Appendix 2

St Albans City and District Council

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

2019/20

1. Introduction

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash expenditure during the year will be met by cash raised. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans are an important factor in calculating the borrowing need of the Council. This relates essentially to the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. The management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

CIPFA defines treasury management as:

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

Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. 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. The capital strategy is being reported separately.

1.2 Reporting requirements

1.2.1 Capital Strategy

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; and
- 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.

1.2.2 Treasury Management reporting

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

a. Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report is forward looking and covers:

- the capital plans, (including prudential indicators);
- a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
- an investment strategy, (the parameters on how investments are to be managed).

b. A mid-year treasury management report – this is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. If applicable the Council will receive quarterly update reports.

c. An annual treasury report – this is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

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

1.3 Treasury Management Strategy for 2019/20

The strategy for 2019/20 covers two main areas:

Capital issues

- the capital plans and the prudential indicators; and
- the minimum revenue provision (MRP) policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

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

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training. This applies especially to members responsibe for scrutiny. For this Council, the responsible officer is the Deputy Chief Executive

(Finance & Legal). Treasury training is made available to members of the Audit Committee from time to time.

The needs of the Council's treasury management staff for training in investment management are assessed every year as part of the staff appraisal process. Training needs are also assessed when the responsibilities of individual members of staff change. Officers attend training courses, seminars and conferences provided by Link Asset Services and CIPFA, regularly.

1.5 Treasury management consultants

The Council uses 'Link Asset Services, Treasury Solutions' as its external treasury management advisors.

The Council recognises that it is responsible for treasury management decisions. Undue reliance is not placed upon external service providers.

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

2. Capital Issues

2.1 Capital Plans

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

2.2 Capital Prudential Indicators 2019/20 – 2021/22

Capital Expenditure. This prudential indicator is a summary of the Council's capital expenditure plans as agreed by Council in December 2018 and is shown in the table below.

General Fund capital expenditure is forecast to be £38.7m in 2019/20. Plans include Commercial and Development Schemes including the Civic Centre Opportunity Sites (South £7.3m; North £8.3m), Leyland Avenue £2.9m; Noke Shot (£1m) and other schemes (£9.2m); the Harpenden Leisure and Cultural Development (HL&C) project (£8.6m); and IT and website developments (£0.5m).

Capital proposals for 2020/21 and 2021/22 include the continuation of the CCOS South and North schemes and other Commercial and Development projects.

The HRA spend on continued enhancements to housing stock in 2019/20 is forecast to be £10.9m, which will be met from housing rental income. Other housing expenditure is forecast to be £8.9m, of which £8.4m is affordable housing and £0.5m Disabled Facility Grants.

Capital financing. The tables below show how the capital expenditure plans above are being financed by capital or revenue resources. Any shortfall of resources directly resulting to projects results in a funding need (borrowing), which in turn will result in an increase in minimum revenue provision (MRP) charge to the revenue account.

Capital Expenditure	2017/18 Actual £'M	2018/19 Estimate £'M	2019/20 Estimate £'M	2020/21 Estimate £'M	2021/22 Estimate £'M
General Fund (GF)	**13.3**	**35.0**	**38.7**	**40.8**	**20.4**
Housing Investment Programme (HIP)					
Housing stock enhancements	6.4	6.2	10.9	5.7	5.5
Non-HRA items	7.7	8.0	8.9	7.2	5.8
Total HIP	**14.1**	**14.2**	**19.8**	**12.9**	**11.3**
Total capital expenditure	**27.4**	**49.2**	**58.5**	**53.7**	**31.7**

Financing Total	2017/18 Actual £'M	2018/19 Estimate £'M	2019/20 Estimate £'M	2020/21 Estimate £'M	2021/22 Estimate £'M
Total Spend	**27.4**	**49.2**	**58.5**	**53.7**	**31.7**
Financed by:					
Capital Receipts	7.4	12.1	10.5	2.9	2.6
Capital Grants and contributions	4.2	1.7	0.6	0.5	0.5
Revenue/revenue reserves	5.6	6.6	11.3	5.9	5.5
Total Financed	**17.2**	**20.3**	**22.5**	**9.3**	**8.6**
Net funding need for the year	**10.2**	**28.9**	**36.0**	**44.4**	**23.1**

Financing GF	2017/18 Actual £'M	2018/19 Estimate £'M	2019/20 Estimate £'M	2020/21 Estimate £'M	2021/22 Estimate £'M
GF spend	**13.3**	**35.0**	**38.7**	**40.8**	**20.4**
Financed by:					
Capital Receipts	0.1	4.6	5.1	0.0	0.0
Capital Grants and contributions	2.7	1.1	0.2	0.0	0.0
Revenue/revenue reserves	0.3	0.4	0.4	0.2	0.0
GF financed	**3.1**	**6.1**	**5.7**	**0.2**	0.0
GF funding need for the year	**10.2**	**28.9**	**33.0**	**40.6**	**20.4**

Financing HIP	2017/18 Actual £'M	2018/19 Estimate £'M	2019/20 Estimate £'M	2020/21 Estimate £'M	2021/22 Estimate £'M
HIP spend	**14.1**	**14.2**	**19.8**	**12.9**	**11.3**
Financed by:					
Capital Receipts	7.3	7.4	5.4	2.9	2.6
Capital Grants and contributions	1.5	0.6	0.5	0.5	0.5
Revenue/revenue reserves	5.3	6.2	10.9	5.7	5.5
HIP financed	**14.1**	**14.2**	**16.8**	**9.1**	**8.6**
HIP funding need for the year	**0.0**	**0.0**	**3.0**	**3.8**	**2.7**

.

The General Fund (GF) capital programme is not fully funded by grants, receipts, revenue or other third party contributions and will require prudential borrowing. This may be from internal cash balances in the first place and external borrowing when cash balances become insufficient. The “funding need” increases each year will require an increase in charges to the GF by way of Minimum Revenue Provision (MRP) as shown in the second table in 2.3 below, though other aspects of some projects (e.g. income from facilities) can mitigate the overall impact of this.

