

Decision Maker: Resources, Commissioning and Contracts Management
Portfolio Holder

Date: For pre-decision scrutiny by Executive, Resources and Contracts PDS
Committee on 2nd February 2023
Council on 27th February 2023

Decision Type: Non-Urgent Executive Non-Key

Title: TREASURY MANAGEMENT - ANNUAL INVESTMENT
STRATEGY 2023/24 & QUARTER 3 PERFORMANCE 2022/23

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Ward: All

1. Reason for report

- 1.1. This report summarises treasury management activity during the third quarter of 2022/23. Investments as at 31st December 2022 totalled £388.7m (£442.9m at 31st December 2021) and there was no outstanding external borrowing.
 - 1.2. This report also includes the Treasury Management Strategy and the Annual Investment Strategy for 2023/24, which are required by the CIPFA Code of Practice for Treasury Management in the Public Services to be approved by the Council.
 - 1.3. The report also includes prudential indicators and the MRP (Minimum Revenue Provision) Policy Statement, both of which require the approval of Council. For clarification, the Council is required by statute to agree and publish prudential indicators, primarily to confirm that the Council's capital expenditure plans are affordable and sustainable.
 - 1.4. The report ensures that the Council is implementing best practice and complying with the requirements of the CIPFA Code of Practice for Treasury Management
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2. RECOMMENDATION(S)

- 2.1. **The Resources, Commissioning and Contracts Management Portfolio Holder is requested to:**
 - (a) note the Treasury Management performance for the third quarter of 2022/23.

(b) recommend that Council agrees to adopt the Treasury Management Statement and the Annual Investment Strategy for 2023/24 including:

- (i) the Prudential Indicators for the period 2023/24 to 2025/26**
- (ii) the Minimum Revenue Provision (MRP) policy statement**
- (iii) revised minimum credit-ratings for Housing Associations (A-) and Corporate Bonds (BBB-)**

2.2. Council is requested to:

(a) note the Treasury Management performance report for the third quarter of 2022/23

(b) agree to adopt the Treasury Management Statement and the Annual Investment Strategy for 2023/24 including:

- (i) the Prudential Indicators for the period 2023/24 to 2025/26**
- (ii) the Minimum Revenue Provision (MRP) policy statement**
- (iii) revised minimum credit-ratings for Housing Associations (A-) and Corporate Bonds (BBB-)**

Impact on Vulnerable Adults and Children

1. Summary of Impact: None
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Corporate Policy

1. Policy Status: Existing policy. To maintain appropriate levels of risk, particularly security and liquidity, whilst seeking to achieve the highest rate of return on investments.
 2. BBB Priority: Excellent Council .
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Financial

1. Cost of proposal: N/A
 2. Ongoing costs: N/A
 3. Budget head/performance centre: Interest on balances
 4. Total current budget for this head: £3m surplus (against budget of £2,841k) currently projected for 2022/23
 5. Source of funding: Net investment income
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Personnel

1. Number of staff (current and additional): 0.25 fte
 2. If from existing staff resources, number of staff hours: 9 hours per week
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Legal

1. Legal Requirement: Non-statutory - Government guidance.
 2. Call-in: Call-in is applicable
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Procurement

1. Summary of Procurement Implications: N/A
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): N/A
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

