DECISION-MAKER:	GOVERNANCE COMMITTEE COUNCIL
SUBJECT:	TREASURY MANAGEMENT STATEGY AND PRUDENTIAL LIMITS MIDYEAR REVIEW 2017
DATE OF DECISION:	13 NOVEMBER 2017 15 NOVEMBER 2017
REPORT OF:	SERVICE DIRECTOR FINANCE AND COMMERCIALISATION

CONTACT DETAILS				
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STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE

BRIEF SUMMARY

The purpose of this report is to inform the Governance Committee and Council of the Treasury Management activities and performance for 2017/18 against the approved Prudential Indicators for External Debt and Treasury Management and to approve any changes as a result of activity to date and updates to the capital programme.

The core elements of the 2017/18 strategy were :

- To continue to make use of short term variable rate debt to take advantage of the current market conditions of low interest rates.
- To constantly review longer term forecasts and to lock into longer term rates through a variety of instruments as appropriate during the year, in order to provide a balanced portfolio against interest rate risk.
- To secure the best short term rates for borrowing and investments consistent with maintaining flexibility and liquidity within the portfolio.
- To invest surplus funds prudently, the Council's priorities being:
  - Security of invested capital
  - Liquidity of invested capital
  - An optimum yield which is commensurate with security and liquidity.

With overall annual expenditure in excess of £600M and an extensive capital programme, the Council is required to actively manage its cash-flows on a daily basis. The requirement to invest or to borrow monies to finance capital programmes, and to cover daily operational needs is an integral part of daily cash and investment portfolio management.

RECOMMENDATIONS:		
GOVERNANCE COMMITTEE **It is recommended that Governance Committee:**		
	i)	Note the current and forecast position with regards to these indicators and endorse any changes;
	ii)	Notes that the continued proactive approach to TM has led to reductions in borrowing costs and safeguarded investment income during the year.
	iii)	Notes the cost implication of the Capital Programme on the Authority as detailed in Table 5.
	iv)	Notes the proposed changes to the Prudential and Treasury Management Codes, in particular the inclusion of non-treasury investments such as commercial investments in properties in the definition of "investments" as well as loans made or shares brought for service purposes, as detailed in paragraphs 13 to 17 below.
COUNCIL **It is recommended that Council:**		
	i)	Note the current and forecast position with regards to these indicators and approve any changes;
	ii)	Notes that the continued proactive approach to TM has led to reductions in borrowing costs and safeguarded investment income during the year.
	iii)	Notes the cost implication of the Capital Programme on the Authority as detailed in Table 5.
	iv)	Notes the proposed changes to the Prudential and Treasury Management Codes, in particular the inclusion of non-treasury investments such as commercial investments in properties in the definition of "investments" as well as loans made or shares brought for service purposes, as detailed in paragraphs 13 to 17 below.
	v)	Continue to delegate authority to the Service Director – Finance & Commercialisation, following consultation with the Cabinet Member for Finance to approve any changes to the Prudential Indicators or borrowing limits that will aid good treasury management. For example increase the percentage for variable rate borrowing to take advantage of the depressed market for short term rates. Any amendments will be reported as part of quarterly financial and performance monitoring and in revisions to this strategy.
REASONS FOR REPORT RECOMMENDATIONS		
1.	The Treasury Management Code requires public sector authorities to determine an annual TM Strategy and formally report on their treasury activities and arrangements to full Council mid-year and after the year-end. These reports enable those tasked with implementing policies and undertaking transactions to demonstrate they have properly fulfilled their responsibilities, and enable those with ultimate responsibility/governance of the TM function to scrutinise and assess its effectiveness and compliance with policies and objectives.	

