**APPENDIX FOUR**

# COMBINED AUTHORITY TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2022/23

## INTRODUCTION

CIPFA published the revised Treasury Management and Prudential Code on 20th December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. The Combined Authority has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and the Annual Investment Strategy and also related reports during the financial year which are taken to the Combined Authority for approval.

Members of the Combined Authority will be updated on how any changes to the code will impact on our current approach and any changes required will be formally adopted within the 2023/24 Treasury Management Strategy Statement.

## 1. BACKGROUND

1.1 The Combined Authority is required to operate a balanced budget which broadly means that expenditure incurred during the year will be met through cash raised during the year. Part of the treasury management operation is to ensure that cash flow is adequately planned, with cash available when it is needed. Surplus monies are invested in counterparties or instruments commensurate with the Authority's low risk appetite, providing adequate liquidity initially before considering investment return.

1.2 The second main function of the Combined Authority's treasury management activities is the funding of its capital plans. The capital plans provide a guide to the borrowing need of the Combined Authority, essentially the longer term cash flow planning to ensure that the Combined Authority can meet its capital spend obligations. The management of longer term cash may involve arranging long or short term loans or using longer term cash flow surpluses. On occasions, when it is prudent and economic, any debt previously drawn may be restructured to meet cost or risk objectives.

1.3 The contribution the treasury management function makes to the Combined Authority is critical as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due; either on day to day revenue or for larger capital projects. The treasury operations will see a balance of the interest cost of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested as a loss of principal will in effect result in a loss to General Fund Balance.

1.4 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activity, arising usually from capital expenditure, and are separate from the day to day treasury management activities.

CIPFA defines treasury management as:

*"The management of the Combined Authority's borrowing, 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."*

**Reporting Requirements**

1.5 The CIPFA Prudential and Treasury Management Codes (revised 2017) detail the reporting requirements for the Combined Authority. From a treasury perspective, the Combined Authority is required to receive and approve as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. These can be summarised as:

- An annual treasury management strategy and prudential and treasury indicators - the capital plans, (including prudential indicators);
  - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
  - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
  - an investment strategy, (the parameters on how investments are to be managed).
- A mid-year treasury management report providing an update on progress of the capital position and amending treasury and prudential indicators if required; and
- An outturn treasury report detailing the outturn position and comparing performance against estimates included within the strategy.

1.6 In addition to the treasury reporting requirements, the CIPFA 2017 Prudential and Treasury Management Codes require all Authorities to prepare a capital strategy report which will cover the following:

- a high level, long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability.

The aim of the capital strategy is to ensure that all Members of the Combined Authority fully understand the overall long term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

1.7 The capital strategy is reported separately from the Treasury Management Statement, with non-treasury investments being reported through the former.

The rationale for the separate reporting is to ensure there is a separation of the core treasury function with the focus on security, liquidity and yield principles and the non-treasury investments which are driven by expenditure on an investment with the intended purpose of generating a return. The capital strategy will show:

- The corporate governance arrangements in place for non-treasury investments;
- Any service objectives relating to these type of activities;
- The expected income, costs and resulting contributions;
- The debt related to the activity and the associated interest costs;
- The pay back period (MRP Policy);
- For non-loan type investments, the cost against the current market value; and
- The risks associated with each activity.

**Treasury Management Strategy for 2022/23**

1.8 The Treasury Management Strategy for 2022/23 covers two main areas:

- **Capital issues**
- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

- **Treasury management issues**
- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Combined Authority;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

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

1.9 The Combined Authority uses Link Group, Treasury solutions as its external treasury management advisors. The Combined Authority recognises that responsibility for treasury management decisions remains with the organisation and seeks to ensure that undue reliance is not placed upon external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisors. The Combined Authority recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Combined Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed, documented and subjected to regular review.

## 2. THE CAPITAL PRUDENTIAL INDICATORS 2022/23-2024/25

### 2.1 Capital Expenditure

2.1.1 The Combined Authority's capital expenditure plans are a key driver of its treasury management activity and the output of these plans are reflected in the Prudential Indicators. The prudential indicators are designed to assist members' overview and confirm capital expenditure plans.

