DECISION-MAKER:		GOVERNANCE COMMITTEE		
SUBJECT:		REVIEW OF PRUDENTIAL LIMITS AND TREASURY MANAGEMENT OUTTURN 2018/19		
DATE OF DECISION:		10 JUNE 2019		
REPORT OF:		Interim Service Director Finance and Commercialisation (S151)		
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 2018/19 against the approved Prudential Indicators for External Debt and Treasury Management.		
This report specifically highlights that:		
	(i)	Borrowing activities have been undertaken within the borrowing limits approved by Council on 20 February 2019.
	(ii)	Current Investment strategy is to continue to diversify into more secure and/or higher yielding asset classes and move away from the increasing risk and low returns gained from short term unsecured bank investments. Returns during 2018/19 were £1.67M at an average rate of 4.05%.
	(iii)	The Council's strategy was to minimise borrowing to below its Capital Financing Requirement (CFR), the difference representing balances, reserves, provisions and working capital. This approach lowers interest costs, reduces credit risk and relieves pressure on the Council's counterparty list. Throughout the year, capital expenditure levels, market conditions and interest rate levels were monitored to minimise borrowing costs over the medium to longer term and to maintain stability.
	(iv)	The differential between debt costs and investment earnings continued to be acute, resulting in the use of internal resources in lieu of borrowing often being the most cost effective means of financing capital expenditure. As a result the average rate for repayment of debt, (the Consolidated Loans & Investment Account Rate – CLIA), at 3.36%, is lower than that budgeted and slightly higher than last year (3.31%), this is as a result of a rise in base rates during 2018/19 resulting in an increase in variable rate debt, this was offset by a corresponding increase in variable interest on investments. This includes £40M of short term debt which was taken during the year. No new long term loans were taken during the year in line with the current Treasury Strategy to continue using short term debt whilst interest

		rates are predicted to remain relatively low. It is the intention to continue to borrow in the short term markets during 2019/20 to take further advantage of the current interest environment.
	(v)	In achieving interest rate savings the Council is exposed to interest rate risk by taking out variable debt. This was and continues to be very financially favourable in current markets but does mean that close monitoring of the markets is required to ensure that the Council can act quickly should the situation begin to change.
	(vi)	Net loan debt decreased during 2018/19 from £252M to £248M (£4M) as detailed in paragraph 15.
	(vii)	There has been full compliance with the Prudential Indicators approved by Full Council on 20 February 2019
RECOMMENDATIONS:		
It is recommended that Governance committee:		
	(i)	Notes the Treasury Management (TM) activities for 2018/19 and the outturn on the Prudential Indicators.
	(ii)	Notes that the continued proactive approach to TM has led to reductions in borrowing costs and safeguarded investment income during the year.
	(iii)	Continues to delegate authority to the S151 Officer to make any future changes which benefit the authority and to report back at the next Treasury update.
	(iv)	Note that due to the timing of this report, changes may still be required following the finalisation of capital and revenue budgets and therefore any significant changes to this report will be highlighted in the final version that is presented to Full Council.
REASONS FOR REPORT RECOMMENDATIONS		
1.	The reporting of the outturn position for 2018/19 forms part of the approval of the statutory accounts. The Treasury Management (TM) Strategy and Prudential Indicators are approved by Council in February each year in accordance with legislation and the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice.	
2. .	The Treasury Management Code requires public sector authorities to determine an annual TM Strategy and now, as a minimum, 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		
3.	No alternative options are relevant to this report.	
DETAIL (Including consultation carried out)		
CONSULTATION		
4.	Not applicable.	

BACKGROUND		
5.	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.	
6.	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).	
7.	The Authority's TM Strategy for 2018/19 was approved by full Council on 21 February 2018. These were subsequently reviewed and revised as part of the Council's Treasury Management Strategy Statement for 2019/20 at full Council on 20 February 2019.	
8.	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.	
9.	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 the outturn position on treasury management transactions in 2018/19; and
	e)	confirms compliance with treasury limits and Prudential Indicators.
10.	Appendix 1 summarises the economic outlook and events in the context of which the Council operated its treasury function during 2018/19.	
BORROWING REQUIREMENT AND DEBT MANAGEMENT		
11.	On the 31st March 2019, the Authority had a net borrowing need of £118M arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR) while useable reserves and working capital the underlying resources available for investments. These are the core drivers of TM Activity and the year-on-year change is summarised in table 1 below.	
12.	As detailed in paragraphs 19 to 27 below, the Authority's current strategy is to maintain borrowing and investments below their underlying levels in order to reduce risk and keep interest costs low which has resulted in an increase of our internal borrowing of £23M.	