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
2.	No alternative options are relevant to this report
DETAIL (Including consultation carried out)	
	CONSULTATION
3.	Not applicable
	BACKGROUND
4.	The Local Government Act 2003 introduced a system for borrowing based largely on self-regulation by local authorities themselves. The basic principle of the new system is that local authorities will be free to borrow as long as their capital spending plans are affordable, prudent and sustainable.
5.	The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice a year (mid-year and at year end).
6.	The Authority's Treasury Management Strategy for 2017/18 was approved by full Council on 12 February 2017 which can be accessed as part of the Council's Treasury Management Strategy Statement for 2017 on 15 February 2017, item 73 Prudential Limits and Treasury Management Strategy 2017/18 to 2020/21
7.	Overall responsibility for treasury management remains with the Council. No TM activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.
8.	This report: a) is prepared in accordance with the revised CIPFA Treasury Management Code and the revised Prudential Code; b) presents details of capital financing, borrowing, debt rescheduling and investment transactions; c) reports on the risk implications of treasury decisions and transactions; d) gives details of treasury management transactions in 2017/18 to date together with outturn forecast; and e) confirms compliance with treasury limits and Prudential Indicators.
9.	Appendix 1 summarises of the economic backdrop during the period, the financial markets and credit background against which the Council operated its treasury function and the Authority's financial adviser's (Arlingclose) assessment outlook for interest rates for the remainder of the year.

	REGULATORY UPDATES
	MiFID II
10.	Local authorities are currently treated by regulated financial services firms as professional clients who can “opt down” to be treated as retail clients instead. But from 3rd January 2018, as a result of the second Markets in Financial Instruments Directive (MiFID II), local authorities will be treated as retail clients who can “opt up” to be professional clients, providing that they meet certain criteria. Regulated financial services firms include banks, brokers, advisers, fund managers and custodians, but only where they are selling, arranging, advising or managing designated investments. In order to opt up to professional, the authority must have an investment balance of at least £10 million and the person authorised to make investment decisions on behalf of the authority must have at least one year’s relevant professional experience. In addition, the firm must assess that that person has the expertise, experience and knowledge to make investment decisions and understand the risks involved.
11.	The main additional protection for retail clients is a duty on the firm to ensure that the investment is “suitable” for the client. However, local authorities are not protected by the Financial Services Compensation Scheme nor are they eligible to complain to the Financial Ombudsman Service whether they are retail or professional clients. It is also likely that retail clients will face an increased cost and potentially restricted access to certain products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.
12.	The Authority meets the conditions to opt up to professional status and intends to do so in order to maintain their current MiFID status and have access to current range of products and to be able to continue using trading platforms when moving cash between money market funds. We have started the process of completing various questionnaires and have applied for and been granted a “LEI” (Legal Entity Identifier) which will allow us to continue to purchase and hold such instruments as bonds.
	CIPFA Consultations on Prudential and Treasury Management Codes:
13.	In February 2017 CIPFA canvassed views on the relevance, adoption and practical application of the Treasury Management and Prudential Codes and after reviewing responses launched a further consultation on changes to the codes in August with a deadline for responses of 30th September 2017. The Authority supported the proposed changes and replied as such to the consultations but recognises that there will be challenges in the implementation of some of the new requirements.
14.	The proposed changes to the Prudential Code include the requirement to production of a new high-level Capital Strategy report to full council which will cover the basics of the capital programme and treasury management. The prudential indicators for capital expenditure and the authorised borrowing limit would be included in this report but other indicators may be delegated to another committee. As the Council already has an approved Capital Strategy these requirements will have minimal impact. There are plans to drop certain prudential indicators, however local indicators

