TREASURY MANAGEMENT STRATEGY

Gravesham Borough Council

2022 - 2023

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1.2 These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code, and the CIPFA Treasury Management Code.

2. TRAINING

2.1 The CIPFA code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Officers last provided training on 18 January 2022 and further training will be arranged as required.

2.2 The training needs of treasury management officers are periodically reviewed.

3. TREASURY MANAGEMENT CONSULTANTS

3.1 The Council currently uses Link Group, Treasury Solutions as its external treasury management advisors.

3.2 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external services providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

3.3 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.

3.4 The contractual arrangement with Link runs to September 2022. A procurement exercise will be undertaken during the Summer to secure the services of external treasury management advisors from October 2022.

3.5 Link Asset Services have provided a summary on the economic background. This can be found in Appendix 1.

3.6 The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more complex type investments, such as investment properties. The Council engages external consultants to provide a valuation report when purchasing an investment property. The consultants will vary depending on the nature of the property.

4. THE CAPITAL PRUDENTIAL INDICATORS 2021/22 TO 2023/24

4.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

4.2 **Capital Expenditure**. This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts.

4.3 Given where the authority is in the annual budget setting process, the capital estimates on the following page are based on the latest information available. Members are asked to approve the capital expenditure forecasts and also to delegate authority to the Director (Corporate Services) in consultation with the Chair of the Finance and Audit Committee to amend the forecasts and other indicators as necessary in line with the authority's budget which will be discussed and approved by Full Council on 22 February 2022. Any such amendments will be circulated to members of the Finance and Audit Committee prior to amendment.

Capital Expenditure	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Non-HRA	7.533	24.903	72.479	51.960	1.817
HRA	13.158	19.000	24.059	23.513	19.043
Total	**20.691**	**43.903**	**96.538**	**75.473**	**20.860**

4.4 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital Expenditure[1]	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Total	20.691	43.903	96.538	75.473	20.860
Financed by:					
Capital receipts	3.272	4.022	5.756	7.470	5.762
Grants/Contributions	0.848	3.433	10.237	4.015	0.963
Revenue Grants not yet applied	0.284	0.398	0.215	0.000	0.000
Reserves	0.636	2.355	1.193	1.779	0.704
Revenue	1.101	0.715	0.574	0.000	0.000
Major Repairs Reserve	7.637	6.771	7.061	6.728	6.728
Net financing need for the year	**6.913**	**26.209**	**71.502**	**55.481**	**6.703**

4.5 **The Council's Borrowing Need (the Capital Financing Requirement).** The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is the total historic outstanding capital expenditure that has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above (that has not been immediately paid for) will increase the CFR.

4.6 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life, and so charges the economic consumption of capital assets as they are used.

4.7 The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council has £93.197m of such schemes within the CFR, which is currently shown as a finance lease in relation to the St George's Shopping Centre. However this treatment is subject to amendment and agreement with the Council's auditors prior to the effects being reflected within this document.

4.8 The Finance and Audit Committee is recommending to Council to approve the CFR projections on the following table:

[1] Figures subject to change when the treatment of the St George's Centre transactions has been agreed

Note[2]	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
CFR – Non HRA	122.340	140.147	199.986	244.977	242.233
CFR – HRA	76.792	79.550	84.662	87.909	87.782
CFR – Commercial	6.300	6.164	6.027	5.891	5.754
Total CFR	**205.432**	**225.861**	**290.675**	**338.777**	**335.769**
Movement in CFR	**0.695**	**20.429**	**64.814**	**48.102**	**(3.008)**

Note[3]	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Movement in CFR represented by					
New capital financing need for the year	6.913	23.943	69.195	53.329	4.522
Refinancing of HRA Debt	0.000	2.266	2.307	2.152	2.180
HRA contribution to loan repayment	(5.418)	(4.918)	(5.707)	(6.218)	(6.830)
Less MRP and other financing movements	(0.800)	(0.862)	(0.981)	(1.161)	(2.880)
Movement in CFR	**0.695**	**20.429**	**64.814**	**48.102**	**(3.008)**

4.9 **Core funds and expected investment balances**. The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource.

	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Fund Balances / Reserves (HRA and Non-HRA)	33.506	29.576	26.628	24.599	21.866
Capital receipts	11.543	11.532	9.814	8.067	6.720
Grants / Contributions	22.247	12.286	8.969	8.784	8.601
Total core funds	**66.296**	**53.394**	**45.411**	**41.450**	**37.187**

[2] Figures subject to change when the treatment of the St George's Centre transactions has been agreed
[3] Figures subject to change when the treatment of the St George's Centre transactions has been agreed

5. MINIMUM REVENUE PROVISION POLICY

5.1 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision – MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision – VRP).

