in a local authority owned company;
- Loans to a local authority company or other entity formed by a local authority to deliver services;
- Loans made to third parties; and
- Investment property.

5.5.2 Any such finance arrangements or loans would be subject to specific committee approval. The authority may make loans to third parties, where this is consistent with meeting the service objectives of the council and for which, specific statutory provision exists. For service reasons, loans to third parties may be offered at an interest rate below the market rate. Where the loan is advanced at less than a market interest rate, there is an associated loss of investment return, which would otherwise have been earned on these resources. Any cost to the council in this respect will be reflected in the authority's annual accounts. All loans to third parties will be recognised as investments and detailed within the Annual Investment Report.

6. Capital Strategy

6.1 The CIPFA 2021 Prudential and Treasury Management Codes places a requirement on local authorities to prepare a Capital Strategy. The Capital Strategy demonstrates how capital expenditure, capital financing and treasury management activity contribute to the provision of services and longer term policy objectives of the council. It also provides an overview of how associated risk is managed and the implications for future financial sustainability. An updated Capital Investment Strategy was approved by Policy and Resources Committee in August 2023. This will be reviewed and updated, as appropriate, as part of a planned review of capital arrangements, to be undertaken during the 2025-26.

7. Training

7.1 The CIPFA Code requires the proper officer to ensure that members with responsibility for treasury management receive adequate training. This especially applies to Members responsible for scrutiny. Members of the Audit and Scutiny Committee received training from the council's treasury advisors, Link Group in October 2024, to assist with this scrutiny role. Members are advised to notify Financial Services as/when they feel further training sessions would be beneficial. Furthermore, the training needs of treasury management officers are periodically reviewed to ensure appropriate treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

8. Policy on Use of External Service Providers

8.1 The authority uses MUFG (formerly Link Group), as its external treasury management advisors, to acquire access to specialist skills and resources. However, it is recognised that responsibility for treasury management decisions remains with the council. All decisions will be undertaken with due regard to all available information, including from our treasury advisers. For short term market borrowing and investments, the council utilises a number of brokers to access sterling cash markets. This ensures that the council ensures best value in daily cash flow management.

9. Scheme of Delegation and Role of the Section 95 Officer

9.1 The treasury management scheme of delegation, together with the treasury management role of the Section 95 officer and nominated Member, are outlined in Appendix 6.

10. CONCLUSION

10.1 The Treasury Management Strategy provides a comprehensive statement of treasury management policies and planned activities, covering the relevant treasury and prudential indicators, the current and projected debt positions, and the Annual Investment Strategy for 2025-26.

10.2 A key driver of treasury management activity is the council's capital investment plans. Prudential indicators reflect the output from these plans and are designed to ensure that the council's capital investment plans are affordable, prudent and sustainable. Within the range of prudential indicators, there are several key indicators to ensure that the authority operates its activities within well defined limits.

10.3 Whilst the Capital Financing Requirement represents an underlying need to borrow, the council is currently maintaining an under-borrowed position. This strategy is prudent while medium and longer dated borrowing rates are expected to fall from their current levels, albeit that considerable uncertainty remains around interest rate forecasts.

10.4 The council's revenue budget includes appropriate provision for financing costs of capital expenditure. The key principles of the borrowing strategy will be to minimise debt interest costs over the medium term and to achieve a more even spread in the debt maturity profile.

10.5 The council's investment priorities will be security, liquidity and yield (return). A prudent approach to managing investment risk has been adopted. Exposure to credit risk will be limited by ensuring that all investments are placed with the higher rated bodies. A balanced view of risk against return will be taken in respect of all investments. It is anticipated that return on investments will be limited in 2025-26, as a result of Bank Rate forecasts and the over-riding principal of risk aversion.

11. IMPLICATIONS

11.1	Policy		Sets the policy for borrowing and investment decisions.
11.2	Financial		Provides the Treasury Management Strategy for 2025-26, including the Annual Investment Strategy.
11.3	Legal		None
11.4	HR		None
11.5	Fairer Duty Scotland:		
	10.5.1	Equalities – protected characteristics	None
	10.5.2	Socio-economic Duty	None
	10.5.3	Islands	None
11.6	Climate Change		None
11.7	Risk		Provides an overview of treasury management and investment risk, and how these risks are managed.
11.8	Customer Service - None		None
11.9	The Rights of the Child (UNCRC)		None

Kirsty Flanagan
Executive Director/S95 Officer
13 February 2025

Councillor Ross Moreland, Policy Lead for Finance and Commercial Services

APPENDICES:
Appendix 1 – Economic Background
Appendix 2 - Approved Sources and Types of Borrowing
Appendix 3 – Treasury and Prudential Indicators 2025-28
Appendix 4 – Permitted Investments
Appendix 5 – Example Weekly Counterparty List
Appendix 6 – Scheme of Delegation; Section 95 Officer and Nominated Member Roles

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APPENDIX 1

ECONOMIC BACKGROUND (to 12th December 2024)

The third quarter of 2024 (July to September) saw:

- GDP growth stagnating in July following downwardly revised Q2 figures (0.5% q/q)
- A further easing in wage growth as the headline 3myy rate (including bonuses) fell from 4.6% in June to 4.0% in July;
- CPI inflation hitting its target in June before edging above it to 2.2% in July and August;
- Core CPI inflation increasing from 3.3% in July to 3.6% in August;
- The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady in its September meeting;
- 10-year gilt yields falling to 4.0% in September.

Over the aforementioned period, the economy's stagnation in June and July pointed more to a mild slowdown in UK GDP growth than a sudden drop back into a recession. However, in the interim period, to 12 December, arguably the biggest impact on the economy's performance has been the negative market sentiment in respect of the fallout from the Chancellor's Budget on 30 October.

