Gravesham Borough Council

Report to: Finance and Audit Committee

Date: 13 November 2019

Reporting officer: Director (Corporate Services)

Subject: Treasury Management Mid-Year Review 2019-20

Purpose and summary of report:

To provide a mid-year review update report to Members of the Finance and Audit Committee on treasury management activity undertaken during the period April to September 2019.

Recommendations:

1. The Finance and Audit Committee note the contents of this report.

1. BACKGROUND

1.1 **Capital Strategy** In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities have been required to prepare a Capital Strategy which is 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.

1.2 **Treasury management** The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

1.3 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.

1.4 Accordingly, treasury management is defined as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2. INTRODUCTION

2.1 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (revised 2017). 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 which set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the Full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a **Mid-year Review Report** and an Annual Report (stewardship report) covering activities during the previous year.
- 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.
- 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 Finance and Audit Committee.

2.2 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first half of the 2019/20 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2019/20;
- A review of the Council's borrowing strategy for 2019/20;
- A review of any debt rescheduling undertaken during 2019/20;
- A review of compliance with Treasury and Prudential Limits for 2019/20.

3. ECONOMIC BACKGROUND

3.1 The following economic performance update has been provided by Link Asset Services – Treasury Solutions as at 16 October 2019.

3.2 If the UK does soon achieve a deal on Brexit agreed with the EU then it is possible that growth could recover relatively quickly. The MPC could then need to address the issue of whether to raise Bank Rate at some point in the coming year with low unemployment, this could cause wage inflation to accelerate which would then feed through into general inflation. On the other hand, if there is a no deal Brexit and there was a significant level of disruption to the economy, then growth could weaken even further than currently and the MPC would be likely to cut Bank Rate in order to support growth. However, with Bank Rate still only at 0.75%, it has relatively little room to make a big impact and the MPC would probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy.

3.3 The first half of 2019/20 has seen UK economic growth fall as Brexit uncertainty continued. In its Inflation Report of 1 August, the Bank of England was notably downbeat about the outlook for both the UK and major world economies. The MPC meeting of 19 September reemphasised their concern about the downturn in world growth and also expressed concern that prolonged Brexit uncertainty would contribute to a build-up of spare capacity in the UK economy, especially in the context of a downturn in world growth. This mirrored investor concerns around the world which are now expecting a significant downturn or possibly even a recession in some major developed economies. It was therefore no surprise that the Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% throughout 2019, so far, and is expected to hold off on changes until there is some clarity on what is going to happen over Brexit.

3.4 As for inflation itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell to 1.7% in August. It is likely to remain close to 2% over the next two years and so it does not pose any immediate concern to the MPC at the current time. However, if there was a no deal Brexit, inflation could rise towards 4%, primarily as a result of imported inflation on the back of a weakening pound.

3.5 Employment has continued to rise, but at only a muted rate of 31,000 in the three months to July after having risen by no less than 115,000 in quarter 2 itself: the latter figure, in particular, suggests that firms are preparing to expand output and suggests there could be a return to positive growth in quarter 3. Unemployment continued at a 44 year low of 3.8% on the Independent Labour Organisation measure in July and the participation rate of 76.1% achieved a new all-time high. Job vacancies fell for a seventh consecutive month after having previously hit record levels. However, with unemployment continuing to fall, this month by 11,000, employers will still be having difficulty filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to a high point of 3.9% in June before easing back slightly to 3.8% in July, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.1%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months.

4. INTEREST RATE FORECASTS

4.1 The Council's treasury advisor, Link Asset Services, has provided the following interest rate forecast:

Link Asset Services Interest Rate View										
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	2.30	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00	3.10
10yr PWLB Rate	2.60	2.80	2.90	3.00	3.00	3.10	3.20	3.30	3.30	3.40
25yr PWLB Rate	3.30	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00
50yr PWLB Rate	3.20	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90

4.2 The above forecasts have been based on an assumption that there is an agreed deal on Brexit at some point in time. Given the current level of uncertainties, this is a huge assumption and so forecasts may need to be materially reassessed in the light of events over the next few weeks or months.

4.3 The Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit. In its meeting on 1 August, the MPC became more dovish as it was more concerned about the outlook for both the global and domestic economies. That's shown in the policy statement, based on an assumption that there is an agreed deal on Brexit, where the suggestion that rates would need to rise at a "gradual pace and to a limited extent" is now also conditional on "some recovery in global growth". Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. If there were a no deal Brexit, then it is likely that there will be a cut or cuts in Bank Rate to help support economic growth. The September MPC meeting sounded even more concern about world growth and the effect that prolonged Brexit uncertainty is likely to have on growth.

