COUNCIL	DATE 27 February 2019	ITEM NO 13
TITLE Treasury Management Strategy Statement 2019/20	**WARD (S)** All	
CHIEF OFFICER Director of Finance	**CABINET MEMBER(S)** Finance and Resources	
DECISION CLASSIFICATION -	**IS THE FINAL DECISION ON THE RECOMMENDATIONS IN THIS REPORT TO BE MADE AT THIS MEETING?** Yes	

1 **Decisions Required**

This report makes the following recommendations to the decision maker:

1.1 To agree the Treasury Management Strategy for 2019/20.

2 **Links to the Royal Greenwich Strategy**

2.1 An effective treasury management function helps to facilitate the smooth running of council services and to provide support towards the achievement of the Council's plans, aims and objectives.

2.2 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending obligations as they fall due, whether on day-to-day revenue or for larger capital projects.

3 Purpose of Report and Executive Summary

3.1 This report adopts the key recommendations of the revised Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management 2017 (the 'Code') and has been prepared with regard to the Local Government Act 2003; the revised MHCLG Investment Guidance, issued by the Ministry of Housing Communities and Local Government (MHCLG) in 2018.

3.2 Following the sustained period of reduced public spending and the localism agenda, the landscape for public service delivery has changed significantly, since the publication of the previous edition of the Treasury Management Code in 2011.

3.3 The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement, which sets out the policies and objectives of the Authority's treasury management activities.
- Creation and maintenance of Treasury Management Practices, which set out the manner in which the Authority will seek to achieve those policies and objectives.
- Receipt by Council of an annual Treasury Management Strategy report (including the annual investment strategy) for the year ahead, a mid-year review report and an annual review report of the previous year.
- Delegation by Council of responsibilities for implementing and monitoring treasury management policies and practices, and for the execution and administration of treasury management decisions.
- Delegation by Council of the role of scrutiny of treasury management strategy and policies to a specific named body, which in this Authority is the Audit and Risk Management Panel.

3.4 The purpose of this report is to meet one of the above requirements of the CIPFA Code, namely, the Treasury Management Strategy for the financial year 2019/20.

4 Introduction & Background

4.1 The Royal Borough of Greenwich is required to operate a balanced budget, which broadly means that cash raised during the year will, as a minimum, meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when needed. Surplus monies are invested in accordance with the Authority's risk appetite and investment policy, having regard to security, liquidity and yield.

4.2 The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning to ensure that the Authority can meet its capital spending obligations. The management of this longer-term cashflow may involve arranging long or short-term loans, or using longer-term cash flow surpluses.

4.3 CIPFA recognises that there is a wide range of interpretations of what activities comprise treasury management. For the purposes of the Code and accompanying guidance notes, CIPFA has adopted the following as its definition of treasury management activities:

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

4.4 This definition is intended to apply in the Authority's use of capital and project financings, borrowings and all investments.

4.5 '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.

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

4.7 All investments require an appropriate investment management and risk management framework under this Code.

4.8 Revised reporting is required for the 2019/20 reporting cycle due to revisions of the Code and the MHCLG Investment Guidance. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. Although the capital strategy is being reported separately, importantly, it is being considered by the same decision making body that approves both the Treasury Management Strategy and the Budget i.e. all three key documents are linked.

Reporting Requirements

<u>Capital Strategy</u>

4.9 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

4.10 The aim of this capital strategy is to ensure that all elected members fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

4.11 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.

4.12 As a result of the the changes to the 2011 and 2017 codes, the role of the s151 officer has been clarified, especially in respect of non-financial investments. This is provided in Appendix 8.

Treasury Management Reporting

4.13 The Authority is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. These reports are required to be adequately scrutinised before being recommended to Council and this role is undertaken by the Audit and Risk Management Panel. The three reports are:

- The Treasury Management Strategy Statement (TMSS)
- The Mid-Year Treasury Management Report
- The Treasury Outturn Report.