If we reflect on the 30 October Budget, our central case is that those policy announcements will prove to be inflationary, at least in the near-term. The Office for Budgetary Responsibility and the Bank of England concur with that view. The latter have the CPI measure of inflation hitting 2.5% y/y by the end of 2024 and staying sticky until at least 2026. The Bank forecasts CPI to be elevated at 2.7% y/y (Q4 2025) before dropping back to sub-2% in 2027. Nonetheless, since the Budget, the October inflation print has shown the CPI measure of inflation bouncing up to 2.3% y/y with the prospect that it will be close to 3% by the end of the year before falling back slowly through 2025. The RPI measure has also increased significantly to 3.4% y/y.

How high inflation goes will primarily be determined by several key factors. First amongst those is that the major investment in the public sector, according to the Bank of England, will lift UK real GDP to 1.7% in 2025 before growth moderates in 2026 and 2027. The debate around whether the Government's policies lead to a material uptick in growth primarily focus on the logistics of fast-tracking planning permissions, identifying sufficient skilled labour to undertake a resurgence in building, and an increase in the employee participation rate within the economy.

There are inherent risks to all the above. The worst-case scenario would see systemic blockages of planning permissions and the inability to identify and resource the additional workforce required to deliver large-scale IT, housing and infrastructure projects. This would lead to upside risks to inflation, an increased prospect of further Government borrowing & tax rises in the June

2025 Spending Review (pushed back from the end of March), and a tepid GDP performance.

Regarding having a sufficiently large pool of flexible and healthy workers, the initial outlook does not look bright. Research from Capital Economics has alluded to an increase of some 500,000 construction workers being needed to provide any chance of the Government hitting its target of 300,000 new homes being built in each of the next five years (234,000 net additional dwellings in England in 2022/23). But the last time such an increase was needed, and construction employment is currently at a nine-year low, it took 12 years to get there (1996 to 2008). Also note, as of October 2024, job vacancies in the construction sector were still higher than at any time in the 20 years preceding the pandemic.

Currently, it also seems likely that net inward migration is set to fall, so there is likely to be a smaller pool of migrant workers available who, in the past, have filled the requirement for construction worker demand. The Government plans to heavily promote training schemes, particularly to the one million 16- to 24-year-olds who are neither in education nor work. But it is arguable as to whether the employee shortfall can be made up from this source in the requisite time, even if more do enter the workforce.

Against, this backdrop, there may be a near-term boost to inflation caused by a wave of public sector cash chasing the same construction providers over the course of the next year or so, whilst wages remain higher than the Bank currently forecasts because of general labour shortages, including in social care where Government accepts there is a 150,000 shortfall at present.

Unemployment stands at a low 4.3% (September), whilst wages are rising at 4.3% y/y (including bonuses) and 4.8% (excluding bonuses). The Bank would ideally like to see further wage moderation to underpin any further gradual relaxing of monetary policy. Indeed, over the next six months, the market is currently only pricing in Bank Rate reductions in February and May – which would see Bank Rate fall to 4.25% - but further cuts, thereafter, are highly likely to be even more data-dependent.

If we focus on borrowing, a term we are likely to hear throughout 2025 is “bond vigilante”. Essentially, this represents a generic term for when the market is ill at ease with the level of government borrowing and demands a higher return for holding debt issuance. In the UK, we do not need to go back too far to recall the negative market reaction to the Truss/Kwarteng budget of 2022. But long-term borrowing rates have already gradually moved back to those levels since their recent low point in the middle of September 2024. Of course, the UK is not alone in this respect. Concerns prevail as to what the size of the budget deficit will be in the US, following the election of Donald Trump as President, and in France there are on-going struggles to form a government to address a large budget deficit problem too. Throw into the mix the uncertain outcome to German elections, and there is plenty of bond investor concern to be seen.

Staying with the US, Donald Trump’s victory paves the way for the introduction/extension of tariffs that could prove inflationary whilst the same could be said of further tax cuts. Invariably the direction of US Treasury yields in reaction to his core policies will, in all probability, impact UK gilt yields. So, there are domestic and international factors that could impact PWLB rates whilst, as a general comment, geo-political risks continue to abound in Europe, the Middle East and Asia.

In the past month, the US Core CPI measure of inflation has indicated that inflation is still a concern (3.3% y/y, 0.3% m/m), as has the November Producer Prices Data (up 3.0 y/y v a market estimate of 2.6% y/y, 0.4% m/m v an estimate of 0.2% m/m) albeit probably insufficient to deter the FOMC from cutting US rates a further 0.25% at its December meeting. However, with Trump's inauguration as President being held on 20 January, further rate reductions and their timing will very much be determined by his policy announcements and their implications for both inflation and Treasury issuance.

Looking at gilt movements in the first half of 2024/25, and you will note the 10-year gilt yield declined from 4.32% in May to 4.02% in August as the Bank's August rate cut signalled the start of its loosening cycle. More recently, however, 10 year gilt yields have spiked back up to 4.35%.

