**To:** Council

**On:** 3 March 2022

---

**Report by:** Director of Finance & Resources

---

**Heading:** Non-Housing Capital Investment Programme, Prudential Framework and Treasury Management Strategy, and Capital Strategy 2022/23 – 2026/27

---

## 1. Summary

1.1 This report details the planned Non-Housing Capital Investment Programme for projects across all service areas of the Council, except Council Housing. Funding available to support this investment includes prudential borrowing and capital grant, as well as contributions from revenue, partners and external funding bodies.

1.2 On 9 December 2021 the Scottish Government published the draft Scottish Government budget for 2022/23, with a provisional local government finance settlement as outlined in Finance Circular 1/2022, published on 20 December 2021. The capital grant for Renfrewshire Council in 2022/23 as outlined in the circular is £12.860m, of which £0.785m is specific grant relating to cycling and walking safer streets (CWSS) and £12.075m is general capital grant. This is broadly in line with the level of general capital grant allocated to Renfrewshire Council in 2021/22.

1.3 The level of general capital grant allocated to local government in the draft Scottish Budget for 2022/23 (£540m) remains broadly in line with that received in 2021/22, with the addition of £30m relating to the expansion of free school meals. The Scottish Government has previously indicated that the level of core capital grant over the medium term will remain at flat cash for the duration of this Parliament (excluding funding for flood risk management). Confirmation of no capital funding increases, while useful for capital planning purposes, will present challenges for the Council in terms of addressing asset lifecycle maintenance costs which generally equate to or exceed £12m annually. In addition, in the context of this funding environment

there will be little scope for any investment in assets other than rolling lifecycle maintenance, unless the Council is able to access and secure other sources of funding including, for example, realised capital receipts, sustainable prudential borrowing funded by recurring revenue savings, or external grant funding. The Council has had success in levering external funding in recent years as evidenced through grant awards in relation to Levelling Up funding, City Deal and Regeneration Capital Grant funds; and the Council will continue to build on this expertise in the coming years in an effort to sustain higher levels of investment.

1.4 There are also likely to be limited opportunities for capital receipts as a source of income to the capital plan; suggesting potentially a greater reliance on increased borrowing as the main source of capital funding outwith the capital grant settlement. Increased borrowing, however, will result in revenue pressures at a time when the revenue fund is also severely constrained.

1.5 It should be noted that the capital plan outlined in this report extends beyond 2022/23, yet no capital grant from 2023/24 has been incorporated. Approved programmes already in place that are funded by other arrangements, e.g. prudential borrowing or specific funding related to the City Deal, are included. It should be further noted that this approach does not preclude the Council from taking further investment decisions as part of the budget process where separate funding arrangements are established.

1.6 The Prudential Code and Treasury Management Code play a key role in capital finance in local authorities; they require the Council to set Prudential and Treasury Management indicators for the following three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The Treasury Management Code further requires the Council to approve, annually in advance, a strategy for its treasury management activities, while the Prudential Code also requires full Council approval of the Capital Strategy, setting out the long-term context within which capital investment decisions are made to improve capital, revenue and balance sheet planning. Details of the proposed Prudential Indicators and Treasury Management Strategy are attached at Appendix 4; and the proposed Capital Strategy is attached at Appendix 5.

---

## 2. Recommendations

2.1 It is recommended that Council:

(a) Approves the Capital Investment Programme covering the period up to 2026/27 as summarised in Table 2 of this report and detailed in Appendices 1 and 2 attached;

(b) Notes that the level of core capital grant available nationally has been indicatively confirmed to remain at current levels over the medium term;

however, no assumptions are included within the planned programme beyond this financial year in respect to future grant levels;

(c) Delegates to the Head of Facilities Management, Head of Operations and Infrastructure, and Head of Schools in consultation with the Director of Finance and Resources, authority to adjust where appropriate resources across individual components of the lifecycle maintenance, roads and structures and schools investment programmes respectively;

(d) Approves the Prudential Indicators set out in Appendix 4 to this report, subject to any required adjustments arising from decisions taken by the Council in relation to the capital and revenue budget reports being presented to this Council meeting;

(e) Approves the Treasury Management Strategy Statement 2022/23, including the treasury management indicators, set out in Appendix 4 to this report;

(f) Approves the Capital Strategy set out in Appendix 5 to this report;

(g) Considers the equality impact of any decisions being taken by Members relating to these recommendations outlined above.

## 3. Overview of Capital Resources and Current Programme

3.1 The updating of the capital programme outlined in this report focuses on the 2022/23 financial year. It is against this background that this report is presented and includes:

- Confirmation of the roll forward of projects already approved as part of the existing Capital Investment Plan, including major projects already underway as part of the existing investment programme;
- In line with the Council's agreed medium-term financial planning principles, general capital grant for 2022/23 be directed in the first instance to maintain the delivery of the Council's rolling lifecycle maintenance programmes across the Council's key asset classes as follows:
    - the lifecycle maintenance programme for the Council's property portfolio (£3.5);
    - maintaining an annual replacement programme for the Council's vehicle fleet (£1.5m);
    - maintenance programmes for the Council's transport infrastructure covering roads & footpaths (£5.6m), bridges (£0.3m) and streetlighting/traffic lights (£0.4m).
    - Maintenance and refresh of the Council's ICT estate (£0.2m)
- Maintaining delivery of the private sector housing programme (£0.6m).

- Unallocated capital resource held within the Strategic Asset Management Fund which is available for consideration and direction to priority investment areas.

3.2 Table 1 and Table 2 below provide a high level summary of the current resources and investment programmes over this period with full details outlined in Appendices 1 and 2.

**Table 1: Resource Availability 2022/23 - 2026/27**

| | 2022/23 £000s | 2023/24 £000s | 2024/25 £000s | 2025/26 £000s | 2026/27 £000s |
|---|---|---|---|---|---|
| Prudential Borrowing | 67,759 | 64,943 | 30,236 | 2,200 | 2,200 |
| Total Borrowing | 67,759 | 64,943 | 30,236 | 2,200 | 2,200 |
| Specific Grant | 785 | 250 | 0 | 0 | 0 |
| General Capital Grant | 12,075 | 2,600 | 0 | 0 | 0 |
| City Deal Grant | 5,445 | 45,687 | 51,154 | 41,899 | 0 |
| City Deal Interim Borrowing | 32,745 | 17,214 | 654 | 1,513 | 0 |
| Usable Capital Receipts | 12,520 | 43,923 | 0 | 0 | 0 |
| Capital Funded from Current Revenue (CFCR) | 1,472 | 0 | 0 | 0 | 0 |
| Total Resource Availability | 132,802 | 174,617 | 82,044 | 45,612 | 2,200 |

**Table 2: Programme 2022/23 - 2026/27**

| | 2022/23 £000s | 2023/24 £000s | 2024/25 £000s | 2025/26 £000s | 2026/27 £000s |
|---|---|---|---|---|---|
| Major Programmes | | | | | |
| Schools Estate Programme | 13,359 | 15,010 | 25,250 | 400 | 400 |
| Lagoon Internal Play Centre | 0 | 1,000 | 0 | 0 | 0 |
| Transformation & ICT | 1,585 | 400 | 400 | 400 | 400 |
| Private Sector Housing Programme | 1,046 | 0 | 0 | 0 | 0 |
| Renfrew Riverside to Paisley Active Travel Route | 970 | 0 | 0 | 0 | 0 |
| City Deal Projects | 40,029 | 86,839 | 54,994 | 43,412 | 0 |
| Regeneration | 4,953 | 1,980 | 0 | 0 | 0 |
| AMIDS South | 0 | 38,725 | 0 | 0 | 0 |
| Paisley Learning and Cultural Hub | 3,642 | 898 | 0 | 0 | 0 |
| Paisley Museum | 20,109 | 9,669 | 0 | 0 | 0 |
| Investment in Heritage Venues & Town Centre Infrastructure | 18,346 | 12,540 | 0 | 0 | 0 |
| Townscape Heritage 2 | 1,524 | 0 | 0 | 0 | 0 |
| Town Centre Capital Regeneration | 2,250 | 0 | 0 | 0 | 0 |
| Community Empowerment Fund | 293 | 0 | 0 | 0 | 0 |
| Greenspaces and Parks | 237 | 0 | 0 | 0 | 0 |
| Asset Lifecycle Maintenance Programmes | | | | | |
| Vehicle Replacement | 2,257 | 0 | 0 | 0 | 0 |
| Roads & Footpaths | 11,853 | 3,250 | 400 | 400 | 400 |
| Bridges | 481 | 0 | 0 | 0 | 0 |
| Lighting Columns and traffic signals | 798 | 0 | 0 | 0 | 0 |
| Investment In Cemeteries | 141 | 0 | 0 | 0 | 0 |
| Parks Improvement Programme | 1,183 | 0 | 0 | 0 | 0 |
| Buildings Capital Lifecycle | 5,090 | 4,306 | 1,000 | 1,000 | 1,000 |
| Energy Efficiency Programme | 102 | 0 | 0 | 0 | 0 |
| Community Halls & Facilities Programme | 754 | 0 | 0 | 0 | 0 |
| Strategic Asset Management Fund - unallocated | 1,800 | 0 | 0 | 0 | 0 |
| Total Planned Spend | 132,802 | 174,617 | 82,044 | 45,612 | 2,200 |

## 4. Lifecycle Maintenance of Existing Assets

4.1 The Council has committed to a financial planning principle that capital grant resources would be directed in the first instance to supporting appropriate lifecycle maintenance programmes to protect the Council's existing assets and infrastructure. Annual lifecycle investment across the Council's key asset classes during 2022/23 is included within the capital programme detailed in Appendix 2.

Property Lifecycle Maintenance

4.2 The Council's property portfolio was predominantly built prior to statutory and Health & Safety legislation and guidance and as such the current identified priorities focus primarily on undertaking investment to improve health and safety standards, compliance with statutory duties and improving energy efficiency across the property portfolio. In addition, priority investment is also required to deliver access improvements within Council properties. A summary programme, reflecting those projects considered to be of the highest priority is outlined in Appendix 3.

4.3 It is recognised that a sufficient degree of flexibility in the management of the lifecycle maintenance fund is required to allow resources to be directed in a timely and appropriate manner to address changing priorities that may emerge. It is therefore proposed that the Head of Facilities Management, in consultation with the Director of Finance and Resources, is delegated authority to adjust the allocation of resources within this proposed programme, with appropriate reporting to the Finance and Resources Policy Board.

Roads and Footpaths

4.4 The investment level detailed in this report for 2022/23 was agreed by Council on 28 February 2019 as part of a sustained investment programme in the roads, cycling and pathway network over the medium term. The investment programme will deliver a stepped change in the condition of key routes and transport infrastructure. Members should note that the investment agreed commits a significant portion of capital grant over the next two financial years, in addition to prudential borrowing. Appendix 3 provides a breakdown of the proposed use of the resources across key programmes for 2022/23. Similar to property lifecycle maintenance, it is proposed that the Head of Operations and Infrastructure, in consultation with the Director of Finance & Resources, is delegated authority to adjust the allocation of resources within this programme.

Streetlighting, Bridges and Other Road Structures

4.5 It is proposed that in order to maintain the overall condition of street lighting columns, that a lighting column rolling replacement programme of £0.6m is continued. Surveys of the electrical infrastructure and cabling supporting streetlighting will highlight any remaining compliance issues.

4.6 Similar to the Council's property portfolio, a maintenance backlog has historically existed across the bridges and structures portfolio and it is recommended that a rolling maintenance programme of £0.5m is maintained.

Vehicle & Plant Replacement Strategy

4.7 The Council has invested significantly from capital resources over recent years to support a vehicle replacement strategy. Continued investment is required in order to sustain planned vehicle replacement cycles and maintain the ability of the existing vehicle and plant fleet to meet the needs of services and mitigate against increased revenue pressures arising from additional maintenance and temporary hire costs due to increased vehicle failure rates.

Private Sector Housing Grant (PSHG)

4.8 The PSHG is utilised to support a range of support programmes for private sector housing owners and is funded through a mix of revenue and capital funding. A priority component of this programme has been to support owner occupiers in meeting the costs of common works being delivered in mixed tenure blocks. This is a key enabler with regards the implementation of the housing regeneration programme.

