Report Title: Treasury Management Strategy for 2019/20

districtnk
North Kesteven District Council

Executive Board date:
Council meeting date:

Decision information	
Key Decision?	**Yes** / No
Policy Framework Proposal?	Yes / **No**
Recommendation to Council?	**Yes** / **No**
Does the report contain information which has been identified as confidential or exempt?	Yes / **No** **If yes, reason for exemption:**
Relevant Overview and Scrutiny Panel	Performance & Review OSP
District Wards Affected	All
Report Authorisation	
Report authorised by Head of Service	
Report authorised by Corporate Management Team	

A. Purpose of Report

- To present the Council's Treasury Management Strategy for 2019/20.

B. Recommendations

1. That the Treasury Management Strategy and Prudential Indicators for 2019/20 to 2021/22 within the report be approved.
2. That the methodology for the calculation of the Minimum Revenue Provision (MRP) in paragraph 3.4 be approved.
3. That the rescheduling of loans be approved if a suitable opportunity arises.
4. That the method of determining counterparties and the schedule of Approved Bodies for Investment set out in Appendix 2 be approved.
5. That cash balances are used to finance the General Fund element of the Capital Programme until 2021/22 or until money market rates increase to a point where borrowing becomes a more suitable option.
6. That the clauses in appendix 5 be adopted.
7. That the methodology behind the day to day use of the SIBA and Money Market Funds be approved.

C. Financial and risk implications

Borrowing, Payments and Investment Income are key elements of the Council's budget, which can have a significant effect on the Council Tax requirement.

Complies with the CIPFA Code of Practice on Treasury management in the Public Service. The Council manages the risks associated with borrowing and investments with the assistance of the treasury management consultants Link Asset Services.

D. Human Resources Comments

No issues

Completed by:

E. Legal implications

The Council meets the requirements of the CIPFA Code of Practice on Treasury Management in the Public Service

F. Relationship to the NK Plan

None identified

G. Equality Impact Assessment

None identified

H. Privacy Impact Assessment

None identified

I. Sustainability Impact Assessment

None identified

J. Consultation and communications

- None

K. Report details

BACKGROUND

1.1 The Capital Expenditure and Treasury Management procedures are now firmly established within the Council. The Council has freedom over capital expenditure so long as it is prudent, affordable and sustainable. In order to show it is working within these limits the Council must approve, revise and monitor at least a basic range of prudential indicators/limits covering the forthcoming three years.

1.2 The Local Government Act 2003 requires the Council to have regard to the CIPFA Prudential Code and produce prudential indicators. This report revises the indicators/limits for 2018/19, 2019/20 and 2020/21, and introduces new indicators for 2021/22. Each indicator either summarises the expected activity or introduces limits upon the activity, and reflects the outcome of the Councils underlying capital appraisal systems.

1.3 Within this overall prudential framework there is a clear impact on the Council's treasury management activity, either through borrowing or investment activity. As a consequence, the capital and treasury management strategies for 2019/20 to 2020/21 and 2021/22 are included to complement the indicators. Some of the indicators are shown in the treasury management strategy to aid understanding. The production of the treasury management strategy is a requirement of the CIPFA Code of Practice on Treasury Management.

CIPFA Requirements

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (the Code) was adopted by this Council on 21st July 2016. This has since been updated in late 2017, and, whilst the Council will follow the code, its adoption no longer requires member approval.

The primary requirements of the Code are as follows:

a. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
b. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
c. The creation of a Capital Strategy. This is a requirement for 2019/20 and onwards.
d. Receipt by the Full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a quarterly Review and an Annual Report (stewardship report) covering activities during the previous year.

e. The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019-20, all local authorities to prepare an additional report, 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, governance procedures and risk appetite.

This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

f. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

g. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit Committee.

1.4 Economic Background

GLOBAL OUTLOOK. World growth has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China, overall world growth is likely to weaken.

Inflation has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to a marked acceleration of wage inflation which is likely to prompt central banks into a series of increases in central rates. The EU is probably about a year behind in a similar progression.

UK. The first half of 2018/19 has seen UK **economic growth** post only a modest performance. However, after an adverse weather depressed performance in quarter 1, growth has been recovering pace and the latest 3 month rolling average came in at a healthy 0.7%. The positive run of economic statistics was sufficiently robust for the Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase **Bank Rate** on 2nd August from 0.5% to 0.75%. Although growth looks as if it will only be modest overall at around 1.5% in 2018, the Bank of England's August Quarterly Inflation Report forecast that growth will pick up to 1.8% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.

Some MPC members have expressed concerns about a build-up of **inflationary pressures**, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation came in at 2.4% in September and is expected to fall back to the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019.

As for the **labour market,** unemployment has continued at a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.1%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 0.4%, near to the joint high of 0.5% since 2009. (The previous high point was in July 2015.) Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC were right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy. However, the MPC will need to tread cautiously before increasing Bank Rate again, especially given all the uncertainties around Brexit.

