
Report To:	Policy & Resources Committee	Date:	7 August 2018
Report By:	Chief Financial Officer	Report No:	FIN/73/18/AP/KJ
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Subject:	TREASURY MANAGEMENT – ANNUAL REPORT 2017/18		

1.0 PURPOSE

- 1.1 The purpose of this report is to advise the Committee of the operation of the treasury function and its activities for 2017/18 as required under the terms of Treasury Management Practice 6 (“TMP6”) on “Reporting Requirements and Management Information Arrangements”.

2.0 SUMMARY

- 2.1 As at 31 March 2018 the Council had gross external debt (including PPP) of £271,127,549 and investments of £33,395,618. This compares to gross external debt (including PPP) of £273,735,658 and investments of £38,935,922 at 31 March 2017.

- 2.2 The Council’s Capital Financing Requirement at 31 March 2018 was £308,123,000. The gross external debt was £36,995,451, (12%) less than the Capital Financing Requirement meaning that the Council was in an underborrowed position and remains so. This position is attributable to the level of cash-backed reserves held by the Council.

The Council’s Loans Fund Pool Rate for Interest for 2017/18 (which reflects the actual interest cost of the Council’s Treasury activities) is the lowest since at least 1988/89.

- 2.3 The average rate of return achieved on investments during 2017/18 was 0.632% which exceeds the benchmark return rate for the year of 0.286% by 0.346% and resulted in £136,000 of additional interest on investments for the Council.
- 2.4 During 2017/18 and in 2018/19 to date the Council did not undertake any debt restructuring and operated within the required treasury limits and Prudential Indicators for the year set out in the Council’s Treasury Policy Statement, annual Treasury Strategy Statement, and the Treasury Management Practices.
- 2.5 There remains significant economic uncertainty in the UK and around the world, resulting in continuing volatility in the financial markets and uncertainty on UK interest rates. Given this position, the economic situation continues to be closely monitored for both risks and opportunities.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee notes the contents of the annual report on Treasury Management for 2017/18 and the ongoing work to seek to ensure the delivery of financial benefits for the Council during the current uncertainty and beyond.
- 3.2 It is recommended that the Annual Report be remitted to the Full Council for approval.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The Council is required by regulations issued under the Local Government in Scotland Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2017/18.
- 4.2 Treasury Management in this context is defined as: “The management of the local authority’s 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.”
- 4.3 This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). The report also includes a section on Loan Fund Advances (section 7) which includes information required by regulations that came into effect on 1 April 2016.

A glossary of treasury management terms is attached as Appendix 1.

5.0 ANNUAL REVIEW

- 5.1 The treasury management issues arising during the year were:
 - a. The Council’s debt (including PPP) has reduced during the year by £2.608m due to repaying maturing debt without undertaking new borrowing. Council investments reduced by £5.540m in the year.
 - b. As at 31 March 2018 the Council had under borrowed against its capital financing requirement by £36.995m. The only borrowing undertaken during 2018/19 to date has been £5m of temporary borrowing for 3 months between April and July from another Scottish local authority at 0.70%. This borrowing was done to provide additional short-term liquid funds.
 - c. The Council did not undertake any debt restructuring during 2017/18 and remained within its Prudential Indicator and Treasury Management limits during the year.
 - d. In February 2017 the Treasury Advisers forecast that the Bank rate would remain unchanged at 0.25% until the second quarter of 2019. The economic position during the year led to the Bank Rate being increased in November 2017 from 0.25% back to the 0.50% rate that it had been at from March 2009 until August 2016. The amount of Quantitative Easing remained unchanged.
 - e. PWLB rates for new borrowing were expected to increase only by up to 0.10% but rates for new short-term borrowing increased by up to 0.68% for short-term whereas long-term rates fell by 0.05%. These movements were not uniform during the year. Volatility resulted in the difference in rates for some loan periods between their highest and lowest levels during the year being 0.87% for some short-term loans but 0.39% for longer periods.
 - f. The interest rates for investments remained low during the year but were increased following (and largely in line with) the Bank Rate increase in November 2017.
 - g. The Council’s investments earned a rate of return of 0.632% during the year and outperformed the benchmark return of 0.346% resulting in additional income to the Council of £136,000.
 - h. All investments were in accordance with the Council’s investment policy and no institutions with which investments were made had any difficulty in repaying those investments and interest in full during the year.
 - i. The Council’s investment performance is due to undertaking fixed term and notice account investments at interest rates that were above the benchmark with counterparties which have high creditworthiness (the Bank of Scotland and Santander UK) and in accordance with the Council’s investment strategy.

