Open **Any especially affected Wards** **None**	Would any decisions proposed : (a) Be entirely within Audit Committee's powers to decide NO (b) Need to be recommendations to Council/Cabinet Yes (c) Be partly for recommendations to Council NO and partly within Cabinets powers –
Lead Member: Brian Long, E-mail:cllr.brian.long@west-norfolk.gov.uk	Other Cabinet Members consulted: None Other Members consulted: None
Lead Officer: Toby Cowper E-mail: toby.cowper@west-norfolk.gov.uk Direct Dial: 01553 616523	Other Officers consulted: Lorraine Gore, Management Team

Financial Implications Yes	Policy/Personnel Implications NO	Statutory Implications (incl S.17) YES	Equal Opportunities Implications NO	Risk Management Implications NO

Date of meeting: 13 March 2018

TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2018/2019

Summary

The Council is required to receive and approve a Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy which covers –

- Capital plans, including prudential indicators
- A Minimum Revenue Provision (MRP) Policy
- The Treasury Management Strategy
- An Investment Strategy

This report covers the requirements of the Local Government Act 2003, the Chartered Institute of Public Finance Accountants (CIPFA) Prudential Code, the Ministry of Housing, Communities and Local Government (MHCLG) MRP Guidance, the CIPFA Treasury Management Code and the MHCLG Investment Guidance.

This report looks at the period 2018/2022 which fits with the Council's Financial Plan and capital programme. The report is based upon the Treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor, Link Asset Services.

Recommendations

Cabinet is asked to recommend to Council:

1 The Treasury Management Strategy Statement 2018/2019, including treasury indicators for 2018/2022.

2 The Investment Strategy 2018/2019.

3 The Minimum Revenue Provision Policy 2018/2019.

Reason for the Decision

The Council must produce a Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2018/2019 by 31 March 2018.

1 Background

a. 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.

b. 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. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

c. 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."

2 Reporting Requirements

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

b. Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report covers:
- The capital plans (including prudential indicators);
- A minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- The treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- An investment strategy (the parameters on how investments are to be managed).

c. A mid-year treasury management report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.

d. An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

3 Capital Strategy

a. In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2019-20, all local authorities will be 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

b. 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.

4 Treasury Management Strategy for 2018/19

a. The strategy for 2018/19 covers two main areas:

Capital issues

- The capital plans and the 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.

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.

5 Training

a. 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. Training was provided for members at the Audit Committee on the 26 January 2016 and 13 February 2017, further training will be arranged as required.

b. The training needs of treasury management officers are periodically reviewed and annual CPD training events attended.

6 Treasury Management Consultants

a. The Council uses Link Asset Services as its external treasury management advisors.

b. 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.

c. 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.

7 **The Capital Prudential Indicators 2018/2019 – 2021/2022**

a. 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.

b. **Capital expenditure and funding position**

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

(Capital Programme 2017 – 2022 agreed by Council 22 February 2018).

	2017/2018 Estimate	2018/2019 Estimate	2019/2020 Estimate	2020/2021 Estimate	2021/2022 Estimate
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Major Projects	24,544	30,840	22,380	2,592	0
Central and Community Services	2,537	2,651	2,430	2,330	2,330
Commercial Services	2,592	1,660	785	465	696
Environment and Planning	16	0	0	0	0
Finance Services	107	50	50	50	50
Total	**29,796**	**35,201**	**25,645**	**5,437**	**3,076**

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

	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Capital Receipts	(8,303)	(45,161)	(38,343)	(5,291)	(400)
Capital Grants	(2,170)	(1,352)	(1,352)	(1,352)	(1,352)
Capital reserves	(3,325)	(2,233)	(425)	(525)	(926)
Revenue	(93)	(95)	(95)	(271)	(285)
Net financing need for the year	**15,905**	**(13,640)**	**(14,570)**	**(2,002)**	**113**

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

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 underlying borrowing need. Any capital expenditure detailed above, which has not immediately been paid for, will increase the CFR.

