CONSULTATION REPORT 2022/23 TREASURY STRATEGY

Report of the Deputy Chief Executive (Section 151 Officer)

1. INTRODUCTION AND PURPOSE OF REPORT

1.1 This report seeks the views of the Corporate, Resource Management and Governance (CRMG) Scrutiny Committee on the development of the Council's Treasury Management Strategy Statement (TMSS), Annual Investment Strategy (AIS) and Minimum Revenue Provision (MRP) Policy for 2022/23, to be considered for approval at the Cabinet Meeting on 1 February 2022 and the Council Meeting on 24 February 2022.

2. BACKGROUND

2.1 The Local Government Act 2003 and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Management Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent, and sustainable.

2.2 The Act requires the Council to set out its Treasury Management Strategy for borrowing and an Annual Investment Strategy which details the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments; these are submitted to Council for approval ahead of the financial year to which they relate.

2.3 An underlying requirement of the CIPFA Treasury Management in Public Services Code of Practice, among others, is the affirmation of effective management and control of risk as the prime objective of the Council's treasury management activities. The Code further advocates developing lending policies to counteract risk, i.e. use of market data in addition to credit ratings, greater consideration of diversification policy, having regard to country, sector, and group limits. The Code places emphasis on regular reporting on treasury management strategy and performance and scrutiny of treasury management strategy and policy to a specific named body.

2.4 The Council has accordingly delegated the role of ensuring effective scrutiny of its Treasury Management Strategy to the CRMG Scrutiny Committee. In line with the Code, the Cabinet and CRMG receive annual training and updates on Treasury Management.

2.5 The TMSS and AIS is a comprehensive report that identifies specific expected treasury activities for the forthcoming financial year, which is constructed in full compliance with the CIPFA Code. The formulation of the Strategy is made in light of the anticipated movement in both fixed and short-term variable interest rates; the report therefore refers to detailed background information which informs the proposed policies, forward triggers and limits contained in each Strategy based on leading market forecasts.

AGENDA ITEM

2.6 The TMSS, AIS and MRP Policy is developed in conjunction with the Council's treasury management advisers and includes information on the Council's loan and investment portfolio position, forward borrowing requirement, interest rate forecasts and prudential indicators. The report cannot be finalised until February 2022 because it is partially dependent on Cabinet's budget proposals. In addition, the interest rate forecasts and economic outlook which also influence the strategy need to be as up to date as possible and therefore close to publication.

2.7 This consultation is based on the central borrowing and investment activities of the Council for the forthcoming financial year only and does not detail the Capital Plans or the Prudential and Treasury Management Indicators which are required by statute to be set under the CIPFA Code and will form part of the final strategy statement for 2022/23.

2.8 To assist the consultation process, Members may find it useful to refer to the current TMSS, AIS and MRP Policy for 2021/22 approved by the Council Meeting on 25 February 2021 which can be found at this link below:

Current year - TMSS, AIS and MRP Policy 2021/22

2.9 The Treasury Management Mid-Year Update Report for the current year elsewhere on this Agenda provides a further update against the original 2021/22 strategy.

2.10 Subject to the boundaries established by Statute, Regulation and the Code of Practice, this report seeks the views of CRMG on:

- The Council's approach to borrowing.
- The Council's approach to the investment of surplus funds and the management of risk; and
- The Council's MRP Policy and the Council's approach to providing for the repayment of debt.

2.11 Opinions expressed will be given due consideration prior to finalising the Strategy Statements to be considered by the Cabinet Meeting on 1 February 2022. Economic forecasts will be materially updated once we have further updates regarding current uncertainty in the economy and whether the UK is going to maintain its post pandemic bounce back, or whether its resurgence is going to fizzle out to something a bit more tepid. With so many headwinds to contend with, we should also have a clearer picture of the timing of Bank rate rises in the UK.

3. LEGISLATIVE FRAMEWORK

3.1 The Local Government Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice. The Act also requires the Council to set out specific strategies in relation to key aspects of its treasury management operations before the start of each financial year, specifically for borrowing and investments along with its policy for setting aside MRP to cover debt repayments associated with borrowing to fund capital investment.

3.2 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG[1] MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance

3.3 In line with these various requirements this strategy includes:
- The Annual Borrowing Strategy, including the Council's Policy on Borrowing in Advance of Need (TMSS).
- The Annual Investment Strategy (AIS); and
- The Annual MRP statement.

3.4 In conjunction with the Treasury Management Policy Statement and the detailed Treasury Management Practices, these provide the policy framework for the engagement of the Council with the financial markets in order to fund its capital investment programme and maintain the security of its cash balances.

4. CIPFA TREASURY MANAGEMENT CODES AND GUIDANCE

4.1 The CIPFA 2017 Prudential and Treasury Management Codes introduced a requirement for local authorities to prepare a capital strategy report which provides:

- 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.

4.2 The aim of the capital strategy is to ensure that all elected members of the Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

4.3 The Council will provide and update on its Capital Strategy separately from the Treasury Management Strategy and Annual Investment Strategy. The Capital Strategy will build on this year's strategy and be a high-level corporate document dealing with the key areas of strategic context, corporate priorities, capital investment ambition, available resources, affordability, capacity to deliver, risk appetite, risk management and determination of an appropriate split between non-financial and treasury management investments in the context of ensuring the long-term financial sustainability of the Council.

4.4 The Capital Strategy will also focus on 'commercial' (non-treasury) investments, in appropriate detail so that Members can properly assess the particular risks in this area. Commercial non-financial investments for the purposes of the Code are identified as those focused on income generation, whereas the Council would argue none of its commercial type investments have been entered into solely for the purposes of income generation, but rather for the Council's ambition to redevelop and improve the town centre. The Capital Strategy will be reported to Cabinet on 1 February 2022 alongside the budget reports for 2022/23.

