

POLICY AND RESOURCES COMMITTEE – 21 JANUARY 2020

PART I - NOT DELEGATED

14. FINANCIAL PLANNING – CAPITAL STRATEGY AND THE TREASURY MANAGEMENT POLICY

(DoF)

1. Summary

1.1 The purpose of this report is to enable the Policy and Resources Committee to recommend to the Council its capital strategy and treasury management policy over the medium term (2020-23). This report is the second of three that is covered under the recommendations report at **Item 15** on this agenda.

2. Details

2.1 The capital strategy (the Strategy) is designed to give a clear and concise view of how the council determines its priorities for capital investment, decides how much it can afford to borrow and sets its risk appetite. It is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

2.2 The framework the government uses to control how much councils can afford to spend on capital investment is known as the Prudential Framework. The objectives of the Prudential Code, which sets out how this framework is to be applied, are to ensure that local authorities' capital investment plans are:

- affordable, prudent and sustainable;
- that treasury management decisions are taken in accordance with good professional practice; and
- that local strategic planning, asset management planning and proper option appraisal are supported.

2.3 This capital strategy sets out how the Council will achieve the objectives set out above.

Capital Investment Programme - Expenditure

2.4 Capital Investment is the term used to cover all expenditure by the council that can be classified as capital under legislation and proper accounting practice. This includes expenditure on:

- property, plant and equipment
- heritage assets, and
- investment properties.

2.5 Property plant and equipment includes assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes. They are expected to be used during more than one financial year. Expenditure on the acquisition, creation or enhancement of these assets is capitalised on an accruals basis, provided that the Council is likely to benefit from the future economic benefits or service potential and the cost of the item can be measured reliably. Expenditure on repairs and maintenance is charged to the revenue account when it is incurred.

2.6 Heritage Assets are held with the objective of increasing knowledge, understanding and the appreciation of the Council's history and local area.

- 2.7 Investment properties are those that are used solely to earn rentals and/or for increases in value. The definition is not met if the property is used in any way for the delivery of services or production of goods or is held for sale.
- 2.8 Detailed accounting policies in relation to assets and capital expenditure may be found in the annual statement of accounts.
- 2.9 **Appendix 1** shows the 2019/20 revised capital budget and draft capital budgets for the period 2020/21 to 2022/23. The appendix contains the title, description and officers comments relating to the progress of the 2019/20 schemes.
- 2.10 The 2019/20 programme has decreased from the latest approved budget by **£1,822,350** due to re-phasing of schemes to 2020/21. Some of the larger schemes that contribute to this consist of the following:
- Waste Services Depot - £1,000,000
 - Garage Improvements - £130,000
 - Three Rivers House Transformation - £244,470
 - Temporary Accommodation - £356,000
- 2.11 Variances to the medium term capital programme which have been identified up to the end of November and are shown in detail at **Appendix 2**.
- 2.12 Following the re-phasing, the capital programme for 2019/20 now totals **£15.879 million**. The services capital programme included in MTFP shows schemes totalling **£7.125 million** in 2020/21; **£3.278 million** in 2021/22 and **£2.882 million** in 2022/23.
- 2.13 The larger capital schemes over the next three financial years include:
- Disabled Facility Grants (£1.586 million)
 - Waste and Recycling Vehicles (£1.900 million)
 - Waste Services Depot – (£1.000 million)
 - Garage Improvements (£0.655 million)
 - Provision of Temporary Accommodation (£1.156 million)
 - Leisure Facility South Oxhey (£1.754 million)
- 2.14 The Committee should note that for 2020/21 there are proposals for five new schemes. Project Initiation Documents (PIDs) have been prepared and presented to the relevant service Committee at the November/December meetings. **Appendix 3** shows the score for each bid using the scoring matrix shown in agenda item 13, 'Financial Planning – Revenue Services' report (Appendix 4). These bids total £203,500 in 2020/21 and £48,000 in 2021/22. Two of the bids have revenue implications totalling £23,000 in 2020/21. In addition, 50% of the revenue growth bid for the post of Development & Project Manager (Major Projects) will be charged to capital (See Agenda Item 13) this totals £47,500 per annum.
- 2.15 The proposed new schemes are;
- ASB Casework Management System (£18,750)
 - Watersmeet External Roof Access (£55,750)
 - Watersmeet Stage Lighting Replacement (£112,000)
 - ModGov Committee Management System (£15,000)
 - Property Information System (£50,000)

Capital Investment Programme - Funding

- 2.16 The Capital Investment Programme can be funded from the following sources:
- 2.17 Government Grants & Other Contributions: These are grants for specific purposes which may be available from the Government, e.g. Disabled Facility Grants. The Council can also attract partnership funding from other local authorities and agencies e.g. Local Enterprise Partnership (LEP). The Council has also benefited in the past from other funding such as lottery grants.
- 2.18 Section 106 Contributions: These are contributions from developers to the public services and amenities required for the development. These have been in part replaced by the Community Infrastructure Levy. Current Section 106 monies are guaranteed. Council has previously agreed to use £1.500 million of the affordable housing s.106 for the provision of additional affordable housing as part of the South Oxhey Initiative (SOI) project.
- 2.19 Capital Receipts Reserve: Capital receipts are derived when selling assets such as land. The main receipt relates to the arrangements made when the Council sold its housing stock to Thrive Homes Ltd in 2008; the Transfer Agreement included a Right to Buy (RTB) Sharing Agreement whereby the Council is entitled to a share of the post-transfer receipts from RTB sales and a 'VAT Shelter Agreement' whereby the Council benefits from the recovery of VAT on continuing works carried out by Thrive. The current MTFP forecasts that this reserve will be fully utilised to support the capital programme.
- 2.20 Revenue Contributions: Revenue balances from the General Fund may be used to support capital expenditure.
- 2.21 Future Capital Expenditure Reserve: The Council has a general reserve which it has put aside for future capital expenditure. It has the ability, should it wish, to re-designate this reserve for revenue use.
- 2.22 New Homes Bonus Reserve: New Homes Bonus is a grant relating to the number of new homes delivered in a local authority area. There are no government restrictions on whether this is capital or revenue, nor is there any ring-fence imposed. It is anticipated that this form of funding will cease from 2020/21, although this may be compensated for by an increase in business rate baseline funding. However until the implementation of changes to local Government funding in 2021/22, it is prudent to leave the position as it currently stands.
- 2.23 Borrowing: The Council is allowed to borrow to support its capital expenditure as long as this is prudent, sustainable, and affordable. Presently, the Council has borrowed to support the new leisure centre provision in South Oxhey, and the costs of this are covered in the income received from the leisure contractor. Other than this, it not proposed to borrow to fund 'business as usual' capital expenditure in the medium-term.
- 2.24 The capital programme includes an assessment of likely available resources to finance capital expenditure and includes assumptions regarding capital receipts, which have been estimated at £1.100 million in 2020/21 and future years.
- 2.25 **Appendix 4** shows the sources of capital funding proposed over the period 2019-2023, including the funding generated in each year and balances carried forward at the end of each year.
- 2.26 **Appendix 5** shows details of all Section 106 contributions currently received and available to use.

Future Investment

- 2.27 Future Investment Schemes will be assessed on the basis of a full business case which will include full resourcing for the project and an assessment of affordability. Priority areas for future capital investment are:
- Schemes that generate a financial surplus for the Council; and in particular those that increase the supply of housing locally (for example through the joint ventures with Watford Community Housing and Thrive).
 - Schemes that generate revenue budget savings for the Council.
 - Schemes that allow the Council to benefit from future economic regeneration potential within the local area; especially those that attract additional investment into the local area from regional or national agencies.
 - Schemes that provide additional or improved services to the Council's residents, in line with the Council's Strategic Plan.