- 3.1 Under the requirements of the CIPFA Code of Practice on Treasury Management, the Council is required to approve an annual treasury strategy in advance of the year, a mid-year review report and an annual report following the year comparing actual activity to the strategy.
- 3.2 This report includes details of investment performance and treasury management activity in the third quarter of 2022/23. It also sets out the Treasury Management Strategy and the Annual Investment Strategy for 2023/24.
- 3.3 Changes in the regulatory environment have placed a much greater onus on Members to undertake the review and scrutiny of treasury management policy and activities. This report is important in that respect as it provides details of the actual position for treasury activities and highlights compliance with the Council's policies previously approved by Members.
- 3.4 The Council has monies available for Treasury Management investment as a result of the following:
- Positive cash flow;
 - Receipts (mainly from Government) received in advance of payments being made;
 - Capital receipts not yet utilised to fund capital expenditure;
 - Provisions made in the accounts for liabilities e.g. provision for outstanding legal cases which have not yet materialised;
 - General and earmarked reserves retained by the Council.
- 3.5 Some of the monies identified above are short term and investment of these needs to be highly 'liquid', particularly if it relates to a positive cash flow position which can change in the future. Future monies available for Treasury Management investment will depend on the budget position of the Council and whether the Council will need to substantially run-down capital receipts and reserves. Against a backdrop of unprecedented cuts in Government funding, which will require the Council to make revenue savings to balance the budget in future years, there is a likelihood that such actions may be required in the medium term which will reduce the monies available for investment.
- 3.6 The Council has also identified an alternative investment strategy relating to property investment. To date, this has resulted in actual and planned acquisitions which generated £4.6m in 2016/17, £5.6m in 2017/18, £5.5m in 2018/19, £5.4m in 2019/20, £5.3m in 2020/21, £5.4m in 2021/22 and is budgeted to achieve £5.3m in 2022/23. This is based on a longer-term investment timeframe of at least 3 to 5 years and ensures that the monies available can attract higher yields over the longer term.
- 3.7 A combination of lower risk investment relating to Treasury Management and a separate investment strategy in the form of property acquisitions (generating higher yields and risks) provides a balanced investment strategy. The available resources for the medium term, given the ongoing reductions in Government funding, will need to be regularly reviewed.

Treasury Performance in the quarter ended 31st December 2022

- 3.8 **Borrowing:** The Council's healthy cashflow position continues and, other than some short-term borrowing at the end of 2015/16, no borrowing has been required for a number of years.
- 3.9 **Investments:** The following table sets out details of investment activity during the second quarter and year to date:

	Qtr ended 31/12/22		2022/23 Year to date	
	Deposits	Ave rate	Deposits	Ave rate
	£m	%	£m	%
Balance of "core" investments b/f	250.00	1.90	260.00	0.62
New investments made in period	40.00	4.81	195.00	3.03
Investments redeemed in period	-40.00	0.64	-205.00	0.53
"Core" investments at period end	250.00	2.57	250.00	2.57
Money Market Funds	25.00	2.68	25.00	1.68
CCLA Property Fund*§	40.00	-0.16	40.00	0.06
Multi-Asset Income Funds*§	40.00	-0.19	40.00	-0.21
Schroders Diversified Growth Fund	20.00	4.79	20.00	-9.41
Project Beckenham Loan	3.69	6.00	3.69	6.00
Sovereign bonds	10.00	1.84	10.00	1.84
"Alternative" investments at period end	138.69	1.23	138.69	-1.24
Total investments at end of period	388.69	2.09	388.69	1.21

* The rates shown in here are the total return (ie. the dividend income plus the change in capital value)

A more detailed breakdown of the rates for these investments is shown in the relevant paragraphs

§ At the time of writing the quarter-end figures had not been made available by the relevant brokers. The figures shown are therefore the figures at the end of quarter 2 (as at 30 September 2022).

- 3.10 Details of the outstanding investments at 31st December 2022 are shown in maturity date order in Appendix 2 and by individual counterparty in Appendix 3. The return on the new "core" investments placed during the third quarter of 2022/23 was 4.81%.
- 3.11 Reports to previous meetings have highlighted the fact that options with regards to the reinvestment of maturing deposits have become limited in recent years following bank credit rating downgrades. Changes to lending limits and eligibility criteria, as well as the introduction of pooled funds and housing associations have alleviated this to some extent. More recently, however, successive increases in the Bank of England base rate have fed through into significantly improved lending rates with eligible counterparties.
- 3.12 The chart in Appendix 1 shows total investments at quarter-end dates back to 1st April 2004 and shows how available funds have increased steadily over the years. This has been a significant contributor to the over-achievement of investment income against budgeted income in recent years.