4.4 The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.

4.5 Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth

- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate

- A resurgence of the **Eurozone sovereign debt crisis**

- Weak capitalisation of some **European banks**, particularly Italian banks

- Other European risks include German or other minority EU governments, strongly anti-immigration bloc within Europe and rising anti-immigration sentiment in Germany and France

- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions.

- **Geopolitical risks,** for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows

4.6 The potential for upside risks to current forecasts for UK gilt yields and PWLB rates,:-

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK

- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect

- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields

5. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY UPDATE

5.1 The Treasury Management Strategy Statement (TMSS) for 2019/20 was approved by Council on 26 February 2019.

5.2 As a result of the Finance Lease entered into with Reef in relation to the St Georges Centre in 2018/19, the authorised limit and operational boundary were subsequently amended. This was reported to the Finance and Audit Committee as part of the annual treasury review on 11 June 2019 and approved by Council on 25 June 2019.

5.3 There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

6. THE COUNCIL'S CAPITAL POSITION (PRUDENTIAL INDICATORS)

6.1 This part of the report is structured to update:

- The Council's capital expenditure plans;

- How these plans are being financed

- The impact of changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and

- Compliance with the limits in place for borrowing activity.

6.2 **Prudential Indicator for Capital Expenditure -** The following below shows the revised estimates for capital expenditure and the changes since the capital programme was agreed by Council as part of the budget.

Capital Expenditure	2019/20 Original Estimate £m	2019/20 Current Position £m	2019/20 Revised Estimate £m
Non HRA	8.259	1.396	6.579
HRA	15.889	10.037	18.367
Commercial activities/non-financial investments	12.122	0.010	6.946
Total	36.270	11.443	31.892

6.3 The general fund capital programme for 2019/20 totals £23.933m. However, the revised estimate for Commercial activities in the table above reflects expected slippage against the Brookvale Accommodation and Land at Dering Way schemes. The revised estimate for Non HRA in the table above reflects information from the most recent cashflow provided by Reef for the Heritage Quarter – St George's Centre, which shows expenditure in the region of £2.435m in 2019/20 against a working budget of £8.272m.

6.4 The revised estimated for the HRA reflects the acceleration of the New Build Programme as reported in the Housing Revenue Account Budget Monitoring Report Quarter Two 2019/20.

6.5 **Changes to the Financing of the Capital Programme** - The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increased the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2019/20 Original Estimate £m	2019/20 Current Position £m	2019/20 Revised Estimate £m
Total	36.270	11.443	31.892
Financed by:			
Capital Receipts	0.925	0.058	1.507
Grants	6.475	1.076	4.385
Reserves	8.762	3.271	10.088
Revenue	0.000	0.000	0.000
Major Repairs Reserve	8.221	7.027	8.966
Total Financing	24.383	11.432	24.946

Borrowing Need	11.887	0.011	6.946

6.6 The borrowing need for 2019/20 currently stands at £6.946. At this stage it is intended to fund capital expenditure in relation to the Property Acquisition Programme and Land Acquisition Programme from internal cash balances as opposed to taking on additional external borrowing.

6.7 **Changes to the Prudential Indicator for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary** - The table below shows the CFR, which is the underlying external need to borrowing for a capital purpose. Based on the current capital expenditure forecasts for 2019/20, the revised CFR as at year end is expected to be lower than originally estimated.

Capital Financing Requirement	2019/20 Original Estimate* £m	2019/20 Revised Estimate £m
CFR – Non HRA	103.863	101.617
CFR – HRA	77.598	79.826
CFR – Commercial activities/non-financing activities	36.133	30.270
Total CFR	217.594	211.713
Net Movement in CFR	7.222	1.341

*Updated June 2019

6.8 **Prudential Indicator for External Debt and the Operational Boundary –** The table below shows the current level of debt against the expected debt position over the financial year.

External Debt and Operational Boundary	External Debt	Operational Boundary	
	Current Debt Position £m	2019/20 Original Estimate* £m	2019/20 Revised Estimate £m
Borrowing	93.872	124.100	124.100
Borrowing – Commercial/non-financing activities	0.000	30.000	30.000
Other long term liabilities	93.625	96.300	96.300
Total	187.497	250.400	250.400

*Updated June 2019

6.9 The operational boundary is the maximum amount of borrowing which the council is permitted to undertake on a day to day basis and must not be breached other than for temporary cash flow demand purposes. The operational boundary for 2019/20 was retrospectively increased by Finance and Audit Committee on 11 June 2019. This level has not been breached during the first six months of

2019/20. There is also no requirement to further increase the operational boundary at this stage.