In the **political arena**, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

A more detailed global outlook is attached at appendix 4

2 CAPITAL EXPENDITURE PLANS

2.1 The Council's capital expenditure plans now form part of the Capital Strategy and are summarised below. This forms the first of the prudential indicators. This capital expenditure will need to take into account the following:

- Service Objectives
- Stewardship Of Assets
- Value For Money
- Prudence And Sustainability
- Affordability
- Practicality
- Revenue Consequences

2.2 This expenditure is partially funded by resources such as capital receipts, capital grants etc. Any remaining expenditure which cannot be immediately funded from other resources will form a borrowing need.

2.3 The key risks to the capital expenditure plans are that the level of Government grants have been estimated and is therefore subject to change. Similarly some estimates for other sources of funding, such as capital receipts, may also be subject to change over this timescale. For instance, anticipated asset sales may be postponed due to the impact of a recession on the property market

2.4 The Council is asked to approve the summary capital expenditure projections below. This forms the first prudential indicator:

Capital Expenditure	2018/19 Original	2018/19 Projected	2019/20 Estimated	2020/21 Estimated	2021/22 Estimated
	£	£	£	£	£
General Fund	1,324,600	3,831,700	2,027,700	854,100	935,400
HRA	9,235,900	6,858,300	9,036,900	12,736,400	9,369,200
Commercial Activities	3,850,000	3,500,000	6,500,000	8,000,000	3,700,000
Total Expenditure	**14,410,500**	**14,190,000**	**17,564,600**	**21,590,500**	**14,004,600**
Financed By:					
Capital Receipts	990,600	1,110,800	773,800	773,800	773,800
Capital Grants	809,500	1,543,200	1,352,000	1,352,000	1,352,000
Capital Reserves	8,660,400	7,295,100	7,838,800	5,364,700	2,078,800
Net Financing Need	**3,950,000**	**4,240,900**	**7,600,000**	**14,100,000**	**9,800,000**
Analysis:					
Housing Revenue Account	0	0	1,000,000	6,000,000	6,000,000
General Fund	100,000	740,900	100,000	100,000	100,000
Commercial Activities	3,850,000	3,500,000	6,500,000	8,000,000	3,700,000
Net Financing Need	**3,950,000**	**4,240,900**	**7,600,000**	**14,100,000**	**9,800,000**

The net financing need for commercial activities / non-financial investments included in the above table against expenditure is shown below:

Commercial activities / non-financial investments £m	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Capital Expenditure	3,850,000	3,500,000	6,500,000	8,000,000	3,700,000
Net financing need for the year	3,950,000	4,240,900	7,600,000	14,100,000	9,800,000
Percentage of total net financing need %	97.46%	82.53%	85.53%	56.74%	37.75%

2.5 The above tables shows a borrowing requirement for the capital programme from 201/1 onwards although it is not anticipated that the General Fund will take up this requirement until 2021/22. All the relevant indicators have been calculated on this basis. One option open to the Council to mitigate the effects of interest rate increases is to enter into forward deals where a rate is agreed now but the transaction does happen until an agreed date in the future.

2.6 With longer term borrowing rates currently around 2.8% and short term lending rates up to 1.00%, it makes more economic sense for the Council's General Fund to use existing cash balances to fund the capital programme as this will lower borrowing costs in the short term. For the Council's HRA, utilising borrowing enables more resources to be used to finance the New Build Programme than would otherwise be available. As properties generate rental income, this can be used to cover borrowing costs.

3.0 THE COUNCIL'S BORROWING NEED (THE CAPITAL FINANCING REQUIREMENT)

3.1 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure that has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. The net capital financing need identified in paragraph 2.4 above, will impact directly on the CFR.

3.2 The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments (VRP).

3.3 The Ministry for Housing, Communities and Local Government (MCHLG) Regulations require the Full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils to replace the existing Regulations, so long as there is a prudent provision.

3.4 The Council is required to approve the following MRP Statement:

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

Existing practice - MRP will follow the existing practice outline in former MHCLG Regulations

From 1 April 2008 for all unsupported borrowing the MRP policy will be:

Asset Life Method – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Directive);

Finance Leases - MRP will be calculated as being equal to the element of the rental/lease charge that goes to write down the balance sheet liability.

Loans to Third Parties – With the expectation that all loans will be repaid, there is no requirement for an MRP. All loans are reviewed on an annual basis and any potential for non-payment will be dealt with via the use of a Voluntary Revenue Provision (VRP) which is felt to be more prudent.

