**MEETING OF THE EXECUTIVE BOARD**
**DATE: 4th FEBRUARY 2019**

**REPORT OF THE DIRECTOR OF CORPORATE SERVICES**

# TREASURY MANAGEMENT POLICY AND STRATEGY 2019-2020

## A. INTRODUCTION

This Council carries out its treasury management activities in accordance with the Prudential Code of Practice first developed for public services in 2002 by the Chartered Institute of Public Finance and Accountancy (CIPFA). This Code was last revised in 2017. The Council also carries out its treasury management activities in accordance with the CIPFA Treasury Management Code of Practice 2017.

The revised Code identifies three key principles:

1. The Council should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.

2. The Council's policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their Council. The Council's appetite for risk should form part of its annual strategy and should ensure that priority is given to security and liquidity when investing funds.

3. The Council should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible Councils to employ in support of their business and service objectives; and that within the context of effective risk management, the Council's treasury management policies and practices should reflect this.

## B. <u>CIPFA PRUDENTIAL CODE AND CIPFA TREASURY MANAGEMENT CODE OF PRACTICE</u>

1. This Council has adopted the Revised CIPFA Prudential Code 2017 and the Revised CIPFA Treasury Management Code of Practice 2017.

   This Revised CIPFA Treasury Management Code of Practice 2017 stipulates that there should be Member scrutiny of the treasury policies, Member training and awareness and regular reporting.

   The objectives of the Revised Prudential Code 2017 are to ensure, within a clear framework, that the capital expenditure plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the organisation.

   The Council has adopted the four clauses shown in 1.1 as part of its financial procedure rules and the Policy and Resources Scrutiny Committee is responsible for ensuring effective scrutiny of the treasury management strategy and policies, before making recommendations to Council.

   The policies and parameters within this report provide an approved framework within which the officers undertake the day to day treasury activities.

1.1 The four clauses adopted are:

(1) This Council will create and maintain, as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities

- Suitable Treasury Management Practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities

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

This Council will therefore receive reports on its treasury management policies, practices and activities, including an annual strategy in advance of the year, a mid year review report and a year end annual report, in the form prescribed in its TMPs. This treasury management policy and strategy report includes the prudential indicators (Appendix D) and the minimum revenue provision (MRP) policy (Appendix E).

(3) This Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices, and the quarter 1 and quarter 3 monitoring reports to the Executive Board, and for the execution and administration of treasury management decisions

to the Director of Corporate Services, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

(4) The Council nominates the Policy and Resources Scrutiny Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

### 1.2 Treasury Management Practices (TMPs)

The Schedule of TMPs is shown in Appendix A.

## C. TREASURY MANAGEMENT POLICY

1. This Council defines its Treasury Management activities as:

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

   ‘Investments’ in the definition above covers all the financial assets of the organisation, as well as other non-financial assets which the organisation holds primarily for financial returns, such as investment property portfolios. This may therefore include investments which are not managed as part of normal treasury management or under treasury management delegations. All investments require an appropriate investment management and risk management framework under this Revised CIPFA Treasury Management Code of Practice 2017.

2. This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.

   The key principle of control of risk and optimising returns consistent with the organisation’s risk appetite should be applied across all investment activities, including more commercially based investments.

3. This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

This policy holds indefinitely until circumstances dictate that a change is necessary. Any changes must be done before the beginning of the financial year to which it relates, or in exceptional circumstances within the year if approved by Council.

It is the Director of Corporate Services responsibility to implement and monitor the Treasury Management Policy, revising and re-submitting the Policy for consideration to the Executive Board and the Council if changes are required.

# D. TREASURY MANAGEMENT STRATEGY 2019-20

## 1. INTRODUCTION

1.1 The Treasury Management Strategy provides details of the expected activities of the Treasury Management function in the financial year 2019-20.

1.2 The Council's financial procedure rules require an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming year. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. Further treasury reports will be produced during the year if the strategy needs updating and a year-end annual report on actual activity for the year.