3. *Treasury Management*

- 3.1 The Council is required to operate a balanced budget over the medium term which, after allowing for contributions to and from reserves, broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing the requisite liquidity before considering investment return.
- 3.2 The Treasury Management Policy Statement (shown at **Appendix 6**) details the policies, practices, objectives and approaches to risk management of its treasury management activities, which is to be monitored by the Audit Committee. The Council's investment strategy's primary objectives are safeguarding the repayment of the principal and interest of its investments on time, and then ensuring adequate liquidity, with the investment return being the final objective. The strategy allows the Director of Finance, in consultation with the Lead Member, the delegated authority to approve any variation to the Treasury Management Strategy during the year which may be brought about by investigating the opportunity to invest for greater than one year and also to invest in other investment instruments i.e Government bonds, Gilts and investment property with a view of maximising the Council's returns without significantly increasing risk.

The Council's Borrowing Need - The Capital Financing Requirement (CFR)

- 3.3 The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure, which has not immediately been paid for, will increase the CFR. An increase in the CFR does not necessarily mean that the council will borrow externally to fund the increase. The Council manages its cash balances as a whole and may choose to use internal cash (generated by holding reserves and through timing differences between income and expenditure).
- 3.4 The table below shows the estimate of the over the medium term.

	2019/20 Forecast	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
	£M	£M	£M	£M
Total Proposed Capex	15.9	7.1	3.3	2.9
<u>Capital Financing</u>				
Grants	0.5	0.5	0.5	0.5
Reserves	1.1	2.4	1.1	1.0
Capital Receipts	4.0	0	1.4	1.4
s.106 and CIL	0.4	1.5	0	0
Funding	6.0	4.4	3.0	2.9
Gap	9.9	2.7	0.3	0
Opening CFR	17.1	27.0	29.7	30.0
Closing CFR	27.0	29.7	30.0	30.0

Minimum Revenue Provision (MRP) Strategy and Policy Statement

3.5 The Minimum Revenue Provision (MRP) is designed to pay off an element of the capital spend which has not already been financed from existing revenue or capital I resources. The Council is required to make prudent provision, by way of a charge to the revenue account, which means that the repayment of debt is enabled over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

3.6 The Council is also able to increase the rate it reduces its CFR by undertaking additional voluntary payments (voluntary revenue provision - VRP) in addition to any MRP; this is not currently the Council's policy.

3.7 Government Regulations require the Council to approve a MRP Statement in advance of each year. The following is the Council's MRP statement:

For all unsupported borrowing (including PFI and finance leases) the MRP policy will be:

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3)

This option provides for a reduction in the borrowing need over the asset's estimated life. Repayments of PFI or Finance Leases are allowable to use as a proxy for the above methods.

3.8 The Council's process is to produce for approval by the Director of Finance, in consultation with the Lead Member for Resources, a business case for each scheme intended to be unfunded from other resources. This will clearly show the level of MRP which is proposed to ensure that the repayment of any debt can be made in a period commensurate with the period over which the expenditure provides benefits or makes returns.

3.9 No MRP provision is made in respect of investments or payments to the joint ventures as such investments are intended to be time-limited and allow for the repayment of debt. For finance leases the council will charge MRP to its General Fund each year dependant on the life of the underlying asset.

Revenue Cost of Borrowing

- 3.10 Where the council decides to borrow to fund capital expenditure the annual cost of borrowing is included within the revenue budget.

Prudential Indicators

- 3.11 There are two limits on external debt: the ‘Operational Boundary’ and the ‘Authorised Limit’. Both are consistent with existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices.
- 3.12 The first key control over the treasury activity is a Performance Indicator (PI) to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and next two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

It should be noted that the two financial investments do not increase net debt as any additional borrowing is offset by the value of the financial investment.

Treasury Management Indicator - The Operational Boundary

- 3.13 This is the limit beyond which external borrowing is not normally expected to exceed. In most cases this would link directly to the authority’s plans for capital expenditure, its estimates for CFR and its estimate of cashflow requirements for the year for all purposes. The Council may need to borrow, this limit represents a contingency should the need arise.

Operational Boundary	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Borrowing	£15m	£18m	£18m	£18m

Treasury Management Indicator - The Authorised Limit for External Borrowing

- 3.14 This PI, which is required to be set and revised by Members, controls the overall level of borrowing and represents the limit beyond which external long and short term borrowing is prohibited, and this limit needs to be set or revised by the Council. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (2) of the Local Government Act 2003

Authorised Limit	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Borrowing	£17m	£20m	£20m	£20m

4. Future Investments

- 4.1 The Council will continue to seek opportunities to work in partnership with others to promote economic development and the provision of housing within Three Rivers wider economic area. Current partners include Countrywide Properties for the South Oxhey scheme, along with Watford Community Homes and Thrive Homes as the two major local registered social providers.

4.2 The Council has established Three Rivers Commercial Services to allow it to work more closely with providers and exploit future commercial opportunities. The Council currently has two joint ventures with Watford Community Housing, Three Rivers Development LLP and Three Rivers Homes Ltd. The Council is currently in the process of setting up a similar structure with Thrive Homes to allow future joint schemes to be considered.

5. *Skills and Knowledge and Professional Advice*

5.1 The Council has a shared service with Watford Borough Council for the provision of the finance function allowing access to a greater range of professional skills than would otherwise be available if each council had a separate team. The council uses external advisers on all major projects.

5.2 The Council contracts with Link Asset Services for the provision of Treasury advice. Link Asset Services provide non-regulated advice on the management of the council's cash flows, investments and borrowings and a markets information service. The Councils VAT advisers are PSTax.

6. *Risk*

6.1 Financial risks are closely monitored as a separately identifiable part of the corporate risk management framework. The Council's risk appetite is evolving as it becomes involved in a wider range of major property lead investments both within its economic area linked to regeneration and more widely for income generation purposes.

6.2 The Council takes advice from its professional advisers to both identify and mitigate the key risks it faces and ensures that all decisions are made with an understanding of the risks involved.

6.3 The council currently has an income target of £1.0M pa from its commercial investment activities. This is equivalent to 4.2% of its total gross income (excluding housing benefit reimbursements from central government). The Council does not receive RSG and is entirely dependent upon locally raised taxes and locally generated income to fund services. The general fund balance as at 1st April 2019 was £4.8M.

6.4 Whilst recognising the importance of generating income to support services, the Council will ensure that its external income is actively managed to safeguard the future financial sustainability of the council. In this respect it will continue to seek to balance income from its commercial investment activities against its overall level of risk and the amount of reserves available to mitigate this risk.

6.5 In assessing the risk of its commercial investments the Council will consider the level of risk inherent in the income stream, the security held, its ability to realise assets or other security should the need arise and the level of income received from commercial investments compared to the total income of the council.

7. *Options/Reasons for Recommendation*

7.1 The recommendations at agenda Item 15 enable the Committee to make recommendations to the Council on 25 February 2020 concerning the Council's budget.

8. *Policy/Budget Reference and Implications*

8.1 The recommendations in this report contribute to the process whereby the Council will approve and adopt its strategic, service and financial plans under Article 4 of the Council's Constitution.

