TREASURY MANAGEMENT POLICY STATEMENT FOR 2023/24 INCLUDING:

- **TREASURY MANAGEMENT STRATEGY**
- **ANNUAL INVESTMENT STRATEGY**

Portsmouth City Council
Director of Finance and Resources (Section 151 Officer)

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1. INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Temporary surplus cash flows are invested in low-risk counterparties or instruments commensurate with the Council's risk appetite, providing adequate liquidity primarily before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses (usually from Reserves or Balances that are not required immediately but are earmarked or budgeted for future use). On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as these are needed for a future purpose and any loss of principal will in effect result in a loss to the General Fund Balance and therefore put spending plans at risk

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Whilst any commercial initiatives or loans to third parties will affect the treasury function, these activities are classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

1.2 Reporting requirements

Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services

- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this Capital Strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements and governance procedures.

Treasury Management reporting

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a) **Treasury Indicators and Treasury Strategy** (this report) - The first, and most important report is forward looking and covers:
   - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
   - an investment strategy, (the parameters on how investments are to be managed).

b) **A Mid-year Treasury Management report** – This is primarily a progress report and will update members on the treasury management position, amending prudential and treasury management indicators as necessary, and revising any policies if required. In addition, the Governance and Audit and Standards Committee will receive quarterly update reports.

c) **An Annual Treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Governance and Audit and Standards Committee.

In addition, the Governance and Audit and Standards Committee receives quarterly treasury management monitoring reports.

The Chief Executive, the Leader of the City Council and the Chair of the Governance and Audit and Standards Committee will be informed of any variances from the Treasury Management Policy when they become apparent, and the Leader of the City Council will be consulted on remedial action.

1.3 Treasury Management Strategy for 2023/24

The strategy for 2023/24 covers:

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy including the risk appetite;

- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy including the risk appetite;
- creditworthiness policy; and
- the policy on use of external service providers.

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

1.4 Training

The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

A formal record of the training received by officers central to the Treasury function will be maintained by the Deputy Director of Finance and Section 151 Officer. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained by the Deputy Director of Finance and Section 151 Officer.

1.5 Treasury Management Staff

The treasury management function is undertaken by the Director of Finance and Resources (Section 151 Officer). This includes:

i) Investing surplus funds in accordance with the approved Annual Investment Strategy;
ii) Borrowing to finance short term cash deficits and capital payments from any reputable source within the authorised limit for external debt;
iii) Rescheduling debt to even the maturity profile or to achieve revenue savings and;
iv) To buy and sell foreign currency and hedge against currency movements to fulfil contracts priced in or indexed against foreign currencies.

The Director of Finance and Resources will have the power to delegate authority to undertake these functions to relevant officers including the Deputy Director of Finance and Section 151 Officer, Finance Managers, the Treasury Manager and various back up cash dealers drawn from the Finance Directorate. The Director of Finance and Resources (Section 151 Officer), the Deputy Director of Finance and Section 151 Officer, and the Finance Manager (Technical and Financial Planning) are all qualified Chartered Public Finance Accountants.

1.6 Treasury Management Consultants

The Council employs professional consultants to:

- Provide interest rate forecasts to inform the Council's borrowing and investment decisions;
- Information on creditworthiness to inform investment decisions;

- Benchmark the Council's investment performance against other local authorities.

The Council currently retains "Link Asset Services, Treasury Solutions" as its external treasury management advisors. The contract will be re-let through a competitive process in accordance with the Council's procurement rules.

The Council also uses information from other sources such as the Building Societies Association and Homes England.

The Council recognises that responsibility for treasury management decisions always remains with the organisation and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including from, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

The scope of investments within the Council’s operations now includes both conventional treasury investments, (the placing of residual cash from the Council’s functions), and more commercial type investments, such as investment properties, which are outside the scope of the Treasury Management Strategy. The commercial type investments require specialist advisers, and the Council uses Avison Young in relation to this activity.

2. THE CAPITAL PRUDENTIAL INDICATORS 2022/23 – 2027/28

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital expenditure

The Capital Programme approved by the City Council on 28 February 2023 can be summarised in Table A as follows:

Table A	2021/22 Actual £m	2022/23 Revised Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Other Non - Housing Revenue Account	163	247	279	151	74	34	4
Housing Revenue Account (HRA)	64	72	104	89	61	33	35
Total	**227**	**319**	**383**	**240**	**135**	**67**	**39**
Element financed from borrowing	**44**	**59**	**171**	**123**	**51**	**-**	**-**

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Council's indebtedness and therefore its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital funding resource, will increase the CFR.

