

## PERTH AND KINROSS COUNCIL

28 February 2018

**TREASURY & INVESTMENT STRATEGY and PRUDENTIAL INDICATORS  
2018/19 – 2022/23****Report by the Head of Finance****PURPOSE OF REPORT**

This report details the Council's proposed Treasury Strategy and activities for 2018/19 to 2022/23 and the Investment & Property Strategy for 2018/19.

**1. BACKGROUND / MAIN ISSUES**

- 1.1 The Treasury and Investment Strategy details the expected activities of the treasury function for the relevant financial years. Its submission to the Council is a requirement of the Council's approved TMP6 (*Reporting Requirements & Management Information Arrangements*), and is also a requirement under the CIPFA Code of Practice for Treasury Management. The Investment Strategy also details the Permitted Investments of the Council, and outlines the risks associated with the expected investment activities. The submission of an annual Investment Strategy is also a requirement of the Local Government Investments (Scotland) Regulations 2010.
- 1.2 In determining the Treasury Strategy, the Council also sets new Prudential Indicators. For this year, the Council has deferred setting a new 7-year Composite Capital Budget for the period to 2024/25 to its meeting on 20 June 2018. Therefore, this report proposes that new Prudential Indicators for the 7 years 2018/19 to 2024/25 are also deferred to June, and will be based on the proposed new Capital Budget.
- 1.3 The proposed strategy for the financial years 2018/19 to 2022/23 in respect of the treasury management function covers:
  - The current Treasury position
  - Prospects for interest rates
  - Capital requirements and the borrowing strategy 2018/19 to 2022/23
  - The Investment Strategy 2018/19
  - Investment properties 2018/19
  - Debt rescheduling opportunities
  - The Prudential Code

## 2. THE CURRENT TREASURY POSITION

- 2.1 In order to put the proposed treasury strategy into context, the Council's treasury position as at 31st January 2018 is shown below:

		<u>PRINCIPAL OUTSTANDING (£million)</u>	<u>AVERAGE RATE (%)</u>
Fixed Rate Funding	• Public Works Loan Board (PWLB)	288.1	3.25
	• Market Bonds	<u>0.5</u>	<u>0.00</u>
		<u>288.6</u>	<u>3.24</u>
Variable Rate	• Market Bonds	43.2	4.59
	• Local Loans	<u>12.6</u>	<u>0.32</u>
		<u>55.8</u>	<u>3.63</u>
<b>TOTAL GROSS DEBT</b>		<b>344.4</b>	<b>3.30</b>
<b>TOTAL SHORT TERM MARKET INVESTMENTS</b>		<b>45.4</b>	<b>0.58</b>
<b>TOTAL NET DEBT</b>		<b>299.0</b>	<b>3.72</b>

- 2.2 The projected Borrowing Requirement for each of the next five years, which is a significant determinant of treasury activity, is summarised below. This reflects the approved Capital Expenditure within the Council's Composite and Housing Investment Programme Capital Budgets to 2022/23 which is to be funded by new borrowing. The Borrowing Requirement also takes into account maturing debt requiring to be refinanced, less an annual amount amortised (charged) to the Revenue Account (to ensure the total debt on the ongoing programme matches the remaining useful life of the underlying assets).

	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>Total</u>
Borrowing Requirement	£51.6m	£39.3m	£53.3m	£75.0m	£62.5m	£281.7m

- 2.3 The above figures are based on the latest Composite Capital Budget Monitoring Report for 2017/18 to 2022/23 approved by the Strategic Policy & Resources Committee on 7 February 2018 (report 18/42 refers), and the Housing Revenue Account Investment Programme for 2018/19 to 2022/23 approved by the Housing & Communities Committee on 24 January 2018 (report 18/16 refers). The above figures do not take account of the estimated annual borrowing requirement carried-forward between years in order to match cashflow requirements.

### **3. PROSPECTS FOR INTEREST RATES**

- 3.1 The Council's treasury adviser, Link Asset Services Ltd, assists the Council in formulating a view on interest rates. Appendix I shows forecasts of the Bank Rate (or short-term/variable rates) and longer-term fixed interest rates, whilst Appendix II shows the forecast in graphical form.
- 3.2 The Monetary Policy Committee (MPC) increased the Bank Rate from 0.25% to 0.50% in November 2017 to counteract rising inflation. The MPC also indicated that further increases would be modest, and anticipated that there would only be 2 further rises of 0.25% over the following 2 year period. However, if inflation was to remain high over a prolonged period, then the timing of increases in Bank Rate could be brought forward. Against this, there remains uncertainty over future economic growth as the UK negotiates its "Brexit" terms, and therefore this could delay any further increases if these were to reduce the UK's economic growth. The forecast at Appendix I is based on the MPC's guidance that there will be 2 increases in the Bank Rate over the next 2 years.
- 3.3 Economic and interest rate forecasting remains difficult with so many external influences and uncertainties weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Political developments, especially in the EU and US, could also have a major impact. Forecasts for interest rates beyond the three-year time horizon will, therefore, be heavily dependent on economic and political developments over the time period. The longer term forecast remains for gilt yields (and PWLB rates) to rise gently. Recent increases in US interest rates and the decision of the Federal Reserve to reduce its quantitative easing programme has had an upward influence on yields. However, this has been countered with economic growth prospects and economic political uncertainties in the UK and Europe.
- 3.4 Monetary policy in recent years has focused on providing stimulus to economic growth, however, future monetary policy will need to look at reducing this stimulus at some point. This therefore means that longer term interest rates will need to start increasing over the next few years, however the exact timing of this remains uncertain. Consequently, it is anticipated that there will remain some volatility in interest rates as they react to more immediate economic and political developments.
- 3.5 All of the above factors indicate that longer term rates will remain relatively low over the next year, and follow a rising trend in subsequent years. However, there are significant uncertainties in the coming years that could impact the timing and pace of future interest rate movements.

