

## POLICY AND RESOURCES COMMITTEE – 24 JANUARY 2022

### PART I - NOT DELEGATED

#### 17. FINANCIAL PLANNING – CAPITAL STRATEGY AND THE TREASURY MANAGEMENT POLICY

(DoF)

##### 1. Summary

- 1.1 The purpose of this report is to enable the Policy and Resources Committee to recommend to the Council its capital strategy and treasury management policy over the medium term (2022/23 to 2024/25). This report is the second of three that is covered under the recommendations report at **Item 18** on this agenda.

##### 2. Details

- 2.1 The capital strategy (the Strategy) is designed to give a clear and concise view of how the council determines its priorities for capital investment, decides how much it can afford to borrow and sets its risk appetite. It is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

- 2.2 The framework the government uses to control how much councils can afford to spend on capital investment is known as the Prudential Framework. The objectives of the Prudential Code, which sets out how this framework is to be applied, are to ensure that local authorities' capital investment plans are:

- affordable, prudent and sustainable;
- that treasury management decisions are taken in accordance with good professional practice; and
- that local strategic planning, asset management planning and proper option appraisal are supported.

- 2.3 This capital strategy sets out how the Council will achieve the objectives set out above.

##### **Capital Investment Programme - Expenditure**

- 2.4 Capital Investment is the term used to cover all expenditure by the council that can be classified as capital under legislation and proper accounting practice. This includes expenditure on:

- property, plant and equipment
- heritage assets, and
- investment properties.

- 2.5 Property, plant and equipment includes assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes. They are expected to be used during more than one financial year. Expenditure on the acquisition, creation or enhancement of these assets is capitalised on an accruals basis, provided that the Council is likely to benefit from the future economic benefits or service potential and the cost of the item can be measured reliably. Expenditure on repairs and maintenance is charged to the revenue account when it is incurred.

- 2.6 Heritage Assets are held with the objective of increasing knowledge, understanding and the appreciation of the Council's history and local area.

- 2.7 Investment properties are those that are used solely to earn rentals and/or for increases in value. The definition is not met if the property is used in any way for the delivery of services or production of goods or is held for sale.
- 2.8 Detailed accounting policies in relation to assets and capital expenditure may be found in the annual statement of accounts.
- 2.9 **Appendix 1** shows the 2021/22 revised capital budget and draft capital budgets for the period 2022/23 to 2024/25. The appendix contains the title, description and officers comments relating to the progress of the 2021/22 schemes.
- 2.10 The 2021/22 programme has increased from the latest approved budget by **£9,252,676**. This includes re-phasing of schemes to 2022/23, budget savings and the inclusion of the purchase of sites for housing development from Hertfordshire County Council. Some of the larger schemes that contribute to this consist of the following:
- Pre-emption sites – as per report to Council 17 March 2012 - £10,200,000
  - Rephasing of Waste Services Depot budget - £300,000
  - Rephasing of Highways Enhancement budget- £194,384
  - Rephasing of ICT budgets - £165,000
  - Rephasing of Garage Improvements budget - £90,000
- 2.11 Variances to the medium term capital programme which have been identified up to the end of November and are shown in detail at **Appendix 2**.
- 2.12 Following the re-phasing, the capital programme for 2021/22 now totals **£15.399 million**. The services capital programme included in MTFP shows schemes totalling **£5.974 million** in 2022/23; **£3.051 million** in 2023/24 and **£3.564 million** in 2024/25 including proposed growth as set out in **Appendix 3**.
- 2.13 The larger capital schemes over the next three financial years include:
- Disabled Facility Grants - £1.758 million
  - Waste and Recycling Vehicles - £3.577 million
  - Replacement Grounds Maintenance Vehicles – £1.000 million
  - Garage Improvements - £0.630 million
- 2.14 There are proposals for two new schemes and one enhanced programme for 2022/23 as follows:
- Watersmeet electrical fixed wiring replacement,
  - Energy efficient street lighting replacement, and
  - Additional investment in improving play areas.

Project Initiation Documents (PIDs) have been prepared to support these proposals. **Appendix 3** shows the score for the PIDs using the scoring matrix shown in agenda item 10, 'Financial Planning – Revenue Services' report (Appendix 4). An increase in current budgets for improving play areas is also proposed to reflect the increased costs of equipment. The bids total £185,000 in 2022/23, £15,000 in 2023/24 and a further £20,000 in 2024/25. There are associated revenue implications of £7,000.

### **Capital Investment Programme - Funding**

- 2.15 The Capital Investment Programme can be funded from the following sources:
- 2.16 Government Grants & Other Contributions: These are grants for specific purposes which may be available from the Government, e.g. Disabled Facility Grants. The Council can also attract partnership funding from other local authorities and agencies

e.g. Local Enterprise Partnership (LEP). The Council has also benefited in the past from other funding such as lottery grants.

- 2.17 Section 106 Contributions: These are contributions from developers to the public services and amenities required for the development. These have been in part replaced by the Community Infrastructure Levy. Current Section 106 monies are guaranteed.
- 2.18 Capital Receipts Reserve: Capital receipts are derived when selling assets such as land. The main receipt relates to the arrangements made when the Council sold its housing stock to Thrive Homes Ltd in 2008; the Transfer Agreement included a Right to Buy (RTB) Sharing Agreement whereby the Council is entitled to a share of the post-transfer receipts from RTB sales and a 'VAT Shelter Agreement' whereby the Council benefits from the recovery of VAT on continuing works carried out by Thrive. The current MTFP forecasts that this reserve will be fully utilised to support the capital programme.
- 2.19 Revenue Contributions: Revenue balances from the General Fund may be used to support capital expenditure.
- 2.20 Future Capital Expenditure Reserve: The Council has a general reserve which it has put aside for future capital expenditure. It has the ability, should it wish, to re-designate this reserve for revenue use.
- 2.21 New Homes Bonus Reserve: New Homes Bonus is a grant relating to the number of new homes delivered in a local authority area. There are no government restrictions on whether this is capital or revenue, nor is there any ring-fence imposed. It is anticipated that there would be a reduction in the amount received from 2021/22 onwards.
- 2.22 Borrowing: The Council is allowed to borrow to support its capital expenditure as long as this is prudent, sustainable, and affordable. Presently, the Council has borrowed to support the new leisure centre provision in South Oxhey, and the costs of this are covered in the income received from the leisure contractor.
- 2.23 The capital programme includes an assessment of likely available resources to finance capital expenditure and includes assumptions regarding capital receipts, which have been estimated at £1.100 million in 2022/23 and future years.
- 2.24 **Appendix 4** shows the sources of capital funding proposed over the period 2021-2025, including the funding generated in each year and balances carried forward at the end of each year.
- 2.25 **Appendix 5** shows details of all Section 106 contributions currently received and available to use.

### **Future Investment**

- 2.26 Future Investment Schemes will be assessed on the basis of a full business case which will include full resourcing for the project and an assessment of affordability. Priority areas for future capital investment are:
- Schemes that generate a financial surplus for the Council; and in particular those that increase the supply of housing locally (for example through the joint ventures with Watford Community Housing and Thrive).
  - Schemes that generate revenue budget savings for the Council.

- Schemes that allow the Council to benefit from future economic regeneration potential within the local area; especially those that attract additional investment into the local area from regional or national agencies.
- Schemes that provide additional or improved services to the Council's residents, in line with the Council's Strategic Plan.

### 3. Treasury Management

3.1 The Council is required to operate a balanced budget over the medium term which, after allowing for contributions to and from reserves, broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing the requisite liquidity before considering investment return.

3.2 The Treasury Management Policy Statement (shown at **Appendix 6**) details the policies, practices, objectives and approaches to risk management of its treasury management activities, which is to be monitored by the Audit Committee. The Council's investment strategy's primary objectives are safeguarding the repayment of the principal and interest of its investments on time, and then ensuring adequate liquidity, with the investment return being the final objective. The strategy allows the Director of Finance, in consultation with the Lead Member, the delegated authority to approve any variation to the Treasury Management Strategy during the year which may be brought about by investigating the opportunity to invest for greater than one year and also to invest in other investment instruments i.e Government bonds, Gilts and investment property with a view of maximising the Council's returns without significantly increasing risk.

#### The Council's Borrowing Need - The Capital Financing Requirement (CFR)

3.3 The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure, which has not immediately been paid for, will increase the CFR. An increase in the CFR does not necessarily mean that the council will borrow externally to fund the increase. The Council manages its cash balances as a whole and may choose to use internal cash (generated by holding reserves and through timing differences between income and expenditure).