The CFR does not increase indefinitely and is reduced by the minimum revenue provision (MRP) which is a statutory annual revenue charge that reduces the indebtedness broadly in line with each asset's life, thus the economic consumption of capital assets as they are used is charged to the Council's Revenue Budget.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility by the PFI, or lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has £51m of such schemes within the CFR.

The projected CFR is shown below:

Table B	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Capital Financing Requirement (£m)							
Investment Properties	163	164	173	173	173	173	173
Other Non - Housing Revenue Account	465	481	563	617	631	622	611
Sub - Total	**628**	**645**	**736**	**790**	**804**	**795**	**784**
Housing Revenue Account (HRA)	229	260	331	390	417	414	411
Total CFR	**857**	**905**	**1,067**	**1180**	**1,221**	**1,209**	**1,195**

A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the authority's overall financial position. The details above demonstrate the scope of this activity and, by approving these sums; consider the scale proportionate to the Authority's remaining activity.

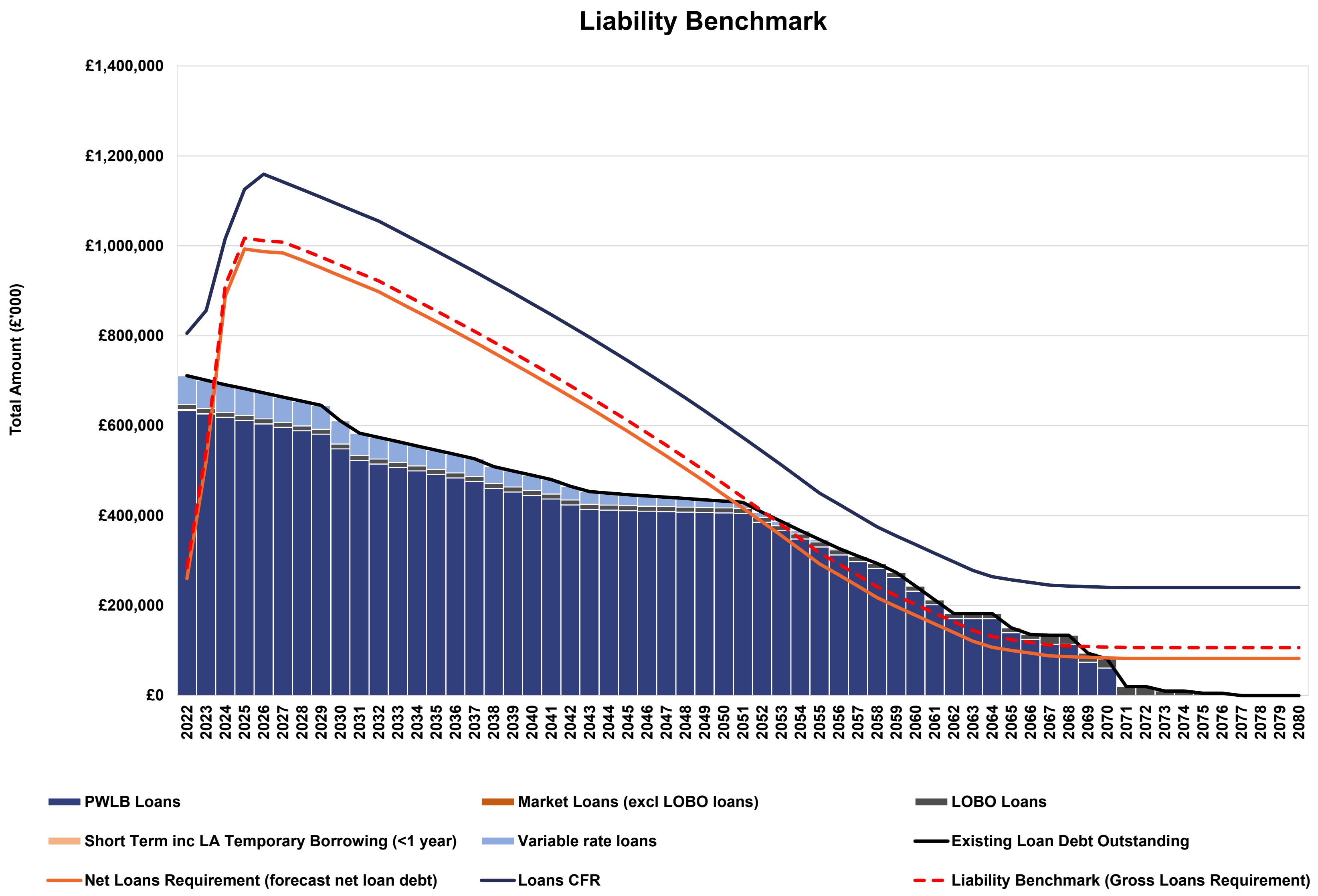
2.3 Liability Benchmark

A new treasury management indicator for 2023/24 is the Liability Benchmark (LB). The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB:

1) **Existing loan debt outstanding** (shown as a bar chart below): the Authority's existing loans that are still outstanding in future years.
2) **Loans CFR** (the top line in the graph below): this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3) **Net loans requirement** (the bottom line in the graph below): this shows the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4) **Liability benchmark** (or gross loans requirement) (the middle line in the graph below): this equals net loans requirement plus short-term liquidity allowance.