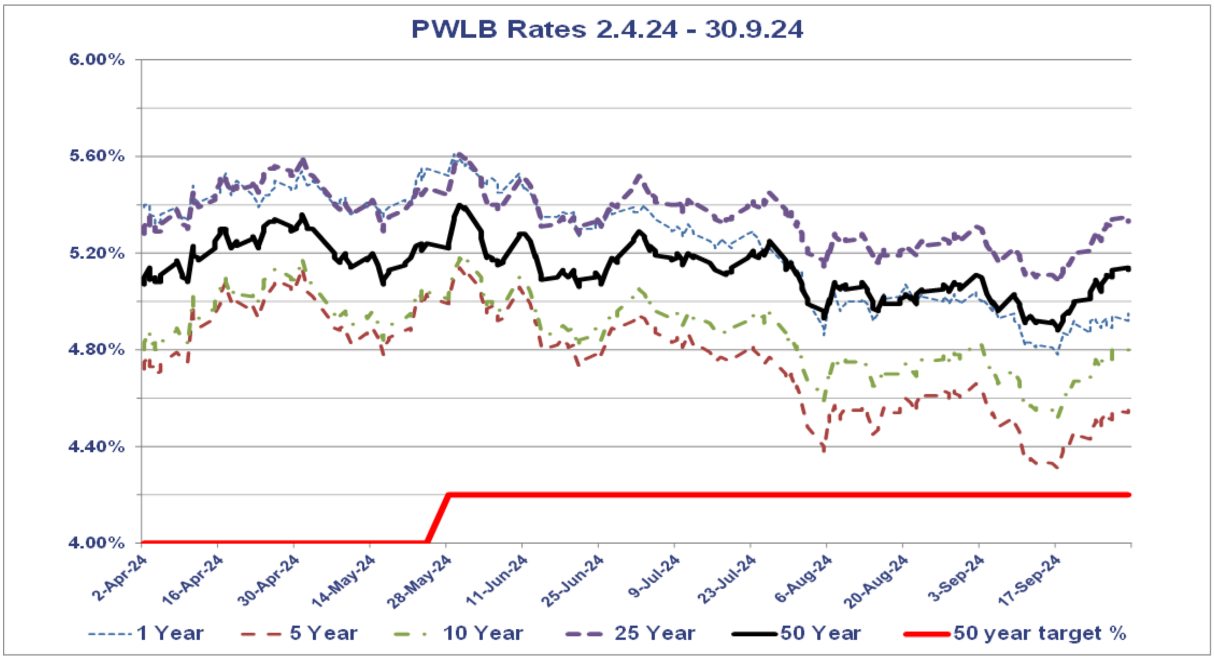
The FTSE 100 reached a peak of 8,380 in the third quarter of 2024 (currently 8.304), but its performance is firmly in the shade of the US S&P500, which has breached the 6,000 threshold on several occasions recently, delivering returns upwards of 25% y/y. The catalyst for any further rally (or not) is likely to be the breadth of AI's impact on business growth and performance.

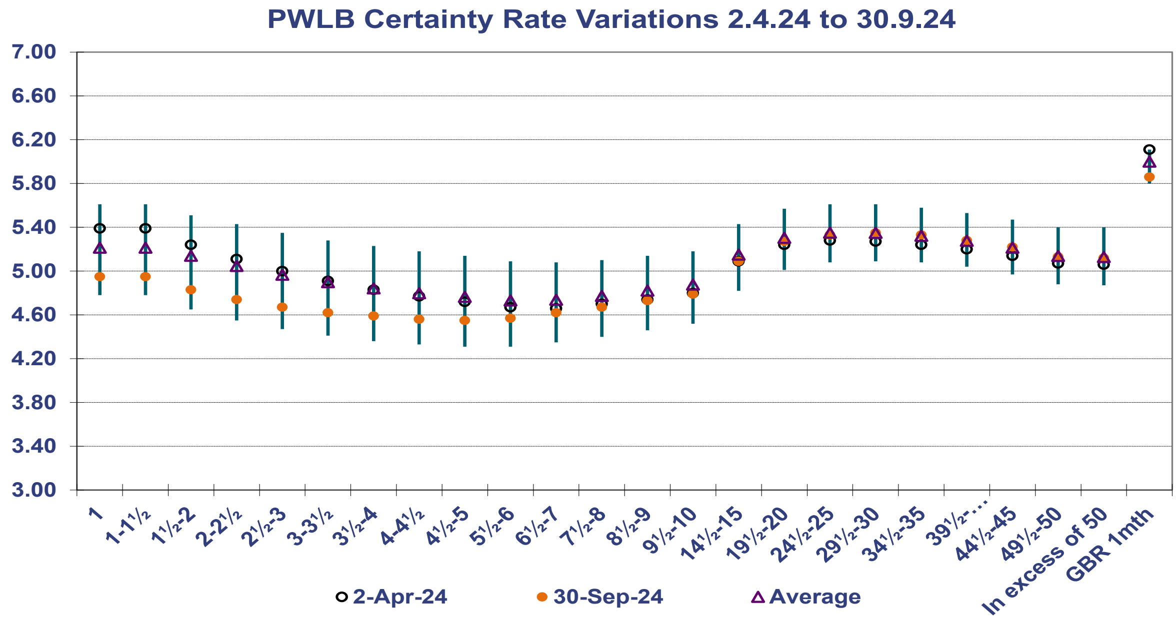
MPC meetings: 9 May, 20 June, 1 August, 19 September, 7 November 2024

- On 9 May, the Bank of England's Monetary Policy Committee (MPC) voted 7-2 to keep Bank Rate at 5.25%. This outcome was repeated on 20th June.
- However, by the time of the August meeting, there was a 5-4 vote in place for rates to be cut by 25bps to 5%. However, subsequent speeches from MPC members have supported Governor Bailey's tone with its emphasis on "gradual" reductions over time.
- Markets thought there may be an outside chance of a further Bank Rate reduction in September, following the 50bps cut by the FOMC, but this came to nothing.
- On 7 November, Bank Rate was cut by 0.25% to 4.75%. The vote was 8-1 in favour of the cut but the language used by the MPC emphasised "gradual" reductions would be the way ahead with an emphasis on the inflation and employment data releases, as well as geo-political events.

In the following chart, despite a considerable gilt market rally in mid-September, rates started and finished the six-month period under review in broadly the same position.