9. Equal Opportunities, Legal, Staffing, Environmental, Community Safety, Customer Services Centre and Communications, Health & Safety & Website Implications

9.1 None specific.

10. Financial Implications

10.1 As contained in the body of the report.

11. Risk Management Implications

11.1 There are no risks to the Council in agreeing the recommendation below.

12. Recommendation

12.1 That the report is noted.

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Background Papers

Reports and Minutes of;

- The Policy and Resources Committee
- Council

Appendices

1. Capital Investment Programme 2019-2023- Expenditure
2. Capital Investment Programme 2019-2023- Variances
3. Capital Investment Programme 2020-2023- Growth
4. Capital Investment Programme 2019-23- Funding
5. Section 106 Balances 2019/20
6. Treasury Management Policy

The recommendations contained in this report DO NOT constitute a KEY DECISION but contribute to the process whereby the Council will approve and adopt its Strategic, Service and Financial Plans under Article 4 of the Council's Constitution

APPENDIX 1

CAPITAL INVESTMENT PROGRAMME 2018 – 2022 - EXPENDITURE

Leisure, Environment & Community									
<i>Community Safety & Partnership</i>	Original Budget 2019/20 £	Latest Budget 2019/20 £	Spend To Date	Forecast Outturn 2019/20 £	Variance £	Forecast 2020/21 £	Forecast 2021/22 £	Forecast 2022/23 £	Comments
Capital Grants & Loans	20,000	11,880	1,349	10,910	(970)	20,000	20,000	20,000	Underspend as grant not claimed
Community CCTV	6,000	32,410	32,410	32,410	0	6,000	6,000	6,000	Additional cameras purchased to address serious violence and county line. 2019/20 Project complete.
Total	26,000	44,290	33,759	43,320	(970)	26,000	26,000	26,000	
<i>Leisure</i>	Original Budget 2019/20 £	Latest Budget 2019/20 £	Spend To Date	Outturn £	Variance £	Forecast 2020/21 £	Forecast 2021/22 £	Forecast 2022/23 £	Comments
Heritage & Tourism Initiative	0	341,517	341,500	341,517	0	0	0	0	Funding from the National Lottery Heritage Fund, Warner Bros. Studios Leavesden and S106 monies.
Countryside Management	10,000	10,000	0	10,000	0	10,000	10,000	10,000	
Watersmeet Refurbishment Toilets	24,100	28,000	28,035	28,000	0	0	0	0	Works completed.
Aquadrome	21,000	36,812	19,894	36,812	0	21,000	21,000	22,500	Construction of dog free picnic area and wildwood den in 2019/20
Allotments	5,000	10,000	0	10,000	0	5,000	5,000	5,000	
Bury Lake Young Mariners	0	80,008	80,008	80,008	0	0	0	0	Project complete. BLYM to repay £1m loan at £20k pa from 2019 for 50 years.
Scotsbridge-Chess Habitat Rest	0	11,390	0	11,390	0	0	0	0	Budget will be spent
South Oxhey Leisure Centre	0	6,890	1,996	6,890	0	6,000	0	0	Budget for external legal advise for the completion of the South Oxhey Leisure Centre
Leisure Facilities Improvement	685,000	83,280	1,233	58,280	(25,000)	25,000	0	0	Awaiting final invoice for the resurfacing of King George V car park and for the mobile units. Rephasing of £25k to 2020/21 for potential works to SJA.
Open Space Access Improvements	50,000	93,000	0	93,000	0	50,000	50,000	50,000	Budget expected to be spent in this financial year. The Horses' Field – grazing project (including public consultation and fencing) and delayed provision of additional access point (from Year 1 Management Plan) to north of site from Langley Lane. Also, implementation of aspects of the Bishops Wood Management Plan including improvements at Batchworth Heath (pond desilting, bollard replacement and improvements of footpath link between the two)
Leavesden Management Plan	0	10,000	10,000	10,000	0	0	0	0	Work completed to external toilets
Improve Play Area-Future Schemes	0	118,855	26,099	118,855	0	50,000	100,000	100,000	Works to Barton Way Play area and retention monies due for Croxley Skate park to be completed in 2019/20.

<i>Leisure</i>	Original Budget 2019/20 £	Latest Budget 2019/20 £	Spend To Date	Forecast Outturn 2019/20 £	Variance £	Forecast 2020/21 £	Forecast 2021/22 £	Forecast 2022/23 £	Comments
New Play Area-Chorleywood	97,420	0	0	0	0	0	0	0	
Leavesden CP Play Area	0	119,372	120,760	119,372	0	0	0	0	Project complete, retention monies to be paid. The variance is met from the agreed Council's set aside S106 reserve
Aquadrome-Whole Life Costing	10,000	27,560	5,206	27,560	0	10,000	10,000	11,000	To be spent on maintenance of Ultrasound units, footpath repairs arising out of annual footpath inspections, repair of fishing platform erosion damage, repair of floating islands fish refuges and commission of Phase 1 Habitat Survey.
Watersmeet-Whole Life Costing	15,000	13,440	6,104	13,440	0	15,000	15,000	20,000	
Pavilions-Whole Life Costing	10,000	20,000	12,879	20,000	0	10,000	10,000	11,000	Budget expected to be spent in this financial year. Condition surveys presently being undertaken
Watersmeet - Hot Water pipework replacement	38,000	35,700	32,195	35,700	0	0	0	0	
Watersmeet - cinema screen replacement	15,000	15,000	2,037	15,000	0	0	0	0	New approved project for 2019/20. Project expected to be completed by end of January
Fairway Inn-Whole Life Costing	2,000	2,000	0	2,000	0	0	0	0	Budget will be spent
The Swillet - Play area Refurbishment	0	147,420	58,706	128,540	(18,880)	18,880	0	0	Budget of £18k to be rephased to 2020/21 for completion of scheme
Cassiobridge Play Area Refurbishment	88,340	88,340	632	84,310	(4,030)	4,030	0	0	Awaiting final invoice - £4k to be rephased to 2020/21 for retention monies
Total	1,070,860	1,298,584	747,284	1,250,674	(47,910)	224,910	221,000	229,500	
Environmental Services									
<i>Environmental Services</i>	Original Budget 2019/20 £	Latest Budget 2019/20 £	Spend To Date	Forecast Outturn 2019/20 £	Variance £	Forecast 2020/21 £	Forecast 2021/22 £	Forecast 2022/23 £	Comments
Waste Plant & Equipment	25,000	25,000	4,920	25,000	0	25,000	25,000	25,000	Budget will be spent
Waste Services Depot	931,200	1,408,940	58,396	408,940	(1,000,000)	1,000,000	0	0	The tender process is underway and the scheme will now complete in 2020/21, therefore £1million is to be rephased in to next year.
Bulk Domestic Waste	15,000	28,570	19,842	28,570	0	20,000	25,000	30,000	
Waste & Recycling Vehicles	310,000	459,382	307,598	459,382	0	500,000	1,000,000	400,000	Budget expected to be spent in this financial year.
Street Furnishings	10,000	10,000	10,103	10,000	0	10,000	15,000	15,000	
Paladin Bins	25,000	25,000	11,738	25,000	0	25,000	30,000	60,000	Budget expected to be spent
Cemetery Car Park	0	7,000	0	7,000	0	0	0	0	Budget expected to be spent
Energy Performance Certificate	2,000	4,000	458	4,000	0	2,000	2,000	2,000	Budget expected to be spent
Cemetery-Whole Life Costing	5,000	8,781	7,035	8,781	0	5,000	5,000	5,000	Budget expected to be spent
Replacement Ground Maintenance Vehicles	323,000	538,443	160,910	538,443	0	93,000	40,000	280,000	Budget expected to be spent in this financial year.
Total	1,646,200	2,515,116	581,000	1,515,116	(1,000,000)	1,680,000	1,142,000	817,000	
Total Leisure, Environment & Community	2,743,060	3,857,990	1,362,043	2,809,110	(1,048,880)	1,930,910	1,389,000	1,072,500	