Table 1 – Balance Sheet Summary

	31-Mar-18 Actual £M	Movement Forecast £M	31-Mar-19 Actual £M
General Fund CFR	322.03	11.99	334.02
Housing CFR	157.92	4.81	162.73
Total CFR	**479.95**	**16.80**	**496.75**
Less Other Debt Liabilities*	(73.21)	2.14	(71.07)
Loans CFR	**406.74**	**18.95**	**425.69**
Less External Borrowing**	(251.16)	4.47	(246.69)
Internal (over) Borrowing	**155.58**	**23.42**	**178.99**
Less Usable Reserves	(146.28)	(8.00)	(154.28)
Less Working Capital Surplus	83.35	9.59	92.94
Net Borrowing or (Investments)	**92.65**	**25.01**	**117.66**

** finance leases, PFI liabilities and Transferred debt that form part of the authority's total debt*

13. The forecast movement in coming years is one of the Prudential Indicators (PIs). When the strategy was last updated in February 2019, the CFR for 31 March 2019 was estimated at £510.6M, the Council's actual CFR at the end of the year was £496.7M. This decrease was due to slippage in the capital programme, £5.0M on the General Fund and £8.9M on HRA. Actual Movement in year is shown in the following table.

Table 2 – Capital Financing Requirement Movement in year

Capital Financing Requirement	**31/03/2018 Actual £M**	**31/03/2019 Forecast £M**	**31/03/2019 Actual £M**	**31/03/2019 Variance £M**
Balance Brought forward	322.62	322.03	322.03	0.00
New Borrowing	4.41	24.47	19.41	(5.06)
MRP	(7.13)	(5.65)	(5.65)	0.00
Appropriations (to) from HRA	0.56	0.00	0.00	0.00
Movement in Other Liabilities	(3.78)	(2.47)	(2.33)	0.14
MRP Holiday	5.35	0.55	0.56	0.01
Total General Fund Debt	**322.03**	**338.93**	**334.02**	**(4.91)**
HRA	157.92	171.67	162.73	(8.94)
Total CFR	**479.95**	**510.60**	**496.75**	**(13.85)**

14. The movement in actual external debt and usable reserves combine to identify the Authority's borrowing requirement and potential investment strategy in the current and future years. This is shown in the tables below together with activity in the year.

15. *Table 3: Borrowing and Investment Position*

	31-Mar-18 Balance £M	Movement In Year £M	31-Mar-19 Balance	31-Mar-19 Average Yield/ Rate %	31-Mar-20 Estimated Balance £M
External Borrowing:					
Public Works Loan	208.81	(11.47)	197.34	3.30	160.87
LOBO Loans from Banks	9.00	0.00	9.00	4.86	9.00
Long Term Borrowing	**217.81**	**(11.47)**	**206.34**	**3.36**	**169.87**
Short Term Borrowing					
Fixed Rate – Market	33.35	6.65	40.00	0.75	121.71
Total External Borrowing	**251.16**	**(4.82)**	**246.34**	**3.30**	**291.58**
Other Long Term Liabilities					
PFI Schemes & Leases	58.84	(1.96)	56.88	8.82	60.42
Deferred Debt Charges (HCC)	14.56	(0.01)	14.55	2.74	14.55
Total Gross External Debt	**324.56**	**(6.79)**	**317.77**	**4.08**	**366.55**
Investments:					
Managed In-House					
Other Local Authorities	(10.00)	1.00	(9.00)	0.79	
Cash (Instant access)	(22.48)	(3.58)	(26.06)	0.77	(10.00)
Cash (Notice Account)	(3.00)	3.00			
Short Term Bonds	(3.14)	1.54	(1.60)	1.21	
Long Term Bonds	(6.80)	0.77	(6.03)	3.15	(3.00)
Managed Externally					
Pooled Funds (CCLA)	(27.00)	0.00	(27.00)	4.40	(27.00)
Total Treasury Investments	**(72.42)**	**2.73**	(69.69)	4.03	(40.00)
Net Debt	**252.14**	**(4.06)**	**248.08**		**326.55**

