

Treasury Management is the management of the Authority’s cash flows, borrowing and investments, and the associated risks. Of necessity, the Authority borrows and invests substantial sums of money and is therefore exposed to financial risks including the effects of changing interest rates. The successful identification, monitoring and control of financial risks are therefore central to WMCA’s prudent financial management.

INVESTMENTS – FACTS AT A GLANCE

Principles and Objectives of the Treasury Management Strategy

- To achieve the best secure investment returns
- To achieve a balanced spread of maturities and commitments
- To achieve the right mix of investment vehicles

Market Intelligence

- Bank of England reports
- Market Outlook by the Authority’s advisers Link Treasury Services Ltd

Statutory and Performance Framework

Rules that guide us

Investments

- Sterling only
- Can use UK Government, Local Authority or a body/security of high credit quality
- The Authority defines “high credit quality” organisations and securities as those having a credit rating of **A-** or higher

Investment Limits – subject to Counterparty table on page 12

- **Unlimited** UK Government
- **£20m** Money Market Fund
- **Unlimited** any single local authority or government entity
- **£20m** secured investment
- **£20m** per Bank/Building Society (unsecured)
- **£5m** Registered Providers (Housing Associations)
- **£5m** Strategic Pooled Funds
- **£5m** Real Estate Investment Trust

Treasury Management Indicators

- £20m rolling 3-month liquidity
- Maximum investment limit beyond 1 year: £10m

Key WMCA Budget Assumption for 2022/23

- Investments make an average rate of return of 0.5%

Approach

Choices made within the framework

Objective - Security first, Liquidity second and then Yield

Strategy - to maximise returns, reduce risk. and diversify investments. Investments will be ‘laddered’ (short term, regular maturities) to take advantage of forecast rising yields in year

Risk Assessment and credit ratio - Our advisors monitor credit ratings daily so any new investments will be made using the latest credit information

Other information on security of Investments - Market intelligence from our advisors may give warnings before credit warning changes e.g. credit default swaps information

BORROWING – FACTS AT A GLANCE

Principles and Objectives of the Treasury Management Strategy

- To minimise the cost of borrowing
- To achieve a balanced spread of maturities and commitments
- To achieve the right mix of borrowing vehicles

Market Intelligence

- Bank of England reports
- Gilt market / forward yield curve
- Market Outlook by the Authority's advisers Link Treasury Services

<p>Statutory and Performance Framework <i>Rules That Guide Us</i></p>	<p>Borrowing</p> <ul style="list-style-type: none"> • £348m Total Capital Expenditure in year (financed by grants, contributions, receipts, and borrowing) • £871m cumulative Capital Finance Requirement by 31st March 2023 (need to borrow, internal and/or external) • £125m Expected Borrowing In Year • £404m Total Debt by 31st March 2023
	<p>Treasury Management Indicators</p> <ul style="list-style-type: none"> • Maturity Structure of Borrowing – 0% to 75% Lower/Upper Limits maturing within 12 months, 24 months, 5, 10, and more than 10 years
	<p>Key Council Budget Assumption</p> <ul style="list-style-type: none"> • New Long Term Loans will cost an average of 2%
<p>Approach <i>Choices Made Within The Framework</i></p>	<p>Objective - Balance low interest rates with long term certainty</p> <p>Strategy – to have a balanced portfolio that utilises the benefits of internal borrowing, low interest rates for short term borrowing together with the security of longer-term fix rate borrowing</p> <p>Sources of Finance - Banks or Building Society, Public Works Loan Board, Pension Funds, Capital Market Bonds, Municipal Bonds Agency, UK Infrastructure Bank and any entity with whom we would invest.</p> <p>Debt Restructuring A present value calculation based on current rates for the same period of loan may result in a discount or premium.</p> <p>Borrowing in Advance of Need Any decision to borrow in advance will be within the forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Authority can ensure the security of such funds.</p>