Interest Rate Forecast (provided by Link Group)

- 3.13 The current Bank of England base rate is 3.5%, following an increase at the December 2022 meeting of the Monetary Policy Committee. The market believes that further rises will follow, especially in the light of persistent inflationary pressures in the economy. Link has stated that it believes that the rate will next increase in March and then June 2023, peaking at 4.5% before falling in 2024.

Link Group Interest Rate View	19.12.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

Money Market Funds

- 3.14 The Council currently has 5 AAA rated Money Market Fund accounts, with Federated Prime Rate, Aberdeen Standard (formerly known as Ignis), Insight, Fidelity and Legal & General, all of which have a maximum investment limit of £15m. In common with market rates for fixed-term investments, interest rates on money market funds have risen considerably in recent months. The Aberdeen Standard, Fidelity and Federated Funds currently offer the best rate at around 3.2%.
- 3.15 The total balance held in Money Market Funds has varied during the year to date moving from £4m as at 31st March 2022 to £26m as at 30th September 2022 to £25m as at 31st December 2022. The Money Market Funds currently offer the lowest interest of all eligible investment vehicles with the exception of the Government Debt Management Account Deposit Facility; however, they are the most liquid, with funds able to be redeemed up until midday for same day settlement.
- 3.16 Daily balances in the Money Market Funds will vary considerably and balances tend to be managed higher during February and March to provide a cashflow buffer when the Council's income from Council Tax and Business Rates is significantly lower than the rest of the year. Occasionally, these balances are also inflated to ensure that the Council has sufficient liquidity to cover any 'non-standard' expenditure such as investment property purchases.

Housing Associations

- 3.17 Deposits with Housing Associations have recently attracted favourable rates and most recently the Council's Treasury Management Strategy Statement was amended to increase the overall limit for investments with Housing Associations to £80m. At the time of drafting this report, the Council held two investments in Housing Associations totalling £20m, with rates at 0.6% and 1%.

Loan to Project Beckenham

- 3.18 On 26 June 2017, Council approved the inclusion in the strategy of a secured loan to Project Beckenham, relating to the provision of temporary accommodation for the homeless, that had previously been agreed to be advanced from the Investment Fund. A loan of £2.3m was made in June 2017, at a rate of 6% (although that may increase to 7.5% if the loan to value ratio exceeds a specified value). £1.0m of this loan was re-paid during 2019/20, leaving a balance of £1.3m as at the end of March 2020. Advances totalling £2,450k were made in 2020/21 and 2021/22 leaving a balance of £3.75m. A further three loan advances totalling £900k have been made so far in 2022/23 and repayments of £960k were received in November and December leaving the balance as at 31st December 2022 of £3.69m.

Sovereign Bonds

- 3.19 During November 2021, it was agreed that the Council's treasury management strategy be amended to allow investment in sterling-denominated sovereign bonds, subject to a maximum of duration of 3 years and an exposure limit of £25m. On 30 November 2021, an investment of £10m was made for two years at a rate of 1.84%.