16. *Table 4: Movement in Borrowing during the year*

	Balance on 01/04/2018 £M	Debt Maturing or Repaid £M	New Borrowing £M	Balance on 31/03/2019 £M	Increase/ (Decrease) in Borrowing for Year £M	Average Life of Loans Life
Short Term Borrowing	33	(33)	40	40	7	9 Months
Long Term Borrowing	218	(12)	0	206	(12)	20 Years
Total Borrowing	**251**	**(45)**	**40**	**246**	**(5)**	

Please note that these figures do not reflect the accounting convention of moving loans maturing in the year from long term to short term so will differ from the maturity analysis.

17. The maturity analysis of the Council's debt at 31 March 2019 is further analysed below. Debt due in one year includes both short term and long term loans due in year, LOBO loans are shown as uncertain as although they are within the call option they are unlikely to be called in the current interest environment.

18. ***Table 5: Maturity Structure of Borrowing***

Debt	Lower Limit %	Upper Limit %	Actual Debt as at 31/12/2018 £M	Average Rate as at 31/12/2018 %	% of Debt	Compliance with set Limits?
Under 12 months	0	45	76.47	1.96	31	Yes
12 months and within 24 months	0	45	19.28	2.87	8	Yes
24 months and within 5 years	0	50	2.75	3.38	1	Yes
10years and within 20 years	0	55	10.00	4.68	4	Yes
20 years and within 30 years	0	65	5.00	4.60	2	Yes
30 years and within 40 years	0	75	92.60	3.77	38	Yes
40 years and within 45 years	0	75	31.25	3.56	13	Yes
Uncertain			9.00	4.86	4	
			246.35	**3.30**	**100**	

19. 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.

20. In undertaking of these objectives, no new long term borrowing was undertaken and short borrowing was kept to a minimum during the year, 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.

The "cost of carry" analysis did not indicate any value in borrowing in advance for future years' planned expenditure and therefore none was taken.

21. The PWLB remains the Council's preferred source of long term borrowing given the transparency and control that its facilities continue to provide. However due to the continued depressed markets and the 'cost of carry' associated with long term debt, the Council deferred long term borrowing and has continued to use internal resources to finance the capital programme. This will be kept under review during 2019/20 with the need to resource an increasing capital programme.

Loans at Variable Rates

22. Included within the debt portfolio is £35M of PWLB variable rate loans which during 2018/19 averaged a rate of 0.83% this helps to mitigate the impact of changes in variable rates on the Authority's overall treasury portfolio (the Authority's investments are deemed to be variable rate investments due to their short-term nature). This strategic exposure to variable interest rates will be regularly reviewed and, if appropriate, reduced by switching into fixed rate loans.

Internal Borrowing

23. Given the pressures on the revenue budget and significant reduction in revenue support grant, the strategy followed was to minimise the cost of TM

	by keeping debt interest payments as low as possible without compromising the longer-term stability of the portfolio.
24.	As at the 31 March 2019 the Council used £179M of internal resources in lieu of borrowing which has been the most cost effective means of funding past capital expenditure to date. This has lowered overall treasury risk by reducing both external debt and temporary investments. However, this position will not be sustainable over the medium term and the Council will need to borrow to cover this amount as balances fall. Additional borrowing will also be required in 2019/20 to cover the refinancing of existing maturing debt, the externalising of internal debt to cover the expected fall in balances and to support the capital programme.
25.	As short-term interest rates have remained low, and are likely to remain low at least over the forthcoming year it is more cost effective in the short-term to use internal resources rather than borrowing.
26.	The benefits of this were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years. Our advisors assist with this 'cost of carry' and breakeven analysis.
27.	The Authority's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short and long term borrowing was maintained.
Lender's Option Borrower's Option Loans (LOBOs)	
28.	The council continues to hold £9M of LOBO loans where the lender has the option to propose an increase in the interest rate at set dates, following which the council has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS had options during the year, none of which were exercised by the lender, but if they were it is likely that they would be replaced by a PWLB loan.
Debt Rescheduling	
29.	The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the council's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.
Other Debt Activity	
30.	Although not classed as borrowing the Council has previously raised capital finance via Private Finance Initiative (PFI). The balance at the end of the year, after allowing for repayment in year of £1.96M is £56.88M.
31.	In addition, the Authority holds debt in relation to debt transferred from Hampshire County Council on the 1 April 1997 when we became a unitary authority, of £14.2M. This is being repaid over 50 years at £0.4M per annum.