## 5. Prudential Framework for Capital Finance and Treasury Management Strategy Statement 2022/23

5.1 The Local Government in Scotland Act 2003 and supporting regulations require local authorities to have regard to the following codes of practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA):

- The Prudential Code for Capital Finance in Local Authorities ("the Prudential Code");
- Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes ("the Treasury Management Code").

5.2 The Prudential Code and Treasury Management Code play a key role in capital finance in local authorities. Local authorities determine their own programmes for capital investment in assets that are central to the delivery of services. The Prudential Code and Treasury Management Code were developed to support local authorities in taking decisions relevant to their capital investment plans.

5.3 Their key objectives are to ensure that:

- capital expenditure plans and investment plans are affordable and proportionate;
- all external borrowing and other long-term liabilities are within prudent and sustainable levels;
- the risks associated with investments for commercial purposes are proportionate to their financial capacity; and

- treasury management decisions are taken in accordance with good professional practice.

5.4 The Prudential Code and the Treasury Management Code require the Council to set prudential and treasury management indicators for the following three years to ensure that the Council's capital investment plans are affordable, proportionate, prudent and sustainable.

5.5 In addition, the Treasury Management Code further requires the Council to approve, annually in advance, a strategy for its treasury management activities. This strategy sets out the Council's policies and plans for the year ahead in relation to the management of cashflows, money market and capital market transactions (including borrowing and investing), the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

5.6 Attached at Appendix 4 to this report are full details of the Council's Prudential Indicators and Treasury Management Strategy Statement for 2022/23 based on the details outlined in this report.

## 6. Capital Strategy

6.1 The Capital Strategy provides an overview of how capital expenditure, capital financing and treasury management activities contribute to the provision of public services in local government along with an overview of how associated risk is managed and the implications for future financial sustainability.

6.2 Development and full Council approval of the Capital Strategy is a requirement of the Prudential Code, with the intention that the strategy sets out the long-term context within which capital investment decisions are made, and to improve capital, revenue and balance sheet planning.

6.3 The Capital Strategy is attached at Appendix 5 to this report.

## 7. Equalities

7.1 Where the Council is making decisions in relation to its spending priorities, it is obliged to comply with the public sector equality duty set out in the Equalities Act 2010. This means that the Council must have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other prohibited conduct;
- Advance equality of opportunity between people who share a relevant characteristic and those who do not; and
- Foster good relations between people who share a protected characteristic and those who do not.

7.2 To meet this requirement, where necessary the Council must assess the impact of applying a new policy or decision against these three needs, and at the point of decision-making, elected members must have sufficient information available to assess that impact. Members, in considering their capital investment proposals prior to presentation at the Council meeting, are therefore encouraged to seek advice from Directors on the equality implications of each proposal.

---

**Implications of the Report**

1. **Financial:** the Capital Plan outlines the planned investments in council assets over a five-year period; along with associated funding sources. The Capital Plan, Prudential Framework, Treasury Management Strategy and Capital Strategy ensure that investment in council assets is undertaken in a prudent and financially sustainable fashion, is consistent with the Council's priorities and agreed financial planning principles, and is affordable for the Council now and in future years.

2. **HR & Organisational Development:** none

3. **Community/Council Planning:**

   - **Reshaping our place, our economy and our future** – the Capital Plan outlines investment in facilities and infrastructure which will support the regeneration of the local economy.

   - **Creating a sustainable Renfrewshire for all to enjoy** – the Capital Plan outlines investment in council and community facilities which will ensure these remain available for community use well into the future.

4. **Legal:** none

5. **Property/Assets:** the Capital Plan outlines significant investment in Council assets and infrastructure over the medium term in order to ensure they remain fit for purpose and support efficient service delivery.

6. **Information Technology:** the Capital Plan outlines investment in ICT assets that will ensure the Council continues to have access to secure, efficient ICT services.

7. **Equality & Human Rights:** the recommendations contained in this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.

8. **Health & Safety:** the Capital Plan outlines investment in Council assets and facilities to ensure they remain safe and accessible in line with statutory obligations.

9. **Procurement:** the Capital Plan outlines significant investment in Council assets which will be procured in conformance with all relevant contract standing orders and procurement legislation.

10. **Risk:** investment in Council assets ensures they remain fit for purpose and meet all statutory requirements in terms of accessibility, sustainability and safety.

11. **Privacy Impact:** none

12. **Cosla Policy Position:** none

13. **Climate Risk:** investment in Council assets improves energy efficiency and helps to reduce the Council's carbon footprint.

---

**Author**: Alastair MacArthur, Director of Finance & Resources

**List of Appendices to this report:**

| | |
|---|---|
| Appendix 1 | Summary of Capital Income and Expenditure 2022/23 to 2026/27 |
| Appendix 2 | Capital Investment Programme 2022/23 to 2026/27 |
| Appendix 3 | Lifecycle Maintenance Programmes: Property and Roads & Footpaths 2022/23 |
| Appendix 4 | Prudential Framework and Treasury Management Strategy Statement 2022/23 |
| Appendix 5 | Capital Strategy 2022/23 to 2024/25 |

Renfrewshire Council

Appendix 1

# 2022/23 – 2026/27 Capital Investment Programme

| | 2022/23 £000s | 2023/24 £000s | 2024/25 £000s | 2025/26 £000s | 2026/27 £000s |
|---|---|---|---|---|---|
| Prudential Borrowing | 67,759 | 64,943 | 30,236 | 2,200 | 2,200 |
| Total Borrowing | 67,759 | 64,943 | 30,236 | 2,200 | 2,200 |
| Specific Grant | 785 | 250 | 0 | 0 | 0 |
| General Capital Grant | 12,075 | 2,600 | 0 | 0 | 0 |
| City Deal Grant | 5,445 | 45,687 | 51,154 | 41,899 | 0 |
| City Deal Interim Borrowing | 32,745 | 17,214 | 654 | 1,513 | 0 |
| Usable Capital Receipts | 12,520 | 43,923 | 0 | 0 | 0 |
| Capital Funded from Current Revenue (CFCR) | 1,472 | 0 | 0 | 0 | 0 |
| Total Resource Availability | 132,802 | 174,617 | 82,044 | 45,612 | 2,200 |

| General Services Capital Programme | 2022/23 £000s | 2023/24 £000s | 2024/25 £000s | 2025/26 £000s | 2026/27 £000s |
|---|---|---|---|---|---|
| Schools and Early Years Investment | 13,359 | 15,010 | 25,250 | 400 | 400 |
| Leisure Estate | 754 | 1,000 | 0 | 0 | 0 |
| Environment and Infrastructure | 17,683 | 3,250 | 400 | 400 | 400 |
| Economic Development | 45,871 | 23,107 | 0 | 0 | 0 |
| City Deal | 44,981 | 127,544 | 54,994 | 43,412 | 0 |
| Corporate Projects | 9,108 | 4,706 | 1,400 | 1,400 | 1,400 |
| Private Sector Housing Grant | 1,046 | 0 | 0 | 0 | 0 |
| Total General Services Programme | 132,802 | 174,617 | 82,044 | 45,612 | 2,200 |

Appendix 2

## 2022/23 – 2026/27 Capital Investment Programme by Project

| Schools and Early Years Investment | 2022/23 £000s | 2023/24 £000s | 2024/25 £000s | 2025/26 £000s | 2026/27 £000s |
|---|---|---|---|---|---|
| Paisley Grammar New Campus | 10,950 | 9,555 | 19,850 | 0 | 0 |
| Primary Schools Estate Programme (SEMP 2020) | 0 | 5,000 | 5,000 | 0 | 0 |
| Riverbrae School | 59 | 0 | 0 | 0 | 0 |
| Kirklandneuk PS Extension | 880 | 55 | 0 | 0 | 0 |
| Bishopton PS Refurbishment | 750 | 0 | 0 | 0 | 0 |
| Schools Estate (inc Early Years) | 320 | 0 | 0 | 0 | 0 |
| **Total Schools Investment Programme** | **12,959** | **14,610** | **24,850** | **0** | **0** |
| **Other Programmes** | | | | | |
| Technology Replacement Strategy ICT | 400 | 400 | 400 | 400 | 400 |
| Total | 13,359 | 15,010 | 25,250 | 400 | 400 |

| Leisure Estate | 2022/23 £000s | 2023/24 £000s | 2024/25 £000s | 2025/26 £000s | 2026/27 £000s |
|---|---|---|---|---|---|
| Lagoon Internal Play Centre | 0 | 1,000 | 0 | 0 | 0 |
| Community Halls Refurbishment | 754 | 0 | 0 | 0 | 0 |
| Total | 754 | 1,000 | 0 | 0 | 0 |

Appendix 2

## 2022/23 – 2026/27 Capital Investment Programme by Project

| Environment and Infrastructure | 2022/23 £000s | 2023/24 £000s | 2024/25 £000s | 2025/26 £000s | 2026/27 £000s |
|---|---|---|---|---|---|
| **Programme Funded By Specific Grant** | | | | | |
| Cycling, Walking & Safer Streets - Outwith Travel Plans | 785 | 250 | 0 | 0 | 0 |
| **Total Programme Funded By Specific Consent** | **785** | **250** | **0** | **0** | **0** |
| **Asset Lifecycle Maintenance Programmes** | | | | | |
| Vehicle Replacement Programme | 2,257 | 0 | 0 | 0 | 0 |
| Bridge Assessment/Strengthening | 481 | 0 | 0 | 0 | 0 |
| Roads/Footways Upgrade Programme | 11,068 | 3,000 | 400 | 400 | 400 |
| Lighting Columns Replacement | 560 | 0 | 0 | 0 | 0 |
| Traffic Management | 100 | 0 | 0 | 0 | 0 |
| Core Pathways & Cycle Network | 138 | 0 | 0 | 0 | 0 |
| **Other Major Programmes** | | | | | |
| Parks Improvement Programme | 63 | 0 | 0 | 0 | 0 |
| Investment In Cemeteries | 141 | 0 | 0 | 0 | 0 |
| Improvements To Outdoor Access And Play Area | 1,100 | 0 | 0 | 0 | 0 |
| Multi Pupose Bins | 20 | 0 | 0 | 0 | 0 |
| Renfrew Riverside To Paisley Active Travel Route | 970 | 0 | 0 | 0 | 0 |
| Total | 17,683 | 3,250 | 400 | 400 | 400 |

Appendix 2

# 2022/23 – 2026/27 Capital Investment Programme by Project

| Economic Development | 2022/23 £000s | 2023/24 £000s | 2024/25 £000s | 2025/26 £000s | 2026/27 £000s |
|---|---|---|---|---|---|
| **Paisley Venue and Town Centre Infrastructure** | | | | | |
| Paisley Town Centre Infrastructure | 1,283 | 5,291 | 0 | 0 | 0 |
| Paisley Town Centre Infrastructure (4 Junctions) | 1,200 | 800 | 0 | 0 | 0 |
| Cycle Route and EV Charging Route | 1,320 | 0 | 0 | 0 | 0 |
| Paisley Arts Centre Redevelopment | 1,774 | 746 | 0 | 0 | 0 |
| Paisley Town Hall Redevelopment | 11,729 | 1,649 | 0 | 0 | 0 |
| St James Playing Fields Redevelopment | 50 | 2,393 | 0 | 0 | 0 |
| External Sports: ON-X Linwood | 0 | 1,661 | 0 | 0 | 0 |
| External Sports: Ferguslie Pavillion Upgrade | 990 | 0 | 0 | 0 | 0 |
| Paisley Museum | 20,109 | 9,669 | 0 | 0 | 0 |
| Town Centre Regeneration | 2,250 | 0 | 0 | 0 | 0 |
| Paisley Learning and Cultural Hub | 3,642 | 898 | 0 | 0 | 0 |
| **Development and Housing Projects** | | | | | |
| Townscape Heritage CARS 2 | 1,524 | 0 | 0 | 0 | 0 |
| Total | 45,871 | 23,107 | 0 | 0 | 0 |

