

POLICY AND RESOURCES COMMITTEE – 25 JANUARY 2021

PART I - NOT DELEGATED

11. 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 (2021-24). This report is the second of three that is covered under the recommendations report at **Item 12** 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 2020/21 revised capital budget and draft capital budgets for the period 2021 to 2023/24. The appendix contains the title, description and officers comments relating to the progress of the 2020/21 schemes.
- 2.10 The 2020/21 programme has decreased from the latest approved budget by **£415,994** due to re-phasing of schemes to 2021/22 and budget savings. Some of the larger schemes that contribute to this consist of the following:
- Rephasing of garage Improvements budget - £175,000
 - Budget saving on Leisure Facility- South Oxhey- £105,990
 - Rephasing of Retail Parades budget - £120,000
- 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 2020/21 now totals **£8,959 million**. The services capital programme included in MTFP shows schemes totalling **£4.353 million** in 2021/22; **£4.381 million** in 2022/23 and **£2.784 million** in 2023/24.
- 2.13 The larger capital schemes over the next three financial years include:
- Disabled Facility Grants (£1.672 million)
 - Waste and Recycling Vehicles (£2.287 million)
 - Waste Services Depot – (£0.670 million)
 - Garage Improvements- (£0.625 million)
- 2.14 The Committee should note that for 2021/22 there are proposals for one new scheme which is for the refurbishment and installation of outdoor gym. A Project Initiation Document (PID) has been prepared and presented to the relevant service Committee at the November/December meetings. **Appendix 3** shows the score for the bid using the scoring matrix shown in agenda item 10, 'Financial Planning – Revenue Services' report (Appendix 4). The bid totals £34,400 in 2021/22 and £34,400 in 2022/23 and a further £7,200 in 2023/24. There are no revenue implications.

Capital Investment Programme - Funding

- 2.15 The Capital Investment Programme can be funded from the following sources:
- 2.16 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.
- 2.17 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.

- 2.18 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.
- 2.19 Revenue Contributions: Revenue balances from the General Fund may be used to support capital expenditure.
- 2.20 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.
- 2.21 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 there would be a reduction in the amount received from 2021/22 onwards.
- 2.22 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.
- 2.23 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 2021/22 and future years.
- 2.24 **Appendix 4** shows the sources of capital funding proposed over the period 2020-2024, including the funding generated in each year and balances carried forward at the end of each year.
- 2.25 **Appendix 5** shows details of all Section 106 contributions currently received and available to use.

Future Investment

- 2.26 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 estimated CFR over the medium term.

	2020/21 Forecast	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£000	£000	£000	£000
Total Proposed Capex	8,959	4,353	4,381	2,784
<u>Capital Financing</u>				
Grants	500	500	500	500
Reserves	3,256	2,526	2,152	31
Capital Receipts	1,100	1,100	1,100	1,000
s.106 and CIL	0	0	510	71
Funding	4,856	4,126	4,262	1,603
Gap	4,103	227	119	1,181
Opening CFR	21,445	25,548	25,785	25,785
Closing CFR	25,548	25,785	25,785	26,866

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	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Borrowing	£26m	£26m	£20m	£22m

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	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Borrowing	£29m	£29m	£23m	£25m

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 2020 was £3.9M.
- 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 12 enable the Committee to make recommendations to the Council on 23 February 2021 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 2020-2024- Expenditure
2. Capital Investment Programme 2020-2024- Variances
3. Capital Investment Programme 2020-2024- Growth
4. Capital Investment Programme 2020-24- Funding
5. Section 106 Balances 2020/21
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