The table below summarises the Combined Authority's capital expenditure plans for the current financial year and the three subsequent years, together with the proposed sources of financing.

| | **2021/22 Estimated Outturn** | **2022/23 Estimate** | **2023/24 Estimate** | **2024/25 Estimate** |
|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** |
| Combined Authority Group capital spend | 239.39 | 211.43 | 30.50 | 7.50 |
| Commercial activities/ non-financial investments | 0.00 | 30.00 | 15.00 | 15.00 |
| **Total Capital Spend** | **239.39** | **241.43** | **45.50** | **22.50** |
| Funded by: | | | | |
| Capital Grants | -144.72 | -143.45 | -23.00 | 0.00 |
| Other Contributions | -7.48 | -10.35 | -7.50 | -7.50 |
| Borrowing | -87.19 | -87.63 | -15.00 | -15.00 |

(1) A breakdown of the Merseytravel and Combined Authority capital spend is shown in the main body of the budget report

2.1.2 To the extent that the overall quantum of the programme detailed above increases and cannot be funded through other grants or reserves, this would result in an increase to the overall requirement to borrow.

2.1.3 In line with the Combined Authority's SIF strategy, funding can be provided to sponsors in a variety of formats: be that grant, loan or equity. To date, the Combined Authority has approved 4 separate repayable instruments on a mixture of commercial and sub commercial rates. Each project has been subject to a detailed viability assessment and modelling. Current proposals for non financial investments are such that for the period through to 2023, all activity will be funded by the Combined Authority's devolution funding and borrowing. There is therefore a risk that the Combined Authority will not recover the full value of its investment which would reduce the value of recyclable funds available for reinvestment. In accordance with accounting standards these loans will be subject to an expected credit loss assessment, and to the extent that there is an impairment, this will be reported and accounted for accordingly.

## 2.2 The Combined Authority's Borrowing Need (Capital Financing Requirement)

2.2.1 The first prudential indicator is the Authority's Capital Financing Requirement (CFR). The CFR represents the historic outstanding capital expenditure that has not yet been paid for either through revenue or capital resources and therefore a measure of the Authority's indebtedness and underlying need to borrow.

2.2.2 To the extent that the Combined Authority undertakes capital expenditure for which there are immediately available capital or revenue resources, this will increase the CFR. The CFR does not, however, increase indefinitely as the MRP is a statutory annual charge which broadly reduces indebtedness in line with each assets life.

2.2.3 The Combined Authority is asked to approve the CFR projections below.

| | **2021/22 Estimated Outturn** | **2022/23 Estimate** | **2023/24 Estimate** | **2024/25 Estimate** |
|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** |
| **Opening CFR** | **453.93** | **538.84** | **624.15** | **628.68** |
| CFR Services | 87.19 | 57.63 | 0.00 | 0.00 |
| CFR Commercial Activity | 0.00 | 30.00 | 15.00 | 15.00 |
| Less: MRP | -2.28 | -2.34 | -10.46 | -10.64 |
| Net Movement in CFR | 84.90 | 85.29 | 4.54 | 4.36 |
| **Closing CFR** | **538.84** | **624.15** | **628.68** | **633.04** |

## 2.3 Minimum Revenue Provision (MRP) Policy Statement

2.3.1 The Combined Authority is required to make provision for the repayment of an element of the accumulated capital spend each year through a charge to revenue (the Minimum Revenue Provision – MRP) however should the Combined Authority wish it is also allowed to undertaken additional voluntary payments if required (Voluntary Revenue Provision – VRP).

2.3.2 The Department of Levelling Up, Housing and Communities (DLUHC) regulations have been issued which require the full Combined Authority to approve an MRP statement in advance of the year. Under the guidance a number of options are available however the Combined Authority does have some discretion over the approach taken however the overriding requirement is that any approach must be prudent.

2.3.3 The regulations allow for an Authority to review and revise its MRP statement at any stage, providing that the overriding requirement that the resulting approach is prudent. Based on the regulations, the Combined Authority revised the MRP Policy in 2021/22. No changes are proposed to the approach approved in 2021/22, therefore the Combined Authority is recommended to approve the following MRP statement for application in 2022/23:-

- For historic capital expenditure (i.e. that incurred before 2008), MRP is calculated on the Asset Life Method (Option 3). MRP will be based on the estimated life of the assets, in accordance with the regulations. It is proposed to apply a period of 50 years as the period which is proxy for the underlying asset's life. It is felt appropriate to use the maximum life period as consequence of the fact that 55% of the Authority's asset base (excluding assets under construction) are infrastructure assets with a maximum asset life of 72 years and 20% of the asset base relates to lease and free hold property which has a maximum asset life of 52 years.

