Report to	Cabinet	**Item**
	09 September 2020	9
Report of	Chief finance officer	
Subject	Treasury Management Full Year Review 2019-20	

Purpose

To consider the Treasury Management performance for the year to 31 March 2020.

Recommendations

To:

(1) approve the treasury management policy statement; and

(2) recommend that council note the report and the treasury activity for the year to 31 March 2020.

Financial implications

The report has no direct financial consequences however it does report on the performance of the council in managing its borrowing and investment resources.

Ward/s: All wards

Cabinet member: Councillor Kendrick, resources

Contact officers

Hannah Simpson, interim chief finance officer	01603 989204
Caroline Knott, senior technical accountant	01603 987615

Background documents

None

Report

Background

1. The Council is required by regulations issued under the Local Government Act 2003 to produce an annual review of its treasury management activities and the actual prudential and treasury indicators for 2019/20. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

2. This report details the results of the council's treasury management activities for the financial year 2019/20. It compares this activity to the Treasury Management Strategy for 2019/20, approved by Full Council on 26 February 2019. It will also detail any issues that have arisen in treasury management during this period.

3. The CIPFA Code of Practice on Treasury Management recommends that councils approve a Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of its treasury management activities. Per the Financial Regulations, Cabinet is responsible the approval of the policy statement and the Chief Finance Officer has delegated responsibility for implementing and monitoring the statement. This report is an opportunity for the council to review and renew its policy statement in line with good practice.

Introduction

4. Treasury Management relates to the policies, strategies and processes associated with managing the cash and debt of the Council through appropriate borrowing and lending activity. It includes the effective control of the risks associated with the lending and borrowing activity and the pursuit of optimum performance consistent with the risks.

5. For the 2019/20 financial year the minimum reporting requirements were:
    - an annual Treasury Management Strategy in advance of the year (Council 26 February 2019).
    - a mid-year Treasury Management Review report (Council 28 Jan 2020).
    - an annual review following the end of the year describing the activity compared to the strategy (this report).

6. The regulatory environment places responsibility on members to review and scrutinise treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the council’s policies which have previously been approved by members. This report summarises the following:-

    - Capital activity during the year (paragraphs 7 - 10)
    - Impact of this activity on the Council’s underlying indebtedness (the Capital Financing Requirement) (paragraphs 11 - 17)
    - The actual prudential and treasury indicators (paragraphs 18-22)

- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances (paragraphs 23-27)
- Borrowing strategy and detailed debt activity (paragraphs 28-39)
- Investment strategy and detailed investment activity (paragraphs 40-46)

The Council's Capital Expenditure and Financing 2019/20

7. The 2019/20 capital programme budgets were approved as part of the budget papers by full Council on 26 February 2019. Subsequent to this there were approved revisions to the 2019/20 capital budgets to include the 2018/19 capital carry forwards and new capital schemes approved during the year. The final capital programme budget is shown in **Table 1** along with the mid-year estimate as reported to Cabinet in December 2019.

8. Actual capital spending was under budget for the year by £36.702m. This capital spending included spend on individual capital projects and commercial property investment. The actual level of revenue and capital resources needed to finance the expenditure was less than that originally estimated. The actual capital expenditure forms one of the required prudential indicators. **Table 1** shows the estimates and then the actual capital expenditure for 2019-20 and how this was financed in the year:

Table 1: Capital Programme Financing

	2019/20 Original Budget	**2019/20 Final Budget**	**2019/20 Mid-Year Estimate**	**2019/20 Actual Outturn**	**Variance from Final Budget**
Capital Expenditure	**£m**	**£m**	**£m**	**£m**	**£m**
GF capital expenditure	35.959	59.253	53.908	48.760	(10.492)
HRA Capital expenditure	36.568	54.953	38.441	28.744	(26.209)
Total Expenditure	**72.528**	**114.206**	**92.349**	**77.505**	**(36.702)**
Financed by					
Capital Receipts	8.383	18.972	9.839	6.897	(12.076)
Capital Grants/Contributions	6.814	8.826	6.157	5.746	(3.080)
Capital Reserves	25.267	25.257	24.521	16.750	(8.508)
Revenue	7.063	15.590	6.313	5.797	(9.793)
Total Financing	**47.528**	**68.646**	**46.830**	**35.189**	**(33.457)**
Borrowing need for the year	**25.000**	**45.561**	**45.519**	**42.316**	**(3.245)**

9. During the year the loan balance with the council's wholly owned subsidiary, Norwich Regeneration Ltd, reduced by £3m. The company repaid £6m of its outstanding loan in November 2019 and took a new loan drawdown of £3m in March 2020. These transactions were in line with the lending facility approved by Council in November 2019. The impact of the loan movements on the capital financing requirement is shown in Table 2.