4.14 The Treasury Management Strategy Statement (this report) is the first report covering how capital expenditure, investments, borrowings and the minimum revenue provision (MRP) are to be managed, including treasury indicators.

4.15 The Mid-Year Treasury Management Report updates members with the progress of the strategy and amends indicators or policies as necessary.

4.16 The Treasury Outturn Report provides details of actual performance in the financial year compared to the estimates within the strategy.

Treasury Management Strategy Statement for 2019/20

4.17 The strategy for 2019/20 covers:

The Borrowing Strategy (Section 5)

- Current Treasury Position
- Borrowing Profile
- Treasury Management Indicators: Limits to Borrowing Activity
- Prospects for Interest Rates
- Approach to Borrowing and Interest Rate Exposure
- Maturity Structure of Borrowing
- Policy on Borrowing in Advance of Need
- Debt Rescheduling

The Annual Investment Strategy (Section 6)

- o Current Treasury position
- o Investment Policy
- o Creditworthiness Policy
- o Country and Sector considerations
- o Time and Monetary Limits applying to Investments
- o Approach to Investment
- o Investment Returns Expectations
- o End of Year Investment Report
- o Policy on the Use of External Service Providers.

4.18 These elements cover the requirements of the Local Government Act 2003, the CIPFA Treasury Management Code of Practice 2017 and the revised MHCLG Investment Guidance 2018. The Treasury Policy Statement and Code of Practice are presented in Appendices 6 and 7.

4.19 The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management, in particular for this authority, those members of the Audit and Risk Management Panel.

4.20 A glossary is provided as Appendix 1.

5 Borrowing Strategy

Current Treasury Position

5.1 The Authority's forecast treasury portfolio position as at 31 March 2019, with forward projections is summarised in Table 1. It shows the actual external borrowing (i.e. the treasury management operations), against the underlying need to borrow for capital purposes (known as the Capital Financing Requirement - CFR).

Table 1- Capital Financing Requirement versus Borrowing

	2017-18 Actual £'000	2018-19 Estimate £'000	2019-20 Estimate £'000	2020-21 Estimate £'000	2021-22 Estimate £'000
CFR at 1st April	510,094	525,201	557,873	627,977	683,095
Add Approved Borrowing:					
Housing	17,783	33,936	65,488	58,741	72,775
Regeneration	0	0	5,300	0	0
General Fund	691	1,267	3,239	536	0
Leisure / Libraries	152	950	395	855	0
BSF / EY / Schools	0	293	0	0	0
Reserved Capital Receipts	(70)	0	0	0	0
MRP	(3,449)	(3,774)	(4,318)	(5,014)	(5,404)
CFR at 31st March	**525,201**	**557,873**	**627,977**	**683,095**	**750,466**
Borrowing at 1 April	396,765	386,400	382,945	378,108	374,653
Borrowings Maturing	(10,365)	(3,455)	(4,837)	(3,455)	(3,455)
New Borrowings	0	0	0	0	0
Borrowing at 31 March	**386,400**	**382,945**	**378,108**	**374,653**	**371,198**
Delayed Borrowing	**138,801**	**174,928**	**249,869**	**308,442**	**379,268**

5.2 Within the Prudential Indicators approved by Council, there are a number of key indicators to ensure that the Authority operates its activities within well-defined limits. One of these is that the Authority needs to ensure that its 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 purposes.

5.3 The Director of Finance reports that the Authority complied with this indicator in the current year and does not envisage difficulties for the future.