The short-term liquidity allowance is an adequate (but not excessive) allowance for a level of excess cash to be invested short-term to provide access to liquidity if needed (due to short-term cash flow variations, for example).



Liability Benchmark
Total Amount (£'000)
£1,400,000
£1,200,000
£1,000,000
£800,000
£600,000
£400,000
£200,000
£0
2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040 2041 2042 2043 2044 2045 2046 2047 2048 2049 2050 2051 2052 2053 2054 2055 2056 2057 2058 2059 2060 2061 2062 2063 2064 2065 2066 2067 2068 2069 2070 2071 2072 2073 2074 2075 2076 2077 2078 2079 2080
PWLB Loans
Market Loans (excl LOBO loans)
LOBO Loans
Short Term inc LA Temporary Borrowing (<1 year)
Variable rate loans
Existing Loan Debt Outstanding
Net Loans Requirement (forecast net loan debt)
Loans CFR
Liability Benchmark (Gross Loans Requirement)

The Council's current borrowing exceeds its liability benchmark. This has resulted in excess cash requiring investment. However between 2023/24 and 2052/53 the Council's actual loans are less than the liability benchmark indicating a future borrowing requirement.

2.4 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Table C Year End Resources £m	**2021/22 Actual**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**
Fund balances / reserves	274	216	191	180	179	179	179
Capital grants unapplied	48	48	48	48	48	48	48
Capital receipts	18	18	18	18	18	18	18
Provisions	15	15	15	15	15	15	15
Other	122	122	122	122	122	122	122
Total core funds	**477**	**419**	**394**	**383**	**382**	**382**	**382**
Working capital*	78	63	63	63	63	63	63
Over / (under) borrowing - see below	(95)	(157)	(332)	(407)	(417)	(420)	(421)
Expected investments	**460**	**325**	**125**	**50**	**39**	**25**	**24**

*Working capital balances shown are estimated year-end; these may be higher mid-year

3. BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities.

3.1 Current Borrowing

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table D	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
External Debt (£m)							
Debt on 1st April	721	711	702	693	735	769	760
Expected change in Debt	(10)	(9)	(9)	42	34	(9)	(9)
Other long-term liabilities (OLTL) on 1 April	57	51	46	42	38	35	29
Expected change in OLTL	(6)	(5)	(4)	(4)	(3)	(6)	(6)
Actual gross debt on 31 March	**762**	**748**	**735**	**773**	**804**	**789**	**774**
The Capital Financing Requirement	**857**	**905**	**1,067**	**1,180**	**1,221**	**1,209**	**1,195**
Over / (under) borrowing	(95)	(157)	(332)	(407)	(417)	(420)	(421)

Within the above figures the level of debt relating to commercial activities / non-financial investment is:

Table E	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
External Debt for investment properties							
Actual debt on 31 March £m	163	164	173	173	173	173	173
Percentage of total external debt %	21%	22%	24%	22%	22%	22%	22%

Within the range of prudential indicators, there are several key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Director of Finance and Resources (Section 151 Officer) reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view considers current commitments, existing plans, and proposals in the budget.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit, set as part of the capital programme, beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and of other cash resources (as described in Table B).

Table F	2022/23 Estimate (£m)	2023/24 Estimate (£m)	2024/25 Estimate (£m)	2025/26 Estimate (£m)	2026/27 Estimate (£m)	2027/28 Estimate (£m)
Commercial activities/ non-financial investments	164	173	173	173	173	173
Other Debt	696	852	969	1,013	1,019	1,014
Other long-term liabilities	46	42	38	35	29	23
Total	**906**	**1,067**	**1,180**	**1,221**	**1,221**	**1,210**

The authorised limit for external debt. This is a key prudential indicator, set as part of the capital programme, and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

Table G	2022/23 Estimate (£m)	2023/24 Estimate (£m)	2024/25 Estimate (£m)	2025/26 Estimate (£m)	2026/27 Estimate (£m)	2027/28 Estimate (£m)
Commercial activities/ non-financial investments	164	173	173	173	173	173
Other Debt	727	885	1,002	1,047	1,053	1,049
Other long-term liabilities	46	42	38	35	29	23
Total	**937**	**1,100**	**1,213**	**1,255**	**1,255**	**1,245**

