

ITEM 7(d), APPENDIX A

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 the Ministry “Guidance on Local Government Investments”.
2. The Board’s Constitution requires that the Treasury Management policy complies with the Chartered Institute of Public Finance Accounting (CIPFA) Local Authority Accounting Panel (LAAP) Bulletin number 99, issued in July 2014.
3. The Ministry 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.
4. In advisory, non-mandatory guidance, JPAG states that investments should usually be held in easily-accessible bank deposits or other short-term investments.
5. It is in the Board’s interest to apply good practice to treasury management decisions.
6. This Strategy is designed to reflect each of these criteria.

DEFINITIONS

7. An investment is defined as any asset which is held primarily or partially to generate profit. It includes loans to most third parties.
8. Ethical investing is a strategy where an investor chooses investments based on a specific ethical code whereby certain ethical values (social, moral or religious) are the primary objective. Ethical investing strives to support industries making a positive impact and create an investment return.
9. There are several types of ethical investing that may be relevant, including:
 - Socially responsible investment funds (SRI) – these avoid controversial areas of investment such as firearms, tobacco, oil;
 - Environmental, Social and Governance Funds (ESG) – these pay particular attention to how environmental, social and governance issues impact returns. They aim for sustainability while delivering a competitive return;
 - Impact funds – these seek to positively impact ethical change while delivering high returns.

INVESTMENT OBJECTIVES

10. In determining its investments, the Board is required to consider security, liquidity and yield, normally in that order of importance.
11. All investments will be made in sterling.
12. The Board will not borrow money to invest or lend and make a return.
13. 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:

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Agency	Short term rating (1 yr)	Long term rating (>1 yr)
Moody's Investors Services Ltd	A-1	Aa
Standard & Poor's (S&P)	P-1	AA
Fitch Ratings Ltd	F-1	A

14. A high credit rating will be defined as 'A' range, 'High Credit Quality' and 'Low Risk'. For Moody's this is Aa, S&P AA, Fitch A.

The credit rating of each counterparty will be monitored and reported at least twice per year to the Finance and Governance Committee.

15. The Committee will disclose the contribution which its investments make to the Board.
16. 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 Ministry Guidance.

SPECIFIED INVESTMENTS

17. Specified Investments are those invested in high quality bodies or schemes, made in sterling and maturing in no more than one year.
18. For the prudent management of its treasury balances, maintaining sufficient levels of security and liquidity, the Board will only use deposits with banks, building societies, local authorities or other public authorities that are subject to UK regulation and which meet or exceed the required credit rating.
19. No more than £1m will be invested in one bank or building society.

NON-SPECIFIED INVESTMENTS

20. Non-Specified Investments generally carry greater potential risk. Examples include investment in the money market, stocks and shares.
21. 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 for short term purposes.

LONG-TERM INVESTMENTS

22. Investments intended to exceed 12 months deposits may be made into pooled funds tailored for local authorities including Money Market, government backed securities (gilts) and AAA rated corporate bonds in addition to those listed in 18) above. The investment body must meet the long-term rating criteria specified in 13) above.

LOANS

23. Subject to specified criteria, the Board may make loans to local authorities, local enterprises, local charities, wholly-owned companies and joint ventures.
24. Any such proposals in excess of £10,000 will be subject to Board approval, and will be made in compliance with Ministry Guidance.

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PROCESSES

25. The Head of Finance shall maintain a cash budget to support investment decision making. The Head of Finance will advise the Chief Executive of the periods for which funds may prudently be committed so as not to compromise cash flow. Advice will include an assessment of the likely returns and the risk associated with the investment.
26. Having regard to the investment objectives above, the Chief Executive will arrange and authorise the investment.
27. Investments will be regarded as commencing on the date the commitment to invest is made.
28. The Head of Finance will regularly review the investment including the management of risk and the financial contribution and re-investment on maturity, and report semi-annually to the Finance and Governance Committee. Interest may be re-invested or released to general funds.
29. 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

30. The Board's Establishment Order provides that it may borrow money subject to certain specified rules and criteria.
31. 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.
32. The Board is debt free and has no plans to borrow for the foreseeable future. At such time as the Chief Executive foresees a need for the Board to borrow, a revision to this Strategy will be reported to the Finance and Governance Committee and Board, to take account of current regulation and other issues affecting the Board's ability to borrow at that time.

ANNUAL REVIEW

33. This Strategy will be reviewed annually by the Finance and Governance Committee. Any substantive changes to the Strategy will be reported to the Board for approval.

Date of review: June 2023

Reviewed by: Finance & Governance Committee

ENDS