Agenda Item: 16

Meeting of:	**Cabinet**
Date of Meeting:	**Thursday, 07 September 2023**
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Quarter 1 Treasury Management Monitoring 2023/24
Purpose of Report:	To present to Cabinet the Quarter 1 Treasury Management 2023/24 Monitoring Report
Report Owner:	Executive Leader and Cabinet Member for Performance and Resources
Responsible Officer:	Matt Bowmer, Head of Finance / Section 151 Officer
Elected Member and Officer Consultation:	Matt Bowmer, Head of Finance / Section 151 Officer
Policy Framework:	This is a matter for Executive decision by Cabinet and for referral to Full Council for approval

Executive Summary:

- This report sets out the Treasury Management position against a number of key Treasury and Prudential Indicators as at 30th June, 2023.
- The Prudential Indicators have been updated to reflect the Non Treasury Investment Strategy as a pipeline scheme requiring up to £10M of external borrowing across the period.
- There have been no other significant changes to the Treasury and Prudential Indicators included on this report, change in 2023/24 will be contingent on change to the programme of delivery of the Capital Programme most significantly schemes in the Housing Revenue Account Business Plan or Sustainable Communities for Learning. A significant factor will also be interest rate projections.
- The Council's debt portfolio as at 30th June, 2023 was as follows and reflects the repayment of £2.734m borrowing in the period:

Debt Portfolio	**Principal**
	£M
Public Works Loan Board (PWLB)	139.241
WG Loans	1.050
Salix Loans	1.358
Market Loans	4.000

Temporary Loan	0.100
Total Debt	**145.749**

- The Council held investments of £83.320M on 30th June, 2023.
- The Council's investment portfolio as of 30th June, 2023 was as follows additional income is projected in 2023/24 from investment income and this is being utilised to offset some additional pressures in the 2023/24 revenue monitoring:

Investment Portfolio	**Principal**
	£M
Debt Management Account Deposit Facility / Local Authorities	59.300
Money Market Fund	9.750
Treasury Bills	14.250
Lloyds Instant Access	0.010
Lloyds Monthly Bonus	0.010
Santander Corporate Notice Accounts	0.000
Total Investments	**83.320**

Recommendations

1. That Cabinet note the Quarter 1 Monitoring report for Treasury Management 2023/24.

2. That the Quarter 1 Monitoring report for Treasury Management 2023/24 be referred to Governance and Audit Committee.

Reasons for Recommendations

1. To inform Committee of the monitoring position for Treasury Management as at 30th June, 2023.
2. To inform Governance and Audit Committee of the position in respect of Treasury Management.

1. Background

1.1 This quarterly Treasury Management Monitoring Report covers the latest position in respect of Prudential and Treasury Indicators for Quarter 1 for the period 1st April, 2023 to 30th June, 2023.

1.2 CIPFA published revised codes of Practice on 20th December, 2021 and has stated that formal adoption is required for financial year 2023/24. The Council must have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and any other related reports during the financial year.

1.3 For the purposes of this report the revised Treasury Management Code requires an authority to prepare quarterly reporting to members of the Treasury and Prudential Indicators. The Head of Finance/Section 151 Officer is required to establish procedures to monitor and report performance against all forward looking prudential indicators at least quarterly. The Head of Finance is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the authority's integrated revenue, capital, and balance sheet monitoring. The other requirements of the changes to the Code are detailed in the Legal section of this report.

1.4 Table One is a summary of the reporting requirements for Prudential and Treasury Indicators, as per the 2021 CIPFA Prudential Code for Capital Finance in Local Authorities and 2021 CIPFA Treasury Management in the Public Services Code of Practice and Cross-sectoral Guidance Notes.

1.5 The indicators are required to help Members understand and evaluate the prudence and affordability of the Authority's capital expenditure plans and the borrowing and investment activities undertaken in support of this.