Any shortfall in capital receipts and other funding will increase the funding need and the charge to the General Fund.

Key estimates relating to funding are:

- The funding of the GF capital programme is dependent upon capital receipts of £9.7m and £1.3m of grants and contributions over a three year period to 2020/21. This includes £9.7m from the MOSTA development. We have assumed that capital funding will be received in accordance with plans developed by Commercial and Development department. Capital receipts from enabling property sales in the years after 2021/22 are expected to be over £30m
- From 2019/20 onwards, the Housing capital programme (HIP) is not fully funded and will require borrowing. There is an increase in the affordable housing budget to ensure the Right to Buy (RTB) receipts are retained by the Council under current rules. The affordable homes schemes include the redevelopment of the King Offa site and The Hedges temporary accommodation site.

2.3 The Council’s Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council’s Capital Financing Requirement (CFR). This shows the total of historic capital expenditure which has not yet been paid for from either revenue or capital resources. This can be met from internal borrowing (use of cash balances) or by external borrowing.

The CFR does not increase indefinitely, as the minimum revenue provision* (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

*MRP/VRP: Minimum or Voluntary Revenue Provision as defined in 2.4 below

For the **General Fund** the CFR balance increases each year as some projects are unfunded (i.e. not funded from capital receipts, grants etc.). The NMG and MoSTA projects are currently expected to be partially or fully funded from the capital receipts received from the sale of private homes on the former MOSTA site. However, the timing of receipts is such that short term borrowing will be required but this has a minimal impact on the CFR balance. In addition, any shortfall in funds raised would result in an increase in CFR and an increase in MRP charge to the GF. The ‘Commercial and Development Department new projects’ and Harpenden Leisure and Cultural Development projects are ‘unfunded’ during the period of this review. Prudential borrowing will be required and as internal cash balances are used up, external borrowing will be necessary. The impact of the increase in interest charges has been taken into account in the cash flow in section 3.1 below. MRP is discussed further in 2.4 below.

The project plans developed by Commercial and Development department show that longer term capital receipts and/or revenue income are expected to make the projects net cash flow positive over the life of the asset.

HRA: the HRA CFR is forecast to decrease over the period 2017/18 to 2021/21 despite the borrowing requirement from 2019/20 onwards. Provision is made in the HRA revenue account for the repayment of debt and this is greater than the borrowing requirement.

Capital Financing Requirement (CFR) TOTAL	2017/18 Actual £'M	2018/19 Estimate £'M	2019/20 Estimate £'M	2020/21 Estimate £'M	2021/22 Estimate £'M
Brought Forward	**211.3**	**212.8**	**232.3**	**258.8**	**291.6**
Funding need for the year	10.2	28.9	36.0	44.4	23.1
MRP/VRP	(8.7)	(9.4)	(9.5)	(11.6)	(12.8)
Movement in CFR	**1.5**	**19.5**	**26.5**	**32.9**	**10.3**
Closing CFR balance	**212.8**	**232.3**	**258.8**	**291.6**	**301.9**

Capital Financing Requirement (CFR) GF	2017/18 Actual £'M	2018/19 Estimate £'M	2019/20 Estimate £'M	2020/21 Estimate £'M	2021/22 Estimate £'M
Brought Forward	**34.7**	**43.2**	**70.7**	**101.2**	**139.2**
Funding need for the year	10.2	28.9	33.0	40.6	20.4
MRP and VRP	(1.7)	(1.4)	(2.5)	(2.6)	(2.8)
Movement in CFR	**8.5**	**27.5**	**30.5**	**38.1**	**17.6**
Closing CFR balance GF	**43.2**	**70.7**	**101.2**	**139.2**	**156.8**

Capital Financing Requirement (CFR) HRA	2017/18 Actual £'M	2018/19 Estimate £'M	2019/20 Estimate £'M	2020/21 Estimate £'M	2021/22 Estimate £'M
Brought Forward	**176.6**	**169.6**	**161.6**	**157.6**	**152.4**
Funding need for the year	0.0	0.0	3.0	3.8	2.7
Transfer from MRR	0.0	0.0	0.0	0.0	0.0
VRP for debt repayment	(7.0)	(8.0)	(7.0)	(9.0)	(10.0)
Movement in CFR	**(7.0)**	**(8.0)**	**(4.0)**	**(5.2)**	**(7.3)**
Closing CFR balance HRA	**169.6**	**161.6**	**157.6**	**152.4**	**145.1**

2.4 Minimum Revenue Provision (MRP) policy statement or Debt Repayment Provisions Policy

The Council is required to put aside money for the financing of capital expenditure that has not been met from grants, contributions or capital receipts. It is also required to adopt a policy to determine the basic amount of this, called the minimum revenue provision (MRP). The Council is also allowed to undertake additional voluntary payments if it wishes (voluntary revenue provision (VRP)).

The Council's policy is that for all unsupported borrowing, MRP will be calculated using the Asset Life Method – i.e. the MRP will be based on the estimated life of the assets. This provides for a reduction in the borrowing over approximately the assets expected useful life.

Within the asset life method there is the option of providing MRP on a straight line basis or an annuity basis. For income producing assets where income is expected to increase over time, the asset value is high and the asset life is long, it is appropriate to use the annuity method. This takes into account the time value of money in that the annual MRP provision increases each year in line with an estimated interest rate. Council agreed at the 2013/14 budget setting that MRP be provided for Westminster Lodge over 35 years with an interest rate of 2.2%.

MRP Overpayments - A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2019 the total General Fund VRP overpayments were £0.57m.

MRP is only chargeable in the year following completion of a project so for the Harpenden Leisure and Culture project the MRP charge commences in 2021/22. Significant borrowing is required for other Commercial and Development projects (e.g. CCOS) but as completion will be in 2021 or later the MRP charge will commence outside the period of this report. For all Commercial and Development projects it is assumed that the receipts and income from the projects are sufficient to cover the future MRP charges to the General Fund.