[1] The Ministry of Housing, Communities and Local Government (MHCLG), is now Department for Levelling Up, Housing and Communities (DLUHC)

4.5 Investment in commercial non-financial investments, especially in property, do not form part of treasury management activities carried out by the treasury management team of the Council. Accordingly, the TMSS and AIS for 2022/23 will not deal with expenditure on, or investing in, non-financial investments, but solely on treasury management investments. This will give Members the focus to provide for greater critical examination and understanding of the Council's treasury management strategies and policies for 2022/23.

4.6 ROLE OF SECTION 151 OFFICER – DEPUTY CHIEF EXECUTIVE

4.6.1 The specific roles of this officer (the Deputy Chief Executive (Section 151 Officer)) were extended in 2019/20 to include a series of new roles in respect of the Capital Strategy and also a specific role in respect of investment in non-financial assets. CIPFA has extended the definition of treasury management and investments to include non-financial assets, which, at the same time, it terms as being non-treasury investments.

5. TREASURY MANAGEMENT REPORTING 2022/23

5.1 The Council is currently required to receive and approve, as a minimum, three main reports each year:

- **The Treasury Management Strategy Statement (TMSS), Annual Investment Strategy (AIS) and MRP Statement**. A forward-looking report which sets the scene for the forthcoming financial year.
- **The Mid-Year Review Report** on the current strategy which updates Members on the treasury and capital position.
- **The Annual report**. A retrospective review at the end of the financial year.

6. OBJECTIVES OF THE TREASURY MANAGEMENT STRATEGY

6.1 The Council's Treasury Management Strategy is designed to achieve the following objectives:

- To ensure the security of the principal sums invested which represent the Council's various reserves and balances.
- To ensure that the Council has access to cash resources as and when required.
- To minimise the cost of the borrowing required to finance the Council's Capital Investment programme; and
- To maximise investment returns commensurate with the Council's policy of minimising risks to the security of capital and its liquidity position.

7. SETTING THE TREASURY MANAGEMENT STRATEGY FOR 2022/23

7.1 In setting the treasury management strategy, the Council must have regard to the following factors which will have a strong influence over the strategy adopted:

- Economic forecasts.
- The level of the approved Capital Programme which generates the borrowing requirement.
- The current structure of the Council's investment and debt portfolio; and
- Prospects for interest rates and market liquidity.

8. UK ECONOMIC CONTEXT AND INTEREST RATES

8.1 To assist consideration of the Council's Borrowing Strategy, a detailed commentary outlining current expectations for the economy is included in the following paragraphs. The final strategy report will reflect the latest information available in January 2022. Economic forecasts in this report are based on those of the Bank of England.

8.1.1 At its November meeting, the Monetary Policy Committee (MPC) of the Bank of England judged that the existing stance of monetary policy remained appropriate. The MPC voted by a majority of 7-2 to maintain Bank Rate at 0.1% and the size of the asset purchase programme (quantitative easing, or QE) unchanged at £895bn, but the vote was split 6-3, with the minority in favour of ending quantitative easing (QE).

8.1.2 The MPC's guidance on future policy action also continued to become more 'hawkish'. At its recent update in November, the MPC noted that a 'modest tightening' in monetary policy was likely 'to be necessary' over the forecast period if the economy evolved as expected. This time round it said the case seemed to have 'strengthened'. That reinforces market expectations that an early rate hike is now likely and caused some forecasters to predict a hike by the end of 2021.

8.1.3 However, the Committee also emphasised how uncertain the current environment is and in particular noted uncertainties around the labour market and 'hence underlying inflationary pressures'. Consequently, most members saw 'a high option value' to maintaining a 'wait-and-see' approach for now as they monitor developments including the outcome of the ending of the government's furlough scheme.

8.1.4 At face value this is a logical response to the recent surge in inflation and growing evidence of tightness in the labour market, but it also sits uneasily alongside signs that the economic recovery has lost some momentum. GDP grew by 0.4% m/m in August 2021, but this was largely a bounce-back from July's 'pingdemic' and data covering the period since has been less encouraging. A downgrade to the MPC's near-term view of the economy supported the decision to leave policy settings unchanged. Supply chain disruption and a more modest than expected recovery in consumer spending means the MPC now expects GDP to grow by around 1.5% in the third quarter of 2021 and by 1% in the fourth quarter, around half of the rates envisaged in the last set of forecasts in August. As a result, GDP is expected to remain below its pre-pandemic level until the first quarter of 2022, a quarter later than previously expected. And forecast GDP growth next year was cut from 6% to 5%.

8.1.5 The key to understanding what's going on lies on the supply side of the economy. All economies are experiencing shortages of goods and labour as they reopen, but

those shortages are more acute in the UK than in Europe. This is limiting the ability of firms to increase output and is a key reason why the recovery appears to have hit the buffers. At the same time, the rise in costs, particularly energy, has been far sharper than anticipated. The result is higher inflation is expected to reach 4.5% in November and December and remain around that level throughout 2022 Q1. It is expected to peak at 5% in April 2022 with the further increase driven largely by energy and goods prices.

8.1.6 In such circumstances there are two reasons why a central bank might choose to tighten policy. The first is if it believes that shortages reflect a permanent reduction in the supply potential of the economy and that aggregate demand therefore needs to be brought into line with the new supply reality. The second is if it thinks that the rise in inflation has caused a structural increase in inflation expectations that might threaten to trigger a wage-price spiral.

8.1.7 The more extreme warnings that have surfaced in October 2021 have overplayed the threat of both in the UK. While inflation will probably rise by more than anticipated, it’s doubtful that this will cause a long-lasting shift in inflation expectations; and although most shortages are likely to persist in some form for the next 6-12 months, they should eventually ease. The noises from the government pointing to a more restrictive post-Brexit immigration regime are ominous, but don’t yet justify a reduction of the economy’s supply potential.

8.1.8 Most MPC members continue to expect these pressures to prove transitory. However, there is considerable uncertainty around how long they are likely to persist and whether the situation risks a more permanent rise in inflation expectations. The Committee acknowledged that inflation is now likely to rise to 5% by April 2022, after which point it is still expected to fall back as supply-side constraints ease, but the Committee seems more divided on the extent and speed of the decline.