PWLB RATES 02.04.24 - 30.09.24





HIGH/LOW/AVERAGE PWLB RATES FOR 02.04.24 – 30.09.24

	1 Year	5 Year	10 Year	25 Year	50 Year
02/04/2024	5.39%	4.72%	4.80%	5.28%	5.07%
30/09/2024	4.95%	4.55%	4.79%	5.33%	5.13%
Low	4.78%	4.31%	4.52%	5.08%	4.88%
Low date	17/09/2024	17/09/2024	17/09/2024	17/09/2024	17/09/2024
High	5.61%	5.14%	5.18%	5.61%	5.40%
High date	29/05/2024	01/05/2024	01/05/2024	01/05/2024	01/05/2024
Average	5.21%	4.76%	4.88%	5.35%	5.14%
Spread	0.83%	0.83%	0.66%	0.53%	0.52%

APPENDIX 2

Approved Sources of Long and Short-term Borrowing

On Balance Sheet	**Fixed**	**Variable**
PWLB	●	●
UK Municipal Bond Agency	●	●
Local Authorities	●	●
Banks	●	●
Pension Funds	●	●
Insurance Companies	●	●
UK National Wealth Fund	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock Issues	●	●
Local Temporary	●	●
Local Bonds	●	
Local Authority Bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance Leases	●	●

APPENDIX 3

Prudential and Treasury Indicators - 2025-28 Estimates

	2025-26 Estimate	2026-27 Estimate	2027-28 Estimate
Prudential indicators for prudence			
1) Capital expenditure	**£m**	**£m**	**£m**
Gross capital expenditure	71	53	38
Less Financing	26	19	9
Net financing need (in year borrowing requirement)	45	34	29
2) Capital financing requirement (CFR)	**£m**	**£m**	**£m**
Total CFR at 1 April	360	394	415
Total CFR 31 March	394	415	431
Movement in CFR	34	21	16
Represented by:			
Net in year borrowing requirement (above)	45	34	29
Less Principal repayments and other financing movements	11	13	13
Total	34	21	16
	£m	**£m**	**£m**
3) Authorised limit for borrowing	293	320	341
Authorised limit for long-term liabilities	101	95	90
Authorised limit for external debt	394	415	431
	£m	**£m**	**£m**
4) Operational boundary for borrowing	298	325	346
Operational boundary for long-term liabilities	104	98	93
Operational boundary for external debt	402	423	439
5) Gross debt and the CFR	**£m**	**£m**	**£m**
Gross debt at 31 March	321	370	401
Total CFR at 31 March	394	415	431
Gross debt less the CFR at 31 March	-73	-45	-30
Prudential indicators for affordability			
6) Ratio of financing costs to net revenue stream	**%**	**%**	**%**
	4.9%	5.2%	5.6%

Treasury indicators - borrowing limits

7) Maturity structure of fixed rate borrowing		Upper	Lower	Upper	Lower	Upper	Lower
a)	Under 12 months	30%	0%	30%	0%	30%	0%
b)	12 months and within 24 months	30%	0%	30%	0%	30%	0%
c)	24 months and within 5 years	30%	0%	30%	0%	30%	0%
d)	5 years and within 10 years	40%	0%	40%	0%	40%	0%
e)	10 years and above	100%	0%	100%	0%	100%	0%

8) Limits on fixed and variable rate borrowing		Upper	Lower	Upper	Lower	Upper	Lower
a)	Fixed rate	100%	0%	100%	0%	100%	0%
b)	Variable rate	60%	0%	60%	0%	60%	0%

Treasury indicator - investment

9) Upper limit on principal sums invested for over 365 days	£m	£m	£m
	20	20	20

Notes to Prudential and Treasury Indicators

The authority'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.

Prudential Indicators - Prudence

Indicators 1 - 5 above cover the overall capital and control of borrowing prudential indicators.

Affordability Prudential Indicators

Within the overall 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 authority's overall finances.

Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs), against the net revenue stream. The estimates of financing costs include current commitments and the proposals in the 2025-26 Budget Pack.

Maturity Structure of Borrowing

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

APPENDIX 4

Permitted Treasury Investments

Note: Limits are given as a monetary value in £ or as a percentage of the overall investment portfolio.

Type of Investment	**Treasury Risks**	**Mitigating Controls**	**Council Limits**	**Common Good Limits**
Cash type instruments				
a. Deposits with the Debt Management Account Facility (UK Government) (**Very low risk)**	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	Little mitigating controls required. As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.	£unlimited, maximum 6 months.	£unlimited, maximum 6 months.
b. Deposits with other local authorities or public bodies **(Very low risk)**	These are considered quasi UK Government debt and as such counterparty risk is very low, and there is no risk to value. Liquidity may present a problem as deposits can only be broken with the agreement of the counterparty, and penalties can apply.	Little mitigating controls required for local authority deposits, as this is a quasi UK Government investment. Non-local authority deposits will follow the approved credit rating criteria.	£unlimited, maximum 2 year. Limit of £10m per local Authority or public body	£unlimited, maximum 2 years.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
	Deposits with other non-local authority bodies will be restricted to the overall credit rating criteria.			
c. Money Market Funds (MMFs) – CNAV/LVNAV/VNAV **(Low to very low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the MMFs has a “AAA” rated status from either Fitch, Moody’s or Standard and Poor’s.	£15m per fund	100%
d. Ultra short dated bond funds **(low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the have a “AAA” rated status from either Fitch, Moody’s or Standard and Poor’s.	£15m per fund	100%
e. Call account deposit accounts with financial institutions (banks and building societies) **(Low risk depending on credit rating)**	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice.	The counterparty selection criteria restricts lending only to high quality counterparties, utilising MUFG creditworthiness service.	£20m per UK banking group; £15m per non-UK banking group	100%
f. Term deposits with financial institutions (banks and building societies) **(Low to**	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is	The counterparty selection criteria restricts lending only to high quality counterparties, utilising MUFG creditworthiness service.	£20m per UK banking group;	100%

