EXECUTIVE - 1 FEBRUARY 2018

TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2018-19

Executive Summary

In accordance with statutory provisions it is necessary for the Executive to approve the Council's Treasury Management Strategy and to make recommendations to the Council in respect of the Minimum Revenue Provision (MRP) Strategy and the Treasury Management Prudential Indicators as required under the Chartered Institute of Public Finance and Accountancy's Prudential Code.

Reasons for Decision

To determine the Council's Treasury Management Strategy for 2018/19 and to recommend to Council the Treasury Management Prudential Indicators and MRP Strategy to be adopted.

Recommendations

The Executive is requested to:

RESOLVE That

(i) the Treasury Management Strategy set out in the report be approved; and

RECOMMEND to Council That

(ii) **the Treasury Management Prudential Indicators set out in table 2 of Section 4 and the MRP policy set out in Appendix A to the report be approved, subject to any changes arising from consideration of the Investment Programme, revenue budgets and Revenue Support Grant Settlement.**

The Executive has authority to determine recommendations (i) above; (ii) will need to be dealt with by way of a recommendation to Council.

Background Papers:

None.

Sustainability Impact Assessment
Equalities Impact Assessment

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1.0 Introduction

1.1 The Local Government Act 2003 and supporting regulations require the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

1.2 The Act requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act) (included as section 12); this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

1.3 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2009) was adopted by this Council on 22 February 2010. A revised Code of Practice was issued in 2011 which made no changes to the three clauses adopted by the Council in February 2010. The Code now covers the use of financial derivatives but Woking has no plans to use such instruments, with the exception of the specific approval by Council in relation to Victoria Square in December 2017. This was agreed as an exception to the Treasury Management Strategy.

1.4 Updated versions of the Prudential Code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Service Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code) were issued in December 2017. Both of these codes will be effective for the 2018/19 financial year.

1.5 There has been no change in the definition of Treasury Management in the Treasury Management Code, but the term "investments" has been specifically qualified to include non-financial assets which are held primarily for financial returns, such as investment property portfolios. The revised codes (in contrast to the draft codes on which the consultations were based) draw a clearer separation between treasury and non-treasury investments and the role of the treasury management team. In as much as the treasury management team are now clearly recognised as being unlikely to have specialist skills in such areas as property investment, reporting will focus solely on treasury (financial) investments, therefore the Treasury Management Strategy will not include any level of detail on non-treasury investments.

1.6 The new codes require all local authorities to produce a separate Capital Strategy report from 2019/20, or as soon as is practicable. The Capital Strategy is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services, along with an overview of how associated risk is managed and the implications for future sustainability. The aim of this report is to ensure that members fully understand the overall strategy, governance procedures and risk appetite entailed by this strategy. The Capital Strategy will include capital expenditure, investments and liabilities and treasury management in sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured

1.7 DCLG consultations on Investment Guidance and MRP Guidance, closed on 22nd December 2017 and revised guidance is awaited. Both focused on non financial asset investments.

2.0 Treasury Management Strategy 2018/19

2.1 The suggested strategy for 2018/19 in respect of the following aspects of the treasury management function is based upon the Treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor. The strategy covers:

- treasury limits in force which will limit the treasury risk and activities of the Council;
- Prudential Indicators;
- the current treasury position;
- the borrowing requirement;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- borrowing rescheduling;
- the investment strategy;
- creditworthiness policy;
- policy on use of external service providers;
- the MRP strategy; and
- Council loans to Group Companies

2.2 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:

- increases in interest charges caused by increased borrowing to finance additional capital expenditure, and

- any increases in running costs from new capital projects

are limited to a level which is affordable within the projected income of the Council for the foreseeable future. The Council's reserves are set aside for specific purposes; in order to progress long term capital investment initiatives considered to be in the interests of residents where there are not sufficient reserves of capital or revenue, the Council needs to borrow. There is no absolute limit on what the Council can borrow; it can borrow what it considers it can afford to repay from its income sources such as council tax and service charges including rental income.