5.2 DLUHC regulations have been issued which require the Full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement.

5.3 For capital expenditure incurred before 1 April 2008 and capital expenditure incurred on or after that date which the authority is satisfied forms part of its Supported Capital Expenditure the MRP policy will be

> **The Regulatory Method -** Under the previous MRP regulations MRP was set at a uniform rate of 4% of the adjusted General Fund Capital Financing Requirement (CFR) i.e. adjusted for "Adjustment A" on a reducing balance method. Adjustment A was introduced to coincide with changes to the capital finance system on 1 April 2004 to ensure local authorities were not adversely affected financially by these changes. The Capital Financing Requirement is a measurement of the council's underlying need to borrow.

5.4 From 1 April 2008 to 31 March 2020 for all unsupported borrowing the MRP policy will be:

> **Asset Life (Equal Instalment Method) –** MRP will be based on the estimated life of assets, in accordance with the regulations. This provides for a reduction in the borrowing need over approximately the asset's life.

5.5 From 1 April 2020, the Council considers the most appropriate MRP policy on a scheme by scheme basis, whilst ensuring a prudent approach is taken, so that sufficient sums are set aside on an annual basis which will result in cash balances being available to repay the debt on redemption.

5.6 In addition to the Equal Instalment Method detailed above, the Council may determine an MRP charge over the expected useful life of the corresponding asset as the principal repayment on an annuity basis.

5.7 There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

5.8 If assets are transferred between funds, where the transfer results in an increase in the General Fund CFR, it will be considered whether it is prudent to make an MRP provision on the higher CFR in subsequent years.

5.9 MRP Overpayments – A change introduced by the revised DLUHC MRP Guidance was that the allowance that any changes made over the statutory minimum revenue provision (MRP), voluntary revenue provision (VRP) or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayments made each year. Up until the 31 March 2022 the total VRP overpayments were £35.501m. This is equivalent to the value of HRA self-financing loans that have been repaid since the start of the scheme.

6. BORROWING

6.1 The capital expenditure plans set out in Section 6 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

6.2 **The current portfolio position** - The Council's treasury position as at 31 March 2020 and the position as at 31 December 2021 are shown below for both borrowing and investments.

TREASURY PORTFOLIO				
	Actual	**Actual**	**Actual**	**Actual**
	31/03/2021	**31/03/2021**	**31/12/2021**	**31/12/2021**
Treasury Investments	**£'000**	**%**	**£'000**	**%**
Banks	8,000	20%	8,000	12%
Local Authorities	-	0%	3,000	4%
Money Market Funds	5,249	13%	19,895	29%
Certificate of Deposits	-	0%	8,000	12%
Call Accounts - Bank	8,000	20%	8,000	12%
Call Accounts - Building Society	-	0%	-	0%
Total managed in house	**21,249**	**52%**	**46,895**	**69%**
Multi Asset Funds	9,276	23%	9,800	14%
Property Funds	10,017	25%	11,066	16%
Total managed externally	**19,293**	**48%**	**20,866**	**31%**
Total treasury investments	**40,542**	**100%**	**67,761**	**100%**
Treasury External Borrowing				
PWLB	75,663	93%	75,663	76%
Local Authorities	5,800	7%	24,200	24%
Short Term Loans	14	0%	14	0%
Total external borrowing	**81,477**	**100%**	**99,877**	**100%**
Net treasury investments / (borrowing)	**(40,935)**		**(32,116)**	

6.3 On 1 February 2022 a five-year escalator loan was arranged for £3m. The interest rate payable on the loan increases in steps annually from 0.75% in the first year to 2.50% in the final year but this averages out at 1.598% over the life of the loan. The monies will be received on 31 March 2022 from South Oxfordshire District Council.

6.4 The Council's forward projections for borrowings are summarised in the next table. The following table shows the actual external debt, against the underlying capital borrowing need (the Capital Financing Requirement – CFR), highlighting any under or over borrowing.