8.1.9 At the time of writing, the December MPC meeting is consequently shaping up as highly important. In practice, if the MPC does opt to raise rates this year it may be a tactical move, with policymakers reasoning that a small hike now would not pose much of a headwind to the real economy but could help to reassert their inflation-fighting credentials.

8.1.10 A rate hike this year, is however, not a done deal with the potential for MPC members to take a more measured approach. The Council’s current view is that a first move will come early next year, although the risks are tilted towards it happening before the Link forecast of May 2022.

8.1.11 Either way, the key point is that irrespective of when the first hike arrives, the subsequent pace of tightening is likely to be more gradual and slower than is currently priced into the markets. What’s more, ‘*real*’ interest rates are likely to remain negative for several years. This latter point on real rates is particularly important for keeping the public debt ratio on a sustainable trajectory.

8.1.12 The outlook for the UK economy remains unusually uncertain.

8.2 2022/23 PROSPECTS FOR INTEREST RATES

8.2.1 In planning the treasury management strategy, the Council will consider the prevailing and forecast interest rate situation. Regular forecasts of interest rates are provided by Link Asset Services, treasury management advisors to the Council, who assist the Council in formulating a view on interest rates. The following table provides the current central view for short term (Bank Rate), short-term investment rates and longer fixed interest rates.

	Bank Rate	Average Earnings Rates *			PWLB Certainty Borrowing Rates **			
		3-Month	**6-Month**	**1-Year**	**5-Year**	**10-Year**	**25-Year**	**50-Year**
March 2022	0.10%	0.10%	0.20%	0.40%	1.40%	1.80%	2.20%	2.00%
June 2022	0.25%	0.20%	0.30%	0.50%	1.50%	1.90%	2.30%	2.10%
September 2022	0.25%	0.20%	0.30%	0.50%	1.50%	1.90%	2.30%	2.20%
December 2022	0.25%	0.30%	0.40%	0.50%	1.60%	2.00%	2.40%	2.20%
March 2023	0.25%	0.40%	0.50%	0.60%	1.60%	2.00%	2.40%	2.20%
June 2023	0.50%	0.50%	0.60%	0.70%	1.60%	2.00%	2.40%	2.20%
September 2023	0.50%	0.50%	0.60%	0.80%	1.70%	2.10%	2.50%	2.30%
December 2023	0.50%	0.60%	0.70%	0.90%	1.70%	2.10%	2.50%	2.30%
March 2024	0.75%	0.70%	0.80%	1.00%	1.70%	2.10%	2.60%	2.40%

* Please note LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In the meantime, forecasts are based on expected average earnings by local authorities for 3 to 12 months.

Forecasts for average earnings are averages, i.e. rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.

** The rates shown reflect the PWLB Certainty rate discount on PWLB loans of 20 basis points[2].

8.2.2 The link in paragraph 2.8 to the current year borrowing strategy and the interest rate forecasts for short and longer-term borrowing therein reflect the original forecasts (from February 2021) for the current year's treasury strategy. Members will be aware that the actual/current forecasts for UK rates detailed in 8.2.1 above, are now substantially higher than the initial view for interest rates for the 2021/22 financial year.

8.2.3 This year we have seen movements in gilt yields very much centred around three things; inflation, Brexit and Covid. In the first quarter of the year there was a general pick up in yields, mainly due to inflation pressures within the economy. There was an appreciable jump during lockdown, with concerns over expected growth etc. During the summer equities fell and there was a consequently a general flight to quality, i.e. to government bonds, which in turn saw gilt yields drop; this manifested in significant borrowing taken by some local authorities. Levels then tapered off again but more recently we have seen a pick-up once again in borrowing rates predicated on supply shortages, inflation numbers and high wage growth. This has given rise to talk of earlier Bank rate rises discussed earlier in the report.

[2] Basis point (BP) refers to a common unit of measure for interest. One basis point is equal to 1/100th of 1%, or 0.01%, and is used to denote the percentage change in a financial instrument.

8.2.4 As the interest forecast table for PWLB certainty rates above shows, there is expected to be a steady but slow rise in rates over the forecast period, with some degree of uplift due to rising treasury yields in the US.

8.2.5 From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur and is likely to occur at times during the forecast period.

8.2.6 The Link Bank Rate forecast currently shows a first increase in quarter two of 2022, however market interest rates are looking towards economic data for guidance as central banks hold firm on transitory inflation view. UK gilt yields have moved sharply higher over the past month with 10-year yields touching a new high for the year above 0.95%. That partly reflects a move up in global bond yields led by US Treasuries reflecting a signal from the US Federal Reserve that it may start tapering its asset purchase programme from November and could start to raise rates in 2022. However, the rise in gilt yields also reflects changing expectations about UK policy rates.

8.2.7 There is a disparity of views about the timing of a Bank rate rise mostly driven by whether the current rise in inflation will become embedded. The MPC feels that so far expectations have remained 'well anchored' but has acknowledge some modest increases in both financial market based and survey measures that require monitoring.

8.2.8 In particular the markets have brought forward their expectations for a hike in UK Bank Rate in the wake of the recent rise in inflation and comments from BoE officials. The market is generally predicting an earlier rise in interest rates, by the end of 2021.

8.2.9 Given the size of the move in market expectations it might be argued that they are now more than discounting the likely extent of 2022 hikes. However, such is the current degree of uncertainty around UK economy that a further upward move in expectations cannot be discounted.

8.2.9 **Investment and borrowing rates 2022/23**

- **Short-term rates** are likely to rise during 2022, but when and by how much remains very uncertain. The Link forecast for Bank Rate now includes three increases, one in quarter 2 of 2022 to 0.25%, then quarter 2 of 2023 to 0.50% and one in quarter 1 of 2024 to 0.75%. We do not think that the MPC will embark on a series of increases in the Bank Rate of more than 0.65% during the current and next two financial years as we do not expect inflation to return to being sustainably above 2% during this forecast period. With unpredictable virus factors now being part of the forecasting environment, there is a risk that forecasts could be subject to significant revision during the next three years.