3.4 The table below shows the estimated CFR over the medium term.

|   | 2021/22<br>Forecast<br>£m | 2022/23<br>Estimate<br>£m | 2023/24<br>Estimate<br>£m | 2024/25<br>Estimate<br>£m |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| <b>Total Proposed Capital Expenditure</b>       | <b>15.400</b>             | <b>5.974</b>              | <b>3.052</b>              | <b>3.564</b>              |
| Capital Financing :                             |                           |                           |                           |                           |
| Grants  | (0.652)                   | (0.586)                   | (0.586)                   | (0.586)                   |
| Reserves  | (3.179)                   | (1.385)                   | (0.095)                   | (0.095)                   |
| Capital Receipts                                | (1.100)                   | (1.100)                   | (1.000)                   | (1.000)                   |
| Section 106 and CIL                             | 0.000                     | 0.000                     | 0.000                     | 0.000                     |
| <b>Total Funding</b>                            | <b>(4.931)</b>            | <b>(3.071)</b>            | <b>(1.681)</b>            | <b>(1.681)</b>            |
| Gap   | 10.469                    | 2.903                     | 1.371                     | 1.883                     |
| Repayment of Borrowing – South Oxhey Initiative | (9.828)                   | 0.000                     | 0.000                     | 0.000                     |

|                    |               |               |               |               |
|--------------------|---------------|---------------|---------------|---------------|
| MRP                | (0.134)       | (0.134)       | (0.134)       | (0.134)       |
| Opening CFR        | 21.446        | 31.781        | 34.550        | 35.787        |
| <b>Closing CFR</b> | <b>31.781</b> | <b>34.550</b> | <b>35.787</b> | <b>37.536</b> |

### **Minimum Revenue Provision (MRP) Strategy and Policy Statement**

3.5 The Minimum Revenue Provision (MRP) is designed to pay off an element of the capital spend which has not already been financed from existing revenue or capital resources. The Council is required to make prudent provision, by way of a charge to the revenue account, which means that the repayment of debt is enabled over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

3.6 The Council is also able to increase the rate it reduces its CFR by undertaking additional voluntary payments (voluntary revenue provision - VRP) in addition to any MRP; this is not currently the Council's policy.

3.7 Government Regulations require the Council to approve a MRP Statement in advance of each year. The following is the Council's MRP statement:

*For all unsupported borrowing (including PFI and finance leases) the MRP policy will be:*

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3)

*This option provides for a reduction in the borrowing need over the asset's estimated life. Repayments of PFI or Finance Leases are allowable to use as a proxy for the above methods.*

3.8 The Council's process is to produce for approval by the Director of Finance, in consultation with the Lead Member for Resources, a business case for each scheme intended to be unfunded from other resources. This will clearly show the level of MRP which is proposed to ensure that the repayment of any debt can be made in a period commensurate with the period over which the expenditure provides benefits or makes returns.

3.9 No MRP provision is made in respect of investments or payments to the joint ventures as such investments are intended to be time-limited and allow for the repayment of debt. For finance leases the council will charge MRP to its General Fund each year dependant on the life of the underlying asset.

### **Revenue Cost of Borrowing**

3.10 Where the council decides to borrow to fund capital expenditure the annual cost of borrowing is included within the revenue budget.

### **Prudential Indicators**

3.11 There are two limits on external debt: the 'Operational Boundary' and the 'Authorised Limit'. Both are consistent with existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices.

3.12 The first key control over the treasury activity is a Performance Indicator (PI) to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term,

exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and next two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

It should be noted that the two financial investments do not increase net debt as any additional borrowing is offset by the value of the financial investment.

### **Treasury Management Indicator - The Operational Boundary**

- 3.13 This is the limit beyond which external borrowing is not normally expected to exceed. In most cases this would link directly to the authority's plans for capital expenditure, its estimates for CFR and its estimate of cashflow requirements for the year for all purposes. The Council may need to borrow, this limit represents a contingency should the need arise.

| <b>Operational Boundary</b> | <b>2021/22<br/>£m</b> | <b>2022/23<br/>Estimate<br/>£m</b> | <b>2023/24<br/>Estimate<br/>£m</b> | <b>2024/25<br/>Estimate<br/>£m</b> |
|-----------------------------|-----------------------|------------------------------------|------------------------------------|------------------------------------|
| Borrowing                   | 35.000                | 37.000                             | 38.000                             | 40.000                             |

### **Treasury Management Indicator - The Authorised Limit for External Borrowing**

- 3.14 This PI, which is required to be set and revised by Members, controls the overall level of borrowing and represents the limit beyond which external long and short term borrowing is prohibited, and this limit needs to be set or revised by the Council. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (2) of the Local Government Act 2003

| <b>Authorised Limit</b> | <b>2021/22<br/>£m</b> | <b>2022/23<br/>Estimate<br/>£m</b> | <b>2023/24<br/>Estimate<br/>£m</b> | <b>2024/25<br/>Estimate<br/>£m</b> |
|-------------------------|-----------------------|------------------------------------|------------------------------------|------------------------------------|
| Borrowing               | 37.000                | 39.000                             | 40.000                             | 42.000                             |

## **4. Future Investments**

- 4.1 The Council will continue to seek opportunities to work in partnership with others to promote economic development and the provision of housing within Three Rivers wider economic area. Current partners include Countrywide Properties for the South Oxhey scheme, along with Watford Community Homes and Thrive Homes as the two major local registered social providers.
- 4.2 The Council has established Three Rivers Commercial Services to allow it to work more closely with providers and exploit future commercial opportunities. The Council currently has two joint ventures with Watford Community Housing, Three Rivers Development LLP and Three Rivers Homes Ltd. The Council is currently in the process of setting up a similar structure with Thrive Homes to allow future joint schemes to be considered.

## **5. Skills and Knowledge and Professional Advice**

- 5.1 The Council has a shared service with Watford Borough Council for the provision of the finance function allowing access to a greater range of professional skills than would otherwise be available if each council had a separate team. The council uses external advisers on all major projects.

5.2 The Council contracts with Link Asset Services for the provision of Treasury advice. Link Asset Services provide non-regulated advice on the management of the council's cash flows, investments and borrowings and a markets information service. The Council's VAT advisers are PSTax.

## **6. Risk**

6.1 Financial risks are closely monitored as a separately identifiable part of the corporate risk management framework. The Council's risk appetite is evolving as it becomes involved in a wider range of major property lead investments both within its economic area linked to regeneration and more widely for income generation purposes.

6.2 The Council takes advice from its professional advisers to both identify and mitigate the key risks it faces and ensures that all decisions are made with an understanding of the risks involved.

6.3 The council currently has an income target of £1.000 million pa from its commercial investment activities. This is equivalent to 4.1% of its total gross income (excluding housing benefit reimbursements from central government). The Council does not receive RSG and is entirely dependent upon locally raised taxes and locally generated income to fund services. The general fund balance as at 1 April 2021 was £5.210 million.

6.4 Whilst recognising the importance of generating income to support services, the Council will ensure that its external income is actively managed to safeguard the future financial sustainability of the council. In this respect it will continue to seek to balance income from its commercial investment activities against its overall level of risk and the amount of reserves available to mitigate this risk.

6.5 In assessing the risk of its commercial investments the Council will consider the level of risk inherent in the income stream, the security held, its ability to realise assets or other security should the need arise and the level of income received from commercial investments compared to the total income of the council.

## **7. Options/Reasons for Recommendation**

7.1 The recommendations at agenda Item 11 enable the Committee to make recommendations to the Council on 22 February 2022 concerning the Council's budget.

## **8. Policy/Budget Reference and Implications**

8.1 The recommendations in this report contribute to the process whereby the Council will approve and adopt its strategic, service and financial plans under Article 4 of the Council's Constitution.

## **9. Equal Opportunities, Legal, Staffing, Environmental, Community Safety, Customer Services Centre and Communications, Health & Safety & Website Implications**

9.1 None specific.

## **10. Financial Implications**

10.1 As contained in the body of the report.

## **11. Risk Management Implications**

11.1 There are no risks to the Council in agreeing the recommendation below.

## 12. Recommendation

12.1 That the report is noted.

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Report Checked by: Hannah Doney - Head of Finance

### Background Papers

Reports and Minutes of;

- The Policy and Resources Committee
- Council

### Appendices

1. Capital Investment Programme 2021/22 to 2024/25 - Expenditure
2. Capital Investment Programme 2021/22 to 2024/2- Variances
3. Capital Investment Programme 2021/22 to 2024/2- Growth
4. Capital Investment Programme 2021/22 to 2024/2- Funding
5. Section 106 Balances 2021/22
6. Treasury Management Policy

***The recommendations contained in this report DO NOT constitute a KEY DECISION but contribute to the process whereby the Council will approve and adopt its Strategic, Service and Financial Plans under Article 4 of the Council's Constitution***



**CAPITAL INVESTMENT PROGRAMME 2021/22 to 2024/25 - EXPENDITURE**

| Leisure, Environment & Community          |                           |                         |                    |                            |                 |                    |                 |                 |  |
|---|---------------------------|-------------------------|--------------------|----------------------------|-----------------|--------------------|-----------------|-----------------|--|
| <i>Community Safety &amp; Partnership</i> | Original Budget 2021/22 £ | Latest Budget 2021/22 £ | P8 Spend To Date £ | Forecast Outturn 2021/22 £ | Variance £      | Proposed 2022/23 £ | Draft 2023/24 £ | Draft 2024/25 £ | Comments   |
| ASB Casework Management System            | 18,750                    | 18,750                  | 0                  | 0                          | (18,750)        | 0                  | 0               | 0               | Budget no longer required as project will not be going ahead due to the free use of Herts Police system. |
| Capital Grants & Loans                    | 20,000                    | 3,631                   | 0                  | 3,631                      | 0               | 0                  | 0               | 20,000          | Budget will be spent   |
| Community CCTV                            | 6,000                     | 12,000                  | 0                  | 12,000                     | 0               | 6,000              | 6,000           | 6,000           | Budget will be spent   |
| <b>Total</b>                              | <b>44,750</b>             | <b>34,381</b>           | <b>0</b>           | <b>15,631</b>              | <b>(18,750)</b> | <b>6,000</b>       | <b>6,000</b>    | <b>26,000</b>   |  |