3.5 The Council is asked to approve the CFR projections below:

Year End Resources	2017/18 Actual	2018/19 Projected	2019/20 Estimated	2020/21 Estimated	2021/22 Estimated
Capital Financing Requirement	£	£	£	£	£
CFR Non Housing	9,530,830	9,250,669	9,087,173	8,813,758	8,555,481
CFR Housing	67,724,809	65,639,242	64,553,675	68,468,108	72,382,541
CFR Commercial Activities	3,147,900	7,147,900	13,647,900	21,647,900	25,347,900
Total CFR	80,403,539	82,037,811	87,288,748	98,929,766	106,285,922
Movement In CFR	3,919,993	1,634,272	5,250,937	11,641,018	7,356,156
Represented By:					
Net Financing Need For Year	6,470,993	4,240,900	7,600,000	14,100,000	9,800,000
MRP/VRP & Other Movements	(2,551,000)	(2,606,628)	(2,349,063)	(2,458,982)	(2,443,844)
Movement In CFR	3,919,993	1,634,272	5,250,937	11,641,018	7,356,156

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 capital expenditure figures shown in 2.4 and the details above demonstrate the scope of this activity and, by approving these figures, consider the scale proportionate to the Authority's remaining activity.

4 THE USE OF THE COUNCIL'S RESOURCES AND THE INVESTMENT POSITION

4.1 The application of resources (capital receipts, reserves etc) to either finance capital expenditure or 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.

Year End Resources	2018/19 Original	2018/19 Projected	2019/20 Estimated	2020/21 Estimated	2021/22 Estimated
	£	£	£	£	£
Fund Balances	2,313,100	2,351,600	2,351,600	2,351,600	2,351,600
Capital Receipts	1,034,900	1,455,000	1,768,100	2,081,200	2,394,300
Earmarked Reserves	9,828,900	16,433,800	15,147,900	12,683,600	13,826,900
Total Core Funds	13,176,900	20,240,400	19,267,600	17,116,400	18,572,800
Working Capital	(14,012,920)	(9,223,734)	(15,100,860)	(28,808,182)	4,529,284
Under/(Over) Borrowing	16,062,241	13,963,425	20,523,058	33,276,533	30,137,851
Expected Investments	15,226,221	24,980,091	24,689,798	21,584,751	53,239,935

*Working capital remains negative until 21/22 when it is assumed that the General Fund will start borrowing.

4.2 At present, the council is using cash balances to fund General Fund capital expenditure rather than taking on long term borrowing. Longer term borrowing in relation to the HRA is currently being undertaken. One option open to the Council to mitigate the effects of interest rate increases is to enter into forward deals where a rate is agreed now but the transaction does happen until an agreed date in the future.

5 LIMITS TO BORROWING ACTIVITY

The capital expenditure plans set out above 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. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

5.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2018 and for the position as at 12th November 2018 are shown below for both borrowing and investments.

TREASURY PORTFOLIO				
	actual	actual	current	current
	31.3.18	**31.3.18**	**12.11.18**	**12.11.18**
Treasury investments	£000	%	£000	%
banks	3,000	11%	3,000	10%
building societies	10,000	38%	7,000	22%
local authorities	2,000	8%	4,000	13%
money market funds	6,370	24%	11,758	38%
Total managed in house	**21,370**	**81%**	**25,758**	**82%**
property funds	2,000	8%	2,000	6%
Total managed externally	**2,000**	**8%**	**2,000**	**6%**
Loans To 3rd Parties	**3,148**	**12%**	**3,527**	**11%**
Total treasury investments	**26,518**	**100%**	**31,285**	**100%**
Treasury external borrowing				
local authorities	13,000	17%	0	0%
PWLB	62,949	83%	65,906	100%
Total external borrowing	**75,949**	**100%**	**65,906**	**100%**
Net treasury investments / (borrowing)	**-49,431**	**0**	**-34,621**	**0**

All loans and investments are detailed in appendix 1 and 3

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

	2018/19 Outturn	2019/20 Estimated	2020/21 Estimated	2021/22 Estimated
	£	£	£	£
Debt 1 April	63,159,952	68,074,385	66,765,689	65,653,234
Loan Repayments	(2,085,567)	(2,108,696)	(2,112,455)	(2,112,456)
New Borrowing	7,000,000	800,000	1,000,000	33,200,000
Debt 31 March	68,074,385	66,765,689	65,653,234	96,740,778
CFR	82,037,811	87,288,748	98,929,767	106,285,923
Under/(Over) Borrowing	13,963,426	20,523,059	33,276,533	9,545,145

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

	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
External Debt for commercial activities / non-financial investments					
Actual debt at 31 March £m	**0**	**0**	**0**	**0**	**21,647,900**
Percentage of total external debt %	**0%**	**0%**	**0%**	**0%**	**22.38%**

Within the range of prudential indicators there are a number of 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 2019/20 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 Resources reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

5.3 The Director of Resources reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

5.4.0 Two further prudential indicator that control or anticipate the overall level of borrowing are:

- **The operational boundary** –This is the limit 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.