Appendix 2

## 2022/23 – 2026/27 Capital Investment Programme by Project

| City Deal | 2022/23 £000s | 2023/24 £000s | 2024/25 £000s | 2025/26 £000s | 2026/27 £000s |
|---|---|---|---|---|---|
| **City Deal** | | | | | |
| Glasgow Airport Investment Area | 2,314 | 78 | 80 | 0 | 0 |
| Clyde Waterfront & Renfrew Riverside | 37,714 | 42,219 | 3,760 | 50 | 0 |
| Airport Access | 0 | 44,542 | 51,154 | 43,362 | 0 |
| **Total City Deal** | **40,028** | **86,839** | **54,994** | **43,412** | **0** |
| **City Deal Related Programmes** | | | | | |
| GAIA Regeneration | 0 | 1,500 | 0 | 0 | 0 |
| Inchinnan Cycleway | 220 | 480 | 0 | 0 | 0 |
| AMIDS: Public Realm Phase | 2,726 | 0 | 0 | 0 | 0 |
| District Heat Network | 2,007 | 0 | 0 | 0 | 0 |
| AMIDS South | 0 | 38,725 | 0 | 0 | 0 |
| Total | 44,981 | 127,544 | 54,994 | 43,412 | 0 |

| Corporate Projects | 2022/23 £000s | 2023/24 £000s | 2024/25 £000s | 2025/26 £000s | 2026/27 £000s |
|---|---|---|---|---|---|
| **ICT Programme** | | | | | |
| ICT Infrastructure Maintenance and Renewal Programme | 1,585 | 400 | 400 | 400 | 400 |
| **Other Corporate Programmes** | | | | | |
| Strategic Asset Management Fund | 1,800 | 0 | 0 | 0 | 0 |
| Energy Efficiency Programme | 102 | 0 | 0 | 0 | 0 |
| Lifecycle Capital Maintenance (LCM) Fund | 5,090 | 4,306 | 1,000 | 1,000 | 1,000 |
| Community Empowerment Fund | 293 | 0 | 0 | 0 | 0 |
| Greenspaces and Parks | 238 | 0 | 0 | 0 | 0 |
| Total | 9,108 | 4,706 | 1,400 | 1,400 | 1,400 |

Renfrewshire Council

# Appendix 3

## Lifecycle Maintenance Programmes 2022/23

| Property Lifecycle Maintenance Programme | 2022/23 £m |
|---|---|
| Minor Works and Roofing Programme | 1.264 |
| Electrical Installations Works – compliance with Electrical testing inspections | 1.111 |
| Paisley Arts Centre | 0.444 |
| Refurbishment | 0.354 |
| Gas Installations Works – compliance with Gas testing inspections | 0.185 |
| Miscellaneous | 0.117 |
| Total | 3.475 |

| Roads and Footpaths Lifecycle Maintenance Programme | 2022/23 £m |
|---|---|
| Carriageway Resurfacing | 2.694 |
| Defect/area based Patching | 1.200 |
| Footway Resurfacing | 1.006 |
| Drainage Improvements | 0.700 |
| Sub-Total | 5.600 |
| Specific Capital Grant: Walking, Cycling and Safer Streets* | 0.785 |
| Total | 6.375 |

Note – the totals above reflect only additional capital grant being allocated in 2022/23, and no other funding or resource carried forward from prior years, hence the difference from the figures in Table 2 of the report. The total Roads Maintenance Programme planned for 2022/23 amounts to £11.8m.

*based on level of CWSS specific grant per Finance Circular 9/2021

# APPENDIX 4 - Prudential Framework for Capital Finance 2022 to 2025 and Treasury Management Strategy Statement 2022/23

## 1. Summary

1.1 The Local Government in Scotland Act 2003 and supporting regulations require local authorities to have regard to the following codes of practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA):

- The Prudential Code for Capital Finance in Local Authorities ("the Prudential Code");
- Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes ("the Treasury Management Code").

1.2 The Prudential Code and the Treasury Management Code require the Council to set prudential and treasury management indicators for the following three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

1.3 The Treasury Management Code further requires the Council to approve, annually in advance, a strategy for its treasury management activities. This strategy (from section 8 onwards) sets out the Council's policies and plans for the year ahead in relation to the management of cashflows; money market and capital market transactions, including borrowing and investing; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

## 2. Prudential framework for capital finance: Purpose, governance and affordability considerations

2.1 The Prudential Code plays a key role in capital finance in local authorities, who determine their own programmes for capital investment in fixed assets. The Prudential Code was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice to support local authorities in taking decisions relevant to their capital investment plans.

2.2 The key objectives of the Prudential Code are to ensure that:

- capital investment plans are affordable, prudent and sustainable;
- treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved;
- capital investment plans are being made in light of the overall organisational strategy and resources, ensuring that decisions are being made with sufficient regard to the long run financial implications and potential risks to the authority.

2.3 To demonstrate that local authorities have fulfilled these objectives, the Prudential Code sets out key indicators that must be used and the factors that must be taken into account. The Prudential Code does not suggest indicative limits or ratios; these are for the Council to set itself.

2.4 The indicators required by the Prudential Code are designed to support and record local decision-making. They are not designed to be comparative performance indicators, and the use of them in this way would be likely to be misleading. In particular, local authorities have widely different debt positions and these differences are likely to increase over time as the result of the exercise of local choices. The system is specifically designed to support such local decision-making in a manner that is publicly accountable.

2.5 The Prudential Code sets out a clear governance procedure for the setting and revising of prudential indicators. This will be done by the same body that takes the decisions for the Council's budget, i.e. full Council. The Chief Finance Officer is responsible for ensuring that all matters required to be taken into account are reported to the decision-making body for consideration and for establishing procedures to monitor performance.

2.6 Prudential indicators for previous years are taken directly from the Council's Annual Accounts. If any item within the Accounts that is relied upon for a prudential indicator is the subject of audit qualification, this must be highlighted when the prudential indicators are set out or revised. No such qualification has been stated.

2.7 The Local Government in Scotland Act 2003 refers to affordability. The Council must consider the affordability of its capital investment during all the years in which it will have a financial impact on the Council. In doing so, the Council needs to pay due regard to risk and uncertainty. Risk analysis and risk management strategies should be taken into account. The Prudential Code also requires local authorities to have regard to wider management processes (option appraisal, asset management planning, strategic planning and achievability) in accordance with good professional practice.

2.8 The fundamental objective in the consideration of the affordability of the Council's capital plans is to ensure that the total capital investment of the Council remains within sustainable limits, and in particular to consider its impact on the Revenue budget of the Council. Affordability is ultimately determined by judgement about acceptable levels of Council Tax or, in the case of the Housing Revenue Account, acceptable rent levels.

2.9 In considering the affordability of its capital plans, the Council is required to consider all of the resources currently available to it and those expected in future years, together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming years. The Council is also required to consider known significant variations beyond this timeframe. This requires the development of three-year revenue forecasts as well as three-year capital investment plans. The capital plans are rolling scenarios; not fixed for three years.

2.10 Prudential indicators in respect of external debt must be set and revised taking into account their affordability. It is through this means that the objectives of sustainability and prudence are addressed year-on-year.

2.11 It is also prudent that treasury management is carried out in accordance with good professional practice. The Prudential Code requires compliance with the Treasury Management Code.

2.12 A soundly formulated capital programme must be driven by the desire to provide high quality, value-for-money public services. The Prudential Code recognises that in making its capital investment decisions the Council must have explicit regard to option appraisal, asset management planning, strategic planning for the Council and achievability of the forward plan.

2.13 The Prudential Code does not specify how the Council should have regard to these factors. All of them represent elements of good practice for which guidance has already been provided by CIPFA and other authoritative sources. The Prudential Code instead concentrates on the means by which the Council will demonstrate that its proposals are affordable, prudent and sustainable.

2.14 The Prudential Code promotes transparency in decision-making by using information contained within the Council's Annual Accounts and by having definitions for prudential indicators that are consistent with the definitions used within the Accounts.

## 3. Prudential framework for capital finance: Prudential indicators for capital expenditure

### 3.1 Capital expenditure

Capital expenditure is defined in the CIPFA *Code of Practice on Local Authority Accounting in the United Kingdom 2022/23* and must be consistent with financial reporting standards for accounting purposes. In addition, under the Local Government in Scotland Act 2003, local authorities have a duty to observe proper accounting practices.

3.2 Under section 35(1) of the Local Government in Scotland Act 2003, it is the duty of the Council to determine and keep under review the maximum amount it can afford to allocate to capital expenditure.

3.3 The Council is required to make estimates of the capital expenditure it plans to incur for the forthcoming financial year and at least the following two years, and to keep these estimates under review. Separate estimates should be made for the Housing Revenue Account ("Housing") and for General Fund ("Non-housing") services. Details of the planned investment programmes for Housing and Non-housing services are presented in this report and take account of the capital resources that will be made available to the Council from the Scottish Government through the local government settlement 2022/23.

3.4 In addition to the approved capital investment plans, there may be projects that emerge throughout the year that can take advantage of the opportunities arising from the flexibility offered by the Prudential Code and as a consequence the capital expenditure totals may change. Any required changes to the prudential indicators arising from new projects will be considered as part of regular reports presented to Policy Boards or to the Council. It is recommended that the Council approves the following as the indicator for capital expenditure for the next three financial years:

| Estimated Capital Expenditure | 2022/23 £m | 2023/24 £m | 2024/25 £m |
|---|---|---|---|
| Non-Housing | 132.802 | 174.617 | 82.044 |
| Housing | 29.665 | 52.697 | 67.337 |
| Total | 162.467 | 227.314 | 149.381 |

3.5 The capital investment plans are to be funded from various sources, such as general and specific capital grants, contributions from revenue resources and secured capital receipts, as well as long-term borrowing. Owing to risks inherent in the disposal of surplus land, and in line with practice adopted in previous years, there is no reliance on the funding of the capital investment plans from unrealised capital receipts.

3.6 After the year-end, the actual capital expenditure incurred during the financial year will be recorded for Housing and for Non-housing. These figures will be included in the Council's Annual Accounts, along with explanations of significant variations from expectations. The actual capital expenditure incurred in 2020/21 was £53.749m.

3.7 **Capital Financing Requirement (CFR)**

Local authorities have access to a number of ways of financing traditionally procured capital investment. This does not refer to the payment of cash, but the funding sources that are applied to ensure that the underlying amount arising from capital plans is absolutely in place, whether at the point of spend or over the longer term. Some available financing options involve resourcing the investment at the time that it is incurred. These are:

- the application of usable capital receipts;
- a direct charge to the revenue budget;
- the application of capital grants;
- up-front contributions from project partners.

3.8 Capital expenditure that is not financed by one of the above methods will increase what is known as the Capital Financing Requirement (CFR) of the Council. It has often been referred to as capital expenditure financed by borrowing; however, this is incorrect as borrowing provides cash, not the resource, since borrowing has to be repaid. Also, the term borrowing in this context does not necessarily imply external debt since, in accordance with best professional practice, the Council has an integrated Treasury Management Strategy and therefore does not associate borrowing with particular items or types of expenditure. The Council will at any point in time have a number of cashflows, both positive and negative, and will be managing its position in terms of its borrowing and investments in accordance with its Treasury Management Strategy.

3.9 In measuring external debt, as detailed in section 4, the Prudential Code encompasses all borrowing, whether for a capital or for a revenue purpose. In day-to-day cash management, no distinction is made between 'revenue cash' and 'capital cash'. External borrowing arises as a consequence of all financial transactions of the Council and not simply those arising from capital spending. In contrast, the CFR reflects the Council's underlying need to borrow for a capital purpose.

3.10 The Council is required to make reasonable estimates of its CFR at the end of the forthcoming financial year and the two subsequent years, showing figures for Housing and Non-housing separately, and keep this under review.

3.11 The CFR will increase whenever capital expenditure is incurred. If this capital expenditure is resourced immediately, through usable capital receipts, direct financing from revenue or application of capital grants/contributions, then the CFR will reduce at the same time that the capital expenditure is incurred, resulting in no net increase to the CFR. The CFR also will be reduced by charges to the revenue account in respect of past capital expenditure, or where the Council may initiate voluntary early charges to revenue as part of longer term financial planning decisions.

3.12 Where capital expenditure is not resourced immediately, this will result in a net increase to the CFR that represents an increase in the underlying need to borrow for a capital purpose. This will be the case whether or not external borrowing actually occurs.

3.13 It is recommended that the Council approves the following as the indicator for the CFR at the end of each of the next three financial years:

| Capital Financing Requirement | 2022/23 £m | 2023/24 £m | 2024/25 £m |
|---|---|---|---|
| Non-Housing | 363.564 | 441.117 | 466.396 |
| Housing | 122.061 | 160.177 | 210.822 |
| Total | 485.625 | 601.294 | 677.218 |

3.14 After the year-end, the actual CFR as at 31 March will be calculated for Housing and for Non-housing and these figures will be included in the Council's Annual Accounts, with explanations for significant variations from expectations. At 31 March 2021 the Capital Financing Requirement was £347.082m.

