

Public Document Pack  
SOUTHEND-ON-SEA BOROUGH COUNCIL

**Cabinet**

**Date: Tuesday, 15th February, 2022**

**Time: 2.00 pm**

**Place: Council Chamber - Civic Suite**

**Contact: Colin Gamble**

**Email: [committeesection@southend.gov.uk](mailto:committeesection@southend.gov.uk)**

**AGENDA**

- 1 Apologies for Absence**
- 2 Declarations of Interest**
- 3 Treasury Management Policy 2022/23** (Pages 1 - 34)  
Report of Executive Director (Finance and Resources) attached
- 4 Housing Revenue Account (HRA) Budget and Rent Setting Report 2022/23**  
Report of Executive Director (Finance and Resources) to follow
- 5 Prioritising Resources to Deliver Better Outcomes - 2022/23 to 2026/27**  
Report of Executive Director (Finance and Resources) to follow

**Chair & Members:**

Cllr I Gilbert (Chair), Cllr R Woodley (Vice-Chair), Cllr L Burton, Cllr P Collins, Cllr A Jones, Cllr C Mulrone, Cllr C Nevin and Cllr M Terry

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# Southend-on-Sea Borough Council

Report of Executive Director (Finance and Resources)  
to  
**Cabinet**  
on  
**15 February 2022**

Report prepared by: Caroline Fozzard  
Senior Finance Lead (Strategy, Sustainability and  
Governance)

Agenda  
Item No.

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**Treasury Management Policy – 2022/23**  
**Policy and Resources Scrutiny Committee**  
**Cabinet Member: Councillor Paul Collins**  
***Part 1 (Public Agenda Item)***

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## 1. Purpose of Report

1.1. To consider the following Treasury Management documents before recommending them to Council for approval:

- Treasury Management Policy Statement for 2022/23;
- Treasury Management Strategy for 2022/23;
- Annual Treasury Management Investment Strategy for 2022/23;

## 2. Recommendations

**That the Cabinet recommend to Council that it approve:**

**2.1. The Treasury Management Policy Statement 2022/23 (Appendix 1);**

**2.2. The Treasury Management Strategy 2022/23 (Appendix 2);**

**2.3. The Annual Treasury Management Investment Strategy 2022/23 (Appendix 3);**

## 3. Background

3.1. In compliance with the CIPFA (Chartered Institute of Public Finance and Accountancy) Treasury Management Code of Practice the Council's Treasury Management Policy comprises the following:

- Treasury Management Policy Statement;
- Treasury Management Strategy;
- Annual Treasury Management Investment Strategy

and these are reviewed annually for approval by Council before the start of each financial year.

- 3.2. The purpose of the Treasury Management Policy Statement is to set out the scope of the Treasury Management function, the policy on borrowing, debt restructure, investments, delegation and management of risk. The Treasury Management Policy Statement for 2022/23 is attached as **Appendix 1**.
- 3.3. The purpose of the Treasury Management Strategy is to set out how the budgeted financing costs can be achieved. It covers the prospects for interest rates and the strategy on borrowing and debt restructuring. The Treasury Management Strategy for 2022/23 is attached as **Appendix 2**.
- 3.4. The purpose of the Annual Treasury Management Investment Strategy is to set out the investment objectives and the policies on the use of external fund managers, on the investment of in-house managed funds and on the use of approved counterparties. The Annual Treasury Management Investment Strategy for 2022/23 is attached as **Appendix 3**.
- 3.5. Appendices 1, 2 and 3 together form the Treasury Management Policy and are then used by officers on a daily basis for the effective running of the treasury management function.
- 3.6. In response to the on-going economic, regulatory and financial market conditions, and in consultation with our treasury management advisers, the treasury management policy has been updated for the 2022/23 financial year. The changes from the revised 2021/22 policy are shown in **Appendix 4**.
- 3.7. The policy and strategy documents are written in order to provide officers and advisers with clear boundaries within which to work but as a result they are written using technical language. Treasury management training has been offered to all councillors to aid understanding of the issues and further courses will be available in the future. This training is particularly important for members of the Audit Committee as that committee is responsible for the scrutiny of the Treasury Management Policy.

#### **4. Other Options**

- 4.1. There are many options available for the operation of the Treasury Management function, with varying degrees of risk associated with them. The Treasury Management Policy set out in this report aims to effectively control risk to within a prudent level, whilst providing optimum performance consistent with that level of risk.

#### **5. Reasons for Recommendations**

- 5.1. The recommendations are to comply with the CIPFA Treasury Management Code of Practice.

## 6. Corporate Implications

Contribution to the Southend 2050 Road Map

- 6.1. The Treasury Management Strategy sets out how the financing costs as part of the Medium Term Financial Plan may be achieved. The Treasury Management policy together with the prudential indicators (set out in the Prioritising Resources to Deliver Better Outcomes report elsewhere on this agenda), acknowledge how effective treasury management will provide support towards the achievement of the Council's ambition and desired outcomes.

Financial Implications

- 6.2. The financial implications of the proposed capital investment programme are considered in the Prioritising Resources to Deliver Better Outcomes report elsewhere on this agenda. Other financial implications are dealt with throughout this report.

Legal Implications

- 6.3. Compliance with the relevant regulations and codes of practice has been considered throughout this report.

People Implications

- 6.4. There are no people implications arising from this report.

Property Implications

- 6.5. There are no property implications arising from this report.

Consultation

- 6.6. The key treasury management decisions are taken in consultation with our treasury management advisers.

Appendices 1 to 4 were presented to the Audit Committee on 12 January 2022 for scrutiny. Audit Committee commented on the following area:

- The Audit Committee is responsible for the scrutiny of the Treasury Management Policy. Treasury management training has been offered to all councillors and it is particularly important for members of the Audit Committee to attend that training.

In response, the following sentence has been added to paragraph 3.7:

*This training is particularly important for members of the Audit Committee as that committee is responsible for the scrutiny of the Treasury Management Policy.*

Equalities and Diversity Implications

- 6.7. There are no equalities issues arising from this report.

Risk Assessment

- 6.8. The Treasury Management Policy acknowledges that the successful identification, monitoring and management of risk is fundamental to the effectiveness of its activities.

Value for Money

- 6.9. Treasury Management activities include the pursuit of optimum performance consistent with effective control of the risks associated with those activities.

Community Safety Implications

- 6.10. There are no community safety implications arising from this report.

Environmental Impact

- 6.11. There are no environmental impacts arising from this report.