- **PWLB rates** are on a higher trajectory than initial estimates for 2021/22. Rates are expected to rise steadily over the forecast period, but most likely be subject to bouts of volatility. The general situation is for volatility in bond yields to endure as investor fears and confidence ebb and flow between favouring

relatively more ‘risky’ assets i.e., equities, or the safe haven of government bonds. The overall longer-run trend is for gilt yields and PWLB rates to rise.

8.2.10 The above forecasts, (and MPC decisions), will be liable to further amendment. Central banks are likely to come under more pressure to support growth by looser monetary policy measures and this is likely to result in more quantitative easing and keeping rates very low for longer. It will also put pressure on governments to provide more fiscal support for their economies.

8.2.12 The interest rate forecasts provided by Link Asset Services in paragraph 8.2.1 are predicated on an assumption that there is no break-up of the Eurozone or EU within our forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and China/North Korea and Iran, which have a major impact on international trade and world GDP growth. on an assumption of a.

8.2.13 The overall balance of risks to economic growth in the UK is now towards the downside, including residual risks from Covid and its variants, both domestically and their potential effects worldwide.

9. BORROWING STRATEGY 2022/23

9.1 The Council has been maintaining an under-borrowed position for some time. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council’s reserves, balances and cash flow has been used as a temporary measure.

9.2 With short-term interest rates having been lower than long-term rates for some time, it has been cost effective for the Council to either use internal resources, or to borrow short-term rather than take long-term borrowing to fully fund its Capital Financing Requirement (CFR). By doing so, the Council has been able to reduce net borrowing costs (and investment income forgone has been negligible due to enduring low short-term rates) and reduce overall treasury risk. This is called maintaining an ‘internally borrowed position’ and using the Council’s cash reserves and balances to fund borrowing as a temporary measure. This strategy has been prudent as investment returns have been low and counterparty risk relatively high.

9.3 The Council’s chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Council’s long-term plans change is a secondary objective.

9.4 The Council has an extensive capital programme for 2022/23 to 2024/25. There is a total of £284.121m of planned expenditure on capital schemes over the three years from 2022/23 to 2024/25 and a significant proportion of this, £131.942m, is to be financed by prudential borrowing. There are some major schemes within the three-year programme, including the highways schemes for the Highways Investment Programme (£10.147m), SEMMMS A6 to Manchester Airport Relief Road (£15.401m) and Mayoral Walking and Cycling Challenge Fund (£9.972m). Other significant schemes in the three-year programme include: HRA General Capital and New Build Schemes (£106.347m), Stockport Exchange Phase 4 (£12m), Future High Streets Fund (£12.290m), Street Lighting Investment

Programme (£7.783m) and the School Conditions Schemes and Special School Scheme (£35.727m). In addition, the Mayoral Development Corporation has approval for a recyclable equity and loan facility with an upper limit of £100m to support its objectives. There is currently £1.339m included in the Capital Programme from 2022/23 to 2024/25 and will be added to when investment is required.

9.5 These are the latest spending profiles for schemes, but it must be stressed that these are complex projects which are reviewed regularly to ensure that the programme reflects a realistic spending profile as they develop. Based on current forecasts there is clearly a significant amount of funding required to finance the Capital Programme in the next three years and the Council is unlikely to be able to do this without taking some longer-term borrowing.

9.6 It is however very unlikely that the Council will look to externalise its entire borrowing requirement during 2022/23 but will aim to maintain a balance between internal and external borrowing. The Bank Rate is currently forecast to rise to 0.25% (with upside risk) for a considerable part of 2022/23; that being the case, the Council could still opt for a continuation of its current policies and benefit from taking short-term borrowing from other authorities as this will still be a much cheaper alternative to long-term borrowing rates. This will be somewhat dependent on continued liquidity in the short-term markets but looks to be the most beneficial approach given that long-term PWLB rates are forecast to stay at a fairly consistent level in 2022/23 (although subject to volatility throughout). If PWLB rates were expected to rise significantly, the Council would benefit from taking long-term funding prior to that happening, however, the central forecast is currently that upward movement from present levels will be slow and steady.

9.7 Nevertheless, it is expected that volatility in gilt yields and therefore PWLB rates will be present throughout the next financial year, with rates being very reactive to market and world events; rates can rise and fall very quickly in a matter of days as there are so many variables at play. Although longer-term rates are on a higher trajectory throughout the forecast period (to March 2024), the Council expects there to be opportunities to ‘dip in’ and borrow as we go along.

9.8 The Council will aim to take any longer-term borrowing in a measured and phased way, thus protecting the Council against loading all borrowing to one period. This will assist the Council in ‘hedging’ interest rate risk and also not push cash balances too far.

9.9 As greater value can be obtained in borrowing for shorter maturity periods, the Council will assess its risk appetite in conjunction with budgetary pressures to reduce total interest costs. Longer-term borrowing could be undertaken for the purpose of certainty, where that is desirable, or for flattening the profile of the maturity profile.

9.10 The Council will reference long-term ‘trigger’ borrowing rates from PWLB Certainty Rates for its long-term borrowing strategy.

9.11 Borrowing from alternative market lenders will also be considered where this can be demonstrated to be cheaper than equivalent PWLB lending rates for the same loan period.

9.12 While the Council will not be able to avoid borrowing to finance new capital expenditure, to replace maturing debt and the rundown of reserves, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new short or medium-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

9.13 The benefits of internal borrowing are being monitored regularly against the potential for incurring additional costs by postponing borrowing into future periods when long-term borrowing rates are forecast to rise (however gradually this is).

9.14 **Target PWLB Borrowing Rates for 2022/23**

9.14.1 Target PWLB Certainty rates for new borrowing in 2022/23 for 5 years out to 50 years are given in the table below. PWLB rates are given as the lowest forecast rates for the period under review, i.e. out to March 2022, currently based on the Link Asset Services latest forecasts.