Pooled Investment Schemes

- 3.20 In September 2013, the Portfolio Holder and subsequently Council approved the inclusion of collective (pooled) investment schemes as eligible investment vehicles in the Council's Investment Strategy with an overall limit of £25m and a maximum duration of 5 years. The limit was subsequently increased to £40m by Council in October 2015, £80m in June 2017 and £100m in December 2017. Such investments would require the approval of the Director of Finance in consultation with the Resources Portfolio Holder.
- 3.21 Until March 2018, accounting rules required that the change in capital value of these investments be held in the Available for Sale Financial Assets Reserve, and only recognised in revenue on the sale of the investment. In year projections for interest on balances therefore only reflected the dividends from these investments.
- 3.22 However, from 2018/19 onwards, local authorities have been required to account for financial instruments in accordance with IFRS9. One of the results of this is that changes in the capital value of pooled fund investments are recognised in revenue in-year. Subsequently, MHCLG issued regulations providing a statutory override to reverse the impact of IFRS9 on the Council's General Fund, which came into force in December 2018 and would apply until 31st March 2023, after which it was intended for movements in value to be recognised in year. Following consultation, DLUHC announced in January that the override would be extended for a further two years to 31st March, after which the standard will be applied fully.
- 3.23 Due to the regulations being time limited and the potentially volatile nature of these investments, interest/dividend earnings above 2.5% (£1,509k in 2018/19, £1,196k in 2019/20, £1,520k in 2020/21 and £1,676k in 2021/22) have been set aside in an Income Equalisation earmarked reserve. This will protect the Council against unexpected variations in the capital value of these investments and any timing issues arising from the expiry of the statutory override.

CCLA Property Fund

- 3.24 Following consultation between the Director of Finance and the Resources Portfolio Holder, an account was opened in January 2014 with the CCLA Local Authorities' Property Fund and an initial deposit of £5m was made, followed by further deposits of £5m in July 2014, £5m in March 2015, £10m in October 2015, £5m in October 2016 and £10m in October 2017. The investment in the CCLA Fund is viewed as a medium to long-term investment and dividends are paid quarterly. A breakdown of the dividends earned and capital growth is provided in the table below. At the time of writing the quarter-end figures had not been made available by the relevant brokers. The figures shown are therefore at the end of quarter 2, as at 30th September 2022.

Annualised net return	Dividend %	Capital gain/(loss) %	Total return (%)
01/02/14 – 31/03/14	4.29	-29.64	-25.35
01/04/14 – 31/03/15	5.03	3.44	8.47
01/04/15 – 31/03/16	5.02	1.63	6.65
01/04/16 – 31/03/17	4.55	-2.50	2.05
01/04/17 – 31/03/18	4.59	2.41	7.00
01/04/18 – 31/03/19	4.46	1.57	6.03
01/04/19 – 31/03/20	4.45	-3.68	0.77
01/04/20 – 31/03/21	4.30	-0.71	3.59
01/04/21 – 31/03/22	3.82	17.29	21.22
01/04/22 - 30/09/22	4.16	1.75	5.91
Cumulative return	4.09	2.33	6.42

3.25 The annualised fund return for the year to 30th September 2022 was capital growth of 1.75% and dividends paid of 4.16%, resulting in a total return of 5.91%. Since inception, dividends paid have averaged 4.09% per annum and the capital value has increased by 2.33% per annum resulting in a net annual return of 6.42%.

Multi-Asset Income Fund

3.26 Following approval by Council in June 2017, the limit for pooled investment schemes was increased to £80m and an investment of £30m was made on 12th July 2017 in the Fidelity Multi-Asset Income Fund following the agreement of the Resources, Commissioning and Contracts Management Portfolio Holder. A subsequent investment of £10m was made on December 30th 2019. The annualised fund return for the year to 30th September 2022 was a capital decline of -24.78% and dividends paid of 4.22%, resulting in a total return of -20.56%. At the time of writing the quarter-end figures had not been made available by the relevant brokers. The figures shown are therefore the figures at the end of quarter 2, as at 30th September 2022.

3.27 Since inception, dividends paid have averaged 3.62% per annum and the capital value has declined by -0.54% per annum resulting in a net annual return of 3.08%.