The Council is asked to approve the CFR projections below:

	2017/2018 Estimate £'000	2018/2019 Estimate £'000	2019/2020 Estimate £'000	2020/2021 Estimate £'000	2021/2022 Estimate £'000
Carried forwards CFR	27,531	42,787	28,588	13,481	10,930
Borrowing Required	15,905	(13,640)	(14,570)	(2,002)	113
Net Financing Need Total	43,436	29,147	14,018	11,479	11,043
Less MRP and other financing movements*	(649)	(559)	(537)	(549)	(542)
Movement in CFR	15,256	(14,199)	(15,107)	(2,551)	(429)
Closing CFR	**42,787**	**28,588**	**13,481**	**10,930**	**10,501**

*Includes finance lease annual principal payments and the repayment of borrowing.

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

Year End Resources	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Fund balances / reserves	(26,000)	(27,500)	(26,500)	(24,500)	(22,000)
Capital receipts	(3,500)	(7,000)	(12,500)	(12,500)	(12,000)
Provisions (Collection Fund)	(5,000)	(4,000)	(4,000)	(4,000)	(4,000)
Other	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Total core funds	**(35,500)**	**(39,500)**	**(44,000)**	**(42,000)**	**(39,000)**
Working capital	(5,000)	(2,500)	(2,500)	(2,500)	(2,500)
Under/(over borrowing)	29,772	18,288	3,296	760	346
Expected investments	**(10,728)**	**(23,712)**	**(43,204)**	**(43,740)**	**(41,154)**

8 Borrowing

a. The capital expenditure plans set out in Section 7 provide 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.

b. The Council's treasury portfolio position at 31 March 2017, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Year End Resources	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
External Debt					
Debt at 1 April	13,000	12,800	10,100	10,000	10,000
Expected change in Debt	(200)	(2,700)	(100)	0	0
Other long-term liabilities	230	215	200	185	170
Expected change in Other long-term liabilities	(15)	(15)	(15)	(15)	(15)
Actual gross debt at 31 March	**13,015**	**10,300**	**10,185**	**10,170**	**10,155**
The Capital Financing Requirement	42,787	28,588	13,481	10,930	10,501
Internal borrowing	**29,772**	**18,288**	**3,296**	**760**	**346**

c. 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 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 or speculative purposes.

d. The Executive Director - Finance Services 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.

e. **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 may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

The Council is asked to approve the following Operational Limit:

Operational boundary	**2017/18 Estimate £'000**	**2018/19 Estimate £'000**	**2019/20 Estimate £'000**	**2020/21 Estimate £'000**	**2021/22 Estimate £'000**
Debt	35,000	31,000	20,000	20,000	18,000

The authorised limit for external debt. A 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 the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable 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:

Authorised Limit	**2017/18 Estimate £'000**	**2018/19 Estimate £'000**	**2019/20 Estimate £'000**	**2020/21 Estimate £'000**	**2021/22 Estimate £'000**
Debt	40,000	36,000	25,000	25,000	23,000

9 **Prospects for interest rates**

a. Please see 'Appendix 1' for the full economic forecast as provided by Link Assist Services.

Link Asset Services Interest Rate View	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB rate	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB rate	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB rate	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

b. Investment and borrowing rates

- Investment returns are likely to remain low during 2018/19 but to be on a gently rising trend over the next few years.
- Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Since then, borrowing rates have eased back again somewhat. Apart from that, there has been little general trend in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;
- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

10 Borrowing strategy

a. 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.

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

c. Any decisions will be reported to the appropriate decision making body at the next available opportunity.

11 Borrow Policy on borrowing in advance of need

a. 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 considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

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

12 Debt rescheduling

a. As short-term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

b. The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

c. Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

d. Rescheduling the two current long term loans with Barclays has been investigated in the past and shown to financially non-viable.

e. All rescheduling will be reported to the Audit Committee at the earliest meeting following its action.

13 Municipal Bond Agency

a. The UK Municipal Bonds Agency (UK MBA) is an agency that exists primarily to reduce councils' capital long term financing costs. It allows local authorities to diversify funding sources and borrow at a lower cost than is available from Central Government via the Public Works Loan Board of, which is part of HM Treasury. The agency will sell bonds on the capital markets, raising funds that it will then lend to councils.

b. The UK MBA was founded in 2014. It was founded by, is owned by and aims to lend to Local Authorities within the United Kingdom.

c. It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority may make use of this new source of borrowing as and when appropriate.