CAPITAL INVESTMENT PROGRAMME 2020 – 2024 - EXPENDITURE

Leisure, Environment & Community									
<i>Community Safety & Partnership</i>	Original Budget 2020/21 £	Latest Budget 2020/21 £	P8 Spend To Date £	Forecast Outturn 2020/21 £	Variance £	Proposed 2021/22 £	Draft 2022/23 £	Draft 2023/24 £	Comments
ASB Casework Management System	18,750	0	0	0	0	18,750	0	0	ASB Casework Management System rephased to 2021-22. There is potential for a saving if Police system is viable for longer - pending Procurement work by HCC & Herts Constabulary.
Capital Grants & Loans	20,000	3,793	0	3,793	0	20,000	20,000	20,000	Budget will be spent
Community CCTV	6,000	6,000	0	6,000	0	6,000	6,000	6,000	Budget will be spent
Total	44,750	9,793	0	9,793	0	44,750	26,000	26,000	
<i>Leisure</i>	Original Budget 2020/21 £	Latest Budget 2020/21 £	P8 Spend To Date £	Forecast Outturn 2020/21 £	Variance £	Proposed 2021/22 £	Draft 2022/23 £	Draft 2023/24 £	Comments
Countryside Management	10,000	10,000	10,000	10,000	0	10,000	10,000	10,000	Budget has been fully spent
Aquadrome	21,000	21,000	17,423	21,000	0	21,000	22,500	22,500	Budget will be spent
Allotments	5,000	3,000	1,889	3,000	0	0	0	0	All planned works have been completed - some additional work will be completed in the autumn. Budget not required for future years
Scotsbridge-Chess Habitat	0	11,390	0	0	(11,390)	11,390	0	0	Re-phase capital budget to 2021/22. Budget is TRDC's contribution to an Environmental Agency (EA) led project, which requires further funding from other sources. Funding applications are due to be submitted by the EA in 2021/22
Watersmeet External Roof Access	55,750	55,750	0	55,750	0	0	0	0	Procurement process has commenced. Full budget is expected to be spent.
Watersmeet Stg Light Replace	64,000	112,000	54,019	112,000	0	0	0	0	Project has commenced.
South Oxhey Leisure Centre	6,000	9,155	4,018	6,155	(3,000)	0	0	0	A fraction of the residual budget no longer required. Womble Bond Dickinson (External Legal Advisers finalising warranties paperwork).
Leisure Facilities Improvement	25,000	30,985	0	10,985	(20,000)	10,000	10,000	0	The budget is being used for the decommissioning of Sir James Altham Pool until the lease is handed back to Hertfordshire County Council in July 2025. It will also be used for any upgrades to the MUGA at SJA. £10k to be rephased to 2021/22 and £10k to 2022/23.
Open Space Access Improvements	50,000	123,000	34,387	123,000	0	50,000	50,000	50,000	Budget will be spent by the end of 2020/21. Works to include improved access at The Swillet, Leavesden Country Park and South Oxhey Playing Fields. Capital works at Rickmansworth Aquadrome, including a feasibility study on the causeway and signage development for the entire site.
Improve Play Area-Future Schemes	50,000	60,980	0	52,730	(8,250)	158,250	100,000	100,000	This project on hold due to Officer secondment supporting the pandemic response elsewhere. This budget is to be rephased to 2021/22.

