



## Treasury Management Strategy Statement and Annual Investment Strategy 2018/19

**Date of meeting** 23 February 2018

**Date of report** 15 February 2018

### Report by Assistant Chief Executive (Business Support)

#### 1. Object of report

To update members on treasury management processes and seek approval for the proposed treasury management strategy for the financial year 2018/19.

#### 2. Background

SPT has adopted the CIPFA Treasury Management Code of Practice (2011) and fully complies with its requirements.

The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of SPT's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which SPT will seek to achieve those policies and objectives.
- Receipt by the Partnership of an annual strategy report for the year ahead and an annual review report of the previous year.
- Delegation by SPT of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

Treasury management in this context is defined as:

*“The management of the organisation’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.”*

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it seeks approval for the proposed treasury management strategy for the year ahead.

This report covers:

- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- the capital plans (including prudential indicators); and
- an Investment Strategy (the parameters on how investments are to be managed).

In December 2017, CIPFA issued a revised “Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes” and a revised “The Prudential Code for Capital Finance in Local Authorities”. The issue of revised Codes at such a late stage in the preparation of plans for 2018/19 has meant that SPT will not be able to fully implement both Codes until 2019/20.

### **3. Treasury Management Strategy for 2018/19**

The strategy for 2018/19 covers two main areas:

#### **Capital issues**

- the capital plans and the prudential indicators.

#### **Treasury management issues**

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

These elements cover the requirements of the Local Government in Scotland Act 2003, the CIPFA Prudential Code for Capital Finance in Local Authorities (2011), the CIPFA Treasury Management Code of Practice (2011) and the Scottish Government Investment Regulations.

The Committee will be aware that SPT normally prepares an aligned three year rolling capital programme and budget which seeks to balance the transport project delivery aspirations and the available funding. SPT has again prepared a programme covering the period 2018/19 to 2020/21 but members are advised that in doing so no funding information for years two or three is known at this stage. Therefore the capital programme and capital funding for 2019/20 and 2020/21 is based on estimates and is indicative only, noting that this will be refined and resubmitted at a later stage when funding information is available.

### **4. The Capital Prudential Indicators 2016/17 to 2020/21**

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

## 4.1 Capital expenditure

This prudential indicator is a summary of SPT's capital expenditure plans.

<b>Table 1</b>	<b>2016/17 Actual £000</b>	<b>2017/18 Forecast £000</b>	<b>2018/19 Forecast £000</b>	<b>2019/20 Estimate £000</b>	<b>2020/21 Estimate £000</b>
<b>Capital Expenditure</b>	<b>59,648</b>	<b>67,654</b>	<b>74,525</b>	<b>77,007</b>	<b>41,092</b>
Capital grants and contributions	36,228	109,035	19,000	74,610	74,148
Transfers (to) / from Capital Grants Unapplied Account	4,533	-41,381	52,935	1,397	-34,056
Revenue contribution to the capital programme	1,800	0	1,000	1,000	1,000
Subway fund utilisation	17,087	0	0	0	0
General Fund	0	0	0	0	0
Capital Receipts Reserve	0	0	1,590	0	0
<b>Capital Funding</b>	<b>59,648</b>	<b>67,654</b>	<b>74,525</b>	<b>77,007</b>	<b>41,092</b>

## 4.2 SPT's borrowing need (the Capital Financing Requirement)

The Capital Financing Requirement (CFR) is 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 SPT's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

<b>Table 2</b>	<b>2016/17 Actual £000</b>	<b>2017/18 Forecast £000</b>	<b>2018/19 Forecast £000</b>	<b>2019/20 Estimate £000</b>	<b>2020/21 Estimate £000</b>
Capital Financing Requirement	0	0	0	0	0

## 4.3 The Use of SPT's Resources and the Investment Position

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 on-going impact on investments unless resources are supplemented each year from new sources (e.g. asset sales). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