Note[4]	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
External Debt at 1 April	89.094	81.477	98.767	161.869	214.559
Expected Change in Debt	(7.617)	17.290	63.102	52.690	(0.618)
Other long-term liabilities OLTL	93.432	96.197	92.916	92.593	92.228
Expected Change in OLTL	(0.235)	(0.281)	(0.322)	(0.365)	(0.407)
Actual gross debt as at 31 March	**174.674**	**194.683**	**254.463**	**306.787**	**305.762**
The Capital Financing Requirement	**205.432**	**225.861**	**290.675**	**338.777**	**335.769**
(Under)/Over Borrowing	**(30.758)**	**(31.178)**	**(36.212)**	**(31.990)**	**(30.007)**

6.5 Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years (shown as net borrowing above). This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

6.6 The Director (Corporate Services) reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

7. TREASURY INDICATORS: LIMITS TO BORROWING ACTIVITY

7.1 **The Operational Boundary -** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational Boundary[5]	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Debt	180.940	246.080	294.550	291.950
Other Long Term Liabilities	97.920	97.590	97.230	96.820
Total	**278.860**	**343.670**	**391.780**	**388.770**

[4] Figures subject to change when the treatment of the St George's Centre transactions has been agreed
[5] Figures subject to change when the treatment of the St George's Centre transactions has been agreed

7.2 **The Authorised Limit for external debt –** This is a key prudential indicator represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this needs to be set or revised by the Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

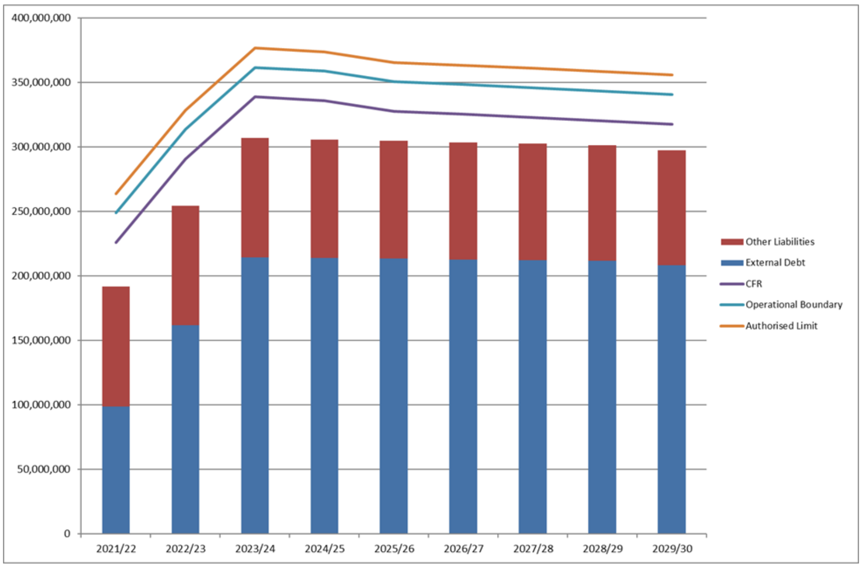
- This is the statutory limit, determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

- The Finance and Audit Committee is asked to recommend to Council the following Authorised Limit:

Authorised limit[6]	**2021/22 Estimate £m**	**2022/23 Estimate £m**	**2023/24 Estimate £m**	**2024/25 Estimate £m**
Debt	190.940	256.080	304.550	301.950
Other Long Term Liabilities	102.920	102.590	102.230	101.820
Total	**293.860**	**358.670**	**406.780**	**403.770**

7.3 The following table and pictorial representation of the Council's Operational and Authorised limits against the Capital Finance Requirement

CAPITAL FINANCING REQUIREMENT										
	Actual 2020/21 £m	Est 2021/22 £m	Est 2022/23 £m	Est 2023/24 £m	Est 2024/25 £m	Est 2025/26 £m	Est 2026/27 £m	Est 2027/28 £m	Est 2028/29 £m	Est 2029/30 £m
CFR - Non HRA	122.34	140.15	199.99	244.98	242.23	239.50	236.89	234.00	231.04	228.00
CFR - HRA	76.79	79.55	84.66	87.91	87.78	82.59	83.05	83.59	84.17	84.75
CFR - Commercial Activity / non-financial instruments	6.30	6.16	6.03	5.89	5.75	5.62	5.48	5.34	5.21	5.07
Total CFR	**205.43**	**225.86**	**290.67**	**338.78**	**335.77**	**327.70**	**325.42**	**322.93**	**320.41**	**317.82**
External Borrowing	81.48	98.77	161.87	214.56	213.94	213.34	212.79	212.28	211.80	208.40
Other Long Term Liabilities	93.20	92.92	92.59	92.23	91.82	91.37	90.87	90.32	89.72	89.07
Total Debt	**174.68**	**191.69**	**254.46**	**306.79**	**305.76**	**304.71**	**303.66**	**302.60**	**301.52**	**297.47**
Authorised Limit	249.45	263.86	328.67	376.78	373.77	365.70	363.42	360.93	358.41	385.82
Operational Boundary	234.45	248.86	313.67	361.78	358.77	350.70	348.42	345.93	343.41	370.82



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[6] Figures subject to change when the treatment of the St George's Centre transactions has been agreed

8. PROSPECTS FOR INTEREST RATES

8.1 Link Asset Services are the Council's current treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 20 December 2021. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 20.12.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

8.2 Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at is meeting on 16 December 2021.