Table One – Reporting Requirements

Prudential Indicators
Estimates of capital expenditure
Actual capital expenditure
Estimates of CFR
Actual CFR
Authorised limit for external debt
Operational boundary for external debt
Actual external debt
Gross debt and the CFR
Estimates of financing costs to net revenue stream
Actual financing costs to net revenue stream

Treasury Indicators
Liability Benchmark
Maturity Structure of borrowing
Limits for long-term treasury management investment

1.6 The Council's annual Treasury Management & Investment Strategy for 2023/24 was written in February 2023 and reported to Council on 6th March, 2023.

1.7 With the UK economy experiencing a rising interest rate environment investment returns have increased throughout the first quarter of the financial year, generating additional income in the revenue budget. A full breakdown of these investments is detailed later in this report.

1.8 Funds available for investment continued to be placed with the Debt Management Office (DMO), other Local Authorities, Money Market Funds (MMFS,) Lloyds Instant Access Accounts and Treasury Bills.

1.9 The Section 151 Officer continued to adopt a cautious approach with respect to treasury management investment operations. The Council's primary objectives for the management of its investments are to give priority to the security and liquidity of its funds before seeking the best rate of return.

1.10 Throughout the first quarter of the financial year and in accordance with our Treasury Management Strategy, investment balances have continued to be kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost due to the differential between borrowing and investment rates. External borrowing may be required during the financial year but projected expenditure, reserve balances and forward interest rate projections will need to be considered prior to any borrowing being undertaken.

1.11 The Council's primary objective for the management of its debt is to ensure its long term affordability. Most of its loans have therefore been borrowed from the Public Works Loan Board at long term fixed rates of interest. Borrowing long term with fixed interest rates also provides certainty to the budget setting process.

1.12 The Section 151 Officer advises that all treasury management activity undertaken during the period to 30th June, 2023 has complied with the approved strategy, the CIPFA Code of Practice, and the relevant legislative provisions.

2. Key Issues for Consideration

Prudential Indicators

Capital Expenditure

2.1 The purpose of this indicator is to provide a summary of the Council's capital expenditure. It reflects the capital programme previously agreed at Full Council and the capital programmes proposed for the forthcoming financial periods. A supplementary table is included detailing the resources to be applied to finance the capital spend and so highlight any net financing need over the reporting period.

- The Council is required to make reasonable estimates of the total capital expenditure that it plans to incur in the forthcoming financial year and the following three financial years.
- After the year end the actual capital expenditure incurred during the financial year will be recorded.

Table One - Capital Expenditure

	2022/23 Actual £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
Non-HRA	58,422	72,334	50,434	49,822	25,691
HRA	22,369	53,711	40,755	35,257	23,746
Total Capital Expenditure	**80,791**	**126,045**	**91,189**	**85,079**	**49,437**

Table Two – Net Financing Need

Capital Expenditure	2022/23 Actual £'000	2023/2024 Estimate £'000	2024/2025 Estimate £'000	2025/2026 Estimate £'000	2026/2027 Estimate £'000
Total Capital Expenditure	**80,791**	**126,045**	**91,189**	**85,079**	**49,437**

Financed by:					
Capital receipts	-4,554	-7,439	-368	-1,258	-155
GF Revenue/Reserve	-14,542	-20,884	-1,940	-1,399	-1,398
HRA Revenue/ Reserve	-8,742	-22,128	-7,107	-6,718	-6,805
Grants and other contributions	-43,463	-41,654	-40,207	-35,965	-20,914
S106	-6,039	-8,839	-763	-600	-2,350
Finance lease and PFI liabilities	0	0	0	0	0
Total financing	**-77,340**	**-100,944**	**-50,385**	**-45,490**	**-31,622**
Net financing need for year	**3,451**	**25,101**	**40,804**	**39,139**	**17,815**

Capital Financing Requirement

2.2 The Capital Financing Requirement ("CFR") shows the difference between the Authority's capital expenditure and the revenue or capital resources set aside to finance that spend. The CFR will increase where capital expenditure takes place and will reduce as the Authority makes Minimum Revenue Provision ("MRP").

- The Council will make responsible estimates for the total Capital Financing Requirement (CFR) at the end of the forthcoming financial year and the following three years.
- After year end the actual Capital Financing Requirement (CFR) will be calculated directly from the Council's balance sheet.

