Appendix A

Treasury Management Strategy Statement (2022-23)

1 Background

1.1 The Authority is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. These reports are required to be adequately scrutinised before being recommended to Council and this role is undertaken by the Audit and Risk Management Panel. The three reports are:

- The Treasury Management Strategy Statement (TMSS)
- The Mid-Year Treasury Management Report
- The Treasury Outturn Report.

1.2 The Treasury Management Strategy Statement is the first report covering how capital expenditure, investments, borrowings and the minimum revenue provision (MRP) are to be managed, including treasury indicators.

1.3 The Mid-Year Treasury Management Report updates members with the progress of the strategy and amends indicators or policies as necessary.

1.4 The Treasury Outturn Report provides details of actual performance in the financial year compared to the estimates within the strategy.

Treasury Management Strategy Statement for 2022/23

1.5 The strategy for 2022/23 covers:

The Borrowing Strategy (Section 2)

- Current Treasury Position
- Borrowing Profile
- Treasury Management Indicators: Limits to Borrowing Activity
- Prospects for Interest Rates
- Approach to Borrowing and Interest Rate Exposure
- Maturity Structure of Borrowing
- Policy on Borrowing in Advance of Need
- Debt Rescheduling

The Annual Investment Strategy (Section 3)

- Current Treasury position
- Investment Policy
- Creditworthiness Policy
- Country and Sector considerations
- Time and Monetary Limits applying to Investments
- Approach to Investment
- Investment Returns Expectations
- End of Year Investment Report
- Policy on the Use of External Service Providers.

1.6 These elements cover the requirements of the Local Government Act 2003, the CIPFA Treasury Management Code of Practice 2017 and the revised DLUHC issued Investment Guidance 2018. The Treasury Policy Statement and Code of Practice are presented in Annex 6.

1.7 The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management, in particular for this authority, those members of the Audit and Risk Management Panel.

1.8 A glossary is provided as Annex 1.

2 Borrowing Strategy

Current Treasury Position

2.1 The Authority's forecast treasury portfolio position as at 31 March 2022, with forward projections is summarised in Table 1. It shows the actual external borrowing (i.e. the treasury management operations), against the underlying need to borrow for capital purposes (known as the Capital Financing Requirement - CFR).

Table 1- Capital Financing Requirement versus Borrowing

	2020-21 **Actual** £'000	2021-22 Estimate £'000	2022-23 Estimate £'000	2023-24 Estimate £'000	2024-25 Estimate £'000

CFR at 31st March	672,958	721,130	821,990	936,926	1,013,829
Borrowing at 1 April	378,108	374,654	422,455	528,924	637,701
Borrowings Maturing	(3,454)	(3,759)	(1,990)	(7,518)	(608)
New/forecast Borrowings	-	54,242	107,829	122,117	84,407
Borrowing at 31 March	374,654	425,137	528,294	643,523	721,500
Delayed Borrowing	298,304	295,993	293,696	293,403	292,329

2.2 Within the Prudential Indicators approved by Council, there are a number of 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 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 2022/23 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 purposes.

2.3 The Director of Finance reports that the Authority complied with this indicator in the current year and does not envisage difficulties in the future years.

<u>Borrowing Profile</u>

2.4 Table 2 shows the forecast borrowing position as at 31 March 2022.

<u>Table 2 – Forecast Position as at 31/03/22 (comparator as at 31/03/21)</u>

2020/21 £000	**2021/22 £000**	**Borrowing**	**2020/21 %**	**2021/22 %**
245,654	282,199	PWLB*	4.54	4.10
129,000	129,000	Banks**	4.18	4.18
-	11,256	MEEF	-	0.96
374,654	**422,455**	**Total**	**4.42**	**4.04*****

* Public Works Loans Board – fixed rate maturity loans

** Mainly Lenders Option Borrowers Option (LOBO) – loans from banks that are fixed rate for a period, with an option for the lender to revise the rate and a subsequent option for the borrower to repay without penalty

*** Weighted Average Rate

2.5 The prospect of options being exercised in the near term, is currently low, however, the theoretical value of loans that could mature over the next three years is as shown in Table 3.