Under the Housing Self Financing reform, the HRA is required to charge depreciation on its assets, which has a revenue effect. The provision for depreciation provides cash for housing capital works.

There is no requirement to provide MRP in the HRA. Nevertheless, a voluntary provision has been incorporated into the 30 year business plan to enable repayment of debt to be made when it becomes due.

However, following intervention in rent setting by central government, whereby rents must be decreased by 1% per annum for four years from 2016/17, the HRA goes into a cash deficit in 2023/24. Officers are investigating ways of mitigating this but it is likely that re-financing of external borrowing will be required.

2.5 Affordability Prudential Indicators

The previous sections show capital expenditure and borrowing prudential indicators. However, within this framework we also need prudential indicators to assess the affordability of the capital investment plans i.e. the impact on revenue. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

2.5.1 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). This is set against the Council's net revenue stream for the General Fund (taxation and non-specific grant income) and the HRA.

	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
General Fund	10.8%	9.3%	20.4%	25.4%	30.1%
HRA	68.8%	72.4%	69.1%	72.4%	75.0%

The estimates of financing costs include current commitments and the proposals in this report but do not take account of any positive budget variations as a result of undertaking these projects, for example, income from facilities, reduced running costs or reduced contract costs.

For the GF, the ratio is increasing significantly over the period under review. On the one hand, government funding is decreasing (on top of a basis of zero council tax increases for several years and 1.7% and 2.39% increase in 2018/19 and 2019/20 respectively). On the other hand, MRP and interest charges are increasing due to the capital expenditure on Commercial and Development new projects, HL&C and Museums. Commercial and Development department forecast that increased charges will be met by an equivalent saving in costs or increased income over the life of the capital projects. The projects would then be cost neutral to the GF.

The HRA 30 year plan, presented in the budget, forecasts that from 2023/24 the HRA is unable to provide sufficient cash flow to maintain the housing stock at required levels and also provide for debt repayment. This is two years earlier than forecast in last year's TMSS due to a revision of rent levels post 2020/21 and to fund increased borrowing from 2019/20.

2.5.2 HRA ratios

The first table below highlights how the debt revenue ratio decreases as debt is repaid at a greater rate than the reduction in rent revenue.

The next table shows how the debt per property decreases as debt is repaid. This is the case even though the number of properties reduces each year by an estimated net of the number of Right-To-Buy sales and the number of new house purchases.

HRA	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
HRA debt	£173.4M	£165.4M	£161.4M	£156.2M	£148.9M
HRA revenues	£28.3M	£28.2M	£28.2M	£29.7M	£30.1M
Ratio debt to revenues	**613.2%**	**587.5%**	**572.1%**	**525.3%**	**495.2%**

HRA	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
HRA debt	£173.4M	£165.4M	£161.4M	£156.2M	£148.9M
Number of HRA dwellings	4,784	4,806	4,862	4,867	4,852
Debt per dwelling	**£36,249**	**£34,419**	**£33,200**	**£32,097**	**£30,692**

3. Treasury Management Issues

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with relevant professional codes. 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.

3.1 External Borrowing Requirements

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 still an issue that needs to be considered.

The Council's treasury portfolio position at 31 March 2018, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

The critical assumptions include: balanced GF and HRA budgets, increase in MRP and interest payments due to capital spend is matched by revenue savings, no slippage in capital programmes and funding assumptions and no change in working capital requirements.

External Debt £m	2017/18 Actual £'m	2018/19 Estimate £'m	2019/20 Estimate £'m	2020/21 Estimate £'m	2021/22 Estimate £'m
Debt at 1 April	180	173	175	204	240
Expected change in Debt:					
Debt repayment	-7	-8	-7	-9	-10
Increase in external borrowings	0	10	36	44	23
Actual/Estimated gross debt at 31 March	173	175	204	240	253
The Capital Financing Requirement 31 March	**213**	**232**	**259**	**292**	**302**
Under / (over) borrowing	**39**	**57**	**54**	**52**	**49**

3.2 Borrowing Limits

The Operational Boundary

This focuses on the day-to-day treasury management activity. Total external borrowing is not normally expected to exceed this limit.

We need to ensure that we are able to borrow to meet the capital plans proposed in the budget and leave some headroom. The table below shows existing (2018/19) and proposed limits.

The limits have remained the same as those approved last year for 2018/19 and 2019/20. For the General Fund due to the increased borrowing over the next 3 years, the proposed limits have increased from £120m in 2019/20 to £140m in 2020/21 and £160m in 2021/22.

Operational Boundary for External Debt	2018/19 Estimate £'M	2019/20 Estimate £'M	2020/21 Estimate £'M	2021/22 Estimate £'M
General Fund	110	120	140	160
HRA	192	192	192	192
Other Long Term Liabilities	5	5	5	5
Total	**307**	**317**	**337**	**357**

The Authorised Limit for external borrowing

This key prudential indicator represents a control on the maximum level of borrowing and represents a limit beyond which external borrowing is prohibited. This limit needs to be set or revised by the full Council. It gives some headroom for unforeseen requirements or delays in capital receipts.

The limits have remained the same as those approved last year for 2018/19 and 2019/20. For the General Fund due to the increased borrowing over the next 3 years the propose limits have increased to £145m in 2020/21 and £165m in 2021/22.

Authorised Limit for External Debt	2018/19 Estimate £'M	2019/20 Estimate £'M	2020/21 Estimate £'M	2021/22 Estimate £'M
General Fund	115	125	145	165
HRA	192	192	192	192
Other Long Term Liabilities	5	5	5	5
Total	**312**	**322**	**342**	**362**

Separately, the Council is also limited to a maximum HRA borrowing position through the Housing Self Finance regime of £192 million. However, in October 2018, Prime Minister Theresa May announced a policy change of abolition of the HRA debt cap. The Chancellor announced in the Budget that the applicable date was 29.10.18.