<b>Table 3 Year End Resources</b>	<b>2016/17 Actual £000</b>	<b>2017/18 Forecast £000</b>	<b>2018/19 Forecast £000</b>	<b>2019/20 Estimate £000</b>	<b>2020/21 Estimate £000</b>
General Fund Balance	11,169	11,169	11,169	11,169	11,169
Capital Receipts Reserve	22,972	22,972	21,382	21,382	21,382
Capital Grants Unapplied Account	23,151	64,532	5,507	4,110	38,166
Subway fund	18,991	34,283	45,072	53,754	59,967
<b>Total core funds</b>	<b>76,283</b>	<b>132,956</b>	<b>83,130</b>	<b>90,415</b>	<b>130,684</b>
<b>Investments</b>	<b>88,140</b>	<b>144,813*</b>	<b>94,987</b>	<b>102,272</b>	<b>142,541*</b>

*\* Note - the increase in Investments in 2017/18 and 2020/21 relates to the Scottish Government Specific Grant for Subway Modernisation being received in advance of the spend profile.*

#### **4.4 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 SPT's overall finances.

#### **Actual and estimates of the ratio of financing costs to net revenue stream**

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

<b>Table 4</b>	<b>2016/17 Actual</b>	<b>2017/18 Forecast</b>	<b>2018/19 Forecast</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>
SPT	-1%	-1%	-2%	-2%	-2%

This indicator is dependent on the mix of borrowing / utilisation of the Subway Fund applied in future years.

### **5. Treasury Management Consultants**

SPT uses Link Asset Services as its external treasury management advisors. SPT recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon external service providers, whilst recognising the value in employing external providers of treasury management services in order to acquire access to specialist skills and resources.

### **6. Treasury Management Strategy**

The capital expenditure plans set out in Section 4 provide details of the service activity of SPT. The treasury management function ensures that SPT's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. 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.

## 6.1 Current Portfolio Position

SPT's treasury portfolio position, with forward projections 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.

<b>Table 5</b>	<b>2016/17 Actual £000</b>	<b>2017/18 Forecast £000</b>	<b>2018/19 Forecast £000</b>	<b>2019/20 Estimate £000</b>	<b>2020/21 Estimate £000</b>
<b>External Debt</b>					
Debt at 1 April	0	0	0	0	0
Expected change in Debt	0	0	0	0	0
Actual debt at 31 March	0	0	0	0	0
The Capital Financing Requirement	0	0	0	0	0
Under / (over) borrowing	0	0	0	0	0
Investments	96,568	88,140	144,813	94,987	102,272
Investment change	-8,428	56,673	-49,826	7,285	40,269
<b>Total Investments</b>	<b>88,140</b>	<b>144,813</b>	<b>94,987</b>	<b>102,272</b>	<b>142,541</b>
<b>Net Debt</b>	<b>-88,140</b>	<b>-144,813</b>	<b>-94,987</b>	<b>-102,272</b>	<b>-142,541</b>

Within the prudential indicators there are a number of key indicators to ensure that SPT operates its activities within well-defined limits. One of these is that SPT needs to ensure that its total debt, net of any investments, 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 2018/19 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

## 6.2 Treasury Indicators: Limits to Borrowing Activity

**The Operational Boundary:** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but would also include an allowance for risk.

<b>Table 6 Operational Boundary</b>	<b>2017/18 Forecast £000</b>	<b>2018/19 Forecast £000</b>	<b>2019/20 Estimate £000</b>	<b>2020/21 Estimate £000</b>
Debt	30,000	60,000	60,000	60,000

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

<b>Table 7 Authorised Limit</b>	<b>2017/18 Forecast £000</b>	<b>2018/19 Forecast £000</b>	<b>2019/20 Estimate £000</b>	<b>2020/21 Estimate £000</b>
Debt	33,000	66,000	66,000	66,000

Whilst there are currently no plans to borrow, the Operational Boundary and Authorised Limit have been set to enable SPT to react to any changes in circumstances.

### 6.3 Prospects for Interest Rates

SPT has appointed Link Asset Services as its treasury advisor and the following table gives their view on the prospects for interest rates.

