Report reference: SG.081218/4

| Wards affected: |
|---|
| General |

**Strategy Group – 8th February 2018**

**Treasury Management Strategy Statement and Annual Investment Strategy 2018/2019**

**Resources Issues**

## 1. Purpose of Report

**1.1** To advise Strategy Group of the expected activities and appropriate operational parameters of the treasury management function in 2018/2019. To endorse the "Treasury Management Strategy Statement and Annual Investment Strategy 2018/2019"

## 2. Advice

| | |
|---|---|
| **That it be RECOMMENDED:** | **1.** That the Council's Treasury Management Strategy Statement and Annual Investment Strategy 2018/2019 be approved. |

## 3. Introduction

**3.1** The Council is required to set 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 the cash flow is adequately planned, with funds being available when 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.

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 flow may involve arranging long or short term loans, using longer term cash flow surpluses.

CIPFA defines treasury management as :

"The management of the local authority's borrowings, 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."

In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. The Council has taken account of any changes that have been made in the codes but it needs to be noted that the guidance notes and the CLG statutory guidance on Local Authority Investments are yet to be published meaning that this report and strategy is subject to change and may need to be brought back to a later meeting.

**3.2 Reporting Requirements**

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

**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 (see Section 5.2);
- 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 managed).

**A Mid-Year Treasury Management 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 objectives or whether any policies require revision. In addition, quarterly reports are produced and taken to Resources Working Group and to Portfolios Holders.

**An Annual Treasury Management Report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

**Capital Strategy**

In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2018-19, all local authorities will be required to provide additional information in the form of a Capital Strategy. The CIPFA Treasury and Capital Management Panel issued a statement that they recognise that this requirement may not be able to be fully implemented until the 2019/2020 financial year. The strategy is intended to provide the following:-

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

The aim of this report is to ensure that all elected members fully understand the overall strategy, governance procedures and risk appetite entailed by this Strategy.

The Capital Strategy will include capital expenditure, investments, 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. The Council already has a Capital Strategy in place, but this has been amended to reflect the new requirements at a high level (this appears in the budget report elsewhere in this agenda).

**3.3 Treasury Management Strategy 2018/2019**

The strategy for 2018/2019 cover two main areas:

**Capital Issues**

- the capital plans and 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;
- the investment strategy;
- creditworthiness policy;
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

**3.4 Training**

The CIPFA code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. Members training was undertaken on the 17th January 2018, with further to be arranged as and when required.

The training needs of treasury management officers are periodically reviewed.

**3.5 Treasury Management Consultants**

The Council uses Link Asset Services (formerly Capita Asset Services) as its external treasury management advisors.

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.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

## 4. The Capital Prudential Indicators 2018/2019 – 2020/2021 and Minimum Revenue Provision (MRP) Statement

### 4.1 Capital Expenditure

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 member's overview and confirm expenditure plans.

The table below summarises the capital expenditure plan and how it is being financed by capital or revenue resources. Any shortfall of resources could result in a borrowing need.

| Capital expenditure £m | 2017/18 Estimate | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate |
|---|---|---|---|---|
| Total Capital Expenditure | 8.984 | 9.572 | 10.232 | 6.571 |
| **Financed by:** | | | | |
| External Funding | 5.532 | 1.025 | 0.658 | 0.644 |
| Capital reserves | 2.452 | 8.537 | 9.495 | 5.924 |
| Revenue | 1.000 | 0.010 | 0.079 | 0.003 |
| **Net financing need for the year (CFR)** | **0.000** | **0.000** | **0.000** | **0.000** |

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

One of the prudential indicators is the Council's Capital Financing Requirement (CFR). The CFR is simply the historic outstanding capital expenditure which has not yet been paid for from either revenue of capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not been paid for, will increase the CFR.

The Council, under the current Medium Term Financial Plan and Capital Programme, have no plans to borrow and therefore has a zero CFR.

## 4.3 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to finance either capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

| Year End Resources £m | 2017/18 Estimate | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate |
|---|---|---|---|---|
| Fund balances / reserves | 24.663 | 28.966 | 32.721 | 30.402 |
| Capital receipts reserve | 17.812 | 15.006 | 10.774 | 8.136 |
| **Total core funds** | **42.475** | **43.972** | **43.495** | **38.538** |
| Working capital | -8.002 | -8.002 | -8.002 | -8.002 |
| **Expected investments** | **34.473** | **35.970** | **35.493** | **30.536** |

In addition to the expected investments total from the above table the Council has a cash element which would include the reciepts of Council Tax and NNDR income prior to the payments being made to the government and precepting authorties. This would increase the level of investments held by the council at any one time.