Table Three – Capital Financing Requirement

	2022/23 Actual £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
Non-HRA	119,161	121,664	130,504	141,911	143,169
HRA	76,462	93,294	118,648	139,309	147,896
Total CFR	**195,623**	**214,958**	**249,152**	**281,220**	**291,065**
Net financing need for the year	3,452	25,101	40,536	39,139	17,816
MRP/ LFR & VRP	-5,503	-5,766	-6,342	-7,071	-7,971
Movement in CFR	**-2,051**	**19,335**	**34,194**	**32,068**	**9,845**

Table 4 – Non HRA Capital Financing Requirement

-	2022/23 Actual £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
Opening CFR	119,594	119,161	121,664	130,504	141,911
Net Financing need for the year	3,452	6,648	13,214	15,960	6,244
MRP/ LFR & VRP*	-3,885	-4,145	-4,374	-4,553	-4,986

Closing CFR	**119,161**	**121,664**	**130,504**	**141,911**	**143,169**

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Table Five – HRA Capital Financing Requirement

-	2022/23 Actual £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
Opening CFR	78,080	76,462	93,294	118,648	139,309
Net Financing need for the year	0	18,453	27,322	23,179	11,572
MRP/ LFR & VRP	-1,618	-1,621	-1,968	-2,518	-2,985
Adjusted closing CFR	**76,462**	**93,294**	**118,648**	**139,309**	**147,896**

(*MRP – Minimum Revenue Provision, VRP – Voluntary Revenue Provision, LFR - Loans Fund Repayment)

Authorised Limit

2.3 This indicator represents a control on the maximum level of external debt the Council can incur. The Authorised Limit is a statutory limit determined under Section 3(1) of the Local Government Act 2003 for English and Welsh authorities. The Authority has no legal power to borrow more than the limits set. Revision of this Indicator would need to be approved by Full Council in advance of any external debt taken on in excess of the limit then in force.

2.4 The Authorised Limit reflects a level of external debt that, whilst not desired, could be afforded by the Authority in the short-term, but which is not sustainable in the longer-term.

2.5 The Authority should ensure that 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 the current and the next three financial years.

2.6 If the level of gross borrowing is below the Authority's capital borrowing need (the CFR) it demonstrates compliance with the requirement of this Indicator.

- The Council will set for the forthcoming financial year and the following two financial years an Authorised limit for its total gross external debt, separately identifying borrowing from other long term liabilities.

Table Six – Authorised Limit

	2022/23 Actual £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
Borrowing	225,439	246,435	279,169	311,125	324,788
Other long term liabilities	0	0	0	0	0

Total Authorised Limit	**225,439**	**246,435**	**279,169**	**311,125**	324,788

Operational Boundary and Actual Debt Indicators

2.7 The Operational Boundary is the limit beyond which external debt is not normally expected to exceed. Unlike the Authorised Limit, the Operational Boundary is not an absolute limit, but it reflects the Authority's expectations of the level at which external debt would not ordinarily be expected to exceed.

- The Council will also set for the forthcoming financial year and the following two financial years an Operational boundary for its total gross external debt, separately identifying borrowing from other long-term liabilities.

Table Seven – Operational Boundary

	2022/23 Actual £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
Borrowing	212,292	234,061	266,232	297,191	310,937
Other long term liabilities	0	0	0	0	0
Total Operational Boundary	212,292	234,061	266,232	297,191	310,937

External debt

2.8 The Council must disclose the closing balance for actual gross borrowing in respect of the financial period just ended. This will clarify to Members the Authority's overall level of external debt and allow comparison to the Authority's actual borrowing need as provided by the Gross debt and the CFR Indicator.

Table Eight – Total External Debt

Actual External Debt as at 31 March 2023	Actual £'000
Borrowing	148,483
Other long term liabilities	0
Total External Debt	148,483

Table 9

Actual External Debt as at 30th June 2023	Actual £'000
Borrowing	145,749
Other long term liabilities	0
Total External Debt	145,749

Gross Debt and the Capital Financing Requirement

2.9 An authority should only borrow to support a capital purpose, and borrowing should not be undertaken for revenue or speculative purposes.