8.3 As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, the quarter 2 of 20222 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and finally, on in quarter 2025 to 1.25%.

8.4 Investment and borrowing rates

- Investment returns are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may seek the MPC fall short of these elevated expectations.

- Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.

- Following the Government's consultation on the future of the PWLB, the standard and certainty margins were reduced but a prohibition was introduced to deny access for yield in its three-year capital programme. The current margins over gilt yields are as follows:

  - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
  - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
  - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
  - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)

- Borrowing for capital expenditure - As Link's long-term forecast for Bank Rate is 2.00%. As some PWLB certainty rates are currently below 2.00%, there remains value in considering long-term borrowing from the PWLB where appropriate. Temporary borrowing rates are likely, however, to remain near bank rate and may also prove attractive as part of a balanced debt portfolio. In additions, there are also some cheap alternative sources of long-term borrowing if an authority is seeking to avoid a "cost of carry" but also wishes to mitigate future re-financing risk.

- While this authority will not be able to avoid borrowing to finance new capital expenditure, to replace maturing debt and the rundown of reserves, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances.

9. THE BORROWING STRATEGY

9.1 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), 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 still an issue that needs to be considered.

9.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Director (Corporate Services), will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing wll be postponed.

- if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.

9.3 Any decisions will be reported to the Finance and Audit Committee as part of the next Treasury update.

10. POLICY ON BORROWING IN ADVANCE OF NEED

10.1 The Council will not borrow more than, or in advance of its need, purely in order to profit from the investments 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 and that the Council can ensure the security of such funds.

10.2 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through mid-year or annual reporting mechanisms.

11. DEBT RESCHEDULING

11.1 Rescheduling of current borrowing in the debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of PWLB rates over gilt yields was reduced by 100 basis points increase in November 2020.

11.2 If rescheduling was done, it will be reported to the Finance and Audit Committee, as part of the next Treasury update.

12. NEW FINANCIAL INSTITUTIONS AS A SOURCE OF BORROWING

12.1 Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a "cost of carry" or to achieve refinancing certainty over the next few years).
- Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time).

13. APPROVED SOURCES OF LONG AND SHORT TERM BORROWING

13.1 In recent years when it has been necessary to take on external borrowing to fund capital expenditure, this has been secured through the PWLB. When borrowing, the Council will need to carefully consider and take the necessary steps to secure the most appropriate source of borrowing. The Council will consider (but not limited to) the following sources for external borrowing.

- PWLB
- Municipal Bonds Agency
- Local authorities
- Banks
- Pension Funds
- Insurance Companies
- UK Infrastructure Bank
- Market (long-term, short-term, LOBO)
- Stock Issue

14. AFFORDABILITY PRUDENTIAL INDICATORS

14.1 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. Finance and Audit Committee are asked to recommend the following indicators to Full Council for approval:

14.2 Ratio of financing costs to net revenue stream - This indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

%	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Non- HRA	(0.08)	0.53	4.20	22.21	37.93
HRA	29.54	26.93	27.89	28.44	28.85
Commercial activities	27.79	26.99	33.72	39.91	66.12
Total	20.09	18.82	21.24	26.71	31.63

14.3 Commercial Activity – The following local indicator identifies the trend in income from commercial properties purchased outside of the borough in relation to net revenue spend.

	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Net Income from Commercial activity £m	0.491	0.506	0.405	0.342	0.206
Net Revenue Spend £m	0.178	0.186	0.180	0.180	0.181
Ratio of income of net revenue spend %	36.14	36.33	45.87	52.62	87.40

14.4 **HRA ratios** – the following indicators identifies the trend of HRA debt in relation to revenue income and HRA debt per dwelling.