Annualised net return	Dividend %	Capital gain/(loss) %	Total return %
12/07/17 – 31/03/18	4.42	-6.27	-1.85
01/04/18 – 31/03/19	4.26	1.45	5.71
01/04/19 – 31/03/20	4.37	-11.81	-7.44
01/04/20 – 31/03/21	4.38	9.52	13.90
01/04/21 – 31/03/22	4.16	-4.98	-0.82
01/04/22 – 30/09/22	4.22	-24.78	-20.56
Cumulative return	3.62	-0.54	3.08

Global Diversified Income Fund

3.28 During 2020/21 a new investment was made in the Global Diversified Income Fund managed by Schroders. The aim of this fund is to provide long-term capital growth and income of 3-5% per annum. An initial investment of £10m was made in March 2021, followed by a further £10m in April 2021. A breakdown of the dividends earned and capital growth is provided in the table below.

Annualised Net Return	Dividend %	Capital gain/(loss) %	Total return %
01/03/21 – 31/03/21	2.45	2.43	4.88
01/04/21 – 31/03/22	2.96	-3.15	-0.19
01/04/22 – 31/12/22	3.33	-12.74	-9.41
Cumulative return	3.10	-7.04	-3.94

Property Acquisition Scheme (Meadowship Homes)

3.29 As agreed by the Executive during 2021, the Council will embark on a property acquisition scheme under a funding arrangement with Orchard & Shipman. This will involve the formation of an LLP which will be a joint venture between the Council and Orchard & Shipman. As part of this scheme, the Council will make a £20m loan (in tranches) for 50 years. Annual repayments will start from year 3 of 1.6% (£320k) per annum and increasing annually by CPI (collared at 0-4%), As the Effective Interest Rate on the loan is dependent on CPI, it is possible that this will be lower than the rate the Council might achieve through treasury management investments, so there may be a loss of treasury management income. Phase 2 of the scheme was approved in July 2022 - this involves a further loan of £15m on similar repayment terms to the initial scheme.

Treasury Management Strategy Statement and Annual Investment Strategy for 2023/24

- 3.30 Appendix 4 sets out the Treasury Management Strategy Statement and Annual Investment Strategy for 2023/24. This combines the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services and the Prudential Code. The Strategy includes throughout details of proposed prudential indicators and will be submitted for approval to the February Council meeting. Many of the indicators relate to how the Council seeks to control debt and borrowing and are therefore not currently relevant (since the Council currently has no external debt), though it is a statutory requirement that prudential indicators are prepared, agreed and published. Additionally, under the recently revised Prudential Code, there is a requirement for the prudential indicators to be monitored and reported at least quarterly.
- 3.31 Members will be aware that, since the Icelandic bank crisis in October 2008, the Council has approved a number of changes to the eligibility criteria and maximum exposure limits (both monetary and time) for banks and building societies. In line with advice from Link, the Council will apply a minimum sovereign rating of AA- to investment counterparties.
- 3.32 While the Council effectively determines its own eligible counterparties and limits, it also uses Link Group as an advisor in investment matters. Link uses a sophisticated modelling approach that combines credit ratings, credit watches, credit outlooks and CDS spreads in a weighted scoring system for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes indicate Link's recommendations on the maximum duration for investments. The Council will use its own eligibility criteria for all investment decisions but will also be mindful of Link's advice and information and will not use any counterparty not considered by Link to be a reasonable risk. In line with the requirements of the CIPFA Treasury Management Code of Practice, the Council will always ensure the security of the principal sum and the Council's liquidity position before the interest rate.
- 3.33 Although, as indicated above, the strategy allows the Council to make a range of investments, in practical terms the Council has recently utilised only a narrow range of investment types, namely Money Market Deposits, Fixed Interest loans to Banks, Housing Associations and Local Authorities, Sovereign Bonds and Pooled Investment Vehicles. Moreover, the Council's investment decisions have been informed by consideration of maximising the available whilst operating within the parameters set out within the strategy, namely credit-ratings and investment category limits.
- 3.34 Changes to the Council's lending limits and eligibility criteria, as well as the inclusion of pooled funds, housing associations and sovereign within the strategy have provided some diversification of investment types and also opportunities to obtain returns that often exceed those available from UK and International Banks.. Further consideration of diversification and risk had led to consideration of investment types where returns may be available that outperform the current portfolio yield. Given this, the updated strategy incorporates the following revised credit-ratings for the following investment types.
- Corporate Bonds – minimum credit rating of BBB-
- Housing Associations – minimum credit rating of A-
- 3.35 The changes set out above, if approved, will give the Council access to a wider range of options and returns within those investment categories, with the aim of improving overall performance of the investment portfolio

3.36 Details of eligible types of investment and counterparties are set out in the Annual Investment Strategy, as set out in Appendix 4.