- 5.2 There remains significant economic uncertainty in the UK and around the world which, as the above information on PWLB rates indicates, has resulted in continuing volatility in the financial markets and uncertainty on UK interest rates.

Given this position, the economic situation continues to be closely monitored for both risks and opportunities.

- 5.3 The Council's Year End debt position was as follows:

	At 31 March 2017	At 31 March 2018
	£	£
Total Excluding PPP	208,047,658	207,389,549
PPP Debt	65,688,000	63,738,000
Total Including PPP	273,735,658	271,127,549

Further detail is given in the following table:

	At 31 March 2017		At 31 March 2018		Movement 2017/18
	Principal	Rate	Principal	Rate	Principal
	£000		£000		£000
Fixed Rate Funding:					
- PWLB	105,155		104,714		(441)
- Market *	40,000		71,000		31,000
	145,155	3.87%	175,714	4.04%	30,559
Variable Rate Funding:					
- PWLB	0		0		0
- Market *	62,400		31,400		(31,000)
- Temporary #	493		276		(217)
	62,893	4.90%	31,676	4.94%	(31,217)
Total Debt (Excl PPP)	208,048	4.18%	207,390	4.18%	(658)
PPP Debt	65,688		63,738		(1,950)
Total Debt (Incl PPP)	273,736		271,128		(2,608)

* - Market Loans are shown as variable when they have less than 1 year to go until their next call date. The total value of Market Loans has not changed between financial years, just the split between fixed and variable.

- Temporary Loans includes funds held by the Council on behalf of the Common Good and Trust Funds and that are to be treated as borrowing for Treasury Management purposes under Scottish Government requirements.

5.4 The Council's investment position was as follows:

	At 31 March 2017		At 31 March 2018		Movement 2017/18
	Principal £000	Return	Principal £000	Return	Principal £000
Investments:					
- Fixed Term Deposits	16,000	0.62%	11,500	0.77%	(4,500)
- Notice Accounts	14,603	0.70%	15,000	0.70%	397
- Deposit Accounts	8,333	0.25%	6,896	0.50%	(1,437)
Totals	38,936	0.57%	33,396	0.68%	(5,540)

Maximum level of investments in 17/18: £48,502,017 on 15 September 2017

Minimum level of investments in 17/18: £30,241,718 on 27 March 2018

Daily average for the year 17/18: £39,303,294

5.5 2017/18 Outturn Compared to Estimates in 2017/18 Strategy

The 2017/18 outturn compared to the estimates in the 2017/18 strategy:

	2017/18 Estimate	2017/18 Outturn
	£000	£000
<u>Borrowing Requirement</u>		
New borrowing	0	0
Alternative financing requirements	0	0
Replacement borrowing	0	0
TOTAL	0	0
<u>Prudential/Treasury Management Indicators</u>		
	£000	£000
Gross external debt including PPP (As at 31 March 2018)	271,438	271,128
Capital financing requirement (As at 31 March 2018)	312,370	308,123
(Under)/over borrowing against CFR	(40,932)	(36,995)
Capital expenditure	£000	£000
• Capital Programme	32,629	30,751
• PPP (accounting adjustments)	(2,039)	(1,950)
Total	30,590	28,801
Ratio of financing costs (including PPP) to net revenue stream	13.85%	14.04%
Incremental impact of capital investment decisions - incremental increase in council tax (band D) per annum at Loans Fund rate (cost of use of capital receipts and prudential borrowing for capital expenditure)	£13.79	£6.96

5.6 2017/18 Outturn Compared to Limits in 2017/18 Strategy

The 2017/18 outturn compared to limits in the 2017/18 strategy:

Prudential/Treasury Management Indicators

Authorised limit for external debt

- Borrowing
- Other long term liabilities

Operational boundary for external debt

- Borrowing
- Other long term liabilities

Upper limit for fixed interest rate exposure
(Actual is as at 31 March 2018)

Upper limit for variable rate exposure
(Actual is as at 31 March 2018 – value is negative due to having more variable rate investments than variable rate debt as at that date)

Upper limit on sums invested for periods longer than 364 days (Actual is maximum in period)

Limits on fixed rate borrowing maturing in each period (LOBOs included based on call dates and not maturity dates) at 31 March 2018

- Under 12 months
- 12 months and within 24 months
- 24 months and within 5 years
- 5 years and within 10 years
- 10 years and within 30 years
- 30 years and within 50 years
- 50 years and within 70 years