The Council is asked to approve the following operational boundary:

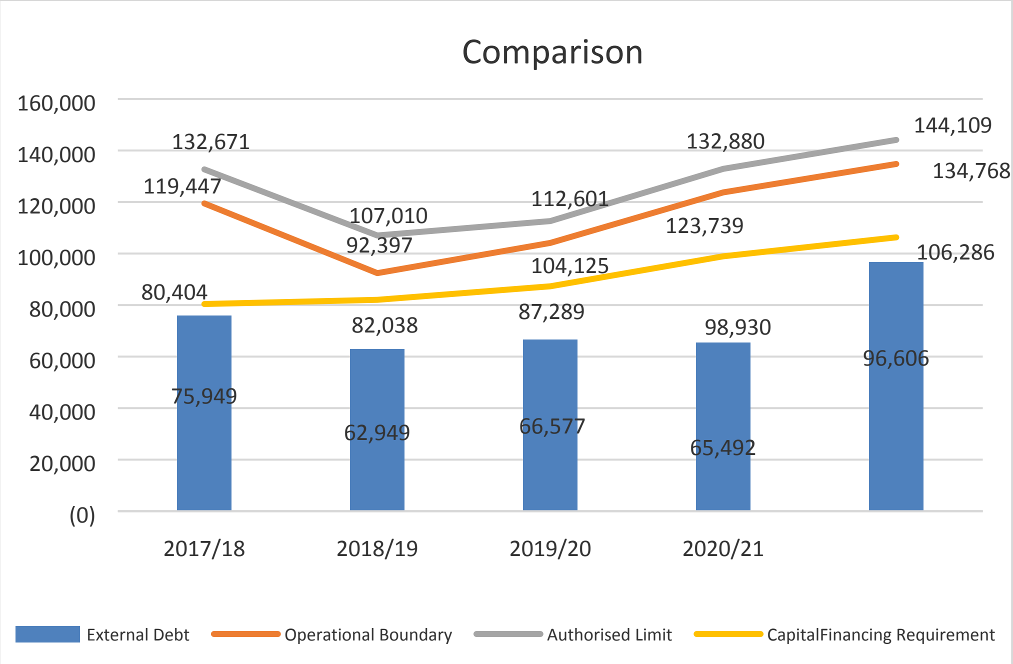
Operational Boundary	2018/19 Estimated	2019/20 Estimated	2020/21 Estimated	2021/22 Estimated
	£	£	£	£
Debt	92,185,711	103,936,648	123,577,667	134,633,823
Other Long Term Liabilities	211,352	188,223	161,334	134,445
Total	92,397,063	104,124,871	123,739,001	134,768,268

- **The authorised limit for external debt** – This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Board. 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. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Councils' plans or those of a specific Council, although no control has yet been exercised.

The Council is asked to approve the following authorised limit:

Authorised Limit For External Debt	2018/19 Estimated	2019/20 Estimated	2020/21 Estimated	2021/22 Estimated
	£	£	£	£
Borrowing - HRA	65,854,070	65,611,287	64,525,720	68,440,153
Borrowing - General Fund	19,187,216	26,574,804	39,328,279	42,796,891
Borrowing - Commercial Activities	7,147,900	13,647,900	21,647,900	25,347,900
Short Term Borrowing	13,000,000	5,000,000	5,000,000	5,000,000
Contingency	1,609,400	1,578,700	2,216,400	2,389,800
Other Long Term Liabilities	211,352	188,223	161,334	134,445
Total	107,009,938	112,600,914	132,879,633	144,109,189

In graphical terms, the following is the comparison between the Authorised Limit, Operational Boundary, Capital Financing Requirement and actual External Debt.



5.5 Both the Authorised Limit and Operational Boundary have increased to reflect the planned transactions of Lafford Homes Ltd. Whilst these transactions will be treated as capital rather than treasury management, they will still affect the overall treasury position and need to be included in these prudential indicators.

6 AFFORDABILITY PRUDENTIAL INDICATORS

6.1 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the overall Council's finances. The Council is asked to approve the following indicators:

6.2 **Actual and Estimates of the ratio of financing costs to net revenue stream** – This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Ratio of financing costs to net revenue stream

	2017/18 Actual	2018/19 Estimate	2019/20 Estimated	2020/21 Estimated	2021/22 Estimated
Non HRA	2.87%	2.98%	1.89%	1.27%	-1.16%
Commercial Activities					-1.32%
HRA	13.54%	14.31%	13.87%	13.52%	13.92%

These indicators are negative in 2021/22 as the income received is in excess of the interest payable.

6.3 The estimates of financing costs include current commitments and the proposals in this report.

6.4 **Estimates of the impact of capital investment decisions on the Council Tax** – This is a new local indicator and highlights the total and net (after funding) spend on capital projects

6.5 **Impact of capital investment decisions on the Band D Council Tax**

	2017/18 Actual	2018/19 Revised	2019/20 Estimated	2020/21 Estimated	2021/22 Estimated
Gross Spend	269.34	199.77	228.62	233.00	119.78
Funded From Borrowing	182.54	115.56	176.94	213.16	98.19

6.6 **Estimates of the impact of capital investment decisions on Housing Rent levels** – This is a new local indicator and highlights the total and net (after funding) spend on capital projects