## 4.5 Affordability Prudential Indicators

A number of sections throughout this report cover the prudential indicators for overall capital and control of borrowing and within this framework prudential indicators are also 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.

### 4.5.1 Ratio of financing costs to revenue streams

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. In other words in 2017/18 the interest earnings would be approximately 1.23% of the Council’s net revenue spend.

| % | 2017/18 Estimate | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate |
|---|---|---|---|---|
| Ratio | -1.23 | -0.084 | -0.089 | -0.140 |

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

### 4.5.2 Incremental impact of capital investment decisions on council tax

In the revised Prudential Code 2017 this indicator has been removed. However after consideration it has been decided that the indicator provides useful information to members and will now be included in the report as a local indicator.

The indicator identifies the net revenue effects (expressed in terms of band D council tax) associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period. Impacts on the revenue budget may be favourable or adverse as explained in the table below:

| **Favourable Impact**<br>**Reduces the Incremental Impact on council tax (-)** | **Adverse Impact**<br>**Increases the Incremental Impact on council tax (+)** |
|---|---|
| Revenue savings | Direct revenue funding of capital |
| Income generation | Revenue running costs |
| | Loss of interest where capital receipts or other earmarked reserves are used to fund capital expenditure |
| | Cost of borrowing (if any) |

The value of the revenue savings and income arising from the proposed capital programme changes exceeds the increase in revenue costs. Therefore the net effect on the revenue budget is beneficial and the incremental impact on council tax is shown as a minus figure.

| **£** | **2017/18 Estimate** | **2018/19 Estimate** | **2019/20 Estimate** | **2020/21 Estimate** |
|---|---|---|---|---|
| **Incremental Impact on Council tax - band D** | -4.12 | -2.71 | -2.84 | -4.42 |

### 4.5.3 Treasury management limits on 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.

| **Upper limit for fixed interest rate exposure** | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---|---|---|---|---|
| Net interest re fixed rate borrowing/investments | 100% | 100% | 100% | 100% |
| | | | | |
| **Upper limit for variable rate exposure** | | | | |
| Net interest re variable rate borrowing | 0% | 0% | 0% | 0% |
| Net interest re variable rate investments | 30% | 30% | 30% | 30% |
| **Upper limit for total principal sums invested for over I Year** (per maturity date) | £15m | £15m | £15m | £15m |

| **Maturity structure of fixed rate borrowing during 2018/2019 (if required)** | upper limit % | lower limit % |
|---|---|---|
| under 12 months | 100 | 0 |
| 12 months and within 24 months | 100 | 0 |
| 24 months and within 5 years | 100 | 0 |
| 5 years and within 10 years | 100 | 0 |
| 10 years and above | 100 | 0 |

## 5.0 Borrowing

### 5.1 Current Portfolio Position

The capital expenditure plans set out in Section 4 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.

The Council has not previously had to borrow externally and this position is unlikely to change in the future. However, looking into the future the Council needs to take into consideration that there may be a need to borrow money 'from itself' from other cash holdings that the Council may have. This is known as internal borrowing and means that not all of the capital reserves would be cash backed. Any borrowing undertaken would be in line with the prudential indicators and borrowing strategy outlined in this report.

### 5.2 Minimum Revenue Provision (MRP) Policy Statement

If the Council were to borrow it would be required to pay off an element of the accumulated historic capital spend that has not yet been financed from capital and revenue resources each year (the CFR) through a revenue charge (the Minimum Revenue Provision MRP), although it is allowed to undertake additional voluntary payment if required (Voluntary Revenue Provision VRP).

The MRP is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

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

From 1 April 2018 for all unsupported borrowing (including finance leases) the MRP policy will be either*:*

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction);

- **Depreciation method** – MRP will follow standard depreciation accounting procedures;

These options provide for a reduction in the borrowing need over approximately the asset's life.