## **7. Background Papers**

- 7.1. CIPFA (Chartered Institute of Public Finance and Accountancy) Treasury Management Code of Practice

## **8. Appendices**

Appendix 1 – Treasury Management Policy Statement 2022/23

Appendix 2 – Treasury Management Strategy 2022/23

Appendix 3 – Annual Treasury Management Investment Strategy 2022/23

Appendix 4 – Changes from the revised 2021/22 Treasury Management Policy

## SOUTHEND-ON-SEA BOROUGH COUNCIL

### TREASURY MANAGEMENT POLICY STATEMENT 2022/23

#### 1 Background

- 1.1 The purpose of this statement is to outline the Council's treasury management policy.
- 1.2 The CIPFA Code of Practice on Treasury Management recommends that Local Authorities:
  - Adopt the CIPFA code;
  - Create and maintain both a Treasury Management Policy Statement and suitable Treasury Management practices;
  - Appoint an officer to whom Treasury Management is delegated;
  - Submit reports regularly.
- 1.3 Cabinet approved adoption of the CIPFA code of Practice for Treasury Management at its meeting on 12 February 2002. CIPFA published a major revision to the Code of Practice for Treasury Management on 27 November 2009, the implementation of which was the subject of a report to Audit Committee submitted to its meeting of 13 January 2010. Since then there have been a number of more minor revisions, the latest being in December 2017. CIPFA published their 2021 edition of the Code of Practice for Treasury Management on 20<sup>th</sup> December 2021. Due to the late publication date, CIPFA has allowed Local Authorities to defer introducing the revised reporting requirements until the 2023/24 financial year. These include changes to the Treasury prudential indicators for Treasury Management. These strategy documents have been updated as far as time constraints would allow and they will be subject to further updates to fully comply with the Code by 31<sup>st</sup> March 2023.
- 1.4 There is a requirement in the revised code that the treasury management policy should be scrutinised in detail by a specialist committee, before being accepted by the authority, and should be monitored regularly.
- 1.5 The treasury management policy is agreed in advance of the year to which it relates. The policy is then monitored regularly and is updated, as appropriate, to reflect changing circumstances and guidance.
- 1.6 The Council has nominated the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management policy, before approval by full Council as part of the approval of the budget.

- 1.7 The Chief Finance Officer (Section 151 Officer under the Local Government Act 1972) is the person responsible for the treasury management function.
- 1.8 The revised code requires that, as a minimum, reporting should include an annual strategy in advance of the year, a mid-year review and an annual report after its close. The reporting and scrutiny of the strategy and policy are dealt with above. Reports on the activities of the treasury management function will be submitted to Cabinet quarterly. One such report will comprise an annual report for presentation before 31 July of the succeeding year. Another report will be a mid-year review reporting in November of each year.
- 1.9 In the forthcoming version of the CIPFA Code of Practice on Treasury Management the term “investments” covers all the financial assets of the organisation, as well as other non-financial assets which the organisation holds primarily for financial returns or primarily for the provision, and the purposes, of delivering public services (including housing, regeneration and local infrastructure). This may therefore include investments which are not managed as part of normal treasury management and are therefore covered by the Capital Investment Policy which forms part of the Capital Investment Strategy.
- 1.10 To reflect the forthcoming version of the CIPFA Code of Practice on Treasury Management the Council is required to maintain Investment Management Practices for investments which are not for treasury management purposes. This is in addition to the treasury management practices already in place.

## **2 Duration of the Policy Statement**

- 2.1 This Treasury Management Policy Statement covers the 2022/23 financial year.

## **3 Scope of the Treasury Management Function**

- 3.1 The Council defines its treasury management activities as:
- the management of the organisation’s borrowing, investments and cash flows, including its banking, money market and capital market transactions;
  - the effective control of the risks associated with those activities;
  - the pursuit of optimum performance consistent with those risks.
- 3.2 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.



- 3.3 The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
- 3.4 The Council acknowledges that responsibility for the effective management and control of risk lies with the authority.

#### **4 Use of a treasury management adviser**

- 4.1 The services of a treasury management adviser, Link Asset Services will be used throughout 2022/23 to assist the Council to develop and enhance the performance of the treasury management function.
- 4.2 The role of this adviser is to provide relevant and timely information and advice on all aspects of treasury management.
- 4.3 The Council recognises that responsibility for treasury management decisions remains with the authority at all times.

#### **5 Funding requirements for the capital investment programme**

- 5.1 The following methods of funding have been identified as being available to the Council for use in 2022/23:
- Borrowing;
  - Use of capital receipts - from the sale of surplus assets;
  - Use of Government Grants – e.g. Local Growth Fund, or grants from the Department for Education;
  - Other external contributions – e.g. Section 106 agreements;
  - Revenue funding – e.g. transferred from the Revenue Account.
- 5.2 No additional funding source will be used without the agreement of the Cabinet.

#### **6 Limits on external borrowings**

- 6.1 The Council must set an operational boundary and authorised limit for external debt. The operational boundary is how much external debt the Council plans to take up, and reflects the decision on the amount of debt needed for the Capital Investment Programme for the relevant year. The authorised limit is higher than the operational boundary as it allows sufficient headroom to take account of unusual cash movements.
- 6.2 The table on the next page shows the operational boundary and authorised limits for borrowing for 2021/22 and 2022/23:

	<b>2021/22 Original £m</b>	<b>2022/23 Original £m</b>
Operational boundary	375	385
Authorised limit	385	395

In accordance with the Prudential Code these limits exclude outstanding debt relating to services transferred from Essex County Council (ECC) on 1 April 1998.

- 6.3 In March 2020 the Government started a consultation process on the reform of the PWLB lending terms. On 25th November 2020 the Chancellor announced the conclusion of this consultation. The lending terms now exclude the use of the PWLB for any Local Authority that includes the purchase of any capital asset primarily for yield in their three-year capital investment programme. Local Authorities that don't qualify for these lending terms are unable to access any PWLB borrowing until such time as they cease to have any capital asset primarily for yield in their three-year capital investment programme. The Council's capital investment programme will not include the purchase of any capital asset primarily for yield.
- 6.4 The operational boundary and authorised limits allow for some borrowing to take advantage of exceptionally low lending rates should the opportunity arise.

## **7 Policy on sources and types of long term borrowing**

- 7.1 The Council's long term borrowing (i.e. for more than one year) for 2022/23 will be via any type of loan from the Public Works Loan Board (which is a statutory body whose function is to lend money to local authorities and other prescribed bodies) or from banks, building societies or other financial institutions as appropriate.
- 7.2 In addition, if it is deemed to be economically advantageous the Section 151 Officer, in consultation with our Treasury Management advisers, can issue bonds to raise funds, either in this council's name or collaboratively with other Local Authorities or via the Local Government Association (LGA), and either as a private or public placement.
- 7.3 In addition, if it is deemed to be economically advantageous the Section 151 Officer, in consultation with our Treasury Management advisers, can borrow from other Local Authorities.
- 7.4 In addition, if it is deemed to be economically advantageous the Section 151 Officer, in consultation with our Treasury Management advisers, can borrow for the purposes of financing regeneration and other infrastructure related projects.

7.5 The PWLB is usually the most economic source available to the Council for long term borrowing. The Council is eligible for HM Treasury's 'certainty rate' which is a discount of 0.2% on standard rates.

7.6 Financing arrangements other than borrowing will be in the form of leases. These will be taken out to finance the purchase or use of assets such as equipment or vehicles.

