

Appendix 1: Key amendments made to 2018-19 strategy and Treasury Management Practices

Item	Amendment	Reason
TMP1 - appendix 3	Inserted a section “Fair value risk management” describing the potential risks associated with IFRS9 and how these will be mitigated	This addition brings to members’ attention new risks created by changes in accounting standards for 2018-19.
Treasury Management Strategy Statement	The last paragraph now recognises the probable need to update the Council’s 2018-19 strategy mid-way through 2018 once CIPFA and DCLG guidance is issued.	The revised Code of Practice and DCLG guidance will not be issued until early 2018, too late to reflect in the strategy due for consideration in the January/ February Committee cycle.
Borrowing Sources	<p>Added new text</p> <p>“The Council will, where possible, take advantage of the 20 basis points (0.20%) reduction in borrowing costs available from the PWLB to those authorities who provide information on their plans for long-term borrowing and associated capital spending. The earliest this opportunity can be taken is now Autumn 2018.”</p>	This has been included to ensure that, if we do undertake borrowing in the figure, officers are authorised to apply for the HMT ‘certainty’ rate – which has a discount over the normal PWLB rate.
Investment objective	<p>Text amended,</p> <p>Replaced “minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income.”</p> <p>With “in line with the Council’s risk appetite statement” at the end of the final paragraph</p>	To ensure consistency
2018-19 Strategy	Removed ‘Council’s own bank’ from Table 5 and added a separate paragraph ‘Operational bank accounts’ under the table	Operational bank accounts have been excluded from the definition of investments. There is now a simplified requirement to maintain no more than £2.5m across all

		operational bank accounts.
Specified Investments	Foreign country sovereign rating reduced from AAA to AA+	On advice from Arlingclose. Table 6 updated to match this restriction (Government column)
Corporates	Added the requirement for a credit assessment to be undertaken prior to any loans being made to unrated companies	Codifies existing practices
Tables 5 and 6. Investment limits	<p><b>Removed BBB+ as an available credit rating category.</b></p> <p>Clarified that the investment limits excludes investments with the UK Government and other Local Authorities</p> <p>Increased each limit by £5m to account for the proposed increased in medium term pooled funds described in table 5</p> <p>Clarified treatment of UK Local Government investments. Imposed 10 year maximum duration on this sector – Government generally is 25 years.</p> <p>UK Government maximum investment duration increased to 25 years</p> <p>Pooled Funds. Increased the limit that the Council can invest in pooled funds to £15m (excluding the Local Authority Property</p>	<p><b>Arlingclose used to have an A- rating limit, but reduced this to BBB- in 2013 following the removal of government support from UK and EU bank ratings as a pragmatic step. As banks have strengthened their balance sheets and credit ratings have improved, the recommendation is to increase this back to A-.</b></p> <p><b>The A category is broadly defined as “strong” credit quality, whereas BBB is “adequate”.</b></p> <p>To ensure the definition is clear</p> <p>Consistency</p> <p>To ensure limits on Local Government investments are clear</p> <p>On advice from Arlingclose</p> <p>The is to allow for potential investment of excess cash funds in shorter duration (12-18 month) ‘Cash Plus’ pooled</p>

	Fund)	funds during 2018-19.
Table 7: Investment limits	Increased maximum pooled funds total to £15m	Consistency
Liquidity Management	Added "To ensure adequate liquidity is maintained, 'worst case' estimates of cash flows are used when considering the Council's medium term investment position"	Codifying existing practice
New section; Non-Treasury investments	Added new section	On advice from Arlingclose
Liquidity	Tidied text, removing explanation for changes implemented in 2017-18	Drafting
Table 10: Interest rate exposure management indicators	Simplified indicators by removing percentages. No changes to absolute limits	Simplification
Table 11: Limits on investment periods	Increased amounts by £5m to accommodate earlier proposals	Consistency
Financial Implications	Deleted section	Not part of the policy and covered elsewhere.