## 5.3 Treasury Indicators: limits to borrowing activity

**The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed. Whilst the council has no plans to borrow an operational boundary is set for occasions where very short term borrowing is required for cash flow purposes only.

| **Operational boundary £m** | **2017/18 Estimate** | **2018/19 Estimate** | **2019/20 Estimate** | **2020/21 Estimate** |
|---|---|---|---|---|
| Debt | 3.000 | 3.000 | 3.000 | 3.000 |
| Other long term liabilities | 0 | 0 | 0 | 0 |
| **Total** | **3.000** | **3.000** | **3.000** | **3.000** |

**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.

1. It's statutory to set an authorised 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.
2. The Council is asked to approve the following authorised limit:

| Authorised limit £m | 2017/18 Estimate | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate |
|---|---|---|---|---|
| Debt | 5.000 | 5.000 | 5.000 | 5.000 |
| Other long term liabilities | 0 | 0 | 0 | 0 |
| Total | 5.000 | 5.000 | 5.000 | 5.000 |

### 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. Therefore gross external debt will not (except in the short term) exceed the estimates of any capital financing (borrowing) requirements for the current and next two financial year's capital programme. 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.

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.

## 6. Prospects for Interest Rates

Link Asset Services as part of their service assist the Council to formulate a view on interest rates. The following table gives their central view.

| Annual Average % | Bank Rate % | PWLB Borrowing Rates % (including certainty rate adjustment) | | | |
|---|---|---|---|---|---|
| | | 5 year | 10 year | 25 year | 50 year |
| Dec 2017 | 0.50 | 1.50 | 2.10 | 2.80 | 2.50 |
| Mar 2018 | 0.50 | 1.60 | 2.20 | 2.90 | 2.60 |
| Jun 2018 | 0.50 | 1.60 | 2.30 | 3.00 | 2.70 |
| Sep 2018 | 0.50 | 1.70 | 2.40 | 3.00 | 2.80 |
| Dec 2018 | 0.75 | 1.80 | 2.40 | 3.10 | 2.90 |
| Mar 2019 | 0.75 | 1.80 | 2.50 | 3.10 | 2.90 |
| Jun 2019 | 0.75 | 1.90 | 2.60 | 3.20 | 3.00 |
| Sep 2019 | 0.75 | 1.90 | 2.60 | 3.20 | 3.00 |
| Dec 2019 | 1.00 | 2.00 | 2.70 | 3.30 | 3.10 |
| Mar 2020 | 1.00 | 2.10 | 2.70 | 3.40 | 3.20 |
| Jun 2020 | 1.00 | 2.10 | 2.80 | 3.50 | 3.30 |
| Sep 2020 | 1.25 | 2.20 | 2.90 | 3.50 | 3.30 |
| Dec 2020 | 1.25 | 2.30 | 2.90 | 3.60 | 3.40 |
| Mar 2021 | 1.25 | 2.30 | 3.00 | 3.60 | 3.40 |

As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November 2017. This removed the emergency cut in August 2016 after the EU referendum. The Bank of England to not have formal interest rates forecasts but do however give forward guidance on rates, the latest of which shows that they expect an increase twice more of 0.25% by 2020. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

Interest returns are likely to remain low during 2018/19 but are forecast to be on a gentle rising trend over the next few years.

## 7. Annual Investment Strategy

### 7.1 Investment Policy

The Council's investment policy has regard to the CLG's 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 security first, liquidity second and then return.

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. 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 this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" (CDS) and overlay that information on top of the credit ratings.

### 7.2 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 and Poor's. The Council criteria are set on the Fitch credit rating and in the absence of this Moody's ratings will be taken. However, it does not rely solely on the current credit ratings of counterparties but also uses the following overlays:-

- credit watches and credit outlooks from credit rating agencies;
- 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 Credit Default Swaps (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 Enhanced money market funds with a credit score of 1.25 |
| • Light Pink | 5 years for Enhanced money market 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 ratings from all three agencies, and by using a scoring system does not give undue weight to just one agency's 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.

- 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.
- If a body is placed on negative rating watch with Fitch or Moody's in the absence of a Fitch rating (i.e. there is a reasonable probability of a rating change and the likelihood of that change being negative) and it is currently near the floor of the minimum acceptable rating for placing investments with that body, then no further investments will be made with that body. Alternatively if the result of a negative rating watch keeps the counterparty within the credit ratings set out by the Council, the counterparty can be considered for investment.
- The Council uses Fitch ratings to derive its counterparty criteria. Where counterparty does not have a Fitch rating, the equivalent Moody's rating will be used. All credit ratings will be monitored daily.

- The Council is alerted to changes in Fitch ratings through its use of the Link Asset Services credit worthiness service.

- Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and information, information on government support for banks and the credit ratings of that government support.

### 7.3 Country Limits

With the exception of the UK, the Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA from Fitch Ratings (or equivalent from other agencies if Fitch does not provide them).

### 7.4 Investment Strategy

**In-house funds**

Investments will be made with reference to the core balance and cash flow requirements.