3.0 Treasury Limits for 2018/19 to 2020/21

3.1 It is a statutory duty under Section 3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. In England and Wales the Authorised Limit represents the legislative limit specified in section 3 of the Local Government Act 2003.

3.2 The revenue consequences of capital expenditure and financing decisions have been included in the General Fund and HRA reports (elsewhere on this agenda) and the assessment of the affordability of the Council's Investment Programme is made in the context of those reports. The Investment Programme is the subject of a separate report elsewhere on this agenda. The prudential limits contained in this report are therefore informed by the proposals in those reports.

3.3 The Authorised Limit for external borrowing is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.

3.4 In setting the Authorised and Operational limits, it should be noted that the limits in 2017/18 cover the full project costs for Victoria Square to enable borrowing to be taken in advance of need if borrowing rates are sufficiently advantageous.

3.5 The Treasury limits also include an allowance above the planned long term borrowing requirement for the year. This enables short term cashflow requirements to be covered and provides some flexibility to facilitate borrowing in advance for known future requirements at advantageous interest rates. The allowance is particularly important considering the potential cashflow implications of the current economic climate.

4.0 Prudential Indicators for 2017/18 to 2020/21

4.1 The prudential indicators in table 2 overleaf are relevant for the purposes of setting an integrated treasury management strategy. Related non-treasury management prudential indicators are set out in table 1 for information. These are draft indicators and will be considered as part of the General Fund Service Plans, Budgets and Prudential Indicators proposals elsewhere on this agenda.

PRUDENTIAL INDICATOR	2017/18	2018/19	2019/20	2020/21
(TABLE 1). RELATED NON TREASURY MANAGEMENT PRUDENTIAL INDICATORS				
	Estimate	**Estimate**	**Estimate**	**Estimate**
Capital Expenditure	**£'000**	**£'000**	**£'000**	**£'000**
Non – HRA	£170,572	£71,825	£49,656	£90,751
HRA	£5,871	£6,589	£5,171	£5,171
TOTAL	£176,443	£78,414	£54,827	£95,922
Ratio of financing costs to net revenue stream				
Non – HRA	63.15%	90.10%	93.84%	98.68%
HRA	44.44%	46.38%	47.16%	47.51%
Net borrowing requirement				
brought forward 1 April – Non – HRA	£475,842	£723,657	£986,146	£1,227,612
brought forward 1 April – HRA	£117,430	£120,477	£117,646	£122,670
carried forward 31 March – Non – HRA	£723,657	£986,146	£1,277,612	£1,365,495
carried forward 31 March – HRA	£120,477	£117,646	£122,760	£122,760
in year borrowing requirement – Non - HRA	£247,815	£262,489	£241,466	£137,883
in year borrowing requirement – HRA	£3,047	-£2,831	£5,114	£0
Total in year borrowing requirement	£250,862	£259,658	£246,580	£137,883
In year Capital Financing Requirement				
Non – HRA	£122,529	£47,364	£21,896	£75,230
HRA	£3,047	£4,434	£5,114	£0
TOTAL	£125,576	£51,798	£27,010	£75,230
Capital Financing Requirement as at 31 March				
Non – HRA	£385,505	£440,134	£462,030	£537,260
HRA	£120,477	£117,646	£122,760	£122,760
TOTAL *	£505,982	£557,780	£584,790	£660,020
Group Company and External Loans	£369,250	£576,186	£794,769	£856,332
Overall Capital Financing Requirement as at 31 March **	£875,232	£1,133,966	£1,379,559	£1,516,352

* The Capital Financing Requirement shown in this line excludes borrowing undertaken for group companies and Victoria Square (Woking) Ltd.

**The Capital Financing Requirement shown in this line includes borrowing undertaken for group companies and Victoria Square (Woking) Ltd.