Infrastructure Housing & Economic Development									
<i>Economic Development</i>	Original Budget 2019/20 £	Latest Budget 2019/20 £	Spend To Date	Forecast Outturn 2019/20 £	Variance £	Forecast 2020/21 £	Forecast 2021/22 £	Forecast 2022/23 £	Comments
Cycle Schemes	25,000	77,177	24,803	77,177	0	25,000	25,000	25,000	2 schemes have been ordered, awaiting implementation (cycle storage at Rickmansworth station and Leavesden lighting).
Disabled Parking Bays	2,500	1,500	1,435	1,500	0	2,500	2,500	2,500	
Controlled Parking	85,000	184,580	12,804	184,580	0	50,000	50,000	50,000	Scheme progressing
Car Parking Services	0	4,400	7,584	4,400	0	0	0	0	
Princes Trust-Business Start-up	10,000	10,000	0	10,000	0	10,000	10,000	10,000	A Service Level Agreement is in place, the budget will be spent as year end.
Listed Building Grants	5,000	5,000	0	5,000	0	5,000	5,000	5,000	This is demand led. Unlikely to be spent in full but cannot guarantee that no applications will be made before year end
South Oxhey Initiative	0	192,791	40,376	192,791	0	0	0	0	Ongoing project management to ensure the project is delivered fulfilling the Councils objectives. It provides for both internal resource retained for this purpose as well as the wider consultancy team for property advice and legal advice. Progressing the CPO works for phase 3 now so expect to expend most of this budget in 19/20.
Parking Bay & Verge Protection	110,000	17,760	17,760	17,760	0	254,240	60,000	40,000	
Highways Enhancement	110,000	19,260	17,923	19,260	0	147,620	50,000	50,000	
Bus Shelters	9,000	34,000	23,414	34,000	0	9,000	9,000	9,000	
Retail Parades	30,000	48,000	0	48,000	0	135,780	30,000	30,000	£40k for retail parade scheme expected to be delivered this financial year, £3k for Welcome signs. Rephased remaining budget for Electric Vehicle Charging project which is currently with consultants for procurement.
Carbon Neutral Council	2,000	4,000	0	4,000	0	0	0	0	
Rickmansworth Work Hub	39,000	39,000	0	0	(39,000)	39,000	0	0	Project rephased to 2020/21
Car Park Restoration	45,000	45,000	16,438	45,000	0	10,000	10,000	35,000	
Estates, Paths & Roads	20,000	21,881	4,455	21,881	0	20,000	20,000	20,000	
TRDC Footpaths & Alleyways	20,000	24,000	0	24,000	0	20,000	20,000	25,000	
Integration of Firmstep to uniform Licensing applications	19,000	19,000	0	19,000	0	0	0	0	
Total	531,500	747,349	166,992	708,349	(39,000)	728,140	291,500	301,500	
<i>Housing</i>	Original Budget 2019/20 £	Latest Budget 2019/20 £	Spend To Date	Forecast Outturn 2019/20 £	Variance £	Forecast 2020/21 £	Forecast 2021/22 £	Forecast 2022/23 £	Comments
Disabled Facilities Grant	500,000	539,339	215,106	539,339	0	500,000	500,000	586,000	
Home Repairs Assistance	10,000	10,000	0	10,000	0	10,000	10,000	10,000	
Total	510,000	549,339	215,106	549,339	0	510,000	510,000	596,000	
Total Infrastructure Housing & Economic Development	1,041,500	1,296,688	382,098	1,257,688	(39,000)	1,238,140	801,500	897,500	

Resources & Shared Services	Original Budget 2019/20 £	Latest Budget 2019/20 £	Spend To Date	Forecast Outturn 2019/20 £	Variance £	Forecast 2020/21 £	Forecast 2021/22 £	Forecast 2022/23 £	Comments
Professional Fees-Internal	226,590	226,590	0	226,590	0	157,590	157,590	157,590	This is for internal staff support on capital schemes and is transacted at the end of the financial year
Election Equipment	6,000	9,000	6,503	9,000	0	6,000	6,000	6,000	
Members' IT Equipment	15,060	15,060	890	15,060	0	16,260	16,260	16,260	
Installation Solar system TRH	2,500	2,500	0	2,500	0	0	0	0	
ICT-Managed Project Costs	60,000	0	0	0	0	60,000	60,000	60,000	2019/20 budget transferred to hardware replacement programmes to fund resources for delivery of personal IT kit, WAN and Unified Communications. This is a planned re allocation of resources and does not involve cutting any planned ICT Projects. The ICT budgets for individual projects for future years is under review.
Hardware Replace Prog	40,000	340,587	0	340,587	0	40,000	40,000	40,000	Budget to fund resources for delivery of personal IT kit, WAN and Unified Communications . Charged at year end re shared services
Garage Improvements	225,000	225,000	92,703	95,000	(130,000)	355,000	150,000	150,000	Works are progressing. Part of budget to be rephased to 2020/21 for completion
ICT Licence Costs	282,000	95,000	81,245	95,000	0	100,000	100,000	100,000	
Customer Contact Programme	0	66,230	61,626	66,230	0	0	0	0	
ICT Website Development	0	14,870	0	14,870	0	0	0	0	
ICT Elections	17,000	18,800	14,626	18,800	0	17,000	17,000	17,000	
ICT Hardware Replacement Prog	45,000	430,500	381,651	430,500	0	45,000	45,000	45,000	
TRH Whole Life Costing	173,000	188,000	143,290	188,000	0	135,000	155,000	170,000	
Basing House-Whole Life Costing	2,000	4,000	0	0	(4,000)	6,000	24,000	60,000	Budget rephased to 2020/21
Investment Prop-Shops	0	11,900	0	11,900	0	0	0	0	
Business Application Upgrade	227,000	12,500	0	12,500	0	90,000	90,000	90,000	
Three Rivers House Transformation	394,470	394,470	83,725	150,000	(244,470)	244,470	0	0	This budget includes changes to the ground floor, however this is unlikely to be spent this financial year, as a decision will need to be made as to its future use. Therefore at this stage £244k is to be rephased to 2020/21. It is likely that work will include the reception area, creating disabled toilets and renewing the glazing.
Total	1,715,620	2,055,007	866,259	1,676,537	(378,470)	1,272,320	860,850	911,850	

<i>Major Projects</i>	Original Budget 2019/20 £	Latest Budget 2019/20 £	Spend To Date	Forecast Outturn 2019/20 £	Variance £	Forecast 2020/21 £	Forecast 2021/22 £	Forecast 2022/23 £	Comments
Leisure Facility - South Oxhey	7,719,420	6,029,328	2,119,356	6,029,328	0	1,527,943	226,823	0	Works to South Oxhey Leisure Centre for a 65 week build which is on schedule and due to be fully open in June 2020. Awaiting large invoices , it is expected that the 2019/20 will be spent at year end.
South Oxhey Initiative	0	1,986,876	678,006	1,986,876	0	0	0	0	Balance of funds to acquire property in phase 3. Most will be expended but subject to reaching agreement with tenants. Homegroup will also be invoicing for homeless payments circa 250k Feb/Mar 20.
Property Investment Board	0	769,333	456,970	769,333	0	0	0	0	For works at the purchased property at Fairhaven Crescent and payment relating to the facility agreement on The Grapevine in South Oxhey
Temporary Accommodation	1,404,140	1,706,116	387,518	1,350,116	(356,000)	1,156,000	0	0	This is to meet the costs of the Bury project and for the redevelopment of the 2 garage sites at South Oxhey. The work on the garage sites has commenced. The current cashflow requires rephasing of £356k to 2020/21.
Total	9,123,560	10,491,653	3,641,850	10,135,653	(356,000)	2,683,943	226,823	0	
Total Policy & Resources	10,839,180	12,546,660	4,508,109	11,812,190	(734,470)	3,956,263	1,087,673	911,850	
Total Capital Programme	14,623,740	17,701,338	6,252,250	15,878,988	(1,822,350)	7,125,313	3,278,173	2,881,850	