6.10 **Limits to Borrowing Activity** - The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

Borrowing Activity	2019/20 Original Estimate £m	2019/20 Current Position £m	2019/20 Revised Estimate £m
Debt as at 1 April	93.911	93.912	93.912
Debt repayment	(4.819)	(0.040)	(4.819)
New Loan	5.900	0.000	0.000
Gross Debt	94.992	93.872	93.831
Other long term liabilities	93.432	93.625	93.432
Total liabilities	188.424	187.497	187.263
CFR (year-end position)	217.594	209.025	211.713

6.11 The Director (Corporate Services) reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

6.12 **Prudential Indicator for the Authorised Limit** - A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for External Debt	2019/20 Original Estimate* £m	2019/20 Current Position £m	2019/20 Revised Estimate £m
Borrowing	124.100	124.100	124.100
Borrowing – Commercial activities/non-financial investments	35.000	35.000	35.000
Other long term liabilities	97.800	97.800	97.800
Total	256.900	256.900	256.900

*Updated June 2019

7. INVESTMENT PORTFOLIO 2019/20

7.1 In accordance with the Treasury Management Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out in Section 3, it is a very difficult investment market in terms of earning the level of interest returns commonly seen in previous decades as rates are very low and in line with the current 0.75% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis and its impact on banks, prompts a low risk strategy. Given this risk environment, and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.

7.2 The Council held £32.314m of market investments and £20.035m in pooled investment funds (ie Property Funds and Multi Asset Funds) as at 30 September 2019 (£34.891m and £20.364m respectively as at 31 March 2019). The internally managed investment portfolio yield for the first six months of the year is 0.960% against the 3 month LIBID benchmark of 0.66%. Appendix 2 provides a pictorial representation of investment balances and returns for the first six months of this year as well as the yield generated.

7.3 Appendix 3 provides full list of investments held as at 30 September 2019.

7.4 The Director (Corporate Services) confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2019/20.

7.5 As per the Quarter 2 Budget Monitoring Report, currently there is a favourable forecast income from investments of £75k. When setting the investment income budget for the Multi Asset Funds, a prudent view of a 3% return was assumed given that at the that time, the investment had only been held for approximately nine months. However, currently the dividend returns from Multi Asset Funds are around 4%.

7.6 Similarly when setting the investment income budget for Property Funds, whilst the investments has been held since 2016, a prudent view was taken that returns would be around 3% given the uncertain economic conditions surrounding Brexit. Whilst there has been a small decrease in the Net Asset Value of the Council's investment as a result of these uncertainties in recent months, dividend returns are around 3.6%.

7.7 **Investment Counterparty Criteria** – The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

8. PROPERTY FUNDS AND DIVERSIFIED INCOME FUNDS

8.1 In the 2016/17 £10m was placed in three Externally Managed Property Funds. In 2017/18 a further £10m was placed in three Multi Asset Funds.

8.2 The table shows the Net Asset Value (NAV) for each of the Property Funds and Multi Asset Funds as at end of September compared to the Purchase Price, along with the average gross return on investment to date.

	Purchase Price	Sept NAV	% Change NAV	Average Gross Return on Investment
Property Funds				
CCLA	£1,873,528	£1,928,102	2.91%	5.02%
Lothbury	£4,949,648	£5,283,266	6.74%	2.92%
Hermes	£2,883,821	£3,269,727	13.38%	3.85%
Multi Asset Funds				
JP Morgan	£5,000,000	£4,939,863	-1.20%	3.40%
Jupiter	£3,000,000	£2,751,555	-8.28%	3.55%
Aberdeen	£2,000,000	£1,862,148	-6.89%	5.14%
Total	£19,706,997	£20,034,661	1.66%	-

Note – The average gross return is based on the 12 months to 30 September.

8.3 Monitoring continues as to the performance as well as the suitability of the Property Funds and Multi Asset Funds on a regular basis.

8.4 The NAV on the Property Funds has fallen slightly from its highest position in Quarter 4 of 2018/19, but recent valuations still result in total capital growth of 7.97%.

8.5 Multi Asset Funds continue to be volatile due to their exposure to the equity markets. However there has recently been an increase in the NAV which has reduced the capital loss on these products to 4.46%. This is an improved position from December 2018, when the capital loss stood at 9.71%. Officers continue to monitor the position of these funds closely and meet with the Fund Managers regularly to understand to how the fund is being managed.