<u>Table 3 – Near Term Debt Maturity</u>

	2022/23 £000	2023/24 £000	2024/25 £000
PWLB (fixed maturity date)	1,382	6,910	0
LOBO (possible options)	43,500	39,500	46,000
MEEF (Fixed maturity date)	608	608	608
Total	**45,490**	**47,018**	**46,608**

2.6 The debt maturity profile is presented in two formats to demonstrate the impact on refinancing if all options were exercised at their next call date:

Chart 1: All loans run to contractual maturity.
Chart 2: LOBO loan options exercised at next opportunity.

Chart 1: Debt Maturity and Rate Profile (contract term)

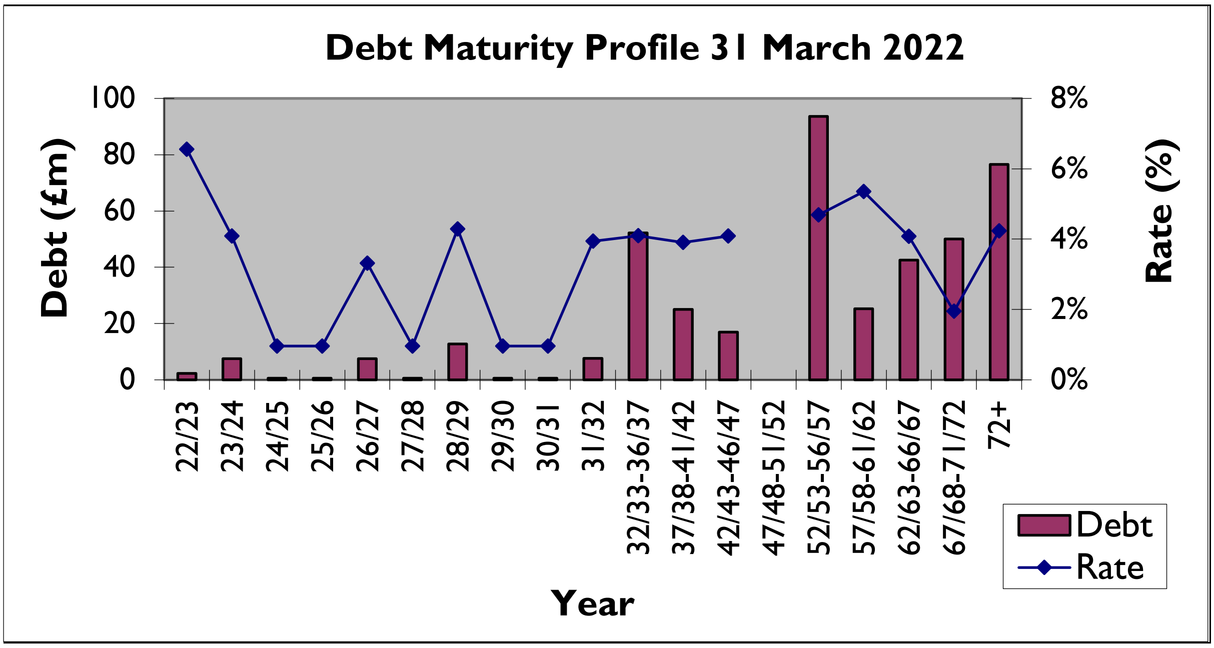
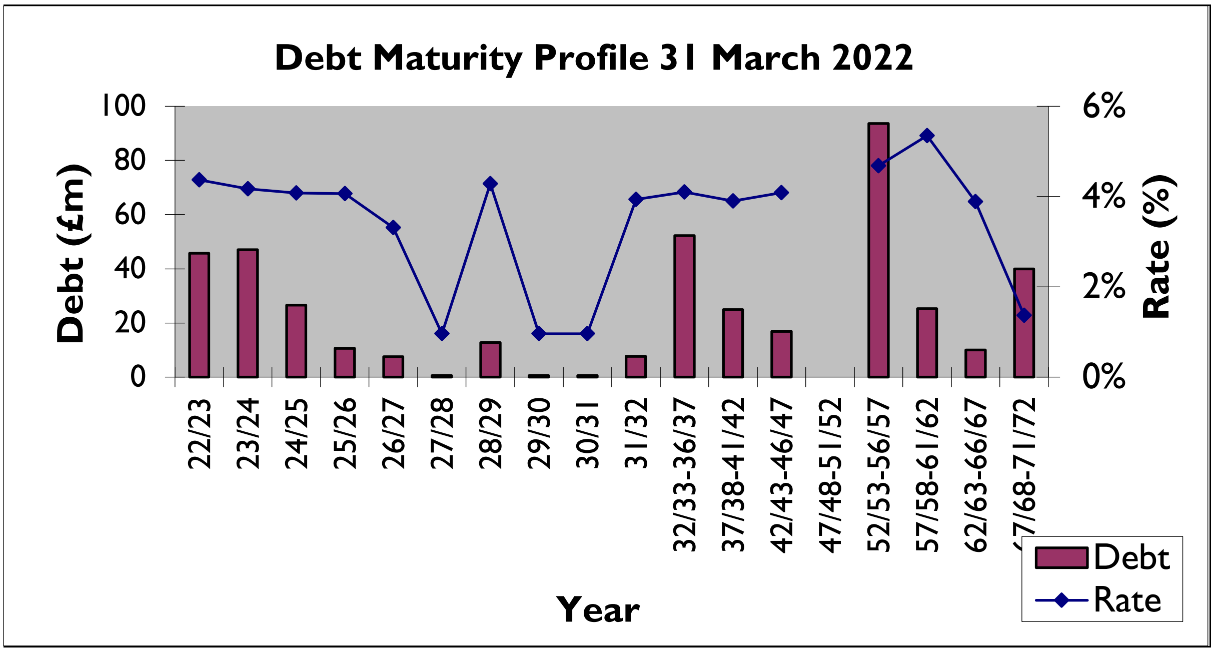