- To ensure that over the medium-term debt will only be for a capital purpose the Council should ensure that debt does not, expect in the short term, exceed the total Capital Financing Requirement in the preceding year plus the estimates of any additional Capital Financing Requirement for the current and next two financial years.

Table Ten – Gross Debt and CFR

	2022/23 Actual £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
CFR	195,623	214,958	249,152	281,220	291,065
Gross borrowing	148,483	175,513	216,590	250,874	261,354
Under/(over) borrowing	**47,140**	**39,445**	**32,562**	**30,346**	**29,711**

Table Eleven – Gross Borrowing at Year End

	2022/23 Actual £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
Loans at start of year	153,347	148,483	175,513	216,590	250,874
Lease/PFI liabilities at start of year	0	0	0	0	0
Total gross borrowing at start of year	**153,347**	**148,483**	**175,513**	**216,590**	**250,874**
New borrowing for capital spends	0	25,101	40,536	39,138	17,816
New borrowing for maturing debt	3,000	12,000	8,000	2,000	2,000
New lease/PFI liabilities	0	0	0	0	0
Loan repayments	-7,864	- 10,071	-7,459	-6,854	-9,336
Lease & PFI repayments	0	0	0	0	0
Loans at end of year	**148,483**	**175,513**	**216,590**	**250,874**	**261,354**
Lease/PFI liabilities at end of year	0	0	0	0	0
Total gross borrowing at end of year	**148,483**	**175,513**	**216,590**	**250,874**	**261,354**

Ratio of Financing Costs to Net Revenue Stream

2.10 This Indicator shows the trend in the cost of capital borrowing and other long-term obligation costs against the net revenue stream i.e., Council Tax and Social Housing rent income.

2.11 The higher the ratio, the higher the proportion of resources tied up just to service net capital costs and which represent a potential affordability risk.

- The Council will estimate for the forthcoming year and the following two financial years the proportion of financing costs to net revenue stream.
- After the year end, the proportion of financing costs to net revenue stream will be calculated directly from the Council's income and expenditure statement.

Table Twelve - Ratio of Financing Costs to Net Revenue Stream

	2022/23 Actual %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %
Non-HRA	2.57%	2.37%	2.45%	2.78%	2.93%
HRA	19.99%	21.31%	24.72%	29.56%	32.70%