## **8 Timing of new borrowing**

8.1 New borrowing will be undertaken as and when required to finance capital. The Council's Section 151 Officer is authorised to make application for loans during 2022/23 that are deemed appropriate for the long term financing of capital. The amount and timing of these loans will have regard to the Council's cash flow, the PWLB interest rates and the future requirements of the capital investment programme.

## **9 Debt restructuring policy**

9.1 Some of the Council's borrowings are at a higher interest rate than the current rate of borrowing. To redeem these loans before their maturity date (i.e. to redeem them early) the Council would be required to pay a premium (this is like paying to redeem a mortgage early except the amount of the penalty depends on the prevailing rate of interest). New loans could then be taken out at the current rate. The savings to be made by paying interest at a lower rate need to be offset by the premiums payable before a decision is made as to whether this would be economically advantageous.

9.2 Similarly, some of the Council's borrowings can be at a lower interest rate than the current rate of borrowing. To redeem these loans early the Council would receive a discount (this is the opposite of a premium). New loans could then be taken out at the current rate. The discount receivable would need to be offset by the higher rate of interest paid before a decision is made as to whether this would be economically advantageous.

9.3 The Council will undertake debt restructuring as and when appropriate opportunities arise. The main objective of a restructure will be to produce reductions in financing costs as part of an overall budget strategy. The advice of our treasury management advisers would be sought. Members would be notified via the quarterly reporting to Cabinet on treasury management activities.

## **10 Treasury Management Investments**

10.1 See the Annual Treasury Management Investment Strategy.

**11 The approved activities of the Treasury Management operation are as follows:**

- Risk management;
- Cash flow management (daily balance and longer term forecasting);
- Investing surplus funds in approved investments;
- Use of brokers for placing investments;
- Investing surplus funds with external fund managers;
- Long term borrowing to fund the capital investment programme;
- Short term borrowing for cash flow purposes;
- Management of debt (including repayment and rescheduling);
- Capital receipts management;
- Leasing arrangements for the Council (including schools);
- Banking activities;
- Training for members and officers;
- Prevention of money laundering.

**12 Responsibility for the treasury management function**

12.1 Under the constitution the Council's Section 151 officer who is the Chief Finance Officer (currently the Executive Director (Finance and Resources)), must take all steps that are considered appropriate for the administration of the financial affairs of the Council. This includes responsibility for the treasury management function.

12.2 The table in Annex 1 shows the treasury management activities and the sub-delegated responsibilities from the Chief Finance Officer to others.

12.3 Officers are required to explicitly follow policies and procedures.

12.4 The training needs of staff and members with treasury management responsibilities are assessed on a regular basis and training is arranged as necessary.

**13 Risks**

13.1 The overriding principle is that it is more important to balance risks than to maximise returns.

**Credit and Counterparty risk**

13.2 This is the risk that the organisation with which we have invested money becomes insolvent and cannot pay us back our investment. A prime objective of treasury management activities is the security of the principal sums invested and this is placed ahead of the investment return. Accordingly, the Council will ensure that robust due diligence procedures cover all external investment.

- 13.3 Treasury Management investment activities are limited to the instruments, methods and techniques referred to in the Annual Treasury Management Investment Strategy. The use of limits and a combined matrix of investment criteria using credit ratings reflect a prudent attitude towards organisations with whom funds may be deposited. Investment activities will be limited to those who meet the criteria in this matrix when the investment is placed, with the exception of the UK part-nationalised bank and the Council's bank, and then limited by other relevant market information.
- 13.4 The policy in respect of those organisations from which the council may borrow, or with whom it may enter into other financing arrangements is set out in this Treasury Management Policy Statement and in the Annual Treasury Management Investment Strategy.

#### **Liquidity risk**

- 13.5 This is the risk that there will be insufficient cash available to make payments as they fall due. The Chief Finance Officer will ensure that cash resources are adequate, though not excessive, and that borrowing arrangements are available at all times to enable the Council to achieve its business objectives.

#### **Interest Rate risk**

- 13.6 Interest rates will be reviewed as part of the ongoing monitoring arrangements to ensure that, as far as possible, investments are made so as to maintain the return to the Council, whilst retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.
- 13.7 Regard will be given to the limits imposed by the treasury management policy, particularly the importance of maintaining the security of the monies invested.

#### **Partnership risk**

- 13.8 The Council has entered into a Joint Venture with Porters Place Southend-on-Sea LLP and any funding will be mirrored by that of Swan Housing. The partnership risks are mitigated by the agreements drawn up as part of the signing of the contract. There are currently no major partnerships involving private borrowing, although it has been agreed that some of the Council's capital reserves would be used as equity in the proposed Seaway Leisure development. For certain projects, some of the Council's costs are met by 'match funding' where other organisations match the funding that the Council contributes. Where this is the case there may be liquidity risk (see 13.5) if the other organisations do not make their contributions when agreed. Our exposure to this risk will be monitored via the revenue and capital budget monitoring processes.

### **Market risk**

- 13.9 Our long term borrowing is mainly through fixed rate maturity loans, whilst our investments are at both fixed and variable rates. To mitigate the risk as far as possible the Council seeks to find the appropriate balance of investments between short and long term and between variable and fixed rate.

### **Refinancing risk**

- 13.10 Our borrowing arrangements are negotiated, structured and documented, and the maturity profile of these monies are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable as can reasonably be achieved in the light of market conditions prevailing at the time.

### **Currency risk**

- 13.11 The Council does not have any foreign currency risk as all investments are in pounds sterling.

### **Inflation risk**

- 13.12 The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

<b>Treasury Management Activity</b>	<b>Delegated to:</b>	<b>In their absence, delegated to:</b>
Production of a Treasury Policy each year for approval by the Council prior to the start of the financial year	Senior Finance Lead (Strategy, Sustainability and Governance)	Finance Manager – Capital/ Treasury Management
Staffing and organisation of the Treasury Management function	Senior Finance Lead (Strategy, Sustainability and Governance)	Chief Finance Officer
Ensuring that all staff engaged in Treasury Management receive appropriate training	Senior Finance Lead (Strategy, Sustainability and Governance)	Finance Manager – Capital/ Treasury Management
Ensuring that all members with Treasury Management responsibilities receive appropriate training	Chief Finance Officer	Senior Finance Lead (Strategy, Sustainability and Governance)
Advising the Council’s Monitoring Officer when necessary	Chief Finance Officer	Deputy Section 151 Officer
Decisions on long term borrowing	Chief Finance Officer	Deputy Section 151 Officer
Decisions on the restructuring of the Council’s debt	Chief Finance Officer	Deputy Section 151 Officer
Taking out new loans/repayment of loans with the PWLB	Senior Finance Lead (Strategy, Sustainability and Governance)	Chief Finance Officer/ Deputy Section 151 Officer
Maintaining adequate and effective cash flow forecasting records to support the decision to lend or borrow	Designated Accounting Technician/Finance Manager	Any other designated Accounting Technician/Finance Manager

