<table>
<tr><td>Open</td><td rowspan="2" colspan="4">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 –</td></tr>
<tr><td>Any especially affected Wards

None</td></tr>
<tr><td rowspan="2" colspan="2">Lead Member: Brian Long,
E-mail:</td><td colspan="3">Other Cabinet Members consulted: None</td></tr>
<tr><td colspan="3">Other Members consulted: None</td></tr>
<tr><td colspan="2">Lead Officer: Toby Cowper
E-mail: toby.cowper@west-norfolk.gov.uk
Direct Dial: 01553 616523</td><td colspan="3">Other Officers consulted: Lorraine Gore, Management Team</td></tr>
<tr><td>Financial Implications Yes</td><td>Policy/Personnel Implications NO</td><td>Statutory Implications (incl S.17) YES</td><td>Equal Opportunities Implications NO</td><td>Risk Management Implications NO</td></tr>
</table>

Date of meeting: 13 February 2017

TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2017/2018

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 Department of Communities and Local Government (CLG) MRP Guidance, the CIPFA Treasury Management Code and the CLG Investment Guidance.

This report looks at the period 2017/2021 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, Capita Asset Services, Treasury Solutions.

Recommendations

Cabinet is asked to recommend to Council:

1. **The Treasury Management Strategy Statement 2017/2018, including treasury indicators for 2017/2021.**
2. **The Investment Strategy 2017/2018.**
3. **The Minimum Revenue Provision Policy 2017/2018.**
4. **Adopt the revised Treasury Management Practices (TMPs).**

Reason for the Decision

The Council must produce a Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2017/2018 by 31 March 2017.

1 Background

1.1 The Council operates a balanced budget, which broadly means cash raised during the year and the use of reserves and balances will meet its expenditure. Part of the treasury management operations ensure the cash flow is adequately planned, with surplus monies being invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering maximising investment return.

1.2 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 the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.3 As a consequence treasury management is defined by CIPFA (Chartered Institute of Public Finance and Accountancy) as:

"The management of the local authority's 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

2.1 CIPFA's Code of Practice on Treasury Management (revised November 2009) was adopted by this Council in March 2010.

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 the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices (TMPs) which set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the full Council of:
  a. An annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead.
  b. A Mid-year Treasury Management Review Report - This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision.
  c. 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.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions. For this Council the delegated officer is the Assistant Director (Section 151 officer)
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit Committee.

2.2 Training

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 on the 26 January 2016 and further training has been arranged for 13 February 2017.

2.3 Treasury Management Consultants

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

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

The Council 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.

3.1 **The Capital Budget Plan 2017/2018 – 2020/2021**

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

Capital expenditure and funding position summary

(To be approved at Full Council 23 February 2017).

	2016/2017	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Capital Programme: S106 and Other Major Projects and Operational schemes	5,230	6,667	3,784	3,241	2,437
Joint Venture – NORA Housing	3,220	4,988	1,607	0	0
Major Housing Development	9,406	14,950	18,601	15,102	2,277
Enterprise Zone	522	3,896	5,765	1,100	0
Total Expenditure	**18,379**	**30,501**	**29,758**	**19,443**	**4,714**
Net Cumulative Borrowing/(Receipt) Position (Temporary Internal/External Borrowing)	**13,486**	**27,634**	**17,117**	**(3,839)**	**(6,900)**

3.2 **Capital Financing Requirement** (The Council's underling need to borrow)

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 above, which has not immediately been paid for, will increase the CFR.

The Council is asked to approve the CFR projections below:

	2016/2017 Estimate £000s	2017/2018 Estimate £000s	2018/2019 Estimate £000s	2019/2020 Estimate £000s	2020/2021 Estimate £000s
Carried forwards CFR	**17,987**	**30,856**	**44,300**	**33,117**	**11,488**
Borrowing Required	13,486	14,148	(10,516)	(20,956)	(3,061)
Net Financing Need Total	**31,473**	**45,004**	**33,784**	**12,161**	**8,427**
Less MRP and other financing movements*	(617)	(704)	(667)	(673)	(669)
Movement in CFR	**12,869**	**13,444**	**(11,183)**	**(21,629)**	**(3,730)**
Closing CFR	**30,856**	**44,300**	**33,117**	**11,488**	**7,758**

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

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

The Council is required to pay off an element of its underling need to borrow (the CFR) each year through a revenue charge (MRP).