Borrowing Profile

5.4 Table 2 shows the forecast borrowing position as at 31 March 2019.

Table 2 – Forecast Position as at 31/03/19 (comparator as at 31/03/18)

2017/18 £000	**2018/19 £000**	**Borrowing**	**2017/18 %**	**2018/19 %**
257,400	253,945	PWLB*	4.65%	4.66%
129,000	129,000	Banks**	4.18%	4.18%
386,400	**382,945**	**Total**	**4.50%**	**4.50%*****

* Public Works Loans Board – fixed rate maturity loans

** Mainly Lenders Option Borrowers Option (LOBO) – loans from banks that are fixed rate for a period, with an option for the lender to revise the rate and a subsequent option for the borrower to repay without penalty

*** Weighted Average Rate

5.5 The prospect of options being exercised in the near term, is currently low, however, the theoretical value of loans that could mature over the next three years is as shown in Table 3.

Table 3 – Near Term Debt Maturity

	2019/20 £000	**2020/21 £000**	**2021/22 £000**
PWLB (fixed maturity date)	4,837	3,455	3,455
LOBO (possible options)	39,500	23,500	46,000
Total	**44,337**	**26,955**	**49,455**

5.6 The debt maturity profile is presented in two formats to demonstrate the impact on refinancing if all options were exercised at their next call date:

Chart 1: All loans run to contractual maturity.
Chart 2: LOBO loan options exercised at next opportunity.

Chart 1: Debt Maturity and Rate Profile (contract term)