3.3 Prospects for Interest Rates

Link Asset Services' view on interest rates and economic outlook, as at January 2019, is given below:

Interest Rate Forecasts								
Bank Rate	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Link	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%
Cap Econ	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.00%	2.00%
5Y PWLB RATE								
Link	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%
Cap Econ	1.90%	2.20%	2.40%	2.70%	2.70%	2.80%	2.80%	2.90%
10Y PWLB RATE								
Link	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%
Cap Econ	2.30%	2.60%	2.80%	3.10%	3.10%	3.10%	3.10%	3.10%
25Y PWLB RATE								
Link	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%
Cap Econ	2.80%	3.10%	3.30%	3.60%	3.50%	3.50%	3.40%	3.40%
50Y PWLB RATE								
Link	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%
Cap Econ	2.70%	2.90%	3.20%	3.40%	3.40%	3.40%	3.40%	3.40%

3.4 Treasury Management Indicators within the Treasury Management Code

The purpose of these indicators is to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set too restrictively they will impair the opportunities to reduce costs / improve performance. The indicators are:

Maturity Structure of Borrowing

This indicator is set to control the Council's exposure to risk from having to pay back significant amounts of debt all at the same time. The upper and lower limits on the maturity structure of fixed rate borrowings have been kept broad to allow flexibility in the structuring of debt:

	Current Upper Limit %	Proposed Upper Limit %	Lower Limit %	Estimated as at 1st April 2019 %
Under 12 months	10.0	10.0	-	6.8
12 months and within 24 months	10.0	10.0	-	8.0
24 months and within 5 years	20.0	30.0	-	20.5
5 years and within 10 years	50.0	60.0	-	45.3
10 years and within 20 years	80.0	80.0	-	19.3
Over 20 years	80.0	80.0	-	-

The debt profile as at 1st April 2019 is been based on the current known debt profile and an expectation of borrowing externally in March 2019 to fund the General Fund capital commitments. The repayment period of loans originally taken out in 2012 has reduced and this has resulted in the loans between 2-5 years exceeding the upper limit of 20%. We therefore propose a change to the upper limit for 2-5 years and 5-10 years.

Principal sums invested for periods longer than 365 days

The limits have remained the same as those approved last year.

Limit on principal invested beyond 365 days	2019/20 £m	2020/21 £m	2021/22 £m
Local Authorities	5.0	5.0	5.0
Other	1.0	1.0	1.0

3.5 Borrowing Strategy and Control of Interest Rate Exposure

The Council is currently maintaining an under-borrowed position, i.e. it is running down its investment balances rather than borrow. This strategy recognises that investment returns are low and counterparty risk is relatively high.

Against a background of risks within the economic forecast, caution will be adopted with the 2019-20 treasury operations. The Deputy Chief Executive (Finance & Legal) will monitor interest rates in financial markets. He will adopt a pragmatic approach to changing circumstances in deciding whether to take out fixed or variable rate loans.

* 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, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

The Council may also borrow for short periods of time (normally for up to two weeks) to cover unexpected cash flow shortages.

Sources of Borrowing

The approved sources of long-term borrowing will be:

- Public Works Loans Board
- Any Institution approved for investment
- Any Bank or Building Society approved by the Bank of England Prudential Regulation Authority.

3.6 Policy on Borrowing in Advance of Need

The Council may borrow in advance of need for short periods where a review of capital spending profile and views on future interest rates makes it economically attractive.

3.7 Policy on charging interest to the Housing Revenue Account

The Council is free to adopt its own policy on sharing interest costs and income between the General Fund and Housing Revenue Account (HRA). This follows the reform of housing finance. The CIPFA Code recommends that authorities state their policy on this matter each year in their treasury management strategy.

On 1 April 2012, the Council assigned the long term HSF loan to the HRA pool. New long-term loans borrowed will be assigned in their entirety to either the General Fund or the HRA pool. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be allocated in line with each specific loan.

An HRA cash flow balance is calculated each month and interest on this balance transferred between the General Fund and HRA. This is at the monthly net average rate earned by the Council on its portfolios of treasury investments and any short-term borrowing.

3.8 Investment Policy and Annual Investment Strategy

Investment Policy:

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).

The Council expects institutions it deposits funds with, through its treasury management function, to comply with internationally accepted norms. These include norms for the environment, human rights, working conditions, corruption and controversial weapons. The Council will seek to avoid placing funds with institutions that do not have a similar responsible investment policy.

Investment Strategy: To minimise the risk to investments, the Council has stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list (see Appendix 1). Other information sources used will include the financial press, share price and other such banking sector information. The objective is to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Investments will be made with reference to cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

For cash flow generated balances, the Council will seek to use its business reserve accounts, 15 and 30 day notice accounts, and short-dated deposits (overnight to three months). In this way is will benefit from the compounding of interest.

The Deputy Chief Executive (Finance & Legal) will maintain a counterparty list in compliance with the following criteria. He will revise the criteria and submit them to Council for approval as necessary.

3.9 Creditworthiness policy

3.9.1 Credit Ratings

The Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Spreads (CDS) to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This results in three suggested credit assessments as follows:

A) Based on the credit ratings of the agencies only
B) Adjusted for watch/outlook
C) Where applicable the end result is adjusted for CDS information with a manual override.

These indicate an overall assessment of the relative creditworthiness of counterparties at increasing levels of risk aversion.

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments.

The Link Asset Services' creditworthiness service uses a wider array of information than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Officers propose to continue to use the lowest risk rating 'C' for all investments.

3.9.2 Credit Periods

Link Asset Services colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the durational bands shown in Appendix1.

Officers propose that the Council continue to use up to the maximum investment duration indicated by Link Asset Services in the 'C' risk rating category.

3.9.3 Country Limits

Treasury policy is that 20% of funds invested, measured at the time the investment is made, can be invested in non-UK banks. These banks must be members of the Organisation for Economic Co-operation and Development (OECD) and from countries with AAA rating. A list of current members is at Appendix 2.