Chart 2: Debt Maturity and Rate Profile (options exercised)



Treasury Management Indicators: Limits to Borrowing Activity

2.7 With the abolition of the HRA Cap, there are now two limits in respect of borrowing in 2022/23:

- The Operational Boundary
- The Authorised Limit

2.8 The two indicators are due for approval by Council on 24 February 2022.

Prospects for Interest Rates

2.9 The Authority has Link Asset Services as its treasury advisor and part of their service is to assist in formulating a view on interest rates. Annex 2 draws together forecasts for short term (Bank Rate) and longer term fixed interest rates. Table 4 below provides a range of longer term fixed interest rate forecasts.

Table 4 – Interest Rates for Borrowing Forecasts

Year Ending	**PWLB Borrowing Rates* (%)**			
	5 years	**10 years**	**25 years**	**50 years**
March 2022	1.50	1.70	1.90	1.70
March 2023	1.70	1.90	2.20	2.00
March 2024	1.90	2.10	2.30	2.10

* “certainty” rate

2.10 The interest rate forecasts provided by Link Asset Services in table 4, are based on their update of 21/12/2021.

2.11 PWLB rates are subject to ad hoc decision by H.M. Treasury to change the margin over gilt yields that are charged in PWLB rates, such changes could be up or down. In October 2019, the margin over gilts was raise by 100bps, due to concern over some authorities borrowing activity. This lasted for around 12 months before rate reverted back to 100bps above gilts.

2.12 Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates (which is set 100bps above Gilts). The forecasts in the table above show a steady, but slow increase in PWLB rate during the forecast period to March 2024. However, there will doubtless be more unpredictable volatility during this forecast period.

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

Approach to Borrowing and Interest Rate Exposure

2.14 The Authority's approach has been to delay borrowing. This means that the underlying need to borrow for capital purposes (the CFR), has not been fully funded with external borrowing, as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy has been prudented as investment returns are low and counterparty risk is still an issue that needs to be considered. The management of the level of delayed borrowing and its treatment within the General Fund and HRA is monitored.

2.15 The policy of avoiding new borrowing by temporarily using cash balances has served the Council well over the last nine years. However, given the increased in the capital spending, like for housing related project in the Borough means the internal cash balance and reserves would not be able to support future increase CFR.