6.7 Impact of capital investment decisions on Housing Rent levels

	2017/18 Actual	2018/19 Revised	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Gross Spend	1,427.00	1,791.00	2,333.00	3,280.00	2,407.00
Funded From Borrowing	0.00	0.00	258.20	1,545.20	1,541.23

6.8 It has recently been announced that the HRA debt cap has been removed and all tables and indicators have been prepared on that basis. The prudential code 2013 recommended further indicators in relation to the Housing Revenue Account (HRA):

	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
HRA Debt £m	59.897	64.811	63.526	62.440	66.355
HRA Revenues £m	15.105	15.033	15.25	15.362	15.874
Ratio Of Debt To Revenues	3.97	4.31	4.17	4.06	4.18

	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
HRA Debt £m	59.897	64.811	63.526	62.440	66.355
Number Of HRA Dwellings	3851	3829	3873	3883	3893
Debt Per Dwelling £	15,554	16,926	16,402	16,080	17,045

7 Treasury Management Strategy 2019/20 – 2020/21

7.1 The treasury management service is an important part of the overall financial management of the Council's affairs. Whilst the prudential indicators above consider the affordability and impact of capital expenditure decisions, and set out the Council's overall capital framework. The treasury service covers the effective funding of these decisions. Together they form part of the process which ensures the Council meets the balanced budget requirement under the Local Government Act 1992.

7.2 The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management – revised November 2009). As a result of adopting the code, the Council also adopted a Treasury Management Policy Statement. This adoption meets the requirements of the first of the treasury prudential indicators. However, the revised Code of Practice has amended the Treasury Management Policy Statement and this is appended at appendix 5 for approval

7.3 The constitution requires an annual strategy to be reported to the Executive Board outlining the expected treasury activity for the forthcoming 3 years. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. A further report is produced after the year-end to report on actual activity for the year, and a new requirement of the revision of the Code of Practice is that there is a mid-year monitoring report. The Board already receives a quarterly report on the Councils treasury activities which is in excess of the requirements of the revised code.

7.4 This strategy covers:

- The Councils debt and investment projections.
- The expected movement in interest rates
- The Council's borrowing and investment strategies

- Treasury performance indicators
- Specific limits on treasury activities
- Prudential and Treasury Indicators
- The current treasury position
- The policy on borrowing in advance of need
- Debt rescheduling
- The policy of the use of external service providers
- Any local treasury issues

8 DEBT AND INVESTMENT PROJECTIONS 2019/20 – 2020/21

8.1 The borrowing requirement comprises the expected movement in the CFR and any maturing debt which needs to be re-financed. The table below shows this effect on the treasury position over the next three years. The expected maximum debt provision during each year represents the Operational Boundary prudential indicator and so may be different from the year end position. The table also highlights the expected change in investment balances.

	2018/19 Original	2018/19 Revised	2019/20 Estimate	2021/21 Estimate	2021/22 Estimate
Borrowing Requirement	£	£	£	£	£
Debt 1st April	62,948,600	62,948,600	67,863,033	66,577,467	65,491,900
Change In Debt - HRA	6,500,000	7,000,000	800,000	1,000,000	6,000,000
Change In Debt - CA	0	0	0		21,467,900
Change In Debt - GF	0	0	0	0	5,732,100
Loan Repayments	(2,302,233)	(2,085,567)	(2,085,566)	(2,085,567)	(2,085,567)
Debt 31st March	67,146,367	67,863,033	66,577,467	65,491,900	96,606,333
Operational Boundary	104,562,917	92,397,063	104,124,871	123,739,001	134,768,268
Investments					
Total Investments 31st March	16,226,221	24,980,091	24,689,798	21,584,751	53,239,935
Investment Change	8,217,697	8,753,870	(290,293)	(3,105,047)	31,655,184

8.2 The related impact of the above movements on the revenue budget are:

	2018/19 Original	2018/19 Revised	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Revenue Budgets	£	£	£	£	£
Interest On Borrowing	2,309,783	2,215,056	2,266,499	2,227,340	3,243,822
Related HRA Charge	2,157,657	2,064,639	2,115,788	2,077,217	2,209,405
Net General Fund Cost	152,126	150,417	150,711	150,123	1,034,417
Gross Investment Income	520,100	485,569	652,541	951,490	1,836,992

9 EXPECTED MOVEMENT IN INTEREST RATES

The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives their central view.

Link Asset Services Interest Rate View	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	0.90%	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.10%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

There are risks to interest rates movements although it is thought unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. It is likely that getting parliamentary approval on both sides of the Channel will take well into spring next year. However, in view of the hawkish stance of the MPC this time, we have moved forward our first increase in Bank Rate from August to May 2019. The next increases then occur in February and November 2020 before ending up at 2.0% in February 2022.

Financial markets are now expecting a first increase in February 2019 and then further increases only in February 2020 and then May 2021, to end 21/22 at only 1.50%.

A full commentary on interest rates is attached at appendix 5

10 BORROWING STRATEGY 2019/20 – 2019/20

10.1 The uncertainty over future interest rates increases the risks associated with its capital and treasury activities. As a result the Council will take a cautious approach to its treasury strategy.