1.3 The strategy covers:

- Treasury Indicators and Limits on Activity
- Prospects for interest rates
- Borrowing Strategy
- Investment Strategy
- Debt Rescheduling and Premature Repayment of Debt
- Performance Indicators
- Treasury Management Advisers
- Member and Officer Training

## 2. TREASURY INDICATORS AND LIMITS ON ACTIVITY

2.1 Under the Local Government Act 2003 and the Prudential Code for Capital Finance in Local Authorities (revised in 2017), local authority capital spending and its borrowing to fund that spending is limited by what is affordable, prudent and sustainable. The Prudential Code sets out a number of indicators that enables the authority to assess affordability and prudence. The Prudential Indicators that related to Treasury Management were reclassified as Treasury Indicators in recent revisions of the Codes and are:

- Upper Limit for Fixed Rate Exposure
- Upper Limit for Variable Rate Exposure
- Limits on the Maturity Structure of Borrowing
- Limits on Total Principal Sums Invested Long Term

In addition the Prudential Code requires that the total external debt does not exceed the Authorised Limit for external debt and only exceeds the Operational Boundary for external debt temporarily on occasions due to variation in cash flow. Full Council when approving the Budget sets the Authorised Limit and the Operational Boundary.

2.2 The Treasury Management Indicators for 2019-20 are:

2.2.1 Interest rate exposure limits for 2019-20 are estimated as follows:

| Estimated Average Position for 2019-20 | | | |
|---|---|---|---|
| | Fixed Interest Rate | Variable Interest Rate | Total |
| | £m | £m | £m |
| Borrowed | +446 | +3 | +449 |
| Invested | (20) | (30) | (50) |
| **Net Debt** | **+426** | **(27)** | **+399** |
| **Proportion of Total Net Debt** | **+107%** | **(7%)** | **+100%** |

**It is recommended that the following maximum exposure limits are adopted:**

| | **Fixed Interest Rate** | **Variable Interest Rate** |
|---|---|---|
| **Proportion of Total Net Debt** | **+125%** | **+5%** |

2.2.2 **It is recommended that the following exposure limits for 2019-20, 2020-21 and 2021-22 are adopted:**

| **Interest Rate Exposures** | **2019-20** | **2020-21** | **2021-22** |
|---|---|---|---|
| | **Upper** | **Upper** | **Upper** |
| | **£m** | **£m** | **£m** |
| **Limits on fixed interest rates based on net debt** | **515** | **550** | **566** |
| **Limits on variable interest rates based on net debt** | **51** | **55** | **57** |

2.2.3 **It is recommended that the Council sets upper and lower limits for the maturity structure of its borrowing as follows:**

| | **Upper Limit** | **Lower Limit** |
|---|---|---|
| **Under 12 months** | **15%** | **0%** |
| **12 months to 2 years** | **15%** | **0%** |
| **2 years to 5 years** | **50%** | **0%** |
| **5 years to 10 years** | **50%** | **0%** |
| **10 years to 20 years** | **50%** | **0%** |
| **20 years to 30 years** | **50%** | **0%** |
| **30 years to 40 years** | **50%** | **0%** |
| **40 years and above** | **50%** | **0%** |

2.2.4 **Maximum principal sums invested longer than 365 days:**

| | 2019-20 | 2020-21 | 2021-22 |
|---|---|---|---|
| | **£m** | **£m** | **£m** |
| **Maximum principal sums invested longer than 365 days** | **10** | **10** | **10** |

## 3. PROSPECTS FOR INTEREST RATES

Based on the average projection from a number of sources we can expect the trend in the Bank Rate, set by the Monetary Policy Committee, over the next three years to be as follows:

| | Current | 2019-20 | 2020-21 | 2021-22 |
|---|---|---|---|---|
| | % | % | % | % |
| Average Bank Rate | 0.75 | 1.06 | 1.38 | 1.81 |

## 4. BORROWING STRATEGY 2019-20 – 2021-22

4.1 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall balance of risks to the UK economy is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.

The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will continue to take a cautious approach to its treasury management strategy.

Against this background and the risks within the economic forecast, caution will be adopted with the 2019-20 treasury operations. The Director of Corporate Services will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

The Director of Corporate Services, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. It is likely that shorter term fixed rates may provide lower cost opportunities in the short/medium term.

The option of delaying borrowing and utilising investment balances is likely to continue for the time being. However, this will be carefully reviewed to avoid incurring higher borrowing costs in later years due to an overall current trend of rising rates. This strategy reduces counterparty risk and hedges against any expected fall in investment returns.