Treasury Indicators

Liability Benchmark

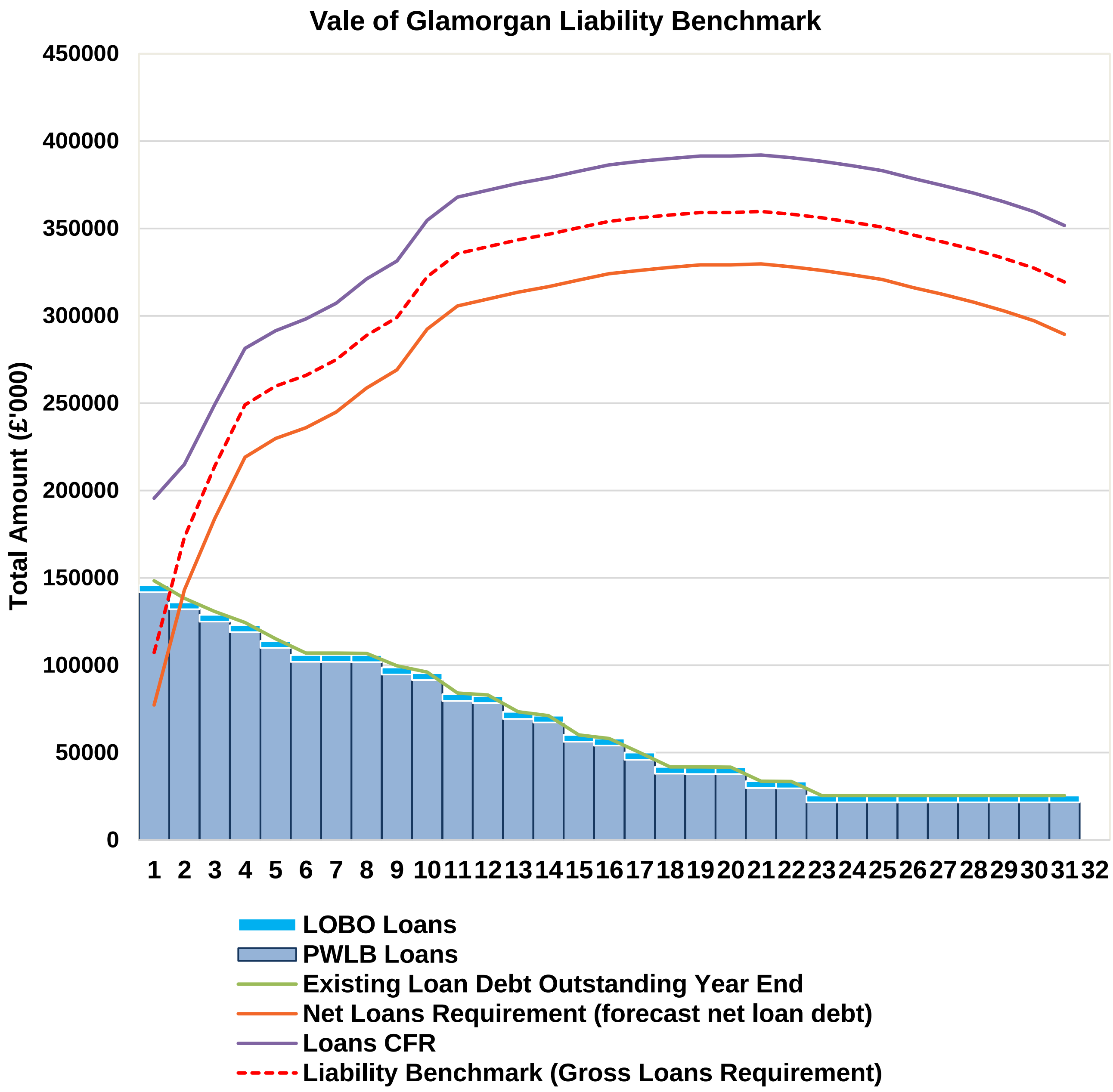
2.12 The Council is required to provide a comparison of the existing loan portfolio against the committed borrowing needs. This is to provide evidence that it has a strong grasp of both its existing debt maturity profile and how MRP and other cash flows affect the future debt requirement.

2.13 This indicator should cover as a minimum the forthcoming financial year and the following two years. However, CIPFA strongly recommend that it is produced for at least ten years and should ideally cover the full debt maturity profile.

2.14 The presentation should be in the form of a chart covering the following four areas:

- Existing Loan Debt (current external debt borrowing portfolio split by type of loan and presented as a stacked bar chart).
- Loans CFR (excluding any part of the CFR relating to other long-term liabilities.
- Net loans requirement (loan debt less Treasury Management Investments at the last financial year end and projected into the future based on approved prudential borrowing, planned MRP and any other major cash flow forecast)
- Liability Benchmark (net loans requirement plus short-term liquidity allowance).

Chart One – Liability Benchmark



2.15 Chart One above illustrates the 30 year projection of the Authority's Liability Benchmark. For the first year Councils external debt (the shaded area) exceeds the liability benchmark (the dotted line). This shows the Council in an overborrowed position and not making maximum use of its reserves and balances. This can be explained as follows:

- The Council has reserves that are ringfenced and cannot be used to fund capital expenditure.
- Some Council reserves need to be cash backed e.g., Housing Revenue Account (HRA)

- Higher than forecast reserve balances as the use of reserves in recent years was less than projected due to the slippage of the capital programme.
- The Council took PWLB funding in the last two years at favourable rates to mitigate interest rate risk with the Council's borrowing need.

2.16 From year two onwards the chart shows that external borrowing falls below the Council's Capital Financing Requirement. For as long as usable reserve balances are available the Council will maintain an under borrowed position, i.e., the capital borrowing need of the Council will not being fully funded with external loan debt as cash supporting the Council's reserves, balances and cash flow will be used as an interim measure to finance the Council's borrowing requirement. This is considered prudent as interest rates are predicted to fall over the short term. Council reserve balances are projected to reduce over the period under review and the Council will need to borrow externally to finance the capital programme it has committed to throughout the 30 year period.