2.16 Given the level of internal borrowing and the projected increase in the CFR over the next few years. The Council has started externalising some of the internal borrowing as borrowing rates are near historical low. The programme will continue over the next few years and will take account of the key financial assumptions underpinning the revenue and capital budget, alongside a consideration of the authority's medium to long term financial strategies. Some of the key themes included:

- capital financing requirement and timing of borrowing needs
- borrowing levels and loan mature profile
- type of borrowing that is available for the Council to access
- balance sheet health and reserves levels
- other economic and market factors that might influence the manner and timing of the decision to borrow

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

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then borrowing will be postponed.*

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

2.18 Any decisions will be reported through the mid-year and annual Treasury Management reports.

Maturity Structure of Borrowing

2.19 These gross limits are set to reduce the Authority's exposure to large fixed-rate and variable sums falling due for refinancing at the same time.

2.20 The Council will be asked to approve the treasury indicators and limits in Annex 3.

Policy on Borrowing in Advance of Need

2.21 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

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

Debt Rescheduling

2.23 Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of PWLB rates over gilt yields was reduced by 100 bps in November 2020.

2.24 The reasons for any rescheduling to take place will include:

- to generate cash savings and / or discounted cash flow savings
- helping to fulfil the treasury strategy
- enhancing the balance of the portfolio (amending the maturity profile and / or the balance of volatility).

New financial institutions as a source of borrowing

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

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

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

3 Annual Treasury Investment Strategy

Current Treasury Position

3.1 The Department of Levelling Up, Housing and Communities and CIPFA have extended the meaning of "investments" to include both financial and non-financial investments. This strategy deals with financial investments. Non-financial investments are covered in the Capital Strategy, setting out where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It recognises that the risk appetite for these activities may differ from that for treasury management, but common to both investments types is the need for holistic council-wide planning, robust due diligence and formal oversight.

3.2 Table 5 below shows the forecast investment position as at 31 March 2022.

Table 5 – Forecast Position as at 31/03/22 (comparator as at 31/03/21)

2020/21 £m	2021/22 £m	Investments	2020/21 %	2021/22 %
125	201	Total	0.10	0.08

Investment Policy

3.3 The Authority's investment policy has regard to the DLUHC's Guidance on Local Government Investments ("the Guidance") and the 2017 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Authority's investment objectives will be, in priority order:

- **S**ecurity
- **L**iquidity
- **Y**ield.

3.4 In accordance with the above guidance from DLUHC and CIPFA and in order to minimise the risk to investments, the Authority has generated an acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies. Using the Link Asset Services ratings service and Bloomberg, counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies issue updates. This enables diversification and thus avoidance of risk.

3.5 Furthermore, the Authority's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector in relation to the economic and political environments in which institutions operate. To this end the Authority will engage with its advisors to monitor market pricing such as Credit Default Swaps (CDS), share prices, the financial press, sources such as Bloomberg Systems LLP alongside the internet generally and overlay that information on top of the credit ratings.

3.6 The aim of the strategy is to generate a list of secure, highly creditworthy counterparties which will also enable divesification and thus avoidance of concentration risk.

3.7 Investment instruments identified for use in the financial year are defined as either ‘Specified’ or ‘Non-Specified’ Investments:

- Specified Investments are those of a high level of credit quality and subject to a maturity limit of one year.
- a Non-Specified Investment is any investment that is not ‘Specified’. They are those with not as high a 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.

Creditworthiness Policy

3.8 The primary principle governing the Authority’s investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. The Authority will therefore ensure that:

- *it maintains a policy covering the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security and monitoring their security. This is set out in annex 4A and 4B.*
- *it has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the periods for which funds may prudently be committed. These procedures also apply to the Authority’s indicators covering the maximum principal sums invested.*

3.9 The Director of Finance will maintain a counterparty list, through its use of its documented Treasury Management Practices.

3.10 Any counterparty failing to meet the criteria would be, omitted from the counterparty (dealing) list. Any rating changes or rating watches (notification of a likely change) or rating outlooks (notification of a possible longer-term change) are available to officers almost immediately after they occur and this information is considered before investing.