Officers propose no change to these limits.

3.9.4 List of Counterparties

The application of credit ratings, credit periods and country limits lead to an amended list of counterparties each with 3 credit assessments with associated maximum investment durations.

All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services creditworthiness service.

If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria;

- no new investments will be made;
- any existing investments that can be recalled or sold at no cost will be; and
- full consideration will be given to recall or sale of all other existing investments with the affected counterparty.

An example list of counterparties is shown at Appendix 1. Link Asset Services update the list on a weekly basis.

3.9.5 Counterparty Limits

Counterparty limits for value and period by type of counterparty are proposed by officers, in consultation with the Resources Portfolio Holder. The objective is to have a mix of investments, limiting exposure to any one counterparty and limiting exposure to long term deposits.

Officers propose no change to the counterparty limits, which are shown at appendix 4.

3.9.6 Non-specified investments

The Council is required to state whether it is intending to use any of what the Government calls "Non-specified investments" (See Appendix 3). The Council's policy is that the only situation where we will use these is in the case of long-term investments, (i.e. those that would meet the definition of a specific investment, but for the fact that they are due to mature 12 months or longer from the date of arrangement).

The limit for these Non-Specified investments remains at £5m.

Appendices

1. Link Asset Services listing of Qualifying Counterparties (as at 05/01/18)
2. List of OECD members (January 2018)
3. Treasury Management Criteria Summary
4. Example of weekly investment list
5. Four Clauses adopted from CIPFA‘s Treasury Management Code of Practice

Appendix 1

Link Asset Services listing of Qualifying Counterparties (as at 05/01/18)

Showing suggested maximum duration of investment.

Link Asset Services methodology list of approved counterparties

Any values highlighted in yellow have undergone a change in the past 7 days.

Counterparty		Fitch Ratings Long Term		Fitch Short Term	Fitch Viability	Fitch Support	Moodys Ratings Long Term		Moodys Short Term	S&P Ratings Long Term		S&P Short Term	Suggested Duration	(Watch/ Outlook Adjusted)	CDS Price	CDS Status	(CDS Adjusted with manual override)
Australia		SB	AAA				SB	Aaa		SB	AAA				24.47		
Banks	Australia and New Zealand Banking Group Ltd.	SB	AA-	F1+	aa-	1	SB	Aa3	P-1	NO	AA-	A-1+	O - 12 mths	O - 12 mths	72.09	●	O - 12 mths
	Commonwealth Bank of Australia	NO	AA-	F1+	aa-	1	SB	Aa3	P-1	NO	AA-	A-1+	O - 12 mths	O - 12 mths	75.08	●	O - 12 mths
	Macquarie Bank Ltd.	SB	A	F1	a	3	SB	A2	P-1	EO	A	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	National Australia Bank Ltd.	SB	AA-	F1+	aa-	1	SB	Aa3	P-1	NO	AA-	A-1+	O - 12 mths	O - 12 mths	75.08	●	O - 12 mths
	Westpac Banking Corp.	SB	AA-	F1+	aa-	1	SB	Aa3	P-1	NO	AA-	A-1+	O - 12 mths	O - 12 mths	75.11	●	O - 12 mths
Belgium		SB	AA-				SB	Aa3		SB	AA				18.43		
Banks	BNP Paribas Fortis	SB	A+	F1	a	1	SB	A1	P-1	PO	A	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	KBC Bank N.V.	SB	A+	F1	a	5	PO	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths			O - 12 mths
Canada		SB	AAA				SB	Aaa		SB	AAA				35.58		
Banks	Bank of Montreal	SB	AA-	F1+	aa-	2	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths			O - 12 mths
	Bank of Nova Scotia	SB	AA-	F1+	aa-	2	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths			O - 12 mths
	Canadian Imperial Bank of Commerce	SB	AA-	F1+	aa-	2	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths			O - 12 mths
	National Bank of Canada	SB	A+	F1	a+	2	SB	Aa3	P-1	SB	A	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	Royal Bank of Canada	SB	AA	F1+	aa	2	SB	Aa2	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
	Toronto-Dominion Bank	SB	AA-	F1+	aa-	2	SB	Aa1	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
Denmark		SB	AAA				SB	Aaa		SB	AAA				9.07		
Banks	Danske A/S	NO	A	F1	a	5	NO	A2	P-1	NO	A	A-1	R - 6 mths	R - 6 mths	63.48	●	R - 6 mths
Finland		PO	AA+				SB	Aa1		SB	AA+				10.50		
Banks	Nordea Bank Abp	SB	AA-	F1+	aa-	5	SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
	OP Corporate Bank plc		WD	WD		WD	SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths

Counterparty		Fitch Ratings Long Term	Fitch Ratings Short Term	Fitch Ratings Viability	Fitch Ratings Support	Moodys Ratings Long Term	Moodys Ratings Short Term	S&P Ratings Long Term	S&P Ratings Short Term	Suggested Duration	(Watch/ Outlook Adjusted)	CDS Price	CDS Status	(CDS Adjusted with manual override)
France		SB AA				PO Aa2		SB AA				22.38		
Banks	BNP Paribas	SB A+	F1	a+	5	SB Aa3	P-1	PO A	A-1	R - 6 mths	O - 12 mths	72.76	●	O - 12 mths
	Credit Agricole Corporate and Investment Bank	SB A+	F1	WD	WD	PO A1	P-1	SB A+	A-1	R - 6 mths	O - 12 mths	53.23	●	O - 12 mths
	Credit Agricole S.A.	SB A+	F1	a+	5	PO A1	P-1	SB A+	A-1	R - 6 mths	O - 12 mths	64.84	●	O - 12 mths
	Credit Industriel et Commercial	SB A+	F1	a+	5	SB Aa3	P-1	SB A	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	Societe Generale	SB A	F1	a	5	SB A1	P-1	PO A	A-1	R - 6 mths	R - 6 mths	73.52	●	R - 6 mths
Germany		SB AAA				SB Aaa		SB AAA				10.75		
Banks	Bayerische Landesbank	SB A-	F1	bbb+	1	SB Aa3	P-1	NR	NR	R - 6 mths	R - 6 mths			R - 6 mths
	Commerzbank AG	SB BBB+	F2	bbb+	5	SB A1	P-1	NO A-	A-2	G - 100 days	G - 100 days	122.14	●	N/C - 0 mths
	Deutsche Bank AG	NO BBB+	F2	bbb+	5	NO A3	P-2	SB BBB+	A-2	N/C - 0 mths	N/C - 0 mths	198.78	●	N/C - 0 mths
	DZ BANK AG Deutsche Zentral-Genossenschaftsbank	SB AA-	F1+		WD	SB Aa1	P-1	SB AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
	Landesbank Baden-Wuerttemberg	SB A-	F1	bbb+	1	SB Aa3	P-1	NR	NR	R - 6 mths	R - 6 mths			R - 6 mths
	Landesbank Berlin AG					SB Aa2	P-1			O - 12 mths	O - 12 mths			O - 12 mths
	Landesbank Hessen-Thueringen Girozentrale	SB A+	F1+		WD	SB Aa3	P-1	PO A	A-1	O - 12 mths	O - 12 mths	42.71	●	O - 12 mths
	Landwirtschaftliche Rentenbank	SB AAA	F1+		1	SB Aaa	P-1	SB AAA	A-1+	P - 24 mths	P - 24 mths			P - 24 mths
	Norddeutsche Landesbank Girozentrale	NW A-	NW F1	NW bb	NW 1	EW Baa2	NW P-2	NR	NR	N/C - 0 mths	N/C - 0 mths			N/C - 0 mths
	NRW.BANK	SB AAA	F1+		1	SB Aa1	P-1	PO AA-	A-1+	P - 24 mths	P - 24 mths			P - 24 mths
Netherlands		SB AAA				SB Aaa		SB AAA				10.70		
Banks	ABN AMRO Bank N.V.	SB A+	F1	a	5	SB A1	P-1	PO A	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	Bank Nederlandse Gemeenten N.V.	SB AA+	F1+		1	SB Aaa	P-1	SB AAA	A-1+	P - 24 mths	P - 24 mths			P - 24 mths
	Cooperatieve Rabobank U.A.	SB AA-	F1+	a+	5	SB Aa3	P-1	PO A+	A-1	O - 12 mths	O - 12 mths	40.49	●	O - 12 mths
	ING Bank N.V.	PO A+	F1	a+	5	SB Aa3	P-1	SB A+	A-1	O - 12 mths	O - 12 mths	41.00	●	O - 12 mths
	Nederlandse Waterschapsbank N.V.					SB Aaa	P-1	SB AAA	A-1+	P - 24 mths	P - 24 mths			P - 24 mths
Qatar		SB AA-				SB Aa3		SB AA-				81.31		
Banks	Qatar National Bank	SB A+	F1	bbb+	1	SB Aa3	P-1	SB A	A-1	R - 6 mths	R - 6 mths	105.32	●	R - 6 mths

Counterparty		Fitch Ratings Long Term		Fitch Ratings Short Term	Fitch Ratings Viability	Fitch Ratings Support	Moodys Ratings Long Term		Moodys Ratings Short Term	S&P Ratings Long Term		S&P Ratings Short Term	Suggested Duration	(Watch/ Outlook Adjusted)	CDS Price	CDS Status	(CDS Adjusted with manual override)
Singapore		SB	AAA				SB	Aaa		SB	AAA						
Banks	DBS Bank Ltd.	SB	AA-	F1+	aa-	1	SB	Aa1	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
	Oversea-Chinese Banking Corp. Ltd.	SB	AA-	F1+	aa-	1	SB	Aa1	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
	United Overseas Bank Ltd.	SB	AA-	F1+	aa-	1	SB	Aa1	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
Sweden		SB	AAA				SB	Aaa		SB	AAA				10.39		
Banks	Skandinaviska Enskilda Banken AB	SB	AA-	F1+	aa-	5	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths			O - 12 mths
	Svenska Handelsbanken AB	SB	AA	F1+	aa	5	SB	Aa2	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
	Swedbank AB	SB	AA-	F1+	aa-	5	SB	Aa2	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
Switzerland		SB	AAA				SB	Aaa		SB	AAA				19.00		
Banks	Credit Suisse AG	PO	A	F1	a-	5	SB	A1	P-1	PO	A	A-1	R - 6 mths	R - 6 mths	104.97	●	R - 6 mths
	UBS AG	SB	AA-	F1+	a+	5	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	50.58	●	O - 12 mths
United Arab Emirates		SB	AA				SB	Aa2		SB	AA				69.40		
Banks	First Abu Dhabi Bank PJSC	SB	AA-	F1+	a-	1	SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
United Kingdom		NO	AA				SB	Aa2		NO	AA				35.24		
AAA rated and Government backed securities	Collateralised LA Deposit*												Y - 60 mths	Y - 60 mths			Y - 60 mths
	Debt Management Office												Y - 60 mths	Y - 60 mths			Y - 60 mths
	Multilateral Development Banks												Y - 60 mths	Y - 60 mths			Y - 60 mths
	Supranationals												Y - 60 mths	Y - 60 mths			Y - 60 mths
	UK Gilts												Y - 60 mths	Y - 60 mths			Y - 60 mths
Banks	Abbey National Treasury Services PLC	SB	A	F1		1	SB	Aa3	P-1				R - 6 mths	R - 6 mths			R - 6 mths
	Bank of Scotland PLC (RFB)	SB	A+	F1	a	5	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	61.20	●	O - 12 mths
	Barclays Bank PLC (NRFB)	SB	A+	F1	a	5	SB	A2	P-1	SB	A	A-1	R - 6 mths	R - 6 mths	93.78	●	R - 6 mths
	Barclays Bank UK PLC (RFB)	SB	A+	F1	a	1	SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	Close Brothers Ltd	SB	A	F1	a	5	SB	Aa3	P-1				R - 6 mths	R - 6 mths			R - 6 mths
	Clydesdale Bank PLC	SB	BBB+	F2	bbb+	5	PO	Baa1	P-2	SB	BBB+	A-2	N/C - 0 mths	N/C - 0 mths			N/C - 0 mths
	Co-operative Bank PLC (The)	SB	B	B	b	5	SB	Caa1	NP				N/C - 0 mths	N/C - 0 mths			N/C - 0 mths
	Goldman Sachs International Bank	SB	A	F1		1	NO	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths	103.32	●	R - 6 mths