	are recommended for ring fenced funds (including the HRA) and for group accounts. Other proposed changes include applying the principles of the Code to any subsidiaries the Authority may have.
15.	Proposed changes to the Treasury Management Code include the potential for non-treasury investments such as commercial investments in properties in the definition of “investments” as well as loans made or shares brought for service purposes. Another proposed change is the inclusion of financial guarantees as instruments requiring risk management and addressed within the Treasury Management Strategy. Approval of the technical detail of the Treasury Management Strategy may be delegated to a committee rather than needing approval of full Council. There are also plans to drop or alter some of the current treasury management indicators.
16.	CIPFA intends to publish the two revised Codes towards the end of 2017 for implementation in 2018/19, although CIPFA plans to put transitional arrangements in place for reports that are required to be approved before the start of the 2018/19 financial year, which will incorporate the Strategy report that goes to Governance and Council in February. The Department of Communities and Local Government (DCLG) and CIPFA wish to have a more rigorous framework in place for the treatment of commercial investments as soon as is practical. It is understood that DCLG will be revising its Investment Guidance (and its MRP guidance) for local authorities in England; however there have been no discussions with the devolved administrations yet so any possible implications on revenue is not yet known.
17.	There are a number of indicators where it has been discretional to show in either the TM or capital report but under the proposals these are either no longer required or specified, and as such the Capital Expenditure and Financing table will no longer be shown in the TM report.
	SUMMARY OF TREASURY MANAGEMENT ACTIVITY DURING HALF YEAR
18.	The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR) whilst working balances and useable reserves provide the resources available for investment and together are the core drivers of TM Activity. These balances were reported as part of the outturn position which went to Council on 12 June 2017 and are summarised in table 1 below together with forecast position at end of year, a breakdown of the movement on the CFR is shown in Table 11 in Appendix 2.
	Table 1: *Balance Sheet Summary*

	Balance at 31.03.2017 £M	Forecast 31.03.2018 £M	Expected Movement in Year £M
General Fund CFR	322.56	349.28	26.72
HRA CFR	163.25	178.14	14.89
Total CFR	**485.81**	**527.42**	**41.61**
Less: Other Debt Liabilities*	(77.18)	(74.97)	2.21
Borrowing CFR	**408.63**	**452.45**	**43.82**
Less: Usuable Reserves	(127.52)	(122.52)	5.00
Less: Working Capital	(64.75)	(59.75)	5.00
Net Borrowing Requirement	**216.36**	**270.18**	**53.82**

**finance leases, PFI liabilities and Transferred debt*

19. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. The benefits of internal borrowing are monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Our advisors, Arlingclose, assists the Authority with this 'cost of carry' and breakeven analysis.

20. The treasury management position as at 30th September 2017 and the change over the period is show in Table 2 below.

Table 2: *Treasury Management Summary – current and forecast Loans and Investments*

	1st April 2017 Balance £M	Movement £M	30th Sept 2017 Balance £M	Average Yield / Rate %	31st March 2018 Estimated Balance £M
External Borrowing (*Decrease*)					
Public Works Loan Board (PWLB)	220.30	(5.75)	214.55	3.33	263.81
Market Loans	9.00		9.00	4.86	9.00
Total Long Term Borrowing	**229.30**	**(5.75)**	**223.55**	**3.43**	**272.81**
Temporary Borrowing	30.35		30.35	0.40	40.35
Total External Borrowing	**259.65**	**(5.75)**	**253.90**	**3.30**	**303.16**
Investments (*Increase*)					
Cash (Instant access)	(17.90)	(13.20)	(31.10)	0.20	(10.00)
Cash (Notice Account)	(5.00)		(5.00)	0.55	(5.00)
Short Term Bonds	(4.66)	(1.42)	(6.08)	1.34	(3.08)
Long Term Bonds	(14.72)	7.10	(7.62)	2.58	(7.62)
Property Fund	(17.00)	(10.00)	(27.00)	4.55	(27.00)
Total Investments	**(59.28)**	**(17.52)**	**(76.80)**	**3.16**	**(52.70)**
Net Borrowing Position (*Decrease*)	**200.37**	**(23.27)**	**177.10**		**250.46**

<u>Borrowing Strategy During the Half Year</u>

21. The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and

	achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.
22.	At 30/9/2017 the Authority held £224M of loans, a decrease of £6M on 31/3/2017, as part of its strategy for funding previous years' capital programmes. During this period while existing loans were allowed to mature without replacement. This strategy enabled the Authority to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.
23.	The "cost of carry" analysis performed by the Authority's treasury management advisor Arlingclose did not indicate any value in borrowing in advance for future years' planned expenditure and therefore none was taken, however the Authority expects to have to borrow up to £55M in 2017/18 to finance the current capital programme (£28.93M General Fund and £20.40M for HRA) and to replace maturing debt, which will increase borrowing, as shown in Tables 3 and 4 below. Due to the current interest environment this is likely to be short term borrowing.