- For new (unsupported borrowing, the Authority intends to take a more nuanced, principle based approach to the calculation of MRP. The approach to the calculation will be guided by whether the borrowing relation is related to the creation or enhancement of an asset or whether the borrowing is to support the provision of a loan or other form of investment within another organisation.

  Where the borrowing underpins the acquisition and enhancement of assets funded through borrowing is that an Asset Life Method is used to calculate MRP (Option 3 under the MHCLG guidance). Under the guidance there are two approaches that can be applied for calculating MRP under the Asset Life Method: Equal Instalments or the Annuity Method. The Authority will make the decision as to the specific approach to be adopted on a case by case basis determining what is most appropriate and prudent based on the underlying asset.

  For capital expenditure that is classified as such under Regulation 25(1) of the Local Government Act 2003, the rebuttable presumption will be that a revenue provision will be made and that MRP will be calculated in accordance with Option 3 (Asset Life Method) applying the maximum life value detailed in the statutory guidance.

  This presumption will be challenged on a case by case basis and to the extent that the Authority is seeking to make a loan to a third party, the approach to making a prudent provision will be made giving due consideration to a variety of factors including the following:

- Whether the loan is being made on commercial or sub commercial rates;
- The duration of the loan;
- The financial standing of the borrower;
- The degree of perceived risk to the underlying capital sums invested;
- The strength or existence of covenants that underpin any loans; and
- The structure of the loan and subsequent repayments.
- Where loans are made to support policy objectives or there is a degree of risk that the capital will not be repaid either in full or in part, then a revenue provision will be made using Option 3 as detailed above.

Where loans are made where there is a higher degree of confidence in repayment and the regular repayment over the life of the agreement, then the Authority will seek to set aside capital receipts arising from the repayment of the loan to reduce the CFR as opposed to making an annual provision for MRP.

Where loans are made where there is a high degree of confidence in repayment but where repayment is irregular or is on expiration of the loan, then the Authority will make a revenue provision in accordance with Option 3 using an asset life as determined through this method. To the extent that the loan is repaid over a shorter timescale, capital receipts from repayment would be used to write down any remaining CFR liability relating to the loan.

## 2.4 Borrowing

2.4.1 The capital expenditure plans set out in Section 2.1 provide details of the service activity of the Combined Authority. The treasury management function ensures that the Combined Authority's cash is organised in accordance with professional codes, so that sufficient cash is available to meet the service activity and its capital strategy. This will involve organising cash flows and appropriate borrowing facilities as necessary. The table below details the projected overall treasury management portfolio as at 31 March 2022.

| TREASURY PORTFOLIO | | | | | | |
|---|---|---|---|---|---|---|
| | actual 31.3.21 £000 | actual 31.3.21 % | current 31.12.21 £000 | current 31.12.21 % | Estimate 31.03.22 £000 | Estimate 31.03.22 % |
| **Treasury Investments** | | | | | | |
| Banks | 188,215 | 56% | 137,018 | 43% | 79,859 | 39% |
| Local Authorities | 115,033 | 35% | 25,000 | 8% | 25,000 | 12% |
| Certificates of Deposit | 30,005 | 9% | 160,044 | 50% | 100,031 | 49% |
| **Total treasury investments** | **333,253** | **100%** | **322,062** | **100%** | **204,890** | **100%** |
| **Treasury External Borrowing** | | | | | | |
| PWLB | 148,480 | 44% | 144,264 | 43% | 140,033 | 43% |
| European Investment Bank | 180,656 | 53% | 177,541 | 53% | 174,426 | 54% |
| Transferred Debt | 11,442 | 3% | 10,297 | 3% | 9,153 | 3% |
| **Total External Borrowing** | **340,578** | **100%** | **332,102** | **100%** | **323,612** | **100%** |
| **Net Treasury Investments / (Borrowing)** | **(7,325)** | | **(10,040)** | | **(118,722)** | |