CAPITAL INVESTMENT PROGRAMME 2019 – 2023 VARIANCES

Leisure, Environment & Community				
Description	Details of Outturn Variances to Latest Approved Budget	2019/20 £	2020/21 £	2021/22 £
Capital grants & Loans	Underspend	(970)	0	0
Leisure Facilities	Rephasing to complete work in 2020/21	(25,000)	25,000	0
The Swillett	Rephasing to complete work in 2020/21	(18,880)	18,880	0
Cassiobridge play area	Rephasing to complete work in 2020/21	(4,030)	4,030	0
Waste depot	Rephasing to 2020/21 afte design approved	(1,000,000)	1,000,000	0
	TOTAL	(1,048,880)	1,047,910	0
Infrastructure, Housing & Economic Development				
Rickmansworth Work hub	Rephasing	(39,000)	39,000	0
	TOTAL	(39,000)	39,000	0
Policy & Resources				
Garage Improvements	Rephasing to complete works	(130,000)	130,000	0
Basing house	Rephasing	(4,000)	4,000	0
THR Transformation	Rephasing to complete project in 2020/21	(244,470)	244,470	0
Professional Fees - Internal	Due to the outsourcing of the Administration for the Disabled Facilities Grants to Herts Building Control, the charge from staff within the Environmental Health team is no longer required	0	(69,000)	(69,000)
	TOTAL	(378,470)	309,470	(69,000)
Policy & Resources - Major Projects				
Temporary Accommodation	Rephasing to complete project in 2020/21	(356,000)	356,000	0
	TOTAL	(356,000)	356,000	0
Total Variances for Period 8 (November) 2019		(1,822,350)	1,752,380	(69,000)

CAPITAL INVESTMENT PROGRAMME 2020 – 2023 – PROPOSED GROWTH

Capital Growth Bids					Measure of Quality of Service	Customer Impact / Quantity of Service	Links to Strategic Plan	Impact on Partners (as defined in the Community Strategy)	Partnership Funding	Equalities	Asset Management	Statutory/Discretionary Service	Contractually Committed	Financial Implications	Invest to Save	Total
Service Plan	Description	2020/21 £	2021/22 £	2022/23 £	A	B	C	D	E	F	G	H	I	J	K	
Community Partnerships	: ASB Casework Management System	18,750	0	0	6	6	2	3	1	3	3	2	1	1	2	30
Committee Services	: Mod.Gov Committee Management System	15,000	0	0	9	9	2	3	1	2	1	1	1	1	2	32
Leisure & Landscape	: Watersmeet External Roof Access	55,750	0	0	6	3	2	1	1	1	2	1	1	1	2	21
Leisure & Landscape	: Watersmeet Stage Lighting Replacement	64,000	48,000	0	6	3	2	1	1	1	3	1	1	3	2	24
Finance	: Property Information System	50,000	0	0	6	3	2	1	1	1	1	2	1	1	2	21
	Total	203,500	48,000	0												
	* In addition - 50% of the revenue growth bid for the post of Development & Project Manager (Major Projects) will be charged to capital if approved (See Agenda Item 12)	47,500	47,500	47,500												
	Total All Growth Bids	251,000	95,500	47,500												

CAPITAL INVESTMENT PROGRAMME 2019 – 2023 FUNDING

Capital Programme - Services	2019/20	2019/20	2019/20	2020/21	2021/22	2022/23
	Original Budget	Latest Budget	Outturn Forecast at P8	Forecast	Forecast	Forecast
	£	£	£	£	£	£
Balance Brought Forward						
Govt Grants: Disabled Facility Grants	(192,138)	(239,088)	(239,088)	(421,908)	(421,908)	(421,908)
Other Contributions: Other external Sources				0	0	0
Section 106 Contributions	(2,866,184)	(2,974,426)	(2,974,426)	(2,637,699)	(1,137,699)	(1,137,699)
Capital Receipts Reserve	(3,433,243)	0	0	0	(58,630)	0
Future Capital Expenditure Reserve	(2,610,165)	(2,610,155)	(2,610,155)	(2,610,155)	(2,610,155)	(1,117,435)
New Homes Bonus Reserve	(3)	(4,592,778)	(4,592,778)	(939,748)	(1,050,588)	(1,161,428)
Total Funding Brought Forward	(9,101,733)	(10,416,447)	(10,416,447)	(6,609,510)	(5,278,980)	(3,838,470)
Generated in the Year						
Govt Grants: Disabled Facility Grants	(250,000)	(722,160)	(722,160)	(500,000)	(500,000)	(500,000)
Other Contributions: Other external Sources	0	0	0	0	0	0
Section 106 Contributions	0	0	(52,787)	0	0	0
Capital Receipts Reserve	(1,100,000)	(1,100,000)	(1,100,000)	(2,500,000)	(1,000,000)	(1,000,000)
Future Capital Expenditure Reserve		0	0	0	0	0
New Homes Bonus Reserve	(317,680)	(317,680)	(317,680)	(110,840)	(110,840)	(110,840)
Total Generated	(1,667,680)	(2,139,840)	(2,192,627)	(3,110,840)	(1,610,840)	(1,610,840)
Use of Funding						
Govt Grants: Disabled Facility Grants	250,000	539,340	539,340	500,000	500,000	500,000
Other Contributions: Other external Sources	0	0	0	0	0	0
Section 106 Contributions	0	54,280	389,514	1,500,000	0	0
Capital Receipts Reserve	3,255,168	457,740	1,100,000	2,441,370	1,058,630	1,000,000
Future Capital Expenditure Reserve	1,677,352	1,745,939	0	0	1,492,720	1,117,435
New Homes Bonus Reserve	317,660	4,668,615	3,970,710	0	0	264,415
Total Use of Funding	5,500,180	7,465,914	5,999,564	4,441,370	3,051,350	2,881,850
Balance Carried Forward						
Govt Grants: Disabled Facility Grants	(192,138)	(421,908)	(421,908)	(421,908)	(421,908)	(421,908)
Other Contributions: Other external Sources	0	0	0	0	0	0
Section 106 Contributions	(2,866,184)	(2,920,146)	(2,637,699)	(1,137,699)	(1,137,699)	(1,137,699)
Capital Receipts Reserve	(1,278,075)	(642,260)	0	(58,630)	0	0
Future Capital Expenditure Reserve	(932,813)	(864,216)	(2,610,155)	(2,610,155)	(1,117,435)	0
New Homes Bonus Reserve	(23)	(241,843)	(939,748)	(1,050,588)	(1,161,428)	(1,007,853)
Total Funding Carried Forward	(5,269,233)	(5,090,373)	(6,609,510)	(5,278,980)	(3,838,470)	(2,567,460)
South Oxhey Initiative						
Balance Brought Forward	0	0	0	0	0	0
Generated in the Year (Land Receipts)	(3,332,575)	(3,332,575)	(3,332,575)	(6,502,792)	(6,502,792)	0
Generated in the Year (LEP Funding)	0	0	0	0	0	0
Use of Funding (Spend)		1,986,876	1,986,876	0	0	0
Borrowing	3,332,575	1,345,699	1,345,699	6,502,792	6,502,792	0
Total	0	0	0	0	0	0
South Oxhey Leisure Facility						
Balance Brought Forward	0	0	0	0	0	0
Use of Funding (Spend)	7,719,420	6,029,328	6,029,328	1,527,943	226,823	0
Contractor Funded Borrowing	(7,719,420)	(6,029,328)	(6,029,328)	(1,527,943)	(226,823)	0
Total	0	0	0	0	0	0
Property Investment						
Balance Brought Forward	0	0	0	0	0	0
Generated in the Year	0	0	0	0	0	0
Use of Funding (Spend)	0	769,333	769,333	0	0	0
Capital Receipt	0	0	0	0	0	0
Borrowing	0	(769,333)	(769,333)	0	0	0
Total	0	0	0	0	0	0
Temporary Accommodation						
Balance Brought Forward	0	0	0	0	0	0
Generated in the Year	0	0	0	0	0	0
Use of Funding (Spend)	1,404,140	1,449,887	1,093,887	1,156,000	0	0
Borrowing	(1,404,140)	(1,449,887)	(1,093,887)	(1,156,000)	0	0
Total	0	0	0	0	0	0
Total Expenditure Capital Investment Programme	14,623,740	17,701,338	15,878,988	7,125,313	3,278,173	2,881,850