	2020/21 Actual £	2021/22 Estimate £	2022/23 Estimate £	2023/24 Estimate £	2024/25 Estimate £
HRA debt £m	78.047	80.805	86.169	86.784	87.137
HRA revenue income £m	28.737	28.790	30.502	31.828	34.645
Ratio of debt to revenue income %	39.56	35.63	35.40	36.67	39.76
Number of HRA dwellings	5,642	5,683	5,707	5,868	5,938
Debt per dwelling £	13,833	13,782	15,099	14,789	14,674

14.5 Maturity Structure of Borrowing - These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Maturity Structure of fixed interest rate borrowing 2022/23		
	Lower	**Upper**
Under 12 months	0%	50%
12 months to 2 years	0%	50%
2 years to 5 years	0%	75%
5 years to 10 years	0%	75%
10 years to 15 years	0%	100%
15 years to 20 years	0%	100%
Over 20 years	0%	100%

Maturity Structure of variable interest rate borrowing 2022/23		
	Lower	***Upper***
Under 12 months	0%	50%
12 months to 2 years	0%	50%
2 years to 5 years	0%	75%
5 years to 10 years	0%	75%
10 years to 15 years	0%	100%
15 years to 20 years	0%	100%
Over 20 years	0%	100%

15. ANNUAL INVESTMENT STRATEGY

15.1 **Investment Policy – Management of Risk -** The Department of Levelling Up, Housing and Communities (DLUHC), formally MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

15.2 The Council's investment policy has regard to the following:-

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

15.3 The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.

15.4 The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:-

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 2 under the categories of 'specified' and 'non-specified' investments.

    - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
    - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being £75m of the total investment portfolio, (see paragraph 17.1).

6. **Lending limits**, (amounts and maturity), for each counterparty is set at £8m and in accordance section 16 and appendix 2.

7. **Transaction limits** for groups, counterparties and money market funds are set at £8m.

8. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 17.1).

9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 17.1).

10. This authority has engaged **external consultants**, (see paragraph 3.1), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in **sterling**.

12. As a result of the change in accounting standards for 2022/23 under IFRS 9, the Council will consider the implications of investment instruments which could result in adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, DLUHC concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 2023).

15.5 However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 16.8). Regular monitoring of investment performance will be carried out during the year.

16. CREDITWORTHINESS POLICY

16.1 This Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries

16.2 This modelling approach combines credit ratings and any assigned Watches and Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration for investments. The Council will therefore use counterparties within the following durational bands.

Colour/ long term rating	Maximum Period of investment
Yellow	5 Years
Purple	2 Years
Orange	1 Year
Blue	1 Year (nationalised or semi nationalised UK Banks)
Red	6 Months
Green	100 days
No Colour	Not to be used

16.3 The Link Asset Services creditworthiness service uses a wider array of information othre than just primary ratings. Furthermore, by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

16.4 Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occassions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

16.5 All credit ratings will be monitored on a daily basis by officers within the Finance Department. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in the Credit Default Swap market against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

16.6 Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on any external support for banks to support its decision making process.

16.7 **Creditworthiness –** Significant levels of downgrades to Sorth and Although the credit rating agencies changed their outlook on materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

17. OTHER LIMITS

17.1 Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, group and sectors.

- **Non-Specified Investment Limit –** The Council has determined that it will limit the maximum total exposure to non-specified investments as being £75m of the total investment portfolio.

- **Country Limits –** As in previous years the Council has determined that it will only use approved counterparties from countries with a minimum sovereign rating of AAA, as determined by at least two of the three rating agencies (Fitch, Moody's or Standard and Poor's). The list of countries that currently qualify using the credit criteria as at the date of this report are shown in Appendix 3. Officers will amend this list during the year should ratings change in accordance with this policy.

- **The UK Sovereignty Rating –** Previously the Treasury Management Strategy Statement recommended that the UK should be an exemption from the above country limits and that officers would continue to place investments with counterparties within the UK provided that the sovereign rating remained above AA-, in consultation with the Section 151 Officer, who (under the Constitution) can take all necessary action in respect of the management of the Council's investments to ensure their security is maintained. This Treasury Management Strategy Statement was then amended in March 2020 to enable placing investments with counterparties within the UK provided the sovereign rating remained above A+, in response to a further downgrade by one of the three main ratings agency at the start of the Covid-19 pandemic.

- Currently the UK is rated AA- by both Fitch and Moody's but rated slightly higher at AA by Standard and Poor's. Should the UK be downgraded further, discussions will be held with the relevant officers at such time and members of the Finance and Audit Committee will be kept informed.

- **Other Limits -** In addition:

  a. no more than £16m will be placed with any non-UK country at any time;

  b. limits in place above will apply to a group of companies;

  c. sector limits will be monitored regularly for appropriateness.

18. INVESTMENT STRATEGY

18.1 **In-house Funds -** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.

- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

18.2 **Investment returns expectations** – The current forecast showing in paragraph 8.1, includes a forecast for a first increase in Bank Rate in May 2022, though it could come in February.