<b>Treasury Management Activity</b>	<b>Delegated to:</b>	<b>In their absence, delegated to:</b>
Proposals on placing overnight monies with the Council's bank or in short/long term investments	Finance Manager – Capital/ Treasury Management	Designated Accounting Technician/ Finance Manager
Approval of short/long term investments	Chief Finance Officer	Deputy Section 151 Officer/ Senior Finance Lead (Strategy, Sustainability and Governance)
Placing money in investments once approval has been obtained	Finance Manager – Capital/ Treasury Management/ other designated Finance Business Partner/ Senior Finance Business Partner	Senior Finance Lead (Strategy, Sustainability and Governance)
Contact for correspondence with external fund managers	Finance Manager – Capital/ Treasury Management	Other designated Accounting Technician/Finance Business Partner
Decisions on placing with or recalling monies from external fund managers	Chief Finance Officer	Deputy Section 151 Officer
Entering into lease agreements	Chief Finance Officer	Deputy Section 151 Officer
Key contact with the Council's treasury management advisers	Senior Finance Lead (Strategy, Sustainability and Governance)	Finance Manager – Capital/ Treasury Management
Monitoring of actual against budget for debt charges, interest earnings and debt management expenses	Designated Accounting Technician/ Finance Manager	Any other designated Accounting Technician/Finance Manager
Monitoring of performance; average interest rates earned and paid etc.	Designated Accounting Technician/Finance Manager	Any other designated Accounting Technician/Finance Manager
Monthly report to Section 151 officer detailing performance and any non-compliance with the Treasury Management Policy	Finance Manager – Capital/ Treasury Management	Designated Accounting Technician/Finance Manager



**SOUTHEND-ON-SEA BOROUGH COUNCIL**  
**TREASURY MANAGEMENT STRATEGY 2022/23**

**1. Introduction**

- 1.1 The Treasury Management Strategy is written in compliance with the CIPFA Treasury Management Code of Practice requirement to review and report policy and strategy before the start of the year. This has been revised following publication of the revised Code of Practice.
- 1.2 The Treasury Management Strategy sets out how the financing costs may be achieved. It needs to be regularly monitored and modified in the light of changing external and internal circumstances.
- 1.3 The objective of the strategy is to optimise the income generated by surplus cash and minimise borrowing costs, consistent with a low level of risk, maintaining capital sums and maintaining liquidity.

**2. The Council's Budget**

- 2.1 The budget includes provision for the financing costs of the Council's Capital Investment Programme, including interest on external borrowings. Offsetting this, the Council will earn interest by temporarily investing its surplus cash, which includes unapplied and set-aside capital receipts. These budgets depend on many factors, not least the Council's level of revenue and capital budgets, use of reserves, methods of funding the budget requirement, interest rates, cash flow and the Council's view of risk.
- 2.2 The Council can be both a lender and borrower at the same time as it seeks to invest short-term surpluses and fund longer-term capital investment. The timing of the taking of borrowing is important to secure the most advantageous interest rates.
- 2.3 The net budget for financing costs and interest earned on balances is £18.7m in 2022/23.

**3. The Council's Cash Surplus and Cash Flow**

- 3.1 It is projected that surplus cash balances will average £164m (of which £51m is the estimated sum of medium and long term funds managed by external fund managers) during 2022/23 based on information currently available and historical spending patterns.

#### **4. Interest Earnings (in-house investments)**

- 4.1 At the date of this report, the Bank of England base rate was 0.25%. Based on economic forecasts it is very difficult to predict the timing of any change in interest rates, however it has been assumed that during 2022/23 the bank base rate stays at that level throughout the year. The average interest earned by the Council on its in-house lending is likely to be 0.31% but this does depend on market conditions.
- 4.2 Sensitivity analysis shows that a difference of 0.5% in interest rates would make a difference of £819k in external interest earned and a difference of £1m in average balances would make a difference of £3k in interest earned in a full year. This risk is reflected in the annual review of the robustness of estimates for the Council Budget undertaken by the Chief Finance Officer.

#### **5. Long Term Borrowing**

- 5.1 There is no Central Government funding to support borrowing by the Council to fund capital projects. Under the Prudential Code the cost of any additional borrowing has to be financed by the Council.
- 5.2 The funding available to support capital investment is based on an assumption that the Council will not undertake any borrowing in 2022/23.
- 5.3 The Capital Financing Requirement (CFR) is the council's theoretical need to borrow but the Section 151 Officer can manage the council's actual borrowing position by either:
- 1 - borrowing to the CFR;
  - 2 - choosing to use temporary cash flow funds instead of borrowing (internal borrowing) or;
  - 3 - borrowing for future increases in the CFR (borrowing in advance of need).

The Council is likely to begin 2022/23 in the second of the above scenarios. However, as the 2022/23 financial year progresses a combination of scenarios 1, 2 and 3 will be considered, as appropriate.

- 5.4 This authority will only borrow in advance of need where there is a clear justification for doing so and will only do so for the current capital investment programme or to finance future debt maturities.
- 5.5 So far in 2021/22 four new PWLB maturity loans have been taken out:
- £10m at 1.67% p.a. for 50 years;
  - £10m at 1.61% p.a. for 49.5 years;
  - £10m at 1.52% p.a. for 49 years;
  - £10m at 1.68% p.a. for 48.5 years;

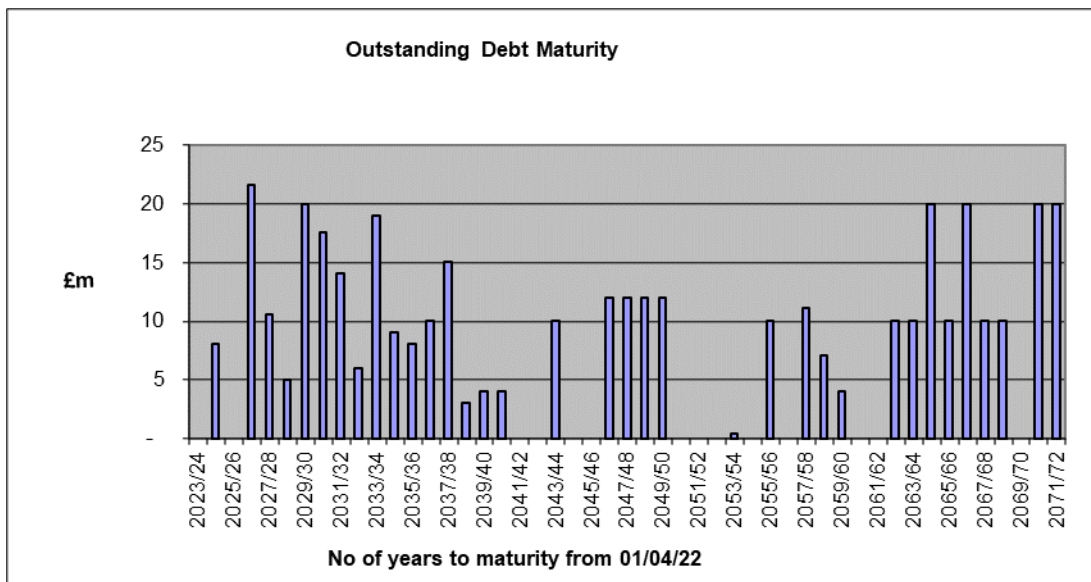
- 5.6 The Council's current outstanding PWLB loans for both General Fund and Housing Revenue Account, which will need to be repaid, are set out below:

<b>Southend-on-Sea Borough Council</b>		<b>Main Schemes (£m)</b>	<b>Invest to Save Schemes (£m)</b>	<b>Total (£m)</b>
Estimated opening position as at 31 March 2022	GF	273	0	273
	HRA	74	0	74
	<b>Total</b>	<b>347</b>		
Estimated new loans in 2022/23	GF	0	0	0
	HRA	0	0	0
	<b>Total</b>	<b>0</b>		
Repayments in 2022/23	GF	0	0	0
	HRA	0	0	0
	<b>Total</b>	<b>0</b>		
Estimated closing position as at 31 March 2023	GF	273	0	273
	HRA	74	0	74
	<b>Total</b>	<b>347</b>		

- 5.7 Outstanding debt relating to services transferred from Essex County Council (ECC) on 1 April 1998, remains under the management of ECC and is set out below. Southend Borough Council reimburses the debt costs incurred by the County.

<b>ECC transferred debt</b>	<b>Amount (£m)</b>
Opening position as at 31 March 2022	9.6
New loans in 2022/23	0
Repayments in 2022/23	(0.5)
Closing position as at 31 March 2023	9.1

- 5.8 The graph on the next page shows the repayment profile of the Council's PWLB borrowings if all new loans are included to reflect the funding of the proposed capital investment programme and the refinancing of debt.



It shows the gaps in the repayment profile and that there is no one year where the loan maturities are excessive.

The next maturity date of any PWLB debt redemption is March 2025 and is for a sum of £8m (General Fund: £5.8m, Housing Revenue Account (HRA): £2.2m).

- 5.9 The potential for the early redemption of high interest loans is reviewed periodically, however the interest savings from the repayment of these loans is usually offset by the premiums that must be paid on their redemption and it has not yet been advantageous for the Council to discharge these loans prematurely. This followed advice from our treasury management advisers which demonstrated the excessive cost to the Council of any debt restructuring. Further advice from our treasury management advisers will be sought at the appropriate time about the potential for restructuring of debt and the timing of such a restructure.
- 5.10 Long term borrowing will normally be taken from the Public Works Loan Board (PWLB) since this is usually the most economic source available to the Council. If other sources are thought to be more advantageous and are permitted under the relevant legislation they will be considered.
- 5.11 As at 7 February 2022 rates of borrowing (from the PWLB) were between 2.32% and 2.39% for loans between 20 and 30 years (these rates include the certainty rate discount of 0.2%). During 2022/23 the investment and borrowing interest rates will be kept under review and the further use of capital balances will be considered in lieu of new borrowing where this is advantageous.
- 5.12 Where it is considered appropriate to take out new borrowing, regard will be given to the existing repayment profile (see 5.8 above) and the need for a spread of maturity dates to ensure that a significant value of loans do not mature at the same time. Loans are taken out for a range of periods in order that the Council continues to balance its debt profile

over the longer term and so is not unduly exposed to the prevailing interest rates at the time of the possible debt replacement.

## **6. Monitoring and Review Arrangements**

6.1 During 2022/23, within 7 working days of each month end, the Section 151 Officer will receive a report detailing performance and any non-compliance with the treasury management policy. He will either approve the report or raise the necessary queries to satisfy himself in relation to:

- (i) all transactions being properly authorised
- (ii) all transactions being with approved counterparties
- (iii) all transactions being in accordance with the Council's approved policy
- (iv) monitoring of security and liquidity (i.e. spread of investments by long term credit rating, financial sector, country, maturity profile)
- (v) in-house investment performance against SONIA (Sterling Overnight Index Average)
- (vi) investment performance for external fund managers for the relevant period

6.2 In addition to the monthly reports:

- (i) monitoring reports will be included in the regular Performance Monitoring report
- (ii) any changes affecting the treasury management strategy will be reported to Audit Committee for scrutiny and Cabinet for recommending to Council for approval.

6.3 Benchmarking that considers security and liquidity will be achieved by appropriate comparisons with relevant statistical data.

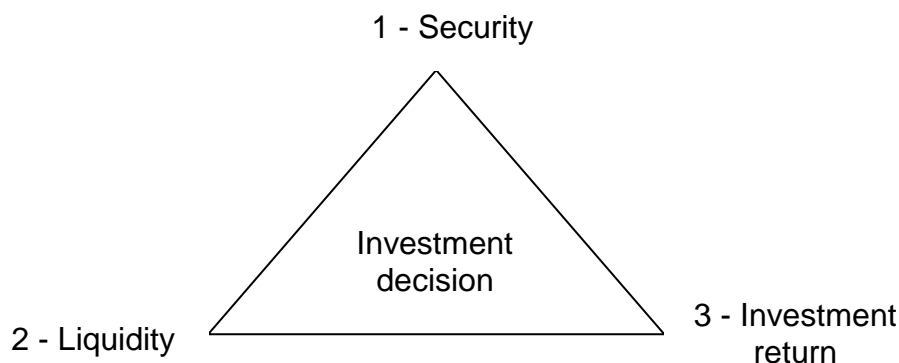
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**SOUTHEND-ON-SEA BOROUGH COUNCIL****ANNUAL TREASURY MANAGEMENT INVESTMENT STRATEGY 2022/23****1 Scope of this strategy**

- 1.1 This investment strategy covers Treasury Management investments only. (Capital investments including service and commercial investments and loans are covered in the Capital Investment Policy which is Annex 1 to the Capital Investment Strategy.)

**2 Treasury Management Investment Objectives**

- 2.1 To secure the principal sums invested
- 2.2 To maintain liquidity (i.e. adequate cash resources)
- 2.3 To optimise the income generated by surplus cash in a way that is consistent with a prudent level of risk
- 2.4 Security and liquidity are placed ahead of the investment return. This is shown in the diagram below:



- 2.5 Subject to the above objectives being satisfactorily met, consideration will be given to environmental, social and governance (ESG) factors for the funds and financial institutions being invested in. This is still an area that is relatively new but is becoming more main-stream with more funds and financial institutions reporting on their ESG policies. It should be noted that high relevance to ESG-related considerations does not necessarily correlate to high credit quality.

