APPENDIX I

Report of	Meeting	Date
Chief Finance Officer	Special Council	25 February 2020

TREASURY STRATEGY 2020/21 TO 2022/23

PURPOSE OF REPORT

1. To present the Prudential and Treasury Indicators and Treasury Management and Investment Strategies for 2020/21 to 2022/23, and the Minimum Revenue Provision (MRP) Policy Statement for 2020/21.

RECOMMENDATION(S)

2. That Council approve:
   - The capital expenditure Prudential Indicators for 2020/21 to 2022/23 in Tables 1 to 5.
   - The annual Minimum Revenue Provision (MRP) Policy statement in paragraph 27.
   - The Treasury Management Strategy and treasury management Prudential Indicators for 2020/21 to 2022/23, in Tables 6 to 10.
   - The Annual Investment Strategy 2020/21 including Investment Counterparties in paragraphs 39 to 43.

EXECUTIVE SUMMARY OF REPORT

3. This report incorporates the implications for treasury management of both financial and non-financial (income generating assets) investments. The wider approach to non-financial investments and to the capital expenditure as a whole is set out in more detail in the Capital Strategy report, which appears as Appendix H to the Budget report.

4. The report presents the Prudential Indicators in respect of capital expenditure and financing, the forecast levels of external borrowing and investments.

5. The proposed MRP Policy for 2020/21 is unchanged from that for 2019/20 and continues to be based on the Statutory Guidance issued in February 2019 and effective from 1 April 2019.

6. The list of investment counterparties for 2019/20 was temporarily amended by Council on 23 July 2019, in order to provide the flexibility necessary for the circumstances of a major asset purchase, with the limits reverting, on completion of the purchase, to those approved by Council on 26 January 2019. The proposed list for 2020/21 is unchanged from that original list for 2019/20.

Confidential report Please bold as appropriate	Yes	**No**

Key Decision? Please bold as appropriate	Yes	**No**

Reason Please bold as appropriate	1, a change in service provision that impacts upon the service revenue budget by £100,000 or more	2, a contract worth £100,000 or more
	3, a new or unprogrammed capital scheme of £100,000 or more	4, Significant impact in environmental, social or physical terms in two or more wards

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

7. Approval of the Prudential Indicators, Treasury Management Strategy, Treasury Indicators, Annual Investment Strategy, and Annual MRP Policy Statement is necessary to comply with statutory requirements.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

8. None.

CORPORATE PRIORITIES

9. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy homes and communities		An ambitious council that does more to meet the needs of residents and the local area	✓

BACKGROUND

10. At its meeting on 26 February 2019, Council approved the Treasury Management Strategy for 2019/20, including Prudential and Treasury Indicators, the Treasury Management and Investment Strategies, and the annual Minimum Revenue Provision (MRP) Policy Statement for 2019/20. A revised set of indicators and a temporary variation to the Investment Counterparties list was then approved by Council on 23 July 2019. Treasury Management activities during the year have been overseen by the Governance Committee.

11. This report updates the Prudential and Treasury Indicators for financial years 2019/20 to 2021/22, and introduces provisional indicators for the financial year 2022/23. It presents updated Treasury Management and Investment Strategies, including a revised list of Investment Counterparties, and proposes the Minimum Revenue Provision (MRP) Policy Statement for 2020/21.

12. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. 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 or instruments, commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

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

14. The Chartered Institute of Public Finance and Accountancy (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."*

CAPITAL STRATEGY

15. In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities are now required to prepare an additional report, a Capital Strategy report, which is intended to provide the following:

    - a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
    - an overview of how the associated risk is managed
    - the implications for future financial sustainability

    The aim of this report is to ensure that all elected members on the full council fully understand the overall strategy, governance procedures and risk appetite entailed by this Strategy. The Strategy both complements and supplements the Treasury Management Strategy and the two documents should be read in conjunction.

16. The Capital Strategy for 2020/21 appears at Appendix H to the 2020/21 Budget report.

TREASURY MANAGEMENT STRATEGY 2020/21

17. The strategy for 2020/21 covers two main areas:

    Capital issues

    - the capital plans and the associated Prudential Indicators;
    - 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
- the policy on use of external service providers.

18. 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.