3.15 **Statutory repayment of loans fund advances**

The Council is required to set out its policy for the statutory repayment of loans fund advances prior to the start of the financial year. This ensures that the Council makes a prudent annual provision to pay off an element of loans fund advances accumulated from previous financial years. A review of the Council's loans fund advances was undertaken during 2021/22 to ensure that the Council continues to make a prudent provision each year.

For all new loans fund advances, the policy for repayment is as follows:

**Asset Life Method:**

Loans fund advances are repaid with reference to the life of an asset, using an average life of 40 years for General Fund assets and 30 years for HRA assets. There are exception to this, such as assets constructed under City Deal arrangements, that have differing asset lives and loans fund repayments are therefore proposed over 50-60 years for those.

The annuity rate applied to current loans fund repayments has also been revised and is based on an annuity rate of 6.00% and similar average life periods to those referred to above. This is considered to be a prudent approach to ensure the loans fund repayments continue for a period that is reasonably in line with that over which the asset provides benefits to the Council.

It should also be noted that the Scottish Government does currently allow councils some flexibility in terms of loans fund accounting arrangements, in order to assist in meeting the current extraordinary spend related to the COVID-19 response and recovery. The Cabinet Secretary is also considering further proposals for revised accounting practice in relation to service concession arrangements.

## 4. Prudential framework for capital finance: Prudential indicators for external debt

4.1 External debt is referred to as the sum of external borrowing and other long-term liabilities, such as finance leases. The prudential indicators for external debt must be set and revised taking into account their affordability. It is through this means that that the objective of ensuring that external debt is kept within sustainable prudent limits is addressed year on year.

4.2 External debt indicators are at two levels: an Operational Boundary and an Authorised Limit. Both of these must be consistent with the Council's plans for capital expenditure and financing and with its Treasury Management Statement and Practices.

4.3 **Operational Boundary**

This is the focus of day-to-day treasury management activity within the Council and is an estimate of the most likely, but not worst case, scenario in terms of cashflow. Risk analysis and risk management strategies are taken into account, as are plans for capital expenditure, estimates of the CFR and estimates of cashflow requirements for all purposes. It is possible that this boundary could be breached occasionally and this should not be regarded as significant. However, a sustained or regular trend of such would be significant and require investigation and action.

4.4 The Council is required to set for the forthcoming financial year and the following two years an Operational Boundary for its total external debt (gross of investments), identifying separately borrowing from other long-term liabilities. It is recommended that the Council approves the following as the indicator for the Operational Boundary over the three-year period 2022/23 through 2024/25:

| Operational Boundary | 2022/23 £m | 2023/24 £m | 2024/25 £m |
|---|---|---|---|
| Borrowing | 407.511 | 526.818 | 606.202 |
| Other long-term liabilities | 78.114 | 74.476 | 71.016 |
| Total | 485.625 | 601.294 | 677.218 |

4.5 **Authorised Limit**

This is based on the same assumptions as the Operational Boundary, with sufficient headroom to allow for unusual or exceptional cash movements. This headroom ensures sufficient capacity to allow for cashflow management without breaching the limit.

4.6 The Authorised Limit will be reviewed on an annual basis and any changes require approval by Council.

4.7 The Council is required to set for the forthcoming financial year and the following two years an authorised limit for its total external debt (gross of investments), identifying separately any borrowing from other long-term liabilities. It is recommended that the Council approves the following as the indicator for the authorised limit over the three-year period 2022/23 through 2024/25:

| Authorised Limit | 2022/23 £m | 2023/24 £m | 2024/25 £m |
|---|---|---|---|
| Borrowing | 427.887 | 553.159 | 636.512 |
| Other long-term liabilities | 78.114 | 74.476 | 71.016 |
| Total | 506.001 | 627.635 | 707.528 |

4.8 After the year-end, the balance of actual external debt as at 31 March will be calculated and reported to Council, with borrowing and other long-term liabilities being shown separately.

4.9 The Council's actual external debt at 31 March 2021 was £329.1m of which £254.7m related to borrowing and £74.4m to outstanding obligations on finance leases and guarantees.

4.10 The actual external debt is not directly comparable to the Authorised Limit nor to the Operational Boundary, since the actual external debt reflects the position at a point in time. In addition, the indicators are set based on the Council's potential external borrowing requirements for capital investment purposes. However, as part of the ongoing Treasury Management Strategy, the Council may utilise internal borrowing where it is deemed appropriate to avoid unnecessary exposure to interest rate risk. The adoption of this strategy results in the Council's net external borrowing being lower than the CFR. The projected external debt compared to the estimated CFR for the three-year period 2022/23 through 2024/25 is detailed at section 10.3.

4.11 In December 2018 the CIPFA/LASAAC Local Accounting Board confirmed that from 1 April 2020 the CIPFA Code of Practice on Local Authority Accounting would be adopting the accounting standard IFRS 16 Leases. The practical effect of adopting IFRS will be to require any contract the Council has signed which provides the right to rent or lease exclusive use of an asset such as property or vehicles, to be recognised as an asset on the Council's balance sheet with a corresponding debt liability recognised at the present value of the future lease payments.

4.12 This liability will be treated as additional borrowing, therefore increasing the Capital Finance Requirement and other associated Prudential Indicators such as the Operational Boundary and Authorised Limit. Owing to the impact of COVID-19 on the ability of councils to implement the new standard, the implementation date is currently deferred until 1 April 2022.

## 5. Prudential framework for capital finance: Prudential indicator for treasury management

5.1 The prudential indicator in respect of treasury management is that the Council has adopted the CIPFA *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* ("the Treasury Management Code"). This requires that the annual Treasury Management Strategy Statement is approved by Council, along with treasury limits for the three-year period 2022/23 through 2024/25.

5.2 In adopting the Treasury Management Code, the aim is to ensure that treasury management is driven by a clear and integrated Treasury Management Strategy and a recognition of the existing structure of the Council's borrowing and investment portfolios. The primary policy objectives of the Council's investment activities are the security and liquidity of funds, and the avoidance of exposure of public funds to unnecessary or unquantified risk. The Council should consider the return on its investments; however, this should not be at the expense of security and liquidity. It is therefore important that the Council adopts an appropriate approach to risk management with regard to its investment activities.

5.3 Borrowing more than, or in advance of, the Council's need purely to profit from the investment of the extra sums borrowed should not be undertaken. In those circumstances where borrowing is taken in advance of need, the security of such funds must be ensured and consideration should be given as to whether value-for-money can be demonstrated. These principles should be borne in mind when investments are made, particularly for the medium to long term.

5.4 The Treasury Management Code requires, amongst other things, that the Council approves, annually in advance, a strategy for its treasury management activities. The Treasury Management Strategy for 2022/23 is set out from section 8 of this report.

## 6. Prudential framework for capital finance: Prudential indicators for prudence

6.1 It is possible that, while a council's financial strategy may be affordable in the short term, it is imprudent and unsustainable in the medium term because it would, if pursued, be dependent on the use of borrowing to fund revenue expenditure. For this reason the Prudential Code makes it necessary, if a financial strategy is to be prudent, that it is one in which medium-term net borrowing is only to be used for capital purposes.

6.2 In the Prudential Code, this requirement must be demonstrated through a comparison of net borrowing with the CFR. Except in the short term, net external borrowing should not exceed the total CFR in the previous year, plus the estimate of any additional CFRs for the current and next two financial years.

6.3 The projected CFR at 31 March 2025 is £677m (section 3.13). Net external borrowing should not exceed this level and, indeed, the projected Operational Boundary at 31 March 2025 is also £677m (section 4.4). The Council had no difficulty in meeting this requirement at 31 March 2021 and no difficulties are anticipated in meeting it in the future.

6.4 In addition, ensuring that treasury management is carried out in accordance with good professional practice is an essential feature of prudence. The treasury management indicators required by the CIPFA *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* ("the Treasury Management Code") are designed to help demonstrate prudence. The prudential indicator is that the Council has adopted CIPFA's Treasury Management Code.

## 7. Prudential framework for capital finance: Prudential indicators for affordability

7.1 A key measure of affordability is the incremental impact of investment decisions on Council Tax or housing rents. Estimates of the ratio of financing costs to net revenue stream provide an indication of how much of the Council's revenue budget is committed to the repayment of debt. The estimated ratios for the next three financial years are:

| Ratio of financing costs to net revenue stream (estimated) | 2022/23 % | 2023/24 % | 2024/25 % |
|---|---|---|---|
| Non-Housing | 3.47% | 3.62% | 3.48% |
| Housing | 34.16% | 30.10% | 30.12% |
| | | | |

Non-housing estimates for 2023 to 2025 are currently based on the 2022/23 settlement figures because the current spending review does not extend beyond this year.

7.2 Financing costs include the interest payable with respect to borrowing, interest payable on finance leases, interest and investment income, loans fund and finance lease principal repayments and gains/losses on the repurchase or early settlement of borrowing.

7.3 Revenue streams relate either to the amounts received in terms of government grant and local taxpayers for Non-housing, or to the amounts received from tenants in respect of housing rents for Housing.

7.4 The estimate of the incremental impact of the capital investment proposals outlined in this report for Non-housing services and as outlined in the *Housing Capital Investment Plan* for Housing services are:

| Impact of capital investment decisions on: | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|
| Band D Council Tax | £0.00 | £0.00 | £0.00 |
| Weekly Housing Rents | £0.35 | £0.99 | £2.20 |
| | | | |

7.5 The impact on Band D Council Tax is nil due to the fact that the financing costs resulting from any additional capital expenditure and related borrowing will be funded from government grant support and savings in other areas of expenditure.

## 8. Treasury Management Strategy Statement and the Prudential Code

8.1 In order to comply with the treasury management requirements of the Prudential Code, local authorities are required to adopt the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes ("the Treasury Management Code").

8.2 CIPFA published updated versions of the Treasury Management Code and the Prudential Code on 20 December 2021. CIPFA has stated that there will be a soft introduction of the Codes, whereby local authorities will not be expected to introduce the required reporting changes to the Treasury Management Strategy Statement or the Annual Investment Strategy for 2022/23. However, full implementation is required for the following financial year, 2023/24. In the meantime, it should be noted that financing capital expenditure on investments in commercial projects for yield has been closed for borrowing from the PWLB, and the new CIPFA Codes have also adopted a similar set of restrictions to discourage further capital expenditure on commercial investments for yield.

8.3 This report covers the requirements of the 2017 version of the Treasury Management Code, including the treasury management indicators as defined therein, and the requirements of the Local Government Investments (Scotland) Regulations 2010 with regards consent from Scottish Ministers in respect of local authority investments.

8.4 The Council's **Treasury Management Strategy Statement** for 2022/23 is set out here at sections 8 through 12, and constitutes the Council's annual strategy and plan in relation to its treasury management activities as defined by the 2017 version of the Treasury Management Code.

## 9. Treasury Management Strategy Statement: Objectives and responsibility for decision-making

9.1 The overall objectives of the Council's treasury management strategy are:

for **borrowings**:

- to minimise the revenue costs of borrowing;
- to manage the borrowing repayment profile;
- to assess interest rate movements and borrow accordingly;
- to monitor and review the level of variable rate loans held in order to take advantage of interest rate movements; and
- to reschedule borrowing to improve the Council's repayment profile or to reduce the revenue costs of borrowing.

for **temporary investments**:

- to protect the capital security and liquidity of the invested funds; and
- to obtain an acceptable market rate of return subject to protecting capital security and liquidity of invested funds.

These objectives are set within the context of the Council's overarching objective in relation to treasury management activities: the effective management and control of risk.

9.2 The Council has a contract with Link Asset Services Limited ("Link") for the provision of treasury management consultancy services. It is recognised that there is value in employing such external service providers in order to acquire access to specialist skills and resources; however, the responsibility for treasury management decisions remains with Renfrewshire Council at all times and undue reliance is not placed upon our external service providers.