PRUDENTIAL INDICATOR	**2017/18**	**2018/19**	**2019/20**	**2020/21**
(TABLE 2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	**£'000**	**£'000**	**£'000**	**£'000**
	Estimate	**Estimate**	**Estimate**	**Estimate**
Authorised limit for external borrowing -				
Non - HRA				
Borrowing	£1,039,950	£1,287,922	£1,367,476	£1,400,495
Other long term liabilities	£28,296	£27,373	£26,386	£25,295
Total Non - HRA	£1,068,246	£1,315,295	£1,393,862	£1,425,790
HRA				
Borrowing	£123,500	£117,646	£122,760	£122,760
Other long term liabilities	£0	£0	£0	£0
Total HRA	£123,500	£117,646	£122,760	£122,760
Total authorised limit for external borrowing	£1,191,746	£1,432,941	£1,516,622	£1,548,550
Operational boundary for external borrowing -				
Non - HRA				
Borrowing	£1,029,950	£1,277,922	£1,357,476	£1,390,495
other long term liabilities	£28,296	£27,373	£26,386	£25,295
TOTAL Non - HRA	£1,058,246	£1,305,295	£1,383,862	£1,415,790
HRA				
Borrowing	£123,500	£117,646	£122,760	£122,760
other long term liabilities	£0	£0	£0	£0
Total HRA	£123,500	£117,646	£122,760	£122,760
Total operational boundary for external borrowing	£1,181,746	£1,422,941	£1,506,622	£1,538,550
Housing Revenue Account Limit on Indebtedness	£124,261	£124,261	£124,261	£124,261
Upper limit for fixed interest rate exposure	100%	100%	100%	100%
Upper limit for variable rate exposure	70%	70%	70%	70%
Upper limit for total principal sums invested for over 364 days (per maturity date)	£3,000	£3,000	£3,000	£3,000

Maturity structure of new fixed rate borrowing during 2018/19	upper limit	lower limit
under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

PRUDENTIAL INDICATOR	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000
	Estimate	Estimate	Estimate	Estimate
Gross Borrowing : Capital Financing Requirement				
External Borrowing				
Borrowing at 1st April	£518,458	£799,230	£1,086,596	£1,359,896
Expected change in borrowing	£252,141	£259,658	£246,579	£137,884
Other long term liabilities	£29,514	£28,631	£27,708	£26,721
Expected change in other long term liabilities	-£883	-£923	-£987	-£1,091
Gross Borrowing at 31st March	£799,230	£1,086,596	£1,359,896	£1,523,410
Capital Financing Requirement at 31st March *	£874,745	£1,133,480	£1,379,073	£1,515,865
Under/(over) borrowing	£75,515	£46,884	£19,177	-£7,545

4.2 * The Capital Financing Requirement shown in this line includes borrowing undertaken for group company activities in order to provide a meaningful comparison with the level of external borrowing.

5.0 Current Treasury Position

5.1 The Council's position at 31st December 2017 comprised:

		Principal		Ave. rate
Borrowing		£m	£m	%
Long term borrowing:				
Fixed rate funding	PWLB	647.0		3.26
	Market	45.9		3.29
			692.9	3.26
Variable rate funding	PWLB	0.0		-
	Market	0.0		-
			0.0	
Other long term liabilities (PFI)			28.9	3.26
Total long term borrowing			721.8	3.28
Short term borrowing			25.0	0.46
Total Borrowing			746.8	3.17
Investments				
External Cash deposits				
- Long term on advice of TUK		0.0		-
- Short term on advice of TUK		0.0		
			0.0	
- Short term WBC Treasury			5.0	0.35
Long term investments in Group/External Companies			*290.2*	5.32
Total Investments			295.2	5.24

6.0 Borrowing Requirement

	2017/18	2018/19	2019/20	2020/21
	£'000 Estimate	£'000 Estimate	£'000 Estimate	£'000 Estimate
New borrowing – Non – HRA	328,464	266,776	245,634	140,742
New borrowing – HRA	3,047	4,434	5,114	0
Replacement borrowing	10,000	0	5,000	0
TOTAL	341,511	271,210	255,748	140,742

6.1 The borrowing requirement includes borrowing for the Investment Programme, Invest to Save schemes and advances to group companies and joint ventures, including the Victoria Square Development.

6.2 The replacement borrowing indicates the years in which the Council's loans mature and may need replacing. Replacement borrowing may also be required when LOBOs (Lender Option Borrower Option) reach a step up date, if circumstances dictate and the Council chooses to repay the LOBO.