**3 Policy on use of external fund managers**

- 3.1 The Council currently has monies placed with five external fund managers to use their knowledge and experience to invest on our behalf the medium

and long term funds that are, under normal circumstances, not required for day to day cash flow purposes. These funds are summarised below:

<b>Type of fund</b>	<b>Fund manager</b>	<b>Estimated average balance in 2022/23 (£m)</b>
Property Fund	Lothbury Investment Management Limited	13.9
Property Fund	Patrizia Property Investment Managers LLP	16.8
Short Dated Bond Fund	AXA Investment Managers UK Limited	7.7
Short Dated Bond Fund	Royal London Asset Management	7.8
Enhanced Cash Fund	Payden & Rygel Global Limited	5.1
<b>Total</b>		<b>51.3</b>

- 3.2 Withdrawals may be made during 2022/23 so that a proportion of the council's debt can be repaid or the monies invested as part of the in-house managed funds. Conversely, monies may be placed with the existing and/or a new fund manager during 2022/23 to take full advantage of the knowledge and experience of fund managers in making investment decisions. As to whether monies are deposited or withdrawn, the reason and timing of the decision will have regard to the council's cash flow, relevant interest rates and advice from our treasury management advisers.
- 3.3 In consultation with our treasury management advisers and if appropriate the Section 151 officer will appoint one or more new fund managers in 2022/23 to enable investment of monies.
- 3.4 During 2022/23, if appropriate, the Section 151 officer will approve the placing of monies in Property Funds and will approve the direct investment in property. Any resulting updates to the capital investment programme would be submitted to Cabinet for approval.
- 3.5 During 2022/23, if appropriate, the Section 151 officer will approve the placing of monies in Short Dated Bond Funds or Enhanced Cash Funds.

#### **4 Policy on investment of in-house managed funds**

- 4.1 The remaining funds will be managed in-house with the investment period and amounts being determined by the daily cash flow requirements of the Council. Cash flow forecasts will be produced in order to inform in-house investment decisions.
- 4.2 This authority has accepted the risk of placing funds with financial institutions, rather than solely with the UK government Debt Management Office. However, the risk is minimised by this Annual Treasury



Management Investment Strategy, which restricts the types of investment, the counterparties used and the limits for these counterparties.

- 4.3 Government guidance recommends that specified and non-specified investments are identified in the Investment Strategies of local authorities. Specified investments have relatively high security and liquidity, with high credit quality and a maturity of no more than a year. Non-specified investments are investments that do not fall into this category. The types of investment in this strategy and whether they are specified or non-specified are set out in Annex A.
- 4.4 During 2022/23 the Section 151 officer will, if appropriate, approve the placing of monies in deposit accounts, fixed term deposits or certificates of sterling cash deposits up to five years, subject to the proposed banks and building societies satisfying the investment criteria in a combined matrix of credit ratings, and having regard to other market information available at the time.
- 4.5 During 2022/23 the Section 151 officer will, if appropriate, approve the placing of monies in Money Market Funds, term repurchase arrangements, Treasury bills, with other Local Authorities or the Debt Management Office. The regulations regarding Money Market Funds have changed and all references to Money Market Funds now relate to Low Volatility Net Asset Value (NAV) funds, Constant NAV funds and Variable NAV funds.
- 4.6 During 2022/23 the Section 151 officer will, if appropriate, approve the investment of monies into Joint Ventures or Development Companies (either partly or wholly owned by the Council) focused on regeneration and other infrastructure related projects, subject to the necessary due diligence being satisfactorily completed and in consultation with our treasury management advisers. The provision of loan facilities to such organisations would count as capital investment and any resulting updates to the capital investment programme would be submitted to Cabinet for approval.
- 4.7 Where credit ratings are used to assess credit risk, they will be checked when an investment is taken out to ensure that investment satisfies the criteria in this Treasury Management Investment Strategy. Our treasury management advisers provide alerts when credit ratings are changed by the three main rating agencies. If the credit ratings of an institution or investment no longer satisfy the criteria the monies will be withdrawn as soon as possible. This would depend on the maturity date or notice period.
- 4.8 During 2022/23 the Section 151 officer will, if appropriate, approve the short term borrowing of monies from other Local Authorities or the PWLB in order to manage the cash flow and maintain liquidity.
- 4.9 Fixed term deposits may be made directly with the banks and building societies or through the use of a broker. Monies will be placed with other Local Authorities through the use of a broker. Investments in Certificates of Deposit and Treasury bills will be made through the use of a custodian account. The Council acknowledges that it retains responsibility for all investment decisions made whether they are made on its behalf or not.

- 4.10 When investing in-house managed funds, the following are considered; the type of investment, the individual counterparty, the amount that can be invested, the method of placement of monies. These are summarised in Annex A.
- 4.11 The services of our treasury management adviser, Link Asset Services will be used throughout 2022/23 to provide advice as well as credit rating and other market information regarding counterparties and types of investment. However, the Council recognises that responsibility for investment decisions remains with the authority at all times.

## **5 Investment Criteria for Funds Managed In-house**

- 5.1 All financial institutions considered for investment will be assessed for credit worthiness against a combined matrix of pre determined criteria using available credit ratings. Credit ratings are assessments by professional organisations of an entity's ability to punctually service and repay debt obligations. Credit ratings are used by investors as indications of the likelihood of getting their money back in accordance with the terms on which they invested.
- 5.2 The credit rating components used in the matrices comprise:
- Short term ratings;
  - Long term ratings.

Ratings provided by all three credit rating agencies will be consulted and a counterparty will be considered for investment if it meets the ratings criteria of at least one of the agencies.

- 5.3 The short term rating covers obligations which have an original maturity not exceeding one year. The short-term rating places greater emphasis on the liquidity necessary to meet financial commitments. All three credit rating agencies provide short term ratings. The ratings are expressed from F1+ (highest credit rating) through to D (highest default risk) for Fitch, from A-1+ (highest credit rating) through to D (highest default risk) for Standard and Poors, and from P-1 (highest credit rating) through to NP (highest default risk) for Moody's.
- 5.4 The long term ratings generally cover periods in excess of one year. Due to the larger time horizon over which the rating is determined, the emphasis shifts to the assessment of the ongoing stability of the institution's prospective financial condition. All three credit rating agencies provide long term ratings. The ratings are expressed from AAA (highest credit rating) through to D (highest default risk) for Fitch and Standard and Poors and from AAA (highest credit rating) through to C (highest default risk) for Moody's.
- 5.5 In order to balance the objective of securing the maximum level of return on investments with a prudent level of risk a matrix of criteria will be adopted as a starting point to determine the acceptability of a potential investment.

5.6 These matrices are set out below:

If the short and long term ratings meet the following criteria from a minimum of one of the ratings agencies:

**For Lending of up to 6 months to Banks and Building societies:**

	Fitch	S&P	Moodys
Short term rating minimum	F1	A-1	P-1
Long term rating minimum	A-	A-	A3

**For Lending of up to 12 months to Banks and Building societies:**

	Fitch	S&P	Moodys
Short term rating minimum	F1	A-1	P-1
Long term rating minimum	A	A	A2

**For Lending of up to 3 years to Banks and Building societies:**

	Fitch	S&P	Moodys
Short term rating minimum	F1	A-1	P-1
Long term rating minimum	AA-	AA-	Aa3

**For Lending of up to 5 years to Banks and Building societies:**

	Fitch	S&P	Moodys
Short term rating minimum	F1+	A-1+	P-1
Long term rating minimum	AA+	AA+	Aa1

5.7 An example of the use of this credit ratings matrix as at 7 February 2022 is shown below (the long and short term ratings are Fitch, then Standard and Poors, then Moodys).