9.3 The proposed Treasury Management Strategy for 2022/23 is based on a view of interest rates, supplemented by market forecasts provided by Link, and covers the following aspects of the treasury management function:

- treasury limits in force that limit the treasury risk and activities of the Council;
- prudential and treasury management indicators;
- the current treasury position;
- the identified borrowing requirement;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;

- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

## 10. Treasury Management Strategy Statement: Borrowing strategy

### 10.1 Current external borrowing position

The Council's external borrowing position as at 21 January 2022 was as follows:

| Estimated Borrowing Position | As at 31 March 2021 | | As at 21 January 2022 | | Change in Year |
|---|---|---|---|---|---|
| | £m | Average interest rate | £m | Average interest rate | £m |
| Long-term borrowings | | | | | |
| PWLB: fixed rate | 202.131 | 3.99% | 202.124 | 3.99% | -0.007 |
| Market loans | 52.916 | 4.70% | 52.916 | 4.70% | 0.000 |
| Total long-term borrowings | 255.047 | 4.13% | 255.040 | 4.13% | -0.007 |
| Total short-term borrowings | 0.000 | 0.00% | 0.000 | 0.00% | 0.000 |
| Total of all external borrowings | 255.047 | 4.13% | 255.040 | 4.13% | -0.007 |

10.2 The slight decrease in Public Works Loan Board (PWLB) borrowing reflects scheduled debt repayments made in the year. A further £0.828m of debt will be repaid to the PWLB this financial year.

### 10.3 Projected Borrowing Position

The Council's anticipated borrowing position for 2022/23 and the two subsequent financial years is summarised in the following table. This shows the projected external debt compared to the estimated Capital Financing Requirement (the underlying need to borrow for a capital purpose) at the end of each of the next three financial years.

| Estimated Borrowing Position | 2022/23 £m | 2023/24 £m | 2024/25 £m |
|---|---|---|---|
| Borrowing | 362 | 480 | 554 |
| Other long-term liabilities | 74 | 71 | 68 |
| Total External Debt | 436 | 551 | 622 |
| Capital Financing Requirement | 486 | 601 | 677 |
| Under Borrowing | 50 | 50 | 55 |

10.4 A number of the prudential indicators are designed to ensure that the Council carries out its treasury management activities within well-defined limits. One of these indicators shows that gross external debt does not, except in the short-term, exceed the total of the Capital Financing Requirement in 2021/22 plus the estimates of any additional Capital Financing Requirement for 2022/23 and the two subsequent financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not taken in order to fund revenue expenditure.

10.5 The Council has complied with this prudential indicator during 2021/22 and it is envisaged this will remain the position moving forward over the forthcoming three-year period. As detailed in the table above, it is anticipated that the borrowing strategy will continue to progress on the basis of using internal borrowing where possible over the medium term to mitigate both interest rate risk exposure for the Council, and also risks associated with maintaining adequate capacity with appropriate investment counterparties. However, some shorter-term borrowing may be required to fund the City Deal projects. This borrowing is required because the grant income for City Deal is phased over a 20-year period from 2015/16, while the project expenditure is incurred from 2015/16 to 2025/26. The requirement for borrowing to cover this period in advance of grant receipt is continually monitored and refined as project designs develop and this requirement is incorporated into the Council's overall borrowing forecast.

10.6 **Interest Rate Forecast**

As part of Link's treasury management consultancy service to the Council, assistance is provided in preparing a forecast of short-term and longer-term fixed interest rates. Current interest rate forecasts for the official bank rate paid on commercial bank reserves (the "Bank Rate") and for PWLB borrowings rates are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to the Council since 1 November 2012.

10.7 It is not expected that the Bank Rate will go up quickly after the initial rate rise. This is based on the expectation that the supply potential of the economy should be able to cope with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term. The forecast includes four increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%.

10.8 However, there is a high level of uncertainty over the forecasts and there is an expectation they will require revision over the coming years, for a number of reasons, such as:

- Uncertainty over the severity of impact that Omicron or other COVID-19 variants could have on the economy; whether there will be another lockdown or similar; and whether this would bring fiscal support from the Government for businesses;
- Some current key supply shortages could escalate, causing economic activity in some sectors to be curtailed;
- Rising gas and electricity prices, increases in other prices caused by supply shortages and increases in taxation in April are likely to deflate consumer spending power without the MPC having to take any action on Bank Rate to moderate inflation;

- Job vacancies have been at record levels, indicating a continuing shortage of workers which may influence wage levels and potentially then generate price increases

| Interest rate forecast: Bank Rate | March 2022 | June 2022 | Sept 2022 | Dec 2022 | March 2023 | March 2024 | March 2025 |
|---|---|---|---|---|---|---|---|
| Bank Rate | 0.75% | 1.00% | 1.00% | 1.25% | 1.25% | 1.25% | 1.25% |

10.9 **Forecasts for PWLB rates**

Since the start of 2021, there has been a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates below shows, there is forecast to be a steady rise in both Bank Rate and gilt yields during the period to March 2025, though there is likely to be some unpredictable volatility during this time.

| Interest rate forecast: PWLB borrowings | March 2022 | June 2022 | Sept 2022 | Dec 2022 | March 2023 | March 2024 | March 2025 |
|---|---|---|---|---|---|---|---|
| 5-year loans | 2.20% | 2.30% | 2.30% | 2.30% | 2.30% | 2.30% | 2.30% |
| 10-year loans | 2.30% | 2.40% | 2.40% | 2.40% | 2.40% | 2.40% | 2.40% |
| 25-year loans | 2.40% | 2.50% | 2.60% | 2.60% | 2.60% | 2.60% | 2.60% |
| 50-year loans | 2.20% | 2.30% | 2.40% | 2.40% | 2.40% | 2.40% | 2.40% |

10.10 **Borrowing Decisions**

The main borrowing decisions to be made for 2022/23 are:

- when to borrow;
- for how long to borrow; and
- whether to borrow externally or to use cash balances.

10.11 Based on the Capital Investment Programme, it is anticipated that the Council may need to borrow up to £67.7m to fund new capital expenditure during 2022/23 and to replace loans due to mature that year.

10.12 The Council's borrowing strategy will give consideration to new borrowing in the following order of priority:

(i) The cheapest borrowing will be internal borrowing, accessed by running down cash balances and foregoing interest earned at historically low rates. Over the course of 2021/22 the Council has experienced times where rates of zero or below were received (i.e. the Council has had to pay to lodge funds with the PWLB for short periods). However, in view of the overall forecast for long-term borrowing rates to increase gradually over the coming years, consideration will also be given to weighing the short-term advantage of internal borrowing against potential long-term costs of a missed opportunity to take loans at long-term rates that could be much higher in future years;

(ii) PWLB borrowing for a term of less than 10 years, where interest rates are expected to be significantly lower than interest rates for longer terms. This offers a range of options for new borrowing which will spread debt maturity away from a concentration at longer-dated time periods;

(iii) Short-dated borrowing from non-PWLB sources;

(iv) Long-term borrowing arranged in advance in order to achieve certainty on future borrowing costs and reduce exposure to interest rate risk;

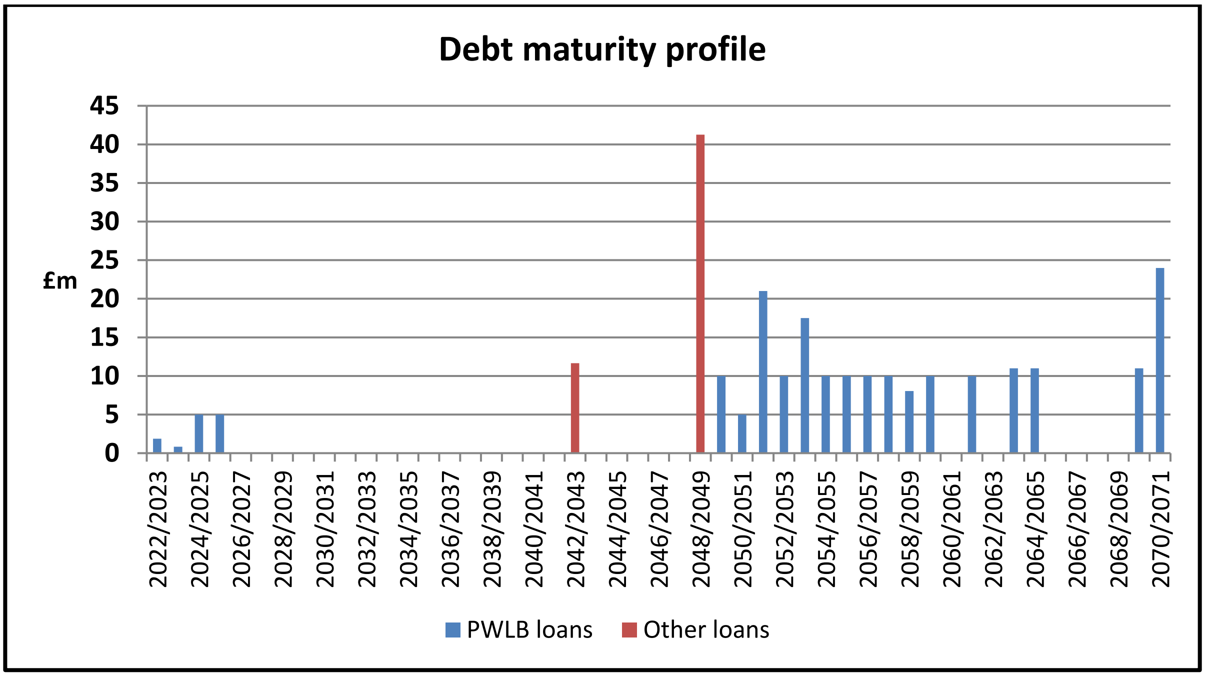
(v) Long-term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available), with due regard to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.

10.13 **Sensitivity of the interest rate forecast**

Council officers, in conjunction with the Council's treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, and will respond appropriately to material changes in interest rate forecasts, for example:

- If it was felt that there was a significant risk of a sharp **fall** in long- and short-term interest rates than that currently forecast, then long-term borrowings would be postponed, with focus shifting to consideration of short-term borrowing to meet the Council's need along with any opportunities for rescheduling;
- If it was felt that there was a significant risk of a much sharper **rise** in long- and short-term interest rates than that currently forecast, then the portfolio position will be reappraised with a possible move to take on required borrowing whilst interest rates were still relatively low.

10.14 The forecast debt maturity profile at 31 March 2022 per the graph below shows the amount of debt maturing in future years. The Council has less than 15% of its total borrowings redeeming in any one of the next 25 years, with one year beyond this period having a repayment in excess of 15% (16.2% in 2048/49). It is expected that this will be rescheduled well in advance of this date. This is well within the Council's treasury indicators for debt maturity and therefore gives the Council the flexibility needed to structure new borrowing in a manner that minimises debt interest costs.



10.15 Since the Council has a capital investment plan covering the period to 2025/26 and detailed investment and borrowing analyses, advantage can be taken of opportunities that may arise to minimise interest rate risk. The Council will not borrow more than or earlier than required, with the primary intention to profit from the investment return of the extra sums borrowed. Pre-borrowing of this nature will only be taken for risk management reasons and subject to sound justification. The timing of any new borrowing of this nature will take into account the management of liquidity and counterparty risk and also the projected movement in interest rates.

10.16 Caution will continue to be exercised and the Director of Finance and Resources will monitor the interest rate market. Should long-term rates start to rise or fall sharply, the debt portfolio position will be reappraised and appropriate action taken.

10.17 **Debt Rescheduling opportunities**

The purpose of debt rescheduling is to reorganise existing borrowings in such a way as to amend the repayment profile of the borrowing portfolio, or to secure interest rate savings.

10.18 As short-term borrowing rates will be considerably cheaper than longer-term rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, such potential savings will be considered in the light of their short-term nature and risks associated with potential longer-term costs of refinancing those short-term loans, once they mature.

10.19 Consideration will also be given to the potential for making 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.

## 11. Treasury Management Strategy Statement: Annual Investment Strategy

11.1 **Investment Policy**

In carrying out investment activities, the Council has regard to the Local Government Investment (Scotland) Regulations 2010, the accompanying Scottish Government Finance Circular 5/2010, the 2017 CIPFA *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* ("the Treasury Management Code") and the CIPFA Treasury Management Guidance Notes 2018.

11.2 The Council's investment priorities are:

- the security of capital; and
- the liquidity of its investments.

11.3 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-to-medium, with absolute priority given to the security of its investments. In the current economic climate, it is considered appropriate to keep investments short-term to cover cashflow needs. However, where appropriate, the Council will also consider the value available in periods up to 24 months with high credit rated financial institutions, as well as wider range fund options.

