

Appendix 1 – Summary of the main amendments between 2021-22 and 2022-23

This appendix reports significant changes to the strategy only

Item	Page	Comment
The overall structure has been reviewed to create greater clarity between the Treasury and Investment aspects of the document	N/A	<p>Since the 2017 updates to the Code and DHULC Guidance greater detail has been required within the Council's investment strategy covering service and commercial investments. This detail has made the treasury strategy more opaque and difficult to apply throughout the year.</p> <p>As the Code still requires the treasury management strategy to cover all of the Council's financial investments, even those which are not treasury management investments, officers have restructured the document to aid clarity. There is now greater separation between Treasury and non-Treasury investments.</p>
Liability benchmark	5	<p>Table 2 is updated to calculate the Council's Liability Benchmark rather than a simple balance sheet forecast. This is a new indicator and one that is likely to remain in the final 2021 Code provisions.</p> <p>The Liability Benchmark is effectively the Net Borrowing Requirement of a local authority plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of investable resources available on the balance sheet (reserves, cash flow balances) from the amount of outstanding external debt and then adding the minimum level of investments required to manage day-to-day cash flow.</p> <p>A negative liability benchmark indicates the Council will have resources to invest and expects to remain debt free.</p>
Proportionality	To 26	Moved to the Investments strategy section to better align with Code and regulatory requirements.
Counterparty limits	8	Increased the ceiling for investments in external pooled funds (excluding the CCLA) from £30m to £50m based on the Liability benchmark analysis in table 2 to the main

		<p>strategy.</p> <p>Increased the CCLA-LAPF limit to £15m to provide headroom to maintain a balanced allocation of assets between sectors should the Council choose to seek further investments in external pooled funds</p> <p>Table 4 and 9 limits also increased by £20m to accommodate the above two changes.</p> <p>Increased from £5m default to £6m based on reserve and investment projections for 2022-23</p> <p>Added the following text:</p> <p>“For external pooled funds, the limit applied will be that in force on the date of the investment. Should counterparty limits fall after this date, a balanced view will be taken by the s.151 officer as to if and when the investment above the new limit will be redeemed.”</p>
Borrowing Sources	14	Added paragraph confirming that PWLB loans are no longer available for ‘primarily for yield’ activities.
Treasury management indicators	16	<p>Separated Treasury and non-Treasury indicators to aid reporting.</p> <p>Changes to indicators proposed:</p> <ul style="list-style-type: none"> • Delete time-weighted average credit score – this is duplicated by the portfolio average credit score indicator • Portfolio average credit score – changed to ‘minimum A rating (slightly above minimum acceptable credit score of A-). • Fair value: Clarified calculation and indicator to link to overall resources available to reduce risk
Reporting	20	Proposed monthly reporting frequency of investments to that Leader of the Council, the Cabinet Member for Corporate Services and the members of the Corporate Governance & Audit Committee.

		The present weekly reporting appears to provide little value over monthly reporting.
Commercial Investments: Property	22	Section rewritten to draw in greater risk mitigation and assessment steps from the Council's investment opportunities protocol.
	23	<p>Added table to provide the current fair value (security) position for each of the Council's investment properties to inform the expanded section on Security for commercial Investments. Due to commercial sensitivity, references are restricted to the Council's asset register reference rather than the name of the property.</p> <p>Both these updates have been made given the increasing focus on this area by both the DLUHC and in the CIPFA Codes and Guidance.</p>
Service Investments: Loans	25	Expanded section to provide most detail on potential risks and the various service loans made.
Loan Commitments and Guarantees	26	Added new section – text previously included but now made explicit.
Proportionality	26	<p>Moved from Treasury section.</p> <p>Indicators updated to provide forecasts for current year and next three. Further work will be needed during 2022-23 to define how longer term projections can be made if they are required by the CIPFA Code.</p>
Non-specified investment limits	27	Added confirmation that the limits in table 15 do not apply to treasury Investments, including external investments in pooled funds.
Investment indicators	28	<p>New section. Previous Investment indicators separated from treasury indicators to aid future monitoring and reporting.</p> <p>The new indicators are:</p> <ol style="list-style-type: none"> 1. Total investment exposure £m 2. Rate of return – all types of Investments

		<p>Paragraph added explaining that the Council may not be able to comply with any requirements to forecast the fair values of investments if such is required by the CIPFA Code.</p> <p>The following indicators have been removed from the voluntary indicators as they are now measured as part of the wider suite of indicators recommended by the Code and DLUHC Regulations</p> <ul style="list-style-type: none"> • Commercial income to net service expenditure (NSE) • Net operating surplus • Market Value of commercial properties
Reporting	30	For service investments, reporting arrangements will comply with the Council's Constitution on a case by case basis as determined by the relevant Service Director.
Capital Strategy		
Strategic Aims & Objectives	2	Holding statement included – it is not possible to update this section for the proposed refresh of council priorities due to differences in timing between the reports.
Impact of COVID 19	3	Refreshed based on report to Overview and Scrutiny June 2021
Supporting Carbon Reduction	4	Now linked to climate change page on CDC website to ensure the latest position is reflected