8.6 It must be remembered that investment in Property Funds and Multi Asset Funds need to be viewed as a long term investments and that values can go up as well as down. This is particularly relevant following the introduction of International Financial Reporting Standard 9 (IFRS9) which came into effect from 1 April 2018. More information on IFRS9 is included in this report at section 13.

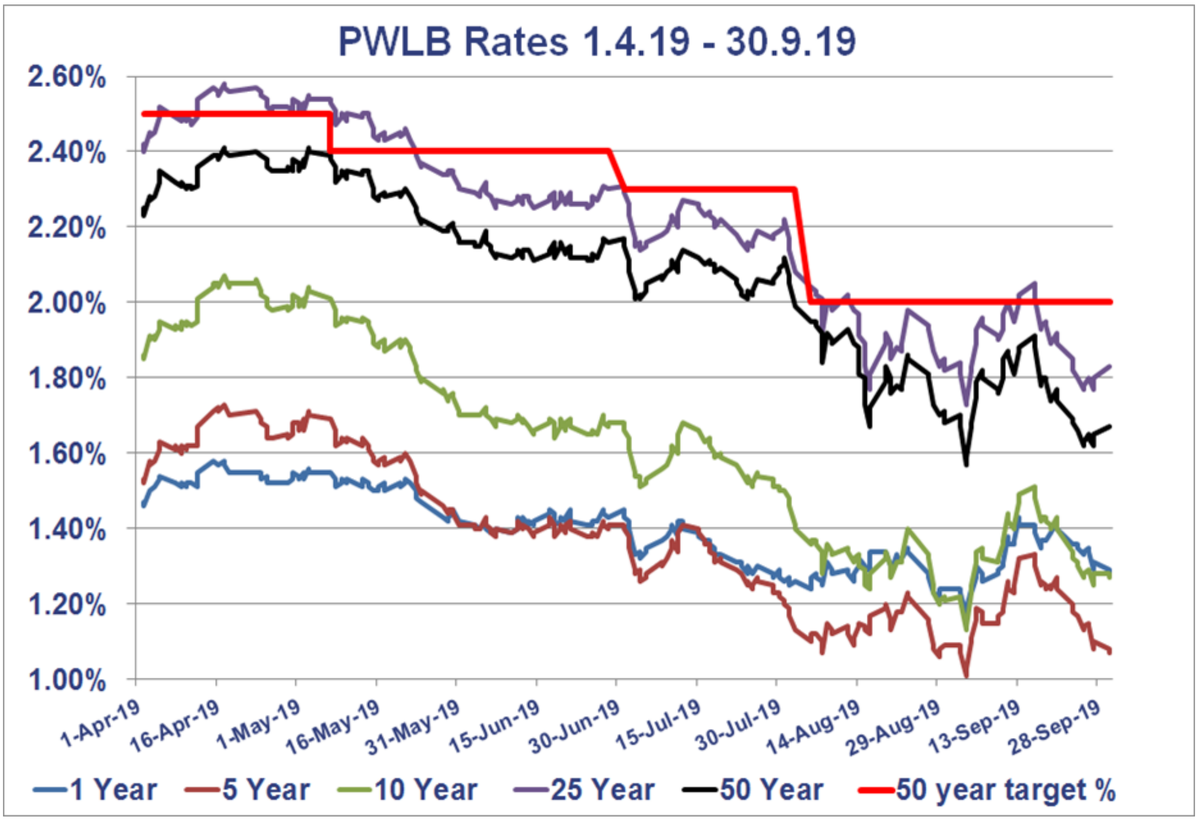
9. CASHFLOW

9.1 A cashflow forecast is regularly presented to Members of the Finance and Audit Committee. Officers are currently in the process of reviewing the assumptions contained within the cashflow and an updated version will be available shortly.

10. BORROWING

10.1 The Council’s Capital Financing Requirement (CFR) for 2019/20 is £211.713m. The CFR denotes the Council’s underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The table at Para 6.8 shows the Council has borrowings of £93.872m and has utilised £24.168m of cashflow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevails.

10.2 The graph below show the movement in PWLB certainty rates for the first six months of the year to date. PWLB rates have been on a falling trend during this period and longer rates have almost halved to reach historic lows. The 20 year PWLB target (certainty) rate for new long term borrowing fell from 2.50% to 2.00% during this period.