18.3 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year, (based on a first increase in Bank Rate in Quarter 2 of 2022, are as follows:

Average earnings in each year	
2022/23	0.50%
2023/24	0.75%
2024/25	1.00%
2025/26	1.25%
Later years	2.00%

18.1 For its cash flow generated balances, the Council will seek to utilise its instant access and notice accounts, money market funds and short dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

18.2 **Investment treasury indicator and limit** – total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, as are based on the availability of funds after each year end.

Maximum principal sums invested > 365 days			
	2022/23 **£m**	**2023/24** **£m**	**2024/25** **£m**
Principal sums invested > 365 days	20.000	20.000	20.000

18.3 Whilst the Council has placed £10m with three Property Funds and a further £10m with three Multi Asset Funds with a view to holding the funds for a longer term, due to the funds liquidity they are not taken into account for the purposes of the above indicator. The indicator applies to funds invested for a fixed period only.

18.4 **Investment Risk Benchmark -** The Council will use an investment benchmark to assess the investment portfolio of 3 month LIBID.

19. END OF YEAR INVESTMENT REPORT

19.1 At the end of the financial year, the Council will report on its investments activity as part of its Annual Treasury Report.

20. SERVICE INVESTMENTS

20.1 The Investment Strategy recognises that the Council may, from time to time, make investment decisions are part of its policy decision making process or to help it fulfil its strategic objectives. Such decisions will be subject to due diligence checks but will be classified as a service investment, rather than a treasury managment investment, and will therefore fall outside of the specified/non specified investment categories.

20.2 At the time of preparing this report the Council had interests in two such service investments:

- Municipal Bonds Agency (MBA) - In January 2015, a report to Cabinet outlined proposals by the Local Government Association (LGA) to set up the MBA with the aim that the Agency would be able to provide council's with the opportunity to raise funds at significantly lower rates than those offered by the Public Works Loan Board (PWLB). The Council, along with many other local authorities become a member of the MBA and therefore £20,000 was paid in February 2015 towards the Agency's estimated start-up costs of £1m. It is anticipated that there will, at some point, be a financial return (to be remunerated at commercial rates) for these capital subscriptions to the Agency's establishment costs. There were significant difficulties with the original proposed offer, but work progressed following the engagement of PFM and in March 2020 issued its first bond.

Gravesham will consider the use of the MBA as and when it is deemed appropriate.

- Commercial acquisitions – In previous Treasury Management Strategy Statements, updates on commercial properties were reported under the Service Investments section of the report. Due to the revised reporting reqiuirements from DLUHC, the impact of such investments are incorporated throughout this report and the Capital Strategy provides a longer term focus of such investments.

21. SCHEME OF DELEGATION

21.1 The Treasury Management Scheme for Delegation is outlined in Appendix 4.

22. ROLE OF THE SECTION 151 OFFICER

22.1 The council's Section 151 Officer is the Director (Corporate Services) and their role is outlined in Appendix 5.

23. RISK

23.1 Given the nature, size and volume of the transactions involved, Treasury Management continues to remain a high risk area and as such is reflected in the corporate risk register. A summary of the perceived risks associated with Treasury Management is identified below.

Risk Area Identified	Potential Impact of Risk	Mitigation
Interest rates	Interest rate forecasts vary from the assumptions made in the financial forecasts resulting in a shortfall in investment interest.	Professional and specialist advice taken on interest rate forecast. Cash flow modelled against anticipated financial forecast. Treasury Management Strategy and Policies.
Cash flow	Unexpected adverse movements of significant sums of money may vary from the cash flow estimated and therefore result in a reduction in investment interest.	Cash flow modelled against anticipated financial forecast.
Sums lost in imprudent investment	Loss of sums invested in institution that is unable to pay its creditors.	Invest in institutions in accordance with Link Treasury Services creditworthiness service and in conjunction with Finance Teams assessment of the various counterparties.
Downgrading of banks and building societies	Loss of sums invested	Invest with the Government's Deposit Management Account Facility if necessary.
Legal and regulatory risk	The council fails to act in accordance with its legal powers	Comprehensive documentation of the organisations legal powers.

Sums lost through fraud, error and corruption	Financial Loss	Proper system of internal controls.
Refinancing borrowing on appropriate terms and conditions.	Higher borrowing costs	Reliable forecasts of maturing loans and capital expenditure to enable the council to negotiate appropriate terms.

24. SECTION 17 OF THE CRIME & DISORDER ACT 1998

24.1 Section 17 of the Crime & Disorder Act 1998 has been taken in account when preparing the Treasury Management Strategy and the Annual Investment Strategy.