  

| <i>Leisure</i>                   | Original Budget 2021/22 £ | Latest Budget 2021/22 £ | P8 Spend To Date £ | Forecast Outturn 2021/22 £ | Variance £ | Proposed 2022/23 £ | Draft 2023/24 £ | Draft 2024/25 £ | Comments   |
|----------------------------------|---------------------------|-------------------------|--------------------|----------------------------|------------|--------------------|-----------------|-----------------|--|
| Heritage & Tourism Initiative    | 0                         | 0                       | 1,640              | 0                          | 0          | 0                  | 0               | 0               | Budget is funded entirely from the National Lottery Heritage Fund and S106 monies  |
| Countryside Management           | 10,000                    | 10,000                  | 0                  | 10,000                     | 0          | 0                  | 0               | 0               | Budget has been fully spent  |
| Aquadrome                        | 21,000                    | 23,831                  | 16,748             | 23,831                     | 0          | 22,500             | 22,500          | 22,500          | Budget will be spent   |
| Scotsbridge-Chess Habitat        | 11,390                    | 11,390                  | 0                  | 3,200                      | (8,190)    | 8,190              | 0               | 0               | Project is being led by the Environment Agency. Remaining budget rephased to 2022/23   |
| Watersmeet External Roof Access  | 0                         | 27,253                  | 21,667             | 27,253                     | 0          | 0                  | 0               | 0               | Budget will be spent   |
| Watersmeet Electrical            |                           |                         |                    |                            |            | 40,000             |                 |                 | Growth PID (see appendix 3)  |
| Leisure Facilities Improvement   | 10,000                    | 12,046                  | 1,007              | 12,046                     | 0          | 10,000             | 0               | 0               | This budget is due to be spent within financial year and includes upgrade of floodlights on MUGA at Sir James Altham site                        |
| Open Space Access Improvements   | 50,000                    | 77,506                  | 4,739              | 77,506                     | 0          | 60,000             | 60,000          | 60,000          | Budget will be fully spent on pathway repairs within the Aquadrome   |
| Improve Play Area-Future Schemes | 158,250                   | 230,280                 | 128,509            | 230,280                    | 0          | 115,000            | 115,000         | 120,000         | 2021/22 Budget will be spent - projects funded from Abbots Langley Parish Council, S106 and Veolia. 2022/23 includes Growth PID (see appendix 3) |

| <i>Leisure</i>                | Original Budget 2021/22<br>£ | Latest Budget 2021/22<br>£ | P8 Spend To Date<br>£ | Forecast Outturn 2021/22<br>£ | Variance<br>£  | Proposed 2022/23<br>£ | Draft 2023/24<br>£ | Draft 2024/25<br>£ | Comments  |
|-------------------------------|------------------------------|----------------------------|-----------------------|-------------------------------|----------------|-----------------------|--------------------|--------------------|---|
| Aquadrome-Whole Life Costing  | 10,000                       | 10,000                     | 9,202                 | 10,000                        | 0              | 11,000                | 11,000             | 11,000             | Budget will be fully spent  |
| Watersmeet-Whole Life Costing | 15,000                       | 30,799                     | 18,744                | 30,799                        | 0              | 20,000                | 20,000             | 20,000             | Budget will be fully spent  |
| Pavilions-Whole Life Costing  | 10,000                       | 20,968                     | 20,754                | 20,968                        | 0              | 11,000                | 11,000             | 11,000             | Budget will be fully spent  |
| Outdoor Fitness Zones         | 54,400                       | 54,400                     | 0                     | 54,400                        | 0              | 54,400                | 27,200             | 0                  | Project Manager and Principal Designer have been procured, tender for the project will commence in early 2022 |
| <b>Total</b>                  | <b>350,040</b>               | <b>508,473</b>             | <b>223,010</b>        | <b>500,283</b>                | <b>(8,190)</b> | <b>352,090</b>        | <b>266,700</b>     | <b>244,500</b>     |   |

| <i>Environmental Services</i>           | Original Budget 2021/22<br>£ | Latest Budget 2021/22<br>£ | P8 Spend To Date<br>£ | Forecast Outturn 2021/22<br>£ | Variance<br>£    | Proposed 2022/23<br>£ | Draft 2023/24<br>£ | Draft 2024/25<br>£ | Comments   |
|---|------------------------------|----------------------------|-----------------------|-------------------------------|------------------|-----------------------|--------------------|--------------------|--|
| Waste Plant & Equipment                 | 40,030                       | 40,030                     | 9,431                 | 40,030                        | 0                | 25,000                | 25,000             | 25,000             | Budget will be spent by year end   |
| Waste Services Depot                    | 1,300,000                    | 1,300,000                  | 565,197               | 1,000,000                     | (300,000)        | 300,000               | 0                  | 0                  | £300k repensed into 2022/23 as programme has slipped due to issues with the piling design. Project will be completed summer 2022 |
| Bulk Domestic Waste                     | 30,500                       | 55,994                     | 38,016                | 55,994                        | 0                | 115,000               | 115,000            | 115,000            | Budget will be fully spent.  |
| Waste & Recycling Vehicles              | 0                            | 0                          | 0                     | 0                             | 0                | 1,887,000             | 645,000            | 800,000            |  |
| Street Furnishings                      | 15,000                       | 15,000                     | 0                     | 15,000                        | 0                | 0                     | 0                  | 0                  | Budget will be fully spent.  |
| Paladin Bins                            | 40,000                       | 53,201                     | 29,390                | 53,201                        | 0                | 0                     | 0                  | 0                  | Budget will be fully spent.  |
| Energy Performance Certificate          | 2,000                        | 6,185                      | 4,330                 | 6,185                         | 0                | 2,000                 | 2,000              | 2,000              | Programme of works in place  |
| Cemetery-Whole Life Costing             | 5,000                        | 5,000                      | 851                   | 5,000                         | 0                | 5,000                 | 5,000              | 5,000              | Budget will be fully spent.  |
| Replacement Ground Maintenance Vehicles | 120,000                      | 158,458                    | 40,535                | 158,458                       | 0                | 280,000               | 180,000            | 540,000            | on-going tendering and demos underway  |
| <b>Total</b>                            | <b>1,552,530</b>             | <b>1,633,868</b>           | <b>687,750</b>        | <b>1,333,868</b>              | <b>(300,000)</b> | <b>2,614,000</b>      | <b>972,000</b>     | <b>1,487,000</b>   |  |

|   |                  |                  |                |                  |                  |                  |                  |                  |  |
|---|------------------|------------------|----------------|------------------|------------------|------------------|------------------|------------------|--|
| <b>Total Leisure, Environment &amp; Community</b> | <b>1,947,320</b> | <b>2,176,722</b> | <b>910,760</b> | <b>1,849,782</b> | <b>(326,940)</b> | <b>2,972,090</b> | <b>1,244,700</b> | <b>1,757,500</b> |  |
|---|------------------|------------------|----------------|------------------|------------------|------------------|------------------|------------------|--|

| Infrastructure Housing & Economic Development             |                           |                         |                    |                            |                  |                    |                 |                 |   |
|---|---------------------------|-------------------------|--------------------|----------------------------|------------------|--------------------|-----------------|-----------------|---|
| <i>Economic Development</i>                               | Original Budget 2021/22 £ | Latest Budget 2021/22 £ | P8 Spend To Date £ | Forecast Outturn 2021/22 £ | Variance £       | Proposed 2022/23 £ | Draft 2023/24 £ | Draft 2024/25 £ | Comments  |
| Cycle Schemes   | 64,583                    | 40,000                  | 0                  | 15,000                     | (25,000)         | 74,583             | 25,000          | 25,000          | £25k rephased into 2022/23 for ongoing projects. Feasibility study to be undertaken on a project this year.   |
| Disabled Parking Bays                                     | 2,500                     | 2,500                   | 774                | 2,500                      | 0                | 2,500              | 2,500           | 2,500           | Budget will be fully spent  |
| Controlled Parking  | 164,425                   | 94,425                  | 10,830             | 47,425                     | (47,000)         | 167,000            | 50,000          | 50,000          | £47k rephased into 2022/23. Two year work programme progressing, parking consultations due early 2022.  |
| Princes Trust-Business Start-up                           | 10,000                    | 10,000                  | 0                  | 10,000                     | 0                | 10,000             | 10,000          | 10,000          | A Service Level Agreement is in place, the budget will be spent by year end.  |
| Listed Building Grants                                    | 2,500                     | 2,500                   | 0                  | 2,500                      | 0                | 2,500              | 2,500           | 2,500           | This is a demand led service, no applications have been received so far.  |
| South Oxhey Initiative                                    | 0                         | 27,690                  | 3,049              | 27,690                     | 0                | 0                  | 0               | 0               | Full budget expected to be spent this year.   |
| Parking Bay & Verge Protection                            | 301,473                   | 191,473                 | 28,130             | 191,473                    | 0                | 150,000            | 40,000          | 40,000          | Schemes to be progressed this financial year (Mullion Walk, Falkirk Gardens and Pinchfield).  |
| Highways Enhancement                                      | 194,384                   | 194,384                 | 0                  | 0                          | (194,384)        | 244,384            | 50,000          | 50,000          | Budget rephased into 2022/23. Monies identified to support parking and sustainable travel schemes which continue to progress.                                   |
| Bus Shelters  | 9,000                     | 9,000                   | 0                  | 0                          | (9,000)          | 18,000             | 9,000           | 9,000           | £9k rephased into 2022/23. Next Programme being investigated. Monies may contribute towards the bus infrastructure project for Real Time information (RTPI).    |
| Retail Parades  | 188,000                   | 194,849                 | 34,504             | 194,849                    | 0                | 30,000             | 30,000          | 30,000          | Identifying new retail refurbishment schemes, update to be given at P10. In addition, EVCP procurement progressing.   |
| Carbon Neutral Council                                    | 0                         | 4,000                   | 0                  | 4,000                      | 0                | 0                  | 0               | 0               |   |
| Rickmansworth Work Hub                                    | 39,000                    | 39,000                  | 4,270              | 39,000                     | 0                | 0                  | 0               | 0               | Survey has been undertaken to ascertain works required and will be progressed this financial year, there maybe a delay due to procurement so will review at P10 |
| Car Park Restoration                                      | 10,000                    | 10,000                  | 0                  | 10,000                     | 0                | 35,000             | 35,000          | 35,000          | Inspection underway to identify requirements  |
| Estates, Paths & Roads                                    | 20,000                    | 28,843                  | 17,259             | 23,843                     | (5,000)          | 25,000             | 20,000          | 20,000          | £5k rephased to 2022/23 as planned works at The Swillett access road scheduled for March unlikely to be completed by year end                                   |
| TRDC Footpaths & Alleyways                                | 40,000                    | 56,350                  | 27,878             | 41,350                     | (15,000)         | 40,000             | 25,000          | 25,000          | £15k rephased into 2022/23 as planned works around the Aquadrome in March will not be completed before year end   |
| Integration of Firmstep to uniform Licensing applications | 0                         | 19,000                  | 12,850             | 19,000                     | 0                | 0                  | 0               | 0               | Ongoing project   |
| <b>Total</b>  | <b>1,045,865</b>          | <b>924,014</b>          | <b>139,544</b>     | <b>628,630</b>             | <b>(295,384)</b> | <b>798,967</b>     | <b>299,000</b>  | <b>299,000</b>  |   |