PWLB Period	PWLB Certainty Rate
5 Year	1.50%
10 Year	1.90%
25 Year	2.30%
50 Year	2.10%

9.14.2 As we have a positive yield curve underpinning the interest rate forecasts at present, those target rates will roll forward in line with the interest rate forecast and will be subject to Link Asset Services ‘Longer Interest Rate Strategy Group’ meetings held once a quarter in line with the Bank of England Quarterly Inflation Reports (Feb, May, August, November), where forecasts will be reviewed.

9.14.3 This report has accentuated a number of upside and downside risks to interest rate predictions for 2022 (see paragraph 8.2), however being mindful that the Bank of England has commented that they anticipate the long-term neutral rate for Bank Rate to be circa 2.5%, the Council will avoid borrowing at an average rate over 2.5% unless additional funding certainty is required or there are liquidity shortages in the market that make this necessary.

9.14.4 Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Deputy Chief Executive (Section 151 Officer) will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- If it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed; and
- If there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in 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.

9.15 Summary Approach

9.15.1 Internal borrowing (run down investments) will continue to combat low investment rates, cost of carry and reduce counterparty risk.

9.15.2 Use will be made of the forward Balance Sheet Review to monitor the sustainability of this policy and in the current climate keep this under regular review, i.e. taking into account slippage/reprofiling of capital programme etc.

9.15.3 Short term/short-dated borrowing from other local authorities will remain very attractive even with expected rises in Bank rate and will remain cheap. Currently 1 year lending rates are sub 0.20%.

9.15.4 There has been significant inter-authority lending during 2020 and 2021 which shows good availability at present, but this needs to be continually monitored within a sensible/manageable balance of short-term loans.

9.15.5 There is value in long-term PWLB rates if cash is needed immediately. Rates are volatile so trigger points will be set for long-term borrowing activity as opportunities can come and go quickly.

9.15.6 The Council will aim to take long-term borrowing in tranches to help hedge interest rate risk.

9.15.7 Consideration of alternative sources of finance will be given where savings can be made, i.e. a Private Placement (PP) and/or Bond Market if appropriate; Municipal Bonds Agency or other financial institutions (pension funds, banks).

9.15.8 If the Council has qualifying infrastructure projects within the Capital Programme, consideration will be given to applying to the newly opened UK Infrastructure Bank for a loan. However, at the time of writing there is no further news on the lower rate of financing which they will offer. Updates are likely to come in Spring 2022 on the process. For any infrastructure schemes that the Council may have, they may be eligible for gilts + 60bps (rate is estimated at present).

9.16 The Council may consider raising some of its required funding by issuing a Green Bond to the local community within Stockport, linked to the Council's Climate Action Now priority. This would be a retail bond aimed at attracting individuals from the local community (retail investors) to invest via a crowdfunding set up into the bond (a type of 'community municipal investment') and would be for a much lower overall value than a traditional institutional bond, perhaps £1m-£2m in size. This type of bond would provide a low-risk, fixed investment return for local residents, and at the same time provide the opportunity to promote local investment into the Council's green agenda and investment for new and existing projects with environmental benefits. The Council is currently exploring the merits of such a scheme and anticipates, at the time of writing, that the bond would be offered at a margin below the equivalent PWLB rate.

9.17 **Borrowing Ahead of Need**

9.17.1 The Council will not borrow more than or in advance of need with the objective of profiting from the investment of the additional sums borrowed. However, borrowing in advance of need can be justified in the following circumstances:

- Where there is a defined need to finance future capital investment that will materialise in a defined timescale of three years or less; and
- Where the most advantageous method of raising capital finance requires the Council to raise funds in a quantity greater than would be required in any one year; or
- Where in the view of the Deputy Chief Executive (Section 151 Officer), based on external advice, the achievement of value for money would be prejudiced by delaying borrowing to the year in which it falls.

9.17.2 Having satisfied these criteria any proposal to borrow in advance of need would also need to be reviewed against the following factors:

- Whether the on-going revenue liabilities created, and the implications for the future plans and budgets have been considered and reflected in those plans and budgets, and the value for money of the proposal has been fully evaluated.
- The merits and demerits of alternative forms of funding; and
- The alternative interest rate bases available, the most appropriate periods over which to fund and repayment profiles to use.

9.18 All decisions on whether to undertake new or replacement borrowing to support previous or future capital investment plans will be subject to evaluation against the following criteria:

- **Overall need:** whether a borrowing requirement to fund the capital programme or previous capital investment exists.
- **Timing:** when such a borrowing requirement might exist given the overall strategy for financing capital investment and previous capital spending performance.
- **Market conditions:** to ensure borrowing that does need to be undertaken is achieved at minimum cost, including a comparison between internal and externally financed borrowing; and
- **Scale:** to ensure borrowing is undertaken on a scale commensurate with the agreed financing route.

All long-term decisions will be documented reflecting the assessment of these criteria

9.19 **BORROWING STRATEGY: QUESTIONS FOR CONSIDERATION**

Making reference to the forecasts for borrowing rates, expectations for the economy going forward and the current year's borrowing strategy:

1. Does the borrowing strategy outlined in Section 9 above seem reasonable?

2. In the current economic climate do Members feel the policy of maintaining an internally borrowed position is correct?

3. Do Members agree with the view of short, medium and long-term interest rates which effectively will be the benchmark levels for borrowing?

4. Do Members have alternative views on the use of long-term and short-term borrowing and borrowing in advance of need (three-year time frame under Prudential Code)?

5. Do Members have alternative views on the duration or type of future borrowing?

10. ANNUAL INVESTMENT STRATEGY (AIS)

10.1 Investment instruments identified for use in the financial year under the 'Specified' and 'Non-Specified' Investments categories, counterparty limits, creditworthiness policy etc. can be found in the current year's AIS in the link at paragraph 2.8.

10.2 Investment Policy (management of risk)

10.2.1 The Council's investment policy has regard to the following:

- MHCLG'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'); and
- CIPFA Treasury Management Guidance Notes 2018.