SECTION 106 BALANCES 2019/20

Section 106	Balance at 1 April 2019	Movement In year		Balance at 31 March	Description of Scheme the funding to be used for
		Contribution FROM	Contribution TO		
0148 - S106-Aff Hsg-8 Chiltern Drive	(9,131)	0	0	(9,131)	
0149 - Resv-S106-Aff Hsg-84 Abbots Rd	(99,452)	0	0	(99,452)	
0150 - Resv-S106-Aff Hsg 127 High St	(20,571)	0	0	(20,571)	
0151 - Resv-S106-Aff Hsg 3/3A High St	(207,874)	0	0	(207,874)	
0152 - Resv-S106-Aff Hsg 4 Wellesly A	(61,984)	0	0	(61,984)	
0153 - Resv-S106-Aff Hsg-50 Adrian Rd	(80,313)	0	0	(80,313)	
0154 - Resv-S106 Charnwood & Ridge Ho	(20,131)	0	20,131	()	Swillett Play Area
0155 - Resv-S106-Ecology-Abbotswd Pk	(66,305)	0	0	(66,305)	
0158 - Resv-S106-Aff Hsg Brackenhill	(708,457)	0	0	(708,457)	
0159 - Resv-S106-Maint-Crox Common Mr	(12,343)	0	0	(12,343)	
0171 - Resv-S106 Huntonbury Village	(67,938)	0	67,938	()	Heritage & Tourism
0173 - Resv-S106 Green Lane	(19,684)	0	0	(19,684)	
0177 - Resv-S106 Tanners Hill Amenity	(59,444)	0	0	(59,444)	
0179 - Resv-S106 10-12 High St Ricky	(52,260)	0	52,260	0	Cassiobridge Play area
0183 - Resv-S106 St'wt C/Mg Av(Trees)	(10,921)	0	0	(10,921)	
0184 - Resv-S106 College Road (Trees)	(23,886)	0	0	(23,886)	
0185 - Resv-S106 Leavesden (Trees)	(6,738)	0	0	(6,738)	
0187 - Resv- S106 Redwing Gve (Trees)	(26,038)	0	0	(26,038)	
0190 - Resv-S106 Oxhey Nu Oaklands Av	(43,307)	0	0	(43,307)	
0191 - Resv-S106 49 Bucknalls Lane	(2,105)	0	0	(2,105)	
0196 - Resv-S106-Traffic Reg Orders	(13,354)	0	0	(13,354)	£3k for Langwood Hse Rickmansworth
0197 - Resv-S106-Happy Man Berry Lane	(6,106)	0	0	(6,106)	
0198 - Resv-S106-Gade View	(28,233)	0	0	(28,233)	
0199 - Resv-S106-Abbots Works	(15,428)	0	0	(15,428)	
0200 - Resv-S106-331 Uxbridge Rd	(13,874)	0	0	(13,874)	MUGA project at Hornhill Maple Cross
0201 - S106-Abbotswood Pk-10/2230/OUT	(217,204)	0	217,204	0	Heritage & Tourism
0202 - S106-Chorleywd Working Mans Cl	(13,716)	0	0	(13,716)	For Replacement of Play Equipment at Mill End
0203 - S106-Open Space-8 Chiltern Dr	(1,427)	0	0	(1,427)	For Replacement of Play Equipment at Mill End
0206 - S106 211 Watford Road (Af Hsg)	(37,195)	0	0	(37,195)	
0208 - S106 Old Vicarage (Af Hsg)	(128,300)	0	0	(128,300)	
0209 - S106 1 Oakfield,MEnd (Af Hsg)	(51,213)	0	0	(51,213)	
0210 - S106 1 Oakfield,MEnd (Op Sp)	(1,409)	0	0	(1,409)	For Replacement of Play Equipment at Mill End
0211 - S106 Beulah House, Station App	(31)	0	31	()	Swillett Play Area
0212 - S106 62 The Drive (Af Hsg)	(55,612)	0	0	(55,612)	
0214 - S106 104 The Drive (Af Hsg)	(31,349)	0	0	(31,349)	
0216 - S106 The Coach House (Op Sp)	(7,726)	0	0	(7,726)	For Play Facility at Aquadrome
0218 - S106 Parrotts,Crox Grn(Af Hsg)	(118)	0	0	(118)	
0219 - S106 Parrotts,Crox Grn(Op Sp)	(1,581)	0	0	(1,581)	
0220 - S106 17 Muirfield Grn (Af Hsg)	(7,721)	0	0	(7,721)	
0221 - S106 17 Muirfield Grn (Op Sp)	(4,906)	0	0	(4,906)	
0222 - S106 18-26 Ebury Road (Af Hsg)	(92,086)	0	0	(92,086)	
0223 - S106 18-26 Ebury Road (Op Sp)	(4,952)	0	0	(4,952)	For Play Facility at Aquadrome
0224 - S106 Austin Villas (Af Hsg)	(35,030)	0	0	(35,030)	
0227 - S106 Long Island Ex'ge (TRO)	(2,028)	0	0	(2,028)	
0228 - S106 Penmans Cottage (Af Hsg)	(21,733)	0	0	(21,733)	
0229 - S106 Penmans Cottage (Op Sp)	(12)	0	0	(12)	
0230 - S106 Leav'den Stud,Warner Dr	(27,272)	0	0	(27,272)	
0231 - S106 132 Gosforth Ln (Af Hsg)	(23,557)	0	0	(23,557)	
0232 - S106 132 Gosforth Ln (Op Sp)	(1,653)	0	0	(1,653)	For Replacement of Play Equipment at South Oxhey
0234 - S106 189-191 Wat Rd (Af Hsg)	(361,303)	0	0	(361,303)	
0235 - S106 119 Primrose Hill(Af Hsg)	(21,291)	0	0	(21,291)	
0236 - S106 32 Eastbury Ave(Af Hsg)	(56,339)	0	0	(56,339)	
0240 - S106 85/87CromptonPI (AffHou)	(20,516)	0	0	(20,516)	
0241 - S106 Woodside Road (Op Sp)	(31,950)	0	31,950	0	Leavesden Country Park Play Area
0243 - S106 25 Woodhall Lane (Af Hsg)	(7,113)	0	0	(7,113)	
0246 - S106 Hayling & Holmside Rise (Op Sp)	(14,000)	0	0	(14,000)	
0247 - S106 66 Northwick Rd (AF Hsg)	(18,209)	0	0	(18,209)	
0249 - S106 2 The Courtway Carpenders Park (AF Hsg)	0	(52,787)	0	(52,787)	
Total	(2,974,426)	(52,787)	389,514	(2,637,699)	