14 Annual Investment Strategy

a. Investment policy

The Council's investment policy has regard to the MHCLG's Guidance on Local Government Investments ("the Guidance") and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the CIPFA TM Code"). The Council's investment priorities will be **security** first, portfolio **liquidity** second, then **return**.

In accordance with the above guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

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.

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.

Investment instruments identified for use in the financial year are listed in Appendix 2 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules.

b. Creditworthiness policy

This 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;
- Credit default swap 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
Dark pink	5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
Light pink	5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
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 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 regularly. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service.

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

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

Counterparties	Colour (and long term rating where applicable)	Money per institution Limit	Time Limit
Banks /Building Societies	yellow	£2m	5yrs
Banks / Building Societies	purple	£4m	2 yrs
Banks / Building Societies	orange	£4m	1 yr
Banks – UK part nationalised	blue	£4m	1yr
Banks / Building Societies	red	£4m	6 mths
Banks / Building Societies	green	£4m	100 days
Banks / Building Societies	No colour	Not to be used	
DMADF (Debt Management Account Deposit Facility)	UK sovereign rating	unlimited	6 months
Local authorities	yellow	10m	unlimited
	Fund rating	Money and/or % Limit	Time Limit
Money Market Funds CNAV	AAA	£4m	liquid
Money Market Funds LVNAV	AAA	£4m	liquid
Money Market Funds VNAV	AAA	£4m	liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	Dark pink / AAA	£3m	liquid
Ultra-Short Dated Bond Funds with a credit score of 1.50	Light pink / AAA	£3m	liquid

15 **Diversification Policy:**

a. This Borough Council will avoid concentrations of lending and borrowing by adopting a policy of diversification. It will therefore use the following: -

Maximum investment per institution £4m

Other Local Authorities £10m

d. Group limits where a number of institutions are under one ownership – Investments for the whole group will not exceed the limit above.

16 **Country limits**

a. The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch. The list of countries that qualify using this credit criteria as at 15 Jan 2018 is below.

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- Hong Kong
- U.S.A.

AA

- France
- UK

AA-

- Belgium

b. This list will be added to or deducted from by officers should ratings change in accordance with this policy.

17 **Investment strategy**

a. **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).

b. **Investment returns expectations.**
Bank Rate is forecast to stay flat at 0.50% until quarter 4 of 2018 and not to rise above 1.25% by quarter 1 of 2021. Bank Rate forecasts for financial year ends (March) are:

- 2017/18 0.50%
- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.25%

c. 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:

	Now
2017/18	0.40%
2018/19	0.60%
2019/20	0.90%
2020/21	1.25%
2021/22	1.50%
2022/23	1.75%
2023/24	2.00%
Later years	2.75%

The overall balance of risks to these forecasts is currently skewed to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

d. These rates are reflected in the Financial Plan 2018/2022 approved at Council on the 22 Febuary 2018

18 **Investment treasury indicator and limit**

a. 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: -

Maximum principal sums invested > 365 days				
	2018/2019	**2019/2020**	**2020/2021**	**2021/2022**
Principal sums invested > 364 days	£4m	£4m	£4m	£4m
With Local Authorities	£10m	£10m	£10m	£10m

19 **Minimum Revenue Provision (MRP) Policy Statement**

a. The Council is required to pay off an element of its underlying need to borrow (the CFR) each year through a revenue charge (MRP).
Ministry for Housing, Communities and Local Government (MHCLG) Regulations have been issued which require the full Council to approve an MRP Policy 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 continued use of the Asset Live Method as set out below.

b. Asset Life Method – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) which provides for a reduction in the borrowing need over approximately the asset's life.

20 **Financial Implications**

a. The financial implications of the borrowing and investment strategy and MRP are reflected in the financing adjustment figure included in the Financial Plan 2018/2022 approved at Council on 22 February 2018.

b. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

21 **Risk Management Implications**

a. There are elements of risk in dealing with the treasury management function although the production and monitoring of such controls as Prudential Indicators and Treasury Management Strategies help to reduce the exposure of the Council to the market. The costs and returns on borrowing and investment are in themselves a reflection of risk that is seen by the market forces. The action and controls outlined in the report will provide for sound financial and performance management procedures.