TRAINING

19. The CIPFA Code requires the Responsible Officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

20. The training needs of treasury management officers are reviewed periodically. Both CIPFA and Link Asset Services provide workshops and seminars.

TREASURY MANAGEMENT CONSULTANTS

21. The Council uses Link Asset Services, Treasury solutions as its external treasury management advisors.

22. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

23. 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, and subjected to regular review.

CAPITAL PRUDENTIAL INDICATORS 2019/20 – 2022/23 AND MRP STATEMENT

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

25. **Capital expenditure**

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

Table 1	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Customer & Digital	0.882	0.048	0.000	0.000
Early Intervention & Support	0.988	1.325	0.875	0.875
Policy & Governance	0.100	1.539	0.000	0.000
Commercial Services	44.598	21.020	3.065	2.300
Total Capital Expenditure	**46.568**	**23.931**	**3.940**	**3.175**

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Table 2 - Capital Financing	2019/20 Revised £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
Capital expenditure from Table 1	46,568	23,931	3,940	3,175
Capital Receipts	(243)	(440)	0	0
Grants & Contributions	(3,541)	(5,732)	(1,840)	(775)
Revenue and Reserves	(635)	(627)	0	0
Net financing needed for year	**42,149**	**17,132**	**2,100**	**2,400**

26. **The Council's borrowing need (the Capital Financing Requirement)**

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

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.

The Council is asked to approve the CFR projections below:

Table 3 - Capital Financing Requirement	2019/20 Revised £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
Opening CFR	49,284	90,864	106,685	107,044
Net financing need for the year (Table 2)	42,149	17,132	2,100	2,400
Less MRP/VRP	(569)	(1,311)	(1,741)	(1,835)
Closing CFR	**90,864**	**106,685**	**107,044**	**107,609**

27. **Minimum Revenue Provision (MRP) Policy Statement**

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

MHCLG regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision.

The Council is recommended to approve the following MRP Policy Statement:

Annual Statement of MRP Policy 2020/21

The aim of the policy is to ensure that MRP is charged over a period that is reasonably commensurate with the period over which the capital expenditure which gave rise to the debt provides benefits.

MRP shall commence in the financial year following that in which the capital expenditure is incurred, or in the year following that in which the relevant asset becomes operational.

In respect of the proportion of the Capital Financing Requirement which relates to debt incurred prior to 2008/09, MRP shall be charged on this at the rate of 4% in accordance with option 1 of the guidance, otherwise known as the Regulatory Method.

The MRP liability on debt incurred from 2008/09 onwards shall be based on the estimated useful life of the asset. The MRP shall be calculated using the following methods, as appropriate for specific capital expenditure:

- Equal instalments: where the principal repayments made are the same in each year
- Annuity: where the principal repayments increase over the life of the asset

Estimated life periods shall be determined under delegated powers, with reference to the guidance and advice of appropriate professional advisers, in the year that MRP commences. As some types of capital expenditure are not capable of being related to an individual asset, the MRP shall be assessed on a basis which most reasonably reflects the anticipated period of benefit arising from the expenditure.

28. **Affordability prudential indicators**

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

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream.

Table 4 – Ratio of Financing Costs to Net Revenue Stream	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Ratio	9.21%	14.85%	18.48%	19.74%

The estimates of financing costs include current commitments and the proposals in the revenue and capital budget report.

This table now includes within the Net Revenue Stream not only income from taxation (Council Tax and Business Rates) and general government grants such as New Homes Bonus, but also that from income-generating assets. The Financing Costs also include the debt repayment and interest in respect of such assets. Table 4A below compares the income derived from these assets against the total financing cost incurred by the Council. It is emphasised that the comparison is against the total financing cost and not only that which relates to the assets themselves. Further detail is contained in Table 4 of the Capital Strategy (Appendix H).

Table 4A - Investment Income in Excess of Borrowing	2019/20 Estimate %	2020/21 Estimate %	2021/22 Estimate %	2022/23 Estimate %
Total Borrowing Costs	1,647	2,838	3,312	3,399
Net Income From Non-Financial Investments	(2,709)	(4,780)	(5,230)	(5,261)
Investment Income in Excess of Borrowing Costs	(1,062)	(1,942)	(1,918)	(1,862)

29. **Core funds and expected investment balances**

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.).