10.2 There has been a recent ¼ % movement in the Bank rate which has resulted in a slight movement in short and long term rates. The Director of Resources, 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.

10.3 With the likelihood of long term rates increasing in the medium to long term, debt restructuring is likely to focus on switching from longer term fixed rates to cheaper shorter term debt, although the Director of Resources and treasury advisors will monitor prevailing rates for any opportunities during the year.

10.4 The Council is currently maintaining 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 is high and will be maintained until such time as there is a need for the borrowing.

10.5 Borrowing in advance of need – The Council has some flexibility to borrow funds this year for use in future years. The Director of Resources and Resources may do this under delegated powers 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. Conversely, the option to "Forward Deal" (lock into borrowing today that will not be taken until a point in the future), will also be considered. Whilst the Director of Resources and Resources 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 100% of the expected increase in borrowing need (CFR) over the three year planning period; and
- The Council would only look to borrow for schemes that are in the currently approved capital programme.

Risks associated with any borrowing activity will be subject to appraisal in advance and subsequent reporting through the quarterly reporting mechanism.

10.6 The council's present overall external borrowing is set out in appendix 1

11 DEBT RESCHEDULING

11.1 Debt rescheduling is a means of replacing existing loans that are due to be repaid within the relatively near future with variable or fixed rate loans that can be secured at present low rates of interest.

11.2 The reasons why rescheduling could be worth undertaking include:-

- The generation of long term savings at minimum risk:
- Enhancement of the balance of the long term portfolio i.e. improve the debt maturity profile and/or the balance of volatility

11.3 Any rescheduling that is undertaken by the Director of Resources and Resources under delegated powers will be reported to the Executive Board at the meeting following this action.

11.4 In light of current market conditions where the rate of return received on investments is lower than that paid on long term loans, it may be worth considering using cash balances to repay loans either early or when they mature. This would need to be considered in conjunction with the Treasury Management advisors.

12 INVESTMENT STRATEGY 2019/20 – 2020/21

The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially 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: -

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

12.1 The Councils in house managed funds are made up of fund balances, reserves and cash flow surpluses. Investments will accordingly be made with reference to the estimated movement in the funds/reserve, cash flow requirements and the outlook for short term interest rates. All investments will be in sterling.

12.2 **Key Objectives -** The Council's investment strategy primary objectives are safeguarding the re-payment of the principal and interest of its investments on time first and ensuring adequate liquidity second – the investment return being a third objective. Following the economic background above, the current investment climate has one over-riding risk consideration, that of counterparty security risk.

12.3 **Risk Benchmarking** – A development in the revised Codes and the MHCLG consultation paper 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.

12.4 These benchmarks are simple targets (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy depending on any changes. Any breach of the benchmarks will be reported, with supporting reasons in the quarterly reports.

12.5 Security and liquidity benchmarks are already intrinsic to the approved treasury strategy through the counterparty selection criteria and some of the prudential indicators. However they have not previously been separately and explicitly set out for consideration. Proposed benchmarks for the cash type investments are below and these will form the basis of future reporting in this area. In the other investment categories appropriate benchmarks will be used where available.

12.6 **Liquidity** – This is defined as "having adequate, though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives" (CIPFA Treasury Management Code of Practice). In respect of this area the Council seeks to maintain:

- Bank Overdraft – agreed maximum net £500,000, although daily cash management ensures this is around zero.
- Sufficient short term cash to cover estimated outgoings over the next 2 week period.

12.7 **Security of the investments** – In the context of benchmarking, assessing security is a much more subjective area to assess. Security is currently evidenced by the application of minimum credit quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody's and Standard and Poors). Whilst this approach embodies security considerations, benchmarking levels of risk is more problematic. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council's investment strategy. The table beneath shows average defaults for differing periods of investment grade products for each Fitch long term rating category over a 30 year period.

Long Term Rating	1 Year	2 Years	3 Years	4 Years	5 Years
AA	0.020%	0.040%	0.100%	0.170%	0.240%
A(A-)	0.050%	0.150%	0.280%	0.420%	0.590%
BBB	0.160%	0.440%	0.770%	1.150%	1.550%

12.8 As a result of the change in accounting standards for 2018/19 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. (The Ministry of Housing, Communities and Local Government [MHCLG] have conducted a review and are allowing councils a 5 year grace period during which any fluctuations in the valuation of the pooled investment vehicle will be taken to an unusable reserve. After that time, any movement in the instrument value will be a charge or a credit to the Council's General Fund. This may have a future impact on the use of pooled investment vehicles such as Property Funds.

12.9 The Council's minimum long term rating criteria is currently "A-", meaning the average expectation of default for a one year investment in a counterparty with a "A-" long term rating would be 0.05% of the total one year investment (e.g. for a £1m investment the average loss would be £500). This is only an average - any specific counterparty loss is likely to be higher - but these figures do act as a proxy benchmark for risk across the portfolio.