<i>Leisure</i>	Original Budget 2020/21 £	Latest Budget 2020/21 £	P8 Spend To Date £	Forecast Outturn 2020/21 £	Variance £	Proposed 2021/22 £	Draft 2022/23 £	Draft 2023/24 £	Comments
Aquadrome-Whole Life Costing	10,000	27,354	0	27,354	0	10,000	11,000	11,000	Budget will be spent on improvements to utility services by the end of the financial year.
Watersmeet-Whole Life Costing	15,000	23,000	0	23,000	0	15,000	20,000	20,000	£15k of commitments currently and remaining full budget to be spent by end of financial year
Pavilions-Whole Life Costing	10,000	12,316	0	12,316	0	10,000	11,000	11,000	A review of usage of the Pavilions is underway. Future use to be reviewed by the end of 2020
Watersmeet - Hot Water pipework replacement	0	1,898	1,810	1,898	0	0	0	0	Retention monies to be paid this year. Full budget to be spent.
The Swillett - Play area Refurbishment	18,880	26,221	5,090	26,221	0	0	0	0	6 months inspection due to take place, will then process the outstanding retention fee.
Cassiobridge Play Area Refurbishment	4,030	5,653	0	5,653	0	0	0	0	6 months defects inspection has taken place - awaiting invoice to process the retention fee.
Total	344,660	533,702	128,741	491,062	(42,640)	295,640	234,500	224,500	
Environmental Services									
<i>Environmental Services</i>	Original Budget 2020/21 £	Latest Budget 2020/21 £	P8 Spend To Date £	Forecast Outturn 2020/21 £	Variance £	Proposed 2021/22 £	Draft 2022/23 £	Draft 2023/24 £	Comments
Waste Plant & Equipment	25,000	29,996	13,855	29,996	0	25,000	25,000	25,000	This budget will be spent by March 21 on upgrading works equipment & Plant.
Waste Services Depot	1,000,000	665,672	7,899	665,672	0	670,000	0	0	To avoid the busy season for the Depot works are planned to commence on 11th January. This will be the first phase so mainly rewiring and utility works. The building will be manufactured off site with a view to delivery February/March. The new building will be completed and groundworks carried out to the first phase on the site. These will be completed April/May. When the new building is complete the team will decamp from the old building into the new one. The old building will be demolished and further groundworks carried out. Project due for completion July 2021.
Bulk Domestic Waste	20,000	31,528	22,300	31,528	0	35,000	40,000	40,000	Budget will be fully spent.
Waste & Recycling Vehicles	500,000	164,110	163,122	164,110	0	0	1,887,000	400,000	We will be tendering to replace seven recycling vehicles in 21/22 so will not receive the vehicles until 22/23 £1.487m to be rephased into 22/23.
Street Furnishings	10,000	10,000	10,009	10,000	0	15,000	15,000	15,000	Budget will be fully spent.
Paladin Bins	25,000	39,121	25,920	39,121	0	40,000	60,000	60,000	Budget will be spent by the end of the financial year on replacement bins.
Energy Performance Certificate	2,000	5,000	590	5,000	0	2,000	2,000	2,000	A programme of works has been started on all TRDC assets.
Cemetery-Whole Life Costing	5,000	6,697	1,814	6,697	0	5,000	5,000	5,000	Repair works to be carried out on Cemetery house in Feb 21
Replacement Ground Maintenance Vehicles	93,000	390,590	208,115	390,590	0	120,000	280,000	180,000	Awaiting two vehicles which are delayed due to COVID, Tendering for a replacement Box van ongoing. Budget will be spent by March 2021.
Total	1,680,000	1,342,714	453,624	1,342,714	0	912,000	2,314,000	727,000	
Total Leisure, Environment & Community	2,069,410	1,886,209	582,365	1,843,569	(42,640)	1,252,390	2,574,500	977,500	

Infrastructure Housing & Economic Development									
<i>Economic Development</i>	Original Budget 2020/21 £	Latest Budget 2020/21 £	P8 Spend To Date £	Forecast Outturn 2020/21 £	Variance £	Proposed 2021/22 £	Draft 2022/23 £	Draft 2023/24 £	Comments
Cycle Schemes	25,000	39,583	3,900	9,583	(30,000)	55,000	25,000	25,000	Works rephased to 2021/22
Disabled Parking Bays	2,500	1,000	0	1,000	0	2,500	2,500	2,500	Expected underspend, small number of requests in first part of the financial year for advisory disabled parking bays
Controlled Parking	50,000	97,585	0	33,160	(64,425)	164,425	50,000	50,000	One scheme to be delivered this financial year, other monies rephased to 2021/22.
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 by year end.
Listed Building Grants	5,000	3,000	0	3,000	0	2,500	2,500	2,500	This is a demand led service, no applications have been received so far. Full budget not required for future years.
South Oxhey Initiative	0	109,223	71,343	109,223	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 contract and legal advice. Full budget expected to be spent this year.
Parking Bay & Verge Protection	254,240	100,000	18	100,000	0	214,240	40,000	40,000	2 schemes to be delivered this financial year.
Highways Enhancement	147,620	47,620	0	47,620	0	150,000	50,000	50,000	Schemes identified and progressing.
Bus Shelters	9,000	19,580	0	19,580	0	9,000	9,000	9,000	2 bus shelters pending implementation.
Retail Parades	135,780	168,115	0	48,115	(120,000)	150,000	30,000	30,000	Delta Gain refurbishment - awaiting legal consents. £120k to be rephased into 2021/22.
Carbon Neutral Council	0	4,000	0	4,000	0	0	0	0	
Rickmansworth Work Hub	39,000	0	0	0	0	39,000	0	0	
Car Park Restoration	10,000	10,000	0	10,000	0	10,000	35,000	35,000	Car park Inspection due to take place which will identify required works
Estates, Paths & Roads	20,000	20,000	2,507	20,000	0	20,000	20,000	20,000	Planned works South Oxhey Playing Fields
TRDC Footpaths & Alleyways	20,000	40,850	2,950	20,850	(20,000)	40,000	25,000	25,000	Delay in procurement rephase £20K to 2021/22
Integration of Firmstep to uniform Licensing applications	0	19,000	0	19,000	0	0	0	0	Ongoing project
Total	728,140	689,556	80,718	455,131	(234,425)	866,665	299,000	299,000	
<i>Housing</i>	Original Budget 2020/21 £	Latest Budget 2020/21 £	P8 Spend To Date £	Forecast Outturn 2020/21 £	Variance £	Proposed 2021/22 £	Draft 2022/23 £	Draft 2023/24 £	Comments
Disabled Facilities Grant	500,000	474,108	51,648	474,108	0	500,000	586,000	586,000	£176k of adaptations have been approved and have commenced. However it is unlikely that the full budget will be spent in the year as for the first 3 months of this year adaptations were unable to take place due to Covid19.
Home Repairs Assistance	10,000	8,000	0	5,000	(3,000)	10,000	10,000	10,000	Demand led service, no applications received to date.
Total	510,000	482,108	51,648	479,108	(3,000)	510,000	596,000	596,000	
Total Infrastructure Housing & Economic Development	1,238,140	1,171,664	132,366	934,239	(237,425)	1,376,665	895,000	895,000	