10.2.2 In accordance with the Code, the Council's investment priorities are:

- The security of capital. The Council maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested; and
- The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of the Council is low in order to give priority to security of its investments. However, this authority will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance.

10.2.3 Treasury management investments represent the placement of cash in relation to the s12 Local Government Act 2003 Act investment powers, so the residual cash held in the bank resulting from the Council's day to day activities. These are invested under the SLY (Security, Liquidity and Yield) principles.

10.3 Link Asset Services suggested counterparty list is at the heart of the Council's creditworthiness policy and has always been conservatively constructed to protect the Council against credit risk whilst allowing for efficient and prudent investment activity. In accordance with the above guidance and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which enables diversification and thus avoidance of concentration risk.

10.4 2022/23 INVESTMENT STRATEGY

10.4.1 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.

10.4.2 For its cash flow generated balances, the Council will utilise Money Market Funds (MMF) if rates continue to be positive to a degree that makes investing worthwhile, instant access and notice accounts and some short-dated deposits (up to twelve months).

10.4.3 **Investment returns expectations**. Bank Rate is likely to rise to 0.25% or further during 2022/23 financial year. The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Year	Investment Return
2022/23	0.25%
2023/24	0.50%
2024/25	0.50%
2025/26	1.00%
Later years	2.00%

10.4.4 In the event that the Council is in a position to make investments for generally longer than 100 days or in notice accounts at enhanced levels, the budgeted return on investment earnings for 2022/23 and subsequent years will be amended to reflect this in line with average earnings forecasts (or replacement rate for LIBID) appropriate to the period (up to twelve months); indications of 3, 6 and 12-month average earnings rates are provided in paragraph 8.2.1.

10.4.6 Depending on the size of the investment portfolio, at times it is entirely appropriate to hold all investments as instant access, i.e. in liquid deposit accounts or MMFs. This is when investment balances are not particularly high relative to cashflow needs and are predominantly being used to supplement cashflow shortages. This has been the case at certain times in recent years where bank rate has been abnormally low and so investment balances have been kept to a minimum with the objective being to supplement cashflow shortages.

10.4.7 What is clear for 2022/23 is that the Council needs to gauge what is the appropriate level of investments to hold, over what is required for cashflow needs, which is also dependant on the timing of borrowing and general market liquidity. Money market rates have been so low that holding a higher level of investments than is actually required could be costly, however given the possibility of an increasing Bank rate during 2022/23, although uncertain, may provide opportunity to earn a higher return from the Council's investments. At the same time managing liquidity risk will also be fundamental.

10.4.8 Where capacity allows, it may have significant benefit to the Council to invest longer term and in a wider variety of investment instruments. Simply by creating layers of the Councils investment portfolio in an optimal way based on spending needs .

10.4.9 There is a natural minimum balance that the Council requires to hold in shorter-term investments to supplement cashflow, however the Council may consider the use of Cash-Plus Funds which could be used to pick up additional returns versus usual Money Market Funds in 2022/23, whilst still providing a degree of liquidity should the Council's cash flow forecast not come to fruition as expected. Cash Plus Funds are similar to Money Market Funds however they are designed for investment over a longer duration (3+ months) at an enhanced return so are not as liquid. They are also Variable Net Asset Value funds (VNAV) rather than Constant Net Asset Value funds. The Council would need to fully understand the implications of this and any fund under consideration prior to making an investment.

10.5 **Challenger Banks:** So far challenger banks[3] are not included in the Council's counterparty lists. This is because at present they do not have credit ratings and so would fall outside the Council's investment strategy criteria. However, we expect that some of these entities may get ratings in coming years and will therefore continue to keep this area under review.

10.6 **The Search for Higher Returns**

10.6.1 We remain in a very difficult investment environment. Whilst counterparty risk appears to have eased, market sentiment has still been subject to bouts of, sometimes, extreme volatility and economic forecasts abound with uncertainty. However, we also have a very accommodating monetary policy, reflected in a 0.10% Bank Rate. As a consequence, the Council is getting very little return from deposits. Against this backdrop it is, nevertheless, easy to forget recent history, ignore market warnings and search for that extra return to ease revenue budget pressures.

10.6.2 In this respect, we are seeing an increase in investment 'opportunities' being offered in the market or being discussed in the wider press within the area of sterling deposits developed by financial institutions. Most of these appear to afford similar security of capital to basic sterling deposits but they also offer the possibility, although never of course the certainty, of increased returns. The Deputy Chief Executive (Section 151 Officer), will, in liaison with the Council's external advisers, consider the benefits and drawbacks of these instruments and whether any of them are appropriate for the Council. Due to their relative complexity compared to straightforward term deposits and length, most of them would fall within the definition of non-specified investments. Decisions on whether to utilise such instruments will be taken after an assessment of whether their use achieves the Council's objectives in terms of reduction in overall risk exposure as part of a balanced portfolio.

[3] A relatively small retail bank set up with the intention of competing for business with large, long-established national banks, specifically designed to compete with the Big Four (HSBC, Lloyds, Barclays and RBS). These newer banks have an online presence rather than a physical one

10.6.3 The Council will not solely look at return but more importantly the product, particularly when considering pooled investment vehicles. This will apply to any investment opportunity. It is not enough to rely on the fact that other councils may be investing in such schemes already. The Council is tasked through market rules to understand the product and appreciate the risks before investing.

10.6.4 There are varying degrees of risks associated with different investments or asset classes and these need comprehensive appreciation. It is not just credit risk that needs to be understood, but liquidity and interest rate/market risk as well, although these can often be intertwined. Any option in which an investor hopes to generate an elevated rate of return will almost always introduce a greater level of risk. By carefully considering and understanding the nature of these risks, an informed decision can be taken.

10.6.5 The particular asset classes the Council may consider include Ultra Short Dated Bond Funds, Corporate Bonds, Property Funds, Equity Funds and Multi Asset Funds. However given the longer-term nature of some of these funds, it is highly unlikely the Council will have the capacity to commit funds for investment over the number of years these type of investments require, i.e. property funds.