7.0 Prospects for interest rates

7.1 The Council has appointed Link Asset Services (previously Capita Asset Services) as treasury adviser to the Council and part of their service is to assist the Council to inform our view on interest rates. Appendix B draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates.

7.2 Bank Link Asset Services current Bank Rate forecast for financial year ends (March) is: -

- 2018 – 0.50%
- 2019 – 0.75%
- 2020 – 1.00%
- 2021 – 1.25%

8.0 Borrowing Strategy

8.1 The Link Asset Services forecast for the PWLB new borrowing rates for maturity loans is shown in the table below. These rates take into account the certainty rate discount of 0.20% but still include the premium of 0.80% over the actual cost of borrowing.

	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20	Mar-21
Bank rate	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.25%
5 yr PWLB rate	1.60%	1.60%	1.70%	1.80%	1.80%	2.10%	2.30%
10 yr PWLB rate	2.20%	2.30%	2.40%	2.40%	2.50%	2.70%	3.00%
25 yr PWLB rate	2.90%	3.00%	3.00%	3.10%	3.10%	3.40%	3.60%
50 yr PWLB rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.20%	3.40%

8.2 The timing of new long term borrowing will depend on the borrowing requirements, the cost of carrying long term funding compared to short term borrowing; and the projections on interest rates. 2.90% will be used as a suitable trigger point for considering fixed rate long term borrowing during 2018/19.

8.3 As short term borrowing rates will continue to be cheaper than longer term rates, there are likely to be opportunities to generate savings by undertaking short term borrowing. However, this approach will need to be considered in the light of the short term nature of the savings and the risk of adverse interest rate movements prior to refinancing.

8.4 Variable rate borrowing is expected to be cheaper than long term borrowing but given that interest rates are expected to rise in the medium to longer term, fixed rate borrowing is the Council's preferred option. In making a decision on the borrowing term and type of loan, consideration will be given to the purpose for which the borrowing is being taken and the market conditions at that time. Where a scheme being funded is relatively short term or tied to a specific funding decision, the borrowing will normally reflect this.

8.5 When undertaking new borrowing, the Council looks to spread its loan maturity profile and this strategy will continue during the year ahead. Consideration will be given to taking annuity loans for commercial assets. The current maturity profile is shown in Appendix I.

8.6 Consideration will be given to borrowing fixed rate market loans at 25 – 50 basis points below PWLB target rate.

8.7 It is possible that the Municipal Bond Agency will offer loans to local authorities in the future. The Council will review the options available through the Municipal Bond Agency for possible borrowing in the future if and when information is available.

8.8 **Sensitivity of the forecast** – In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios below. The Council Treasury Officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following approaches to changing circumstances:

- if it were felt that there was a significant risk of a sharp fall in long and short term rates, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- If it were felt that there was a significant risk of a much sharper rise in long and short term rates than currently forecast, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still relatively cheap, whilst taking into account the cost of carry of the borrowing until it is required.

9.0 External Borrowing v Investments

Comparison of gross and net borrowing positions at year end	2017/18	2018/19	2019/20	2020/21
	£'000 Latest	£'000 Estimate	£'000 Estimate	£'000 Estimate
Actual external borrowing – Non-HRA	725,657	988,146	1,229,612	1,367,495
Actual external borrowing – HRA	120,477	117,646	122,760	122,760
Total actual external borrowing	846,134	1,105,792	1,352,372	1,488,255
Cash Balances (incl ST-investments)	2,000	2,000	2,000	2,000
Net Borrowing	848,134	1,107,792	1,354,372	1,490,255

9.1 The Council has a difference between gross and net borrowing (gross borrowing after deducting cash balances including short term investments) of £12.2m as at 31 December 2017.

9.2 Treasury officers will monitor the interest rate market and report any decisions in the Monthly Performance and Monitoring Information ('Green Book').

10.0 Policy on borrowing in advance of need

10.1 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance for known requirements will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of funds.