Financial Institution	Long Term Rating	Short Term Rating	Maximum length of investment
The Bank of New York Mellon	AA AA- Aa1	F1+ A-1+ P-1	5 years
National Bank of Canada	A+ A Aa3	F1 A-1 P-1	3 years
Standard Chartered Bank	A+ A+ A1	F1 A-1 P-1	12 months

5.8 The Council's treasury management advisers, Link Asset Services, will continually review the appropriateness of our investment criteria and

continue to develop a best practise counterparty list. The latest advice has now been incorporated in this Strategy, which is set out below.

- 5.9 The individual ratings for some banks and building societies are low which means that they do not meet the criteria in our credit ratings matrix. However, this does not take account of part nationalised banks (currently The Royal Bank of Scotland Plc and National Westminster Bank Plc). These banks can be included in the counterparty list if they continue to be part nationalised or they meet the criteria of our credit ratings matrix in paragraph 5.6. An example of the institutions meeting the criteria for the UK will therefore include:
- Bank of Scotland Plc (RFB)
  - Lloyds Bank Plc (RFB)
  - The Royal Bank of Scotland Plc (RFB)
  - National Westminster Bank Plc (RFB)
  - Barclays Bank Plc (NRFB)
  - HSBC Bank Plc (NRFB)
  - Nationwide Building Society
  - Santander UK Plc (RFB)
- 5.10 The largest UK banks were required, by UK law, to separate core retail banking services from their investment and international banking activities by 1<sup>st</sup> January 2019. This is known as “ring-fencing” and is a regulatory initiative created in response to the global financial crisis to improve the resilience and resolvability of banks. The initials RFB and NRFB in paragraph 5.9 refer to whether the bank is the Ring-fenced Bank or the Non Ring-fenced Bank. Each part of the bank has an individual credit rating and for any potential investment the counterparty would be considered against the criteria in this strategy in the normal way.
- 5.11 Counterparties that are manually added back to the list will have a maximum length of investment of two years. Amendments to the counterparty list can happen at any point in time.
- 5.12 In addition, for practical purposes the Council’s bank will form part of the counterparty list, whether or not it meets the criteria in our credit ratings matrix.
- 5.13 Regard will be given to forward looking rating warnings from the three main credit rating agencies (i.e. rating watches and outlooks) provided by our treasury management advisers.
- 5.14 The current advice from the Department for Levelling Up, Housing & Communities and from CIPFA is not to rely solely on the credit rating agencies and the Council recognises that ratings should not be the sole determinant of the quality of an institution. So regard will also be given to market information such as the financial press, and officers will engage with their advisers to maintain a monitor on market pricing (such as share and ‘credit default swap’ prices) and other such information pertaining to the banking sector. Where available credit information, other than credit ratings has been used, this will be documented when the investment decision is made.

- 5.15 Consideration will also be given to Link Asset Services' rating methodology approach, where counterparties are put into bands of risk. These reflect the differences in credit quality of suggested duration and counterparties are assigned a risk number/colour.
- 5.16 The achievement of an appropriate balance between short-term and longer-term deposits will be driven by the credit quality of counterparties, the council's cash flow requirements, and the need to achieve optimum performance from our investments consistent with effective management of risk.

## 6 Investment Limits for Funds Managed In-house

- 6.1 The ratings agencies produce a credit rating for each country, called a sovereign rating. The ratings are expressed from AAA (highest) to D (lowest). The following limits have been set for an investment with a bank or building society whose parent company is registered in a country with a sovereign rating from Fitch and Standard and Poors (S&P) of AAA or AA+ or a sovereign rating from Moody's of Aaa or Aa1. Sovereign ratings provided by all three credit rating agencies will be consulted and the lowest rating will be taken.

<b>Country Sovereign Rating</b>	<b>Limit * All except UK (£ million)</b>
AAA/Aaa	20
AA+/Aa1	5
Lower than AA+/Aa1	0

\* These limits relate to the principal sums invested and do not include any accrued interest on that principal.

- 6.2 These limits will also apply to supranationals (international organisations whereby member states transcend national boundaries or interests to share in the decision-making and vote on issues pertaining to the wider grouping). An example of a supranational is the European Investment Bank.
- 6.3 Fitch has set the UK's sovereign rating at AA-, S&P have set it at AA and Moodys have set it at Aa3. Therefore, to ensure the continued use of UK institutions that fall within our investment criteria, the country sovereign rating limits exclude the UK. The limit will therefore remain at £20 million for all counterparties where the parent company is registered in the UK.
- 6.4 Where the parent company of a bank is not registered in a country with a sovereign rating from Fitch and S&P of AAA or AA+ or a sovereign rating from Moody's of Aaa or Aa1 but that bank's UK operations are ring-fenced to the UK (as is the case for Santander UK), if these banks are included in the counterparty list they will have a counterparty limit of £20 million.
- 6.5 £20 million is 12% of the authority's estimated amount of investments for 2022/23 of £164m. £5m is 3% of the total estimated investments. These are upper limits and would only be fully used in exceptional circumstances

as, under normal circumstances, diversification is sought to reduce counterparty risk. These limits are deemed appropriate by our Treasury Management advisers.

6.6 To minimise counterparty risk, the limit on any investment with a bank or building society (with the exception of the Council's bank which is currently Barclays Bank) will be determined in the following way:

- consider the country in which the parent company of the bank or building society is registered
- use the sovereign rating of that country to apply the limits above
- consider the cumulative balance of funds already held in various investment products with that bank or building society
- consider the cumulative balance of funds already held in various investment products for any related group of financial institutions
- determine the remaining amount that can be placed with that bank or building society

For example, the limit on an investment with Lloyds Bank Plc would be determined in the following way:

<b>Steps to determine limit:</b> <i>(for illustrative purposes only and not an indication of actual investments)</i>	<b>Remaining limit available at each stage:</b>
Lloyds Bank Plc is part of the Lloyds Banking Group which is registered in the UK	£20 million
£4 million already placed in an instant access account with Lloyds Bank Plc	£16 million
£5 million already placed in a fixed term deposit with Lloyds Bank Plc	£11 million
£6 million already placed in a notice account with Bank of Scotland Plc (part of the Lloyds Banking Group)	£5 million
Therefore the maximum investment would be £5 million	

6.7 The Council's bank is the exception to these investment limits however, and under normal circumstances our intention would be to comply with a counterparty limit of £30 million, to enable the efficient and effective management of the Council's cash flow.