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
medium risk depending on period & credit rating)	no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.		£15m per non-UK banking group	
g. Government Gilts and Treasury Bills **(Very low risk)**	These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates (no loss if these are held to maturity.	Little counterparty mitigating controls are required, as this is a UK Government investment. The potential for capital loss will be reduced by limiting the maximum monetary and time exposures.	£10m maximum 1 year.	100% maximum 1 year.
h. Certificates of deposits with financial institutions **(Low risk)**	These are short dated marketable securities issued by financial institutions and as such counterparty risk is low, but will exhibit higher risks than categories (a), (b) and (c) above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates (no loss if these are held to	The counterparty selection criteria restricts lending only to high quality counterparties, utilising MUFG creditworthiness service.	£10m per counterparty maximum 1 year.	20% maximum 1 year.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
	maturity). Liquidity risk will normally be low.			
i. Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates etc.) **(Low to medium risk depending on period & credit rating)**	These tend to be medium to low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is very low and investments can only be broken with the agreement of the counterparty (penalties may apply).	The counterparty selection criteria restricts lending only to high quality counterparties, utilising MUFG creditworthiness service.	£20m per UK banking group; £15m per non-UK banking group	50%
j. Corporate bonds **(Medium to high risk depending on period & credit rating)**	These are marketable securities issued by financial and corporate institutions. Counterparty risk will vary and there is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will be low.	The counterparty selection criteria restricts lending only to high quality counterparties, utilising MUFG creditworthiness service.	£5m and maximum 1 year.	20% and maximum 1 year.
Other types of investments				
a. Investment properties	These are non-service properties which are being held pending disposal or for a longer term	In larger investment portfolios some small allocation of property based investment may	£10m	20%.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
	rental income stream. These are highly illiquid assets with high risk to value (the potential for property prices to fall or for rental voids).	counterbalance/compliment the wider cash portfolio. Property holding will be re-valued regularly and reported annually with gross and net rental streams.		
b. Loans to third parties, including soft loans	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.	£10m and maximum 5 years.	10% and maximum 5 years.
c. Shareholdings in a local authority company	These are service investments which may exhibit market risk and are likely to be highly illiquid.	Each equity investment in a local authority company requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	50%	20%
d. Non-local authority shareholdings	These are non-service investments which may exhibit market risk, be only considered for longer term investments and will be likely to be liquid.	Any non-service equity investment will require separate Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	5%	100%

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
e. Loans to third parties as part of the Council's Empty Homes Strategy	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Section 95 Officer approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£1.5m and a maximum of 10 years.	N/A
f. Loans to third parties as part of the Council's SHF Front Funding Facility	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Section 95 Officer approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£5m and a maximum of 3 years.	N/A
g. Loans to third parties as part of the Council's Long Term Loan Funding to RSL's	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Section 95 Officer approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections	£5m and a maximum of 30 years.	N/A

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
		and be subject to an assessment of the project and borrower.		
h. Hub Co sub debt	These are non-service investments which may exhibit market risk, be only considered for longer term investments and will be likely to be highly illiquid.	Any non-service equity investment will require separate Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	£10m	N/A
i. Investment in a project run by a Local Authority or Local Authority Joint Committee	These are investments which may exhibit market risks and will only be considered for medium to longer term investments	Each investment requires approval by the Section 95 Officer up to £250,000, and, above this level, member approval. Each application will be supported by the service rationale behind the investment and the likelihood of loss.	£10m	N/A

Treasury Risks

All of the specific investment instruments outlined above are subject to the following risks:

1. **Credit and counterparty risk** This is the risk of failure by a counterparty (bank or building society) to meet its contractual obligations to the organisation particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's finances. There are no counterparties where this risk is zero although AAA rated organisations have a very high level of creditworthiness.

2. **Liquidity risk** This is the risk that instant access to cash will not be available when it is needed. Investments can range from being instant access to term, that is, money is locked in until an agreed maturity date. However, some forms of investment, for example, gilts can usually be sold immediately if the need arises.

3. **Market risk** This is the risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately. However, in certain circumstances, exposure to market risk may be sought, with a view to obtaining a long term increase in value.

4. **Interest rate risk** This is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately. This authority has set limits for its fixed and variable rate exposure in the Prudential Indicators within this report.

5. **Legal and regulatory risk** This is the risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly. The level of both risk exposure and liquidity influences the rate of return on investments. Generally, the lower the risk or the higher the liquidity, the lower the rate of return.

Controls on Treasury Risks

1. **Credit and counterparty risk** The council utilises the creditworthiness service provided by its treasury advisors to determine which counterparties and countries are of high creditworthiness to enable investments to be made safely.

2. **Liquidity risk** The council has a cash flow forecasting model to enable it to determine how long investments can be made for and how much can be invested.

3. **Market risk** The council generally does not purchase investment instruments which are subject to market risk in terms of fluctuation in their value. The authority may purchase treasury bills as their value does not vary much during their short life.

4. **Interest rate risk** The council manages this risk by having a view of the future course of interest rates and formulates a treasury management strategy accordingly. The strategy aims to minimise net interest costs, consistent with control of risk.

5. **Legal and regulatory risk** The council will not undertake any form of investing until it has ensured that it has necessary powers and also complied with all regulations.

Unlimited investments

Regulation 24 states that an investment can be shown in tables 1 & 2 as being 'unlimited' in terms of the maximum amount or percentage of the total portfolio that can be put into that type of investment. However, it also requires that an explanation must be given for using that category.

The authority has given the following types of investments an unlimited category:

1. **Debt Management Agency Deposit Facility.** This is considered to be the lowest risk form of investment available to local authorities as it is operated by the Debt Management Office which is part of H.M. Treasury i.e., the UK Government's sovereign rating stands behind the DMADF. It is also a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts.