Policy & Resources									
Resources & Shared Services	Original Budget 2020/21 £	Latest Budget 2020/21 £	P8 Spend To Date £	Forecast Outturn 2020/21 £	Variance £	Proposed 2021/22 £	Draft 2022/23 £	Draft 2023/24 £	Comments
Professional Fees-Internal	157,590	157,590	0	157,590	0	157,590	157,590	157,590	This is for internal staff support on capital schemes and is actioned at the end of the financial year.
Election Equipment	6,000	3,000	0	3,000	0	6,000	6,000	6,000	No elections to take place until May 2021 – review of equipment required for next May elections will take place in January 2021.
Members' IT Equipment	16,260	0	0	0	0	46,690	16,260	16,260	
Mod.Gov Com Mgmt System	15,000	15,000	0	15,000	0	0	0	0	Contracts imminent, Budget will be spent.
ICT-Managed Project Costs	60,000	0	0	0	0	120,000	60,000	60,000	
Hardware Replace Prog	40,000	267,002	0	267,002	0	40,000	40,000	40,000	Shared services charges actioned at year end
Garage Improvements	355,000	355,000	0	180,000	(175,000)	325,000	150,000	150,000	Phase 7 of the refurbishment programme has been out to tender and bids will be evaluated shortly. Works will be scheduled to start early January with completion July. Estimated half the budget will be used next year
ICT Licence Costs	100,000	99,072	92,917	99,072	0	100,000	100,000	100,000	Budget will be spent
Customer Contact Programme	0	39,449	35,751	39,449	0	0	0	0	Budget will be spent
ICT Website Development	0	14,870	0	14,870	0	0	0	0	Project delayed due to Covid19
ICT Elections	17,000	21,170	14,933	21,170	0	17,000	17,000	17,000	Remaining budget to be spent on postal vote opening equipment upgrades.
ICT Hardware Replacement Prog	45,000	27,897	9,101	27,897	0	45,000	45,000	45,000	This code is used to fund shared resources for the following networks, project management, infrastructure for the following projects: Core infrastructure, O365, PCI compliance, UC phase 3 etc.
TRH Whole Life Costing	135,000	76,968	26,846	56,968	(20,000)	250,000	170,000	170,000	Planned works on server renewal will be dependant on delivery times currently at 6 months
Basing House-Whole Life Costing	6,000	0	0	0	0	30,000	60,000	60,000	Budget has been rephased into 2020/21
Investment Prop-Shops	0	11,900	0	11,900	0	0	0	0	
Business Application Upgrade	90,000	27,500	0	27,500	0	90,000	90,000	90,000	This is used to fund shared project management, network and infrastructure engineering resources for the following: Core infrastructure, O365, UC phase 3, PCI Compliance
Three Rivers House Transformation	244,470	56,944	3,902	6,944	(50,000)	270,000	0	0	No planned works due to the closure of the building as a result of Covid 19. Budget to be rephased into 2021/22
Property Information System	50,000	50,000	0	50,000	0	0	0	0	Joint Procurement with Watford. Procurement process is ongoing, implementation scheduled for January 2021.
Total	1,337,320	1,223,362	183,450	978,362	(245,000)	1,497,280	911,850	911,850	