3.11 The Authority will appraise the use of AAA rated Money Market Funds - these offer a high degree of security and instant access for investment on a daily basis and can be used supplementary to DMO deposits.

3.12 The criteria for providing a pool of high-quality investment grade counterparties (both Specified and Non-Specified investments) are as shown below (Ratings provided by Fitch):

- ***UK Government*** (including gilts, treasury bills and the DMADF)

- ***Banks 1*** - the Royal Borough will use good quality banks that are:

  a) UK banks; and/or
  b) non-UK but domiciled in a country which has a minimum sovereign long-term rating of "AA-"

  These banks must be of investment grade and have as a minimum, the following credit ratings:
    i. Short term "F1"
    ii. Long term "A-"
- ***Banks 2*** – part-nationalised UK banks: Royal Bank of Scotland
- ***Banks 3*** – the Authority's own banker for transactional purposes
- ***Building Societies*** that meet the criteria for banks above
- ***Money Market funds (MMF's)*** – rated "AAA":
    i. CNAV
    ii. LVNAV
    iii. VNAV
- ***Other (less liquid)*** – e.g. land and / or buildings.

3.13 A full list of Specified and Non-Specified products is as shown in Annex 4a and 4b. A limit of 25% will be applied to the use of Non-Specified investments.

3.14 In the case of Non-Specified investments of a less liquid nature, a smaller limit of 10% (within the overall 25%), will be applied.

3.15 Loans to third parties, would be capped to the limits set out in point 3.14, while applying the due diligence that is set out in the statutory guidance on local Government investment issued by DLUHC (February 2018).

Country and Sector Considerations

3.15 Due care will be taken to consider the country, group and sector exposure of the Authority's investments. In part, the country selection will, be driven by the credit rating of the sovereign state in the Banks 1 category above.

3.16 The Authority has determined that it will use approved counterparties 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 time of writing are shown in Annex 5. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy or other risk factors:

- no more than 20% will be placed with any non-UK country at any time

- limits in place above will apply to Groups of financial institutions (e.g. Bank of Scotland is part of the Lloyds Banking Group)
- sector limits will be monitored regularly for appropriateness.

Time and Monetary Limits applying to Investments

3.17 The time and monetary limits for institutions on the Royal Borough's counterparty list are as shown in Table 6 (these will cover both Specified and Non-Specified Investments, the criteria for which are as shown in Annex 4a and 4b).

Table 6– Investment Limits

Investment Limits	Fitch L-Term Rating (or equivalent)	Value Limit	Time Limit
UK Government • Treasury Bills • Gilts • DMADF	n/a	Unlimited	5 years
Money Market Funds CNAV	AAA	£30m*	Liquid
Money Market Funds LVNAV	AAA	£30m*	Liquid
Money Market Funds VNAV	AAA	£30m*	Liquid
Banks 1 category - high quality	A-	£30m*	5 years
Banks 2 category – part-nationalised	n/a	£30m*	5 years
Banks 3 category – The Authority's banker	n/a	n/a	1 day
Building Societies	A-	£30m*	5 years
Other	n/a	£30m*	5 years
Other (less liquid)	n/a	10% portfolio	n/a

* Per Counterparty

3.18 The proposed criteria for Specified and Non-Specified investments are as shown in Annex 4a and 4b for approval.

Approach to Investment

3.19 Investments will be made with reference to the core balance and cash flow requirements and the outlook for interest rates.

3.20 For investments of a less liquid nature, professional advice will be sought to ensure that that there is a sound business case for making the investment, which will identify security, liquidity and yield elements of the transaction alongside the risks associated with them.

Investment Returns Expectations

3.21 Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

3.22 It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%.

Table 7 – Interest Rate Forecasts

Year Ending	Bank Rate %
March 2022	0.25
March 2023	0.75
March 2024	1.00
March 2025	1.25

3.22 As shown in table above, the forecast includes four increases in Bank rate over the three-year forcast period to March 2025, ending at 1.25%. However, it is likely that these forecasts will change if the economic recovery run out of stream due to severe an impact of the Omicron strain.

End of Year Investment Report

3.23 At the end of the financial year, the Authority will report on its investment activity as part of its Annual Treasury Management Report.