The Council continues to maintain an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk should still be considered.

The timing of any action is important and the Director of Corporate Services and treasury advisers will monitor prevailing rates for any opportunities during the year.

The Council will be expected to borrow, for the Carmarthenshire led projects within the Swansea Bay City Deal partnership, £40m for the Life Science & Wellbeing Village and £2m for Yr Egin from 2019-20 to 2021-22.

4.2 **The Council's agreed policy is to raise funding only from the following**:

Public Works Loan Board (PWLB)
Market Long-Term (including European Investment Bank (EIB))
Market Temporary
Local Authorities
Overdraft
Internal Capital Receipts and Revenue Balances
Leasing
Welsh Government and Central Government

4.3 **Borrowing in advance of need**

The Council has some flexibility to borrow funds in advance of future years.

The Director of Corporate Services may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. Whilst the Director of Corporate Services will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities.

Borrowing in advance will be made within the constraints that:

- It will be limited to no more than 50% of the expected increase in borrowing needed (CFR) over the three year planning period; and
- Not to borrow more than 12 months in advance of need.

Risks associated with any advance borrowing activity will be appraised in advance and subsequently reported through the quarterly reporting mechanism.

## 5. INVESTMENT STRATEGY 2019-20 – 2021-22

### 5.1 INTRODUCTION

5.1.1 The Investment Strategy has been prepared with due regard to:

The Local Government Act 2003

Regulations made under the Local Government Act 2003 (as amended)

2017 Revised Prudential Code for Capital Finance in Local Authorities

The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008

Guidance issued by the Welsh Government

2017 Revised CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes

CIPFA Treasury Management Guidance Notes 2018

#### 5.1.2 Key Objectives

The Council's investment strategy primary objectives are:

- safeguarding the repayment of the principal and interest of its investments on time
- ensuring adequate liquidity
- the investment return

Following the interest rate views above, the current investment climate has counterparty security risk as the over-riding risk consideration. While there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually pan out. As a result of concerns over Eurozone sovereign debt and the potential negative impact on the banking industry, officers have implemented detailed operational procedures which are included in the treasury management procedure manual. These procedures tighten the controls already in place in the approved investment strategy.

#### 5.1.3 Risk Benchmarking

A development in the revised Codes and the WG Investment Guidance is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are new requirements to the Member reporting, although the application of these is more subjective in nature. The approach taken is attached at Appendix B.

## 5.2 DEFINITIONS

5.2.1 A credit rating agency is one of the following three companies: Fitch Ratings Limited (Fitch), Moody's Investors Service Limited (Moody's) and Standard and Poors (S&P).

5.2.2 An investment is a transaction that relies upon the power in section 12 of the Local Government Act 2003 and is recorded in the balance sheet under the heading of investments within current assets or long-term investments.

## 5.3 INVESTMENT COUNTERPARTIES

The Director of Corporate Services maintains a counterparty list in compliance with the following criteria and revises the criteria and submits them to Council for approval as necessary. This criteria is separate to that which approves Specified and Non-Specified investments as it selects which counterparties the Council will approve rather than defining what its investments are. The rating criteria use the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance if an institution is rated by all three agencies, two meet the Council's criteria, the other does not, the institution will fall outside the lending criteria.

### 5.3.1 Investment Counterparty Selection Criteria

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. To meet this main principle the Council will ensure:

- 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.
- 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.

5.3.2 **UK Banks 1 (Upper Limit) –** This Council will use banks which have at least the following Fitch, Moody's and Standard & Poors ratings:

Short Term – F1, P-1, A-1

Long Term – AA-, Aa3, AA-

**UK Banks 2 & UK Building Societies (Middle Limit) –** This Council will use all UK Banks and Building Societies which have at least the following Fitch, Moody's and Standard & Poors ratings:

Short Term – F1, P-1, A-1

Long Term – A, A2, A

**UK Banks Part Nationalised –** Royal Bank of Scotland Group plc (Royal Bank of Scotland and National Westminster Bank). These banks will be included if they continue to be part nationalised or they meet the ratings above.

The UK Government (HM Treasury) holds 62.4% stake within Royal Bank of Scotland Group.