| <i>Housing</i>   | Original Budget<br>2021/22<br>£ | Latest Budget<br>2021/22<br>£ | P8 Spend<br>To Date<br>£ | Forecast<br>Outturn<br>2021/22<br>£ | Variance<br>£    | Proposed<br>2022/23<br>£ | Draft<br>2023/24<br>£ | Draft<br>2024/25<br>£ | Comments  |
|--|---------------------------------|-------------------------------|--------------------------|-------------------------------------|------------------|--------------------------|-----------------------|-----------------------|---|
| Disabled Facilities Grant                                      | 500,000                         | 652,000                       | 231,647                  | 652,000                             | 0                | 586,000                  | 586,000               | 586,000               | An additional £263k of adaptations have been approved and have commenced. |
| Home Repairs Assistance  | 10,000                          | 10,000                        | 0                        | 10,000                              | 0                | 10,000                   | 10,000                | 10,000                | Demand led service, no applications received to date.                     |
| <b>Total</b>   | <b>510,000</b>                  | <b>662,000</b>                | <b>231,647</b>           | <b>662,000</b>                      | <b>0</b>         | <b>596,000</b>           | <b>596,000</b>        | <b>596,000</b>        |   |
|  |                                 |                               |                          |                                     |                  |                          |                       |                       |   |
| <b>Total Infrastructure Housing &amp; Economic Development</b> | <b>1,555,865</b>                | <b>1,586,014</b>              | <b>371,191</b>           | <b>1,290,630</b>                    | <b>(295,384)</b> | <b>1,394,967</b>         | <b>895,000</b>        | <b>895,000</b>        |   |

| Policy & Resources                |                           |                         |                    |                            |                  |                    |                 |                 |   |
|-----------------------------------|---------------------------|-------------------------|--------------------|----------------------------|------------------|--------------------|-----------------|-----------------|---|
| Resources & Shared Services       | Original Budget 2021/22 £ | Latest Budget 2021/22 £ | P8 Spend To Date £ | Forecast Outturn 2021/22 £ | Variance £       | Proposed 2022/23 £ | Draft 2023/24 £ | Draft 2024/25 £ | Comments  |
| Professional Fees-Internal        | 157,590                   | 157,590                 | 0                  | 157,590                    | 0                | 157,590            | 157,590         | 157,590         | This is for internal staff support on capital schemes and is actioned at the end of the financial year.   |
| Election Equipment                | 6,000                     | 9,000                   | 0                  | 9,000                      | 0                | 6,000              | 6,000           | 6,000           | Budget will be spent  |
| Members' IT Equipment             | 46,690                    | 46,690                  | 0                  | 46,690                     | 0                | 16,260             | 16,260          | 16,260          | New equipment to be purchased in January 2022   |
| ICT-Managed Project Costs         | 120,000                   | 120,000                 | 0                  | 0                          | (120,000)        | 180,000            | 60,000          | 60,000          | Budget rephased into 2022/23 - used to fund ICT project resources.  |
| Hardware Replace Prog             | 40,000                    | 160,416                 | 0                  | 205,416                    | 45,000           | 55,000             | 40,000          | 40,000          | £45K budget moved from ICT hardware replacement to fund ICT project resources. £15k budget rephased from 2021/22 into 2022/23 from Business Application Upgrade to cover application upgrades fro Operating System for TRDC 2012 to 2016 to 2019  |
| Garage Improvements               | 325,000                   | 505,000                 | 250,597            | 415,000                    | (90,000)         | 240,000            | 150,000         | 150,000         | £90k rephased into 2022/23. Phase 7 planned works almost completed, then a full review and condition survey will be undertaken of all remaining garage stock.   |
| ICT Licence Costs                 | 100,000                   | 106,155                 | 72,843             | 76,155                     | (30,000)         | 130,000            | 100,000         | 100,000         | £30K to be rephased into 2022/23 for Cloud O365 licences  |
| Customer Contact Programme        | 0                         | 21,573                  | 20,442             | 21,573                     | 0                | 0                  | 0               | 0               | Budget will be spent  |
| ICT Website Development           | 0                         | 14,870                  | 0                  | 14,870                     | 0                | 0                  | 0               | 0               | Project progressing should be spent by year end (link to Customer Experience Strategy project)  |
| ICT Elections                     | 17,000                    | 23,701                  | 15,372             | 23,701                     | 0                | 17,000             | 17,000          | 17,000          | Budget will be spent  |
| ICT Hardware Replacement Prog     | 45,000                    | 64,241                  | 2,468              | 19,241                     | (45,000)         | 45,000             | 45,000          | 45,000          | £45K moved to shared service resources for ICT projects: Office 365, server OS upgrades, core network replacement.  |
| TRH Whole Life Costing            | 250,000                   | 250,000                 | 21,782             | 180,000                    | (70,000)         | 240,000            | 170,000         | 170,000         | £70k rephased into 2022/23. Currently out to tender for replacement of CCTV, replacement of Air Conditioning in the server room and IT suite. These works will be circa £100K and will be completed this financial year. Works to replace the fuse boards is also programmed in. There is an application for some grant funding to replace the boilers, however if the is not successful the rephased amount will be used to support this next year |
| Basing House-Whole Life Costing   | 30,000                    | 30,000                  | 21,506             | 30,000                     | 0                | 60,000             | 60,000          | 60,000          | Budget will be fully spent  |
| Business Application Upgrade      | 109,500                   | 19,500                  | 0                  | 4,500                      | (15,000)         | 180,000            | 90,000          | 90,000          | Rephase £15K to 22/23 to Shared services resources and hardware to cover application upgrades for Operating system upgrades for TRDC - 2012 to 2016 to 2019   |
| Street Lighting Replacement       |                           |                         |                    |                            |                  | 130,000            |                 |                 | Growth PID (see appendix 3)   |
| Three Rivers House Transformation | 270,000                   | 120,785                 | 26,837             | 120,785                    | 0                | 150,000            | 0               | 0               | The transformation of Three Rivers House is being run in tandem with the customer experience strategy and the wider use of the building.  |
| Property Information System       | 0                         | 50,000                  | 0                  | 50,000                     | 0                | 0                  | 0               | 0               | Project underway timetable will be known by P10   |
| <b>Total</b>                      | <b>1,516,780</b>          | <b>1,699,521</b>        | <b>431,847</b>     | <b>1,374,521</b>           | <b>(325,000)</b> | <b>1,606,850</b>   | <b>911,850</b>  | <b>911,850</b>  |   |

| <i>Major Projects</i>               | Original Budget 2021/22<br>£ | Latest Budget 2021/22<br>£ | P8 Spend To Date<br>£ | Forecast Outturn 2021/22<br>£ | Variance<br>£     | Proposed 2022/23<br>£ | Draft 2023/24<br>£ | Draft 2024/25<br>£ | Comments   |
|-------------------------------------|------------------------------|----------------------------|-----------------------|-------------------------------|-------------------|-----------------------|--------------------|--------------------|--|
| Leisure Facility - South Oxhey      | 226,823                      | 268,473                    | 0                     | 268,473                       | 0                 | 0                     | 0                  | 0                  | Retention monies due to be released in January 2022                        |
| South Oxhey Initiative              | 0                            | 12,103                     | 9,992                 | 12,103                        | 0                 | 0                     | 0                  | 0                  | Budget will be fully spent   |
| Property Investment Board           | 0                            | 312,360                    | 41,371                | 10,512,360                    | 10,200,000        | 0                     | 0                  | 0                  | Funds required for the delivery of PIB initiatives                         |
| Temporary Accommodation             | 0                            | 91,825                     | 0                     | 91,825                        | 0                 | 0                     | 0                  | 0                  | The projects have been completed, remaining budget is for retention monies |
| <b>Total</b>                        | <b>226,823</b>               | <b>684,761</b>             | <b>51,363</b>         | <b>10,884,761</b>             | <b>10,200,000</b> | <b>0</b>              | <b>0</b>           | <b>0</b>           |  |
| <b>Total Policy &amp; Resources</b> | <b>1,743,603</b>             | <b>2,384,282</b>           | <b>483,210</b>        | <b>12,259,282</b>             | <b>9,875,000</b>  | <b>1,606,850</b>      | <b>911,850</b>     | <b>911,850</b>     |  |
| <b>Total Capital Programme</b>      | <b>5,246,788</b>             | <b>6,147,018</b>           | <b>1,765,161</b>      | <b>15,399,694</b>             | <b>9,252,676</b>  | <b>5,973,907</b>      | <b>3,051,550</b>   | <b>3,564,350</b>   |  |