2.4.2 The table below provides an analysis of the Combined Authority's outstanding debt as at 31 March 2022.

| Outstanding Debt as at 31 March 2022 | Principal £m | Average Rate % |
|---|---|---|

| | | |
|---|---|---|
| Public Works Loan Board (PWLB) EIP Loans | 42.515 | 6.15 |
| PWLB Annuity Loans | 44.207 | 8.26 |
| PWLB Maturity Loans | 53.311 | 4.49 |
| European Investment Bank | 174.426 | 1.52 |
| Transferred Debt | 9.153 | 5.26 |
| **Total** | **323.612** | |

2.4.3 The Combined Authority's projections for borrowing are summarised overleaf showing actual external debt against the underlying capital borrowing need (the CFR) highlighting any under or over borrowing.

| External Debt | 2021/22 Estimate £m | 2022/23 Estimate £m | 2023/24 Estimate £m | 2024/25 Estimate £m |
|---|---|---|---|---|
| External and Transferred Debt 1 April | 340.58 | 323.61 | 307.82 | 292.40 |
| Forecast Change in Debt | -16.97 | -15.79 | -15.42 | -17.05 |
| Gross Debt 31 March | 323.61 | 307.82 | 292.40 | 289.29 |
| Capital Financing Requirement | 538.84 | 624.18 | 628.72 | 633.08 |
| **(Under)/ Over Borrowing** | **(215.23)** | **(316.36)** | **(336.32)** | **(343.79)** |

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

2.4.5 The Director of Corporate Services reports that the Combined Authority complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans and the proposals contained within the budget report.

**Treasury Indicators: Limits to Borrowing Activity**

2.4.6 The Operational Boundary is the limit beyond which external debt is not normally expected to exceed. Ordinarily this would be a figure commensurate with the CFR however this may be lower or higher depending on the Combined Authority's levels of actual debt and its ability to fund under borrowing by other cash resources. The table below summarises estimated operational boundary for the current and subsequent three years.

| | 2021/22 Forecast | 2022/23 Estimate | 2023/24 Estimate | 2024/25 Estimate |
|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** |
| Debt | 474.27 | 499.26 | 512.85 | 511.31 |
| Other Long Term Liabilities | 0.00 | 0.00 | 0.00 | 0.00 |
| Commercial Activities | 0.00 | 30.00 | 15.00 | 15.00 |
| **Total** | **474.27** | **529.26** | **527.85** | **526.31** |

2.4.7 The Authorised Limit for external debt represents the legal limit beyond which external debt is prohibited. The limit for this key prudential indicator is set by the Combined Authority and therefore any changes to this limit must be agreed by the Combined Authority also. The Authorised Limit reflects the level of external debt which, whilst not desirable or sustainable over the longer term, could be afforded in the short term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Authorities plans, or those of a specific Authority, although this power has not yet been exercised.
2. The Combined Authority is asked to approve the following authorised limit below:

| | 2021/22 Forecast | 2022/23 Estimate | 2023/24 Estimate | 2024/25 Estimate |
|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** |
| Debt | 538.84 | 594.15 | 613.68 | 618.04 |
| Other Long Term Liabilities | 0.00 | 0.00 | 0.00 | 0.00 |
| Commercial Activities | 0.00 | 30.00 | 15.00 | 15.00 |
| **Total** | **538.84** | **624.15** | **628.68** | **633.04** |

**Prospects for Interest Rates**

2.4.8 The Combined Authority has appointed Link Asset Services as its treasury advisors and part of their service is to assist the Combined Authority to formulate a view on interest rates. The table below provides an overview of Link Group's view of interest rates. Link provided the following forecasts on 20th December 2021. These are forecasts for certainty rates, gilt yields plus 80 bps.

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

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

2.4.10 As shown in the forecast table above, the forecast for Bank Rate now includes four increases over the three-year forecast period to March 2025, ending at 1.25%.

However, there are still a number of significant risks to these forecasts e.g. Economies may take a prolonged period to recover from the recession if mutations to the coronavirus cause further restriction periods. Labour and supply shortages prove more enduring and disruptive, depressing economic activity.

2.4.11 Economic and interest rate forecasting remains difficult with so many influences weighing on UK gilt yields and PWLB rates. As the interest forecast table for PWLB certainty rates above shows, there is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period. Amendments to these forecasts will depend on how economic data and developments in financial markets transpire. Geopolitical developments, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment, will also have a major impact.