10. Capital expenditure may either be:

- Financed immediately through the application of capital or revenue resources (e.g. capital receipts, capital grants, revenue contributions etc.), which has no impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need, which will be satisfied by either external or internal borrowing.

Council's overall borrowing need

11. The council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). The CFR arises as the Council incurs capital spending and then if it does not apply resources immediately to finance the capital spend, (i.e. capital receipts, capital grants, capital reserves or revenue), a borrowing need arises. The 2019/20 CFR year-end balance is the cumulative total of the 2019/20 unfinanced capital expenditure i.e. £42.316m and prior years' unfinanced capital.

12. Treasury Management includes addressing the funding requirements for this borrowing need; it also includes maintaining a cash position to ensure sufficient cash is available to meet the capital expenditure and cash flow requirements. This may be sourced through borrowing from external bodies, e.g. the Government through the Public Works Loan Board (PWLB) or the money markets, or utilising temporary cash resources within the Council (known as internal borrowing).

13. The council's (non-HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Therefore statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. This requirement is met by making an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the non-HRA borrowing need (there is no statutory requirement to reduce the HRA CFR).

14. The total CFR can also be reduced by either:

- the application of additional capital financing resources (such as unapplied capital receipts)
- charging more than the statutory MRP each year through a Voluntary Revenue Provision (VRP).

15. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External borrowing can be taken or repaid at any time, but this does not change the CFR.

16. The Council's CFR for the year is shown below and is a key prudential indicator. It includes leasing schemes on the balance sheet, which increase the Council's borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract.

Table 2: Capital Financing Requirement

	2019/20 Original Estimate	2019/20 Revised Estimate	2019/20 Outturn (unaudited)
	£m	**£m**	**£m**
Opening General Fund CFR	**82.836**	**77.063**	**77.063**
Movement in General Fund CFR	55.353	41.605	38.497
Closing General Fund CFR	**138.189**	**118.668**	**115.560**
Movement in CFR represented by:			
Borrowing need (capital programme)	45.000	45.519	42.316
Borrowing need (NRL lending net of repayments)	1.622	(3.300)	(3.000)
Borrowing need for the year (capital ambition)	9.529	0	0
Less MRP and other financing adj.	(0.798)	(0.614)	(0.820)
Movement in General Fund CFR	**55.353**	**41.605**	**38.497**
Opening HRA Fund CFR	**205.717**	**205.716**	**205.716**
Movement in HRA CFR	0	0	0
Closing HRA CFR	**205.717**	**205.716**	**205.716**
TOTAL CFR	**343.906**	**324.384**	**321.277**

17. Borrowing activity is constrained by prudential indicators for borrowing and the CFR, and by the authorised limit.

The actual prudential and treasury indicators

18. **Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2018/19) plus the estimates of any additional capital financing requirement for the current (2019/20) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

Table 3: Gross Borrowing

	2019/20 Original Estimate	2019/20 Revised Estimate	2019/20 Actual
	£m	**£m**	**£m**
Gross borrowing	255.677	255.617	219.369
CFR	343.906	324.384	321.277
Over Borrowed/(Under Borrowed)	**(88.139)**	**(68.767)**	**(101.908)**

19. **The authorised limit** - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The table below demonstrates that during 2019/20 the Council has maintained gross borrowing within its authorised limit.

Table 4: Authorised Limit & Operational Boundary

	2019/20 Original Estimate	2019/20 Revised Estimate	2019/20 Actual
	£m	**£m**	**£m**
Authorised Limit for external debt			
Borrowing	372.306	372.306	372.306
Other long term liabilities	1.600	1.600	1.600
Total Agreed Authorised Limit	**373.906**	**373.906**	**373.906**
Operational boundary for external debt			
Borrowing	342.306	342.306	342,306
Other long term liabilities	1.600	1.600	1.600
Total Agreed Operational Boundary	**343.906**	**343.906**	**343.906**
External debt (including other long term liabilities e.g. finance leases)			**220.780**

20. **The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream

21. The authority is required to report on the ratio represented by its net financing costs to its net revenue stream. For the general fund net revenue is represented by the amount that is funded by government grants and council tax payers, while for the HRA it is the rental income paid by tenants. This is intended to be a measure of affordability, indicating how much of the authority's revenue is taken up in financing its debt.