3.3 Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 07 February 2022. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View	07.02.23												
	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
BANK RATE	4.25	4.50	4.50	4.25	4.00	3.75	3.25	3.00	2.75	2.75	2.50	2.50	2.50
3 month ave earnings	4.30	4.50	4.50	4.30	4.00	3.80	3.30	3.00	2.80	2.80	2.50	2.50	2.50
6 month ave earnings	4.40	4.50	4.40	4.20	3.90	3.70	3.20	2.90	2.80	2.80	2.60	2.60	2.60
12 month ave earnings	4.50	4.50	4.40	4.20	3.80	3.60	3.10	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.00	4.00	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.10	3.10	3.10
10 yr PWLB	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.50	3.40	3.30	3.30	3.20
25 yr PWLB	4.60	4.60	4.40	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.40
50 yr PWLB	4.30	4.30	4.20	4.10	3.90	3.80	3.60	3.60	3.40	3.30	3.20	3.20	3.10

The MPC further demonstrated its anti-inflation credentials by delivering a further 0.5% increase in the Bank Rate on 02 February. Bank Rate stands at 4.0% currently but is expected to reach a peak of 4.5% in the first half of 2023.

In the medium term, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

The consumer price index CPI measure of inflation looks to have peaked at 11.1% in Q4 2022 (currently 10.7%). Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market.

3.4 Bond yields / Public Works Loans Board (PWLB) rates.

Gilt yields and hence PWLB rates have become less volatile of late and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.10% to 4.80%.

Our treasury advisors, Link Group, view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

3.5 Investment and borrowing rates

Investment returns. With the increase in base rate, new investments made in 2022/23 have had higher returns, and this has resulted in the overall rate of return on the Council's investments increasing. This is expected to continue into 2023/24.

Borrowing for capital expenditure. Link's long-term (beyond 10 years), forecast for Bank Rate is 2.5%. As all PWLB certainty rates are currently above this level, our borrowing strategy will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed local authority (LA) to LA monies will be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

3.6 Borrowing strategy and risk appetite

The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully drawn with loan debt as cash from the Authority's reserves, balances and temporary cash flows has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate increases over the first half of 2023.

Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Director of Finance and Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates,* then borrowing will be postponed.
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

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

3.7 Policy on borrowing in advance of need

Section 12 of the Local Government Act 2003 gives a local authority the power to invest for "any purpose relevant to its functions under any enactment or for the prudent management of its financial affairs". While the speculative procedure of borrowing purely to invest at a profit is clearly unlawful, there is no legal obstacle to the temporary investment of funds borrowed for the purpose of funding capital expenditure incurred in the reasonably near future.

Borrowing in advance of need may enable the City Council to obtain cheaper loans than those available at the time when expenditure is incurred, although the consequent investment of funds borrowed in advance of need does expose the City Council to credit risk. The interest payable on funds borrowed in advance of need may exceed the interest earned on the investment of those funds. The Council may determine to borrow in advance of need in circumstances where it is reasonably expected that the total cost of borrowing over the whole life of the loan in present value terms is lower by borrowing in advance of need.

3.8 Debt rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is a large difference between premature redemption rates and the PWLB's new borrowing rates.

If rescheduling was done, it will be reported to the Cabinet / Council, at the earliest meeting following its action.

3.9 Approved Sources of Long and Short Term Borrowing

	Fixed	Variable
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)		●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Internal (capital receipts & revenue balances)	n/a	n/a
Finance leases	●	●

3.10 Apportionment of Borrowing Costs to the Housing Revenue Account (HRA)

The Council operates two loans pools for the purposes of apportioning borrowing costs to the HRA.

The first loans pool consists of all the Council's loans taken out prior to 2020/21 for both General Fund and HRA purposes. The Council will continue to operate this loans pool and apportion costs according to locally established principles. The principles upon which the apportionment of borrowing costs should be based are as follows:

- The apportionment is broadly equitable between the HRA and the General Fund, and is detrimental to neither;
- The loans portfolio is managed in the best interests of the whole authority;

The second loans pool consists of the three £20m loans that were taken from the PWLB at the HRA Certainty Rate which was 1.0% below the PWLB General Fund Certainty Rate at the time. The borrowing costs on these loans will be charged to the HRA in their entirety.

From 25 November 2020 the PWLB General Fund Certainty Rate was reduced by 1.0%, thereby removing the differential between the General Fund and HRA PWLB rates. Any future borrowing will therefore be included in the first loans pool covering both the HRA and the General Fund.