Department for Communities and Local Government (CLG) 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.

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) (option 3) which provides for a reduction in the borrowing need over approximately the asset's life.

4 Treasury Management Strategy

The capital expenditure plans set out in Section 3 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 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 approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

4.1 Current Treasury Position – December 2016

Before looking at future borrowing and investment strategies it is worth noting the Council's current treasury portfolio:

		Principal **£'000**	**Average Rate** **%**
Fixed Rate Funding	PWLB	600	2.92
	Market Loans	12,500	3.41
Total Debt		**13,100**	**3.39**
Total Investments (detailed later in the report)		**27,860**	**0.82**

4.2 Estimated Portfolio Position

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

	2016/2017 Estimate £000s	2017/2018 Estimate £000s	2018/2019 Estimate £000s	2019/2020 Estimate £000s	2020/2021 Estimate £000s
External Debt at 1 April	17,387	30,873	45,021	34,505	13,549
Expected change in Debt	13,486	14,148	(10,516)	(20,956)	(3,061)
Debt at 31 March	**30,873**	**45,021**	**34,505**	**13,549**	**10,488**
The Capital Financing Requirement	30,856	44,300	33,117	11,488	7,758
Under / (over) borrowing	**(17)**	**(721)**	**(1,388)**	**(2,061)**	**(2,730)**
Total Investments at 31 March *	(29,000)	(29,000)	(29,000)	(29,000)	(29,000)
Net debt (Actual Debt 31st March Minus Investments	1,873	16,021	5,505	(15,451)	(18,512)

Total debt, net of any investments, should not, except in the short term, exceed the total of the CFR in the preceding year.

* Total investments have been held at the estimated core investment balance for the 31 March 2017

This estimate takes into account current commitments, existing plans, and the proposals in the Capital budget report but does not take into account proposed projects still to be approved by Council.

4.3 Prospects for Interest Rates

The Council has appointed Capita Asset Services, Treasury Solutions, as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Appendix 2&3 draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates. The following graph gives the Capita Asset Services, Treasury Solutions view:

Bank Rate Forecast

Year	Now
2016/17	0.25%
2017/18	0.25%
2018/19	0.25%
2019/20	0.50%
2020/21	0.75%
2021/22	1.00%
2022/23	1.50%
2023/24	1.75%
Later years	2.75%

5.1 Borrowing Strategy 2016/2021

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 relatively high.

The Council will only borrow if it is financially advantageous to do so.

The Council's borrowing strategy will give consideration to new borrowing in the following order of priority: -

- The cheapest borrowing will be internal borrowing by running down cash balances and foregoing interest earned at historically low rates. However, in view of the overall forecast for long term borrowing rates to increase over the next few years, consideration will also be given to weighing the short term advantage of internal borrowing against potential long term costs if the opportunity is missed for taking loans at long term rates which will be higher in future years
- Temporary borrowing from the money markets or other local authorities
- PWLB (Public Works Loan Board) variable rate loans for up to 10 years
- Short dated borrowing from non PWLB below sources

- Long term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available).
- PWLB borrowing for periods under 10 years where rates are expected to be significantly lower than rates for longer periods. This offers a range of options for new borrowing which will spread debt maturities away from a concentration in longer dated debt.

It is likely that the Municipal Bond Agency, currently in the process of being set up, will be offering loans to local authorities in the near future. It is also hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority may wish to make use of this new source of borrowing as and when appropriate, depending on duration and interest rate.

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

5.2 **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 may be lower or higher depending on the levels of actual debt.

The Council is asked to approve the following Operational Limit:

Operational boundary	2016/2017 Estimate £000's	2017/2018 Estimate £000's	2018/2019 Estimate £000's	2019/2020 Estimate £000's	2020/2021 Estimate £000's
Debt	35,000	50,000	40,000	17,000	13,000

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.