Council Policy Limits

Maximum Percentage of Debt Repayable In Any Year (Actual is as at 31 March 2018)

Maximum Proportion of Debt At Variable Rates (Actual is as at 31 March 2018)

Maximum Percentage of Debt Restructured In Year (Actual is as at 31 March 2018)

2017/18 Limits	2017/18 Outturn
£000	£000
216,000	207,390
66,000	63,738
282,000	271,128
£000	£000
211,000	207,390
66,000	63,738
277,000	271,128
130%	101%
40%	-1%
£000 10,000	£000 0
45%	5.9%
45%	17.2%
45%	22.0%
45%	5.0%
45%	4.3%
45%	22.8%
45%	22.8%
25%	19.3%
45%	15.3%
30%	0.0%

The forecast Investment Balances for 2017/18 required under Investment Regulation 31 and the actual position at 31 March 2018 is shown in Appendix 2. The investment balances had been expected to fall during the year and did but not by as much as forecast.

5.7 The forecast from the Treasury Advisers in the Strategy for the Bank Rate as at 31 March and the latest forecast are:

	Forecast Per 2017/18 Strategy	Actual/ Latest Forecast
2017/18	0.25%	0.50% (Actual)
2018/19	0.25%	0.75% (Forecast)
2019/20	0.75%	1.00% (Forecast)
2020/21	---	1.50% (Forecast)

5.8 The Council's Loans Fund Pool Rate for Interest is used to allocate interest charges to the General Fund and reflects the actual cost of the Council's Treasury activities. The rates for the last 5 years (excluding expenses) are as follows:

Year	Loans Fund Pool Rate
2013/14	3.831%
2014/15	3.934%
2015/16	3.843%
2016/17	3.659%
2017/18	3.557%

The Loans Fund Pool Rate for 2017/18 is the lowest since at least 1988/89.

It is expected that there will be a small increase in the Pool Rate in the medium term.

5.9 The Council's investment policy for the year is governed by Scottish Government Investment Regulations and was implemented in the annual investment strategy approved by the Council on 6 April 2017. This policy sets out the approach for choosing investment categories and counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data such as rating outlooks, credit default swaps, bank share prices etc.

All investments in 2017/18 and 2018/19 to date were in accordance with the policy and no institutions with which investments were made had any difficulty in repaying investments and interest in full.

5.10 The result of the investment strategy undertaken by the Council in 2017/18 is as follows:

Average Investment	Rate of Return (gross of fees)	Benchmark Return (3 month LIBID uncompounded)
£39,303,294	0.632%	0.286%

The Council has outperformed the benchmark by 0.346% resulting in additional income to the Council of £136,000. It is expected that investment returns will continue to fall.

6.0 OTHER ISSUES – AS REPORTED IN 2018/19 STRATEGY STATEMENT

6.1 Revised CIPFA Codes

In December 2017 CIPFA revised both the CIPFA Prudential Code and the CIPFA Code of Practice on Treasury Management.

The revised Prudential Code requires the preparation of a formal Capital Strategy that is “intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future sustainability”. The Capital Strategy will be prepared as required by the Prudential Code and will be submitted to Committee as part of the budget process for 2019/20.

6.2 MIFID II

On 3 January 2018 an EU Directive (MIFID II) came into effect that required banks/financial organisations to categorise the Council as a “retail” client but allowed the Council to opt up to be a “professional” client provided it meets criteria set by the Financial Conduct Authority. The Chief Financial Officer was given delegated approval for decisions on whether to opt up for individual banks/financial organisations. So far the Council has opted up to “professional” client status for 2 brokerage firms (in case their services are needed) and for the Council’s treasury advisers.

6.3 Banking Contract

The Council’s contract with the Bank of Scotland for banking services is for 5 years from 1 April 2012 until 31 March 2017 with an option to extend for a further two 1 year periods until 31 March 2019. The Council has now exercised both of these options.

The Council will issue tenders during 2018/19 for banking services for the 5 year period from 1 April 2019 to 31 March 2024 and with an option to extend for a further two 1 year periods until 31 March 2026.

6.4 Treasury Advisers Contract

The Council’s current contract with its treasury advisers ends on 30 June 2019. During 2018/19 the Council will issue tenders for treasury management advisers services for the three year period from 1 July 2019 with an optional one year extension until 30 June 2023.

7.0 LOANS FUND ADVANCES

7.1 Where capital expenditure is funded by borrowing (referred to as loans fund advances), the debt financing costs are paid from the Revenue Budget as loan charges comprised the repayments of debt along with interest and expenses costs on the borrowing.