<i>Major Projects</i>	Original Budget 2020/21 £	Latest Budget 2020/21 £	P8 Spend To Date £	Forecast Outturn 2020/21 £	Variance £	Proposed 2021/22 £	Draft 2022/23 £	Draft 2023/24 £	Comments
Leisure Facility - South Oxhey	1,527,943	2,983,381	2,567,702	2,877,391	(105,990)	226,823	0	0	SLM confirmed that this contingency for Capital Works is no longer required for South Oxhey Leisure Centre and a saving of £106K has been made
South Oxhey Initiative	0	678,146	893,207	893,207	215,061	0	0	0	Additional Compulsory Purchase Order costs arising from South Oxhey Initiative, related to the intensification of Phase 3.
Local Property -Income Gen Op	2,295,000	0	0	0	0	0	0	0	
Property Investment Board	0	312,360	0	312,360	0	0	0	0	Funds required for the delivery of PIB initiatives
Temporary Accommodation	1,156,000	1,120,128	992,033	1,120,128	0	0	0	0	The projects have been completed, awaiting final invoice and remaining budget is for retention monies
Total	4,978,943	5,094,015	4,452,942	5,203,086	109,071	226,823	0	0	
Total Policy & Resources	6,316,263	6,317,377	4,636,392	6,181,448	(135,929)	1,724,103	911,850	911,850	
Total Capital Programme	9,623,813	9,375,250	5,351,123	8,959,256	(415,994)	4,353,158	4,381,350	2,784,350	

CAPITAL INVESTMENT PROGRAMME 2020 – 2024 VARIANCES

Leisure, Environment & Community				
Description	Details of Outturn Variances to Latest Approved Budget	2020/21 £	2021/22 £	2022/23 £
Scotsbridge-Chess Habitat	Budget is TRDC's contribution to an Environmental Agency (EA) led project, which requires further funding from other sources. Funding applications are due to be submitted by the EA in 2021/22. This budget is to be rephased.	(11,390)	11,390	0
South Oxhey Leisure Centre	A fraction of the residual budget no longer required. Womble Bond Dickinson (External Legal Advisers finalising warranties paperwork).	(3,000)	0	0
Leisure Facilities Improvement	The budget is being used for the decommissioning of Sir James Altham Pool until the lease is handed back to Hertfordshire County Council in July 2025. It will also be used for any upgrades to the MUGA at SJA. £10k to be rephased to 2021/22 and £10k to 2022/23.	(20,000)	10,000	10,000
Improve Play Area-Future Schemes	This project on hold due to Officer secondment supporting the pandemic response elsewhere. This budget is to be rephased to 2021/22.	(8,250)	8,250	0
Allotments	All planned works have been completed - some additional work will be completed in the autumn. Budget not required for future years.	0	(5,000)	(5,000)
Waste & Recycling Vehicles	We will be tendering to replace seven recycling vehicles in 21/22 so will not receive the vehicles until 22/23 £1.487m to be rephased into 22/23.	0	(1,487,000)	1,487,000
	TOTAL	(42,640)	(1,462,360)	1,492,000
Infrastructure, Housing & Economic Development				
Description	Details of Outturn Variances to Latest Approved Budget	2020/21 £	2021/22 £	2022/23 £
Cycle Schemes	Budget to be rephased to 2021/22 when the work will be completed.	(30,000)	30,000	0
Controlled Parking	One scheme to be delivered this financial year, other monies rephased to 2021/22.	(64,425)	64,425	0
Listed Building Grants	This is a demand led service, no applications have been received so far. Full budget not required for future years.	0	(2,500)	(2,500)
Retail Parades	This budget is for delta gain refurbishment - awaiting legal consents. £120k to be rephased into 2021/22.	(120,000)	120,000	0
TRDC Footpaths & Alleyways	Delay in procurement process rephase £20K to 2021/22	(20,000)	20,000	0
Home Repairs Assistance	Demand led service, no applications received to date.	(3,000)	0	0
	TOTAL	(237,425)	231,925	(2,500)