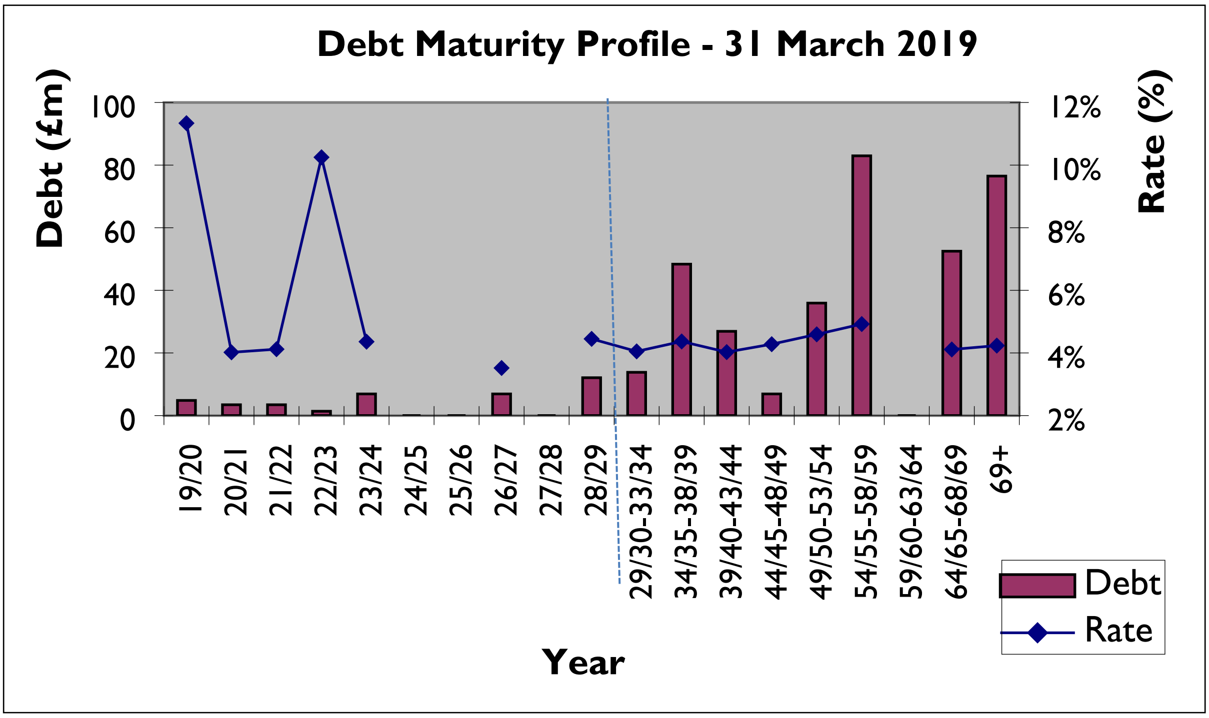
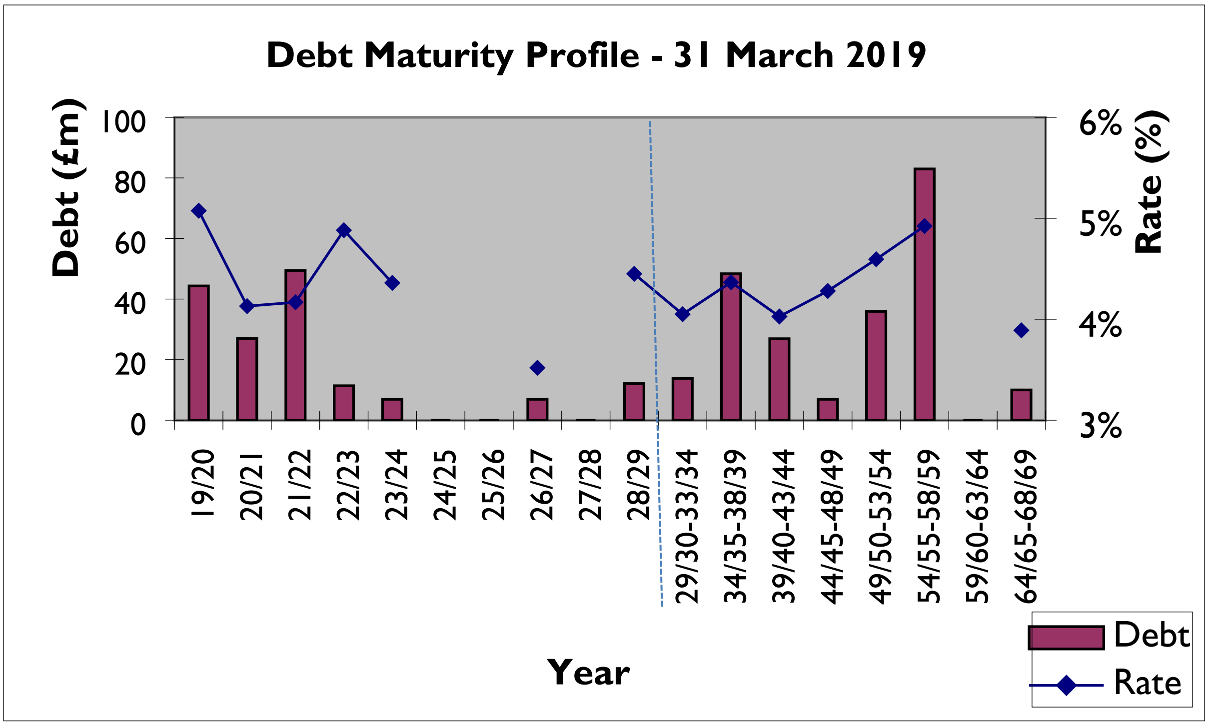


Chart 2: Debt Maturity and Rate Profile (options exercised)



Treasury Management Indicators: Limits to Borrowing Activity

5.7 With the abolition of the HRA Cap, there are now two limits in respect of borrowing in 2019/20:

- The Operational Boundary
- The Authorised Limit

5.8 The two indicators are due for approval by Council on 27 February 2019.

Prospects for Interest Rates

5.9 The Authority has re-appointed Link Asset Services as its treasury advisor and part of their service is to assist in formulating a view on interest rates. Appendix 2 draws together forecasts for short term (Bank Rate) and longer term fixed interest rates. Table 5 below provides a range of longer term fixed interest rate forecasts.