12.10 The Council's maximum security risk benchmark for the whole portfolio, when compared to these historic default tables, is:

- **1.55% historic risk of default when compared to the whole portfolio.**

And in addition that the security benchmark for each individual year is:

	1 Year	2 Years	3 Years	4 Years	5 Years
Maximum	0.050%	0.150%	0.280%	0.420%	0.590%

12.11 These benchmarks are embodied in the criteria for selecting cash investment counterparties and these will be monitored and reported to Members in the Investment Annual Report. As this data is collated, trends and analysis will be collected and reported. Where a counterparty is not credit rated a proxy rating will be applied.

12.12 If any of the Councils investments appear at risk of loss due to default(i.e. there is a credit related loss, and not one resulting from a fall in price due to movements in interest rates) the Council will make revenue provision of an appropriate amount. The Council currently has no investments at risk.

12.13 Yield - Local measures of yield benchmarks are

- Investments – Internal returns above the 7 day LIBID rate

12.14 Sensitivity to Interest Rate Movements

Future Council accounts will be required to disclose the impact of risks on the Council's treasury management activity. Whilst most of the risks facing the treasury management service are addressed elsewhere in this report (credit risk, liquidity risk, market risk, maturity profile risk), the impact of interest rate risk is discussed but not quantified. The table below highlights the estimated impact of a 1% increase/decrease in all interest rates to treasury management costs/income for the next year. That element of the debt and investment portfolios which are of a longer term, fixed interest rate nature will not be affected by interest rate changes.

	Estimate	Estimate
	+1%	-1%
Revenue Budgets	0	0
Interest On Borrowing	0	0
Related HRA Charge	0	0
Net General Fund Cost	0	0
Gross Investment Income	168,729	(168,729)

12.15 A schedule of the Council's current investments is shown in Appendix 3.

13 INVESTMENT COUNTERPARTY AND LIQUIDITY FRAMEWORK

13.1 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:

- 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.

- 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.

13.2 The Director of Resources and Resources 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. This criteria is separate to that which chooses Specified and Non-Specified investments as it provides an overall pool of counterparties considered high quality the Council may use rather than defining what its investments are.

13.3 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 two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Code of Practice.

13.4 Credit rating information is supplied by the 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 list. Any ratings changes, ratings watches (notifications of any likely change), ratings outlooks (notification of a possible longer term change) 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 others being reviewed in light of market conditions.

13.5 The criteria for providing a pool of high quality investment counterparties (for both Specified and Non Specified investments) is:

UK Banks and Building Societies that have as a minimum the following Fitch, Moody's and Standard and Poors credit ratings:

- Short Term – F2
- Long Term – A-
- UK institutions that continue to meet the minimum rating criteria above will continue to be used in the event of a UK sovereign downgrade.
- Part nationalised banks – Lloyds and RBS Banking Groups. These will continue to be used so long as they continue to meet the minimum rating criteria above or remain part nationalised.
- The top 10 rated building societies based on asset size
- Non UK Banks in countries that have a minimum sovereign rating of AAA and meet the above UK Banks and Building Societies criteria. Please see appendix 2 for a complete list of Non UK institutions and their current credit rating.

Other Institutions

- Money Market Funds – AAA
- Property Funds
- Short Dated and Ultra Short Dated Bond Funds
- UK Government (including gilts and the DMADF)
- All Local Authorities
- Housing Associations that meet the above criteria
- Municipal Bonds Agency
- Supranational institutions such as The World Bank or the European Investment Bank.

13.6 **SPECIFIED AND NON-SPECIFIED INVESTMENTS**

<u>Specified Investments</u>

13.7 In accordance with The Local Government Investment Guidance under S15 (1)(a) of the Local Government Act 2003, the specified instruments approved for investment and those most commonly used by local authorities are:

- Deposits with banks, building societies and local authorities (and certain other bodies meeting the criteria above and for less than one year.
- AAA rated bonds deposit facility
- Eligible institutions
- Debt Management Account (run by the DMO/PWLB)
- Listed Securities
- Supranational Bonds of less than one year's duration
- A local Authority, Parish Council or Community Council
- Pooled Investment Vehicles such as Money Market Funds
- Loans to 3rd Parties

13.8 These specified investments are in sterling and must not exceed one year unless the Council has the right for it to be repaid within 12 months if it wishes. These are low risk assets where the possibility of a loss of principal or investment income is small.

Non Specified Investments

13.9 Non-specified investments are any other type of investment i.e. not defined as Specified above, and would include any sterling investments and non-financial investments. The use of longer term instruments (greater than one year from inception to repayment) will fall in this category. These instruments will only be used where the Council's liquidity requirements are safeguarded. This will also be limited by the investment prudential indicator below.

13.10 The Council will only deal in the above investment types and the counterparties shown in Appendix 2 are those currently complying with our counterparty credit rating criteria (see above). Institutions will be added and removed in line with approval from the Director of Resources And Resources, as their criteria complies/does not comply with our credit rating criteria.