4. ANNUAL INVESTMENT STRATEGY

4.1 Investment policy – management of risk

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

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

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite.

The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk that is measured by the following means:

1) Minimum acceptable **credit criteria** are applied to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings including outlooks and credit watches.
2) **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.
3) **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4) This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 5.2 under the categories of 'specified' and 'non-specified' investments.
    - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.

- **Non-specified investments** are those with less high credit quality, may be for periods more than one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity i.e. an 18-month deposit would still be non-specified even if it has only 11 months left until maturity.

Non-specified investments limit. The Council has determined that it will limit the maximum total exposure to non-specified investments to £200m, (see paragraph 4.3).

Lending limits, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.

This authority will set a limit for its investments that are invested for **longer than 365 days**, (see paragraph 4.7).

Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).

This authority places **sector and geographical limits** on its investment portfolio to avoid the concentration of risk, (Appendix 5.3).

Because of the change in accounting standards for 2020/21 under IFRS 9, this authority will consider the implications of investment instruments, which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, (MHCLG), concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 2023. A further extension to the over-ride to 31 March 2025 has been agreed by the Government.

4.2 Creditworthiness policy

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Director of Finance and Resources (Section 151 Officer) will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval, as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality that the Council may use, rather than defining what types of investment instruments are to be used.

Credit rating information is supplied by Link Group, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur, and this information is considered before dealing. For instance, a negative rating Watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed considering market conditions.

The criteria for providing a pool of high-quality investment counterparties, (both specified and non-specified investments) is:

- Banks 1 - good credit quality **–** the Council will only use banks which:
  - i) are UK banks; and/or
  - ii) are non-UK and domiciled in a country which has a double A sovereign Long-Term rating

  and have, as a minimum, the following Fitch, Moody's, and Standard & Poor's credit ratings (where rated):
  - i) Short Term - F1, P-2, or A-2
  - ii) Long Term – A-
- Banks 2 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested.
- Banks 3 - Secured lending to banks partly owned by the City Council.
- Building Societies. The Council will use all societies which:
  - i) Meet the ratings for Banks 1 outlined above or;
  - ii) Have assets more than £350m;

  or meet both criteria.
- Money Market Funds (MMFs)
- UK Government (including gilts, Treasury Bills and the DMADF)
- Local authorities
- Housing associations. In addition to ratings from the credit agencies, housing associations will only receive investments if they have a viability rating of V1 and a governance rating of G1 from Homes England.
- Supranational institutions that meet the ratings for banks outlined above

- Corporate Bonds. The Council will invest in corporate bonds which:
  i) Meet the ratings for Banks 1 outlined above or;
  ii) Have a credit rating of BBB+ or;
  iii) Have a credit rating of BBB- but form part of a portfolio managed by professional fund managers
- Universities that meet the ratings for Banks 1 outlined above
- Pooled investment vehicles including equity funds, property funds, corporate bond funds and multi asset funds
- Subsidiary companies of the City Council.

A limit of £200m will be applied to the use of non-specified investments.

Use of additional information other than credit ratings. Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, rating Watches/Outlooks) will be applied to compare the relative security of differing investment opportunities.

Time limits are applied to most investment categories to limit credit risk as the longer the duration of an investment is, the more time there is for the credit quality of the counter party to deteriorate. There are no time limits applied to corporate bonds managed by a professional fund manager, pooled investment vehicles, and subsidiary companies of the Council. Corporate bonds can be sold if there is a need to disinvest and a professional fund manager will have more resources to assess credit quality. Investments in pooled investment vehicles often do not have a predetermined maturity; the Council would withdraw its investment at the appropriate time. The Council controls its subsidiary companies and therefore can have a considerable influence on their credit quality.

Time and monetary limits applying to investments. The time and monetary limits for institutions on the Council's counterparty list are summarised below (these will cover both specified and non-specified investments):