11.4 The borrowing of monies purely to invest or on-lend to make a return is prohibited and the Council will not engage in such activity.

11.5 Investment instruments identified for use in the financial year are listed in Annex A, and counterparty limits will be set as defined within the Council's Treasury Management Practices (TMPs) documentation.

11.6 **External Investment Position**

The Council's external investment position as at 22 January 2021 was as follows:

| External Investment Position | As at 31 March 2021 | | As at 21 January 2022 | | Change in Year |
|---|---|---|---|---|---|
| | £m | Average interest rate | £m | Average interest rate | £m |
| Temporary investments | 187.720 | 0.18% | 237.520 | 0.09% | 49.800 |

The increase in the Council's short-term investments ("temporary deposits") during the period reflects:

- the short-term cashflow position of the Council over the festive holiday period;
- the delay in agreement and implementation of the 2021/22 pay settlement;
- significant in-year funding from the Scottish Government in relation to support for the Council and communities relating to COVID-19; and
- the re-profiling of elements of the current capital programme (where capital expenditure was delayed due to COVID-19 restrictions).

11.7 The average rate of interest received on the Council's temporary deposits has substantially reduced over the period. The reduction reflects the fact that some of the longer-term temporary deposits which the Council had secured at relatively high rates have now matured, with the longer-term rates for new deposits not being as high in relative terms as they had been. However, the Bank of England's decision to increase the base rate to 0.50% in February 2022 should lead to increased investment returns. The Council will continue monitor future rate movements and when appropriate will lock into longer-term temporary deposit deals with counterparties of particularly high creditworthiness, securing a higher overall rate of return across the portfolio without compromising the security of investments.

11.8 **Creditworthiness Policy**

In order to maintain an approved list of counterparties (institutions with which the Council will invest funds), the Council applies the creditworthiness service provided the

Renfrewshire Council

Council's treasury advisers and are based on the credit ratings from the three major credit rating agencies: Fitch, Moody's and Standard & Poor's. The Council understands that credit ratings are a good, but not perfect, predictor of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including:

- credit default swap (CDS) spreads, to give early warning of likely changes in credit ratings;
- financial statements;
- sovereign ratings, to select counterparties from only the most creditworthy countries;
- credit ratings relevant to the specific investment or class of investment, where available; and
- the financial press.

11.9 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour-coded bands indicating the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments, and are shown in Annex B.

11.10 The approved list of counterparties (Annex B) also defines a maximum limit on the aggregate value of deposits placed with each counterparty. The purpose of this is to ensure that the Council does not deposit an excessive proportion of its funds with any single institution. Currently the counterparty limit for each bank and building society has been set at 5%. The limits for Money Market Funds and enhanced cash funds has been set at 5% of the total cash balances held by the Council at the time the investment is made, taking into account the relevant investment period. Due to the restricted number of approved providers of Money Market Funds, the deposit level with any one institution can extend to a maximum of 10%, where the element that exceeds the 5% threshold is deposited in another permitted instrument, e.g. an ultra-short dated bond funds. This approach allows the Council to meet its cashflow management objectives whilst appropriately spreading investment risk over a range of counterparties and underlying investment instruments.

11.11 All credit ratings are monitored daily. Link alerts the Council to rating changes made by any of the three rating agencies and, should a downgrade result in the counterparty or investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

11.12 Sole reliance is not placed on the use of this external service: the Council will make its own judgement based on the adviser's suggestions, but will also use market data and market information, the quality financial press, information on government support for banks and the credit ratings of that government support.

### Investment Decisions

11.13 The current forecasts from Link (see point 10.8 above) indicate that the Bank Rate is likely to rise gradually over the next couple of years. In light of this, investment returns on the Council's cash balances are expected to improve in 2022/23.

11.14 Investments will be made with reference to core balance and cashflow requirements and the outlook for short-term interest rates (i.e. for investments up to 12 months). Greater returns are usually achievable by investing for longer periods. While most cash balances are required in order to manage variations in cashflow, careful consideration is given to investing identified cash sums for longer periods, where appropriate.

11.15 The majority of the Council's temporary cash balance is currently invested in short-term deposits with other local authorities, along with investments in Money Market Funds and short-term deposits with banks. The Council will continue to invest with these institutions; however, if attractive rates become available with counterparties of particularly high creditworthiness, making longer-term deals worthwhile and within the risk parameters set by the Council, then longer-term investments will be considered.

### Investment Performance

11.16 The Council will use an investment benchmark to assess the investment performance of its investment portfolio based on the 7-day compounded SONIA rate. This is a change from the previous measure of 7-day LIBID, which is now obsolete.

11.17 SONIA (Sterling Overnight Index Average) is a single rate published each day by the Bank of England, reflecting overnight rates paid on eligible sterling denominated deposit transactions conducted the previous day.

11.18 It should be noted that, given the current rising interest rate environment, this measure will present higher investment rates than those currently experienced by the Council, since many of the Council's current investments would have commenced some months ago, before the Bank Rate increased. This deviation should reduce over time, however; the Council's average investment term is currently 151 days.

## 12. Treasury Management Strategy Statement: treasury management indicators

12.1 The Guidance Notes for Local Authorities that accompany the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes ("the Treasury Management Code") specify four treasury management indicators covered by the Prudential Code:

(i) acceptance of the Treasury Management Code;

(ii) authorised limit;

(iii) operational boundary; and

(iv) actual external debt.

Details of these indicators can be found in sections 4-6 of this Appendix.

12.2 The *Guidance Notes for Local Authorities* that accompany the Treasury Management Code specify an additional treasury management indicator: the maturity structure of borrowing.

12.3 **Maturity Structure of Borrowing**

The Council is required to set, for the forthcoming financial year, both upper and lower limits with respect to the maturity structure of its borrowing. This is to ensure that the Council is not exposed to large concentrations of debt maturing in a single year that require to be replaced when interest rates could be unfavourable. It is recommended that the Council approves the following limit as the Maturity Structure of Borrowing indicator for the forthcoming financial year:

| | 2022-23 | |
|---|---|---|
| Maturity structure of borrowing | Lower limit | Upper limit |
| Under 12 months | 0% | 15% |
| Between 12 months and 24 months | 0% | 15% |
| Between 24 months and 5 years | 0% | 45% |
| Between 5 years and 10 years | 0% | 50% |
| 10 years and above | 0% | 100% |

Renfrewshire Council

# Annex A: Permitted Investments

The Council approves the forms of investment instrument for use as **permitted investments** as set out in tables 1, 2 and 3. Please also refer to section 11 above.

A.1 Table 1 lists the permitted investments of a **cash-type** nature, available for use by the Council's in-house Treasury Management team:

| **Permitted Investments Table 1** | **Description / Objectives** | **Minimum Credit Criteria** | **Liquidity Risk** | **Market Risk** | **Maximum Share of Total Investments** | **Maximum Maturity Period** |
|---|---|---|---|---|---|---|
| Debt Management Account Deposit Facility (DMADF) | Offers the lowest risk form of investment available to local authorities as it is effectively an investment placed with central government. It is also easy to use because it is a deposit account and avoids the complications of buying and holding UK Government-issued treasury bills or gilts. As it is low risk it also earns low rates of interest and is useful where there may be a short-term priority to avoid credit risk. The longest term deposit that can be made with the DMADF is six months. | Not applicable | Term | No | 100% | 2 years |
| Longer-term deposits with local authorities | Similar to term deposits with other local authorities (below) except that deposits are placed for longer periods: between 2 and 5 years. For longer term deposits, the decision to include any given local authority on the counterparty list will be based on the outcome of due diligence undertaken on that local authority by the Council's treasury advisers. Similar to term deposits with local authorities, no more than £10m can be placed with any one institution or group. | Per approved counterparty list | Term | No | 20% | 10 years |
| Call accounts and notice accounts with banks and building societies | Offer access to recalling cash deposited over short call periods (call account periods vary from short-term such as 7 days, but can extend to 32- and 95-day notice periods). This generally means accepting a lower rate of interest than that which could be earned from the same institution by making a term deposit. However, call accounts can offer interest rates two to three times more than term deposits in the DMADF. A certain level of call account use is highly desirable to ensure that the Council has ready access to cash when required. | Per approved counterparty list | Instant / notice period | No | 100% | Up to 100 days |
| Term deposits with banks and building societies | Includes callable deposits, whereby the principal deposited is protected and earns a fixed rate of interest but can be terminated early at the bank's discretion. | Per approved counterparty list | Term | No | 100% | Per approved counterparty list |

| **Permitted Investments**<br>**Table 1** | **Description / Objectives** | **Minimum Credit Criteria** | **Liquidity Risk** | **Market Risk** | **Maximum Share of Total Investments** | **Maximum Maturity Period** |
|---|---|---|---|---|---|---|
| Term deposits with local authorities | The most widely used form of investment used by local authorities, it offers a much higher rate of return than the DMADF (dependent on the deposit term) and, now that measures have been put in place to avoid any over-reliance on credit ratings, there is greater confidence that the residual risks around using local authorities, banks and building societies are at a low, reasonable and acceptable level.<br>The Council ensures diversification of its portfolio of deposits by having no more than 5%* (£15m for other Scottish local authorities and £10m for other local authorities) of the total portfolio placed with any one institution or group. Longer-term deposits offer an opportunity to increase investment returns by locking into relatively high interest rates ahead of an expected fall in rates. Longer-term rates can also offer good value when the markets incorrectly assess the speed and timing of interest rate increases.<br>Offers flexibility and a higher level of earnings than the DMADF; however, once a longer-term investment is made, cash is ‘locked in’ and cannot be accessed until the maturity date. | Not applicable | Term | No | 100% | 2 years |
| Treasury bills | Short-term bills (up to 12 months) issued by the Government and so backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices, so early sales could incur a net cost during the period of ownership. | UK sovereign rating | T+1 | Yes | 75% | 1 year |
| Certificates of deposit issued by banks and building societies | Shorter term securities issued by deposit taking institutions (mainly financial institutions). They are negotiable instruments, so can be sold ahead of maturity and also purchased after they have been issued. This liquidity can come at a price, where the yield could be marginally less than placing a deposit with the same bank as the issuing bank. | Per approved counterparty list | T+1 | Yes | 10% | Per approved counterparty list |

| **Permitted Investments**<br>**Table 1** | **Description / Objectives** | **Minimum Credit Criteria** | **Liquidity Risk** | **Market Risk** | **Maximum Share of Total Investments** | **Maximum Maturity Period** |
|---|---|---|---|---|---|---|
| UK Government gilts | Longer-term debt issuance by the UK Government, backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices, so early sales may incur a net cost. Market movements that occur between purchase and sale may also have an adverse impact on proceeds. An advantage over Treasury bills is that they generally offer higher yields the longer it is to maturity (for most periods) if the yield curve is positive. | UK sovereign rating | T+1 | Yes | 75% | 2 year |
| Money Market Funds (MMFs) | By definition, MMFs are AAA-rated (the highest security rating available) and widely diversified, using many forms of money market securities including types that the Council does not have the expertise or risk appetite to hold directly. However, due to the high level of expertise of the fund managers and the significant amounts of funds invested in MMFs, and the fact that the weighted average maturity (WAM) cannot exceed 60 days, MMFs offer a combination of high security, instant access to funds, high diversification and good rates of return compared to equivalent instant access facilities. Particularly advantageous in a falling interest rate environment as their 60-day WAM means they have locked-in investments earning higher rates of interest than available in the market. MMFs also help an organisation diversify its own portfolio, for example a £2m investment placed directly with a specific bank is a 100% risk exposure to that specific bank, whereas £2m invested in an MMF may result in only 1% being invested with a specific bank. MMFs offer an effective way of minimising risk exposure, while still getting better rates of return than available through the DMADF. | Long-term AAA volatility rating | Instant | No | 75% | Not applicable |
| Ultra-short dated bond funds | Similar to MMFs, these can still be AAA-rated, but have variable net asset values (VNAV) as opposed to a traditional MMF which has a Constant Net Asset Value (CNAV). They aim to achieve a higher yield and to do this either take more credit risk or invest for longer terms, so they are more volatile. Can have WAMs and Weighted Average Lives (WALs) of 90–365 days or longer. Investment in these funds would only be undertaken in the event funds could be “locked out” for a minimum of 3-6 months in order to mitigate short-term fund value fluctuations. | Bond fund rating | T+1 to T+5 | Yes | 75% | Not applicable |

| Permitted Investments<br>Table 1 | Description / Objectives | Minimum Credit Criteria | Liquidity Risk | Market Risk | Maximum Share of Total Investments | Maximum Maturity Period |
|---|---|---|---|---|---|---|
| Pooled funds other than money market / ultra-short dated bond funds | Shares or units in diversified investment vehicles covering property, bond and equity investments. Pooled funds whose value changes with market prices and/or that have a notice period will be used for longer investment periods. MMFs are included in Table 1, but the Council, given the extent of its long-term investment balances, may use this vehicle to diversify an agreed proportion (capped at a maximum of 25% of total investment balances) of its investment balances into longer term assets (property, bonds and equity) utilising pooled funds.<br>Pooled funds have the advantage of providing wide diversification of investment risks, including credit risk and interest rate risk, coupled with the services of a professional fund manager in return for a fee. Property, bond and equity funds offer enhanced returns over the longer term, but their prices are more volatile in the short term, leading to the risk that they could be sold at below their purchase price. This risk is mitigated by only placing cash that is available for 3-5 years into more volatile funds. The Council's officers in conjunction with its treasury advisers have determined that a proportion of the Council's investments have and will remain available for longer term investment in the future. The funds selected will be subject to further scrutiny and suitability, drawing on the experience and advice of the Council's treasury advisers. | Long-term AAA volatility rating | Various | Yes | 20% | Not applicable |

* In recognition of the restricted number of approved counterparties that now meet our more stringent lending criteria, there is an added degree of flexibility introduced to the maximum deposit level. The deposit level with any one institution can now extend to a maximum of 10%, where the element which exceeds the 5% threshold is deposited on the basis of a call account deposit with the institution.