Policy & Resources				
Description	Details of Outturn Variances to Latest Approved Budget	2020/21 £	2021/22 £	2022/23 £
Garage Improvements	Phase 7 of the refurbishment programme has been out to tender and bids will be evaluated shortly. Works will be scheduled to start early January with completion July. Estimated half the budget will be used next year, the remaining budget is to be rephased.	(175,000)	175,000	0
TRH Whole Life Costing	Planned works on server renewal will be dependant on delivery times currently at 6 months	(20,000)	20,000	0
Three Rivers House Transformation	No planned works due to the closure of the building as a result of Covid 19. Budget to be rephased into 2021/22	(50,000)	50,000	0
Leisure Facility - South Oxhey	SLM confirmed that this contingency for Capital Works is no longer required for South Oxhey Leisure Centre and a saving of £106K has been made	(105,990)	0	0
South Oxhey Initiative	Additional Compulsory Purchase Order costs arising from South Oxhey Initiative, related to the intensification of Phase 3.	215,061	0	0
	TOTAL	(135,929)	245,000	0
Total Variances for Period 8 (November) 2020.		(415,994)	(985,435)	1,489,500

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	2021/22 £	2022/23 £	2023/24 £	A	B	C	D	E	F	G	H	I	J	K	
Leisure & Landscape	Outdoor Fitness Zones	54,400	54,400	27,200	3	3	6	3	1	3	3	1	1	1	2	27
																0
	Total	54,400	54,400	27,200												
	Funding from Capital Health & Wellbeing Fund	(20,000)	(20,000)	(20,000)												
	Total All Growth Bids	34,400	34,400	7,200												

CAPITAL INVESTMENT PROGRAMME 2020 – 2024 FUNDING

CAPITAL INVESTMENT PROGRAMME 2020-2024 - FUNDING						
Capital Programme	2020/21	2020/21	2020/21	2021/22	2022/23	2023/24
	Original Budget	Latest Budget	Outturn Forecast at P8	Forecast	Forecast	Forecast
	£	£	£	£	£	£
Balance Brought Forward						
Govt Grants: Disabled Facility Grants	(421,908)	(722,153)	(722,153)	(808,468)	(808,468)	(808,468)
Other Contributions: Other external Sources	0	(92,308)	(92,308)	0	0	0
Section 106 Contributions	(2,637,699)	(581,286)	(581,286)	(581,286)	(581,286)	(71,435)
Capital Receipts Reserve	0	0	0	0	0	0
Future Capital Expenditure Reserve	(2,610,155)	(2,610,166)	(2,610,166)	0	0	0
New Homes Bonus Reserve	(939,748)	(4,930,516)	(4,930,516)	(4,488,083)	(2,057,155)	0
Borrowing	0	0	0	0	0	0
Total Funding Brought Forward	(6,609,510)	(8,936,429)	(8,936,429)	(5,877,837)	(3,446,909)	(879,903)
Generated in the Year						
Govt Grants: Disabled Facility Grants	(500,000)	(586,315)	(586,315)	(500,000)	(500,000)	(500,000)
Other Contributions: Other external Sources	0	0	0	0	0	0
Section 106 Contributions	0	0	0	0	0	0
Capital Receipts Reserve	(2,500,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,000,000)
Future Capital Expenditure Reserve	0	0	0	0	0	0
New Homes Bonus Reserve	(110,840)	(110,840)	(110,840)	(95,407)	(95,000)	(95,000)
Borrowing	0	0	0	0	0	0
Total Generated	(3,110,840)	(1,797,155)	(1,797,155)	(1,695,407)	(1,695,000)	(1,595,000)
Use of Funding						
Govt Grants: Disabled Facility Grants	500,000	500,000	500,000	500,000	500,000	500,000
Other Contributions: Other external Sources	0	92,308	92,308	0	0	0
Section 106 Contributions	1,500,000	0	0	0	509,851	71,435
Capital Receipts Reserve	2,441,370	1,100,000	1,100,000	1,100,000	1,100,000	1,000,000
Future Capital Expenditure Reserve	0	2,610,166	2,610,166	0	0	0
New Homes Bonus Reserve	203,500	969,267	553,273	2,526,335	2,152,155	31,840
Borrowing	0	0	0	0	119,344	1,181,075
Total Use of Funding	4,644,870	5,271,741	4,855,747	4,126,335	4,381,350	2,784,350
Balance Carried Forward						
Govt Grants: Disabled Facility Grants	(421,908)	(808,468)	(808,468)	(808,468)	(808,468)	(808,468)
Other Contributions: Other external Sources	0	0	0	0	0	0
Section 106 Contributions	(1,137,699)	(581,286)	(581,286)	(581,286)	(71,435)	0
Capital Receipts Reserve	(58,630)	0	0	0	0	0
Future Capital Expenditure Reserve	(2,610,155)	0	0	0	0	0
New Homes Bonus Reserve	(847,088)	(4,072,089)	(4,488,083)	(2,057,155)	0	(63,160)
Total Funding Carried Forward	(5,075,480)	(5,461,843)	(5,877,837)	(3,446,909)	(879,903)	(871,628)
South Oxhey Initiative						
Balance Brought Forward	0	0	0	0	0	0
Generated in the Year (Land Receipts)	(6,502,792)	(6,502,792)	(6,502,792)	(6,502,792)	0	0
Use of Funding (Spend)	0	0	0	0	0	0
Borrowing	6,502,792	6,502,792	6,502,792	6,502,792	0	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)	1,527,943	2,983,381	2,983,381	226,823	0	0
Contractor Funded Borrowing	(1,527,943)	(2,983,381)	(2,983,381)	(226,823)	0	0
Total	0	0	0	0	0	0
Property Investment						
Balance Brought Forward	0	0	0	0	0	0
Use of Funding (Spend)	2,295,000	0	0	0	0	0
Borrowing	(2,295,000)	0	0	0	0	0
Total	0	0	0	0	0	0
Temporary Accommodation						
Balance Brought Forward	0	0	0	0	0	0
Use of Funding (Spend)	1,156,000	1,120,128	1,120,128	0	0	0
Borrowing	(1,156,000)	(1,120,128)	(1,120,128)	0	0	0
Total	0	0	0	0	0	0
Total Expenditure Capital Investment Programme	9,623,813	9,375,250	8,959,256	4,353,158	4,381,350	2,784,350