Table H	**Fitch Long term Rating (or equivalent)**	**Money Limit**	**Time Limit**
Banks and Building Societies 1 highest quality	AA-	£26m	6yrs
Banks and Building Societies 1 higher quality	A+	£20m	6yrs
Banks and Building Societies 1 medium quality	A	£15m	6yrs
Banks 1 lower quality	A-	£10m	6yrs
Banks 2 the Council's own banker if the criteria for Banks 1 is not met	-	Minimised	Minimised
Banks 3 partly owned by the Council	-	£10m	5yrs
Building Societies with assets of more than £350m	-	£6m	2yrs
UK Government including DMADF and institutions guaranteed by the UK Government	UK sovereign rating	unlimited	6yrs
Local authorities	N/A	£30m	6yrs
Housing associations higher quality	AA-	£30m	10yrs
Housing associations lower quality	A-	£20m	10yrs
Corporate bonds purchased by City Council but not meeting criteria for Banks 1 above	BBB+	£7m	365 days
Corporate bonds managed by a professional fund manager	BBB-	£0.32m per bond up to a limit of £8m	Unlimited
Pooled investment vehicles	-	£50m	Unlimited
Subsidiary companies of the Council	-	£30m	Unlimited
	Fund rating	**Money Limit**	**Time Limit**
Money Market Funds	AAA	£26m	liquid
Enhanced Money Market Funds	AA	£20m	liquid

*Building Societies with assets of more than £350m was omitted from the above summary in the 2022/23 Treasury Management Strategy.

The proposed criteria for specified and non-specified investments are shown in Appendix 5.2 for approval.

Creditworthiness. Significant levels of downgrades to short- and long-term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards in the autumn, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Authority has access to this information via its Link-provided Passport portal.

4.3 Other limits

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups, and sectors.

a) **Non-specified investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments to £200m.

b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of AA-** from Fitch or equivalent.

c) **Other limits.** In addition:

- limits in place above will apply to a group of companies;
- sector and geographic limits will be monitored regularly for appropriateness.

4.4 Environmental, Social and Governance (ESG) Factors

The Council will seek to move towards investments that improve the environment, bring wider social benefits, and are with organisations with good governance.

The Council will avoid investments in fossil fuel extraction unless they are making substantial investment into renewable energy technologies as part of a strategy to move to becoming a clean energy supplier.

The Council will give weight to the environmental, social and governance ratings in making investment decisions, provided that the overall risk profile of the investment portfolio (including liquidity risk) is not compromised, and that decisions remain consistent with responsible financial management and stewardship.

ESG ratings focus on non-financial performance indicators that address a counterparty's approach towards responsible investment, sustainability, its impact on society and the environment, as well as other ethical and corporate governance considerations. Due to the volume of counterparties with which the Council transacts, the speed of such transactions and the depth of due diligence required to investigate and understand the ESG credentials, an ESG screening service is used using industry produced indicators.

Treasury Management investment transactions are limited to institutions with ESG ratings of "Leaders" or "Average". Institutions with an ESG rating of "Laggards" are declined.

An ESG Key Issue hierarchy is used to measure an institution's ESG rating and is based on three pillars, ten themes and thirty-five key issues as follows:

3 Pillars	10 Themes	35 ESG Key Issues	
Environment	Climate Change	Carbon Emissions Product Carbon Footprint	Financing Environmental Impact Climate Change Vulnerability
	Natural Capital	Water Stress Biodiversity & Land Use	Raw Material Sourcing
	Pollution & Waste	Toxic Emissions & Waste Packaging Material & Waste	Electronic Waste
	Environmental Opportunities	Opportunities in Clean Tech Opportunities in Green Building	Opportunities in Renewable Energy
Social	Human Capital	Labor Management Health & Safety	Human Capital Development Supply Chain Labor Standards
	Product Liability	Product Safety & Quality Chemical Safety Consumer Financial Protection	Privacy & Data Security Responsible Investment Health & Demographic Risk
	Stakeholder Opposition	Controversial Sourcing Community Relations	
	Social Opportunities	Access to Communications Access to Finance	Access to Health Care Opportunities in Nutrition & Health
Governance	Corporate Governance	Ownership & Control Board	Pay Accounting
	Corporate Behavior	Business Ethics Tax Transparency	

The ESG ratings model seeks to answer four key questions about institutions:

i) What are the most significant ESG risks and opportunities facing an institution, company, or industry?

ii) How exposed is the institution or company to those key risks and/or opportunities?

iii) How well is the institution or company managing key risks and opportunities?

iv) What is the overall assessment of how the institution or company is managing ESG risks and opportunities and how does it compare to its global industry peers?

The key issue scores and weights are combined and normalised per industry to offer an overall ESG score (0-10) and rating (AAA-CCC) as follows:

The overall ESG Rating measures the ability of an institution to manage key medium- to long-term risks and opportunities arising from environmental, social and governance issues. The ESG Rating is provided on a AAA-CCC scale, with AAA and CCC being the respective highest and lowest fund ratings.

i) Institutions or companies with a "Leader" rating tend to show strong and/or improving management of relevant environmental, social and governance issues. These institutions may be more resilient to disruptions arising from ESG events

ii) Institutions or companies with an "Average" rating tend to show average management of ESG issues

iii) Institutions or companies with a "Laggard" rating do not demonstrate adequate management of the ESG risks that they face or show worsening management of these issues. These institutions may be more vulnerable to disruptions arising from ESG events.