Other types of investment instrument available to the Council:

(i) *Forward foreign exchange contracts and options*: These are only utilised in order to manage specific known exchange rate risks and not for speculative purposes. A forward contract may be entered into in order to hedge against exchange rate risk where the amount and date of a payment in a foreign currency is known in advance. An option is a premium paid product which gives the right, but not the obligation, to purchase a pre agreed EUR amount, at a pre agreed rate and date.

(ii) *Operational bank accounts*: The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, with its main operational bank (Clydesdale) with credit ratings of BBB+. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will normally be kept below £100,000 however, for short periods normally over public holidays this balance may be higher with the approval of the Director of Finance and Resources.

A.2 Table 2 lists the permitted investments of a **cash-type** nature, available for use by the **investment managers** of the Council's Insurance Fund:

| Permitted Investments Table 2 | Minimum Credit Criteria | Liquidity Risk | Market Risk | Maximum Share of Total Investments | Maximum Maturity Period |
|---|---|---|---|---|---|
| Equities | Delegated to investment managers | Term | Yes‡ | 33% ±10% | Not applicable |
| Fixed-interest securities | Delegated to investment managers | Term | Yes‡ | 33% ±10% | Not applicable |
| Other assets | Delegated to investment managers | Term | Yes‡ | 33% ±10% | Not applicable |

‡ Market risk is mitigated since investment managers have been instructed to maintain low volatility by investing in a diversified portfolio which incorporates (i) a broad spread of equities, both directly and indirectly (through pooled funds), and (ii) a proportion of fixed-interest securities and cash.

A.3 Table 3 lists the permitted investments of a **non-cash** nature available for use by the Council:

| Permitted Investments Table 3 | Treasury Risks | Mitigating Controls | Maximum Share of Total Investments |
|---|---|---|---|
| Share holdings, unit holdings and bond holdings, including those in a local authority-owned company | Service investments that may exhibit market risk; likely to be highly illiquid | Each equity investment requires Member approval and each application will be supported by the service rationale behind the investment and the likelihood of loss | Policy driven, managing all associated risks; authorised limit and operational boundary apply |
| Loans to a local authority-owned company or other entity formed by a local authority to deliver services | Service investments either at market rates of interest or below (soft loans); may exhibit credit risk; likely to be highly illiquid | Each loan to a local authority company requires Member approval and each application will be supported by the service rationale behind the loan and the likelihood of full or partial default | Policy driven, managing all associated risks; authorised limit and operational boundary apply |
| Loans made to third parties, including soft loans (for example, employee loans) | Service investments either at market rates of interest or below (soft loans); may exhibit credit risk; likely to be highly illiquid | Each third party loan (or tranche of loans) requires Member approval and each application will be supported by the service rationale behind the loan and the likelihood of full or partial default | Policy driven, managing all associated risks; authorised limit and operational boundary apply |

| Permitted Investments<br>Table 3 | Treasury Risks | Mitigating Controls | Maximum Share of Total Investments |
|---|---|---|---|
| Investment property | Non-service properties which are being held pending disposal or for a longer-term rental income stream; these are highly illiquid assets with high risk to value | Property holding will be revalued regularly and reported at appropriate periodic intervals for a property investment portfolio in respect of rental levels; in terms of surplus assets held for disposal, the Council has an active surplus property disposal strategy which ensures a coordinated and managed approach is adopted to the disposal of such sites in a way which is reflective of current and future anticipated market conditions, seeks to maximise market interest in site disposals and secures best value for the Council | Policy driven, managing all associated risks; authorised limit and operational boundary apply |

## A.3 Treasury risks

All investment instruments listed in Tables 1 and 2 above are subject to the following risks and their mitigating controls:

| Treasury Risk | Description | Mitigating Controls |
|---|---|---|
| Credit and counterparty risk: | The risk of failure by a counterparty (bank or building society) to meet its contractual obligations to the Council, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Council's capital or current (revenue) resources. There are no counterparties where this risk is zero although AAA-rated organisations have a very high level of creditworthiness. | The Council has set minimum credit criteria to determine which counterparties and countries are of sufficiently high creditworthiness to enable investments to be made safely. |
| Liquidity risk: | The risk that cash will not be available when it is needed. While it could be said that all counterparties are subject to at least a very small level of liquidity risk, as credit risk can never be zero, in this document liquidity risk has been treated as whether or not instant access to cash can be obtained from each form of investment instrument. | The Council has a cashflow forecasting model to enable it to determine the duration for which individual investments can be made, and how much can be invested. |

| Treasury Risk | Description | Mitigating Controls |
| --- | --- | --- |
| Interest rate risk: | The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately. The Council has set limits for its fixed and variable rate exposure in its treasury indicators as detailed in this report. | The Council manages this risk by having a view of the future course of interest rates and formulating a treasury management strategy accordingly. The strategy aims to maximise investment earnings consistent with control of risk and minimise expenditure on interest costs on borrowing. |
| Legal and regulatory risk: | The risk that the Council, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly. | The Council will not undertake any form of investing until it has ensured that it has all necessary powers to do so. The Council will ensure that it complies with all applicable regulations in carrying out its treasury management operations. |
| Exchange rate risk: | The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances, against which it has failed to protect itself adequately. | The Council will closely monitor exchange rate movements and may use risk management tools or instruments available, such as a forward contract or advance purchase of foreign currency to hold in an account until such time as required; always providing that these measures are used only for the prudent management of the Council's financial affairs and not for any speculative purpose. |
| Market risk: | The risk that, through adverse market fluctuations, the value of investments may decline over a given time period simply because of economic changes or other events that impact large portions of the market. | Asset allocation and diversification can protect against market risk because different portions of the market tend to underperform at different time times. The Director of Finance and Resources has the authority to invest the funds of the Insurance Fund in such investments, securities or property as deemed fit. The Director and officers rely on professional investment managers (currently Aberdeen Standard Capital) for the day-to-day management of the assets of the Council's Insurance Fund. The investment managers are responsible for the allocation of assets between types of investments and the selection of individual stocks within each type of investment. The investment fund's principal objective is achieving moderate capital growth in combination with low volatility to mitigate the impact of market risk. To achieve this, the investment managers operate within predefined asset allocation limits, as outlined in Table 2 above. |

## Annex B: Renfrewshire Council Counterparty List

| Counterparty | Country of domicile | Authority-specific limits | | |
|---|---|---|---|---|
| | | Maximum deposit | | Maximum investment period |
| | | % Limit | or £m Limit | |
| **UNITED KINGDOM: BANKS** | | | | |
| **CLYDESDALE BANK** | GB | 5% | 8.0 | 100 days |
| BANK OF SCOTLAND PLC | GB | 5% | 12.0 | 6 months |
| BARCLAYS BANK UK PLC | GB | 5% | 12.0 | 6 months |
| CLOSE BROTHERS LTD | GB | 5% | 12.0 | 6 months |
| GOLDMAN SACHS INT'L BANK | GB | 5% | 12.0 | 6 months |
| HANDELSBANKEN UK PLC | GB | 5% | 12.0 | 12 months |
| HSBC BANK PLC | GB | 5% | 12.0 | 12 months |
| ROYAL BANK OF SCOTLAND PLC/T | GB | 5% | 12.0 | 12 months |
| SANTANDER UK PLC | GB | 5% | 12.0 | 6 months |
| STANDARD CHARTERED BANK | GB | 5% | 12.0 | 6 months |
| **UK: BUILDING SOCIETIES** | | | | |
| COVENTRY BUILDING SOCIETY | GB | 5% | 8.0 | 6 months |
| LEEDS BUILDING SOCIETY | GB | 5% | 8.0 | 100 days |
| NATIONWIDE BUILDING SOCIETY | GB | 5% | 8.0 | 6 months |
| **UK: OTHER INSTITUTIONS** | | | | |
| UK LOCAL AUTHORITIES | GB | 100% | 100% | 2 years |
| UK GOVERNMENT | GB | 100% | 100% | 50 years |
| | | | | |
| **COMMONWEALTH OF AUSTRALIA** | **AU** | | | |
| AUST AND NZ BANKING GROUP | AU | 5% | 12.0 | 12 months |
| COMMONWEALTH BANK OF AUSTRALIA | AU | 5% | 12.0 | 12 months |
| NATIONAL AUSTRALIA BANK LTD | AU | 5% | 12.0 | 12 months |
| WESTPAC BANKING CORP | AU | 5% | 12.0 | 12 months |
| **GOVERNMENT OF CANADA** | **CA** | | | |
| BANK OF MONTREAL | CA | 5% | 12.0 | 12 months |
| BANK OF NOVA SCOTIA | CA | 5% | 12.0 | 12 months |
| CAN IMPERIAL BK OF COMMERCE | CA | 5% | 12.0 | 12 months |
| NATIONAL BANK OF CANADA | CA | 5% | 12.0 | 6 months |
| ROYAL BANK OF CANADA | CA | 5% | 12.0 | 12 months |
| TORONTO-DOMINION BANK | CA | 5% | 12.0 | 12 months |
| **FEDERAL REPUBLIC OF GERMANY** | **GE** | | | |
| LANDESBANK HESSEN-THURINGEN | GE | 5% | 12.0 | 12 months |
| **KINGDOM OF THE NETHERLANDS** | **NE** | | | |
| COOPERATIEVE RABOBANK UA | NE | 5% | 12.0 | 12 months |
| | | | | |
| **MONEY MARKET FUNDS** | | | | |
| INSIGHT LIQUIDITY FUNDS PLC - GBP LIQUIDITY FUND | IR | 5% | 12.0 | call |
| FEDERATED SHORT-TERM STERLING PRIME FUND | GB | 5% | 12.0 | call |
| CCLA - INVESTMENT MANAGEMENT LTD | GB | 2.5% | 4.0 | call |
| GOLDMAN SACHS STERLING LIQUID RESERVES | IR | 5% | 12.0 | call |
| ABERDEEN ASSET MANAGEMENT | LUX | 5% | 12.0 | call |

# Appendix 5: Capital Strategy 2022 to 2025

## 1. Introduction

1.1 This Capital Strategy report gives an overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of public services in local government along with an overview of how associated risk is managed and the implications for future financial sustainability.

1.2 Decisions made now on capital and treasury management will have financial consequences for the Council for many years to come. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

## 2. Purpose and Aims

2.1 Following consultation, the Chartered Institute of Public Finance and Accountancy (CIPFA) published an updated version of the Prudential Code for Capital Finance in Local Authorities ("the Prudential Code") in December 2021.

2.2 The key objectives of the Prudential Code are to ensure, within a clear framework, that;

- capital expenditure plans and investment plans are affordable and proportionate;
- all external borrowing and other long-term liabilities are within prudent and sustainable levels;
- the risks associated with investments for commercial purposes are proportionate to their financial capacity; and
- treasury management decisions are taken in accordance with good professional practice.