Table 5 - Year-End Resources	2019/20 Revised £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
Core Funds/Working Balances	(27,813)	(24,258)	(22,362)	(22,421)
Under/(over) borrowing (Table 6)	26,813	23,258	21,362	21,421
Expected investments	**(1,000)**	**(1,000)**	**(1,000)**	**(1,000)**

BORROWING

30. The capital expenditure plans set out details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant Treasury / Prudential Indicators, the current and projected debt positions and the annual Investment Strategy.

31. **Current portfolio position**

The Council's projected treasury portfolio position is 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.

Table 6 - Portfolio Position	2018/19 Actual £000	2019/20 Revised £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
Debt at 1 April	15,257	19,990	64,036	83,283	85,538
Other long-term liabilities (OLTL)	15	15	15	15	15
Total gross debt 1 April	15,272	20,005	64,051	83,298	85,553
Expected change in Debt	4,733	44,046	19,247	2,255	506
Expected change in OLTL	0	0	0	0	0
Expected change in gross debt	4,733	44,046	19,247	2,255	506
Gross debt 31 March	20,005	64,051	83,298	85,553	86,059
Capital Financing Requirement (Table 3)	49,284	90,864	106,556	106,915	107,480
Under / (over) borrowing	**29,279**	**26,813**	**23,258**	**21,362**	**21,421**

32. Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2020/21 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

33. The S151 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

34. **Treasury Indicators: limits to borrowing activity**

The Operational Boundary. This is the limit which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Table 7 - Operational Boundary	2019/20 Revised £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
Debt	67,500	87,100	89,400	90,000
Other long-term liabilities	15	15	15	15
Operational Boundary	**67,515**	**87,115**	**89,415**	**90,015**

The Authorised Limit for external debt. This further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects a level of external debt which, while not desired, could be afforded in the short term, but which is not demonstrably prudential in the longer term.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

- The Council is asked to approve the following Authorised Limit:

Table 8 - Authorised Limit	2019/20 Revised £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
Debt	70,900	91,500	93,900	94,600
Other long-term liabilities	15	15	15	15
Authorised Limit	**70,915**	**91,515**	**93,915**	**94,615**

35. **Maturity structure of borrowing**
These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

Table 9 - Maturity Structure of Borrowing			
Maturity structure of fixed interest rate borrowing 2019/20			
	31/3/20	**Lower**	**Upper**
Under 12 months	3%	0%	30%
12 months to 2 years	6%	0%	30%
2 years to 5 years	8%	0%	40%
5 years to 10 years	14%	0%	50%
Over 10 years	69%	0%	75%

The column headed 31/3/20 is the forecast split of borrowing as at the end of the current financial year and includes estimated temporary borrowing. The column for the Upper limit is in respect of borrowing in 2020/21. It indicates that borrowing is likely to be for a range of maturities.

It is not anticipated that any borrowing will be taken at variable interest rates.

36. **Control of interest rate exposure**

Please see paragraphs 37 and 41 and the advice of Link Assets Services on prospects for interest rates in Appendix I1.

The table in Appendix I1 compares the forecast of a year ago with that prepared for the mid-year review, and the current forecast.

37. **Borrowing strategy**

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.

Against this background and the risks within the economic forecast, caution will be adopted with the 2020/21 treasury operations. The Section 151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates,* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then borrowing will be postponed.

- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported at the next available opportunity.

38. **Policy on borrowing in advance of need**

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 will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

ANNUAL INVESTMENT STRATEGY

39. **Investment Policy – management of risk**

The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy at Appendix H to the Budget report.

The Council's investment policy has regard to

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

The Council's investment priorities will be **S**ecurity first, portfolio **L**iquidity second, and only then return (**Y**ield).

The above guidance from the MHCLG and CIPFA places a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being £4 million. See Table 10 below.

6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 40.

7. **Transaction limits** are set for each type of investment in paragraph 40.

8. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see Table 10).

9. Investments will only be placed with UK counterparties.

10. This authority has engaged **external consultants** to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in **sterling**.