INVESTMENT ACTIVITY	
32.	Both the CIPFA and DCLG's Investment Guidance requires the council to invest prudently and have regard to the security and liquidity of investments before seeking the optimum 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 income returns.
33.	The council has held significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2018/19 the council's investment balances have ranged between £52.8M and £98.7M. Movement in year is summarised in the table below:
34.	***Table 6: Investment activity during the year***

	Balance on 01/04/2018	Investments Repaid	New Investments	Balance on 31/03/2019	(Increase)/ Decrease in Investment for Year	Average Life of Investments
	£M	£M	£M	£M	£M	Life
Notice Account	(3)	3	0	0	3	
Covered Bonds (secured)	(7)	2		(5)	2	105 days
Multi - National Bonds (not subject to bail in)	(3)			(3)	0	3.47 years
Money Market Funds and Call Account	(22)	355	(359)	(26)	(4)	1 day
Government & Local Authority	(10)	10	(9)	(9)	1	10 days
Pooled Funds (CCLA)	(27)			(27)	0	Unspecified
Total Investments	**(72)**	**370**	**(368)**	**(70)**	**2**	

35.	Security of capital has remained the council's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its TM Strategy Statement for 2018/19. The council 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-

36.	Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating is A-) across rating agencies Fitch, S&P and Moody's); for financial institutions analysis of funding structure and susceptibility to bail-in, credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. The authority also used secured investments products that provide collateral in the event that the counterparty cannot meet its obligations for repayment.
37.	The table below summarises the Council's investment portfolio at 31 March 2019 by credit rating and confirms that all investments were made in line with the Council's approved credit rating criteria:

Table 7: Credit ratings of Investments held at 31st March 2019

Credit Rating	Long Term 2018 £000	Long Term 2019 £000	Short Term 2018 £000	Short Term 2019 £000
AAA	7,863	3,015	149	4,764
AA+			13,359	0
AA			6,911	9,021
AA-			11,203	17,001
A+			7,453	7,000
A				2,124
A-				
Shares in unlisted companies	45	45		
Unrated pooled funds	27,031	27,451	291	301
Total Investments	**34,939**	**30,511**	**39,366**	**40,211**

Credit Developments and Credit Risk Management

38. Credit Default Swap (CDS) spreads drifted up towards the end of 2018 on the back of Brexit uncertainty before declining again in 2019 and continuing to remain low in historical terms. After hitting around 129 basis points in December 2018, the spread on non-ringfenced bank NatWest Markets plc fell back to around 96bps at the end of March, while for the ringfenced entity, National Westminster Bank plc, the CDS spread held relatively steady around 40bps. The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 33 and 79bps at the end of the period.

39. The ringfencing of the big four UK banks (Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc) transferred their business lines into retail (ringfenced) and investment banking (non-ringfenced) entities.

40. In February, Fitch put the UK AA sovereign long-term rating on Rating Watch Negative as a result of Brexit uncertainty, following this move with the same treatment for UK banks and a number of government-related entities.

41. **Credit Rating developments:** There were minimal other credit rating changes during the period. Moody's revised the outlook on Santander UK to positive from stable to reflect the bank's expected issuance plans which will provide additional protection for the its senior unsecured debt and deposits.

42. **Benchmarking:** Our advisors produce quarterly benchmarking which shows the breakdown of our investments and how we compare to their other clients and other English Unitary Authority's, this shows that on average we have a higher credit rating and have less exposure to Bail- in which reflects our change in strategy since 2015. Details can be seen in Appendix 3. It also shows that on average the return on our internal investments at 1.13% is higher than the average of 0.85% and our overall return including the LAPF fund is 3.02% as opposed to the average of 1.43%. This has been achieved without impacting on our average credit rating which at AA- is in line with both other Local Authorities and Unitary Authorities.