22 **Policy Implications**

a. There are no other changes in the Treasury Management policy at present, other than those outlined in this report. Appendices 7 and 8 detail the treasury management scheme of delegation and the role of the Section 151 Officer.

23 Statutory Considerations

a. The Council must set Prudential Indicators and adopt a Treasury Management Strategy and Annual investment Strategy before 31 March 2018.

24 Access to information

Monthly Monitoring reports 2017/2018 and 2018/2019
The Financial Plan 2018/2022 – A Financial Plan
Capital Programme 2018/2022
Council Website – Treasury Management Practices
Capital and Local Property Investment Fund Strategy 2017/2021

APPENDICES

1. Economic background
2. Specified and Non-Specified Investments
3. Prudential and treasury indicators and MRP statement
4. Current Borrowing Portfolio
5. Current Financial Investment Portfolio
6. Current Property Investment Portfolio
7. Treasury management scheme of delegation
8. The treasury management role of the section 151 officer

Appendix 1

ECONOMIC BACKGROUND

GLOBAL OUTLOOK. World growth looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October, the IMF upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.

In addition, **inflation prospects are generally muted** and it is particularly notable that **wage inflation** has been subdued despite unemployment falling to historically very low levels in the UK and US. This has led to many comments by economists that there appears to have been a fundamental shift downwards in the Phillips curve (this plots the correlation between levels of unemployment and inflation e.g. if the former is low the latter tends to be high). In turn, this raises the question of what has caused this? The likely answers probably lay in a combination of a shift towards flexible working, self-employment, falling union membership and a consequent reduction in union power and influence in the economy, and increasing globalisation and specialisation of individual countries, which has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. In addition, technology is probably also exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to many repetitive tasks being taken over by machines or computers. Indeed, this is now being labelled as being the start of the **fourth industrial revolution.**

KEY RISKS - central bank monetary policy measures
Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as Quantitative Easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation is coming towards its close and a new period has already started in the US, and more recently in the UK, on reversing those measures i.e. by raising central rates and (for the US) reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of an on-going reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this then also encouraged investors into a search for yield and into investing in riskier assets such as equities. This resulted in bond markets and equity market prices both rising to historically high valuation levels simultaneously. This, therefore, makes both asset categories vulnerable to a sharp correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery by taking too rapid and too strong action, or, alternatively, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.**

There is also a potential key question over whether economic growth has become too dependent on strong central bank stimulus and whether it will maintain its momentum against a backdrop of rising interest rates and the reversal of QE. In the UK, a key vulnerability is the **low level of productivity growth**, which may be the main driver for increases in wages; and **decreasing consumer disposable income,** which is important in the context of consumer expenditure primarily underpinning UK GDP growth.

A further question that has come to the fore is whether **an inflation target for central banks of 2%**, is now realistic given the shift down in inflation pressures from internally generated inflation, (i.e. wage inflation feeding through into the national economy), given the above mentioned shift down in the Phillips curve.

- Some economists favour a shift to a **lower inflation target of 1%** to emphasise the need to keep the lid on inflation. Alternatively, it is possible that a central bank could simply 'look through' tepid wage inflation, (i.e. ignore the overall 2% inflation target), in order to take action in raising rates sooner than might otherwise be expected.
- However, other economists would argue for a **shift *UP* in the inflation target to 3%** in order to ensure that central banks place the emphasis on maintaining economic growth through adopting a slower pace of withdrawal of stimulus.
- In addition, there is a strong argument that central banks should **target financial market stability**. As mentioned previously, bond markets and equity markets could be vulnerable to a sharp correction. There has been much commentary, that since 2008, QE has caused massive distortions, imbalances and bubbles in asset prices, both financial and non-financial. Consequently, there are widespread concerns at the potential for such bubbles to be burst by exuberant central bank action. On the other hand, too slow or weak action would allow these imbalances and distortions to continue or to even inflate them further.
- Consumer debt levels are also at historically high levels due to the prolonged period of low cost of borrowing since the financial crash. In turn, this cheap borrowing has meant that **other non-financial asset prices**, particularly house prices, have been driven up to very high levels, especially compared to income levels. Any sharp downturn in the availability of credit, or increase in the cost of credit, could potentially destabilise the housing market and generate a sharp downturn in house prices. This could then have a destabilising effect on consumer confidence, consumer expenditure and GDP growth. However, no central bank would accept that it ought to have responsibility for specifically targeting house prices.

