

TREASURY MANAGEMENT STRATEGY

FORMAL GUIDANCE

1. Mandatory guidance issued by the Joint Panel on Accountability and Governance (JPAG) requires the Board to manage its funds properly; to invest appropriately in accordance with an approved strategy; and to have regard to the statutory guidance issued in 2018 by MHCLG “Guidance on Local Government Investments”.
2. The MHCLG guidance is statutory in respect of investments over £100,000, whilst its principles are “encouraged” for investments in the range of £10,000 – £100,000.
3. In its advisory, non-mandatory guidance, JPAG states that investments should usually be held in easily-accessible bank deposits or other short-term investments.
4. At the same time, it is of course in the Board’s interest to apply good practice to its treasury management decisions.
5. This Strategy is designed to reflect each of these criteria. It will be supported by subsequent reports on the Board’s Financial Investment performance, and on its Reserves Policy.
6. The Strategy should be reviewed annually and should be approved by Board.

DEFINITIONS

7. An investment is defined as any asset which is held primarily or partially to generate profit, and includes loans to most third parties.

INVESTMENT OBJECTIVES

8. In determining its investments, the Board is required to consider Security, Liquidity and Yield, normally in that order of importance.
9. All investments will be made in sterling.
10. The Board will not borrow money to invest or lend and make a return.
11. All investments will be made with a body or an investment scheme which has been awarded a high credit rating by one of the following credit rating agencies:

Standard and Poor’s
Moody’s Investors Services Ltd
Fitch Ratings Ltd

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APPENDIX 'A'

12. A high credit rating will be defined as 'A', 'High Credit Quality' and 'Low Risk'.
13. The Board will disclose the contribution which its investments make to the Board.
14. Where necessary to supplement in-house skills, external advice and training will be sought. If external investment managers are used, they will be contractually required to comply with this Strategy and with MHCLG Guidance.

SPECIFIED INVESTMENTS

15. Specified Investments are those invested in high quality bodies or schemes, made in sterling and maturing in no more than one year.
16. For the prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, the Board will use deposits with banks, building societies, local authorities or other public authorities that are subject to UK regulation.
17. Historically, the Board has invested primarily with Lloyds (its main bankers) and with the Clydesdale Bank.

NON-SPECIFIED INVESTMENTS

18. Non-Specified Investments generally carry greater potential risk – examples include investment in the money market, stocks and shares.
19. Given the nature of the Board's annual funding, and the unpredictability and uncertainties surrounding such investments, the Board will not use this type of investment.

LONG-TERM INVESTMENTS

20. Currently, the Board does not hold any investments in excess of 12 months, and has not had a related policy.
21. However, the receipt in 2019/20 of a substantial sum from Network Rail suggests that this aspect should be re-considered. Advice on the nature of such investment is currently being sought from experienced practitioners, the results of which will be reported to the Executive Committee.

LOANS

22. Subject to specified criteria, the Board may make loans to local enterprises, local charities, wholly-owned companies and joint ventures.

23. Any such proposals in excess of £10,000 will be subject to Executive Committee approval, and will be made in compliance with MHCLG Guidance.

PROCESSES

24. The Finance Officer will advise the Director of the periods for which funds may prudently be committed so as not to compromise cash flow. Advice will include an assessment of the risk associated with the investment in proportion to relevant performance indicators.
25. Having regard to the investment objectives above, the Director will arrange and authorise the investment and notify the Finance Officer of the investment made.
26. Investments will be regarded as commencing on the date the commitment to invest is made.
27. The Finance Officer will monitor the investment and interest and ensure its return or re-investment on maturity.
28. All documentation relating to any investment will be retained by the Board for the period of the investment and until all related audits have been completed.

BORROWING

29. The Board's Establishment Order provides that it may borrow money subject to certain specified rules and criteria.
30. The Board's Financial Regulations state that all borrowing must be made in accordance with its Establishment Order, be in the name of the Board and be authorised in advance by the Board.
31. The Board is debt free and has no plans to borrow for the foreseeable future. At such time as the Director foresees a need for the Board to borrow, he will report a revision to this Strategy to the Board to take account of current regulation and other issues affecting the Board's ability to borrow at that time.

ANNUAL REVIEW

32. This Strategy and investment performance will be reviewed annually by the Executive Committee prior to the start of the next financial year. Any substantive changes will be reported to the Board for approval.