10.2 In determining whether borrowing will be undertaken in advance of need the Council will;

- ensure that there is a clear link between the investment programme and maturity profile of the existing portfolio which supports the need to take funding in advance of need;

- ensure the on going revenue liabilities created, and the implications for future plans and budgets have been considered, including the cost of carry of the borrowing until it is needed;

- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow;

- consider the merits and demerits of alternative forms of funding; and

- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

11.0 Borrowing Rescheduling

11.1 The introduction by the PWLB in 2007 of a spread between the rates applied to new borrowing and repayment of borrowing means that PWLB to PWLB restructuring is currently much less attractive. This was compounded in October 2010 by a considerable further widening of the difference between new borrowing and repayment rates as part of the Comprehensive Spending Review, through the addition of a 1% premium on the cost of borrowing. In particular, consideration would have to be given to the costs which would be incurred by prematurely repaying existing PWLB loans and it is very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing. However, some interest savings may still be achievable by using LOBO (Lenders Option Borrowers Option) loans and other market loans in rescheduling exercises rather than using PWLB borrowing as the source of replacement financing.

11.2 The reasons for any rescheduling to take place will include:

- The generation of cash savings and / or discounted cash flow savings;

- Enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

11.1 Should market conditions indicate there is an advantage to rescheduling borrowing, Officers will call a meeting of the Treasury Management Panel to consider the proposals.

Any rescheduling will be reported to the Executive in the Monthly Performance and Monitoring Information (‘Green Book’).

12.0 Annual Investment Strategy

Investment Strategy

12.1 The Council’s in house managed funds are mainly cash flow derived. Investments will accordingly 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). Any core balance of funds up to £10 million will be available for investment over a 0-5 year period. It is these funds that would be managed on the advice of Tradition UK.

12.2 The Council currently holds no investments for which the remaining time to maturity is in excess of one year.

12.3 Bank Rate increased from 0.25% to 0.50% in November 2017. Link Asset Services’ Bank Rate forecast as shown in paragraph 8.1 shows the rate is forecast to rise further from December 2018.

12.4 The Council will avoid locking into longer term deals while rates are at historically low levels unless attractive rates are available which make longer term deals worthwhile.

12.5 For its cash flow generated balances, the Council will seek to utilise its Lloyds business reserve account, money market funds and short-dated deposits (overnight to three months) using secure counterparties in order to benefit from the compounding of interest.

12.6 The Council will receive monthly reports on its investment activity in the Green Book, an annual monitoring report to the Overview and Scrutiny Committee and at the end of the financial year as part of its Annual Treasury Report.

Investment Policy

12.7 The Council will have regard to the CLG’s Guidance on Local Government Investments (“the Guidance”) issued in March 2004, any revisions to that guidance, the Audit Commission’s report on Icelandic investments and the 2011 revised CIPFA’s Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (“the CIPFA TM Code”).

12.8 The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low – the Council’s investment priorities will be security first, liquidity second and then return.

12.9 The borrowing of monies purely to invest or on-lend to external parties to make a return is unlawful and this Council will not engage in such activity. This excludes lending to group companies and other organisations which is carried out in order to achieve the Council’s strategic objectives.

12.10 Part of the Council’s investments may be managed on the advice of Tradition UK (TUK) and will reflect TUK’s views of market and the future for interest rates. Subject to the availability of funds, TUK may be asked to manage up to £10m. TUK are the only external fund manager involved in the management of the Council’s funds, although no funds are held with them at the present time.

12.11 All investments of the Council's funds will comply with the Annual Investment Strategy. The arrangements between the Council and TUK additionally stipulate guidelines and duration and other limits in order to contain and control risk.

12.12 Investment instruments identified for use in the financial year are listed in Appendix D under the 'Specified' and 'Non-Specified' Investments categories (determined by level of risk). Counterparty limits will be as set through the Council's Treasury Management Practices Schedules. The limits shown are maximum levels. The Chief Finance Officer in consultation with Treasury Officers has the scope to reduce these limits (below those shown) to minimise the level of cash at risk in the light of market conditions. As Money Market Funds (MMFs) are diversified by nature and AAA rated, the Chief Finance Officer, in consultation with Treasury Officers, will vary the limits of these funds in order to manage cash flows. These limits will be updated in the Treasury Management Practices.