10.7 The Council may consider extending their list of approved counterparties to include housing associations which have credit ratings that meet their minimum credit rating requirements.

10.8 **Ethical Investments**

10.8.1 The Council may consider Ethical Investments as part of its investment portfolio going forward. However, investment guidance, both statutory and from CIPFA, makes clear that all investing must adopt SLY principles; Security, Liquidity and Yield. As such, ethical issues, i.e. the green agenda, must play a subordinate role to those priorities. The Council will set out more fully its approach to such investments in the Treasury Management Strategy Statement for 2022/23 for Environmental, Social and Governance (ESG) issues. Nevertheless, there are already touchpoints with local authority investing, including the incorporation of ESG metrics into credit rating agency assessments and a small, but growing number of financial institutions and fund managers promoting ESG products.

10.8.2 Link Asset Services are looking at ways in which to incorporate these factors into their creditworthiness assessment service, but with a lack of consistency, as well as coverage, this is not straightforward. At the present time this is still under consideration. Members will be updated on the progress of this and the feasibility of including these investments as part of the Council's investment portfolio later in the 2022/23 financial year.

10.9 Summary Approach

10.9.1 Significant downgrades for short and long-term credit ratings that were anticipated for UK banks due to Brexit and the Covid-19 pandemic have not materialised, anything negative has mostly been focused on outlooks rather than anything else. The market however is not benign and there are still market conditions to consider, i.e. still need to closely monitor investment counterparties and watch for anomalies.

10.9.2 The money markets are still very liquid which is continuing to depress short-term rates. This will feed into investment process going forward. Banks still have lots of cash and therefore have no appetite for short-term deposits. Bank Funding remains an additional weight on investments at the ultra-short end of the market, this drags on available yields due to lack of counterparty appetite for monies which is related to ongoing uncertainty as many corporates and others are maintaining higher than normal levels of liquidity.

10.9.3 Expectations have ratchetted higher since the November MPC meeting. As interest rates look to be possibly rising sooner rather than later, in this scenario it is prudent to go 'short' with current investments to enable the Council to lock into higher rates as and when they rise. The Council would do the opposite in a falling interest rate environment, i.e. fix investments out for longer before rates fall.

10.9.4 Nevertheless, at the end of the day internal factors will predominantly drive policy decisions.

10.9.5 The Council will consider 'laddering' approach to investments. Natural liquidity is established with a 'ladder' of monthly investments done in a progressive way (where balances permit). This would be worked within the Council's Investment Strategy limitations, i.e. time limits, but still allows the Council to take advantage of steeper yield curve and provides a level of liquidity and ability to flex if circumstances change again.

10.9.6 The Council will retain focus on Security, Liquidity and then Yield.

10.9.7 Investing is all about 'appropriateness' and this depends on both internal (fundamental) and external (overlay) circumstances, i.e cashflow, risk appetite, interest rate outlook. The Council's Investment Strategy will reflect both internal and external factors, with a strong emphasis on risk management across legislation.

10.9.8 It is difficult to 'actively' invest if you have limited notion on the nature of your balances. The Council will look to both cash flow and longer-term forward balance sheet projections to establish investment balances for 2022/23.

10.10 INVESTMENT STRATGY: QUESTIONS FOR CONSIDERATION

Making reference to the current year's Investment Strategy and supporting schedules, current expectations for the economy and likely investment rates available in 2022/23 given above:

1. Is the Council's current lending criteria too strict, too lax or about right? Does it have due regard to risk, but also practical operational considerations and access to counterparties of appropriate financial standing?

2. Do you consider that the Council is adequately controlling credit risk? Is the Council's risk appetite reasonable?

3. Do you think that the approach to the selection of approved counterparties is suitable to both manage risk and optimise returns, but with priority on the former? Is the pool of available investment instruments appropriate?

4. Do you think that the Council should or should not use non-specified investments, e.g. investments in excess of one year?

5. Have limits, i.e. individual and Group, Country and Sovereign been given due consideration?

6. Does the overall Investment Strategy appear sound?

11. MINIMUM REVENUE PROVISION (MRP) POLICY

11.1 The Council is required to settle an element of its non-HRA Capital Financing Requirement (CFR) each year by way of a revenue charge (the Minimum Revenue Provision, 'MRP'). Local Authorities may also provide additional 'Voluntary Revenue Provision' if they wish to do so.

11.2 CLG guidance recommends the preparation of an annual statement of policy on making MRP for submission to the Council Meeting for approval. The terms of the original statement may be revised during the year subject to the revised statement being approved by the Council Meeting at that time. The guidance presents four 'ready-made' options for calculating MRP, but other options are not ruled out provided they are consistent with the statutory duty to make prudent provision.

11.3 The Council's MRP Policy was updated in the 2015/16 financial year so that provision for General Fund Borrowing previously supported through the RSG system would be in equal instalments over a 50-year period starting 1 April 2015, as opposed to the 4% on the outstanding balance previously provided.

11.4 The current MRP Policy for 2021/22 explains how the Council currently sets aside revenue budget provision for the repayment of debt which has been used to fund capital expenditure.

11.5 MRP POLICY: QUESTIONS FOR CONSIDERATION

Making reference to the current year's MRP Policy in paragraph 2.8 above:

1. Does the Committee believe that the Council's current MRP policy is sufficiently prudent?

12. OTHER CONSIDERARIONS IN 2022/23

12.1 REVISIONS TO TREASURY MANAGEMENT CODE/PRUDENTIAL CODE

12.1 CIPFA is again consulting on changes to the Prudential and Treasury Management Codes with the expectation that revised guidance will be in place by December 2021. Changes are likely to affect the 2022/23 Strategy.