Treasury Management Policy

2020/21

1. Summary

- 1.1. The purpose of this report is to set out the Council's Treasury Management Policy
- 1.2. The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as: "the management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".
- 1.3. This report supports the Council's Capital Strategy and provides additional detail on how the Council manages its Treasury Management Activity
- 1.4. The Treasury Management Policy details the policies, practices, objectives and approaches to risk management of its treasury management activities, which is to be monitored by the Audit Committee. The Council's investment policy's primary objectives are safeguarding the repayment of the principal and interest of its investments on time, and then ensuring adequate liquidity, with the investment return being the final objective. The policy allows the Portfolio Holder, in consultation with the Director of Finance, the delegated authority to approve any variation to the Treasury Management Policy during the year with the objective of maximising the Council's returns without significantly increasing risk.

2. Risks

- 2.1. The strategy details the approach taken to management of Treasury Risk. This is principally through ensuring that the main Treasury risks are managed. These risks are:

liquidity risk – that the Council may not have the cash it needs on a day to day basis to pay its bills. This risk is managed through forecasting and the retention by the Council of an adequate working capital balance. In addition, through the Public Works Loan Board and other organisations, the Council is able to access short term borrowing, usually within 24 hours.

interest rate risk – that the costs and benefits expected do not materialise due to changes in interest rates. This risk is managed through the placing of different types and maturities of investments, the forecasting and monitoring of the interest budget (with assistance from the Council's retained advisors).

exchange rate risk – that losses or gains are made due to fluctuations in the prices of currency. The Council does not engage in any significant non-sterling transactions.

credit and counterparty risk – that the entity holding Council funds is unable to repay them when due. This risk is managed through the maintenance of a list of authorised counterparties, with separate limits to ensure that the exposure to this risk is limited

refinancing risk – that the loans taken by the Council will become due for repayment and need replacing at a time when there is limited finance available or interest rates are significantly higher. The timing of loan maturities is monitored along with interest rate forecasts. Officers ensure that due dates are monitored and seek advice from the Council's advisors about when to raise any finance needed.

legal and regulatory risk – that the Council operates outside its legal powers. This risk is managed through the Council's training and development of Officers involved in Treasury Management, the independent oversight of Internal and External Audit, and the advice (for example on the contents of this strategy) taken from the Council's Treasury advisors.

fraud, error and corruption – that risk that losses will be caused by impropriety or incompetence is managed through the controls in the Council's financial procedures. For example, the segregation of duties between those making investment decisions and those transferring funds

market risk – that the price of investments held fluctuates, principally in secondary markets. The majority of the Council's investments are not traded, but where they are (e.g. Property investment portfolio) the main investments' value comes from the income they generate which is generally long term and secure.

3. Treasury Indicators: Limits to Borrowing Activity

- 3.1. There are two limits on external debt: the 'Operational Boundary' and the 'Authorised Limit'. Both are consistent with existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices.
- 3.2. The key difference is that the Authorised Limit cannot be breached without prior approval of the Council. The Operational Boundary is a more realistic indicator of the likely position. The difference between the authorised limit and operational boundary for borrowing is that the authorised limit includes a head room for borrowing for future known capital needs now. The Authorised Limit represents the limit beyond which borrowing is prohibited, and needs to be revised if necessary by members.
- 3.3. These indicators are set out in the Capital Strategy.

4. Borrowing Strategy

- 4.1. The Council's treasury team maintains a cashflow forecast and works its liquidity requirements within this forecast; it may, on rare occasions, be necessary to borrow short-term for cashflow purposes. This will be in the form of short term debt or overdraft facilities and is normally for small amounts for minimum durations. As this is based on need and has a defined repayment period it is not normally included within the limits set above.
- 4.2. 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 (ie: the cost of holding does not outweigh the benefits of early borrowing) and that the Council can ensure the security of such funds. Any associated risks will be approved and reported through the standard reporting method.

5. Investment Policy

- 5.1. The Council's investment policy has regard to the DCLG's Guidance on Local Government Investments and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are security first, liquidity second, then yield.
- 5.2. Investment instruments identified for use in the financial year are listed below under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices Schedules and are detailed at Annex A.
- 5.3. As part of its diversification of investments, the Council has invested some of its core funds (ie: funds not immediately required for cashflow reasons) in longer-term investment property instruments. These are in the form of individual assets directly owned by the council. Although the Council has no current investments or plans to invest in pooled property funds, these are an option that could be considered in the future. All property investments are controlled through the Property Investment Board (PIB) and each investment is subject to its own business case and appraisal before a decision to invest is taken and before any Council funds are committed.

6. Creditworthiness policy

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

6.2. The Director of Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary and will provide an overall pool of counterparties considered high quality.

6.3. Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the Council's criteria. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing.

7. Counterparty Categories

7.1. The Council uses the following criteria in choosing the categories of institutions in which to invest:

- **Banks 1 - Good Credit Quality**
The Council will only use UK banks or foreign banks trading in the UK in sterling denomination and which meet the Rating criteria.
- **Banks 2 – The Council's Own Banker**
For transactional purposes, if the bank falls below the above criteria, it will be included, although in this case balances will be minimised as far as possible in both monetary size and time within operational constraints.
- **Bank Subsidiary and Treasury Operations**
The Council will use these where the parent bank has the necessary ratings outlined above and the parent has provided an indemnity guarantee.
- **Building Societies**
The Council will use all Societies which meet the ratings for banks outlined above.
- **Specific Public Bodies**
The Council may lend to Public Bodies other than Local Authorities. The criterion for lending to these bodies is that the loan has been approved by Council.
- **Money Market Funds AAA Rated**
The Council may lend to Money Market Funds in order to spread its investment risk.
- **Local Authorities**
A limit of £5m per authority will be applied.
- **Debt Management Deposit Account Facility**
A Government body which accepts local authority deposits.
- **Council Subsidiaries (non-specified)**
The Council will lend to its subsidiaries subject to approval of a business case by the Portfolio Holder, in consultation with the Director of Finance. Business cases must be accompanied by an independent assessment of viability, and be subjected to regular monitoring by the Director of Finance.

7.2. For details of Specified and Non-Specified Investments see below.

8. Use of Additional Information Other Than Credit Ratings

8.1. Additional requirements under the Code of Practice require the Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

9. Time and Monetary Limits Applying to Investments

9.1. The time and monetary limits for institutions on the Council's Counterparty List summarised in the table below, are driven by the above criteria. These limits will cover both Specified and Non-Specified Investments.

10. Exceptional Circumstances

10.1. The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Whilst Members are asked to approve this base criteria above, under the exceptional current market conditions Director of Finance may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly, the time periods for investments will be restricted.

10.2. Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (DMO) – a Government body which accepts local authority deposits, money Market Funds, and strongly rated institutions. The credit criteria have been amended to reflect these facilities.