Table 5 – Interest Rates for Borrowing Forecasts

Year Ending	PWLB Borrowing Rates* (%)			
	5 year	10 year	25 year	50 year
March 2019	1.76-2.10	2.18-2.50	2.80-2.90	2.68-2.70
March 2020	2.10-2.30	2.50-2.80	2.90-3.20	2.70-3.00
March 2021	2.30-2.60	2.80-3.00	3.20-3.40	3.00-3.20

* “certainty” rate

5.10 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. After the August increase in Bank Base Rate from 0.50% to 0.75%, the first above 0.50% since the financial crisis, the MPC emphasised that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate than before the crisis. Some forecasters are predicting that it is unlikely that MPC will increase Bank Rate in February 2019, ahead of the deadline in March for Brexit and that if Brexit is delayed, MPC is more likely to wait until August 2019 than May 2019, before the next increase, to be followed by further increases of 0.25% in May and November 2020 to reach 1.75% in June 2021. Nevertheless, the cautious pace of these increases is dependent on a reasonable orderly Brexit.

5.11 The interest rate forecasts provided by Link Asset Services in paragraph 5.10 above, are predicated on an assumption of an agreement being reached on

Brexit between the UK and the EU. The Council is mindful of the Brexit timetable and will ensure that treasury activity is managed to minimise any risk to the Council as 29 March 2019 approaches.

5.12 The overall longer run is for gilt yields and PWLB rates to rise, albeit gently. The overall balance of risks to economic recovery in the UK is still to the downside, in view of the uncertainty over the final terms of Brexit.

5.13 Borrowing interest rates have been volatile so far in 2018-19 and have increased modestly since the summer. The policy of internal borrowing i.e. avoiding new borrowing by running down spare cash balances now needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and / or the refinancing of maturing debt.

5.14 There will remain a cost of carry (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

<u>Approach to Borrowing and Interest Rate Exposure</u>

5.15 The Authority is currently delaying borrowing. This means that the underlying need to borrow for capital purposes (the CFR), has not been fully funded with external borrowing, as cash supporting the Authority'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 still an issue that needs to be considered. The management of the level of delayed borrowing and its treatment within the General Fund and HRA is monitored – this approach is currently being reviewed in light of the step change in investment in housing related projects in the borough.

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

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates* e.g. due to a marked increase of risks around, relapse into recession or of risks of deflation, then long term borrowings will be postponed and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast,* perhaps arising from an acceleration in start date and the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the potential that fixed rate funding could be drawn whilst interest rates were still relatively cheap.

5.17 Any decisions will be reported through the mid-year and annual Treasury Management reports.

Maturity Structure of Borrowing

5.18 These gross limits are set to reduce the Authority's exposure to large fixed rate and variable sums falling due for refinancing at the same time.

5.19 The Council is asked to approve the treasury indicators and limits in Appendix 3.

Policy on Borrowing in Advance of Need

5.20 Any decision to borrow in advance will be:

- within forward approved Capital Financing Requirement estimates
- considered carefully to ensure that value for money can be demonstrated (balanced against the carry cost of borrowing in advance of need)
- reported through the Mid-Year and Annual Treasury Management Strategy Reports.

Debt Rescheduling

5.21 As short-term borrowing rates will, considerably be 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).

5.22 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).

6 Annual Investment Strategy

Current Treasury Position

6.1 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), setting out where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It recognises that the risk appetite for these activities may differ from that for treasury management but common to both "commercial" investments and treasury investments is the need for holistic council-wide planning, robust due diligence and formal oversight.

6.2 Table 6 below shows the forecast investment position at 31 March 2019.

Table 6 – Forecast Position as at 31/03/19 (comparator as at 31/03/18)

2017/18 £m	2018/19 £m	Investments	2017/18 %	2018/19 %
294	271	Total	0.25%	0.71%

Investment Policy

6.3 The Authority's investment policy has regard to the MHCLG's Guidance on Local Government Investments ("the Guidance") and the 2017 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Authority's investment objectives will be, in priority order:

- **S**ecurity
- **L**iquidity
- **Y**ield.