<b>Table 8</b>	<b>Bank Rate</b>	<b>PWLB Borrowing Rates</b>		
	<b>%</b>	<b>5 year</b>	<b>10 year</b>	<b>25 year</b>
March 2018	0.50%	1.60%	2.20%	2.90%
June 2018	0.50%	1.60%	2.30%	3.00%
September 2018	0.50%	1.70%	2.40%	3.00%
December 2018	0.75%	1.80%	2.40%	3.10%
March 2019	0.75%	1.80%	2.50%	3.10%
June 2019	0.75%	1.90%	2.60%	3.20%
September 2019	0.75%	1.90%	2.60%	3.20%
December 2019	1.00%	2.00%	2.70%	3.30%
March 2020	1.00%	2.10%	2.70%	3.40%
June 2020	1.00%	2.10%	2.80%	3.50%
September 2020	1.25%	2.20%	2.90%	3.50%
December 2020	1.25%	2.30%	2.90%	3.60%
March 2021	1.25%	2.30%	3.00%	3.60%

### 6.4 Economic Outlook

Economic growth (GDP) was estimated to have increased by 1.8% between 2016 and 2017, slightly below the 1.9% growth seen between 2015 and 2016. The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the referendum vote for Brexit, feeding increases in the cost of imports into the economy. The expectation is for GDP to continue to grow at a modest pace over the next few years.

The unemployment rate has fallen to 4.3% in November 2017, its joint lowest level since 1975, and low wage inflation has become a common factor in most western economies as a result of increasing globalisation.

Consumer Price Index (CPI) inflation increased from 1.8% in January 2017 to 3.0% in December 2017, having peaked at 3.1% in November 2017. Inflation has been pushed above the UK Government's 2% target by the increase in import prices that resulted from the past devaluation of sterling. The expectation is for inflation to remain at 3% in the short term and to decline towards the 2% target over the next few years.

The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain economic growth and employment. At its meeting on 2 November 2017, the MPC reacted to the economic outlook by raising Bank Rate from 0.25% to 0.50%, the first rate rise in 10 years. At its meeting on 13 December 2017, the MPC voted unanimously to maintain bank rate at 0.5%. The expectation is that any future increases in Bank Rate would be made at a gradual pace and to a limited extent in order to return inflation sustainably to the 2% target.

The longer term trend for Public Works Loan Board (PWLB) borrowing rates is also to rise at a gradual pace.

Developments regarding the UK's withdrawal from the European Union remain the most significant influence on, and source of uncertainty about, the economic outlook. In such exceptional circumstances, the MPC's remit specifies that it must balance any trade-off between the speed at which it intends to return inflation sustainably to the target and the support that monetary policy provides to jobs and activity.

## **6.5 Borrowing Strategy**

SPT is currently debt free, but may need to borrow in future to fund the Subway Modernisation programme for cash flow purposes. However, the current funding and expenditure profiles to 2020/21 do not require any borrowing.

### **6.5.1 Interest Rate Exposure**

Against this background and the risks within the economic forecast, caution will be adopted with the 2018/19 treasury operations. The Director of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

SPT is currently debt free and has no plans to borrow in 2018/19.

Any changes in circumstances will be reported to the Partnership at the earliest available opportunity.

### **6.5.2 Maturity structure of borrowing**

These gross limits are normally set to reduce SPT's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits. However, SPT is currently debt free and there is therefore no requirement to set upper and lower limits on the maturity structure of fixed and variable rate borrowing.

## **6.6 Policy on Borrowing in Advance of Need**

The timing of any borrowings 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 SPT can ensure the security of such funds. SPT will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed.

## **6.7 Annual Investment Strategy**

### **6.7.1. Investment Policy**

SPT's investment policy has regard to the Local Government Investment (Scotland) Regulations (and accompanying finance circular) and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross-Sectoral Guidance Notes ("the CIPFA Treasury Management Code"). SPT's investment priorities will be security first, liquidity second and then return.

In accordance with the above guidance from the Scottish Government and CIPFA, and in order to minimise the risk to investments, SPT has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies. Potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

Further, SPT officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector 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 this end SPT will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps (CDS)" and overlay that information on top of the credit ratings.