As a result of the change in accounting standards for 2018/19 onwards under **IFRS 9,** this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. However, in November 2018, the Ministry of Housing, Communities and Local Government (MHCLG), concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation the financial consequences of IFRS 9 for five years commencing from 1 April 2018.

40. **Creditworthiness policy**

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 & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

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

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 Council will therefore use counterparties within the following durational bands:

Yellow	5 years
Purple	2 years
Blue	1 year (only applies to nationalised or semi nationalised UK Banks)
Orange	1 year
Red	6 months
Green	100 days
No colour	Not to be used

The yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt.

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

Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly, and will be checked at the time of placing investments. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service, and has access to the websites of Fitch, Moody's and Standard & Poor's.

- 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.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on any external support for banks to help support its decision making process.

UK banks – ring fencing

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

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to

improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity’s core activities are not adversely affected by the acts or omissions of other members of its group.

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

Counterparties and investment limits 2019/20
The proposed counterparties and investment limits for 2020/21 are shown in the following table.

This list is unchanged from that approved by Council for 2019/20 on 26 February 2019. The list was temporarily amended by Council on 23 July 2019, in order to provide the flexibility required in the circumstances of a major asset purchase, before then reverting to the originally approved list on completion of the purchase.

Investment Counterparties 2020/21

Category	Institutions	LAS Colour Code	Maximum Period	Limit per Institution
Banks & Building Societies: Call Accounts /Term Deposits / Certificates of Deposit (CDs)				
Government related/guaranteed entities	DMADF (DMO)	Yellow	6 months	Unlimited
	UK Local Authority	Yellow	1 year 2 years	£3m per LA £2m per LA; £4m in total
UK part-nationalised institutions	Royal Bank of Scotland group	Blue	1 year	£4m per group
UK-incorporated Institutions	UK banks and building societies of high credit quality	Orange Red Green	1 year 6 months 3 months	£3m per group (or institution if independent)
Money Market Funds				
Money Market Funds	MMFs of high credit quality - AAA rated		Instant access	£3m per fund

41. **Investment strategy**

In-house funds
Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. However, as Table 6 indicates, the Council is currently under-borrowed, which means that it is using its own cash balances to avoid taking external borrowing at higher rates of interest than it would achieve if it invested the cash. Cash balances are held only to manage the ups and down of cash flow, and in general they are held only in highly liquid accounts such as bank current accounts and Money Market Funds. Such accounts pay lower rates of interest than are offered for term deposits, so it is very unlikely that the rate of return on cash investments will reach the levels suggested by Link Asset Services for term deposits of around three months.

Investment returns expectations

On the assumption that the UK and EU agree a Brexit deal including the terms of trade by the end of 2020 or soon after, then Bank Rate is forecast to increase only slowly over the next few years to reach 1.00% by quarter 1 2023. Bank Rate forecasts for financial year ends (March) are:

- Q1 2021 0.75%
- Q1 2022 1.00%
- Q1 2023 1.25%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

2019/20	0.75%
2020/21	0.75%
2021/22	1.00%
2022/23	1.25%
2023/24	1.50%
2024/25	1.75%
Later years	2.25%

As cash will generally be held in highly liquid accounts rather than being placed as term deposits at higher interest rates, it is unlikely that the rate of return achieved will match these forecasts. However, the cash will be used to avoid taking external borrowing at higher rates of interest.

The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture. The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside. In the event that a Brexit deal is agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

Investment Treasury Indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit:

Table 10 - Maximum Principal Sums Invested > 365 Days	2019/20 Revised £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
UK Government	0	0	0	0
UK Local Authorities **	4,000	4,000	4,000	4,000
UK Banks & Building Societies	0	0	0	0
Non-UK Banks	0	0	0	0
Total	**4,000**	**4,000**	**4,000**	**4,000**

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, Money Market Funds and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

42. **Investment Risk Benchmarking**

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of 7 day LIBID plus 1.5%. This is a challenging target because it is unlikely that cash will be placed as term deposits at higher rates of interest.