6.4 In accordance with the above guidance from MHCLG and CIPFA and in order to minimise the risk to investments, the Authority has generated an acceptable credit quality of counterparties for inclusion on the lending list.

The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies. Using the Link Asset Services ratings service and Bloomberg, counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies issue updates. This enables diversification and thus avoidance of risk.

6.5 Further, the Authority's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector in relation to the economic and political environments in which institutions operate. To this end the Authority will engage with its advisors to monitor market pricing such as Credit Default Swaps (CDS), share prices, the financial press, sources such as Bloomberg Systems LLP alongside the internet generally and overlay that information on top of the credit ratings.

6.6 The aim of the strategy is to generate a list of secure, highly creditworthy counterparties which will also enable divesification and thus avoidance of concentration risk.

6.7 Investment instruments identified for use in the financial year are defined as either 'Specified' or 'Non-Specified' Investments:

- Specified Investments are those that are Sterling denominated with a maturity up to one year, meeting the requirements for a highly rated investment
- a Non-Specified Investment is any investment that is not 'Specified'. They are those with not as high a credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

Creditworthiness Policy

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

- *it maintains a policy covering 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 appendices 4A and 4B.*
- *it has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the periods for which funds may prudently be*

committed. These procedures also apply to the Authority's indicators covering the maximum principal sums invested.

6.9 The Director of Finance will maintain a counterparty list, through its use of its documented Treasury Management Practices.

6.10 Any counterparty failing to meet the criteria would be, omitted from the counterparty (dealing) list. Any rating changes or rating watches (notification of a likely change) or rating outlooks (notification of a possible longer term change) are available to officers almost immediately after they occur and this information is considered before investing.

6.11 The Authority continues to keep other products under review, including AAA rated Money Market Funds - these offer a high degree of security and instant access for investment on a daily basis.

6.12 The criteria for providing a pool of high quality investment grade counterparties (both Specified and Non-Specified investments) are as shown below (Ratings provided by Fitch):

- ***UK Government*** (including gilts, treasury bills and the DMADF)
- ***Banks 1*** - the Royal Borough will use good quality banks that are:

  a) UK banks or
  b) non-UK but domiciled in a country which has a minimum sovereign long-term rating of "AA-"

  These banks must be of investment grade and have as a minimum, the following credit ratings:

  i. Short term "F1"
  ii. Long term "A-"

- ***Banks 2*** – part-nationalised UK banks: RBS
- ***Banks 3*** – the Authority's own banker for transactional purposes
- ***Building Societies*** that meet the criteria for banks above
- ***Other*** – including Money Market Funds rated "AAA"
- ***Other (less liquid)*** – e.g. land and / or buildings.

6.13 A full list of Specified and Non-Specified products is as shown in Appendices 4a and 4b. A limit of 25% will be applied to the use of Non-Specified investments.

6.14 In the case of Non-Specified investments of a less liquid nature, a smaller limit of 10% (within the overall 25%), will be applied.

Country and Sector Considerations

6.15 Due care will be taken to consider the country, group and sector exposure of the Authority's investments. In part, the country selection will, be driven by the credit rating of the sovereign state in Banks 1 category above.

6.16 The Authority has determined that it will use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch. The list of countries that qualify using this credit criteria as at the time of writing are shown in Appendix 5. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy:

- no more than 20% will be placed with any non-UK country at any time
- limits in place above will apply to Groups of financial institutions (e.g. Bank of Scotland is part of the Lloyds Banking Group)
- sector limits will be monitored regularly for appropriateness.

Time and Monetary Limits applying to Investments

6.17 The time and monetary limits for institutions on the Royal Borough's counterparty list are as shown in Table 7 (these will cover both Specified and Non-Specified Investments, the criteria for which are as shown in Appendices 4a and 4b).