6.8 The limit on deposits in Money Market Funds will be £20 million with any one AAAm/AAAf rated (or equivalent) liquidity fund. These work in the same way as a deposit account but the money in the overall fund is invested in a number of counterparties, therefore spreading the counterparty risk.

6.9 There are products being developed that are similar to, but not the same as Money Market Funds, such as 'term repurchase arrangements'. The risk associated with these funds is somewhere between a fixed term

deposit and a Money Market Fund. The Section 151 officer will approve the placing of monies in these types of fund up to a maximum of £20 million per fund, if deemed appropriate and in consultation with our treasury management advisers.

- 6.10 Given the prevailing financial market conditions, financial institutions will inevitably devise various investment products to offer enhanced returns. The Council's Section 151 Officer will consider these in consultation with our treasury management advisers and will approve the placing of monies in such investment products with appropriate limits, only after the options and their associated risks have been fully analysed by the treasury management team and our treasury management advisers.
- 6.11 To maximise flexibility, there is no limit on deposits with the UK Government (e.g. Debt Management Office, HM Treasury bills). These deposits will have a maximum duration of 6 months.
- 6.12 The limit on deposits with other Local Authorities will be £40 million which is 24% of the authority's estimated amount of investments for 2022/23 of £113m. These deposits will have a maximum duration of 5 years. This is an upper limit and would only be fully used in exceptional circumstances. The limit is higher than the limit for other counterparties such as banks and other financial institutions due to the lower counterparty risk associated with Local Authorities. These limits are deemed appropriate by our Treasury Management advisers.

## **7 Fund Managers investment criteria**

- 7.1 Investments undertaken by external fund managers on behalf of the Council can only be placed in certain types of investment as permitted under the Local Government Act. The types of investment, counterparties and limits used by each fund manager are set out in their Investment Management Agreement.
- 7.2 The Council's Section 151 Officer is authorised to amend these Investment Management Agreements as appropriate to reflect the needs of the Council, after fully considering the options and their associated risk and in consultation with the Council's treasury management advisers. Subject to the relevant due diligence being undertaken, the Investment Management Agreements could include investment in asset classes such as gilts, corporate bonds, property or equities, or investment in a multi asset fund.
- 7.3 The limit on deposits in Property Funds will be £25 million with any one fund that passes the selection process.
- 7.4 The limit on deposits in Short Dated Bond Funds will be £20 million with any one fund that passes the selection process.
- 7.5 The limit on deposits in Enhanced Cash Funds will be £20 million with any one fund that passes the selection process.

- 7.6 The performance and associated risk will be assessed on an on-going basis through half yearly strategy meetings with each fund manager and the Council's treasury management advisers. Any appropriate action would be identified and taken in consultation with those advisers.

## **8 Markets in Financial Instruments Directive (MiFID II)**

- 8.1 MiFID is the framework of European Union legislation for investment intermediaries that provide services to clients around financial instruments such as shares, bonds, units in collective investment schemes and derivatives and the organised trading in such financial instruments.
- 8.2 This was revised by MiFID II to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection. It recognises that investors have different levels of knowledge, skill and expertise. The application of specific regulatory obligations under MiFID depends on a client's 'regulatory' category.
- 8.3 Local Authorities are categorised as retail clients by default but may 'opt up' to become elective professional clients if certain criteria are satisfied. This Council satisfies the criteria to become an elective professional client and has 'opted up' where appropriate to ensure that it can continue to be eligible to invest in the current range of counterparties and investment products, as some are not available to retail clients.
- 8.4 MiFID II does not cover simple term deposits as it is only focussed on regulated products. This includes our investments in Money Market Funds, enhanced cash funds, short dated bond funds and property funds. The Council is classed as an elective professional client for all its relevant counterparties except for certain Money Market Funds where the fund has confirmed there is no requirement to 'opt up' as the products can continue to be used as a retail client. The Council's designation under MiFID II will be regularly reviewed to ensure it remains appropriate.



Type of Treasury Management Investment	Individual Counterparty	Limit	Method of placement	Specified/non-specified
Deposit accounts	Bank or building society that meets the criteria of our combined matrix of credit ratings, or one of the part nationalised banks	Per bank or building society, based on country sovereign rating	Directly or through a broker	Specified (if 1 year or less), Non-specified (if more than 1 year)
Fixed term deposits			Directly or through a broker	
Certificates of sterling cash deposits			Custodian account	
Money Market Funds	AAAm/AAAf rated* (or equivalent) liquidity fund	Per fund	Directly or via an on-line site for managing money market funds	Specified
Property Funds	Via selection process	Per fund	Directly or through a broker	Non-specified (more than 1 year)
Short Dated Bond Funds	Via selection process	Per fund	Directly	Non-specified (more than 1 year)
Enhanced Cash Funds	Via selection process	Per fund	Directly	Non-specified (more than 1 year)
Term repurchase arrangements	AAAf/S1 rated <sup>#</sup>	Per fund	Directly	Specified (if 1 year or less), Non-specified (if more than 1 year)
Other Local Authorities	Depends on which Local Authorities want to borrow money at that time	For total invested with other Local Authorities	Through a broker	Specified (if 1 year or less), Non-specified (if more than 1 year)
Debt Management Office	UK Government	For total invested with UK Government	Directly	Specified
Treasury Bills			Custodian account	

\* A fund with a principal stability rating of 'AAAm/AAAf' (or equivalent) has an extremely strong capacity to maintain stability and to limit exposure to losses of the principal sums invested due to credit, market and/or liquidity risks.

<sup>#</sup> A fund with a credit quality rating of 'AAAf' has a portfolio holding that provides extremely strong protection against losses from credit defaults. A fund with a volatility rating of S1 possesses low sensitivity to changing market conditions.

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## SOUTHEND-ON-SEA BOROUGH COUNCIL

## CHANGES FROM THE 2021/22 TREASURY MANAGEMENT POLICY

Appendix	Paragraph	Change	Reason for the change
1	1.3	Sentence added regarding the recent updates to the CIPFA Code of Practice for Treasury Management.	To reflect the recently updated Code of Practice.
1	1.9	The wording regarding non-financial assets has been updated to reflect the wording in CIPFA's recently updated Code of Practice for Treasury Management.	To reflect the recently updated Code of Practice.
1	1.10	Paragraph added regarding Investment Management Practices for investments which are not for treasury management purposes.	To reflect the recently updated Code of Practice.
1	3.1	The definition of treasury management has been changed to explicitly include borrowing, in line with CIPFA's recently updated Code of Practice for Treasury Management.	To reflect the recently updated Code of Practice.
1	Annex 1	References to Group Manager (Financial Planning and Control) replaced with Senior Finance Lead (Strategy, Sustainability and Governance).	To reflect updated job title.
2	6.1	The benchmark against which in-house investment performance is measured has been changed from 7 day LIBID to SONIA (Sterling Overnight Index Average), which is the risk-free rate for sterling markets administered by the Bank of England.	Due to the discontinuation of the LIBID rate from 1/1/2022.

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