2.4.12 Based on the above, the impact on investment and borrowing rates is likely to be as follows:

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

- As a result of the COVID crisis and the quantitative easing operations of the Bank of England, borrowing interest rates fell to historically very low rates , and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.
- The Combined Authority will not be able to avoid borrowing to finance new capital expenditure (rolling stock fleet), there will be a cost of carry, to any new long term borrowing that causes an increase in cash balances as this position will most likely incur a revenue cost.

**Borrowing Strategy**

2.4.13 The Combined Authority currently has an under borrowed position, which means that the CFR, the underlying need to borrow, has not been fully funded by loan debt as cash supporting the Combined Authority's balances and reserves have been used as a temporary measure. Given the quantum of the capital programme in relation to rolling stock, there is likely to be an absolute need to borrow additional funds at some point. Moreover the longer term forecast for interest rates is to increase and therefore consideration must be given to weighting the short term advantage of internal borrowing against potential long term costs. This is if the opportunity is missed for taking loans at longer term rates where the rates are expected to be higher in future years.

2.4.14 Whilst investment returns remain subdued and a relative dearth of high quality counterparties remains an issue, the strategy of utilising cash balances is considered prudent. Against this background, the Director of Corporate Services will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances and satisfying the need to borrow, seeking to identify the options that are available and provide value for money for the Combined Authority.

- *If it was felt that there was a significant risk of a sharp FALL in borrowing rates*, (e.g. due to a markers increase of risks around relapse into recession or risks of deflation), the borrowing will be postponed.
- *If it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* perhaps arising from an acceleration on the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

**Policy on borrowing in advance of need**

2.4.15 The Combined Authority will not borrow more than or in advance of need purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be forward approved within the Capital Financing Requirement estimates, and will be considered carefully to ensure value for money can be demonstrated and security of funds evidenced. Risks associated with borrowing in advance of need will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

**Debt Rescheduling**

2.4.16 The Combined Authority will monitor opportunities to generate savings through debt rescheduling activity, however any savings that could be generated would need to be considered in light of the current treasury position and the size of any potential premiums payable on early redemption of debt. Reasons for debt rescheduling will include:

- The generation of cash savings or discounted cash flow savings;
- Helping fulfil the treasury strategy; or
- Enhancing the balance of the portfolio (maturity profile or balance of volatility).

Consideration will also be given to identify if there are residual potential for making short term savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

Rescheduling of current borrowing in our debt portfolio is unlikely to occur. If rescheduling was done, it will be reported to the Combined Authority, at the earliest meeting following its action.

## 2.5 New financial institutions as a source of borrowing and types of borrowing

2.5.1 The main source of borrowing for the Combined Authority is PWLB which currently has its Certainty Rates set at guilts + 80 basis points. However, consideration will also be given to sourcing funding at cheaper rates from the following:

- Local authorities (primarily shorter dated maturities)
- Financial institutions (primarily insurance companies and pension funds but also some banks)

## 2.6 Approved Sources of Long and Short term Borrowing

2.6.1 Whilst in practice the Combined Authority will tend to draw its substantive borrowing requirement through the PWLB, it also has access to a number of other sources of fixed and variable funding as detailed below.

| On Balance Sheet | Fixed | Variable |
|---|---|---|
| PWLB | ● | ● |
| Municipal bond agency | ● | ● |
| Local authorities | ● | ● |
| Banks | ● | ● |

| | | |
|---|---|---|
| Pension funds | ● | ● |
| Insurance companies | ● | ● |
| | | |
| Market (long-term) | ● | ● |
| Market (temporary) | ● | ● |
| Market (LOBOs) | ● | ● |
| Stock issues | ● | ● |
| | | |
| Local temporary | ● | ● |
| Local Bonds | | ● |
| Local authority bills | ● | ● |
| Overdraft | | ● |
| Negotiable Bonds | ● | ● |
| | | |
| Internal (capital receipts & revenue balances) | ● | ● |
| Commercial Paper | ● | |
| Medium Term Notes | ● | |
| Finance leases | ● | ● |

## 2.7 Annual Investment Strategy

2.7.1 In conducting its investment activity, the Combined Authority will have regard to the DLUHC's Guidance on Local Government Investments and the 2017 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (the CIPFA TM Code). The Combined Authority's overriding investment priorities are the security of capital and liquidity of investments.