12.2 This includes a significant number of major proposed changes to the way Treasury Management would be undertaken in local authorities if implemented in its current guise. Some insight into what the core issues are:

i. There is a strong drive from CIPFA to place some of the existing Indicators on the backburner, with the Debt Liability Benchmark commentary suggesting a rather more rigid interpretation as to what Treasury Management strategic and operational activity should look like than is currently the case.

ii. In addition, there is proposed further expansion of the inclusion of Non-Treasury Management investments, in the form of commercial and service investments, into the Treasury Management framework. The additional breadth to meet what is being proposed is significant. This is something to think upon, i.e. why Non-Treasury investments (which may even by subject to governance and scrutiny by a different committee to that providing oversight to day-to-day Treasury Management activity) are being included as part of, what looks to all intents and purposes, a different framework.

iii. Thirdly, ESG (Environmental, Social and Governance) investment considerations may not have their own Treasury Management Practice, but they do now appear in TMP1. However, its mention, despite being very brief, means we have an unanswered question as to what exactly the scope and breadth of this aspect is expected to be within a future TMSS.

12.3 An important issue is ensuring that there is a clear understanding of what 'Environmental, Social and Governance (ESG)' investment considerations actually mean. This is about understanding the ESG 'risks' that an entity is exposed to and evaluating how well it manages these risks (all entities will be subject to these to one extent or other). It is not the same as Socially Responsible Investing, nor is it the same as Sustainable Investing (investing in products/companies based on expected sustainable and beneficial societal impact, alongside a financial return).

12.4 **Prudential and Treasury Indicators**

12.4.1 The prudential and treasury indicators look set for an overhaul, though not as drastic as originally proposed. The maturity structure of debt and the comparison of gross debt to the capital financing requirement (CFR) will be retained, while a proposed new indicator comparing debt to revenue stream will now not be implemented.

12.4.2 The big new indicator is the Liability Benchmark that indicates a low risk level of borrowing, taking multiple treasury risks into consideration. This is to be shown graphically, unlike the tabular format of other indicators, and should extend for at least ten years into the future, which will make it more complex to produce and maybe more difficult to explain.

12.4.3 The Liability Benchmark is effectively the Net Borrowing Requirement of a local authority plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of investable resources available on the balance sheet (reserves, cash flow balances) from the amount of outstanding external debt and then adding the minimum level of investments required to manage day-to-day cash flow.

12.4.4 CIPFA recommends that the optimum position for external borrowing should be at the level of the Liability Benchmark, (i.e. all balance sheet resources should be used to maximise internal borrowing). If the outputs show future periods where

external loans are less than the Liability Benchmark, then this indicates a borrowing requirement thus identifying where the authority is exposed to interest rate, liquidity, and refinancing risks. Conversely, where external loans exceed the Liability Benchmark then this will highlight an overborrowed position which will result in excess cash in the authority requiring investment thus exposing the authority to credit and reinvestment risks and a potential cost of carry. The Treasury Strategy will need to explain how the treasury risks identified by the Liability Benchmark are to be managed over the coming years.

Many factors will need to be considered and information used to produce an accurate position. This will include, but is not limited to:

- A detailed breakdown of the latest Capital Financing Requirement including details of how this is to be financed in future.
- Details of the expenditure and financing requirements of the Capital Programme.
- Information on the use of balances and reserves over the Medium-Term Financial Plan and Capital Programme.
- Full details of the loan maturity profile including loans from all sources. The resulting outputs should show the following information to inform elected members of the Council's funding requirement for the near, medium, and long term.
- Existing loan debt outstanding: The Council's existing loans which are still outstanding in future years.
- Loans CFR: calculated in accordance with the loans CFR definition in the Prudential Code, and projected into the future based on approved debt funded capital expenditure and planned MRP.
- Net loans requirement: The Council's gross loan debt, less treasury management investments, at the last financial year end, projected into the future based on its approved debt funded capital expenditure, planned MRP and any other forecasts of major cash flows.

12.4.5 It is clear substantial guidance will be required from CIPFA on the indicator to enable it to be used effectively and the Council will need to assess its long-term cash flow needs before committing to long-term borrowing in the future.

12.4.6 Once the revised Treasury and Prudential Codes have been issued, the Council will inform Members of its approach to material changes in the 2022/23 Treasury Strategy.

13. INTERNAL CONSIDERATIONS

13.1 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

The financial implications are covered in the body of the report.

There are no further financial and risk considerations arising from the report. This report is produced as a finance report and discusses in detail risk mitigation processes which are at the heart of Treasury Management Policy. Treasury Management Risk Management is the practice of planning for unexpected expenditures. It is primarily about mitigating and avoiding the impact of the changing financial environment on the Council's cash flow objectives.

13.2 LEGAL CONSIDERATIONS

There are no Legal and Governance implications to consider as a result of the report and recommendations.

13.3 HUMAN RESOURCES IMPACT

There is no impact to the workforce or the workforce of partner organisations as a result of the report and recommendations.

13.4 EQUALITIES IMPACT

A full Equalities Impact Assessment is undertaken as part of the Council's Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy report submitted to Council ahead of the forthcoming financial year (in February each year).

This report is a Consultation with Members to assist in the formulation of the Treasury Management Strategy Statement for the next financial year (for the Consultation)

13.5 ENVIRONMENTAL IMPACT

The Policies and Plans within this Treasury Report do not have an environmental impact.

14. CONCLUSIONS AND RECOMMENDATIONS

14.1 To assist the consultation process and the underlying requirements of the CIPFA Treasury Management in Public Services Code of Practice, which places emphasis on effective scrutiny of the Council's treasury management strategy and policy to a specific named body; this report provides a comprehensive picture of the economic and political factors that are likely to influence short and longer term interest rates and therefore the Council's strategies for borrowing and investing during the 2022/23 financial year.

14.2 It is recommended that CRMG give due consideration to the above questions so that their views can be taken into account in the development of the Council's 2022/23 Treasury Management Strategy Statement.

BACKGROUND PAPERS

There are none

Anyone wishing to inspect the above background papers or requiring further information should contact Lorna Soufian on telephone number Tel: 0161 474 4026 or alternatively email lorna.soufian@stockport.gov.uk.