Counterparty		Fitch Ratings					Moodys Ratings			S&P Ratings			Suggested Duration	(Watch/ Outlook Adjusted)	CDS Price	CDS Status	(CDS Adjusted with manual override)
			Long Term	Short Term	Viability	Support		Long Term	Short Term		Long Term	Short Term					
Banks	Handelsbanken Plc	SB	AA	F1+		1				SB	AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
	HSBC Bank PLC (NRFB)	SB	AA-	F1+	a+	1	SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths	48.70	●	O - 12 mths
	HSBC UK Bank Plc (RFB)	SB	AA-	F1+	a	1				SB	AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
	Lloyds Bank Corporate Markets Plc (NRFB)	SB	A	F1		1	SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	Lloyds Bank Plc (RFB)	SB	A+	F1	a	5	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	73.81	●	O - 12 mths
	NatWest Markets Plc (NRFB)	SB	A	F1	WD	1	PO	Baa2	P-2	PO	BBB+	A-2	G - 100 days	G - 100 days	126.09	●	N/C - 0 mths
	Santander UK PLC	PW	A	F1	a	2	SB	Aa3	P-1	SB	A	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	Standard Chartered Bank	SB	A+	F1	a	5	SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths	62.91	●	R - 6 mths
	Sumitomo Mitsui Banking Corporation Europe Ltd	SB	A	F1		1	SB	A1	P-1	PO	A	A-1	R - 6 mths	R - 6 mths	54.03	●	R - 6 mths
	UBS Ltd.	SB	AA-	F1+		1	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	50.58	●	O - 12 mths
Building Society	Coventry Building Society	SB	A	F1	a	5	SB	A2	P-1				R - 6 mths	R - 6 mths			R - 6 mths
	Leeds Building Society	SB	A-	F1	a-	5	SB	A3	P-2				G - 100 days	G - 100 days			G - 100 days
	Nationwide Building Society	SB	A	F1	a	5	NO	Aa3	P-1	PO	A	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	Nottingham Building Society						SB	Baa1	P-2				N/C - 0 mths	N/C - 0 mths			N/C - 0 mths
	Principality Building Society	SB	BBB+	F2	bbb+	5	SB	Baa2	P-2				N/C - 0 mths	N/C - 0 mths			N/C - 0 mths
	Skipton Building Society	SB	A-	F1	a-	5	PO	Baa1	P-2				G - 100 days	G - 100 days			G - 100 days
	West Bromwich Building Society						PO	Ba3	NP				N/C - 0 mths	N/C - 0 mths			N/C - 0 mths
	Yorkshire Building Society	SB	A-	F1	a-	5	SB	A3	P-2				G - 100 days	G - 100 days			G - 100 days
Nationalised and Part Nationalised Banks	National Westminster Bank PLC (RFB)	SB	A+	F1	a	5	PO	A1	P-1	PO	A-	A-2	B - 12 mths	B - 12 mths			B - 12 mths
	The Royal Bank of Scotland Plc (RFB)	SB	A+	F1	a	5	PO	A1	P-1	PO	A-	A-2	B - 12 mths	B - 12 mths			B - 12 mths
United States		SB	AAA				SB	Aaa		SB	AA+				18.11		
Banks	Bank of America N.A.	SB	AA-	F1+	a+	5	PW	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths			O - 12 mths
	Bank of New York Mellon, The	SB	AA	F1+	aa-	5	SB	Aa1	P-1	SB	AA-	A-1+	P - 24 mths	P - 24 mths			P - 24 mths
	Citibank N.A.	SB	A+	F1	a	5	PW	A1	P-1	SB	A+	A-1	R - 6 mths	O - 12 mths	78.32	●	O - 12 mths
	JPMorgan Chase Bank N.A.	SB	AA	F1+	aa-	5	SB	Aa1	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths			O - 12 mths
	Wells Fargo Bank, NA	SB	AA-	F1+	a+	5	NO	Aa1	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	69.94	●	O - 12 mths

Key

Watches and Outlooks

SB	Stable Outlook
NO	Negative Outlook
NW	Negative Watch
PO	Positive Outlook
PW	Positive Watch
EO	Evolving Outlook
EW	Evolving Watch
WD	Rating Withdrawn

CDS

Indicator	Status
● (green)	In Range
● (orange)	Monitoring
● (red)	Out of Range

Duration

60 Months	Y
24 Months	P
12 Months	B
12 Months	O
6 Months	R
100 Days	G
0 Months	N/C

Please note that the Link Asset Services Limited suggested methodology applies a minimum sovereign criteria of "AA-". In instances where individual client criteria allows for the potential use of entities from lower rated sovereigns, suggested duration columns in these lists may show a "colour", but this will purely be based on the ratings / CDS of the individual entity. It will not take account of the sovereign rating, which alone may provide a reason for it not being included within the Link Treasury Services Limited suggested list of counterparties. Please also note that CDS values are as at the close of business from the previous day.