2.7.2 Whilst DLUHC and CIFPA have extended the meaning of investments to include both financial and non-financial investments, the Annual Investment Strategy as detailed below deals solely with the financial (treasury) investments. Non-financial investments, essentially the purchase of income yielding assets, are covered within the Capital Strategy.

2.7.3 The Combined Authority will seek to obtain the optimum return on its investments commensurate with the desired level of security and liquidity. Risk appetite is low with investment decisions giving priority to security of investments. The Combined Authority does not borrow purely to invest or on-lend to make a return.

2.7.4 The Combined Authority has a clearly stipulated minimum acceptable level of credit quality of Counterparties which feeds into its Counterparty lending list. The creditworthiness methodology used to create the Combined Authority's list takes account of the ratings provided by FITCH and/ or Moodys, two of the three main ratings agencies. All investments made during 2022/23 will be made in accordance with the Annual Investment Strategy detailed in Annex Two.

<u>Appendices:-</u>
Annex One – Outlook for Interest Rates

Annex Two – Annual Investment Strategy 2022/23
Annex Three – Treasury Management Limits and Prudential Indicators
Annex Four – Treasury Management Scheme of Delegation
Annex Five – The Treasury Management Role of the Section 151/ 73 Officer

## ANNEX ONE

## OUTLOOK FOR INTEREST RATES

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

The rates shown above take account of the 20 basis point certainty rate reduction

## ANNEX TWO

## ANNUAL INVESTMENT STRATEGY 2022/23

The purpose of this Strategy is to outline, for approval by the Combined Authority:

- The Combined Authority's overriding investment objectives;
- The investments the Combined Authority will use for the prudent management of surplus funds during the financial year 2022/23 and the management of risk
- The procedures for determining the use of each asset class;
- The maximum periods for which funds may be prudently committed in each class;
- The upper limits to be invested in each class;
- The extent to which prior professional advice needs to be sought from the Combined Authority's Treasury Advisors prior to use; and
- The minimum amount to be held in short term investments.

**Investment Objectives**

The Combined Authority's investment decisions are governed by the need to ensure that all decisions are prudent and ensure the security of capital and liquidity of investments are paramount.

The Combined Authority will seek to ensure an optimum return on the investment of all surplus funds commensurate with the required levels of liquidity and security, having properly assessed the inherent risk associated with different investment options.

The Combined Authority will not engage in treasury borrowing activity solely for the purpose of investment or on-lending to make a return.

**Investment policy – management of risk**

The Department of Levelling Up, Housing and Communities (DLUHC – this was formerly the Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report, Annex Two deals solely with treasury (financial) investments, as managed by the treasury management team. Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, Appendix Two.

The Combined Authority's investment policy has regard to the following:

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

- CIPFA Treasury Management Guidance Notes 2018

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

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

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

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

3. **Other information sources**
   The Combined Authority will pay consideration to other information sources such as the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. **Types of investment instruments**
   The Combined Authority has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in Annex 2.1 under the categories of 'specified' and 'non-specified' investments.
   - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.

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

The table attached as Annex 2.1 provides further guidance on Specified and Non Specified Investments.

5. **Non-specified and loan investments limits**. The Combined Authority has determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified treasury management investments of 40%.

6. **Lending limits,** amounts and maturity, for each counterparty will be set through applying the matrix table in Annex 2.2.

7. **Transaction limits** are set for each type of investment in Annex 2.2.

8. **Sovereign ratings** investments will only be placed with counterparties from countries with a specified minimum sovereign rating.

9. The Combined Authority will set a limit for the amount of investments which are invested **for longer than 365 days.**

10. **External Consultants** The Combined Authority has engaged external consultants to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of the authority in the context of the expected level of cash balances and need for liquidity throughout the year.

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

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

The Combined Authority will pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

**Changes in the risk management policy from last year**

The above criteria are unchanged from last year.

**Creditworthiness Policy and Liquidity**

The Combined Authority relies on credit ratings published by FITCH or Moody's two independent rating agencies to establish the credit quality of Counterparties. Credit ratings are reviewed on an ongoing basis to ensure that prompt action can be taken to remove institutions whose ratings fall below the minimum threshold applied by the Combined Authority. The proposed Counterparty criteria is appended to this report at Annex 2.2.