2. **High creditworthiness banks and building societies.** While an unlimited amount of the investment portfolio may be put into banks and building societies with high creditworthiness, the council will ensure diversification of its portfolio by ensuring that no more than £20m of the total portfolio can be placed with any one institution or group at any one time.

Environmental, Social and Governance (ESG) Considerations

The Treasury Management Code states that "The organisation's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level."

ESG investment considerations are about understanding the ESG risks that an entity is exposed to and evaluating how well it manages these risks. It is not the same as Socially Responsible Investing, (typically where you apply negative screens), and equally, it is not the same as Sustainable Investing, (investing in products / companies based on expected sustainable and beneficial societal impact, alongside a financial return).

The council is supportive of the Principles for Responsible Investment (www.unpri.org) and will seek to bring ESG factors into the decision making process for investments. Within this, the council is also appreciative of the Statement on ESG in Credit Risk and Ratings, which commits signatories to incorporating ESG into credit ratings and analysis in a systemic and transparent way. Each of the mainstream credit rating agencies are signatories to this statement.

All the main rating agencies now incorporate ESG risks, alongside more traditional financial risk metrics, when assessing counterparty ratings. As such, their incorporation is already being done, to an extent, by the council's use of the creditworthiness service provided by the council's treasury advisors. In addition, our treasury advisors continue to look at ways in which these factors can be incorporated into their creditworthiness assessment service.

Whilst the council is supportive of responsible investment, it should be noted that ESG information will still be secondary to the requirement for the council to adhere to the Code priorities of Security, Liquidity and Yield. Ethical principles must play a subordinate role to these priorities. Furthermore, limiting the potential counterparty options could reduce diversification and increase risk, therefore, these considerations need to be carefully balanced.

APPENDIX 5

MUFG Weekly Credit List

07/02/2026

	Fitch Rating		Moody's Ratings		S&P Ratings				
	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Suggested Duration	Suggested Duration (Watch/Outlook Adjusted)	Suggested Duration (CDS Adjusted with manual override)
Australia	AAA		Aaa		AAA		Not Applicable	Not Applicable	Not Applicable
Australia and New Zealand Banking Group Ltd.	AA-	F1+	Aa2	P-1	AA-	A-1+	O - 12 mths	O - 12 mths	O - 12 mths
Commonwealth Bank of Australia	AA-	F1+	Aa2	P-1	AA-	A-1+	O - 12 mths	O - 12 mths	O - 12 mths
Macquarie Bank Ltd.	A+	F1	Aa2	P-1	A+	A-1	O - 12 mths	O - 12 mths	O - 12 mths
National Australia Bank Ltd.	AA-	F1+	Aa2	P-1	AA-	A-1+	O - 12 mths	O - 12 mths	O - 12 mths
Westpac Banking Corp.	AA-	F1+	Aa2	P-1	AA-	A-1+	O - 12 mths	O - 12 mths	O - 12 mths
Belgium	AA-		Aa3		AA		Not Applicable	Not Applicable	Not Applicable
BNP Paribas Fortis	A+	F1	A1	P-1	A+	A-1	R - 6 mths	R - 6 mths	R - 6 mths
KBC Bank N.V.	A+	F1	Aa3	P-1	A+	A-1	O - 12 mths	O - 12 mths	O - 12 mths
Canada	AA+		Aaa		AAA		Not Applicable	Not Applicable	Not Applicable
Bank of Montreal	AA-	F1+	Aa2	P-1	A+	A-1	O - 12 mths	O - 12 mths	O - 12 mths
Bank of Nova Scotia	AA-	F1+	Aa2	P-1	A+	A-1	O - 12 mths	O - 12 mths	O - 12 mths
Canadian Imperial Bank of Commerce	AA-	F1+	Aa2	P-1	A+	A-1	O - 12 mths	O - 12 mths	O - 12 mths
National Bank of Canada	A+	F1	Aa2	P-1	A+	A-1	O - 12 mths	O - 12 mths	O - 12 mths
Royal Bank of Canada	AA-	F1+	Aa1	P-1	AA-	A-1+	O - 12 mths	O - 12 mths	O - 12 mths
Toronto-Dominion Bank	AA-	F1+	Aa2	P-1	A+	A-1	O - 12 mths	O - 12 mths	O - 12 mths
Denmark	AAA		Aaa		AAA		Not Applicable	Not Applicable	Not Applicable
Danske A/S	A+	F1	A1	P-1	A+	A-1	R - 6 mths	R - 6 mths	R - 6 mths
Finland	AA+		Aa1		AA+		Not Applicable	Not Applicable	Not Applicable
Nordea Bank Abp	AA-	F1+	Aa3	P-1	AA-	A-1+	O - 12 mths	O - 12 mths	O - 12 mths
OP Corporate Bank plc	WD	WD	Aa3	P-1	AA-	A-1+	O - 12 mths	O - 12 mths	O - 12 mths
France	AA-		Aa3		AA-		Not Applicable	Not Applicable	Not Applicable
BNP Paribas	A+	F1	A1	P-1	A+	A-1	R - 6 mths	R - 6 mths	R - 6 mths
Credit Agricole Corporate and Investment Bank	A+	F1	A1	P-1	A+	A-1	R - 6 mths	R - 6 mths	R - 6 mths
Credit Agricole S.A.	A+	F1	A1	P-1	A+	A-1	R - 6 mths	R - 6 mths	R - 6 mths
Credit Industriel et Commercial	A+	F1	A1	P-1	A+	A-1	R - 6 mths	R - 6 mths	R - 6 mths
Societe Generale	A-	F1	A1	P-1	A	A-1	R - 6 mths	R - 6 mths	R - 6 mths
Germany	AAA		Aaa		AAA		Not Applicable	Not Applicable	Not Applicable
Bayerische Landesbank	A+	F1+	Aa2	P-1	NR	NR	O - 12 mths	O - 12 mths	O - 12 mths
Commerzbank AG	WD	WD	A1	P-1	A	A-1	R - 6 mths	R - 6 mths	R - 6 mths
Deutsche Bank AG	A-	F2	A1	P-1	A	A-1	R - 6 mths	R - 6 mths	R - 6 mths
DZ BANK AG Deutsche Zentral-Genossenschaftsbank	AA-	F1+	Aa2	P-1	A+	A-1	O - 12 mths	O - 12 mths	O - 12 mths
Landesbank Baden-Wuerttemberg	A+	F1+	Aa2	P-1	NR	NR	O - 12 mths	O - 12 mths	O - 12 mths
Landesbank Berlin AG			Aa3	P-1			O - 12 mths	O - 12 mths	O - 12 mths
Landesbank Hessen-Thueringen Girozentrale	A+	F1+	Aa2	P-1	NR	NR	O - 12 mths	O - 12 mths	O - 12 mths
Landwirtschaftliche Rentenbank	AAA	F1+	Aaa	P-1	AAA	A-1+	P - 24 mths	P - 24 mths	P - 24 mths
Norddeutsche Landesbank Girozentrale	A+	F1+	Aa2	P-1	NR	NR	O - 12 mths	O - 12 mths	O - 12 mths
NRW.BANK	AAA	F1+	Aa1	P-1	AA	A-1+	P - 24 mths	P - 24 mths	P - 24 mths
Netherlands	AAA		Aaa		AAA		Not Applicable	Not Applicable	Not Applicable
ABN AMRO Bank N.V.	A	F1	Aa3	P-1	A	A-1	R - 6 mths	R - 6 mths	R - 6 mths
BNG Bank N.V.	AAA	F1+	Aaa	P-1	AAA	A-1+	P - 24 mths	P - 24 mths	P - 24 mths
Cooperatieve Rabobank U.A.	A+	F1	Aa2	P-1	A+	A-1	O - 12 mths	O - 12 mths	O - 12 mths
ING Bank N.V.	AA-	F1+	Aa3	P-1	A+	A-1	O - 12 mths	O - 12 mths	O - 12 mths
Nederlandse Waterschapsbank N.V.			Aaa	P-1	AAA	A-1+	P - 24 mths	P - 24 mths	P - 24 mths
Norway	AAA		Aaa		AAA		Not Applicable	Not Applicable	Not Applicable
DNB Bank ASA			Aa1	P-1	AA-	A-1+	O - 12 mths	O - 12 mths	O - 12 mths
Qatar	AA		Aa2		AA		Not Applicable	Not Applicable	Not Applicable