**Investments returns expectations**

Bank Rate is forecast to stay flat at 0.50% until 2018/19 with a steady increase thereafter of 0.25% each year until 2020/21. Bank Rate forecasts for financial year ends are:

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

The Council will use an investment benchmark to assess the investment performance of its investment portfolio of the 3 and 6 month LIBID rates, it is expected that an interest rate return above these levels will be achieved.

**Investment instruments**

Investment instruments identified for use in the financial year are listed below under the ‘Specified’ and ‘Non-Specified’ Investments categories.

**Specified Investments:** All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum high rating criteria where applicable.

| | Minimum 'High' Credit Criteria | Use |
|---|---|---|
| Debt Management Account Deposit Facility | --- | In-house |
| Term Deposits – Other Local Authorities | --- | In-house |
| UK Nationalised and Semi Nationalised Banks | Semi Nationalised | In-house |
| Term Deposits – Bank and Building Societies | Sovereignty AA<br>Short Term F1<br>Long-term A, | In-house and Fund Managers |
| Certificates of deposits issued by banks building societies covered by UK government | Sovereignty AA<br>Short-term F1<br>Long-term A | In-house buy and hold and fund managers |
| UK Government Gilts | Sovereignty Rating AA | In-house and fund managers |
| Treasury Bills | Sovereignty Rating AA | In-house and fund managers |
| Money Market Funds | AA | In-house and fund managers |

**Non-Specified Investments:** A maximum of 60% or £15m, whichever is the lower of the total portfolio, will be held in aggregate in non-specified investment (i.e. over 1 year)

| | Minimum Credit Criteria | Use | Max. maturity period |
|---|---|---|---|
| Term deposits – local authorities | -- | In-house | 5 Years |
| UK Nationalised and Semi Nationalised Banks | Semi Nationalised | In-house | 5 Years |
| Term deposits – banks and building societies | Sovereignty AA<br>Short-term F1+<br>Long-term AA- | In-house | 5 Years |
| Certificates of deposits issued by banks and building societies | Sovereignty AA<br>Short-term F1+<br>Long-term AA- | In-house and Fund managers | 2 Years |
| UK Government Gilts | Sovereignty Rating AA | In-house and Fund Managers | 5 Years |
| Sovereign bond issues (i.e. other than the UK gov't) | Sovereignty Rating AA | In-house and Fund Managers | 5 Years |

For both specified and non-specified investments the UK is an exception to the stated criteria in that we will continue to deal with UK institutions in the event of a downgrading in the UK sovereign rate.

### 7.5 Current Investment situation

The EU set the date of 3 January 2018 for the introduction of regulations under The Markets in Financial Instruments Directive (MIFID II). These regulations govern the relationship that financial institutions conducting lending and borrowing transactions will have with local authorities from that date. Under the new MIFID II regulations, all local authorities are now to be classified as retail clients unless they opted up to professional status and identified for which types of investments. This Council chose to opt up to the professional status; this will ultimately give us the ability to continue to invest in Certificates of Deposits and other investment instruments.

**7.6 Treasury Management Practices**

The Council's Treasury Management Practices (TMP's) set out the manner in which the Council will seek to achieve its treasury management policies and objectives, and how it will manage and control those activities.

The Council's TMP's schedules cover the detail of how the Council will apply the TMP Main Principles in carrying out its operational treasury activities. The schedule will be updated to take account of any relevant changes to the code and will be reviewed and approved annually by the Council's Chief Financial Officer.

**7.7 End of year investment report**

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

**8. Implications**

**8.1 Financial** – This report is wholly concerned with financial issues.

**8.2 Personnel** - None, other than those mentioned in the report above.

**8.3 Legal/Constitutional** – No implications.

**8.4 Environmental** – No implications.

**8.5 Policy** – No implications.

**8.6 ICT** – No implications.

**8.7 Crime and Disorder** – No implications.

**8.8 Human Rights** – No implications.

**8.9 Equalities** – No implications.

**9. Conclusions**

**9.1** The new requirements for the Capital Strategy have yet to be implemented in full. Once all information is received an update will be provided. Volatility within the current economic climate continues as a result of Brexit, amongst other things, and, if appropriate, the Section 151 Officer will not hesitate to restrict investments, in line with the approved strategy, should there be a need to do so. Returns on investments will continue at a very low level for the foreseeable future with security being the overriding factor.

**Audra Statham**
**Chief Financial Officer**

**Background papers:**

CIPFA Treasury Management Code of Practice 2017 (the Code)

**Previous minutes:**

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