UK. After the UK surprised on the upside with strong economic growth in 2016, **growth in 2017 has been disappointingly weak**; quarter 1 came in at only +0.3% (+1.8% y/y), quarter 2 was +0.3% (+1.5% y/y) and quarter 3 was +0.4% (+1.5% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 80% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the **manufacturing sector** which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year while robust world growth has also been supportive. However, this sector only accounts for around 10% of GDP so expansion in this sector will have a much more muted effect on the overall GDP growth figure for the UK economy as a whole.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the **Monetary Policy Committee, (MPC), meeting of 14 September 2017** managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting. (Inflation actually came in at 3.1% in November so that may prove now to be the peak. Inflation fell to 3.0% in December.) This marginal revision in the Bank's forecast can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment having already fallen to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that **the amount of spare capacity in the economy was significantly diminishing** towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of automation and globalisation. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a *decrease* in such globalisation pressures in the UK, and so this would cause additional inflationary pressure over the next few years.

At Its 2 November meeting, the MPC duly delivered a 0.25% increase in Bank Rate. It also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is, therefore, not quite the 'one and done' scenario but is, nevertheless, a very relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.

However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the coming fall in inflation, (as the effect of the effective devaluation of sterling after the EU referendum drops out of the CPI statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If this scenario was indeed to materialise, then the MPC would be likely to accelerate its pace of increases in Bank Rate during 2018 and onwards.

It is also worth noting the **contradiction within the Bank of England** between action in 2016 and in 2017 **by two of its committees**. After the shock result of the EU referendum, the **Monetary Policy Committee (MPC)** voted in August 2016 for emergency action to cut Bank Rate from 0.50% to 0.25%, restarting £70bn of QE purchases, and also providing UK banks with £100bn of cheap financing. The aim of this was to lower borrowing costs, stimulate demand for borrowing and thereby increase expenditure and demand in the economy. The MPC felt this was necessary in order to ward off their expectation that there would be a sharp slowdown in economic growth. Instead, the economy grew robustly, although the Governor of the Bank of

England strongly maintained that this was *because* the MPC took that action. However, other commentators regard this emergency action by the MPC as being proven by events to be a mistake. Then in 2017, we had the **Financial Policy Committee (FPC)** of the Bank of England taking action in June and September over its concerns that cheap borrowing rates, and easy availability of consumer credit, had resulted in too rapid a rate of growth in consumer borrowing and in the size of total borrowing, especially of unsecured borrowing. It, therefore, took punitive action to clamp down on the ability of the main banks to extend such credit! Indeed, a PWC report in October 2017 warned that credit card, car and personal loans and student debt will hit the equivalent of an average of £12,500 per household by 2020. However, averages belie wide variations in levels of debt with much higher exposure being biased towards younger people, especially the 25 -34 year old band, reflecting their lower levels of real income and asset ownership.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that **some consumers may have over extended their borrowing** and have become complacent about interest rates going up after Bank Rate had been unchanged at 0.50% since March 2009 until falling further to 0.25% in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and gradual increases in Bank Rate in the coming years. However, consumer borrowing is a particularly vulnerable area in terms of the Monetary Policy Committee getting the pace and strength of Bank Rate increases right - without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually pan out.

EZ. Economic growth in the eurozone (EZ), (the UK's biggest trading partner), had been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.6% in quarter 1 (2.1% y/y), 0.7% in quarter 2 (2.4% y/y) and +0.6% in quarter 3 (2.6% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in December inflation was 1.4%. It is therefore unlikely to start on an upswing in rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

USA. Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.2%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with four increases in all and four increases since December 2016; the latest rise was in December 2017 and lifted the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the Fed said it would start in October to gradually unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

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 credit systems.

JAPAN. GDP growth has been gradually improving during 2017 to reach an annual figure of 2.1% in quarter 3. However, it is still struggling 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.

Brexit timetable and process

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: initial two-year negotiation period on the terms of exit. In her Florence speech in September 2017, the Prime Minister proposed a two year transitional period after March 2019.
- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy will leave the single market and tariff free trade at different times during the two year transitional period.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.