**APPENDIX 2**

**CAPITAL INVESTMENT PROGRAMME 2021/22 to 2024/25 VARIANCES**

| <b>Leisure, Environment &amp; Community</b> |  |                      |                      |                      |
|---|--|----------------------|----------------------|----------------------|
| <b>Description</b>                          | <b>Details of Outturn Variances to Latest Approved Budget</b>  | <b>2021/22<br/>£</b> | <b>2022/23<br/>£</b> | <b>2023/24<br/>£</b> |
| Waste Services Depot                        | £300k rephased into 2022/23 as programme has slipped due to issues with the piling design. Project will be completed summer 2022 | (300,000)            | 300,000              | 0                    |
| Bulk Domestic Waste                         | Future years Budgets from Street Furnishings £15k and Paladin Bins £60k being merged into this cost centre                       | 0                    | 75,000               | 75,000               |
| Street Furnishing                           | Future years Budgets being merged into Bulk Domestic Waste   | 0                    | (15,000)             | (15,000)             |
| Paladin Bins                                | Future years Budgets being merged into this Bulk Domestic Waste  | 0                    | (60,000)             | (60,000)             |
| Waste & Recycling Vehicles                  | Rolling programme for waste vehicles, allowing for a trade/bulk food vehicle   | 0                    | 0                    | 245,000              |
| Countryside Management                      | Future Years budget moved to Open Space Access Improvements  | 0                    | (10,000)             | (10,000)             |
| Open Space Access Improvements              | Budget moved from Countryside Management for future years  | 0                    | 10,000               | 10,000               |
| Scotsbridge-Chess Habitat Rest              | Project is being led by the Environment Agency. Remaining budget rephased to 2022/23   | (8,190)              | 8,190                | 0                    |
| ASB Casework Management System              | Budget no longer required as project will not be going ahead due to the free use of Herts Police system.                         | (18,750)             | 0                    | 0                    |
|   | <b>TOTAL</b>   | <b>(326,940)</b>     | <b>308,190</b>       | <b>245,000</b>       |

| Infrastructure, Housing & Economic Development |  |                  |                |              |
|--|--|------------------|----------------|--------------|
| Description                                    | Details of Outturn Variances to Latest Approved Budget   | 2021/22<br>£     | 2022/23<br>£   | 2023/24<br>£ |
| Cycle Schemes                                  | £25k rephased into 2022/23 for ongoing projects. Feasibility study to be undertaken on a project this year.  | (25,000)         | 25,000         | 0            |
| Controlled Parking                             | £47k rephased into 2022/23. Two year work programme progressing, parking consultations due early 2022.   | (47,000)         | 47,000         | 0            |
| Highways Enhancements                          | Budget rephased into 2022/23. Monies identified to support parking and sustainable travel schemes which continue to progress.                                | (194,384)        | 194,384        | 0            |
| Bus Shelters                                   | £9k rephased into 2022/23. Next Programme being investigated. Monies may contribute towards the bus infrastructure project for Real Time information (RTPI). | (9,000)          | 9,000          | 0            |
| Estates, Paths & Roads                         | £5k rephased to 2022/23 as planned works at The Swillett access road scheduled for March unlikely to be completed by year end                                | (5,000)          | 5,000          | 0            |
| TRDC Footpaths & Alleyways                     | £15k rephased into 2022/23 as planned works around the Aquadrome in March will not be completed before year end  | (15,000)         | 15,000         | 0            |
|  | <b>TOTAL</b>   | <b>(295,384)</b> | <b>295,384</b> | <b>0</b>     |



| Policy & Resources             |   |                  |                |              |
|--------------------------------|---|------------------|----------------|--------------|
| Description                    | Details of Outturn Variances to Latest Approved Budget  | 2021/22<br>£     | 2022/23<br>£   | 2023/24<br>£ |
| Garage Improvements            | £90k rephased into 2022/23. Phase 7 planned works almost completed, then a full review and condition survey will be undertaken of all remaining garage stock.   | (90,000)         | 90,000         | 0            |
| TRH Whole Life Costing         | £70k rephased into 2022/23. Currently out to tender for replacement of CCTV, replacement of Air Conditioning in the server room and IT suite. These works will be circa £100K and will be completed this financial year. Works to replace the fuse boards is also programmed in. There is an application for some grant funding to replace the boilers, however if the is not successful the rephased amount will be used to support this next year | (70,000)         | 70,000         | 0            |
| ICT-Managed Serv-Project Costs | Budget rephased into 2022/23 - used to fund ICT project resources.  | (120,000)        | 120,000        | 0            |
| ShS-Hardware Replace Prog      | £45K budget moved from ICT hardware replacement to fund ICT project resources. £15k budget rephased from 2021/22 into 2022/23 from Business Application Upgrade to cover application upgrades fro Operating System for TRDC 2012 to 2016 to 2019  | 45,000           | 15,000         | 0            |
| ICT-TRDC-Licence Costs         | £30K to be rephased into 2022/23 for Cloud O365 licences  | (30,000)         | 30,000         | 0            |
| ICT Hardware Replacement Prog  | £45K moved to shared service resources for ICT projects: Office 365, server OS upgrades, core network replacement.  | (45,000)         | 0              | 0            |
| Business Application Upgrade   | rephase £15K to 22/23 to Shared services resources and hardware to cover application upgrades for Operating system upgrades for TRDC - 2012 to 2016 to 2019   | (15,000)         | 0              | 0            |
|                                | <b>TOTAL</b>  | <b>(325,000)</b> | <b>325,000</b> | <b>0</b>     |

| <b>Major Projects</b>                                |   |                      |                      |                      |
|--|---|----------------------|----------------------|----------------------|
| <b>Description</b>                                   | <b>Details of Outturn Variances to Latest Approved Budget</b>   | <b>2021/22<br/>£</b> | <b>2022/23<br/>£</b> | <b>2023/24<br/>£</b> |
| Property Investment Board                            | Pre-emption sites – purchase of sites for residential development from Hertfordshire County Council as per paper to Council 17 March 2021 | 10,200,000           | 0                    | 0                    |
|  | <b>TOTAL</b>  | <b>10,200,000</b>    | <b>0</b>             | <b>0</b>             |
| <b>Total Variances for Period 8 (November) 2021.</b> |   | <b>9,252,676</b>     | <b>928,574</b>       | <b>245,000</b>       |

CAPITAL INVESTMENT PROGRAMME 2022/23 to 2024/25 – PROPOSED GROWTH

| Capital Growth Bids  |                                     |                |               |               | Measure of Quality of Service | Customer Impact / Quantity of Service | Links to Strategic Plan | Impact on Partners (as defined in the Community Strategy) | Partnership Funding | Equalities | Asset Management | Statutory/Discretionary Service | Contractually Committed | Financial Implications | Invest to Save | Total |
|----------------------|-------------------------------------|----------------|---------------|---------------|-------------------------------|---------------------------------------|-------------------------|---|---------------------|------------|------------------|---------------------------------|-------------------------|------------------------|----------------|-------|
| Service Plan         | Description                         | 2022/23<br>£   | 2023/24<br>£  | 2024/25<br>£  | A                             | B                                     | C                       | D   | E                   | F          | G                | H                               | I                       | J                      | K              |       |
| Leisure & Landscapes | Improve Play Areas - Future Schemes | 15,000         | 15,000        | 20,000        | 9                             | 6                                     | 4                       | 2   | 1                   | 1          | 3                | 2                               | 1                       | 2                      | 0              | 31    |
|                      | Watersmeet Electrical               | 40,000         | 0             | 0             | 3                             | 3                                     | 4                       | 2   | 1                   | 1          | 3                | 1                               | 2                       | 2                      | 0              | 22    |
| Property Services    | Street Lighting                     | 130,000        | 0             | 0             | 3                             | 6                                     | 6                       | 1   | 1                   | 1          | 3                | 2                               | 1                       | 3                      | 0              | 27    |
|                      | <b>Total</b>                        | <b>185,000</b> | <b>15,000</b> | <b>20,000</b> |                               |                                       |                         |   |                     |            |                  |                                 |                         |                        |                |       |

|                              |                |               |               |
|------------------------------|----------------|---------------|---------------|
| <b>Total All Growth Bids</b> | <b>185,000</b> | <b>15,000</b> | <b>20,000</b> |
|------------------------------|----------------|---------------|---------------|