Appendix 2

List of OECD Members

Country	Date
AUSTRALIA	07 June 1971
AUSTRIA	29 September 1961
BELGIUM	13 September 1961
CANADA	10 April 1961
CHILE	07 May 2010
CZECH REPUBLIC	21 December 1995
DENMARK	30 May 1961
ESTONIA	09 December 2010
FINLAND	28 January 1969
FRANCE	07 August 1961
GERMANY	27 September 1961
GREECE	27 September 1961
HUNGARY	07 May 1996
ICELAND	05 June 1961
IRELAND	17 August 1961
ISRAEL	07 September 2010
ITALY	29 March 1962
JAPAN	28 April 1964
KOREA	12 December 1996
LATVIA	01 July 2016
LUXEMBOURG	07 December 1961
MEXICO	18 May 1994
NETHERLANDS	13 November 1961
NEW ZEALAND	29 May 1973
NORWAY	04 July 1961
POLAND	22 November 1996
PORTUGAL	04 August 1961
SLOVAK REPUBLIC	14 December 2000
SLOVENIA	21 July 2010
SPAIN	03 August 1961
SWEDEN	28 September 1961
SWITZERLAND	28 September 1961
TURKEY	02 August 1961
UNITED KINGDOM	02 May 1961
UNITED STATES	12 April 1961

Appendix 3

Treasury Management Criteria Summary

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with maturities up to the suggested duration as calculated by Link Asset Services from time to time.

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the Specified Investment criteria. For this Council these are qualifying investments with maturities exceeding one year. A maximum of £5m will be held in aggregate in non-specified investments.

Country Limits

UK: 100%

Non-UK: 20% (measured as at time of investment) **and** OECD membership countries **and** restricted to countries rated AAA with all three rating agencies.

Qualifying Counterparties

Counterparties appearing on the Link Asset Services list of qualifying counterparties from time to time, together with UK local authorities or supranationals.

Time and monetary limits applying to investments

The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both Specified and Non-Specified Investments):

	Existing Limit	Proposed Limit	Max. maturity period	Sector Rating
Cash deposits with DMO at the Bank of England	No limit	No limit	Liquid	N/A
Cash or Term deposits with Local authorities	£5m	£5m	3 years	N/A
Cash or Term deposits with UK Nationalised and Part Nationalised Banks	£5m	£5m	On call	C
	£5m	£5m	Up to 1 year	C
	£1m	£1m	Up to 3 years	C
Cash or Term deposits with banks and building societies (per Link Asset Services list as updated from time to time)	£5m	£5m	On call	C
	£5m	£5m	Up to 3 months	C
	£5m	£5m	Over 3 months up to 1 year	C
	£1m	£1m	Over 1 year up to 2 years	C
	£1m	£1m	Over 2 years up to 3 years	C

Key:

There are no proposed changes from prior year.

C CDS adjusted with manual override column of Link Asset Services credit rating list (Appendix 1)

Other
The local authority limit applies to the entire Local Authority sector.

A group of banks under the same ownership will be treated as a single organisation for limit purposes.

Appendix 4

Example of investment list using the list in appendix 1 and the criteria in appendix 3

SUMMARY OF INVESTMENTS - 28.12.18						
BORROWER	LIMIT	START DATE	END DATE	INT RATE	INV VALUE	*Investments Previous Week*
	£				£	£
Deposits with DMO (0 - 60mths)	Unlimited				0	0
					0	0
DMO Total					**0**	**0**
					0	0
Deposits with Other Local Authorities (up to 3 years)	5,000,000					
					0	0
Deposits with UK nationalised & part nationalised (up to 12mths)	5,000,000					
Royal Bank of Scotland (0 - 12mths)					0	0
UK nationalised & part nationalised banks Total					**0**	**0**
UK Banks and Building Societies	5,000,000					
Lloyds Banking Group (0 - 6mths)		04/10/2018	28/03/2019	0.990%	1,000,000	1,000,000
		10/10/2018	28/03/2019	0.970%	1,000,000	1,000,000
		12/10/2018	15/02/2019	0.930%	1,000,000	1,000,000
		16/10/2018	19/02/2019	0.930%	1,000,000	1,000,000
		29/10/2018	19/02/2019	0.900%	1,000,000	1,000,000
Lloyds Total					**5,000,000**	**5,000,000**
Barclays Bank PLC *(0 - 6mths)*		01/11/2018	19/02/2019	0.710%	1,000,000	1,000,000
		07/11/2018	19/02/2019	0.730%	1,000,000	1,000,000
		15/11/2018	28/03/2019	0.800%	1,000,000	1,000,000
		03/12/2018	15/02/2019	0.670%	2,000,000	2,000,000
Barclays Total					**5,000,000**	**5,000,000**
Nationwide B S *(0 - 6mths)*		18/09/2018	18/03/2019	0.720%	1,000,000	1,000,000
		03/12/2018	18/03/2019	0.730%	2,000,000	2,000,000
Nationwide Total					**3,000,000**	**3,000,000**
Coventry B S *(0 - 6mths)*					0	0
Coventry Total					0	0
HSBC Bank PLC *(0 - 12mths)*		various	CALL	0.600%	**2,535,000**	**1,920,000**
Santander UK plc *(0 - 6mths)*		95 day notice		0.600%	0	0
UK Banks & Building Societies Total					**10,535,000**	**9,920,000**
Non UK, Non Eurozone Banks (No more than 20%	5,000,000					
Handelsbanken *(0 - 12mths)*		various	CALL	0.700%	4,500,000	4,500,000
Non UK, Non Eurozone Total					**4,500,000**	**4,500,000**
Overall Total			**TOTAL**		**20,035,000**	**19,420,000**

The institutions available for investment and actual period limits will be determined by Link Asset Services's credit rating list issued from time to time (see Appendix 1), and using the monetary limits set by Council (see Appendix 3).

Appendix 5

Four Clauses adopted from CIPFA's Treasury Management Code of Practice

The Council has adopted the key principles of CIPFA's *2017 Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance* (the Code), as described in Section 5 of that Code.

1 This organisation will create and maintain, as the cornerstones for effective treasury management: a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.

2 This organisation (ie full board/council) will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

3 This organisation delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to [note 1], and for the execution and administration of treasury management decisions to [note 2], who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

4 This organisation nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.