13.11 The most commonly used Non Specified Investments are:

- Property Funds (Pooled investment vehicles as opposed to investment in physical properties)
- Supranational Bonds of more than one year's duration
- Gilt Edged Securities
- The Councils own bankers if they fail to meet the basic credit criteria

- Any Deposits with an institution that meets the criteria above of more than one year duration

13.12 The Council's own bankers NatWest do not meet the banking criteria above but are included as they are part nationalised and have government support.

13.13 **Use of additional information other than credit ratings** – Additional requirements under the Code of Practice now require the Council 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. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties

13.14 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.

13.15 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. This will also be limited by the longer term investment limits.

13.16 **Economic Investment Considerations** - Expectations on shorter-term interest rates, on which investment decisions are based, show likelihood of the current 0.50% Bank Rate remaining flat until Quarter 2 2019. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts.

13.17 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 the exceptional current market conditions the Director of Resources And Resources may 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.

13.18 Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (DMDAF – a Government body 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.

13.19 Provided that the institution passes the above criteria and is an approved counterparty. The Council has set the following monetary and time limits for any transactions. If they have been amended then the previous limits are shown in brackets.

13.20 There is now a need for an annual review on non-financial instruments to ascertain if there are any potential losses.

	Maximum Money Limit	Maximum Time Limit
Gov't Part Owned Counterparty	£5m	6 Yrs
Other Approved Counterparty	£3m	6 Yrs
Group Limit	£6m	6 Yrs
Non UK Country Limit	£6m	6 Yrs
SIBA see 13.20	£12m	
Money Market Funds	£5m Per Fund	
Short Dated and Ultra Short Dated Bond Funds	£5m Per Fund	
Property Funds	£5m Per Fund	
Debt Management Office	£Unlimited	6 Mths
Loans To 3rd Parties	£30m	40 Yrs
Local Authorities	£5m Per Authority	40 Yrs

These limits will be monitored regularly to reflect any changes in market conditions and will be reported as appropriate.

13.21 The Special Interest Bearing Account (SIBA) at NatWest and the Money Market Funds – These accounts are used as call accounts for short term cash and are used on a day to day basis to keep surplus funds when it is not needed in the immediate short term but is not economical to lend out on the money markets. At certain times within the month, large amounts of funds are needed to make creditor payments and Precept payments to the County Council and Police authority, and so over a period, funds are built up to cover those transactions.

14 EXTERNAL CASH FUND MANAGEMENT

14.1 Due to the relatively short time period that monies are available for investment and the relatively low levels of investment, the Council made a decision that Cash Management will be undertaken in house, rather than by external managers.

15 TREASURY MANAGEMENT LIMITS ON ACTIVITY

15.1 There are four further treasury activity limits, which were previously prudential indicators. The purpose of these are to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The indicators are:

- Upper limits on variable interest rate exposure – This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments.

- Upper limits on fixed interest rate exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates.

- Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits. They have been set at the maximum level to allow for possible rescheduling opportunities into any period depending on market conditions.

- 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 borrowing, and are based on the availability of funds after each year-end.

15.2 The Council is asked to approve the following limits:

Maturity Structure Of Fixed Interest Rate Borrowing 2018/19		
	Lower	Upper
Under 12 Months	0%	100%
12 Months To 2 Years	0%	100%
2 Years To 5 Years	0%	100%
5 Years To 10 Years	0%	100%
10 Years To 20 Years	0%	100%
20 Years To 30 Years	0%	100%
30 Years to 40 Years	0%	100%
40 Years To 50 Years	0%	100%
Over 50 Years	0%	100%

Maximum Principal Sums Invested > 365 Days	2018/19	2019/20	2020/21	2021/22
Maximum Investment	£30m	£30m	£30m	£30m

16 PERFORMANCE INDICATORS

16.1 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 often used for the treasury function are:

- Debt – Borrowing - Average rate of borrowing for the year compared to average available
- Debt – Average rate movement year on year
- Investments – Internal returns above the 7 day LIBID rate

The results of these indicators will be reported in the Treasury Annual Report.

17 Treasury Management Advisers

17.1 The Council uses Link Asset Services as its treasury management advisors. The company 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 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;
- Training for Officers and Members on both treasury and non-treasury investments.

17.2 The Council also uses advice from the CCLA (Churches, Charities & Local Authorities) in relation to its property fund investments.

17.3 Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council. This service is subject to regular review.

L. Conclusion and reasons for recommendation

To comply with the Council’s code of practice on Treasury Management.

M. Other options considered and reasons rejected

Not Applicable

N. Document Information	
APPENDIX NO.	**TITLE**
1	List Of Outstanding Loans
2	List Of Approved Counterparties
3	List Of Outstanding Investments
4	Economic Background
5	Interest Rate Forecast
6	Glossary

BACKGROUND PAPERS	
Title	**Location of Background Papers**

Report Author:	Simon Curtis
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