Within the framework detailed in Annex 2, it is proposed that at any one time up to 20% of investments will be retained in liquid instant access/ call accounts to ensure that there is adequate liquidity maintained to deal with unforeseen eventualities.

**Investment Strategy**

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

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Currently the Combined Authority does not engage any external Fund Managers to invest monies on its behalf, however this position will be periodically reviewed to establish whether this option provides any opportunities for diversification. Any such consideration will be made in conjunction with the Combined Authority's treasury advisors and subject approval by the Director of Corporate Services.

**Investment returns expectations**

The current forecast shown in paragraph 2.4.8 of the report, includes a forecast for a second increase in Bank Rate in June 2022, though it could come in February.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year, (based on the next increase in Bank Rate in quarter 1 of 2022/23), are as follows:

| Average earnings in each year | Now | Previously |
|---|---|---|
| 2022/23 | 0.50% | 0.50% |
| 2023/24 | 0.75% | 0.75% |
| 2024/25 | 1.00% | 1.00% |
| 2025/26 | 1.25% | 1.25% |
| Long term later years | 2.00% | 2.00% |

For its cash flow generated balances, the Combined Authority will seek to utilise its business reserve instant access and notice accounts and short-dated deposits, in order to benefit from the compounding of interest.

**Policy on the use of External Service Providers**

The Combined Authority uses Link Group Treasury Services as its external treasury management advisors. Whilst the responsibility for treasury management decisions remains with the Combined Authority, the value in employing an external treasury provider is recognised as means by which it can acquire access to specialist skills and resources. Notwithstanding this the Combined Authority will ensure that there is no undue reliance on an external service provider.

**Reporting Arrangements**

The Combined Authority will receive reports on Treasury Management activity as a minimum at three points during the year: a forward looking strategy will be submitted for approval, a mid- year Strategy review and a year- end report which will consider outturn performance in light of the strategy set at the start of the year.

**ANNEX 2.1**

SPECIFIED AND NON SPECIFIED INVESTMENTS

**Table 1 Specified Investments**

| **Investments** | **Minimum Credit Rating** | **Use** |
|---|---|---|
| Term deposits UK banks and building societies | See Annex 2.2 | In house |
| Term deposits – UK Government or Local Authorities | High security although few local authorities are credit rated | In house |
| Call Account Facilities | See Annex 2.2 | In house |
| Notice Account Facilities | See Annex 2.2 | In house |
| Term Deposits – non UK banks and building societies | See Annex 2.2 | In house |
| Debt Management Agency Deposit Facility | UK Government backed | In house |
| Certificates of Deposit | See Annex 2.2 | In house |
| Treasury Bills | UK Government backed | In house |
| Money Market Funds | AAA | In house |

All Specified Investments must be sterling denominated and have maturities of up to 1 year.

**Table 2 Non Specified Investments**

| Investments | Minimum Credit Rating | Use | Maximum Duration |
|---|---|---|---|
| Term deposits - UK banks and building societies (exceeding 365 days) | See Annex 2.2 | In house | 2 years |
| Term deposits – UK Government or Local Authorities (exceeding 365 days) | High security although few local authorities are credit rated | In house | 2 years |
| Term Deposits – non UK banks and building societies (exceeding 365 days) | See Annex 2.2 | In house | 2 years |
| Certificates of Deposits | See Annex 2.2 | In house – after consultation with Treasury Advisors | 2 years |
| Callable Deposits | See Annex 2.2 | In house – after consultation with Treasury Advisors | 2 years |
| Structured Deposits | See Annex 2.2 | In house – after consultation with Treasury Advisors | 2 years |
| Forward Deposits | See Annex 2.2 | In house – after consultation with Treasury Advisors | 2 years in total |