Table 3 - *Current and Estimated Movement in Borrowing Requirement*

Movement on Estimated Borrowing Requirement	**2017/18 Forecast £M**	**2018/19 Forecast £M**	**2019/20 Forecast £M**	**2020/21 Forecast £M**
General Fund (GF)				
Capital Programme	28.93	36.88	4.33	0.71
Maturing Debt	5.98	5.97	18.97	10.03
Movement in Internal Borrowing	5.00	5.00	5.00	5.00
Less Repayment of Debt Principal	(5.32)	(5.70)	(5.84)	(5.43)
GF Borrowing Requirement	**34.59**	**42.15**	**22.46**	**10.31**
HRA Borrowing Requirement*	20.40	10.06	16.21	10.09
Total Borrowing Need	**54.99**	**52.21**	**38.67**	**20.40**

**Please see tabl e 13 in Appendix 2 for breakdown and impact on HRA limit on Indebtedness*

Table 4 - *Current and Estimated Movement in Borrowing during 2017/18*

Borrowing	**£M**
Balance brought forward 1st April 2017 *(Table 2)*	259.65
New debt raised in year (*Table 3*)	54.99
Maturing debt	(11.48)
Estimated debt at 31 March 2017 *(Table 2)*	**303.16**

24.	As detailed above the main increase in our borrowing requirement is as a result of new capital spend, Table 5 below shows the impact of this on borrowing costs.
	Table 5 - Estimated Cost to Council of Capital Programme Financed

through Borrowing

General Fund Capital Programme Borrowing and Cost	2017/18 Forecast £M	2018/19 Forecast £M	2019/20 Forecast £M	2020/21 Forecast £M
General Fund (*Table 3*)	28.93	36.88	4.33	0.71
Less Income generating schemes (PIF)	(15.44)	(20.00)	0.00	0.00
	13.49	**16.88**	**4.33**	**0.71**
Estimated Debt Management costs (7%)	**0.94**	**1.18**	**0.30**	**0.05**

25. The Authority holds £9M of LOBO loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS have options during the half year, none of which were exercised by the lender, but if they were to be called during the remainder of this financial year it is likely that they would be repaid and replaced by alternative borrowing.

<u>Other Debt Activity</u>

26. Although not classed as borrowing the Authority holds debt for prior year's activity relating to Private Finance Initiatives and Transferred debt which reduced by £1M during the period and now stands at £76M.

INVESTMENT ACTIVITY

<u>Investment Strategy</u>

27. Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

28. The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves and during the first half of the year balances initially increased rising from £59M to £92M in mid- June, but have since fallen back to £77M and are supported by the £30M temporary borrowing taken last October to cover expected cash flows for the remainder of the year and to divert £20M of the money allocated to Property Investments Fund to the CCLA to invest in the Local Authorities' Mutual Investment Trust , which as previously reported gives a the return similar to direct investment in property but with less risk and offers further diversification.

29. The Council has invested £27M in property funds as an alternative to buying property directly. These funds offer the potential for enhanced returns over the longer term, but may be more volatile in the shorter term and are managed by professional fund managers which allows the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. As at the 30 September the sell price of our total investments were valued at £26.4M a notional "loss" of £0.6M against initial investments of £27M.

Our advisers Arlingclose remain comfortable with this level of investment to fulfil