UK part nationalised banks which are significantly owned by the UK Government will be included as investment counterparties, as long as they continue to have appropriate UK Government support. UK Government backing provides a credit quality overlay above that provided by the credit rating agencies. The Royal Bank of Scotland Group plc will be monitored for any material reduction in state ownership or deterioration of the credit rating which suggests a reduction of its use or suspension from the counterparty list.

**UK Banks 3 –** The Council's banker for transactional purposes if it falls below the above criteria. Balances will be minimised in both monetary size and time.

**Money Market Funds** – The Council will use AAA rated money market funds (MMFs) that are credit rated by at least two of the three credit rating agencies. These are pooled investment funds whose primary aims are liquidity and security and allow daily access to funds when required. Their operations are strictly regulated by the credit rating agencies and are operated by a financial institution but do not form part of that institutions assets, should the sponsoring institution fail the MMF is entirely separate, effectively owned by the investors. These types of funds invest in a range of instruments and institutions and therefore provide a low risk spread of investments.

The Money Market Fund reforms in Europe came into force during 2018 and provide the Council the opportunity to invest into Public Debt Constant Net Asset Value ("CNAV") MMFs and Low Volatility NAV ("LVNAV") MMFs. This is consistent with our current strategic approach.

**UK Government (including gilts and the DMADF)**

**Local Authorities (including Police & Fire Authorities)**

5.3.3 **Use of additional information other than credit ratings**

Under the Revised CIPFA Treasury Management Code of Practice 2017 the Council is still required to supplement credit rating information. Whilst the above criteria relies 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. The market information (for example, negative rating watches/outlooks, individual/viability and support ratings) will be applied to compare the relative security of differing investment counterparties.

The UK Government, like other Western governments, are initiating market regulations which will mean they may not bail out financial institutions in the future. This will not be initiated until corresponding rules and regulations are in place so that institutions are much stronger and less likely to fail. Whilst not an immediate concern, officers will continue to monitor the situation and changes to future investment strategies are likely.

5.3.4 The time and monetary limits for institutions on the Council's Counterparty List are shown below: (Specified and Non-Specified Investments)

| | Fitch | Moody's | Standard & Poors | Money Limit | Time Limit |
|---|---|---|---|---|---|
| Upper Limit Category - Short Term and Long Term | F1<br>AA- | P-1<br>Aa3 | A-1<br>AA- | £10m | 3 years |
| Middle Limit Category - Short Term and Long Term | F1<br>A | P-1<br>A2 | A-1<br>A | £7m | 1 year |
| Part Nationalised | - | - | - | £7m | 1 year |
| Council's Banker (not meeting criteria above) | - | - | - | £3m | 1 day |
| Other Institution Limits: | | | | | |
| - Any One Local Authority (including Police & Fire authorities) | - | - | - | £5m | 1 year |
| - Any AAA Rated Money Market Fund CNAV | - | - | - | £5m | Daily Liquidity |
| - Any AAA Rated Money Market Fund LVNAV | - | - | - | £5m | Daily Liquidity |
| - Debt Management Account Deposit Facility (DMO) | - | - | - | £40m | 6 months (max term specified by DMO) |

5.3.5 There are two types of investments – Specified and Non Specified

5.3.5.1 Specified Investments

These investments are sterling investments of not more than one-year maturity. These are low risk assets where the possibility of loss of principal or investment income is small. These would include investments with:

(1) The UK Government (such as the Debt Management Office, UK Treasury Bills or a Gilt with less than one year to maturity).
(2) A local authority, police authority and fire authority.
(3) Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency.
(4) A body that has high credit quality (which may include a high credit rating by a credit rating agency) such as a bank or building society. For this purpose a body with a short term rating of F1, P-1 or A-1 will be considered high quality.

5.3.5.2 Non Specified Investments

These investments are any other type of investment (i.e. not defined as Specified in 5.3.5.1 above).
The maximum sum and time limit for non specified investments is £5m per counterparty with a limit of 3 years.

Non specified investments will only be made in local authorities, bodies with a minimum long-term credit rating of AA– and in AAA rated money market funds.

**Note:** Barclays Bank plc are the Council's current bankers. If the bank's credit rating falls and it no longer meets the criteria for a specified investment no deposits will be made with the exception of the bank's overnight (Moneymaster) account. The average day to day operational balance on the account will not exceed £3m in these circumstances. See 5.3.4 above.