Qatar National Bank	A+	F1	Aa3	P-1	A+	A-1	O - 12 mths	O - 12 mths	O - 12 mths
Singapore	AAA		Aaa		AAA		Not Applicable	Not Applicable	Not Applicable
DBS Bank Ltd.	AA-	F1+	Aa1	P-1	AA-	A-1+	O - 12 mths	O - 12 mths	O - 12 mths
Oversea-Chinese Banking Corp. Ltd.	AA-	F1+	Aa1	P-1	AA-	A-1+	O - 12 mths	O - 12 mths	O - 12 mths
United Overseas Bank Ltd.	AA-	F1+	Aa1	P-1	AA-	A-1+	O - 12 mths	O - 12 mths	O - 12 mths
Sweden	AAA		Aaa		AAA		Not Applicable	Not Applicable	Not Applicable
Skandinaviska Enskilda Banken AB	AA-	F1+	Aa3	P-1	A+	A-1	O - 12 mths	O - 12 mths	O - 12 mths
Svenska Handelsbanken AB	AA	F1+	Aa2	P-1	AA-	A-1+	O - 12 mths	O - 12 mths	O - 12 mths
Swedbank AB	AA-	F1+	Aa3	P-1	A+	A-1	O - 12 mths	O - 12 mths	O - 12 mths
Switzerland	AAA		Aaa		AAA		Not Applicable	Not Applicable	Not Applicable
UBS AG	A+	F1	Aa2	P-1	A+	A-1	O - 12 mths	O - 12 mths	O - 12 mths
United Arab Emirates	AA		Aa2		AA		Not Applicable	Not Applicable	Not Applicable
First Abu Dhabi Bank PJSC	AA-	F1+	Aa3	P-1	AA-	A-1+	O - 12 mths	O - 12 mths	O - 12 mths
United Kingdom	AA-		Aa3		AA		Not Applicable	Not Applicable	Not Applicable
Collateralised LA Deposit*							Y - 60 mths	Y - 60 mths	Y - 60 mths
Debt Management Office							Y - 60 mths	Y - 60 mths	Y - 60 mths
Multilateral Development Banks							Y - 60 mths	Y - 60 mths	Y - 60 mths
Supranationals							Y - 60 mths	Y - 60 mths	Y - 60 mths
UK Gilts							Y - 60 mths	Y - 60 mths	Y - 60 mths
Al Rayan Bank Plc			A2	P-1			R - 6 mths	R - 6 mths	R - 6 mths
Bank of Scotland PLC (RFB)	AA-	F1+	A1	P-1	A+	A-1	O - 12 mths	O - 12 mths	O - 12 mths
Barclays Bank PLC (NRFB)	A+	F1	A1	P-1	A+	A-1	R - 6 mths	R - 6 mths	R - 6 mths
Barclays Bank UK PLC (RFB)	A+	F1	A1	P-1	A+	A-1	R - 6 mths	R - 6 mths	R - 6 mths
Clydesdale Bank PLC	A-	F1	A1	P-1	A	A-1	R - 6 mths	R - 6 mths	R - 6 mths
Co-operative Bank PLC (The)	BBB+	F1	A3	P-2			G - 100 days	G - 100 days	G - 100 days
Goldman Sachs International Bank	A+	F1	A1	P-1	A+	A-1	R - 6 mths	R - 6 mths	R - 6 mths
Handelsbanken Plc	AA	F1+			AA-	A-1+	O - 12 mths	O - 12 mths	O - 12 mths
HSBC Bank PLC (NRFB)	AA-	F1+	A1	P-1	A+	A-1	O - 12 mths	O - 12 mths	O - 12 mths
HSBC UK Bank Plc (RFB)	AA-	F1+	A1	P-1	A+	A-1	O - 12 mths	O - 12 mths	O - 12 mths
Lloyds Bank Corporate Markets Plc (NRFB)	AA-	F1+	A1	P-1	A	A-1	O - 12 mths	O - 12 mths	O - 12 mths
Lloyds Bank Plc (RFB)	AA-	F1+	A1	P-1	A+	A-1	O - 12 mths	O - 12 mths	O - 12 mths
National Bank Of Kuwait (International) PLC	A+	F1			A	A-1	R - 6 mths	R - 6 mths	R - 6 mths
National Westminster Bank PLC (RFB)	A+	F1	A1	P-1	A+	A-1	R - 6 mths	O - 12 mths	O - 12 mths
NatWest Markets Plc (NRFB)	A+	F1	A1	P-1	A	A-1	R - 6 mths	R - 6 mths	R - 6 mths
Santander Financial Services plc (NRFB)	A+	F1	A1	P-1	A-	A-2	R - 6 mths	R - 6 mths	R - 6 mths
Santander UK PLC	A+	F1	A1	P-1	A	A-1	R - 6 mths	R - 6 mths	R - 6 mths
SMBC Bank International Plc	A-	F1	A1	P-1	A	A-1	R - 6 mths	R - 6 mths	R - 6 mths
Standard Chartered Bank	A+	F1	A1	P-1	A+	A-1	R - 6 mths	O - 12 mths	O - 12 mths
The Royal Bank of Scotland Plc (RFB)	A+	F1	A1	P-1	A+	A-1	R - 6 mths	O - 12 mths	O - 12 mths
Coventry Building Society	A-	F1	A3	P-2			G - 100 days	G - 100 days	G - 100 days
Leeds Building Society	A-	F1	A3	P-2			G - 100 days	G - 100 days	G - 100 days
Nationwide Building Society	A	F1	A1	P-1	A+	A-1	R - 6 mths	R - 6 mths	R - 6 mths
Principality Building Society	BBB+	F2	Baa1	P-2			N/C - 0 mths	N/C - 0 mths	N/C - 0 mths
Skipton Building Society	A-	F1	A2	P-1			R - 6 mths	R - 6 mths	R - 6 mths
Yorkshire Building Society	A-	F1	A2	P-1			R - 6 mths	R - 6 mths	R - 6 mths
United States	AA+		Aaa		AA+		Not Applicable	Not Applicable	Not Applicable
Bank of America N.A.	AA	F1+	Aa1	P-1	A+	A-1	O - 12 mths	O - 12 mths	O - 12 mths
Bank of New York Mellon, The	AA	F1+	Aa1	P-1	AA-	A-1+	P - 24 mths	P - 24 mths	P - 24 mths
Citibank N.A.	A+	F1	Aa3	P-1	A+	A-1	O - 12 mths	O - 12 mths	O - 12 mths
JPMorgan Chase Bank N.A.	AA	F1+	Aa1	P-1	AA-	A-1+	P - 24 mths	P - 24 mths	P - 24 mths
Wells Fargo Bank, NA	AA-	F1+	Aa1	P-1	A+	A-1	O - 12 mths	O - 12 mths	O - 12 mths