The Council is asked to approve the following Authorised Limit:

Authorised limit	2016/2017 Estimate £000's	2017/2018 Estimate £000's	2018/2019 Estimate £000's	2019/2020 Estimate £000's	2020/2021 Estimate £000's
Debt	37,000	52,000	42,000	19,000	15,000

From 2017/2018, the limits (Operational and Authorised) increase due to the borrowing required for the major housing development as approved Full Council on the 25th February 2016.

The above limits do not include provision for Phase 3 of the NORA joint Venture or other projects that are being developed. These will be subject to separate reports to Cabinet.

5.3 Treasury Management Limits on Borrowing Activity

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:

	2017/2018	2018/2019	2019/2020	2020/2021
Interest rate Exposures				
	Upper	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%	100%	100%
Limits on variable interest rates based on net debt	40%	40%	40%	40%

Maturity Structure of fixed interest rate borrowing 2017/2018			
	Current Position £M	**Lower limit for portfolio**	**Upper limit for portfolio**
Under 12 months	0	0%	100%
12 months to 2 years	3.1	0%	100%
2 years to 5 years	0	0%	100%
5 years to 10 years	0	0%	100%
10 years and above	10*	0%	100%

**The term of these loans was originally for a seventy year period, 2007 - 2077 (with a lenders option at ten years)*

The lower and upper limits for this indicator have been set at 0% – 100% to maximise the flexibility of borrowing options over different periods. Any new borrowing undertaken will take into account the existing debt portfolio and look to minimise refinancing risk by borrowing for different periods.

5.4 **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.

5.5 **Debt Rescheduling**

The Assistant Director (Section 151 Officer) will monitor the situation and take advantage of market conditions if advantageous to do so.

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).

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.

All rescheduling will be reported to the Cabinet at the earliest meeting following its action.

6.1 Annual Investment Strategy

The Council's investment policy has regard to the CLG's (Communities and Local Government) Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be

1. **Security**
2. **Liquidity**
3. **Return on Assets**

In accordance with the above guidance from the CLG 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.

As with previous practice, ratings will 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 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 4 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules.

Alternative options for investment will be considered where opportunities become available as an alternative to traditional investments. These will be assessed in conjunction with Capita Asset Services, Treasury solutions, our Treasury Management Advisors. Further reports will be brought to Cabinet if these types of investment are to be used.

6.3 **Creditworthiness policy**

This Council applies the creditworthiness service provided by Capita Asset Services, Treasury Solutions. This service employs a sophisticated modelling approach utlilising credit ratings from the three main credit rating agencies - Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS (credit default swaps) 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 duration for investments. The Council will therefore use counterparties within the following durational bands:

Yellow	5 years
Dark pink	5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
Light pink	5 years for Enhanced money market funds (EMMFs) 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

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	
The Council's transactional bank for cashflow purposes (Barclays Bank)	No colour	<£250,000	1 day
DMADF (Debt Management Account Deposit Facility)	AAA	unlimited	6 months
Local authorities	yellow	unlimited	unlimited
Money market funds	AAA yellow	£4m	liquid
Enhanced money market funds with a credit score of 1.25	Dark pink / AAA	£3m	liquid
Enhanced money market funds with a credit score of 1.5	Light pink / AAA	£3m	liquid

The Capita Asset Services, Treasury solutions 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.

Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of Short Term rating F1, Long Term rating A-, Viability ratings of A-, and a Support rating of 1. 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 daily. The Council is alerted to changes to ratings of all three agencies through its use of the Capita Asset Services, Treasury solutions 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 against the iTraxx benchmark and other market data on a weekly basis. 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 government support for banks and the credit ratings of that government support.

6.4 **Diversification Policy:**

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

Greater amounts of investments will be held with the higher credit rated counterparties where possible. Based on an estimated investment portfolio of £29m in 2017/2018

Maximum investment per institution £4M

- Group limits where a number of institutions are under one ownership – Investments for the whole group will not exceed the credit rating limit in the table above.

6.5 **Country limits**

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 the date of this report are shown in Appendix 5.