In the normal course of the council's cash flow operations it is expected that both Specified and Non-specified investments will be utilised for the control of liquidity as both categories allow for short term investments.

The use of longer term instruments (greater than one year from inception to repayment) will fall in the non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded.

5.3.6 The Monitoring of Investment Counterparties

The credit ratings of counterparties are monitored regularly. The officers receive credit rating information (changes, rating watches and rating outlooks) from the treasury management advisers as and when ratings change, and counterparties are checked promptly. Occasionally 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 by the Director of Corporate Services, and if required new counterparties which meet the criteria will be added to the list.

The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Whilst Members are asked to approve this base criteria above, under exceptional current market conditions the Director of Corporate Services will temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly the time periods for investments will be restricted.

Further restrictions would be the greater use of the Debt Management Account Deposit Facility (DMADF – an account within the Government Debt Management Office (DMO) which accepts local authority deposits), Money Market Funds, guaranteed deposit facilities and strongly rated institutions offered support by the UK Government. The credit criteria have been amended to reflect these facilities.

The present Schedule of Approved Counterparties for Lending 2019-20 is shown in Appendix C.

## 5.4 LIQUIDITY OF INVESTMENTS

Investments are made for periods which coincide with the Council's cash flow requirements.

When investing (within the risk criteria mentioned above), the aim is to achieve a level of return greater than would be secured by internal investments. The "7 day LIBID rate" is the recognised rate which the Council aims to exceed when lending money.

## 5.5 INVESTMENTS THAT ARE NOT PART OF TREASURY MANAGEMENT ACTIVITY

This Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

This Council will ensure that all the organisation's investments are covered in the investment strategy or equivalent, and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.
The council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisation's risk exposure.

Prior to making these investments, appropriate financial review procedures will be undertaken, including Profit and Loss, Balance Sheet and cash flow monitoring, as appropriate.

This Council acknowledges that it is critical that due diligence processes and procedures reflect the additional risk an organisation is taking on. Due diligence procedures should ensure effective scrutiny of proposed investments, identification of risk to both capital and returns, any external underwriting of those risks, and the potential impact on the financial sustainability of the organisation if those risks come to pass. Where necessary independent and expert advice should be sought to ensure due diligence is suitably robust.

# 6. DEBT RESCHEDULING AND PREMATURE REPAYMENT OF DEBT

As short term borrowing rates are likely to be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:
- the generation of cash savings and / or discounted cash flow savings
- helping to fulfil the treasury strategy
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

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

## 7. **PERFORMANCE INDICATORS**

The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. Examples of performance indicators used for the treasury function are:

- Debt (Borrowing) – New borrowing rate to outperform the average PWLB rate for the year

- Debt – Average weighted debt rate movement year on year

- Investments – Return on Investments to outperform the average "7 day LIBID rate"

The results of these indicators will be reported in the Treasury Management Annual Report for 2018-19.

## 8. **TREASURY MANAGEMENT ADVISERS**

The Council has a contract with Link Asset Services as its external treasury management advisor.

Link provides a range of services which include:

- Technical support on treasury matters, capital finance issues and the drafting of Member reports
- Economic and interest rate analysis
- Debt advisory services which includes advice on the timing of borrowing
- Debt rescheduling advice surrounding the existing portfolio
- Generic investment advice on interest rates, timing and investment instruments
- Credit ratings/market information service comprising the three main credit rating agencies

Under current market rules and the Revised CIPFA Treasury Management Code of Practice 2017 the responsibility for treasury management decisions remains with the Council at all times ensuring that undue reliance is not placed upon the external service providers.

The Council also recognises that there is value in employing external providers of treasury management services in order 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.

## 9. MEMBER & OFFICER TRAINING

The increased member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for members and officers. This Council has addressed this important issue by:

- Reviewing the treasury management function and ensuring officers are suitably qualified
- Arranging external training for officers
- Arranging training for those members charged with governance of the treasury management function

## RECOMMENDATIONS

1. **That Council formally approves the Treasury Management Policy and Strategy for 2019-20 and recommendations therein.**

2. **That Council formally approves the Treasury Management Indicators, Prudential Indicators, the MRP Statement and recommendations therein.**