7.2 The Council is required to set out its policy for the repayment of loans fund advances.

For loans fund advances made before 1 April 2016 the policy will be to maintain the practice of previous years and use the Statutory Method (option 1) with annual principal repayments being calculated using the annuity method.

The same method is proposed for loans fund advances made after 1 April 2016 for the permitted 5 year transitional period. In applying the annuity method to new advances in any year, the interest rate used in the annuity calculation will be the Council’s loans fund pool rate for the year (including expenses) as rounded up to the nearest 0.01%.

This policy was approved by the Full Council at its meeting on 6 April 2017.

7.3 The outstanding loans fund advances (representing capital expenditure still to be repaid from the Revenue Budget) are:

	2017/18
	Actual
	£000
Balance As At 1 April	243,438
Add: Advances For The Year	13,987
Less: Repayments For The Year	11,382
Balance As At 31 March	246,043

7.4 For the loans fund advances outstanding as at 31 March 2018, the liability to make future repayments (excluding debt interest and expenses) is as follows:

	£000
Year 1	11,728
Years 2-5	41,105
Years 5-10	39,998
Years 10-15	40,566
Years 15-20	36,992
Years 20-25	31,027
Years 25-30	26,997
Years 30-35	12,370
Years 35-40	4,350
Years 40-45	738
Years 45-50	172
TOTAL	246,043

8.0 IMPLICATIONS

Legal

8.1 None. Any borrowing or lending is done under the Council's legal powers.

Finance: Through the achievement of exceeding the investment benchmark return rate, the Council has benefited from additional returns of £136,000. The Council utilises Treasury Management as part of the overall Financial Strategy. Officers will continue to investigate borrowing and investment opportunities to bring financial benefits to the Council, all within the Treasury Management Policy.

Human Resources

8.2 There are no HR implications arising from this report.

Equalities

8.3 There are no equalities implications arising from this report.

Repopulation

8.4 There are no repopulation implications arising from this report.

9.0 CONSULTATIONS

- 9.1 This report has been produced based on advice from the Council's treasury advisers (Link Treasury Services Limited).

10.0 LIST OF BACKGROUND PAPERS

- 10.1 CIPFA - Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes – 2017 Edition
Inverclyde Council – Treasury Management Strategy 2017/18.

TREASURY MANAGEMENT
GLOSSARY OF TERMS

Affordable Capital Expenditure Limit

The amount that the Council can afford to allocate to capital expenditure in accordance with the requirements of the Local Government in Scotland Act 2003 and supporting regulations.

Authorised Limit for External Debt

This is a limit for total Council external debt as set by the Council based on debt levels and plans.

Bail In

The use of funds held by a bank or other financial institution (whether in the form of customer bank deposits or bonds) to help prevent the collapse of a bank and in place of Governments stepping in with funds/support. The introduction of Bail In powers is part of the implementation of the Bank Recovery and Resolution Directive.

Bank of England

The central bank for the UK with ultimate responsibility for setting interest rates (which it does through the Monetary Policy Committee or “MPC”).

Bank Rate

The interest rate for the UK as set at regular meetings of the Monetary Policy Committee (“MPC”) of the Bank of England. This was previously referred to as the “Base Rate”.

Bank Recovery and Resolution Directive (BRRD)

The Bank Recovery and Resolution Directive is a European legislative requirement which sets out a common approach within the EU to how countries will deal with any banks and financial institutions that get into financial difficulty. It includes the use of Bail In powers and was implemented in the UK, Germany and Austria on 1 January 2015 and in most of the other EU countries in 2016.

Call Date

A date on which a lender for a LOBO loan can seek to apply an amended interest rate to the loan. The term “call date” is also used in relation to some types of investments with a maturity date where the investments can be redeemed on call dates prior to the maturity date.

Capital Expenditure

Expenditure on or for the creation of fixed assets that meets the definition of Capital Expenditure under the accounting rules as set-out in the Code of Practice on Local Authority Accounting in the United Kingdom and for which the Council are able to borrow.

Capital Financing Requirement

The Capital Financing Requirement (sometimes referred to as the “CFR”) is a Prudential Indicator that can be derived from the information in the Council’s Balance Sheet. It generally represents the underlying need to borrow for capital expenditure (including PPP schemes).

CDS Spread

A CDS Spread or “Credit Default Swap” Spread is the cost of insuring against default by a Counterparty. Increases in the CDS Spread for a Counterparty may indicate concerns within the market regarding a Counterparty.