43. **End of Year Investment Report**

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

IMPLICATIONS OF REPORT

44. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	✓	Customer Services	
Human Resources		Equality and Diversity	
Legal	✓	Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

45. These are contained in the report.

COMMENTS OF THE MONITORING OFFICER

46. The recommendations are appropriate as explained in the body of the report.

GARY HALL
CHIEF FINANCE OFFICER

Background Papers			
Document	**Date**	**File**	**Place of Inspection**
CIPFA Treasury Management in the Public Services: Code of Practice & Guidance Notes (2017)			Town Hall
CIPFA Prudential Code for Capital Finance in Local Authorities (2017)			Town Hall
CIPFA Treasury Management in the Public Services: Guidance Notes for Local Authorities (2018)			Town Hall
CIPFA Standards of Professional Practice: Treasury Management			Town Hall
MHCLG Guidance on Local Government Investments			Town Hall
MHCLG Guidance on Minimum Revenue Provision			Town Hall

Report Author	Ext	Date	Doc ID
Tony Furber	5490	13th February 2020	Treasury Management Strategy 2020-21 to 2022-23.docx

APPENDIX I1

ECONOMIC BACKGROUND

Advice from Link Asset Services:

UK: Brexit. The formal departure of the UK from the EU took place on 31 January 2020, but remains much uncertainty in respect of the detail of the country's future trading relationship with the bloc, with the trade deal to determine this will need to be negotiated by the currently scheduled end of the transition period in December 2020, which the Prime Minister has pledged he will not extend. This is a challenging timeframe for such major negotiations and a failure to complete them on time would leave open two possibilities; ie the need for an extension of negotiations, perhaps of as much as two years, or a no deal outcome at the end of December 2020.

UK: GDP growth has taken a hit from Brexit uncertainty during 2019; although quarter three 2019 surprised on the upside by coming in at +0.4% q/q, +1.1% y/y. However, the peak of Brexit uncertainty during the final quarter appears to have suppressed quarterly growth, probably to around zero. The economy is likely to tread water in 2020, with only limited growth around about 1% until there is more certainty after the trade deal deadline has passed.

While the Bank of England did produce its regular **Quarterly Inflation Report** (now renamed the Monetary Policy Report) on 7 November, this was always to be overtaken by events, to one extent or another, given the then-current uncertainties associated with the then-forthcoming general election. The Bank did make a change in their Brexit assumptions, to now include a deal being eventually passed. Possibly the most significant message was that of an increase in concerns among MPC members around weak global economic growth and the potential for Brexit uncertainties to become entrenched and so delay UK economic recovery. Consequently, the MPC voted 7-2 to maintain the Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or if uncertainties associated with Brexit intensify, then a rate cut would become more likely. Conversely, if risks recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for future trade between the UK and EU and by how much global growth rates pick up. The Bank revised its inflation forecasts down – to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence, the MPC views inflation as causing little concern in the near future.

The MPC meeting of 19 December repeated the previous month's vote of 7-2 to keep Bank Rate on hold. Their key view was that there was currently 'no evidence about the extent to which policy uncertainties among companies and households had declined'. The two members who voted for a cut were concerned that the labour market was faltering. On the other hand, there was a clear warning in the minutes that the MPC were concerned that "domestic unit labour costs have continued to grow at rates above those consistent with meeting the inflation target in the medium term". The voting pattern of 7-2 in favour of keeping rates on hold was again repeated at February's MPC meeting, with some increased optimism around the stabilisation of the global economy, an easing in global trade tensions and some improved domestic data, but with continuing concerns about the short- and medium-term prospects for growth.

If economic growth were to weaken considerably, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%. It would therefore probably suggest that it would be up to the Chancellor to provide help to support growth, by way of a fiscal boost,

e.g. through tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects. The Government has already made moves in this direction with significant promises in its election manifesto to increase government spending by up to £20bn p.a. (adding approximately 1% to GDP growth rates), by investing primarily in infrastructure. This is likely to be confirmed in the next Budget, in February or March 2020. The Chancellor also amended the fiscal rules in November to allow for an increase in government expenditure.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell again in both October and November to a three-year low of 1.5% and then again to 1.3% in December. It is likely to remain close to or under 2% over the next two years and so does not pose any immediate concern to the MPC. However, if there was a hard or no deal conclusion to the trade talks with the EU, then inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