It should be noted that ESG credentials relate to counterparties, as distinct from the country in which the counterparty is domiciled. However, where state institutions own 50% or more of the entity and can exert significant influence over the counterparty through their shareholdings, the Council will avoid investments in such institutions where the state institution has a poor human rights record.

4.5 Investment Strategy and Risk Appetite Statement

All the investment guidance available, both statutory and from the Chartered Institute of Public Finance and Accountancy (CIPFA), makes it clear that all investing must follow SLY principles - security, liquidity, yield. In accordance with the guidance issued, the Council's priority in investing is security, followed by liquidity. After these priorities are met, the Council will seek to maximise yields. The Council will consider the environmental and social implications of its investments once SLY principles have been met.

The Council's objectives in relation to investment can accordingly be stated as follows:

Sums are invested with a diversified range of counter parties using the maximum range of financial instruments consistent with a low risk of the capital sum being diminished through movements in market prices.*

* Financial instruments include term deposits, certificates of deposits, corporate bonds, money market funds, structured notes, and shares in pooled investment funds

This means that the Council is not totally risk averse. Treasury management staff have the capability to actively manage treasury risks within the scope of the Council's treasury management policy and strategy.

When investing temporary surplus cash flows, the Council will not necessarily limit itself to making deposits with the UK Government and local authorities but may invest in other bodies including unrated building societies, Registered Social Landlords (RSLs), and corporate bonds. The Council may invest surplus funds through tradable instruments such as treasury bills, gilts, certificates of deposit, corporate bonds, covered bonds and repos / reverse repos.

The Council will invest its temporary surplus cash flows to provide sufficient liquidity to meet its cash flow needs but is mindful that the value of its investments will fall in real terms unless investment returns are at least equal to inflation. To earn investment returns more than inflation on as much of its temporary surplus cash as possible, the Council will invest as much as it can in longer-term higher yielding investments whilst maintaining sufficient liquidity to meet its cash flow needs.

The Council may invest in lower risk structured investment products that follow the developed equity and other market indices where movements in prices may diminish the capital sum invested. These investments, and indeed any other investment, could also be diminished if the counter party defaults. Although the Council only invests in counter parties offering good credit quality, the credit quality of an investment counter party can decline during the life of the investment. This is particularly the case with long-term investments.

The Council may invest in externally managed pooled investment vehicles such as corporate bond funds, equity funds, property funds and multi asset funds, if the Council has cash for a term that is sufficient to cover cyclical movements in prices.

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

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

4.6 Investment treasury indicator and limit - total principal funds invested for greater than 365 days.

These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

The Council is asked to approve the following treasury indicator and limit:

Table I - Upper limit for principal sums invested for longer than 365 days			
	2024	**2025**	**2026**
	£m	**£m**	**£m**
Current investments as of 31 March more than 1 year maturing in each year	130	50	50

4.7 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

5. APPENDICES

5.1 Maturity structure of borrowing

5.2 Credit and counterparty risk management

5.3 Sector and Geographic Investment Limits

APPENDIX 5.1

Maturity Structure of Borrowing

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large sums falling due for refinancing and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

Table J **Maturity structure of fixed interest rate borrowing**		
	Lower	**Upper**
Under 12 months	0%	10%
12 months to 2 years	0%	10%
2 years to 5 years	0%	10%
5 years to 10 years	0%	20%
10 years to 20 years	0%	30%
20 years to 30 years	0%	40%
30 years to 40 years	0%	40%
40 years to 50 years	0%	40%
Maturity structure of variable interest rate borrowing		
	Lower	Upper
Under 12 months	0%	10%
12 months to 2 years	0%	10%
2 years to 5 years	0%	20%
5 years to 10 years	0%	20%
10 years to 20 years	0%	30%
20 years to 30 years	0%	40%
30 years to 40 years	0%	40%
40 years to 50 years	0%	40%

APPENDIX 5.2

CREDIT AND COUNTERPARTY RISK MANAGEMENT

The MHCLG issued Investment Guidance in 2018, and this forms the structure of the Council's policy below.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. To facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council has adopted the Code and will apply its principles to all investment activity. In accordance with the Code, the Director of Finance and Resources (Section 151 Officer) has produced its treasury management practices (TMPs).

Annual Investment Strategy - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

Strategy Guidelines – The main strategy guidelines are contained in the body of the Treasury Strategy Statement.