11. Investment Strategy

11.1. In-House Funds - investments will be made with reference to the core balance and cashflow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

11.2. Investment Treasury Indicator and Limit - total principal funds invested for greater than one year. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

Treasury Indicator & Limit	2019/20	2020/21	2021/22	2022/23
Maximum Principal Sums invested for greater than one year (excluding property investment and loans to Council subsidiaries).	£10m	£10m	£10m	£10m

12. Investment Risk & Security Benchmarking

12.1. These benchmarks are simple guides to maximum risk and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmarks is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report. In line with the Treasury Management Strategy, the Council has managed to invest with those institutions who offered the best rate and the investment portfolio is above the overall benchmark during the year to date.

Security

12.2. Security of the investments is measured by credit ratings, which is supplied by the three main credit rating agencies (Fitch, Moodys and Standard & Poors). Where investments are made to Council subsidiaries (non-listed), the security is measured through a business case with independent viability assessment.

Liquidity

12.3. The Council set liquidity facilities/benchmarks to maintain:

- Authorised bank overdraft - nil.
- Liquid short term deposits of at least £5m available with a week's notice.
- Weighted Average Life benchmark is expected to be 0.5 years, with a maximum of 10 years for an individual loan with a public body (excluding loans to institutions the Council has an interest in).

12.4. The Council has the benefit of instant access to its funds on the general account with Lloyds.

Yield

12.5. The measure of yield on Investments is a return above average bank rate. In accordance with the Code of Practice on Treasury Management this used as a performance indicator. The results of this indicator have been reported in the Treasury Annual Report and the mid-year report.

13. Reporting Requirements

13.1. End of Year Investment Report - the Council will report on its investment activity for the financial year completed as part of its Annual Treasury Management Report after the end of the financial year.

13.2. Mid-year Investment Report – the Council will report on its investment activity for that financial year as part of its Mid-Year Treasury Management Report at the end of September of that financial year.

13.3. Capital Strategy – the Council will produce the Strategy for the next three financial years towards the end of the current financial year.

14. Policy on the Use of External Service Providers

14.1. Link Asset Services are the appointed external advisors. The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

14.2. The Council will also, from time to time, procure specialist advice for ad-hoc pieces of work; this will be procured in accordance with the Council's normal procedure rules.

15. Member and Officer Training

15.1. The increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for Members and officers. This Council has addressed this important issue by:

- Ensuring that officers attend suitable courses and seminars to keep their technical knowledge up to date;
- Keeping up to date with CIPFA publications on Treasury Management. From December 2017 there are new codes for Capital Finance in Local Authorities and also a new Treasury Management Code;

- Regular briefings both by email and face to face with the Council's Treasury advisors;
- Reports and briefing sessions to Members on major changes to Treasury policies and strategies.

Annual Investment Strategy

The investment policy for the Council is:

Strategy Guidelines – the main strategy guidelines are contained in the body of the Capital Strategy and Treasury Management Policy

Specified Investments – these investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments with:

- The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity).
- A local authority, parish council or community council.
- A body that is considered of a high credit quality (such as a bank or building society) with a minimum short term rating of F-1 (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies or a Building Society with assets over £1,000m. Non rated Building Societies are non-specified investments.
- Money Market Funds (triple AAA rated only).

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. These criteria are defined in the Treasury Management Strategy.

The ratings criteria and exposure limits are detailed at Schedule 1.

Non-Specified Investments – non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

Non Specified Investment Category	Limit (£ or %)
Any bank or building society that has a minimum long term credit rating of A (or equivalent), for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	£5m
The Council's own banker if it fails to meet the basic credit criteria.	In this instance balances will be minimised as much as possible
Building Societies not meeting the basic security requirements under the specified investments. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which were originally considered Eligible Institutions and have a minimum asset size of £5,000m, but will restrict these types of investments to £2m for up to six months.	£2m

<p>Specific Public Bodies</p> <p>The Council can seek Member approval to make loans to other public bodies for periods of more than one year.</p>	£10m
<p>Loans to Council Subsidiaries</p> <p>The Council will lend to its subsidiaries subject to approval of a business case by the Portfolio Holder, in consultation with the Director of Finance. Business cases must be accompanied by an independent assessment of viability, and be subjected to regular monitoring by the Director of Finance.</p>	£10m limit for any single loan
<p>Other unspecified investments</p> <p>The strategy allows the Portfolio Holder, in consultation with the Director of Finance, in consultation with the Lead Member, the delegated authority to approve any variation to the Treasury Management Strategy during the year which may be brought about by investigating the opportunity to invest for greater than one year and also to invest in other investment instruments i.e Government bonds, Gilts and investment property with a view of to maximising the Council's returns without significantly increasing risk. This allows the addition of further unspecified investments, subject to conditions which will be generally similar to (e).</p>	£10m

The Council will also consider investment in property in accordance with its Property Investment Strategy. All property investments will be dependent on a standalone business case being proven.

The Monitoring of Investment Counterparties

The credit rating of counterparties is monitored regularly. The main rating agencies (Fitch, Moody's and Standard & Poor's) provide credit ratings for financial institutions. The Council receives credit rating information (changes, rating watches and rating outlooks) from Capita Asset Services Treasury Solutions as and when ratings change, and counterparties are checked promptly. The Council considers minimum short term ratings as key criteria in the choice of creditworthy investment counterparties; F1+, P-1 and A-1+ are the highest short term credit ratings of Fitch, Moody's and Standard & Poor's respectively. Minimum Short Term Ratings, where given, must be met for all categories. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Director of Finance, and if required new counterparties which meet the criteria will be added to the list.

For non-specified investments (e.g. e-f above) the progress of the entity against the approved, independently verified business case will be monitored by the Director of Finance.

Institution Type	Max Amount:			£10m	£10m	£10m	£10m	£10m
	Max Length:			10 Years	364 Days	6 Months	3 Months	1 Month
	Minimum Short Term Ratings							
	Fitch	Moody's	S&P					
UK Banks								
The Council's own Bankers	F1m	P-1	A-1	If Council's own bankers fall below the minimum long term criteria for UK banks, cash balances will be managed within operational liquidity constraints and balances will be minimised as much as possible.				
Wholly Owned Subsidiaries of UK Clearing Banks - Parent Ratings	F1	P-1	A-1		Backed up by AA(F), Aa2(M) and AA(S&P) long term credit rating	Backed up by single A long term ratings by all agencies	Backed up by lower than A long term rating	Backed up by lower than A long term rating
Partially Owned Subsidiaries of UK Clearing Banks - Parent Ratings	F1	P-1	A-1		Backed up by AA(F), Aa2(M) and AA(S&P) long term credit rating	Backed up by single A long term ratings by all agencies	Backed up by lower than A long term rating	Backed up by lower than A long term rating

UK Building Societies								
Either	F1	P-1	A-1		Backed up by AA(F), Aa2(M) and AA(S&P) long term credit rating	Backed up by single A long term ratings by all agencies	Backed up by lower than A long term rating	Backed up by lower than A long term rating
Or					Assets over £15,000m	Assets over £5,000m	Assets of £2,500m	Assets of £1,000m
Specific Public Bodies				As approved by Members				
Debt Management Deposit Facility (UK Government)						Unlimited		
Money Market Funds (AAA Rated)								£5m per fund
Municipal Bond Agency				As approved by Members				
UK Local Authorities				The Council can invest in all UK Local Authorities whether rated or not				

Notes:-

1. F1+, P-1 and A-1+ are the highest short term credit ratings of Fitch, Moody's and Standard and Poor's respectively.
2. Minimum Short Term Ratings - Where given, these must be met, for all categories (except RBS Group).
3. Building Societies - A Building Society has to meet either the ratings criteria or the assets criterion to be included in the category, not both.
4. Maximum amount is the maximum, in total, over all investments, with any one institution (with the exception of RBS Group).