With regard to the **labour market,** growth in numbers employed had been quite resilient through 2019 until the three months to September where it fell by 58,000. However, there was an encouraging pick up again in the three months to October, with growth of 24,000, indicating that the labour market was not about to head into a major downturn. The unemployment rate held steady at a 44-year low of 3.8% on the Independent Labour Organisation measure in October. Wage inflation has been steadily falling from a high point of 3.9% in July to 3.5% in October (3-month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.0%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of growth to a robust 2.9% y/y. **Growth** in 2019 has been falling after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2 and then 2.1% in quarter 3. The economy looks likely to have maintained a growth rate similar to quarter 3 into quarter 4 and fears of a recession have largely dissipated. The strong growth in employment numbers during 2018 has weakened during 2019, indicating that the economy had been cooling, while inflationary pressures were also weakening. However, CPI inflation rose from 1.8% to 2.1% in November, a one year high, but this was caused exclusively by a rise in gasoline prices.

The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not intended as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc.). It then cut rates by 0.25% again in September and by another 0.25% in its October meeting to 1.50 – 1.75%.. At its September meeting it also said it was going to start buying Treasuries again, although this was not to be seen as a resumption of quantitative easing but rather an exercise to relieve liquidity pressures in the repo market. Despite those protestations, this still means that the Fed is again expanding its balance sheet holdings of government debt. In the first month, it will buy $60bn, whereas it had been reducing its balance sheet by $50bn per month during 2019. As it will be buying only short-term (under 12 months) Treasury bills, it is technically correct that this is not quantitative easing (which is purchase of long-term debt). The Fed left rates unchanged in December. However, the accompanying statement

was more optimistic about the future course of the economy, so this would indicate that further cuts are unlikely.

Investor confidence has been seriously unsettled by the progressive increases in tariffs President Trump has made on Chinese imports, to which China has responded with increases in tariffs on its imports from the USA. This trade war is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.
However, in November / December, progress was made on agreeing a phase one deal between the US and China to roll back some of the tariffs; giving some hope of resolving this dispute.

EUROZONE. Growth has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1, +0.2% q/q (+1.2% y/y) in quarter 2 and then +0.2% q/q, +1.1% in quarter 3. There appears to be little upside potential in the near future. German GDP growth has been struggling to stay in positive territory in 2019 and fell by -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a failure of the UK/EU trade talks, which would depress exports further and also if President Trump were to impose tariffs on EU produced cars.

The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018. This meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity, designed to support world financial markets by quantitative easing purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but which aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels “at least through the end of 2019”, but that was of little help to boosting growth in the near term. Consequently, it announced a **third** round of TLTROs; which provides banks with cheap borrowing every three months from September 2019 until March 2021. This means that, although they will have only a two-year maturity, the Bank was making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank’s eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum. At its meeting on 12 September the ECB cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a resumption of quantitative easing purchases of debt for an unlimited period. At its October meeting it said these purchases would start in November at €20bn per month - a relatively small amount compared to the previous buying programme. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and, unsurprisingly, the ECB stated that governments would need to help stimulate growth by ‘growth friendly’ fiscal policy.

There were no policy changes in the December meeting, which was chaired for the first time by the new President of the ECB, Christine Lagarde. However, the outlook continued to be downbeat about the economy; making it likely that there will be further monetary policy stimulus to come in 2020. It was also announced that there is to be a thorough review of how the ECB conducts monetary policy, including the price stability target. This review is likely to take the whole of 2020 to complete.

On the political front, Austria, Spain and Italy have seen the formation of **coalition governments,** with some unlikely combinations of parties, which in turn raises questions around their likely endurance. The latest results of German state elections has put further pressure on the German CDU/SDP coalition government and on the current leadership of the CDU. The results of the Spanish general election in November have not helped the prospects of forming a stable coalition.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus. Medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.

JAPAN - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

WORLD GROWTH. Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high-tech areas and production of rare earth minerals. It is achieving this by massive financial support (i.e. subsidies) to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from a dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation. Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this will militate against central banks increasing interest rates.