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

6.6 **Investment returns expectations.** Bank Rate is forecast to stay flat at 0.25% until quarter 2 2019 and not rise above 0.75% by quarter 1 2020. Investment returns expectations forecasts for financial year ends (March) are:

- 2017/2018 0.25%
- 2018/2019 0.25%
- 2019/2020 0.50%
- 2020/2021 0.75%

The overall balance of risks to these forecasts is currently probably slightly skewed to the downside in view of the uncertainty over the final terms of Brexit. If growth expectations disappoint and inflationary pressures are minimal, the start of increases in Bank Rate could be pushed back. On the other hand, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk i.e. Bank Rate increases occur earlier and / or at a quicker pace.

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).

6.7 **Investment term limit** - total principal funds invested for greater than 364 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 > 364 days				
	2017/2018	**2018/2019**	**2019/2020**	**2020/2021**
Principal sums invested > 364 days	£4m	£4m	£4m	£4m
With Local Authorities	£10m	£10m	£10m	£10m

Capita Asset Services, Treasury Solutions, the Council's treasury advisors, recommend that due to current market conditions, all investments should generally be made for periods less than 364 days, **unless they are placed with other Local Authorities.** The Council will continue to monitor creditworthiness on a daily basis.

If an investment became available with an institution with good credit quality and recommended duration was more than 364 days, Capita Asset Services, Treasury Solutions would be consulted before the investment was placed. With rates not predicted to increase dramatically over the next two years, the total amount which could be invested over 364 days would be £4m (approx. 14% of the portfolio).

For its cash flow generated balances, the Council will seek to utilise its business reserve/instant access accounts, 15, 30 and 95 day notice accounts, money market funds and short-dated deposits in order to benefit from the compounding of interest.

6.8 **Investments held as at 31 December 2016 are as follows:**

Institution	**Long Term Rating**	**Expires:**	**Principal £000's**	**Rate of interest %**
Bury St Eds DC	AAA	23 April 2018	3,000	1.00
Santander	A	95 day notice	3,000	1.15
Qatar National Bank	AA-	1 June 2017	3,000	1.05
Fife Council	AAA	13 November 2017	3,000	0.95
Cheshire West & Chester Council	AAA	19 January 2018	2,000	0.99
King and Shaxson – RBS*	BBB+	22 May 2017	2,500	1.33
Norfolk & Waveney Enterprise Services	AAA	30 November 2018	2,750	1.80
Banque National Paris	AAA		3,000	0.25
Legal and General (Northern Trust)	AAA		3,000	0.25
HSBC	AAA		2,000	0.25
Prime Rate	AAA		600	0.25
Gaywood Community Center			10	1.00
Total Investments			**27,860**	**0.82**

*Bank has been downgraded from A- to BBB+ since investment was taken out.

6.9 **Liquidity and Yield**

These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or Annual Report.

Liquidity – in respect of this area the Council seeks to maintain:

- Bank overdraft - £200,000
- Liquid short term deposits held and available within a week's notice.

Yield - local measures of yield benchmarks are:

- Investments – internal returns above the 7 day LIBID rate

7.1 **Changes to the Treasury Management Practises (TMPs)**

Good practise requires TMPs to be reviewed on an annual basis and any changes made to be reported to members. The TMPS will be reviewed after April 2017.

The TMPs can be found at the link: Click here

7.2 TMPs are reviewed as risks and market conditions change. In particular credit risk is monitored using our Treasury advisors on a daily basis.

8 Financial Implications

The financial implications of the borrowing and investment strategy and MRP are reflected in the financing adjustment figure included in the Financial Plan 2016/2021 approved at Cabinet on 31 January 2017.

9 Risk Management Implications

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.

10 Policy Implications

There are no other changes in the Treasury Management policy at present, other than those outlined in this report.

11 Statutory Considerations

The Council must set Prudential Indicators and adopt a Treasury Management Strategy and Annual investment Strategy before 31 March 2017.

12 Access to information

Monthly Monitoring reports 2016/2021
Treasury Management Strategy and Annual investment Strategy 2016
The Financial Plan 2016/2021 – A Financial Plan
Capital Programme 2016/2021
Council Website – Treasury Management Practices