SECTION 106 BALANCES 2020/21

Section 106	Balance at 1 April 2020	Movement In year		Balance at 31 March 2021
		Contribution FROM	Contribution TO	
0155 - Resv-S106-Ecology-Abbotswd Pk	(66,735.61)	0.00	0.00	(66,735.61)
0159 - Resv-S106-Maint-Crox Common Mr	(12,422.82)	0.00	0.00	(12,422.82)
0166 - Resv-Env Maint Commuted Sums	(31,933.49)	0.00	0.00	(31,933.49)
0171 - Resv-S106 Huntonbury Village	(68,380.05)	0.00	0.00	(68,380.05)
0173 - Resv-S106 Green Lane	(19,812.23)	0.00	0.00	(19,812.23)
0177 - Resv-S106 Tanners Hill Amenity	(59,830.42)	0.00	0.00	(59,830.42)
0183 - Resv-S106 St'wt C/Mg Av(Trees)	(10,991.54)	0.00	0.00	(10,991.54)
0184 - Resv-S106 College Road (Trees)	(24,040.83)	0.00	0.00	(24,040.83)
0185 - Resv-S106 Leavesden (Trees)	(6,781.88)	0.00	0.00	(6,781.88)
0187 - Resv- S106 Redwing Gve (Trees)	(26,207.37)	0.00	0.00	(26,207.37)
0190 - Resv-S106 Oxhey Nu Oaklands Av	(43,588.82)	0.00	0.00	(43,588.82)
0191 - Resv-S106 49 Bucknalls Lane	(2,119.10)	0.00	0.00	(2,119.10)
0193 - Resv-S106 Horsefield - Abbots Langley (Op SP)	(1,165,350.75)	0.00	0.00	(1,165,350.75)
0196 - Resv-S106-Traffic Reg Orders	(13,440.41)	0.00	0.00	(13,440.41)
0197 - Resv-S106-Happy Man Berry Lane	(6,145.46)	0.00	0.00	(6,145.46)
0198 - Resv-S106-Gade View	(28,416.18)	0.00	0.00	(28,416.18)
0199 - Resv-S106-Abbots Works	(15,528.51)	0.00	0.00	(15,528.51)
0201 - S106-Abbotswood Pk-10/2230/OUT	(63,718.01)	0.00	0.00	(63,718.01)
0202 - S106-Chorleywd Working Mans Cl	(13,804.89)	0.00	0.00	(13,804.89)
0203 - S106-Open Space-8 Chiltern Dr	(1,436.10)	0.00	0.00	(1,436.10)
0210 - S106 1 Oakfield,MIEnd (Op Sp)	(1,417.80)	0.00	0.00	(1,417.80)
0216 - S106 The Coach House (Op Sp)	(7,776.58)	0.00	0.00	(7,776.58)
0219 - S106 Parrotts,Crox Grn(Op Sp)	(1,590.98)	0.00	0.00	(1,590.98)
0221 - S106 17 Muirfield Grn (Op Sp)	(4,937.79)	0.00	0.00	(4,937.79)
0223 - S106 18-26 Ebury Road (Op Sp)	(4,984.62)	0.00	0.00	(4,984.62)
0227 - S106 Long Island Ex'ge (TRO)	(2,040.85)	0.00	0.00	(2,040.85)
0230 - S106 Leav'den Stud,Warner Dr	(27,448.84)	0.00	0.00	(27,448.84)
0232 - S106 132 Gosforth Ln (Op Sp)	(1,664.04)	0.00	0.00	(1,664.04)
0238 - S106 Leavesden Country Park	(0.65)	0.00	0.00	(0.65)
0246 - S106 Hayling & Holmside Rise (Op Sp)	(14,091.00)	0.00	0.00	(14,091.00)
0252 - S106 2 Hornhill Road (AH)	0	(51,830.67)	0.00	(51,830.67)
Total	(1,746,637.62)	(51,830.67)	0	(1,798,468.29)