22. The table below shows than GF outturn is lower than the estimate due to the fact that borrowing has been managed via internal borrowing rather than sourcing external loans thus reducing interest charges. The HRA outturn is slightly higher than estimated as unbudgeted impairment costs have been charged within the year; last year's outturn was at a similar level 43.59%.

Table 5: Affordability Ratio

Affordability of financing costs	2019/20 Estimate	2019/20 Actual
General fund - financing costs as a percentage of net revenue	9.98%	2.25%
HRA - financing costs as a percentage of rental income	38.56%	44.39%

Treasury Position as at 31 March 2020

23. The Council's debt and investment position is managed by the in-house treasury management team. All activities are undertaken primarily to ensure security for investments, to ensure that there is adequate liquidity for revenue and capital activities, and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity.

24. The council's actual borrowing position at 31 March 2020 and activity during 2019/20 is detailed in the table below. Borrowing has remained within the authorised limit throughout the year.

Table 6: Borrowing activity 2019-20 (excluding finance leases)

	PWLB loans £m	Market loans £m	Total £m	Average interest rate %
Opening balance (1 April 2019)	194.107	5.000	199.107	
New borrowing taken	20.000	-	20.000	
Borrowing matured/repaid	-	-	-	
Closing balance (31 March 2020)	**214.107**	**5.000**	**219.107**	**3.81%**
Authorised limit for external debt			**373.906**	

25. The maturity structure of the debt portfolio was as follows:

Table 7: Maturity Structure of Fixed Rate Borrowing

	%	31-Mar-20 £m
Under 12 months	0%	0.026
Between 12 months and 2 years	1%	2.552
Between 2 years and 5 years	26%	57.643
Between 5 years and 10 years	53%	117.200
Over 10 years	19%	41.948
		219.369
Perpetually irredeemable stock		0.510
Total borrowing		**219.879**

26. Table 8 shows the movement in investments in the year. The movement is a combinations of several factors including: an increase in the Council's internal

borrowing (see table 3); repayment of loan agreements; an increase in short term creditors and a reduction in long term debtors. These can be seen on the face of the Council's Balance Sheet, shown in the draft Statement of Accounts.

Table 8: Investment Movements

	Actual 31 March 2019 £m	Net movements in year £m	Actual 31 March 2020 £m
Short term			
Banks	11.000	(7.000)	4.000
Building Societies	3.000	(3.000)	0.000
Local Authorities	12.000	(7.000)	5.000
Cash Equivalents			
Banks	13.710	(2.410)	11.300
Building Societies	0.000	0.000	0.000
Local Authorities	4.000	5.000	9.000
Money Market Funds	0.000	15.000	15.000
UK Government	6.000	(6.000)	0.000
Total Internally Managed Funds	**49.710**	**(5.410)**	**44.300**

27. The maturity structure of the investment portfolio was as follows:

Table 9: Maturity Structure

	31 March 2019 £m	31 March 2020 £m
Under 1 year	49.710	44.300
Over 1 year	0.000	0.000
	49.710	**44.300**

Borrowing Strategy for 2019/20

28. The council maintained an under-borrowed position in 2019/20. This means that the capital borrowing need (the CFR) has not been fully funded with loan debt as cash supporting the council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high.

29. Table 10 below shows the interest rate forecast to March 2022. These forecasts have been provided by the Council's treasury advisor, Link Asset Services and show gradual rises in medium and longer-term fixed borrowing rates over the next two financial years. Variable, or short-term rates, are expected to be the cheaper form of borrowing over the period.

Table 10: Interest Rate View

Link Asset Services Interest Rate View 31.3.20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 Month LIBID	0.45	0.40	0.35	0.30	0.30	0.30	0.30	0.30
6 Month LIBID	0.60	0.55	0.50	0.45	0.40	0.40	0.40	0.40
12 Month LIBID	0.75	0.70	0.65	0.60	0.55	0.55	0.55	0.55
5yr PWLB Rate	1.90	1.90	1.90	2.00	2.00	2.00	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50

Source: Link Treasury March 2020 (PWLB rates include adjustments for Certainty rate discounts)

30. It is likely that the Council will need to undertake fixed rate long term borrowing within the next 12 months. Any decisions will be reported to Cabinet at the next available opportunity.

PWLB rates

31. PWLB rates are based on, and are determined by, gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. HM Treasury has imposed two changes in the margins over gilt yields for PWLB rates in 2019-20 without any prior warning; the first on 9 October 2019, added an additional 1% margin over gilts to all PWLB rates. That increase was then reversed for any borrowing for HRA purposes on 11 March 2020, at the same time as the Government announced in the Budget a programme of increased spending on infrastructure expenditure.