APPENDIX 6

TREASURY MANAGEMENT SCHEME OF DELEGATION

SECTION 95 OFFICER AND NOMINATED MEMBER ROLES

Council

- Overall responsibility for Treasury Management Strategy.
- Adoption of Treasury Policy Statements.
- Receive an Annual Report and other reports on the Treasury Management Operation and on the exercise of delegated treasury management powers.

Policy and Resources Committee

- Responsibility for the overall investment of money under the control of the Council.
- Keeping under review the level of borrowing.
- Approval of Annual Strategy Statement.
- Receiving and reviewing reports on treasury management policies, practices and activities.
- Approval of Treasury Policy Statements.
- Implementation and monitoring of Treasury Management Policies and Practices.

Audit and Scrutiny Committee

- Review the overall internal and management control framework related to the treasury function.
- Review internal and external audit reports related to treasury management.
- Review provision in the internal and external audit plans to ensure there is adequate audit coverage of treasury management.
- Monitor progress with implementing recommendations in internal and external audit reports.
- Reviewing the treasury management policy and procedures and making recommendations to the responsible body.

Role of the nominated Elected Member (Policy Lead for Finance and Commercial Services):

- Acting as spokesperson for treasury management.
- Taking a lead for elected Members in overseeing the operation of the treasury function.
- Review the treasury management policy, strategy and reports.
- Support and challenge the development of treasury management.

Role of the Section 95 Officer:

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

- Submitting regular treasury management policy reports.
- Suubmitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensuring the adequacy of internal audit, and liaising with external audit.
- Recommending the appointment of external service providers.
- Reviewing and considering risk management in terms of treasury activities.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non-treasury investments will be carried out and managed, to include the following: -
    - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*

    - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*

    - *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;*

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

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

The nominated Elected Member (Policy Lead for Finance and Commercial Services)

- Acting as spokesperson for treasury management.
- Taking a lead for elected Members in overseeing the operation of the treasury function.
- Review the treasury management policy, strategy and reports.
- Support and challenge the development of treasury management.