2.3 In keeping with the objectives above, the purpose of this Capital Strategy is to demonstrate that the Council takes capital investment decisions in line with service objectives that properly take account of value for money, prudence, sustainability and affordability, setting out the context in which capital expenditure, capital financing and treasury decisions are being made and has given due consideration to risk.

## 3. Overview

3.1 An understanding of what constitutes capital expenditure and how it is financed is fundamental to realising the benefits and mitigating the risks to the Council under the prudential framework.

3.2 Capital expenditure is the investment in new or existing assets, such as property or vehicles, that will generate economic benefits or service improvements that will be realised by the Council for a period of more than one year.

3.3 All capital expenditure must be financed, either from external sources (government grants and other contributions), internal sources (current revenue and capital receipts) or debt (borrowing and leasing).

3.4 Financing capital expenditure through debt offers the opportunity to spread the cost over future revenues through loan fund repayments. However, due to the interest payments associated with debt, the total cost is usually higher than other methods of capital financing. Therefore, careful planning and monitoring procedures must be in place to ensure capital investment decisions offer value for money and are affordable and sustainable for current and future revenue budgets.

## 4. Capital Expenditure and Financing

4.1 The Council is legally obliged to determine the maximum it may allocate to capital expenditure, in line with statutory guidance. The planned limits are shown in the table below. The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is not itself subsidised by, other local services. HRA capital expenditure is therefore recorded and reported separately.

| Estimated Capital Expenditure | 2022/23 £m | 2023/24 £m | 2024/25 £m |
|---|---|---|---|
| Non-Housing | 132.802 | 174.617 | 82.044 |
| Housing | 29.665 | 52.697 | 67.337 |
| Total | 162.467 | 227.314 | 149.381 |

4.2 The Council Plan “Thriving People, Connected Communities” was agreed in September 2017 and outlines five strategic outcomes for the Council over the period to 2022. The Council Plan provides a “golden thread” that ensures the key strategic priorities of the Council translate into specific capital programmes.

4.3 A new Council Plan will be approved for 2023 to enable the Council to continue to focus resources on achieving its strategic outcomes by developing the priorities within the current plan and meeting new challenges that have arisen since the onset of the COVID-19 pandemic. A COVID Contingency Fund has been established in 2021 to help meet these challenges prior to the new plan being approved.

4.4 Below is a summary of the main capital projects within the Capital Plan 2022 to 2025:

| Reshaping our place, our economy and our future: |
|---|
| Continuation of the City Deal projects of £225.3m which will lead to total investment of £290.8m in infrastructure in Renfrewshire, translating into an improved local economy; and investment of £43m in connectivity infrastructure funded predominantly by a Levelling Up Fund award; |
| Investment of £56.8m in cultural and economic infrastructures, transforming Paisley Town Hall, Paisley Learning & Cultural Hub and Paisley Museum; |

| |
|---|
| £2.3m investment in Town Centre regeneration through a mixture of projects leading to transformative investments which will drive economic activities and re-purpose town centres to become more diverse, successful and sustainable; |
| £17.6m of improvements in infrastructure within Renfrewshire improving roads, traffic management, bridges and street lighting. |
| Building strong, safe and resilient communities: |
| Investment of £29m in new council homes and regeneration, including projects in Tannahill, Gallowhill, Auchengreoch and Foxbar. |
| Tackling inequality, ensuring opportunities for all: |
| £10m investment for Schools Estate Management Plan to improve the sufficiency, condition and suitability of the school estate throughout Renfrewshire to promote learning and achievement by providing facilities that are fit for a 21st century education. |
| A schools investment programme totalling £41.2m which will have match funding for SFT investment under the Scottish Government Learning Estate Investment Programme that will lead to a new build community campus at Renfrew Road, Paisley to replace Paisley Grammar school. |
| Creating a sustainable Renfrewshire for all to enjoy: |
| Investment of £12.5m to improve the condition and energy efficiency of existing Council Properties; |
| £1.7m in cycle routes, including from Renfrew Riverside to Paisley Town Centre and a new cycling and walking bridge over the Black Cart river, improving active travel options delivering social and environmental benefits. |
| Working together to improve outcomes: |
| £3 m of capital investment in new ICT equipment and software; |

4.5 A full copy of the Council Plan is available on the Council's website: Renfrewshire Council Plan

4.6 As stated in 3.3, all capital expenditure must be financed either from external sources, internal sources or through borrowing. The planned financing of the above expenditure is shown on the table below:

| Table 1: Summary of Capital Funding | 2022/23 £000s | 2023/24 £000s | 2024/25 £000s |
|---|---|---|---|
| Prudential Borrowing | 67,759 | 64,943 | 30,236 |
| Total Borrowing | 67,759 | 64,943 | 30,236 |
| Specific Grant | 785 | 250 | 0 |
| General Capital Grant | 12,075 | 2,600 | 0 |
| City Deal Grant | 5,445 | 45,687 | 51,154 |
| City Deal borrowing | 32,745 | 17,214 | 654 |
| Usable Capital Receipts | 12,520 | 43,923 | 0 |
| Capital Funded from Current Revenue (CFCR) | 1,472 | 0 | 0 |
| Total Resource Availability | 132,802 | 174,617 | 82,044 |

4.7 Debt is only a temporary source of finance, since loans and leases must be repaid, and is replaced over time by other financing, usually from revenue, which is known as loans fund repayments.

4.8 The Council's cumulative outstanding amount of debt finance that will be charged to future revenue budgets is measured by the Capital Financing Requirement (CFR). The CFR increases with new debt-funded capital expenditure and reduces with loans fund repayments; capital receipts can also be used to reduce the CFR. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

| Capital Financing Requirement | 2022/23 £m | 2023/24 £m | 2024/25 £m |
|---|---|---|---|
| Non-Housing | 363.564 | 441.117 | 466.396 |
| Housing | 122.061 | 160.177 | 210.822 |
| Total | 485.625 | 601.294 | 677.218 |

4.9 The loans fund repayments, combined with interest payable on loans, forms the total charge to revenue, known as financing costs. An estimate of the total financing costs as a percentage of net revenue (the amount funded from Council Tax, government grants, business rates, or rental income in the HRA), is shown in the table below.

| Ratio of financing costs to net revenue stream (estimated) | 2022/23 % | 2023/24 % | 2024/25 % |
|---|---|---|---|
| Non-Housing | 3.47% | 3.62% | 3.48% |
| Housing | 34.16% | 30.10% | 30.12% |
| | | | |

## 5. Asset management

5.1 The Corporate Asset Strategy (CAS) was approved by the Finance, Resources and Customer Services Policy Board in June 2018. The CAS sets out a high-level framework for the management for all the Council's Assets. It guides the development and upkeep of strategies and plans for all classifications of assets.

5.2 The Council's Corporate Asset Strategy can be read in full here:

Renfrewshire Corporate Asset Strategy

## 6. Treasury management

6.1 Treasury management is concerned with keeping sufficient, but not excessive, cash balances to meet the Council's spending requirements, whilst managing the risks involved. Surplus cash is invested until required, while temporary cash shortages will be met by borrowing.

6.2 The Council's Treasury Management Strategy Statement (TMSS) contains objectives for borrowing and investments, with the overarching objective in relation to treasury management activities being effective management and control of risk. The full TMSS can be found within Appendix 4 of this report.

6.3 The main objectives of borrowing are to achieve a low, but certain cost of finance, while retaining flexibility should plans change in the future. Statutory guidance states that debt should remain below the CFR except in the short-term. As can be seen from the table below, the Council expects to comply with this during 2022-25.

| Estimated Borrowing Position | 2022/23 £m | 2023/24 £m | 2024/25 £m |
|---|---|---|---|
| Borrowing | 362 | 480 | 554 |
| Other long-term liabilities | 74 | 71 | 68 |
| Total External Debt | 436 | 551 | 622 |
| Capital Financing Requirement | 486 | 601 | 677 |
| Under Borrowing | 50 | 50 | 55 |

6.4 The Council is required to set an Operational Boundary for external debt. This is an estimate of the maximum external debt of the Council according to the probable events contained in the Council plans, budgets and strategies. Sustained or regular borrowing above the Operational Boundary would be a significant matter, requiring investigation and action.

6.5 The Authorised Limit for external debt is based on the same assumptions as those used to calculate the Operational Boundary; however, it is higher to allow sufficient headroom for unusual or exceptional cash requirements. The Authorised Limit reflects a level of borrowing that could be afforded in the short-term, but that would not be sustainable in the long-term. The Operational Boundary and Authorised Limits are as follows:

| Limits on External Debt | 2022/23 £m | 2023/24 £m | 2024/25 £m |
|---|---|---|---|
| Operational Boundary | 486 | 601 | 677 |
| Authorised Limit | 506 | 628 | 708 |

6.6 Treasury investment requirements arise due to cashflow timings, i.e. receiving cash before it is due to be paid out again at a later date. The main objectives of treasury investments are to obtain an acceptable market rate of return, subject to protecting capital security and liquidity of invested funds. The focus is therefore on minimising risk rather than maximising returns.

## 7. Commercial activities

7.1 These are investments made outside the normal treasury management activity, such as property investments, with the sole objective of making a financial surplus. The Council has no such investments at this time.

## 8. Other long term liabilities

8.1 In addition to the debt of £362m detailed in 6.3 above, the Council is party to a Public Private Partnership for the provision and maintenance of educational and other facilities, including a Residual Waste facility. The Council also has finance lease agreements for a number of vehicles. The outstanding finance lease obligation at 31 March 2022 will be £0.270m.

8.2 The Council is part of the Local Government Pension Scheme in Scotland (LGPS) which is a funded, defined benefit, statutory occupational pension scheme. As a funded scheme, the Council and its employees pay contributions into the fund, calculated at a level intended to balance the scheme's pension liabilities with the scheme's investment assets. At 31 March 2021, it was estimated that the Council's share of the defined obligations exceeded scheme assets by £221.5m. An updated estimate will be calculated for the 2021/22 Annual Accounts.

8.3 Provisions are made when an event has taken place that gives the Council a legal or constructive obligation that will probably require a settlement, usually in cash, but can be other economic or service benefits. At 31 March 2021 the Council had set aside long-term provisions of £5.1m related to holiday pay compensation and insurance claims. The long-term provisions will be re-calculated for the 2021/22 Annual Accounts.

## 9. Governance

9.1 **Capital Programmes:** Potential capital projects will be assessed for strategic fit, achievability, affordability, practicality, revenue impact and non-monetary impacts such as future economic growth, environmental or social well-being.

9.2 Once the capital projects have been considered, the Capital Plan is approved annually by the full Council, setting out the funding available, means of financing and Prudential Indicators. No capital expenditure can be authorised unless it has been provided for in the approved capital plan, or is within an officer's delegated authority. The Financial Regulations set out the framework for transferring money between budgets.

9.3 Capital budget monitoring reports from the Director of Finance and Resources are considered by the relevant Policy Board and include explanations for any significant variances from budget targets. Policy Boards will consider and approve any actions required to bring financial performance within approved limits.

9.4 Each capital programme is under the control of a responsible project manager who will approve and monitor expenditure against the programme. The project manager will receive support from a variety of sources within Finance and Resources, for example, to receive capital budget reports; to ensure that the expenditure complies with the statutory definition of capital; that any external contracts agreed comply with the Standing Orders of the Council; or to obtain any advice on legal matters.

9.5 **Treasury Management:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance and Resources and relevant staff, who must act within the parameters set out in the Treasury Management Strategy approved annually by full Council. A mid-year review of treasury management activity is presented each year to the Finance, Resources and Customer Services Policy Board, with a full year review reported to Council.

9.6 **Commercial Activities:** Property investments would be classified as capital expenditure and therefore included as part of the capital plan. Any commercial investment decisions would be made by the Council in line with its Financial Regulations and Standing Orders.

## 10. Knowledge and skills

10.1 The Council employs professionally qualified and experienced staff with responsibility for making capital expenditure, borrowing and investment decisions. The Council ensures its qualified staff meet their continuous professional development requirements. The Council provides support to finance staff for training and study towards relevant professional qualifications.

10.2 Council staff knowledge and experience is supplemented by the use of external advisors and consultants that are specialists in their field, for example, the Council currently has a contract with Link Asset Services for the provision of treasury management consultancy services. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.