	our strategy aims, they expect capital values to fall over the next two years but annual income should hold up around current levels. Arlingclose believe the negatives do not outweigh the potential for income generation and also advise that investment in the CCLA fund is less risky than buying individual properties. It should be noted that investment in the CCLA does not constitute capital expenditure and is seen as a treasury management tool. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability are continually reviewed. The estimated yield for the year is £1.1M if yields remain around current levels.
30.	Following Brexit and the fall in interest rates there is a lack of availability of suitable bonds, so as bonds mature they are not currently being reinvested; this coupled with the decision to invest further in the CCLA will see a continuing fall in both the level and return on our internal investments.
31.	A summary of activity and projected balances is summarised in Table 2 above and full details of our current investments can be seen in Appendix 3.
	<u>Investment Benchmarking</u>
32.	The Council advisors undertake quarterly investment benchmarking across its client base. The charts in Appendix 1 show how we compare to other Unitaries and across the average. As reported previously our portfolio was more diversified and at higher interest rates than the average as a result of moving into the bond programme earlier than most clients, but there is now more competition for bonds from both government bodies and other local authorities, so opportunities to replace maturing bonds are limited and that this alongside a reduction in the base rate will see a fall in suitable instruments. With this in mind and following discussions with our advisors it was decided to move more into property funds, which are a longer term investment, and to restrict temporary borrowing and therefore run our short term investments down.
33.	During the last quarter we had £2M of bonds mature and have invested a further £4M in property funds, with all other cash being placed in MMF as we run our investment balances down. As a result we had 36% (£27.2M) of our overall investment in Money Market Funds at the end of the quarter but this is expected to fall to around £10M by the end of December. Due to earlier investment decisions our income return on investments managed internally is 0.72% which is higher than the average of 0.48% whilst still maintaining a higher than unitary average credit rating of AA-. Total income return at 2.05% is also higher than the average for both unitary and across Arlingclose's client base. This is expected to increase as the investments made in property funds recover some of the initial capital loss. As previously reported the value of the funds are more volatile but less risky than buying individual properties and do not constitute capital spend and it is the income return at 4.55% that is the driver. This is detailed in the benchmarking data within Appendix 1.
	<u>COMPLIANCE AND TREASURY MANAGEMENT INDICATORS</u>
34.	All treasury management activities undertaken during the period complied with CIPFA code of practice and the approved Strategy. Investment limits and performance to date against Key indicators is summarised in the Table 6 below:

Table 6: *Compliance with Treasury Indicators*

Indicator	**Limit**	**Actual at 30 September 2017**
Authorised Limit for external debt £M	£898M	£331M
Operational Limit for external debt £M	£647M	£331M
Maximum external borrowing year to date		£260M
Limit of fixed interest debt %	100%	83%
Limit of variable interest debt %	50%	17%
Limit for Non-specified investments £M	£80M	£41M

35. Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its TM Strategy Statement for 2017/18. The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio, which is supplied by our advisors. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

	Target	**Actual**
Portfolio average credit rating	A-	AA-

Liquidity Management

36. In keeping with the DCLG's Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds and call accounts. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council also has to manage the risk that it will be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates. The Council would only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

Maturity Structure of Borrowing

37. Current requirement is to only show fixed rate debt maturity but as one of the recommendations of the TM consultation is to cover variable as well as fixed rate debt, the indicator has been adjusted to include this, as it gives a truer reflection of the Authorities exposure to refinancing risk.

Table 7 – *Maturity Structure of Borrowing*

	Lower Limit %	Upper Limit %	Actual Debt as at 30/09/2017 £M	Average Rate as at 30/09/2017 %	% of Fixed Rate as	Compliance with set Limits?
Under 12 months	0	45	45.11	3.10	17.77	Yes
12 months and within 24 months	0	45	11.51	3.23	4.53	Yes
24 months and within 5 years	0	50	58.44	2.61	23.02	Yes
5 years and within 10 years	0	75	0.00	0.00	0.00	Yes
20 years and within 30 years	0	75	15.00	4.65	5.91	Yes
30 years and within 40 years	0	75	61.70	4.08	24.30	Yes
40 years and within 50 years	0	75	62.14	3.65	24.47	Yes
			253.90	**3.30**	**100.00**	

<u>Principal Sums Invested for Periods Longer than 364 days</u>

38. The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments, this includes the investment with CCLA as these are considered to have a five year investment strategy. Table 8 below shows the limits set when strategy was agreed and the actual as at 30 September:

Table 8 - *Principal Sums Invested for Periods Longer than 364 days*

	2017/18	2018/19	2019/20	2020/21
	£M	£M	£M	£M
Actual principal invested beyond year end	37.60	34.60	30.00	30.00
Limit on principal invested beyond year end	80.00	80.00	80.00	80.00

BUDGETED INCOME AND EXPENDITURE

<u>Investments</u>

39. The Council does not expect any losses from non-performance in relation to its investments by any of its counterparties. The UK Bank Rate had been maintained at 0.5% since March 2009 and until August 2016, when it was cut to 0.25%. Recent inflation figures and other factors have led to the Bank of England increasing the Bank Rate by 0.25% to 0.50%, on 2nd November 2017. Future interest rate rises are still unclear and expected to be gradual.

40. Investments in Money Market Funds and call accounts currently generated an average rate of 0.24%, whilst investments in bonds have performed better returning an average of 1.34% for short term bonds and 2.58% for long term bonds for the year to date. The average cash balances during the half year was £80.7M (range between £93.6M to £58.0M) which is expected to fall as Council Tax and Business Rate income is mainly collected between April and January, plus in order to reduce borrowing costs we have reduced our minimum working cash flow balance to £10M.

41. As reported previously the Authority continues to review investments in suitable longer term financial instruments which will generate a better return, as evidenced by our increased investments in the CCLA as it is envisaged

	that there be sufficient cash balances over the medium term.
	Expenditure
42.	The interest cost of financing the Authority's long term and short term loan debt is charged corporately to the Income and Expenditure account. The interest cost in 2017/18 of financing the Authority's loan debt is estimated to be £14.5M. As a result of variable interest rates being lower than those estimated, no new long term borrowing being taken in the last two years, deferring any new borrowing to later in the year and a fall in long term interest rates following BREXIT that the cost of borrowing will be less than the estimated cost.
	COMPLIANCE WITH PRUDENTIAL INDICATORS
43.	The Council can confirm that it has complied with its Prudential Indicators for 2017/18, approved by Full Council on 15 February 2017, item 73. Prudential Limits and Treasury Management Strategy 2017/18 to 2020/21 Details are shown in Appendix 3.
	Investment Training
44.	The needs of the Authority's treasury management staff for training in investment management are assessed as part of the staff performance contracts, and additionally when the responsibilities of individual members of staff change. Staff have attended a number of training courses provided by our advisors (Arlingclose).
RESOURCE IMPLICATIONS	
Capital/Revenue	
45.	The revenue and capital implications are considered as part of ongoing monitoring which is reported to Cabinet each quarter and as part of the budget setting process.
Property/Other	
46.	None
LEGAL IMPLICATIONS	
Statutory power to undertake proposals in the report:	
47.	Local Authority borrowing is regulated by Part 1, of the Local Government Act 2003, which introduced the new Prudential Capital Finance System. From 1 April 2004, investments are dealt with, not in secondary legislation, but through guidance. Similarly, there is guidance on prudent investment practice, issued by the Secretary of State under Section 15(1) (a) of the 2003 Act. A local authority has the power to invest for "any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs". The reference to the "prudent management of its financial affairs" is included to cover investments, which are not directly linked to identifiable statutory functions but are simply made in the course of treasury management. This also allows the temporary investment of funds borrowed for the purpose of expenditure in the reasonably near future; however, the speculative procedure of borrowing purely in order to invest and make a return remains unlawful.
Other Legal Implications:	

48.	None
RISK MANAGEMENT IMPLICATIONS	
49.	None
POLICY FRAMEWORK IMPLICATIONS	
50.	This report has been prepared in accordance with the CIPFA Code of Practice on TM.

KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	NONE

SUPPORTING DOCUMENTATION

Appendices

1.	Financial Outlook and Quarterly Benchmarking
2.	Compliance with Prudential Indicators
3.	Current Investments
4.	Glossary of Treasury Terms

Documents In Members' Rooms

1.	None

Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No

Privacy Impact Assessment

Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	No

Other Background Documents

Other Background documents available for inspection at:

Title of Background Paper(s)		Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	Prudential Limits and Treasury Management Strategy 2017/18 to 2020/	