

Appendix 1 – Summary of amendments
between 2018-19 and 2019-20

Item	Page	Comment
Treasury Management Policy Statement	3	Unchanged
Treasury Management and Investment Strategy 2019-20		
- Treasury and Commercial Investments	5	Updated to reflect CIPFA and MHCLG guidance. The main change is to bring into the strategy commercial and service investments and to define each.
- Risk Appetite Statement	7	Unchanged
- Proportionality	7	<p>New section required by updated MHCLG guidance. As the Council builds some commercial income into its base revenue budget, we are required to detail the extent to which funding expenditure to meet the service delivery objectives and/or place making role of that local authority is dependent on achieving the expected net profit. We also must detail the local authority's contingency plans should it fail to achieve the expected net profit.</p> <p>The Guidance introduces a new requirement that in every local authority sets limits that cannot be exceeded for commercial income as a percentage of net service expenditure. After carefully considering this, officers do NOT consider it appropriate to set an upper limit on investment income the Council able to generate, since this could prevent the Council charging market rents or lending at market interest rates in order to not exceed the limit</p>
Treasury Investments and Borrowing		
- BREXIT	9	New section, describes the Council's contingency plans for BREXIT.
- Investment Objective	9	Unchanged
- Counterparty limits	9	<p>Increased slightly to reflect increased levels of funds under Treasury Management. New levels are set based on an expected average Treasury balance for 2019-20 of £60m.</p> <p>Previously limits were set here for specified and non-specified investments. This has been moved to the non-Treasury section in accordance with paragraph 21 of the MHCLG guidance which restricts the majority of the Regulations to non-Treasury investments and borrowing.</p>

		<p>There are new sub-sections on ‘business model for holding investments’ (page 13) and ‘negative interest rates’ (page 13) to accommodate IFRS9 and possible economic scenarios.</p> <p>Added comment to confirm that, for pooled funds, no maximum period is set as they are intended to be for the long term.</p>
- Business model for holding investments	13	New section. Necessary statement to facilitate the application of IFRS9
- Negative Interest rates	13	New section. This covers the potential for any period of negative interest rates given the present economic uncertainty.
- Treasury Investment Limits	14	<p>Increased in line with the Counterparty limit changes, above.</p> <p>Increased total funds in Money Markets from £20m to £24m. This is based on £6m deposited across four funds. The Council has access to more than four money market funds to allow the best rate to be selected)</p> <p>Pooled funds (excluding LAPF). The limit is increased to allow for up to £35m in total to be invested in external pooled funds (£10m LAPF, £25m other external pooled funds).</p>
- Liquidity Management	15	Unchanged
- Borrowing	15	See comments on sections below
- Borrowing Sources	15	No changes to proposed borrowing sources
- Operational Boundary for External Debt	16	This limit represents the ‘day to day’ limit for borrowing. It is the amount that the Council does not expect to exceed in its normal course of business. It has been increased to allow for very short term cash-flow borrowing which, whilst not expected, is a normal part of Treasury Management. As a guide the Council collects more than £10m each month in local taxation and the possibility of this income not arriving must be factored into the Council’s Treasury strategy.
- Authorised Limit for External Debt	16	This limit has been increased to accommodate the risk that unknowns may occur, and reflecting the increase in the Operational boundary above.

Non-Treasury Investments	17	New section. The new MHCLG guidance considerably widens the definition of an investment. It now covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This new section covers these newly included investments.
- Commercial Investments	17	New Section This section is based on the Council's existing protocol on investment opportunities. It also includes an assessment of Fair Value as the new Guidance requires the Council to consider 'security' for the investment as equivalent to whether the current value of the property, if sold, would cover the original investment cost.
- Service investments	18	New Section This covers those loans and guarantees that the Council may provide as part of its wider Local Authority duties. The limits on these investments are considered to be the non-specified investment limits set out in the Strategy (see below)
- Non-Specified Investments	19	Revised section This concept used to apply to Treasury investments but now applies to non-Treasury investments. The Council's previous limit was £55m (total) and this has been reduced to £10m as maintain this at £55m appeared excessive since it no longer applies to Treasury Investments.
Risk exposure indicators	20	
- Treasury Management Indicators	20	Unchanged
Security and credit risk	20	Unchanged
Liquidity	20	Unchanged
Maturity Structure of Borrowing	21	Unchanged
Principal Sums Invested for Periods Longer than 364 days	21	Limit increased to allow for further investments in Pooled Funds.
Monitoring the Council's exposure to market and economic risk	21	New indicator proposed to reflect the changing risks relating to investments in external funds. TMP1 also updated to include this updated section.
- Non- Treasury Investments Indicators	22	New section. MHCLG requires the development of a suite of local indicators to allow Councillors and the public to assess a local authority's total risk exposure as a result of its investment decisions.

Other Items	23	Updated training and skills to cover commercial investments.
- Policy on Use of Financial Derivatives	22	Unchanged
- Investment of Money Borrowed in Advance of Need	23	Unchanged but reflects MHCLG guidance
- Investment training	23	Updated to reflect Property and Growth staff professional development activities.
- Investment Advisors	24	Updated to comment on professional advice in respect of Commercial property matters.
- Reporting	24	Updated to reflect the separate reporting routes for Treasury and non-Treasury investments.