Treasury Management Policy

2021/22

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

The 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. Prudential 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.
- 5.4. During 2020/21 the Council has made a small Money Market Fund investment with Royal London Asset Management to diversify placement of some longer term cash.

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.

Negative Interest Rates

- 10.3. The Bank of England base rate is an historic low level of 0.10%. This low base rate has resulted in very low returns on short-term investments, and at the time of writing negative rates were in force with the DMADF. There remains a possibility that the Bank could move to set an interest rate below 0% as a measure to provide further economic stimulus in the face of the ongoing Covid-19 pandemic, which would likely feed through to negative rates on all low-risk short-term investment options.
- 10.4. In this event, security would be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

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	2020/21	2021/22	2022/23	2023/24
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 £0.5m available with a week's notice.

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

Yield

12.5. The Council benchmarks the yield on its operational cash against SONIA (the **S**terling **O**vernight **I**ndex **A**verage). This is a measure of market rates for actual returns on overnight cash deposits. Performance against this indicator will be reported in the reports produced at mid-year and year-end.

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.
- 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.

16. 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 %)
<p>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).</p>	£5m
<p>The Council's own banker if it fails to meet the basic credit criteria.</p>	In this instance balances will be minimised as much as possible
<p>Building Societies not meeting the basic security requirements under the specified investments.</p> <p>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.</p>	£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	Minimum Short Term Ratings			Schedule 1 (A) – UK Banks & Building Societies			
	Fitch	Moody's	S&P				
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	Long Term Credit Rating: AA(F), Aa2(M), AA(S&P)	Long Term Credit Rating: Single A (All agencies)	Long Term Credit Rating: Lower than A (All agencies)	Long Term Credit Rating: Lower than A
Partially Owned Subsidiaries of UK Clearing Banks - Parent Ratings	F1	P-1	A-1				
UK Building Societies (Credit Rated)	F1	P-1	A-1				
UK Building Societies (Unrated)				Assets over £15bn	Assets over £5bn	Assets of £2.5bn	Assets of £1bn
				£10m 364 Days	£10m 6 Months	£10m 3 Months	£10m 1 Month

Schedule 1 (B) – Other Entities

Specific Public Bodies	As approved by Members – up to £10m for up to 10 years
Debt Management Deposit Facility (UK Government)	Unlimited – this is the Council’s Safe-Haven Deposit facility with the UK Government
Money Market Funds (AAA Rated)	£5m per fund
Municipal Bond Agency	As approved by Members
UK Local Authorities	<p>A Maximum of £5m applies per Authority.</p> <p>The Council can invest in all UK Local Authorities whether rated or not.</p> <p>The Council will not lend to an authority which is subject to a s.114 notice without member approval.</p>

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).