## CAPITAL INVESTMENT PROGRAMME 2021/22 to 2024/25 FUNDING

| Capital Programme                                     | 2021/22            | 2021/22            | 2021/22                | 2022/23            | 2023/24            | 2024/25            |
|---|--------------------|--------------------|------------------------|--------------------|--------------------|--------------------|
|   | Original Budget    | Latest Budget      | Outturn Forecast at P8 | Forecast           | Forecast           | Forecast           |
|   | £                  | £                  | £                      | £                  | £                  | £                  |
| <b>Balance Brought Forward</b>                        |                    |                    |                        |                    |                    |                    |
| Govt Grants: Disabled Facility Grants                 | (808,468)          | (808,468)          | (821,732)              | (834,996)          | (834,996)          | (834,996)          |
| Other Contributions: Other external Sources           | 0                  | 0                  | 0                      | 0                  | 0                  | 0                  |
| Section 106 Contributions                             | (631,636)          | (631,636)          | (631,636)              | (1,225,078)        | (1,225,078)        | (1,225,078)        |
| Capital Receipts Reserve                              | 0                  | 0                  | 0                      | 0                  | 0                  | 0                  |
| Future Capital Expenditure Reserve                    | 0                  | 0                  | 0                      | 0                  | 0                  | 0                  |
| New Homes Bonus Reserve                               | (4,373,973)        | (4,373,973)        | (4,373,973)            | (1,290,159)        | 0                  | 0                  |
| <b>Total Funding Brought Forward</b>                  | <b>(5,814,077)</b> | <b>(5,814,077)</b> | <b>(5,827,341)</b>     | <b>(3,350,233)</b> | <b>(2,060,074)</b> | <b>(2,060,074)</b> |
| <b>Generated in the Year</b>                          |                    |                    |                        |                    |                    |                    |
| Govt Grants: Disabled Facility Grants                 | (500,000)          | (665,264)          | (665,264)              | (586,000)          | (586,000)          | (586,000)          |
| Other Contributions: Other external Sources           | 0                  | 0                  | 0                      | 0                  | 0                  | 0                  |
| Section 106 Contributions                             | 0                  | (593,442)          | (593,442)              | 0                  | 0                  | 0                  |
| Capital Receipts Reserve                              | (1,100,000)        | (1,100,000)        | (1,100,000)            | (1,100,000)        | (1,000,000)        | (1,000,000)        |
| Future Capital Expenditure Reserve                    |                    | 0                  | 0                      | 0                  | 0                  | 0                  |
| New Homes Bonus Reserve                               | (95,407)           | (95,407)           | (95,407)               | (110,247)          | (95,000)           | (95,000)           |
| <b>Total Generated</b>                                | <b>(1,695,407)</b> | <b>(2,454,113)</b> | <b>(2,454,113)</b>     | <b>(1,796,247)</b> | <b>(1,681,000)</b> | <b>(1,681,000)</b> |
| <b>Use of Funding</b>                                 |                    |                    |                        |                    |                    |                    |
| Govt Grants: Disabled Facility Grants                 | 500,000            | 652,000            | 652,000                | 586,000            | 586,000            | 586,000            |
| Other Contributions: Other external Sources           | 0                  | 0                  | 0                      | 0                  | 0                  | 0                  |
| Section 106 Contributions                             | 0                  | 0                  | 0                      | 0                  | 0                  | 0                  |
| Capital Receipts Reserve                              | 1,100,000          | 1,100,000          | 1,100,000              | 1,100,000          | 1,000,000          | 1,000,000          |
| Future Capital Expenditure Reserve                    | 0                  | 0                  | 0                      | 0                  | 0                  | 0                  |
| New Homes Bonus Reserve                               | 3,419,965          | 4,126,545          | 3,179,221              | 1,400,406          | 95,000             | 95,000             |
| Borrowing   | 0                  | 0                  | 10,200,000             | 2,887,501          | 1,370,550          | 1,883,350          |
| <b>Total Use of Funding</b>                           | <b>5,019,965</b>   | <b>5,878,545</b>   | <b>15,131,221</b>      | <b>5,973,907</b>   | <b>3,051,550</b>   | <b>3,564,350</b>   |
| <b>Balance Carried Forward</b>                        |                    |                    |                        |                    |                    |                    |
| Govt Grants: Disabled Facility Grants                 | (808,468)          | (821,732)          | (834,996)              | (834,996)          | (834,996)          | (834,996)          |
| Other Contributions: Other external Sources           | 0                  | 0                  | 0                      | 0                  | 0                  | 0                  |
| Section 106 Contributions                             | (631,636)          | (1,225,078)        | (1,225,078)            | (1,225,078)        | (1,225,078)        | (1,225,078)        |
| Capital Receipts Reserve                              | 0                  | 0                  | 0                      | 0                  | 0                  | 0                  |
| Future Capital Expenditure Reserve                    | 0                  | 0                  | 0                      | 0                  | 0                  | 0                  |
| New Homes Bonus Reserve                               | (1,049,415)        | (342,835)          | (1,290,159)            | 0                  | 0                  | 0                  |
| <b>Total Funding Carried Forward</b>                  | <b>(2,489,519)</b> | <b>(2,389,645)</b> | <b>(3,350,233)</b>     | <b>(2,060,074)</b> | <b>(2,060,074)</b> | <b>(2,060,074)</b> |
| <b>South Oxhey Initiative</b>                         |                    |                    |                        |                    |                    |                    |
| Balance Brought Forward                               | 0                  | 0                  | 0                      | 0                  | 0                  | 0                  |
| Generated in the Year (Land Receipts)                 | (6,502,792)        | (9,828,445)        | (9,828,445)            | 0                  | 0                  | 0                  |
| Repayment of Borrowing                                | 6,502,792          | 9,828,445          | 9,828,445              | 0                  | 0                  | 0                  |
| <b>Total</b>  | <b>0</b>           | <b>0</b>           | <b>0</b>               | <b>0</b>           | <b>0</b>           | <b>0</b>           |
| <b>South Oxhey Leisure Facility</b>                   |                    |                    |                        |                    |                    |                    |
| Balance Brought Forward                               | 0                  | 0                  | 0                      | 0                  | 0                  | 0                  |
| Expenditure   | 226,823            | 268,473            | 268,473                | 0                  | 0                  | 0                  |
| Borrowing   | (226,823)          | (268,473)          | (268,473)              | 0                  | 0                  | 0                  |
| <b>Total</b>  | <b>0</b>           | <b>0</b>           | <b>0</b>               | <b>0</b>           | <b>0</b>           | <b>0</b>           |
| <b>Total Expenditure Capital Investment Programme</b> | <b>5,246,788</b>   | <b>6,147,018</b>   | <b>15,399,694</b>      | <b>5,973,907</b>   | <b>3,051,550</b>   | <b>3,564,350</b>   |

## SECTION 106 BALANCES 2021/22

| Section 106  | Balance at 1 April 2021 | Movement In year    |                 | Balance at 31 March   |
|--|-------------------------|---------------------|-----------------|-----------------------|
|  |                         | Contribution FROM   | Contribution TO |                       |
| 0155 - Resv-S106-Ecology-Abbotswd Pk                             | (66,802.35)             | 0.00                | 0.00            | (66,802.35)           |
| 0159 - Resv-S106-Maint-Crox Common Mr                            | (12,435.24)             | 0.00                | 0.00            | (12,435.24)           |
| 0166 - Resv-Env Maint Commuted Sums                              | (31,965.42)             | 0.00                | 0.00            | (31,965.42)           |
| 0171 - Resv-S106 Huntonbury Village                              | (68,448.43)             | 0.00                | 0.00            | (68,448.43)           |
| 0173 - Resv-S106 Green Lane                                      | (19,832.04)             | 0.00                | 0.00            | (19,832.04)           |
| 0177 - Resv-S106 Tanners Hill Amenity                            | (59,890.25)             | 0.00                | 0.00            | (59,890.25)           |
| 0183 - Resv-S106 St'wt C/Mg Av(Trees)                            | (11,002.53)             | 0.00                | 0.00            | (11,002.53)           |
| 0184 - Resv-S106 College Road (Trees)                            | (24,064.87)             | 0.00                | 0.00            | (24,064.87)           |
| 0185 - Resv-S106 Leavesden (Trees)                               | (6,788.66)              | 0.00                | 0.00            | (6,788.66)            |
| 0187 - Resv- S106 Redwing Gve (Trees)                            | (26,233.58)             | 0.00                | 0.00            | (26,233.58)           |
| 0190 - Resv-S106 Oxhey Nu Oaklands Av                            | (43,632.41)             | 0.00                | 0.00            | (43,632.41)           |
| 0191 - Resv-S106 49 Bucknalls Lane                               | (2,121.22)              | 0.00                | 0.00            | (2,121.22)            |
| 0193 - Resv-S106 Horsefield - Abbots Langley (Op SP)             | (1,166,516.10)          | 0.00                | 0.00            | (1,166,516.10)        |
| 0196 - Resv-S106-Traffic Reg Orders                              | (19,459.85)             | (4,000.00)          | 0.00            | (23,459.85)           |
| 0197 - Resv-S106-Happy Man Berry Lane                            | (6,151.61)              | 0.00                | 0.00            | (6,151.61)            |
| 0198 - Resv-S106-Gade View                                       | (28,444.60)             | 0.00                | 0.00            | (28,444.60)           |
| 0199 - Resv-S106-Abbots Works                                    | (15,544.04)             | 0.00                | 0.00            | (15,544.04)           |
| 0201 - S106-Abbotswood Pk-10/2230/OUT                            | (21,676.67)             | 0.00                | 0.00            | (21,676.67)           |
| 0202 - S106-Chorleywd Working Mans Cl                            | (13,818.69)             | 0.00                | 0.00            | (13,818.69)           |
| 0203 - S106-Open Space-8 Chiltern Dr                             | (1,437.54)              | 0.00                | 0.00            | (1,437.54)            |
| 0210 - S106 1 Oakfield,MIEnd (Op Sp)                             | (1,419.22)              | 0.00                | 0.00            | (1,419.22)            |
| 0216 - S106 The Coach House (Op Sp)                              | (7,784.36)              | 0.00                | 0.00            | (7,784.36)            |
| 0219 - S106 Parrotts,Crox Grn(Op Sp)                             | (1,592.57)              | 0.00                | 0.00            | (1,592.57)            |
| 0221 - S106 17 Muirfield Grn (Op Sp)                             | (4,942.73)              | 0.00                | 0.00            | (4,942.73)            |
| 0223 - S106 18-26 Ebury Road (Op Sp)                             | (4,989.60)              | 0.00                | 0.00            | (4,989.60)            |
| 0227 - S106 Long Island Ex'ge (TRO)                              | (2,042.89)              | 0.00                | 0.00            | (2,042.89)            |
| 0230 - S106 Leav'den Stud,Warner Dr                              | (27,476.29)             | 0.00                | 0.00            | (27,476.29)           |
| 0232 - S106 132 Gosforth Ln (Op Sp)                              | (1,665.70)              | 0.00                | 0.00            | (1,665.70)            |
| 0238 - S106 Leavesden Country Park                               | (0.65)                  | 0.00                | 0.00            | (0.65)                |
| 0246 - S106 Hayling & Holmside Rise (Op Sp)                      | (14,105.09)             | 0.00                | 0.00            | (14,105.09)           |
| 0252 - S106 2 Hornhill Road (AH)                                 | (27,603.07)             | 0.00                | 0.00            | (27,603.07)           |
| 0253 - S106 - 89 Northwick Road (AH)                             | (21,261.64)             | 0.00                | 0.00            | (21,261.64)           |
| 0254 - S106 - Oxhey Hall Barnes (AH)                             | (22,752.15)             | 0.00                | 0.00            | (22,752.15)           |
| 0255 - S106 - High View Caravan Park, Toms Lane, KL (AH)         | (14,250.38)             | 0.00                | 0.00            | (14,250.38)           |
| 0257 - S106 - 55 Penrose Road (AH)                               | 0.00                    | (20,486.25)         | 0.00            | (20,486.25)           |
| 0258 - S106 - 373 Prestwick Road (AH)                            | 0.00                    | (22,586.88)         | 0.00            | (22,586.88)           |
| 0259 - S106 - Swan House, Homestead Road (AH)                    | 0.00                    | (100,338.88)        | 0.00            | (100,338.88)          |
| 0260- S106 - Former Pocklington House site, Eastbury Avenue (AH) | 0.00                    | (446,030.20)        | 0.00            | (446,030.20)          |
| <b>Total</b>   | <b>(1,798,152.43)</b>   | <b>(593,442.21)</b> | <b>0.00</b>     | <b>(2,391,594.64)</b> |