Policy on the Use of External Service Providers

3.24 The Authority uses Link Asset Services as its external treasury management advisors. It recognises that responsibility for treasury management decisions remains with the Authority itself at all times and will ensure that no undue reliance is placed upon our external service providers.

3.25 The Authority 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 Authority will ensure that the terms of any appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

4 2021 revised CIPFA Treasury Management Code and Prudential Code

4.1 The revised codes will have the following implications:

- a requirement for the councils to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
- create new Investment Practices to manage risks associated with non-treasury investment;
- amendment to TMP1 to address ESG policy within the treasury management risk framework;
- requirement to clarify reporting requirements for service and commercial investment;
- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
- clarify what CIPFA expects councils to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
- require council to implement a policy to review commercial property, with a view to divest where appropriate;

5 Report Appendices

5.1 The following documents are published with and form part of this report:

Annex 1 - Glossary
Annex 2 – Interest Rate Forecast 2021 - 2025
Annex 3 – Treasury Management Indicators
Annex 4 a & b – Specified & Non-Specified Investments
Annex 5 – Approved Countries for Investments
Annex 6 – Treasury Management Policy Statement

Annex 1

<u>Glossary</u>

Basis Point	*One Basis Point = 0.01%*
CD	*Certificate of Deposit – a tradable type of investment*
CDS	*Credit Default Swap – the cost of insuring a financial asset / liability*
Certainty Rate	*Conditionally reduced rate on PWLB loans available to Local Authorities*
CFR	*Capital Financing Requirement - the authority's underlying need to borrow*
CIPFA	*Chartered Institute of Public Finance and Accountancy*
Counterparty	*The other side of a financial transaction e.g. Greenwich's investment counterparties are those organisations that it lends to*
Creditworthiness	*The "creditworthiness" measures the extent to which - using financial metrics (such as Debt Leverage and Interest coverage) - a Debtor is deemed to be capable of paying Interests and repaying the Principal on the due dates*
Diversification	*Diversification is a technique of allocating portfolio resources or capital to a mix of different investments. The ultimate goal of diversification is to reduce the volatility of the portfolio by offsetting losses in one asset class with gains in another asset class*
DMADF	*Debt Management Account Deposit Facility – The Debt Management Office provides the DMADF as part of its cash management operations and in the context of a wider series of measures designed to support local authorities' cash management.*
DLUHC	*The Department of Levelling Up, Housing and Communities - the UK Government department for housing, communities, local government in England and the levelling up policy*
Delayed Borrowing	*Occurs when actual borrowing is less than the underlying need to borrow (CFR)*

ESG	*Environmental, Social and Governance - defined as the consideration of environmental, social and governance factors alongside financial factors in the investment decision-making process.*
Fitch	*Company that provides credit ratings*
Gilt	*Government debt*
HRA	*Housing Revenue Account*
Internal Borrowing	see *"Delayed Borrowing"*
Less Liquid	*Not actively traded in a market / realised less easily than bank deposits*
LOBO	*Lenders Option / Borrowers Option loans are a form of long-term borrowing where loans run at a fixed rate for a fixed period of time, after which the lender has the option to alter the interest rate. The borrower may either accept the change or repay the loan in full (without penalty)*
MEEF	*The Mayor of London's Energy Efficiency Fund - a £500m investment fund to deliver the low carbon, sustainable projects and infrastructure to tackle the climate emergency. MEEF supports projects that deliver new low carbon technology or upgrade existing infrastructure to help achieve the Mayor's ambition to make London net zero by 2030.*
MMF	*Money Market Fund – commercially run short term pooled investment. There are three types of MMF, CNAV-Constant Net Asset Value (public debt), LVNAV- Low Volatility Net Asset Value, VNAV- Variable Net Asset Value*
MPC	*Monetary Policy Committee – Bank of England body that sets the Bank Rate*
MRP	*Minimum Revenue Provision - The minimum amount ,which must be charged to an authority's revenue account each year and set aside as provision for credit arrangements*
Non – Specified	*Investment that is not "Specified"*
PWLB	*Public Works Loans Board (advances loans to local authorities)*

Refinancing	*Refinancing is the process of replacing an existing debt obligation with a new loan (typically one with a lower interest rate, a revised payment schedule and updated terms)*
Risk appetite	*The types and amount of risk, on a broad level, an organization is willing to accept in its pursuit of value*
Sovereign	*Government*
Specified	*Sterling denominated investment with a maturity up to one year, meeting the requirements for a highly rated investment*

Interest Rate Forecasts 2021- 2025

The PWLB rates below are based on the new margins over gilts announced on 20th December 2021. PWLB forecasts shown below have taken into account the 20 basis point certainty rate.