Apendix 2

Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management Specified and Non-Specified Investments and Limits

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable.

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the Specified Investment criteria. A maximum of 50% will be held in aggregate in non-specified investment.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	* Minimum credit criteria / colour band	** Max % of total investments per institution	Max. maturity period
DMADF – UK Government	N/A	100%	6 months
UK Government gilts	UK sovereign rating	50%	1 year
UK Government Treasury blls	UK sovereign rating	50%	1 year
Bonds issued by multilateral development banks	UK sovereign rating	50%	6 months
Money market funds	AAA	100%	Liquid
Enhanced money market funds with a credit score of 1.25	AAA	100%	Liquid
Enhanced money market funds with a credit score of 1.5	AAA	100%	Liquid
Local authorities	N/A	100%	Unlimited

Term deposits with banks and building societies	Blue Orange Red Green No Colour		Up to 2 year Up to 1 year Up to 6 Months Up to 100 days Not for use
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour		Up to 2 year Up to 1 year Up to 6 Months Up to 3 months Not for use
Enhanced cash funds	AAA	50%	1 year
Corporate bond funds	AAA	50%	1 year
Gilt funds	UK sovereign rating	50%	1 year
Treasury Bills	UK sovereign rating	50%	1 year
Local Authority Mortgage Scheme. Under LAMS the Council is required to place funds with the lender for a period of 5 years. This is classified as being a service investment, rather than a treasury management investment, and is therefore outside of the Specified / Non specified categories.			

Non Specified Investments (can be longer than 1 year)	**Minimum Credit Criteria**	**Use**	**Max % of total investments**	**Max. maturity period**
Term deposits – UK government (with maturities in excess of 1 year)	Credit rating in TMP's	In-house	100%	5 yrs
Term deposits – other LA's (with maturities in excess of 1 year)	Credit rating in TMP's	In-house	100%	5 yrs
Term deposits – banks and building societies (with maturities in excess of 1 year)	Credit rating in TMP's	In-house	As set out in TMP 1	5yrs
Term deposits with unrated counterparties : any maturity	Credit rating in TMP's	In-house	As set out in TMP 1	5yrs
Certificates of deposits issued by banks and building societies with maturities in excess of 1 year	Credit rating in TMP's	In house on a 'buy and hold basis' and Fund managers	As set out in TMP 1	2 yrs
UK Government Gilts with maturities in excess of 1 year	AAA	In house on a 'buy and hold basis' and Fund Managers	As set out in TMP 1	Overall duration of 3 years

Bonds issued by multilateral development banks with maturities in excess of 1 year	AAA	In-house on a 'buy-and-hold' basis. Also for use by fund managers	50% of the total fund	Overall duration of 3 years
Bonds issued by a financial institution which is guaranteed by the UK government with maturities in excess of 1 year	AAA	In-house on a 'buy-and-hold' basis. Also for use by fund managers	50% of the total fund	Overall duration of 3 years
Sovereign bond issues (i.e. other than the UK govt) with maturities in excess of 1 year	AAA	In house on a 'buy and hold basis' and Fund Managers	50% of the total fund	Overall duration of 3 years
Corporate Bonds : ***the use of these investments would constitute capital expenditure***		In house on a 'buy and hold basis' and Fund Managers	50% of the total fund	Overall duration of 3 years
Floating Rate Notes : ***the use of these investments would constitute capital expenditure unless they are issued by a multi lateral development bank***		Fund managers	50% of the total fund	Overall duration of 3 years
Property Fund: **the use of these investments would constitute capital expenditure**		In house and Fund Managers	50% of the total fund	Overall duration of 10 years

Appendix 3

THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2018/19 – 2020/21

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.

1. Capital expenditure

	2017/2018 Estimate	2018/2019 Estimate	2019/2020 Estimate	2020/2021 Estimate	2021/2022 Estimate
	£'000	£'000	£'000	£'000	£'000
Major Projects	24,544	30,840	22,380	2,592	0
Central and Community Services	2,537	2,651	2,430	2,330	2,330
Commercial Services	2,592	1,660	785	465	696
Environment and Planning	16	0	0	0	0
Finance Services	107	50	50	50	50
Total	**29,796**	**35,201**	**25,645**	**5,437**	**3,076**

2. 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 indicators:

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.