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

The intention of the strategy is to provide security of investment and minimisation of risk.

### **6.7.2. Creditworthiness Policy**

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



SPT will therefore use counterparties within the following durational bands.

<b>Table 11 Key to bands used on Counterparty List</b>	
<b>Colour code</b>	<b>Duration (up to)</b>
Yellow	5 years
Purple	2 years
Blue	1 year (only applies to UK Part Nationalised Banks)
Orange	1 year
Red	6 months
Green	100 days
No Colour	0 days (i.e. not to be used)

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

A full list of SPT's potential counterparties can be found at Appendix 1.

### **6.7.3. Permitted Investments**

The Investment Regulations (Code on the Investment of Money by Local Authorities) requires the Committee approval of all the types of investments to be used and set appropriate limits for the amount that can be held in each investment type.

Details of all permitted investments can be found at Appendix 2.

### **6.7.4. Counterparty Limits**

SPT's counterparty limits are set as follows:

- Principal Banker - the greater of £50m or 50% of total balances;
- UK Nationalised and Part Nationalised Banks - the greater of £30m or 30% of total balances;
- Other Institutions - the greater of £10m or 25% of total balances.

To allow for temporary operational circumstances, there is a tolerance level of 2% of the balance held with each counterparty.

### **6.7.5. Investment Treasury Indicator and Limit**

The Investment Treasury Indicator and Limit is the total principal funds invested for greater than 365 days. These limits are set with regard to SPT'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.

<b>Table 12</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>
Principal sums invested > 365 days	25,000	25,000	25,000	25,000

## 7. Partnership action

The Partnership is recommended to:

- (a) approve the Treasury Management Strategy Statement and Annual Investment Strategy for financial year 2018/19;
- (b) approve SPT's prudential indicators as detailed in the report;
- (c) approve the Counterparty List detailed in Appendix 1;
- (d) approve the Permitted Investment Types detailed in Appendix 2.

## 8. Consequences

Policy consequences	<i>None</i>
Legal consequences	<i>All legislation and regulations are adhered to.</i>
Financial consequences	<i>The contents of this report have been incorporated into SPT's 2018/19 budgets.</i>
Personnel consequences	<i>None</i>
Equalities consequences	<i>None</i>
Risk consequences	<i>As detailed in report</i>

**Name** Valerie Davidson

**Title** **Assistant Chief Executive  
(Business Support)**

**Name** Gordon Maclennan

**Title** **Chief Executive**

For further information, please contact Neil Wylie, Director of Finance & HR, on 0141 333 3380.

## SPT's Counterparty List

Counterparty Institution	Country / Classification	Band
Abbey National Treasury Services PLC	UK	Orange
Bank of Scotland PLC	UK	Orange
Barclays Bank PLC	UK	Red
Close Brothers Ltd	UK	Red
Goldman Sachs International Bank	UK	Red
HSBC Bank PLC	UK	Orange
Lloyds Bank Plc	UK	Orange
Santander UK PLC	UK	Red
Standard Chartered Bank	UK	Red
Sumitomo Mitsui Banking Corporation Europe Ltd	UK	Red
UBS Ltd.	UK	Orange
Coventry Building Society	UK Building Societies	Red
Leeds Building Society	UK Building Societies	Green
Nationwide Building Society	UK Building Societies	Red
Skipton Building Society	UK Building Societies	Green
Yorkshire Building Society	UK Building Societies	Green
Collateralised LA Deposit	AAA rated and UK Government backed securities	Yellow
Debt Management Office	AAA rated and UK Government backed securities	Yellow
Multilateral Development Banks	AAA rated and UK Government backed securities	Yellow
Supranationals	AAA rated and UK Government backed securities	Yellow
UK Gilts	AAA rated and UK Government backed securities	Yellow
National Westminster Bank PLC	Part Nationalised Banks	Blue
Royal Bank of Scotland Group Plc	Part Nationalised Banks	Blue
The Royal Bank of Scotland Plc	Part Nationalised Banks	Blue
Australia and New Zealand Banking Group Ltd.	Australia	Orange
Commonwealth Bank of Australia	Australia	Orange
Macquarie Bank Ltd.	Australia	Red
National Australia Bank Ltd.	Australia	Orange
Westpac Banking Corp.	Australia	Orange
BNP Paribas Fortis	Belgium	Red
KBC Bank N.V.	Belgium	Red
Bank of Montreal	Canada	Orange
Bank of Nova Scotia	Canada	Orange