32. In March 2020 the government also commenced a consultation on the PWLB's future funding terms. The consultation aims to work with local authorities and sector representatives to develop a targeted intervention to stop debt-for-yield activity while protecting the crucial work that local government does on service delivery, housing, and regeneration. The proposals, if implemented, would mean that the PWLB would not be a source of lending to local authorities investing in commercial properties to generate income. The council will await the outcome of the consultation before deciding whether to take forward any further investment in this or future years.

33. The advice from the council's treasury advisors is that there is likely to be little upward movement in PWLB rates over the next two years as it will take national economies a prolonged period to recover all the momentum they will lose in the sharp recession that will be caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020-21.

34. The Council has previously relied on the PWLB as its main source of funding; however, the council may need to consider alternative cheaper sources of borrowing. We will continue to liaise closely with our treasury advisors, monitor the borrowing market and update Members as this area evolves.

35. The Municipal Bond Agency are now offering loans to local authorities. This Authority may make use of this emerging source of borrowing as and when appropriate. This is within the existing approved Treasury Management Strategy.

Forward borrowing considerations to mitigate expected future interest rate increases

36. The Council may look to arrange forward borrowing facilities should the future borrowing risk rise or predictions of a significant rate rise is expected. This would enable the Council to lock into borrowing facilities at current low rates and draw down the cash over a period of up to 3 years subject to cash flow demands. It should be noted that some of these facilities may carry brokerage and arrangement fees that will be factored into value for money assessments. The policy has been complied with in 2019/20.

Debt Rescheduling

37. No debt rescheduling was undertaken during 2019/20.

Borrowing Outturn for 2019/20

38. £20m borrowing was undertaken at 1.81% during August 2019 because cash balances were insufficient to cover the 2019/20 unfinanced capital and short term investments. During 2019/20 no PWLB debt was repaid.

39. During 2019-20 the council paid £7.9m in interest costs on external loans, this compares to a budget of £8.9m.

Investment Strategy for 2019/20

40. The TMSS for 2019/20, which includes the Annual Investment Strategy, was approved by the council on 26 February 2019. It sets out the Council's investment priorities as being:
    - Security of capital;
    - Liquidity; and
    - Yield

    No policy changes have been made to the investment strategy, the Council will continue to aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity.

41. This report does not cover the Council's investment strategy in regard to non-financial investments. These investments which include the purchasing of commercial property and lending to third parties are covered under the Non-Financial (Commercial) Investment Strategy published in February 2019 as part of the Budget papers.

Investment Outturn for 2019/20

42. The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Reserves

43. The Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's reserves comprised

Table 11: Balance Sheet Reserves

	31-Mar-19	31-Mar-20*
	£m	£m
General Reserves	42.556	43.432
Earmarked Reserves	12.055	17.103
Useable Capital receipts	43.154	51.069
Capital grants Unapplied	5.141	3.462
Major Repairs Reserve	9.796	8.307
Total	**112.702**	**123.373**

* Unaudited figures

Investments held by the Council

44. The Council's year-end balance of cash and short term investments was £44.300m. These internally managed funds earned an average rate of return of 0.77%.

45. The Council is part of a benchmarking group (run by our treasury management advisors, Link Asset Services) across Norfolk, Suffolk & Cambridgeshire. The table below shows the performance of the Council's investments when compared with this benchmark group, and also when compared with the non-metropolitan districts and all authorities that use Link's benchmarking group facility.

Table 12: Link benchmarking - position at 31 March 2020

	Norwich	Benchmark Group 7 (11)	Non met districts (87)	All authorities (217)
WARoR[1]	0.77%	0.61%	0.75%	0.71%
WA Risk[2]	2.41	3.4	2.88	2.81
WAM[3]	52	43	74	70
WATT[4]	68	112	159	152

Source: Link Treasury March 2020

[1] **WARoR** Weighted Average Rate of Return This is the average annualised rate of return weighted by the principal amount in each rate.
[2] **WA Risk** Weighted Average Credit Risk Number Each institution is assigned a colour corresponding to a suggested duration using Link Asset Services' Suggested Credit Methodology.
[3] **WAM** Weighted Average Time to Maturity This is the average time, in days, till the portfolio matures, weighted by principal amount.
[4] **WATT** Weighted Average Total Time This is the average time, in days, that deposits are lent out for, weighted by principal amount.