# **Treasury Management Policy 2022/23**

## 1. Summary

- 1.1. This document sets out the Council's Treasury Management Policy.
- 1.2. The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as: "the management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".
- 1.3. The Treasury Management Policy supports the delivery of the Council's Capital Strategy and provides additional detail on how the Council manages its Treasury Management Activity.
- 1.4. The Treasury Management Policy details the policies, practices, objectives and approaches to risk management of its treasury management activities, which is to be monitored by the Audit Committee. The primary objectives are of the Treasury Management Policy are:
  - Security - Safeguard the repayment of the principal and interest of its investments on time
  - Liquidity - Ensure adequate liquidity to meet obligations as they fall due
  - Yield - Investment return is the final objective and is considered after security and liquidity requirement have been satisfied.
- 1.5. This policy is reviewed and approved annually by Council alongside the Council's budget, Medium Term Financial Plan (MTFP) and Capital Strategy.
- 1.6. The Director of Finance in consultation with the Lead Member for Resources and Shared Services has delegated authority to approve any variation to the Treasury Management Policy

during the year with the objective of maximising the Council's returns without significantly increasing risk.

## **2. Risks**

2.1. The key Treasury Management risks are set out in the CIPFA Treasury Management Code of Practice ("the TM Code"). The following paragraphs set out these risks and how they are managed:

### **Liquidity Risk**

That the Council may not have the cash it needs on a day to day basis to pay its bills.

This risk is managed through forecasting and the retention by the Council of an adequate working capital balance. In addition, through the Public Works Loan Board and other organisations, the Council is able to access short term borrowing, usually within 24 hours.

### **Interest Rate Risk**

That the costs and benefits expected do not materialise due to changes in interest rates.

This risk is managed through the placing of different types and maturities of investments, the forecasting and monitoring of the interest budget (with assistance from the Council's retained advisors).

### **Exchange Rate Risk**

That losses or gains are made due to fluctuations in the prices of currency.

The Council does not engage in any significant non-sterling transactions.

### **Credit and Counterparty Risk**

That the entity holding Council funds is unable to repay them when due. This risk is managed through the maintenance of a list of authorised counterparties, with separate limits to ensure that the exposure to this risk is limited

### **Refinancing Risk**

That the loans taken by the Council will become due for repayment and need replacing at a time when there is limited finance available or interest rates are significantly higher.

The timing of loan maturities is monitored along with interest rate forecasts. Officers ensure that due dates are monitored and seek advice from the Council's advisors about when to raise any finance needed.

### **Legal and Regulatory Risk**

That the Council operates outside its legal powers.

This risk is managed through the Council's training and development of Officers involved in Treasury Management, the independent oversight of Internal and External Audit, and the



advice (for example on the contents of this strategy) taken from the Council's Treasury advisors.

### **Fraud, Error and Corruption**

The risk that losses will be caused by impropriety or incompetence.

This risk is managed through the controls in the Council's financial procedures. For example, the segregation of duties between those making investment decisions and those transferring funds.

### **Market Risk**

That the price of investments held fluctuates, principally in secondary markets.

The majority of the Council's investments are not traded, but where they are (e.g. Property investment portfolio) the main investments' value comes from the income they generate which is generally long term and secure.

## **3. Prudential Indicators: Limits to Borrowing Activity**

- 3.1. There are two limits on external debt: the 'Operational Boundary' and the 'Authorised Limit'. Both are consistent with existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices.
- 3.2. The key difference is that the Authorised Limit cannot be breached without prior approval of the Council. The Operational Boundary is a more realistic indicator of the likely position. The difference between the authorised limit and operational boundary for borrowing is that the authorised limit includes a head room for borrowing for future known capital needs now. The Authorised Limit represents the limit beyond which borrowing is prohibited, and needs to be revised if necessary by members.
- 3.3. These indicators are set out in the Capital Strategy.

## **4. Borrowing Strategy**

- 4.1. The Council's treasury team maintains a cashflow forecast and works its liquidity requirements within this forecast; it may, on rare occasions, be necessary to borrow short-term for cashflow purposes. This will be in the form of short term debt or overdraft facilities and is normally for small amounts for minimum durations. As this is based on need and has a defined repayment period it is not normally included within the limits set above.
- 4.2. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment 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 (ie: the cost of holding does not outweigh the benefits of early borrowing) and that the Council can ensure the security of such funds. Any associated risks will be approved and reported through the standard reporting method.

## **5. Investment Policy**

- 5.1. The Council's investment policy has regard to the statutory Guidance on Local Government Investments and TM Code. The Council's investment priorities are security first, liquidity second, then yield.
- 5.2. Investment instruments identified for use in the financial year are listed below under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set

through the Council's Treasury Management Practices Schedules and are detailed at Annex A.

- 5.3. As part of its diversification of investments, the Council has invested some of its core funds (ie: funds not immediately required for cashflow reasons) in longer-term investment property instruments. These are in the form of individual assets directly owned by the council. Although the Council has no current investments or plans to invest in pooled property funds, these are an option that could be considered in the future. All property investments are controlled through the Property Investment Board (PIB) and each investment is subject to its own business case and appraisal before a decision to invest is taken and before any Council funds are committed.
- 5.4. During 2020/21 the Council has made a small Money Market Fund investment with Royal London Asset Management to diversify placement of some longer term cash.

## **6. Creditworthiness policy**

6.1. The Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in and the criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.
  - It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
- 6.2. The Director of Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary and will provide an overall pool of counterparties considered high quality.
  - 6.3. Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the Council's criteria. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing.

## **7. Counterparty Categories**

7.1. The Council uses the following criteria in choosing the categories of institutions in which to invest:

- **Banks 1 - Good Credit Quality**

The Council will only use UK banks or foreign banks trading in the UK in sterling denomination and which meet the Rating criteria.

- **Banks 2 – The Council's Own Banker**

For transactional purposes, if the bank falls below the above criteria, it will be included, although in this case balances will be minimised as far as possible in both monetary size and time within operational constraints.

- **Bank Subsidiary and Treasury Operations**

The Council will use these where the parent bank has the necessary ratings outlined above and the parent has provided an indemnity guarantee.

- **Building Societies**

The Council will use all Societies which meet the ratings for banks outlined above.

- **Specific Public Bodies**

The Council may lend to Public Bodies other than Local Authorities. The criterion for lending to these bodies is that the loan has been approved by Council.

- **Money Market Funds AAA Rated**

The Council may lend to Money Market Funds in order to spread its investment risk.

- **Local Authorities**

A limit of £5m per authority will be applied.

- **Debt Management Deposit Account Facility**

A Government body which accepts local authority deposits.

- **Council Subsidiaries (non-specified)**

The Council will lend to its subsidiaries subject to approval of a business case by the Portfolio Holder, in consultation with the Director of Finance. Business cases must be accompanied by an independent assessment of viability, and be subjected to regular monitoring by the Director of Finance.