12.13 When the Council has funds in excess of normal limits that it is not possible or economical to invest with a suitable counterparty, these will remain on deposit with Lloyds Bank, the Council's banker.

<u>Credit Worthiness Policy</u>

12.14 The Council uses Fitch ratings to derive its investment criteria (used in the table Appendix D). Where a counterparty does not have a Fitch rating, the equivalent Moody's rating will be used. The Council is alerted to all credit rating changes on a daily basis 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, its further use as a new investment will be withdrawn immediately.

12.15 The Link Asset Services creditworthiness service uses a modelling approach with credit ratings from all three rating agencies – Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses credit watches, credit outlooks and other information in a weighted scoring system. The end product is a series of colour code bands which indicate the relative creditworthiness of counterparties and give a recommended duration for investments.

12.16 When placing investments Treasury Officers will take account of this information, although it is not followed entirely such as in the use of building societies.

12.17 Treasury officers are of the view that credit rating agencies and Link Asset Services have underestimated the level of support within the building society sector. Consequently the Council will continue to use Building Societies based on asset value and market sentiment indicating that the risk is acceptable.

12.18 This Council will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties as this would leave the Council with few financial institutions on its approved lending list. The Link Asset Services creditworthiness service does use ratings from all three agencies, but by using a scoring system, does not give undue preponderance to just one agency's ratings.

12.19 The Council's credit limits have historically been set at a sufficiently high level that none of the institutions that have not been able to meet their commitments in recent times, have been on the Council's lending list, or those that have got into difficulties have received government support. Similarly none of the building societies in which the Council has invested have failed to meet their commitments. On this basis the Council will continue to use Link Asset Services' creditworthiness service, credit ratings and asset value (for building societies) for determining eligibility for the lending list. As indicated in paragraph 12.8, the risk appetite of the Council is low, and the priority for investment is security, followed by liquidity, then return.

Country Limits

12.20 The Council will only use approved counterparties from the UK and countries with a minimum sovereign credit rating of AA+ from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that qualify using this criteria are shown in Appendix E. This list will be added to or deducted from by officers should ratings change in accordance with this policy.

12.21 The Executive resolved in June 2016 that the UK be excluded from the sovereign rating criteria, as it is not felt that there is additional risk to undertaking investments in the UK.

12.22 Should the level of the Council's investments increase it will seek to avoid a concentration of investments in too few counterparties or countries (although a concentration in the UK is not considered to be undesirable).

13.0 Use of External Service Providers

13.1 As previously stated the Council uses Link Asset Services (previously Capita Asset Services) as its external treasury management advisors in order to acquire access to specialist skills and resources. The services provided include the following:-

- Provision of interest rate forecasts and advice on borrowing and investment strategies;
- Regular updates on economic and political changes;
- Forecasts of movements in Public Works Loan Board rates;
- Advice on debt rescheduling, funding policy, volatility and maturity profile analysis;
- Advice on investment counterparty creditworthiness;
- Provision of annual template documents and advice on the various Treasury Management reports; and
- Treasury Management training.

13.2 Although external treasury management advisors are used, responsibility for treasury management decisions remains with the Council at all times and undue reliance is not placed upon the external service provider.

14.0 MRP Policy

14.1 As required by CLG regulations, the Council has adopted a policy for setting aside funds for the repayment of borrowing through the Minimum Revenue Provision. Appendix A contains the policy statement.

15.0 Council Loans to Group Companies

15.1 Council loans to Group Companies will continue to be structured to give a benefit to council tax payers.

15.2 The loans will be 'eliminated' on consolidation in to group accounts. Therefore, the prudential indicators set out in this report exclude these inter-group loans.

15.3 Where the Council finances loans to Group Companies by external borrowing, these external loans are taken account of in setting the borrowing limits. The limits set out in this report take into account the requirements set out in the approved Group Business

Plans. The borrowing limits will need to be reviewed if the Council approves taking additional borrowing to fund new group company projects in the future. Borrowings by the Group Companies themselves do not count against the Council's borrowing limits.