10.3 On 9 October 2019 the Treasury announced an increase in the cost of borrowing from the PWLB by 1%. There had been no indication that this would happen and the implications are that the Council will need to reassess future external borrowing requirements. Representations are going to be made to HM Treasury to suggest that areas of capital expenditure that the Government are keen to see move forward e.g. housing, should not be subject to such a large increase in borrowing.

10.4 Whereas this Council has previously relied on the PWLB as its main source of funding, it will now have to consider alternative cheaper sources of borrowing. At the current time, this is a developmental area as this event has also taken the financial services industry by surprise. Various financial institutions are expected to enter the market or make products available to local authorities. Members will be updated as this area evolves.

10.5 It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. This Authority may make use of this new source of borrowing as and when appropriate.

11. DEBT RESCHEDULING

11.1 Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates, and following the increase in the margin added to the gilt yields which has impacted PWLB rates since October 2010. No debt rescheduling was undertaken during the first six months of 2019/20.

12. IFRS 9

12.1 From 1 April 2018 the accounting standard IFRS 9 was introduced. This means that we now value pooled investments such as Property Funds and Multi Asset Funds on the balance sheet as "fair value through profit and loss". As a result any fluctuations in market valuations could impact on the Council's year end "Surplus or Deficit on the Provision of Services" rather than holding the changes in an unusable reserve on the Council's balance sheet. In 2018/19, the Ministry of Housing, Communities and Local Government (MHCLG) introduced a statutory override for five years to allow Local Authorities to either build up a sufficient reserve to mitigate the effect of changes in valuations or give them sufficient time to disinvest from such funds.

12.2 At the end of 2017/18 a reserve called "Interest Equalization Reserve" was established, to mitigate in part, the impact of IFRS 9. Following the introduction of the statutory override during 2018/19 there was no requirement to draw down funds from this reserve and the reserve balance remains at £500k.

13. OTHER

13.1 In February 2015 the Authority became a shareholder in the Municipal Bonds Agency (MBA), with an investment of £20,000. The MBA was established by the Local Government Association (LGA) in the belief that it would provide councils with the opportunity to raise funds at significantly lower rates that those offered by the Public Works Loan Board (PWLB).

13.2 The MBA have not yet issued any loans as there have been some legal issues around joint and several guarantee which required all local authorities borrowing from the MBA to guarantee the money owed by the Agency to those who have lent it funds to finance its loans. However, the MBA now believe they have overcome these issues with the appointment of a new external provider to operate scheme and are working towards their first bond issue by the end of this financial year.

13.3 Officers are continuing to work closely with the MBA and will consider the appropriateness of any borrowing offer when the need to borrow arises.

14. BACKGROUND PAPERS

14.1 There are no Background Papers pertaining to this Report.

IMPLICATIONS	APPENDIX 1
Legal	As per section 1.13B.67 of the Council's Constitution, the Chief Finance officer has delegated responsibility from Cabinet. "in respect of borrowing and investments to arrange such loans as are legally permitted to meet the Council's borrowing requirements"
Finance and Value for Money	A summary of the perceived risks associated with Treasury Management were identified in the Treasury Management Strategy approved by Council on 26 February 2019. Officers continue to monitor the risks on a day to day basis and identify mitigating actions to minimise risks. In order to achieve a balanced budget, the authority relies upon generating maximum interest from its investments whilst minimising the exposure to risk. In order to achieve this, investments are only placed with institutions which meet the criteria set out within this report. Investment durations do not exceed those as advised by Capita Asset Services credit ratings which are associated with the specific institutions. Where the authority is required to borrow to meet the needs of the authority, officers will seek advice from Capita Asset Services on timings and options in order to ensure the best deal for the authority.
Risk Assessment	The risks associated with Treasury Management and capital expenditure are detailed within this report.
Data Protection Impact Assessment	*A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.*
	a. Does the project/change being recommended through this paper involve the processing of personal data or special category data or criminal offence data? A definition of each type of data can be found on the Information Commissioner's Office website via the above links. N/A
	b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice? N/A
	c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at gdpr@medway.gov.uk. N/A
Equality Impact	a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the

Assessment	community? If yes, please explain answer. N/A b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer. N/A *In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above*
Corporate Plan	Strategic Objective #3 Progress; Sound Financial Management & Successfully Managing Key Business Risks.
Crime and Disorder	Treasury Management activities are carried out in accordance with the Treasury Management Strategy and Annual Investment Strategy which minimises the risk of criminal activities. The arrangements to ensure appropriate governance around capital expenditure are set out in the Capital Strategy.
Digital and website implications	N/A
Safeguarding children and vulnerable adults	N/A