Table 7 – Investment Limits

Investment Limits	**Fitch L-Term Rating**	**Value Limit**	**Time Limit**
UK Government • Treasury Bills • Gilts • DMADF	n/a	Unlimited	5 years
Money Market Funds	AAA	£30m*	Liquid
Banks 1 category - high quality	A-	£30m*	5 years
Banks 2 category – part-nationalised	n/a	£30m*	5 years
Banks 3 category – The Authority's banker	n/a	n/a	1 day
Building Societies	A-	£30m*	5 years
Other	n/a	£30m*	5 years

Other (less liquid)	n/a	10% portfolio	n/a

* Per Counterparty

6.18 The proposed criteria for Specified and Non-Specified investments are as shown in Appendices 4a and 4b for approval.

Approach to Investment

6.19 Investments will be made with reference to the core balance and cash flow requirements and the outlook for interest rates.

6.20 For investments of a less liquid nature, professional advice will be sought to ensure that that there is a sound business case for making the investment, which will identify security, liquidity and yield elements of the transaction alongside the risks associated with them.

UK Banks – Ring Fencing

6.21 The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

6.22 Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

6.23 Whilst the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics), will be considered for investment purposes.

Investment Returns Expectations

6.24 Appendix 2 reflects the interest rise by the Monetary Policy Committee (MPC) meeting on 2nd August 2018, at which the Bank Rate was increased from 0.50% to 0.75%. Bank Rate forecasts are presented in Table 8 below.

Table 8 – Interest Rate Forecasts

Year Ending	**Bank Rate %**
March 2019	0.75-1.00
March 2020	1.00-1.25
March 2021	1.25-1.50
June 2021	1.50-1.75

6.25 Whilst there is still so much uncertainty around the Brexit negotiations, and 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.

6.26 Under a scenario where there is both no deal and no transition period (a "disorderly" Brexit), the Bank Rate could move in either direction:

- falls (demand shock) - therefore a need to stimulate business and provide liquidity
- rises (supply shock) - possibly in steps to counter inflation and output issues:
  - domestic mortgage rates rise
  - commercial loan rates rise.

End of Year Investment Report

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

7 **Policy on the Use of External Service Providers**

7.1 The Authority uses Link Asset Services as its external treasury management advisors It recognises that responsibility for treasury management decisions remains with the Authority itself at all times and will ensure that no undue reliance is placed upon our external service providers.

7.2 The Authority 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 Authority will ensure that the terms of any appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

8 Cross Cutting Issues and Implications

Issue	Implications	Sign-off
Legal including Human Rights Act	Under Section 151 of the Local Government Act 1972, the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the Authority, including securing effective arrangements for treasury management. The Local Government Act 2003 sets the legal framework within which local government may undertake capital investments.	John Scarborough, Head of Legal Services, 12 February 2019
Finance and other resources	There are no other financial implications arising.	Damon Cook Assistant Director of Finance and Deputy section 151 Officer 12 February 2019
Equalities	The decisions recommended in this paper have a remote or low relevance to the substance of the Equality Act. There is no apparent equality impact on end users.	Pearl Emovon Interim Finance Manager 12 February 2019

9 Report Appendices

9.1 The following documents are published with and form part of this report:

Appendix 1 - Glossary
Appendix 2 – Interest Rate Forecast 2019 - 2021

Appendix 3 – Treasury Management Indicators
Appendix 4 a & b – Specified & Non-Specified Investments
Appendix 5 – Approved Countries for Investments
Appendix 6 – Treasury Management Policy Statement
Appendix 7 – CIPFA Treasury Management Code of Practice 2017
Appendix 8 – The Treasury Management Role of the Section 151 Officer

Background Papers
Local Government Act 2003
Local Government Investments: Guidance under Section 15(1)(a) of the Local Government Act 2003
Prudential Code for Capital Finance in Local Authorities 2017
Treasury Management in the Public Services: Guidance Notes for local Authorities including Police Authorities and Fire Authorities 2018
Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes 2017
Treasury Management Strategy 2018/19 - Council 28 February 2018
Bloomberg LP

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