Counterparty Institution	Country / Classification	Band
Canadian Imperial Bank of Commerce	Canada	Orange
National Bank of Canada	Canada	Red
Royal Bank of Canada	Canada	Orange
Toronto-Dominion Bank	Canada	Orange
Danske A/S	Denmark	Red
OP Corporate Bank plc	Finland	Orange
BNP Paribas	France	Red
Credit Agricole Corporate and Investment Bank	France	Red
Credit Agricole S.A.	France	Red
Credit Industriel et Commercial	France	Red
Societe Generale	France	Red
BayernLB	Germany	Red
Commerzbank AG	Germany	Green
Deutsche Bank AG	Germany	Green
DZ BANK AG Deutsche Zentral-Genossenschaftsbank	Germany	Orange
Landesbank Baden-Wuerttemberg	Germany	Red
Landesbank Berlin AG	Germany	Orange
Landesbank Hessen-Thueringen Girozentrale	Germany	Orange
Landwirtschaftliche Rentenbank	Germany	Purple
NRW.BANK	Germany	Purple
ABN AMRO Bank N.V.	Netherlands	Red
Bank Nederlandse Gemeenten N.V.	Netherlands	Purple
Cooperatieve Rabobank U.A.	Netherlands	Orange
ING Bank N.V.	Netherlands	Orange
Nederlandse Waterschapsbank N.V.	Netherlands	Purple
Qatar National Bank	Qatar	Green
DBS Bank Ltd.	Singapore	Orange
Oversea-Chinese Banking Corp. Ltd.	Singapore	Orange
United Overseas Bank Ltd.	Singapore	Orange
Nordea Bank AB	Sweden	Orange
Skandinaviska Enskilda Banken AB	Sweden	Orange
Svenska Handelsbanken AB	Sweden	Orange
Swedbank AB	Sweden	Orange
Credit Suisse AG	Switzerland	Red
UBS AG	Switzerland	Orange
First Abu Dhabi Bank PJSC	United Arab Emirates	Orange
Bank of America N.A.	United States	Orange

Counterparty Institution	Country / Classification	Band
Bank of New York Mellon, The	United States	Purple
Citibank N.A.	United States	Orange
JPMorgan Chase Bank N.A.	United States	Orange
Wells Fargo Bank, NA	United States	Orange

Key to bands used on Counterparty List:	
Colour Code	Duration (up to)
Yellow	5 years
Purple	2 years
Blue	1 year (only applies to UK Part Nationalised Banks)
Orange	1 year
Red	6 months
Green	100 days
No Colour	0 days (i.e. not to be used)

## Permitted Investment Types

<b>1. Cash type instruments</b>	
a)	Deposits with the Debt Management Account Facility (UK Government)
b)	Deposits with other local authorities or public bodies
c)	Money Market Funds (Constant Net Asset Value)
d)	Money Market Funds (Low-Volatility Net Asset Value)
e)	Ultra short dated bond funds
f)	Call account deposit accounts with financial institutions (banks and building societies)
g)	Term deposits with financial institutions (banks and building societies)
h)	Government Gilts and Treasury Bills
i)	Certificates of deposits with financial institutions
j)	Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates etc.)

  

<b>2. Other investments</b>	
a)	Investment properties
b)	Loans to third parties, including soft loans
c)	Loans to a local authority company
d)	Shareholdings in a local authority company
e)	Non-local authority shareholdings

## Treasury Management Policy Statement

Strathclyde Partnership for Transport has defined the policies and objectives of its treasury management activities as follows:

- (A) SPT defines its treasury management activities as:

“The management of the organisation’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.”
- (B) SPT regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
- (C) SPT acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.