7.2. For details of Specified and Non-Specified Investments see below.

## **8. Use of Additional Information Other Than Credit Ratings**

8.1. Additional requirements under the Code of Practice require the Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

## **9. Time and Monetary Limits Applying to Investments**

9.1. The time and monetary limits for institutions on the Council's Counterparty List summarised in the table below, are driven by the above criteria. These limits will cover both Specified and Non-Specified Investments.

## **10. Exceptional Circumstances**

10.1. The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Whilst Members are asked to approve this base criteria above, under the exceptional current market conditions Director of Finance may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly, the time periods for investments will be restricted.

10.2. Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (DMO) – a Government body which accepts local authority deposits, money Market Funds, and strongly rated institutions. The credit criteria have been amended to reflect these facilities.

**Negative Interest Rates**

10.3. The Bank of England base rate is an historic low level of 0.10%. This low base rate has resulted in very low returns on short-term investments, and at the time of writing negative rates were in force with the DMADF. There remains a possibility that the Bank could move to set an interest rate below 0% as a measure to provide further economic stimulus in the face of the ongoing COVID-19 pandemic, which would likely feed through to negative rates on all low-risk short-term investment options.

10.4. In this event, security would be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

**11. Investment Strategy**

11.1. In-House Funds - investments will be made with reference to the core balance and cashflow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

11.2. Investment Treasury Indicator and Limit - total principal funds invested for greater than one year. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

| Treasury Indicator & Limit   | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|--|---------|---------|---------|---------|
| Maximum Principal Sums invested for greater than one year (excluding property investment and loans to Council subsidiaries). | £10m    | £10m    | £10m    | £10m    |

**12. Investment Risk & Security Benchmarking**

12.1. These benchmarks are simple guides to maximum risk and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmarks is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report. The benchmarks are as follows:

**Security:**

Security of the investments is measured by credit ratings, which is supplied by the three main credit rating agencies (Fitch, Moodys and Standard & Poors). Where investments are made to Council subsidiaries (non-listed), the security is measured through a business case with independent viability assessment.

**Liquidity:**

The Council set liquidity facilities/benchmarks to maintain:

- Authorised bank overdraft - nil.
- Liquid short term deposits of at least £0.5m available with a week's notice.

The Council has the benefit of instant access to its funds on the general account with Lloyds.

**Yield:**

The Council benchmarks the yield on its operational cash against SONIA (the Sterling Overnight Index Average). This is a measure of market rates for actual returns on overnight cash deposits. Performance against this indicator will be reported in the reports produced at mid-year and year-end.

**13. Reporting Requirements**

- 13.1. The Audit Committee has the responsibility for the scrutiny of Treasury Management policies and practices and receives the Treasury Management Policy for review prior to approval by Council.
- 13.2. An annual report on the performance of the Treasury Management function, including the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy is considered by Council following the end of the financial year
- 13.3. Council also receives a Mid-Year Treasury Management Report setting out activity to 30 September.

**14. Policy on the Use of External Service Providers**

- 14.1. Link Asset Services are the appointed external advisors. The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers. 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.
- 14.2. The Council will also, from time to time, procure specialist advice for ad-hoc pieces of work; this will be procured in accordance with the Council's normal procedure rules.

**15. Member and Officer Training**

- 15.1 In order to ensure that Members and Officers are sufficiently trained and qualified to monitor and manage the Council's Treasury Management activity, the following measures are in place:

- Ensuring that officers attend suitable courses and seminars to keep their technical knowledge up to date;
- Keeping up to date with CIPFA publications on Treasury Management;
- Regular briefings both by email and face to face with the Council's Treasury advisors;
- Reports and briefing sessions to Members on major changes to Treasury policies and strategies.

## **16. Annual Investment Strategy**

### **16.1 The investment policy for the Council is:**

Strategy Guidelines – the main strategy guidelines are contained in the body of the Capital Strategy and Treasury Management Policy

Specified Investments – these investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments with:

- The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity).
- A local authority, parish council or community council.
- A body that is considered of a high credit quality (such as a bank or building society) with a minimum short term rating of F-1 (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies or a Building Society with assets over £1,000m. Non rated Building Societies are non-specified investments.
- Money Market Funds (triple AAA rated only).

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. These criteria are defined in the Treasury Management Strategy.

The ratings criteria and exposure limits are detailed at Schedule 1 within Annex A.

Non-Specified Investments – non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out in Annex A.

| Non Specified Investment Category   | Limit (£ or %)  |
|---|---|
| <p><b>Any bank or building society</b> that has a minimum long term credit rating of A (or equivalent), for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).</p>  | £5m   |
| <p><b>The Council's own banker</b> if it fails to meet the basic credit criteria.</p>   | In this instance balances will be minimised as much as possible |
| <p><b>Building Societies not meeting the basic security requirements</b> under the specified investments.</p> <p>The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which were originally considered Eligible Institutions and have a minimum asset size of £5,000m, but will restrict these types of investments to £2m for up to six months.</p>  | £2m   |
| <p><b>Specific Public Bodies</b></p> <p>The Council can seek Member approval to make loans to other public bodies for periods of more than one year.</p>  | £10m  |
| <p><b>Loans to Council Subsidiaries</b></p> <p>The Council will lend to its subsidiaries subject to approval of a business case by the Portfolio Holder, in consultation with the Director of Finance. Business cases must be accompanied by an independent assessment of viability, and be subjected to regular monitoring by the Director of Finance.</p>   | £10m limit for any single loan                                  |
| <p><b>Other unspecified investments</b></p> <p>The strategy allows the Portfolio Holder, in consultation with the Director of Finance, in consultation with the Lead Member, the delegated authority to approve any variation to the Treasury Management Strategy during the year which may be brought about by investigating the opportunity to invest for greater than one year and also to invest in other investment instruments i.e Government bonds, Gilts and investment property with a view of to maximising the Council's returns without significantly increasing risk. This allows the addition of further unspecified investments, subject to conditions which will be generally similar to (e).</p> | £10m  |

The Council will also consider investment in property in accordance with its Property Investment Strategy. All property investments will be dependent on a standalone business case being proven.

### The Monitoring of Investment Counterparties

The credit rating of counterparties is monitored regularly. The main rating agencies (Fitch, Moody's and Standard & Poor's) provide credit ratings for financial institutions. The Council receives credit

rating information (changes, rating watches and rating outlooks) from Capita Asset Services Treasury Solutions as and when ratings change, and counterparties are checked promptly.

The Council considers minimum short term ratings as key criteria in the choice of creditworthy investment counterparties; F1+, P-1 and A-1+ are the highest short term credit ratings of Fitch, Moody's and Standard & Poor's respectively. Minimum Short Term Ratings, where given, must be met for all categories.

On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Director of Finance, and if required new counterparties which meet the criteria will be added to the list.

For non-specified investments (e.g. e-f above) the progress of the entity against the approved, independently verified business case will be monitored by the Director of Finance.



| Institution Type   | Minimum Short Term Ratings        |         |     | Schedule 1 (A) – UK Banks & Building Societies  |  |  |  |
|--|-----------------------------------|---------|-----|---|--|--|--|
|  | Fitch                             | Moody's | S&P |   |  |  |  |
| The Council's own Bankers  | F1m                               | P-1     | A-1 | If Council's own bankers fall below the minimum long term criteria for UK banks, cash balances will be managed within operational liquidity constraints and balances will be minimised as much as possible. |  |  |  |
| Wholly Owned Subsidiaries of UK Clearing Banks - Parent Ratings    | F1                                | P-1     | A-1 | Long Term Credit Rating:<br>AA(F),<br>Aa2(M),<br>AA(S&P)  | Long Term Credit Rating:<br>Single A<br>(All agencies) | Long Term Credit Rating:<br>Lower than A<br>(All agencies) | Long Term Credit Rating:<br>Lower than A |
| Partially Owned Subsidiaries of UK Clearing Banks - Parent Ratings | F1                                | P-1     | A-1 |   |  |  |  |
| UK Building Societies (Credit Rated)                               | F1                                | P-1     | A-1 |   |  |  |  |
| UK Building Societies (Unrated)                                    |                                   |         |     | Assets over £15bn   | Assets over £5bn                                       | Assets of £2.5bn   | Assets of £1bn                           |
|  | <b>Maximum Amount / Duration:</b> |         |     | <b>£10m<br/>364 Days</b>  | <b>£10m<br/>6 Months</b>                               | <b>£10m<br/>3 Months</b>                                   | <b>£10m<br/>1 Month</b>                  |

## Schedule 1 (B) – Other Entities

|  |   |
|--|---|
| Specific Public Bodies                           | As approved by Members – up to £10m for up to 10 years  |
| Debt Management Deposit Facility (UK Government) | Unlimited – this is the Council's Safe-Haven Deposit facility with the UK Government  |
| Money Market Funds (AAA Rated)                   | £5m per fund  |
| Municipal Bond Agency                            | As approved by Members  |
| UK Local Authorities                             | <p>A Maximum of £5m applies per Authority.</p> <p>The Council can invest in all UK Local Authorities whether rated or not.</p> <p>The Council will not lend to an authority which is subject to a s.114 notice without member approval.</p> |

Notes:-

1. F1+, P-1 and A-1+ are the highest short term credit ratings of Fitch, Moody's and Standard and Poor's respectively.
2. Minimum Short Term Ratings - Where given, these must be met, for all categories (except RBS Group).
3. Building Societies - A Building Society has to meet either the ratings criteria or the assets criterion to be included in the category, not both.
4. Maximum amount is the maximum, in total, over all investments, with any one institution (with the exception of RBS Group).