**ANNEX 2.2**

COUNTERPARTY CRITERIA

| Counterparty Category | Credit Rating | | | Maximum Investment (£m) | Maximum Duration |
|---|---|---|---|---|---|
| | Long Term | Short Term | Sovereign | | |
| Treasury Bills * | AA Rated | | | £10m per investment (£80m in total) | 2 years |
| Local Authorities, other Public Sector Bodies incl DMO * | AA Rated | | | £10m per LA, £50m per LA within the LCRCA (£150m total) | 2 years |
| Part Nationalised Banks * | See Below ** | | | £70m | 2 years |
| Money Market Funds | AAA Rated | | | £10m per fund (£40m in total) | On call |
| Combined Authority Main Banker | A | F1/P1 and above | AA- and above | Up to a maximum of £200m | On call |
| Authorised institutions under the Banking Act 1987 which hold suitable credit ratings | A+ and above | F1/P1 and above | AA- and above | £20m per investment (£80m total per institution or up to £100m for CA Main Banker) | 2 years |
| | A | F1/P1 and above | AA- and above | £10m per investment (£40m total per institution) | 12 months |
| Building Societies | A and above | F1/P1 and above | AA- and above | £10m per investment (£40m total per institution) | 12 months |
| | A- and above | F1/P1 and above | AA- and above | £5m per investment (£20m in total) | 12 months |

*Government backed

** Although the individual rating for the part nationalised banks fall below the criteria outlined above, due to the fact that they are part nationalised, as such these institutions take on the credit rating of the UK Government itself (UK Sovereign Rating AA-) as deposits are essentially being made with the UK Government itself.

## ANNEX THREE

THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2022/23 – 2024/25

| Indicator | Description | 21/22 Outturn Estimate | 22/23 Forward Estimate | 23/24 Forward Estimate | 24/25 Forward Estimate |
|---|---|---|---|---|---|
| | | | | | |
| Capital Spend (£m) | Proposed capital spend to which the Authority plans to commit | 239.39 | 241.43 | 45.50 | 22.50 |
| In year Requirement | Additional borrowing requirement for capital expenditure | 87.19 | 87.63 | 15.00 | 15.00 |
| Capital Financing Requirement (£m) | This is the aggregation of historic and cumulative capital expenditure which has yet to be paid for through either capital or revenue resources | 538.84 | 624.15 | 628.68 | 633.04 |
| Ratio Financing Cost to Income Stream | Identified the impact and trend of revenue costs of capital financing decisions on the revenue budget | 10.87% | 11.30% | 19.94% | 20.03% |
| Net Borrowing Requirement (£m) | Represents the net investments or borrowing requirement based on the debt and investments held | 223.61 | 207.87 | 192.57 | 177.26 |
| Authorised Limit for Borrowing (£m) | Represents the absolute limit of borrowing that could be raised and afforded in the short term however this is likely to be unsustainable in the long term | 538.84 | 624.15 | 628.68 | 633.04 |
| Operational Limit for Borrowing (£m) | Represents the level beyond which debt is not normally expected to exceed | 474.27 | 529.26 | 527.85 | 526.31 |
| Upper Limit for Fixed Interest Rate Exposure | These limits seek to ensure that the Authority does not expose itself to an inappropriate level of interest rate risk | 100.00% | 100.00% | 100.00% | 100.00% |
| Upper Limit for Variable Interest Rate Exposure | | 30.00% | 30.00% | 30.00% | 30.00% |
| Gross Debt and the CFR (£m) | This indicator can highlight where an authority may be borrowing in advance of need | 215.23 | 316.27 | 336.12 | 355.78 |

**ANNEX FOUR**

TREASURY MANAGEMENT SCHEME OF DELEGATION

**The Combined Authority**

- Approves the annual Treasury Management Strategy Statement;
- Receives a mid year report and an outturn report on Treasury Management activity;

**The Director of Corporate Services**

- Draft and submit to the Combined Authority the Treasury Management Strategy Statement prior to the start of the financial year;
- Implement and monitor these documents,
- Draft and submit mid year and outturn reports to the Combined Authority for approval;
- Maintain suitable Treasury Management Practices (TMP's) setting out the manner in which the Authority will seek to achieve its objectives. The TMP's will prescribe how the treasury activities will be managed and controlled;
- Be responsible for the execution and administration of treasury management decisions; and
- Act in accordance with the Council's Policy Statement and Treasury Management Practices, and also in accordance with CIPFA's Standard of Professional Practice on Treasury Management

**ANNEX FIVE**

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151/ 73 OFFICER

**The S151/73 (responsible) officer**

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

- *Performance measurement and management, including methodology and criteria for assessing the performance and success of non-treasury investments*
- *Decision making, governance and organisation, including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making.*
- *Reporting and management information including where and how often monitoring reports are taken*
- *Training and qualifications, including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*