Liquidity Management	
43.	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.
Externally Managed Funds	
44.	The Council has invested £27M in property funds which offer the potential for enhanced returns over the longer term, but will be more volatile in the shorter term. These funds 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.
45.	During 2018/19 this investment returned an average yield of 4.40% against the initial investment, but made a notional "gain" at year end of £0.45M being valued at £27.45M. Any gain would only be realised at the point the investment is sold.
46.	Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives is regularly reviewed. In light of their strong performance and the Authority's latest cash flow forecasts and income generation target, further investment in these funds is a possibility in the future.
Non – Treasury Investments	
47.	The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.
48.	Between 2016 and 2017, SCC implemented a strategy to invest in commercial properties with the expected return on investment being used to fund council services, known as the Property investment fund (PIF). To date the authority has purchased 3 properties. Details of the properties purchased are shown in the table 6 below. The rate of return on these investment in 2018/19 was 5.95% gross and 2.05% net (after borrowing costs of £1.16M were incurred), which therefore represents a contribution to the revenue account of around £0.61M. All of the properties remain fully let and the tenants are meeting their financial obligations under the leases.

49. **Table 8: Property Investment Fund**

Property	Actual	31.03.2018 Actual		31.03.2019 Actual		Outstanding Debt 31.03.2019
	Purchase Cost £M	Value in Accounts	Gain or (Loss)	Value in Accounts	Gain or (Loss)	£M
Property 1	6.47	6.03	(0.44)	6.27	0.24	5.98
Property 2	14.69	13.79	(0.90)	13.87	0.08	13.68
Property 3	8.53	8.08	(0.45)	8.17	0.09	8.01
	29.69	27.90	(1.79)	28.31	0.41	27.67

COMPLIANCE WITH PRUDENTIAL INDICATORS

50. It can be confirmed that the Council has complied with its Prudential Indicators for 2018/19, approved by Full Council on 20 February 2019.

51. In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of TM activity during 2018/19. None of the Prudential Indicators has been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield. The table below summarises the Key Indicators, further details can be seen in appendix 3.

52. ***Table 9: Key Prudential Indicators***

Indicator	Limit	Actual at 31 March 2019
Authorised Limit for external debt £M	£860M	£318M
Operational Limit for external debt £M	£780M	£318M
Maximum external borrowing in year		£251M
Limit of fixed interest debt %	100%	82.1%
Limit of variable interest debt %	50%	17.9%
Limit for Investments greater than a year £M	£40M	£33M
GF Ratio of Financing costs to Net Revenue Stream	10%	6.23%

RESOURCE IMPLICATIONS

Capital/Revenue

53. This report is a requirement of the TM Strategy, which was approved at Council on 20 February 2019.

54. 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 of financing the Authority's loan debt amounted to £7.89M in 2018/19. This is lower than budgeted mainly due to variable interest rates

	being lower than those estimated and the deferment of any new long term borrowing.
55.	In addition interest earned on temporary balances invested externally is credited to the Income and Expenditure account. In 2018/19 £1.67M was earned which was higher than budgeted mainly due to continuing investment in bonds and LAPF.
56.	The expenses of managing the Authority's loan debt consist of brokerage and internal administration charges. These are pooled and borne by the HRA and General Fund proportionately to the related loan debt. Debt management expenses amounted to £0.24M in 2018/19 compared to an estimate of £0.25M. This is mainly as a result of a reduction in brokerage costs due to fewer treasury deals being undertaken and deferring PWLB borrowing a further year resulting in a saving on commission paid in year.
<u>Property/Other</u>	
57.	None.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report</u>:	
58.	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.
<u>Other Legal Implications</u>:	
59.	None.
RISK MANAGEMENT IMPLICATIONS	
60.	Not Applicable
POLICY FRAMEWORK IMPLICATIONS	
61.	This report has been prepared in accordance with the CIPFA Code of Practice on TM.

KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	NONE

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