Specified Investments – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments that would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Office deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Bonds issued by supranational banks of less than one year's duration.
3. A local authority, housing association.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. This covers pooled investment vehicles, such as money market funds, rated AA by Standard and Poor's, Moody's and / or Fitch rating agencies.
5. A body that is considered of a high credit quality (such as a bank or building society) with a minimum Short-Term rating of A-2 / P-2 / F1 as rated by Standard and Poor's, Moody's and / or Fitch rating agencies .

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. These criteria are contained in Table H.

Non-specified investments – are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non-specified investments would include any investments with:

	Non-Specified Investment Category	Limit £
a.	**Supranational bonds greater than 1 year to maturity** **(a) Multilateral development bank bonds with a AAA long-term rating** - These are bonds defined as an international financial institution having as one of its objects economic developments, either generally or in any region of the world (e.g. European Reconstruction and Development Bank etc.). However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity. **(b) A financial institution that is guaranteed by the United Kingdom Government** (e.g. National Rail) The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt-edged securities. Like category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	 **£26m for up to 6 years** **£26m for up to 6 years**
b.	**Gilt edged securities** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Like category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	**Unlimited investments for up to 6 years**
c.	**The Council's own banker** if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	**£10m for up to 1 day**
d.	**Building societies not meeting the basic security requirements under the specified investments**. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies that have a minimum asset size of £350m.	**£6m for up to 2 years**
e.	All **banks and building societies** that have a minimum long-term credit rating of A-, for deposits with a maturity of greater than one year (including forward deals more than one year from inception to repayment).	Up to **£26m (depending on credit quality) for up to 6 years**

	Non-Specified Investment Category	Limit £
f.	**Loan capital** in a body corporate with a credit rating of at least BBB+. This will enable investments to be made in large commercial companies such as British Telecom. A short-term investment in a BBB+ rated counterparty may be less likely to default than a long-term investment with an A- rated counterparty.	**£7m for 365 days**
g.	**Corporate bonds** bought on the Council's behalf by professional fund managers who will target an average credit rating of at least BBB+ for the corporate bond fund. The average credit rating of the corporate bond fund may fall to BBB if there was a downgrade to a single issue or a broad downgrade. We would not want the fund manager to be a forced seller in this situation. If this situation arises, a strategy will be agreed with the fund manager to return the average rating of the portfolio to BBB+.	**£8m for an unlimited duration**
h.	**Pooled investment vehicles including equity funds, property funds and multi asset funds** with the potential to generate returns more than inflation and thus maintain the value of the principal invested in real terms.	**£50m for an unlimited duration**
i.	**Subsidiary companies of the Council.** Funds could be invested to facilitate the establishment of a subsidiary company to develop housing in the greater Portsmouth area on a commercial basis.	**£30m for an unlimited duration**
j.	**Banks partly owned by the City Council.** The Council is an equity shareholder in Hampshire Community Bank (HCB). Purchasing bonds in HCB would contribute to the regeneration of Hampshire. Investing in HCB carries greater risk than the other approved investments contained in the Council's Annual Investment Strategy, as HCB is a new entity that is in the process of developing its business, and currently has neither a banking license nor a credit rating. However, HCB will be able to offer assets as security to cover a bond. These assets would consist of loans of the highest credit quality to the small and medium enterprise (SME) sector. The loan assets offered as security would pass to the Council in the event of HCB defaulting.	**£10m for 5 years**

The monitoring of investment counterparties - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately.

APPENDIX 5.3

SECTOR AND GEOGRAPHIC INVESTMENT LIMITS

Sector Investment Limits

AA money market funds offer security and same day access. By aggregating investments, they can also invest in financial institutions that may not be interested in the relatively small sums that the Council can invest. Although AA money market funds are well diversified in their investments, there is a risk that more than one fund could have investments with the same bank or that the Council may also have invested funds in the same bank as a money market fund. Therefore, it is proposed that the Council should aim to have no more than £80m invested in money market funds.

Most building society lending is secured against residential properties. If property prices fall there may be inadequate security to support building societies lending giving rise to a systemic risk.

As RSL's offer one principal service and their assets principally consist of residential properties, excessive investments in RSLs would also expose the Council to a systemic risk.

Excessive investments in investment products tracking equity, property or other markets could also expose the Council to a systemic risk.

To minimise systemic credit risk in any sector the following limits will be applied:

Money market funds	£80m
Building societies	£155m
Registered Social Landlords	£80m
Investments tracking the equity, property, or other markets	£70m

Geographic Investment Limits

To minimise systemic credit risk in any region, the following limits will be applied to the geographic areas where investments can be made in foreign countries.

Asia & Australia	£80m
Americas	£80m
Eurozone	£60m
Continental Europe outside the Eurozone	£60m