Certificates of Deposit

Certificates of Deposit (or CDs) are a form of investment and similar to Fixed Term Deposits in that the investment is with a named Bank or Financial Institution, matures on a set date, and is repaid with interest on the maturity date. Unlike a Fixed Term Deposit, a CD can also be traded in the market prior to maturity.

CIPFA

CIPFA is the Chartered Institute of Public Finance and Accountancy who produce guidance, codes of practice, and policy documents for Councils.

Counterparty

Another organisation involved in a deal i.e. if the Council enters a deal with a bank then the bank would be referred to as the "Counterparty".

Credit Ratings

Credit ratings are indicators produced by a ratings provider (such as Fitch, Moody's or Standard & Poor's) that aim to give an opinion on the relative ability of a financial institution to meet its financial commitments. Credit ratings are not guarantees – they are opinions based on investigations and assessments by the ratings providers and they are regularly reviewed and updated. The Council makes use of credit ratings to determine which counterparties are appropriate or suitable for the Council to make deposits with.

The highest credit rating is AAA.

European Central Bank

Sometimes referred to as "the ECB", the European Central Bank is the central bank that sets interest rates for the Eurozone. It is the equivalent of the Bank of England.

Eurozone

This is the name given to the countries in Europe that have the Euro as their currency. Interest rates in the Eurozone are set by the European Central Bank. The Eurozone is comprised of the following 19 countries: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.

Federal Reserve

Sometimes referred to as "the Fed", the Federal Reserve is the central bank for the US and is the equivalent of the Bank of England. The Federal Reserve sets interest rates for the US.

Fixed Rate Funding/Investments

This term refers to funding or investments where the interest rate that applies to payments or receipts of interest on the funding or investments is fixed and does not change.

Fixed Term Deposit

A Fixed Term Deposit or Fixed Term Investment is an investment with a named bank or financial institution which matures on a set date and which is repaid with interest on the maturity date. Fixed Term Deposits cannot be traded and cannot be terminated before the maturity date without the payment of a penalty (if at all).

Gilt Yields

A gilt yield is the effective rate of return that someone buying a gilt at the current market price will receive on that gilt. Since the market price of a gilt can vary at any time, the yield will also vary.

Gilts

Gilts are bonds (i.e. debt certificates) that are issued (i.e. sold) by the UK Government. When they issue gilts the Government sets the interest rate that applies to the gilt, sets when they will repay the value of the gilt, and it agrees to make interest payments at regular intervals until the gilt is repaid or redeemed. Gilts are traded in the financial markets with the price varying depending on the interest rate applicable to the gilt, when the gilt will be repaid (i.e. when it will mature), on Bank Rate expectations, and on market conditions.

Gross Domestic Product

Gross Domestic Product ("GDP") is a measure of the output of goods and services from an economy.

Inflation

Inflation is the term used for an increase in prices over time. It can be measured in various ways including using the Consumer Prices Index ("CPI") or the Retail Prices Index ("RPI").

Investment Regulations

The Local Government in Scotland Act 2003 allows the Scottish Ministers to introduce Regulations to extend and govern the rules under which Scottish Councils may invest funds. The Local Government Investments (Scotland) Regulations 2010 came into effect on 1 April 2010.

LIBID

This is the London Interbank Bid Rate – an interest rate that is used between banks when they wish to attract deposits from each other.

LIBOR

This is the London Interbank Offering Rate – an interest rate that is used as a base for setting interest rates for deals between banks.

Link

Link Treasury Services Limited who are the Council's treasury management advisers who were previously named Capita Treasury Solutions Limited.

Liquidity

In relation to investments, liquidity relates to the ability to access invested funds. If funds are in a call account they have high liquidity (because the funds are readily accessible) whilst if funds are invested in bonds the bonds would need to be sold in order to access the funds (lower liquidity).

LOBO

This is a form of loan that the Council has with some lenders. The term is short for the phrase "Lender Option/Borrower Option". A LOBO loan allows the lender to propose adjustments to the loan interest rate at various call dates during the period of the loan (the "lender option") but the borrower does not need to accept the adjustments and can instead redeem the loan (the "borrower option").

MIFID II

The Markets in Financial Instruments Directive (MIFID II) is an EU Directive that came into force on 3 January 2018.

Money Market Fund

A Money Market Fund (or MMF) is a highly regulated investment product into which funds can be invested. An MMF offers the highest possible credit rating (AAA) whilst offering instant access and the diversification of risk (due to the MMF's balances being investing in selected and regulated types of investment product with a range of different and appropriately credit-rated counterparties).