25. BACKGROUND PAPERS

25.1 CIPFA Treasury Management in the public services - Guidance Notes for Local Authorities 2011.

25.2 Templates and forecasts provided by Link Asset Services.

APPENDIX 1

Link Asset Services – Economic Background As At 11/01/22

- The Bank of England Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases to finish in December 2021 at a total of £895bn.

- The November CPI inflation figure spiked from 4.2% to 5.1%, confirming inflationary pressures have been building sharply. However, the Omicron variant caused a sharp fall in world oil and other commodity prices. Prices of goods continue to be forced up by supply shortages and shortages of shipping containers due to ports being clogged have caused a huge increase in shipping costs. But these issues are likely to be cleared during 2022 and then prices will subside back to more normal levels. Gas and electricity prices will also fall back once winter is passed and demand for these falls away.

- Although it is possible that the Government could step in with some fiscal support for the economy, the huge cost of such support to date is likely to pose a barrier to incurring further major economy wide expenditure unless it is very limited and targeted on narrow sectors like hospitality, (as announced just before Christmas). The Government may well, therefore, effectively leave it to the MPC, and to the monetary policy to support economic growth.

- The MPC's forward guidance on its intended monetary policy on rising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -

    - Raising Bank Rate as "the active instrument in most circumstances"

    - Raising Bank Rate to 0.50% before starting and reducing its holdings

    - Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts

    - Once Bank Rate had risen to at least 1%, it would start selling its holdings.

Appendix 2

Specified and Non Specified Investments

Investments that councils can make are of two types and these are identified in the subsequent paragraphs and table.

Specified Investments offer high security and high liquidity, must be in sterling and have a maturity of no more than a year. Such investments made with the UK government, UK local authorities and town/parish councils automatically count as specified investments.

Non Specified Investments are those investments not meeting the definition of specified investments, which are therefore of greater potential risk. Any investments with a maturity exceeding one year are automatically classed as non specified investments. The criteria for selecting counterparties for longer term investments is the same as that for short term investments i.e. Link Asset Services Durational Colour bands.

All specified and non-specified Investments will be

- Subject to the sovereign, group and counterparty exposure limits identified in the Annual Investment Strategy
- Subject to the duration limit recommended by Link Assets Services Treasury Solutions at the time each investment is placed
- Subject to a maximum of £75m of cored funds, in aggregate, being held in non-specified investments at any one time (£25m in property funds, £25m in Multi Asset Funds and £25m in other non-specified investments).

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to maximum of 1 year**

	Minimum Credit Criteria	**Maximum maturity period**
Debt Management Agency Deposit Facility	N/A	6 months
UK Government Gilts	UK sovereign rating	12 months
UK Government Treasury Bills	UK sovereign rating	12 months
Bonds issued by multilateral development banks	AAA	6 months
Money Market Funds (including Money Market Funds with notice periods)	AAA	Liquid
VNAV Ultra Short Duration Bond Funds with a credit score of 1.25	AA	Liquid
VNAV Ultra Short Duration Bond Funds with a credit score of 1.5	AA	Liquid
UK Local authorities and other public authorities ie Police and Fire authorities	N/A	12 months
Term deposits with housing associations	Blue Orange Red	12 months 12 months 6 months

	Green No Colour	100 days Not for use
Term deposits with banks and building societies	Link's "Green" rating	As per Link's rating
Term deposits with part nationalised banks	Link's "Blue" rating	As per Link's rating
Certificates of deposit (CD's) or Corporate bonds with banks and building societies	Link's "Green" rating	As per Link's rating
Certificates of deposit (CD's) with part nationalised banks	Link's "Green" rating	As per Link's rating
Gilt Funds	UK sovereign rating	
Sovereign bond issues (other than the UK govt)	AAA	

NON-SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities in excess of 1 year**

	Minimum Credit Criteria	**Max. maturity period**
Fixed term deposits with variable rate and variable maturities: -Structured deposits with UK nationalised and part nationalised banks	UK Sovereign rating	2 years
Fixed term deposits with variable rate and variable maturities: -Structured deposits with banks and building societies	UK Sovereign rating	2 years
Term deposits with unrated counterparties : ie Local Authorities, Police Authorities, Fire Authorities, Housing Associations	UK Sovereign rating	50 years
Term deposits with UK nationalised and part nationalised banks excluding Ulster Bank (part of RBS)	Link's "Purple" rating	2 years
Term deposits with banks and building societies	Link's "Purple" rating	2 years
Certificates of deposits with UK nationalised and part nationalised banks excluding Ulster bank (part of RBS)	Link's "Purple" rating	2 years
Certificates of deposits with banks and building societies	Link's "Purple" rating	2 years
Commercial paper issuance with UK nationalised and part nationalised banks excluding Ulster Bank (part of RBS)	UK sovereign rating	2 years