16.0 Implications

Financial

16.1 The financial implications are implicit in the body of this report.

Human Resource/Training and Development

16.2 The CIPFA code requires members and staff involved in treasury management to receive training and the Council's training requirements will be reviewed in order to provide appropriate training.

16.3 The contract with Link Asset Services provides for staff attendance at various conferences and seminars throughout the year as well as providing a helpline facility.

Community Safety

16.4 There are no community safety implications arising directly from this report.

Risk Management

16.5 An objective of the treasury management strategy is to optimise the return on the Council's investments subject to minimising the level of risk of incurring losses.

Sustainability

16.6 There are no sustainability implications arising directly from this report.

Equalities

16.7 There are no equalities implications arising directly from this report.

17.0 Consultations

17.1 No public consultations have been undertaken in connection with this report.

REPORT ENDS

EXE18-005

APPENDICES

Equality Impact Assessment

The purpose of this assessment is to improve the work of the Council by making sure that it does not discriminate against any individual or group and that, where possible, it promotes equality. The Council has a legal duty to comply with equalities legislation and this template enables you to consider the impact (positive or negative) a strategy, policy, project or service may have upon the protected groups.

		Positive impact?			Negative impact?	No specific impact	What will the impact be? If the impact is negative how can it be mitigated? (action) THIS SECTION NEEDS TO BE COMPLETED AS EVIDENCE OF WHAT THE POSITIVE IMPACT IS OR WHAT ACTIONS ARE BEING TAKEN TO MITIGATE ANY NEGATIVE IMPACTS
		Eliminate discrimination	Advance equality	Good relations			
Gender	Men					√	
	Women					√	
Gender Reassignment						√	
Race	White					√	
	Mixed/Multiple ethnic groups					√	
	Asian/Asian British					√	
	Black/African/Caribbean/ Black British					√	
	Gypsies / travellers					√	
	Other ethnic group					√	
Disability	Physical					√	
	Sensory					√	
	Learning Difficulties					√	

	Mental Health					√	
Sexual Orientation	Lesbian, gay men, bisexual					√	
Age	Older people (50+)					√	
	Younger people (16 - 25)					√	
Religion or Belief	Faith Groups					√	
Pregnancy & maternity						√	
Marriage & Civil Partnership						√	
Socio-economic Background						√	
Carers						√	

The purpose of the Equality Impact Assessment is to improve the work of the Council by making sure it does not discriminate against any individual or group and that, where possible, it promotes equality. The assessment is quick and straightforward to undertake but it is an important step to make sure that individuals and teams think carefully about the likely impact of their work on people in Woking and take action to improve strategies, policies, services and projects, where appropriate. Further details and guidance on completing the form are available.
important step to make sure that individuals and teams think carefully about the likely impact of their work on people in Woking and take action to improve strategies, policies, services and projects, where appropriate. Further details and guidance on completing the form are available.

Sustainability Impact Assessment

Officers preparing a committee report are required to complete a Sustainability Impact Assessment. Sustainability is one of the Council's 'cross-cutting themes' and the Council has made a corporate commitment to address the social, economic and environmental effects of activities across Business Units. The purpose of this Impact Assessment is to record any positive or negative impacts this decision, project or programme is likely to have on each of the Council's Sustainability Themes. For assistance with completing the Impact Assessment, please refer to the instructions below. Further details and guidance on completing the form are available.

Theme (Potential impacts of the project)	Positive Impact	Negative Impact	No specific impact	What will the impact be? If the impact is negative, how can it be mitigated? (action)
Use of energy, water, minerals and materials			√	
Waste generation / sustainable waste management			√	
Pollution to air, land and water			√	
Factors that contribute to Climate Change			√	
Protection of and access to the natural environment			√	
Travel choices that do not rely on the car			√	
A strong, diverse and sustainable local economy			√	
Meet local needs locally			√	
Opportunities for education and information			√	
Provision of appropriate and sustainable housing			√	
Personal safety and reduced fear of crime			√	
Equality in health and good health			√	
Access to cultural and leisure facilities			√	
Social inclusion / engage and consult communities			√	
Equal opportunities for the whole community			√	
Contribute to Woking's pride of place			√	