MPC

The MPC or Monetary Policy Committee is a committee of the Bank of England that meets regularly during the year (in a meeting over 2 days) to set the Bank Rate for the UK.

Operational Boundary

This is a level of debt set by the Council at lower than the Authorised Limit and which Council debt levels should not normally exceed during normal operations.

Prudential Code

Councils are required to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities. These requirements include the production of Prudential Indicators. The Prudential Code was last revised in December 2017.

Prudential Indicators

Indicators set-out in the Prudential Code that will help Councils to meet requirements in relation to borrowing limits or which will help Councils demonstrate affordability and prudence with regard to their prudential capital expenditure.

PWLB

The Public Works Loan Board is a government agency and part of the Debt Management Office. The PWLB provides loans to local authorities and other specified bodies.

PWLB Certainty Rates

PWLB rates for new borrowing at a 0.20% discount to standard PWLB rates for local authorities that submit annual information on their long-term borrowing and capital spending plans. The PWLB Certainty Rates came into effect on 1 November 2012.

PWLB Rates

These are the interest rates chargeable by the Public Works Loan Board for loans. The rates for fixed rate loans are determined by the day on which the loan is agreed. The rates to be charged by the PWLB for loans are set each day based on gilt yields at the start of business each day and then updated at least once during the day.

Quantitative Easing

This is the creation of money by a central bank (such as the Bank of England) in order to purchase assets from banks and companies and boost the supply of money in an economy.

Ratings

Ratings are indicators produced by a ratings provider (such as Fitch, Moody's or Standard & Poor's) that aim to give an indication of the financial or operational strength of entities including financial institutions and even countries. Ratings are not guarantees – they are opinions based on investigations and assessments by the ratings providers and they are regularly reviewed and updated. The Council makes use of credit ratings to determine which counterparties are appropriate or suitable for the Council to make deposits with.

Ring Fencing

In banking terms, the proposal (currently expected by 2019) that those parts of a bank that undertake riskier activities (such as investment banking) be kept legally separate from those parts that undertake less risky/safer activities (such as the accepting of customer deposits).

Security

In relation to investments, security refers to the likelihood that invested funds will be returned to the investor when due.

Stress Tests

Reviews of the assets and liabilities of banks and financial institutions carried out by regulators such as the European Banking Authority (EBA) and the Prudential Regulation Authority (PRA) in the UK to identify the impact of potential economic scenarios, assess the strength of those banks/financial institutions, and determine any action required by banks/financial institutions to strengthen their financial positions.

Treasury Management Code

This is the "Treasury Management in the Public Services: Code of Practice". It is produced by CIPFA and was last revised in December 2017.

Treasury Management Indicators

These are Prudential Indicators specifically relating to Treasury Management issues.

Treasury Management Practices (TMPs)

This is a Council document that sets out Council policies and procedures for treasury management as required by the Treasury Management Code. The Council also agrees an annual treasury management strategy that is submitted to Committee in accordance with the Treasury Management Practices.

Variable Rate Funding/Investments

Funding or investments where the interest rate that applies to payments or receipts of interest on the funding or investments varies on an agreed basis.

Yield

The yield is the effective rate of return on an investment.

**FORECAST OF INVESTMENT BALANCES
ESTIMATE FOR 2017/18 AND ACTUAL AT 31 MARCH 2018**

Investment Regulation 31 requires the Council to provide forecasts for the level of investments. The estimate for 2017/18 and the actual as at 31 March 2018 are:

	2017/18 Estimate	2017/18 Actual At 31 March 2018
Cash balances managed in-house		
- At 1 April 2017	40,000	38,936
- At 31 March 2018	19,590	33,396
- Change in year	(20,410)	(5,540)
- Average daily cash balances	29,795	39,303
Holdings of shares, bonds, units (includes local authority owned company)		
- At 1 April 2017	2	2
- Purchases	0	0
- Sales	0	0
- At 31 March 2018	2	2
Loans to local authority company or other entity to deliver services		
- At 1 April 2017	602	564
- Advances	0	0
- Repayments	38	40
- At 31 March 2018	564	524
Loans made to third parties		
- At 1 April 2017	2,194	2,179
- Advances	10	70
- Repayments	110	30
- At 31 March 2018	2,094	2,219
Total of all investments		
- At 1 April 2017	42,798	41,681
- At 31 March 2018	22,250	36,141
- Change in year	(20,548)	(5,540)