Revised Treasury Management and Prudential Codes

3.37 During December 2021 CIPFA published a revised Prudential Code (Prudential Code for Capital Finance in Local Authorities) and Treasury Management Code (Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes). The requirements of the revised Codes, to the extent to which they apply to the Council, have been incorporated into the Treasury Management Strategy Statement and Annual Investment Strategy as appended at Appendix 4.

3.38 The revised Treasury Code requires the Council to implement the following:

- **Adopt a new liability benchmark treasury indicator** to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained
- **Long-term treasury investments**, (including pooled funds) are to be classed as commercial investments unless justified by a cash flow business case
- **Pooled funds** are to be included in the indicator for principal sums maturing in years beyond the initial budget year
- Amendment to the **knowledge and skills register** for officers and members involved in the treasury management function – to be proportionate to the size and complexity of the treasury management function
- **Reporting to be members is to be done quarterly** – specifically the s151 officer is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly
- **Environmental, Social and Governance (ESG)** issues to be addressed within an authority's treasury management policies and practices,

3.39 In addition, all investments and investment income must be attributed to one of the following three purposes:

- (i) **Treasury Management.** Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.
- (ii) **Service Delivery.** Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".
- (iii) **Commercial return.** Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

Regulatory Framework, Risk and Performance .

3.40 The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance:

- The Local Government Act 2003 (the Act) which provides the powers to borrow and invest as well as providing controls and limits on this activity
- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing that may be undertaken (although no restrictions have been made to date)
- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act
- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities
- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services
- Under the Act, DLUHC has issued Investment Guidance to structure and regulate the Council's investment activities
- Under section 238(2) of the Local Government and Public Involvement in Health Act 2007, the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8th November 2007.

3.41 The Council has complied with all of the above relevant statutory and regulatory requirements, which limit the levels of risk associated with its treasury management activities. In particular, its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means that its capital expenditure is prudent, affordable and sustainable and its treasury practices demonstrate a low-risk approach.

4. POLICY IMPLICATIONS

4.1 In line with government guidance, the Council's policy is to seek to achieve the highest rate of return on investments whilst maintaining appropriate levels of risk, particularly security and liquidity

5. FINANCIAL IMPLICATIONS

5.1 The Council is required to operate a balanced budget, which 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 adequate liquidity initially before considering investment return.

5.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council. Although the Council does not currently borrow to finance its general fund capital spending plans, officers still plan and forecast the longer-term cash flow position in order to ensure that the Council can meet its capital spending obligations and that it maintains balances (working capital) at a prudent and sustainable level.

5.3 The Council's Treasury Management strategy and day to day operations of the treasury function are informed by our professional adviser, Link Group. It advises the Council on counterparties, investment and borrowing options, and risk management.

6. LEGAL IMPLICATIONS

6.1 Under Section 151 of the Local Government Act 1972, the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including securing effective arrangements for treasury management.

6.2 This report fulfils the requirements of the Chartered Institute of Public Finance & Accountancy's Treasury Management and Prudential Codes of Practice and Statutory Guidance on Local Government Investments.

Non-applicable sections:	Impact on Vulnerable Adults and Children, Personnel, Legal and Procurement Implications
Background documents: (access via Contact Officer)	CIPFA Code of Practice on Treasury Management 2021 CIPFA Prudential Code for Capital Finance in Local Authorities 2021 DLUHC Guidance on Investments External advice from Link Group