46. The council's average investments return (0.77%) is slightly better than with that for the benchmark group (0.61%), and very similar to the 87 non-met authorities at 0.75% and the population of 217 local authorities at 0.71%. The average

investment return in 2019/20 compares favourably with other similar authorities while still keeping council funds readily available so that if an opportunity to acquire an investment property arose the funds would be available to purchase it at short notice. The WATT for Norwich reflects the positive decision to utilise internal resources to support capital investment, therefore Norwich has kept its investments to a shorter maturity profile averaging 2 months.

Treasury Management Policy Statement

47. The CIPFA Code of Practice on Treasury Management recommends that councils approve a Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of its treasury management activities. It should also include the organisation's high level policies for borrowing and investments.

48. Per the Financial Regulations, Cabinet is responsible the approval of the policy statement and the Chief Finance Officer has delegated responsibility for implementing and monitoring the statement.

49. This report is an opportunity for the council to review and renew its policy statement in line with good practice. A proposed policy statement is included in Appendix 1. It includes the recommended wording per CIPFA's Treasury Management Code of Practice. In addition to the policy statement Cabinet and Full Council will continue to receive as a minimum, an annual treasury management strategy in advance of the year, a mid-year review and an annual report after its close.

50. Alongside the policy statement, CIPFA recommends that the council puts in place suitable treasury management practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities. Following the approval of the policy statement, the finance team will undertake an exercise to review its TMPs and update as appropriate in line with the current CIPFA guidance.

# Integrated impact assessment	NORWICH City Council

The IIA should assess **the impact of the recommendation** being made by the report
Detailed guidance to help with completing the assessment can be found here. Delete this row after completion

Report author to complete	
Committee:	Cabinet
Committee date:	9 September 2020
Head of service:	Hannah Simpson
Report subject:	Full Year Treasury Management Report
Date assessed:	26 August 2020
Description:	This report is to inform members of the actual treasury activity for the year and compares that to the treasury management indicators set in the Treasury Management Strategy for 2019-20.

	Impact			
Economic **(please add an 'x' as appropriate)**	**Neutral**	**Positive**	**Negative**	**Comments**
Finance (value for money)	☐	☒	☐	The report has no direct financial consequences however it does report on the performance of the Council in managing its borrowing and investment resources
Other departments and services e.g. office facilities, customer contact	☒	☐	☐	
ICT services	☒	☐	☐	
Economic development	☒	☐	☐	
Financial inclusion	☒	☐	☐	
Social **(please add an 'x' as appropriate)**	**Neutral**	**Positive**	**Negative**	**Comments**
Safeguarding children and adults	☒	☐	☐	
S17 crime and disorder act 1998	☒	☐	☐	
Human Rights Act 1998	☒	☐	☐	
Health and well being	☒	☐	☐	

	Impact			
Equality and diversity (please add an ‘x’ as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Relations between groups (cohesion)	☒	☐	☐	
Eliminating discrimination & harassment	☒	☐	☐	
Advancing equality of opportunity	☒	☐	☐	
Environmental (please add an ‘x’ as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Transportation	☒	☐	☐	
Natural and built environment	☒	☐	☐	
Waste minimisation & resource use	☒	☐	☐	
Pollution	☒	☐	☐	
Sustainable procurement	☒	☐	☐	
Energy and climate change	☒	☐	☐	
(Please add an ‘x’ as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Risk management	☒	☐	☐	

Recommendations from impact assessment
Positive
Negative
Neutral
Issues

Treasury Management Policy Statement

The council's financial regulations require it to create and maintain a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury activities, as a cornerstone for effective treasury management.

Definition

The council defines its treasury management activities as: The management of the organisation'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.

Risk Management

The council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

Value for Money

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

Borrowing policy

The council values revenue budget stability and therefore, all other things being equal, will borrow the majority of its long-term funding needs at long-term fixed rates of interest. However, short-term and variable rate loans may be borrowed to either offset short-term and variable rate investments or to provide value for money. The council will also evaluate debt restructuring opportunities of the existing portfolio.

The council will set an affordable borrowing limit each year in compliance with the Local Government Act 2003, and will have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities when setting that limit.

Investment policy

The council's primary objectives for the investment of its surplus funds are to protect the principal sums invested from loss, and to ensure adequate liquidity so that funds are available for expenditure when needed. The generation of investment income to support the provision of local authority services is an important, but secondary, objective.

The council will have regard to the Communities and Local Guidance on Local Government Investments and will approve an investment strategy each year as part of the treasury management strategy. The strategy will set criteria to determine suitable organisations with which cash may be invested, limits on the maximum duration of such investments and limits on the amount of cash that may be invested with any one organisation.