%	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Ratios	5.01	4.28	4.43	4.67	4.46

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

3. Treasury indicators for debt

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

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- 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:

£m	2018/19	2019/20	2020/21
Interest rate exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	40%	40%	40%
Maturity structure of fixed interest rate borrowing 2018/19			
	Lower	**Upper**	**£m**
Under 12 months	0%	100%	2.5
12 months to 2 years	0%	100%	0.4
2 years to 50 years	0%	100%	
50 years +	0%	100%	10

Appendix 4

Current Borrowing Portfolio as at 31 January 2018

Start Date	End Date	Loan No	Value £	Institution	Rate	Term
Total Short Term						
22.03.07	21.03.77	5888	5,000,000	Barclays – fixed rate loan	3.81%	70 years
12.04.07	11.04.77	5887	5,000,000	Barclays – fixed rate loan	3.81%	70 years
15.09.09	14.09.19	495951	400,000	PWLB	2.92%	Long Term – fixed for 10 years
27.03.14	30.11.18	3789	2,500,000	Suffolk County Council (LEP)	1.80%	**see note below
Total Long Term			**12,900,000**			
Total Borrowing			**12,900,000**			

Appendix 5

Current Financial Investment Portfolio as at 31 January 2018

Institution	Principal	Start Date	End Date	Rate %	Ratings
Cheshire West & Chester Council	2,000,000	19/01/2018	20/01/2020	1.00	AAA
Great Yarmouth Borough Council	5,000,000	28/03/2017	27/03/2018	0.55	AAA
Bury Metro Borough Council	3,000,000	21/04/2016	23/04/2018	1.00	AAA
Barnsley Metro Borough Council	2,000,000	21/09/2017	21/09/2020	0.92	AAA
Moray Council	2,000,000	23/08/2017	23/02/2018	0.30	AAA
Surrey Heath Borough Council	1,000,000	24/10/2017	24/04/2018	0.45	AAA
Total Investments	**15,000,000**				
Norfolk & Waveney Enterprise Services (LEP)*	2,750,000	Various	30/11/2018	1.80	n/a
Marshland St James Parish Council	150,000	16/11/2017	TBC	1.75	n/a
North Lynn Discovery Centre	12,500	28/04/2017	TBC	1.75	n/a
Gaywood Community Centre	10,200	20/07/2016	01/08/2021	1.00	n/a
Total Other Investments	**2,922,700**				
BNP (Banque Nationale de Paris)	3,790,000	n/a	n/a	0.42	AAA
Barclays FIBCA	500,000	n/a	n/a	0.38	A
Legal and General	600,000	n/a	n/a	0.35	AAA
Total Cash Flow	**4,890,000**				
Total Overall Investments	**22,812,700**				

Appendix 6

Current Property Investment Portfolio

On the 31 January 2017 Cabinet approved the 'Capital and Local Property Investment Fund Strategy 2017-2021'

Investments to date:

Property	Capital Expenditure to date	Return achieved
Burnham Market bungalow	£314,000	(TBC. when sold)

Appendix 7

TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Full Council

- Approval of annual strategy.
- Budget consideration and approval.

(ii) Cabinet

- Amendments to the organisation's adopted clauses, treasury management policy statement;

(iii) Audit Committee

- Receiving and reviewing regular monitoring reports and acting on recommendations;

Appendix 8

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- Submitting regular treasury management policy reports;
- Submitting budgets and budget variations;
- Receiving and reviewing management information reports;
- Reviewing the performance of the treasury management function;
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- Ensuring the adequacy of internal audit, and liaising with external audit;
- Recommending the appointment of external service providers.
- Preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- Ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- Ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- Ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- Ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- Ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- Provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- Ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- Ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above

- Creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following
    - *Risk management, including investment and risk management criteria for any material non-treasury investment portfolios;*
    - *Performance measurement and management including methodology and criteria for assessing the performance and success of non-treasury investments;*
    - *Decision making, governance and organisation including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;*
    - *Reporting and management information including where and how often monitoring reports are taken;*
    - *Training and qualifications including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*