2.17 The Council currently holds significant investments, but these are expected to reduce as reserves are spent. The Council will maintain a £30M investment buffer as part of the treasury management liquidity benchmark, the value of this buffer will need to be kept under review in the context of the current inflationary factors.

Borrowing and Investment

Maturity Structure of Borrowing

2.18 The Council is required to set gross limits on maturities for the periods shown and covers both fixed and variable rate borrowings. The reason being to try and control the Council's exposure to large sums falling due for refinancing.

2.19 The Council will set for the forthcoming year both upper and lower limits with respect to the maturity structure of external borrowing. The periods to which these limits will apply are as follows:

- Under 12 months
- 12 Months and within 24 months
- 24 months and within 5 years
- 5years and within 10 years
- 10 years and above

2.20 As of 30th June, 2023 the maturity breakdown of the Council's borrowing is set out in Table Thirteen.

Table Thirteen – Maturity Structure of Borrowing

	Actual	Lower Limit	Upper Limit
	%	%	%
Under 12 months	5.04	0	10
12 months and within 24 months	5.47	0	10
24 months and within 5 years	16.39	0	20
5 years and within 10 years	15.41	0	20
10 years and above	57.69	0	100

Limits for Long Term Treasury Management Investments

2.21 This Indicator is seeking to support control of liquidity risk. The limits should be set with regard to the Authority's liquidity needs and also reduce the potential need to have to make early exit from an investment in order to recover funds.

2.22 The indicator relates solely to the Authority's investments for treasury management purposes.

- Where a Council invests, or plans to invest, for periods longer than a year, the Council will set an upper limit for each forward financial year period for the maturing of such investments**.**

Table Fourteen – Limits for Long Term Treasury Management Investments

	2022/23 Actual £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
Limit for investments > a year	**0**	**£10m**	**£10m**	**£10m**	**£10m**

Borrowing Strategy

2.23 The following table sets out the monies externally borrowed / repaid during the period. The Council has not undertaken any external borrowing so far, this financial year. Maturing debt has been repaid at an average rate of 4.81%.

Table Fifteen - Loan Type

Loan Type	Opening Balance 01/04/2023	Received	Repaid	Closing Balance 30/06/2023
	£M	£M	£M	£M
Public Works Loan Board	141.809	0	-2.568	139.241
Market Loan - LOBO	4.000	0	0	4.000

Salix Loans	1.524	0	-0.166	1.358
Welsh Government Loans	1.050	0	0	1.050
Temporary Loans	0.100	0	0	0.100
Total	148.483	0	-2.734	145.749

Investment Strategy

2.24 The Council has made the following investments for the period 1st April, 2023 to 30th June, 2023 as set out below.

Table Sixteen – Investment Type

	Opening Balance 01/04/2023	Received	Repaid	Closing Balance 30/06/2023
	£M	£M	£M	£M
UK Local Authorities	47.250	25.000	-16.250	56.000
Debt Management Office	27.400	122.825	-146.925	3.300
Treasury Bill	8.250	11.250	-5.250	14.250
Lloyds Deposit Accounts	0.020	0	0	0.020
Money Market Funds	11.000	42.875	-44.125	9.750
Total	93.920	201.950	-212.550	83.320

2.25 The Council has invested most of its funds in Treasury Bills, Local Authorities, and the Debt Management Office during the period under review as these types of investment are low risk. Funding received from Welsh Government for the "Cost of Living Grants," “Winter Fuel Grants “and the "Additional Social Care Workers Payments" have continued to be deposited in Money Markets Funds so that funds are highly liquid and can be drawn down immediately when required.

2.26 The averagely monthly yields on these investments are set out below. The increases in the Bank of England base rates to 5.00% in June 2023 are reflected in the returns from the Council’s investments.