Commercial paper issuance bank and building societies	Link's "Purple" rating	2 years
Bonds issued by multilateral development banks	AAA	5 years
Sovereign bond issues (other that the UK Government)	AAA	5 years
UK Government Gilts	UK Sovereign rating	Max of 25% 5 years
Property Funds	N/A	No Limit
Multi Asset Funds	N/A	No Limit

ACCOUNTING TREATMENT OF INVESTMENTS - The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

APPENDIX 3

Approved countries for investments (Position as at 21/01/2022)

All counterparties in addition to meeting the minimum credit criteria specified in the Annual Investment Strategy must be regulated by a AAA sovereign rated as such by at least two of the three rating agencies (Fitch, Moody's and Standard and Poor's) with the exception of the UK.

The list will be reviewed and amended if appropriate on a daily basis by the Director of Corporate Services.

As of 21 January 2022 sovereigns meeting the above requirement were:

- Australia
- Canada
- Denmark
- Germany
- Netherlands
- Singapore
- Sweden
- Switzerland
- U.K. (currently rated AA by Standard and Poor's, AA- by Fitch and Aa3 by Moody's)
- USA (currently rated AAA by Fitch and Moody's, AA+ Standard and Poor's)

APPENDIX 4

Treasury Management Scheme for Treasury Delegation

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy.

(ii) Finance & Audit Committee

- To receive and scrutinise the council's Treasury Management Strategy and the prudential indicators prior to the start of the financial year and make recommendations thereon to the Full Council
- To receive and scrutinise the Treasury Management Annual Report and comment on any actions that may have taken during the course of the year.
- To monitor the overall state of the council's finances on at least a quarterly basis and advise on any actions it recommends.
- To consider the division of responsibilities in respect of the Treasury Management function.
- To consider the selection of external service providers and agreeing terms of appointment.

APPENDIX 5

The treasury management role of the section 151 officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above

APPENDIX 6

GLOSSARY

Authorised Limit	This represents a level of borrowing which, though not desired, could be afforded but may not be sustainable.
Asset Life (Equal Instalment Method)	Where MRP is an equal annual charge every year and is calculated by dividing the original amount of borrowing by the useful life of that asset.
Capital Financing Requirement	A measurement of the council's underlying need to borrow for a capital purpose.
Certificate of Deposit	An investment product offered by banks and other financial institutions which is issued for a specific period of time and at a certain interest rate but which can be traded on the secondary market, providing a greater level of flexibility.
CIPFA Treasury Management Code Of Practice	The professional code governing treasury management, which the council has formally adopted.
Debt Management Agency Deposit Facility	This deposit facility allows short-term or long term deposits to be lodged with the government. This offers the highest security for a Principal sum on short-term placements.
Money Market Funds	A money market fund is a "pool" of different types of investments, managed by a fund manager. The pool of investments will typically include bank deposits, certificates of deposit (CDs) amongst other investments. A number of organisations will invest in a particular fund. The interest rate yield on an MMF deposit is not known at the time of the deal. In return for this uncertainty, money can be accessed whenever necessary.
Minimum Revenue Provision (MRP)	The minimum amount which a council must charge to its revenue budget each year.
Multi-Asset Fund	An investment product with a higher level of diversification (in areas such as equities, bonds, property,.etc) and which therefore offers a certain level of protection in times when markets are volatile.

Municipal Bond Agency	An agency established by the Local Government Association intended to offer councils an alternative and less costly option for borrowing of long-term funds than the PWLB through the introduction of competition and diversity to the marketplace.
Net Revenue Stream (NRS)	The NRS for the general fund is the “amount to be met from government grant and local taxpayers”, as shown in the consolidated revenue account. This represents the budget requirement for the council. The NRS for the housing revenue account is the amount to be met from housing subsidy and rent income as shown in the HRA accounts.
Operational Boundary	This indicator is based on the probable external debt during the course of the year; it is not a limit. Actual external debt could vary around this boundary for short times during the year. It should act as a monitoring indicator to ensure that authorised limit is not breached.
Prudential Indicators	These demonstrate a council’s ability to meet the key principles of the Prudential Code by reflecting the level to which its capital programme is affordable, prudent and sustainable and they help to explain this effectively to those charged with governance.
Public Works Loan Board (PWLB)	Part of the government’s debt management office, making long-term funds available to local authorities on prescribed terms and conditions. The PWLB is normally the cheapest source of long-term borrowing for a local authority.