The trade war between the US and China is a major concern to financial markets due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited options available, in terms of monetary policy measures, when rates are already very low in most countries (apart from the US). There are also concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks and the use of negative central bank rates in some countries. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been predicting

a downturn in growth; this confirms investor sentiment that the outlook for growth during the year ahead is weak.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU.** On this basis, while GDP growth is likely to be subdued in 2019 and 2020, due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement on the detailed terms of a trade deal is likely to lead to provide a boost to the rate of growth in subsequent years. This could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit in December 2020**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth, to deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- If there were a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably even, but dependent on a successful outcome of negotiations with the EU on a future trade deal.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- In the event that a Brexit deal was agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash, as there has been a major increase in consumer and other debt, due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy (i.e. the rate that is neither expansionary nor deflationary) is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over- or under-do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.** In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change

in the coalition governing Italy, which has brought to power a much more EU friendly government. This has eased the pressure on Italian bonds. Only time will tell whether this new coalition, based on an unlikely alliance of two very different parties, will endure.

- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in recent state elections, but the SPD has done particularly badly and this has raised a major question mark over continuing to support the CDU. Angela Merkel has stepped down from being the CDU party leader, but intends to remain as Chancellor until 2021.
- **Other minority EU governments.** Austria, Finland, Sweden, Spain, Portugal, Netherlands and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was **potential for a rerun of the 2008 financial crisis**, but his time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on **some $19trn of corporate debt in major western economies,** if world growth was to dip further than just a minor cooling. This debt is mainly held by the shadow banking sector i.e. pension funds, insurers, hedge funds, asset managers etc., who, when there is $15trn of corporate and government debt now yielding negative interest rates, have been searching for higher returns in riskier assets. Much of this debt is only marginally above investment grade so any rating downgrade could force some holders into a fire sale, which would then depress prices further and so set off a spiral down. The IMF's answer is to suggest imposing higher capital charges on lending to corporates and for central banks to regulate the investment operations of the shadow banking sector. In October 2019, the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.
- **Geopolitical risks,** for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Comparison of Interest Rate Forecasts – Treasury Strategy 2019/22 – 2022/23 (Feb 2019), and Treasury Strategy 2020/21 – 2023/24 (Jan 2020)

	Bank Rate %			PWLB Borrowing Rates % (including 0.20% certainty rate adjustment)											
				5 year			10 year			25 year			50 year		
	Jan-20	Nov 19	Jan 19	Jan-20	Nov 19	Jan 19	Jan-20	Nov 19	Jan 19	Jan-20	Nov 19	Jan 19	Jan-20	Nov 19	Jan 19
Mar-20	0.75	0.75	1.25	2.30	2.50	2.30	2.50	2.80	2.80	3.00	2.60	3.20	2.90	3.30	3.00
Jun-20	0.75	0.75	1.25	2.30	2.60	2.40	2.50	2.90	2.90	3.00	2.70	3.30	2.90	3.40	3.10
Sep-20	0.75	0.75	1.25	2.40	2.70	2.50	2.60	3.00	2.90	3.10	2.80	3.30	3.00	3.50	3.10
Dec-20	0.75	1.00	1.50	2.40	2.70	2.50	2.60	3.00	3.00	3.20	2.90	3.40	3.10	3.60	3.20
Mar-21	0.75	1.00	1.50	2.50	2.80	2.60	2.70	3.10	3.00	3.30	3.00	3.40	3.20	3.60	3.20
Jun-21	1.00	1.00	1.75	2.60	2.90	2.60	2.80	3.20	3.10	3.40	3.00	3.50	3.30	3.70	3.30
Sep-21	1.00	1.00	1.75	2.70	3.00	2.70	2.90	3.30	3.10	3.50	3.10	3.50	3.40	3.80	3.30
Dec-21	1.00	1.00	1.75	2.80	3.00	2.80	3.00	3.30	3.20	3.60	3.20	3.60	3.50	3.80	3.40
Mar-22	1.00	1.25	2.00	2.90	3.10	2.80	3.10	3.40	3.20	3.70	3.30	3.60	3.60	3.90	3.40
Jun-22	1.25			2.90			3.10			3.80			3.70		
Sep-22	1.25			3.00			3.20			3.80			3.70		
Dec-22	1.25			3.00			3.20			3.90			3.80		
Mar-23	1.25			3.10			3.30			3.90			3.80		

The February 2019 forecasts were included in Treasury Strategy 2019/20 to 2022/23.
Link Asset Services provided an updated forecast in January 2020.