Table Seventeen – Average Monthly Interest

Average Monthly Interest	Local Authorities	Debt Management Office	Treasury Bills	Money Market Funds
	%	%	%	%
April 2023	**3.48**	**4.06**	**3.99**	**4.16**
May 2023	**3.83**	**4.19**	**4.03**	**4.36**
June 2023	**3.86**	**4.36**	**4.37**	**4.54**

2.27 The Section 151 Officer will continue to keep the borrowing and investment strategies under review.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

3.1 The Treasury Management and Investment Strategy ensures that the financial plans of the Council are sustainable into the future and do not adversely impact on future generations.

3.2 The Treasury and Investment Strategy underpins the financial management of the Council and its ability to achieve its well-being objectives as set out in the Corporate Plan.

4. Climate Change and Nature Implications

4.1 Councils and the UK Government are widely implemented on policy on the response the Climate change.

4.2 Money Market Funds selected by the Council regularly monitor the environmental, social and governance (ESG) risk management activities with whom they invest.

5. Resources and Legal Considerations

<u>Financial</u>

5.1 Money is borrowed for capital purposes and interest is charged to revenue accounts.

5.2 The Council is required to consider the ESG position of its investments as part of its Treasury Management Strategy.

5.3 Most of the Council's investments are placed with the UK Government (DMADF & Treasury Bills) or Local Authorities. As the majority of these counterparties have declared a climate and nature emergency, the Council are accepting that they are following ESG principles and therefore will continue to place investments with them. Should the Council become aware of any Local Authority that goes against these principles the Council will raise the matter at Cabinet so Members can consider whether or the Council should continue to use that counterparty for investment purposes.

5.4 Investments are held with Money Market Fund CCLA believe that investment markets and in turn, investment returns will only be as healthy as the environment and communities that support them. We therefore focus on some of the world's most pressing challenges to build a future that can continue to support sustainable returns for our clients, and outcomes for our planet. CCLA has a long track record of investing responsibly to deliver positive change in company practice and performance, and of pushing for progress to meet the world's sustainability challenges. CCLA aim to be a catalyst for change in the investment industry and to invest responsibly for their clients, and for the planet.

5.5 Investments are held with Money Market Fund through Federated Hermes; they consider that they take a pragmatic view of the investment universe to identify stocks with the most attractive combinations of fundamental characteristics. They look for companies with sustainable business models and competitive advantages. In addition, it is important that companies behave responsibly, which leads us to companies that are well governed and treat their responsibilities to society and the environment seriously. At Federated Hermes they consider that companies less exposed to ESG risks will outperform over the long term and that companies improving their ESG profiles can unlock significant shareholder value. Their investment philosophy can be encapsulated in three words: Pragmatism, Sustainability and Responsibility.

Employment

5.6 There are no direct employment issues relating to this report.

Legal (Including Equalities)

5.7 Compliance with the Local Government Act 2003 and CIPFA's "Code of Practice for Treasury Management in the Public Services" is mandatory.

5.8 CIPFA published revised codes of Practice on 20th December, 2021 and has stated that formal adoption is required for financial year 2023/24. The Council must have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and any other related reports during the financial year.

5.9 The revised Treasury Management Code requires an authority to implement the following:

- Adopt a new liability benchmark treasury indicator to support the financing risk management of the capital financing requirement. This is shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained.

- Class Long-term treasury investments, (including pooled funds) as commercial investments unless justified by a cash flow business case.

- Include Pooled funds in the indicator for principal sums maturing in years beyond the initial budget year.

- Amend the knowledge and skills register for officers and Members involved in the treasury management function so that it is proportionate to the size and complexity of the treasury management conducted by the Authority.

- Prepare quarterly reporting to Members. The Head of Finance/Section 151 Officer is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The HOF is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the authority's integrated revenue, capital, and balance sheet monitoring.

- Address Environmental, social and governance (ESG) issues within the Authority's treasury management policies and practices.

- Confirm a requirement for local authorities to produce an annual Capital Strategy.

6. Background Papers

6.1 CIPFA's Code of Practice for Treasury Management in the Public Services" (2017 Edition), "The Prudential Code" (2017 Edition) and WG guidance on local authority investments.