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

ANNEX 3

TREASURY MANAGEMENT INDICATORS

Maturity Structure of Borrowing

Maturity Structure of Fixed Rate Borrowing	Lower Limit	Upper Limit
Under 12 months	0%	50%
12 months and within 24 months	0%	50%
24 months and within 5 years	0%	75%
5 years and within 10 years	0%	75%
10 years and within 20 years	5%	90%
20 years and above	10%	90%

Investment

Long Term Treasury Investment	2021/22	2022/23	2023/24	2024/25
Maximum principal sums invested > 365 days	30%	30%	30%	30%

ANNEX 4a

Specified Investments

Deposit Type and Counterparty	UK Government Support	Short-term Credit Rating	Long-term Credit Rating
UK Government (Direct)			
Treasury Bills	✓		
Gilts	✓		
Term Deposits	✓		
Banks 1 – Term Deposits		F1	A-
Banks 2 (Part) Nationalised Banks – Term Deposits	✓		
Other			
Local Authorities including Police and Fire – Term Deposits			
CDs issued by Banks / Building Societies under Guarantee	✓		
Supranational Bonds			AAA
Sovereign Bond Issues			AA-
Collective Investment Schemes (OEICs):			
1. Government Liquidity Funds	✓		
2. Money Market Funds			
3. Enhanced Cash Funds			AAA
4. Bond Funds			
5. Gilt Funds			

ANNEX 4b

Non-Specified Investments

Deposit Type and Counterparty	UK Government Support	Short-term Credit Rating	Long-term Credit Rating
UK Government			
Treasury Bills (if issued beyond 1 year)	✓		
Gilts	✓		
Term Deposits (if issued beyond 1 year)			
Banks 1 – Term Deposits (> 1 year OR variable maturity / rate)		F1	A-
Banks 2 (Part) Nationalised Banks – Term Deposits (> 1 year OR variable maturity / rate)	✓		
Building Societies - Term Deposits (any maturity period)		F1	A-
Other			
Local Authorities including Police and Fire –Term Deposits (> 1 year)			
CDs issued by Banks and Building Societies under Guarantee (any maturity period)	✓		
Debt issuance by UK Banks covered by UK Government Guarantee	✓		
Supranational Bonds			AAA
Ultra-Short Dated Bond Funds			
Sovereign Bond Issues			AA-
CDs issued by Banks / Building Societies (any period) – not covered by Guarantee			AAA
Collective Investment Schemes structured as OEICs:			AAA
1. Government Liquidity Funds	✓		
2. Money Market Funds inc CNAV, LVNAV & VNAV			
2. Enhanced Cash funds			
3. Bond Funds			
4. Gilt Funds			
Collateralised Deposits (UK Local Authority)			
Commercial Paper			AAA
Term Deposits with unrated counterparties (any maturity period)			
Corporate Bonds – covered by Guarantee			AAA
Corporate Bonds– not covered by Guarantee			AAA

Deposit Type and Counterparty	UK Government Support	Short-term Credit Rating	Long-term Credit Rating
Property Fund			
Asset/Asset Backed Securities*			
Floating Rate Notes			
Other- Loans to 3 parties*			

* requires business case for investment

ANNEX 5

Approved Countries for Investments

AAA (Fitch)

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

AA+ (Fitch)

- Canada
- Finland
- U.S.A.

AA (Fitch)

- France

AA- (Fitch)

- Belgium
- Hong Kong
- **U.K.**

RATINGS AS AT 22 December 2021

Annex 6

Treasury Management Policy Statement

1. This organisation defines its treasury management activities as: "The management of the 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".

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.