#### **4. CAPITAL REQUIREMENTS AND BORROWING STRATEGY**

- 4.1 The Council has deferred setting a new Composite Capital Budget for the 7 year period to 2024/25 to its meeting on 20 June 2018. Therefore, this Treasury Strategy is only concerned with the years to 2022/23 in line with the current approved Composite Capital Budget and Housing Investment Programme. Accordingly, interest rate forecasts throughout this period must be considered, particularly when determining the most appropriate timing and maturity structure of new borrowing and when comparing fixed rates and variable rates. The projected new Borrowing Requirement approved by the Council is larger than in recent years, therefore the timing and terms of the new borrowing must be considered carefully.
- 4.2 Following a period of deferring borrowing, the previous Treasury Strategy approved by the Council on 22 February 2017 (report 17/81 refers) was to continue to undertake borrowing in the current low interest rate environment. This included consideration of borrowing for future needs within the current 7 year programme, particularly given the large levels of new borrowing required and the amount of debt that reaches maturity and has to be repaid during this period. The previous interest rate forecasts indicated that interest rates were only expected to rise slowly over the next few years. However, there remained a significant amount of uncertainty, risk and volatility surrounding the global economic outlook. Therefore, it was anticipated that opportunities to borrow at low rates would continue, resulting in savings in interest charges in future years.
- 4.3 The interest rate forecast indicates that the current period of low interest rates and volatility is likely to continue throughout most of 2018, with only very gradual increases which are anticipated to continue in subsequent years. As a result of deferring borrowing in previous years to avoid increasing the risks and low interest returns associated with higher levels of investments, the Council's cashflow has required borrowing over the last year to be undertaken in order to meet its capital requirements. As the level of investments remain at a low level (subject to daily fluctuations), the need for new borrowing will continue in the coming year, together with consideration of future borrowing requirements in advance should rates start to rise faster than the current forecast.
- 4.4 The forecasts also show that short dated borrowing will continue to be cheaper than longer term borrowing. However, consideration must also be given to longer term borrowing to make longer term savings and reduce the refinancing risk in later years. Therefore, effective Treasury Management must consider the longer-term position in order to minimise costs and risks in the Council's portfolio. This strategy will be continuously reviewed, including accelerating further borrowing to meet future requirements within the 5 year period should rates start to increase rapidly. This additional flexibility to borrow in advance of need is permissible, where it can be shown to be cost-effective, but it must be considered in conjunction with the associated additional risks and low returns of the resultant increase in investments in the short term. Alternatively, current long term borrowing requirements may be delayed if

rates stay low, with short term borrowing used to meet immediate short term cashflow requirements, thus avoiding the low returns and additional risks of short term investments.

- 4.5 LOBOs (Lenders Option Borrowers Option) and other appropriate market instruments can offer favourable rates in comparison to the Public Works Loan Board (PWLB), and may be used where appropriate. These will be considered in conjunction with the additional risks associated with their less flexible terms, particularly where they include variable rate terms.
- 4.6 Given these risks, together with inherent uncertainties in interest rate projections, this strategy will be closely monitored and reviewed in light of future interest rate movements. This is particularly the case in the coming year, given the current low interest rate environment, the uncertainties within the forecasts and the Council's future requirements. Any changes in this approach will be reported to the Council at the next available meeting as part of the Quarterly Treasury Activities and Compliance report. It is generally the policy of the Council to be "risk-aware" and the Council will actively seek to manage its treasury risks.
- 4.7 As with any forecast, the above interest rate expectations are subject to variation, particularly during the current period of economic and political uncertainty and volatility. The main sensitivities of the above forecast are likely to be as follows:
- An unexpected further fall in long term rates which, for example, could occur if economic growth or inflation fell significantly from their current levels, or for a prolonged period, or increased political risks, particularly in Europe and America, impacting on the global economy materialised. In this scenario, long-term borrowing would be deferred until rates were anticipated to have troughed, with short term borrowing being used to meet immediate requirements.
  - An unexpected sharp rise in both long and short term rates which could occur if, for example, economic growth increased significantly, or if inflation continued to increase, thus bringing forward increases in the Bank Rate. A reduction in the quantitative easing programme would also cause a sharper rise in rates. In this scenario, fixed rate funding would be considered during the year whilst rates were still relatively low, including the consideration of borrowing to meet future requirements.
- 4.8 The Prudential Code requires authorities to detail the strategy on gross and net debt where there is a significant difference between them. This would arise where there is a significant level of both investments and borrowing. It is not possible or desirable to have no investments at all, due to the daily variations in the Council's cashflow (which tends to be more positive in the first half of the financial year), or following the borrowing of long term debt (which may be in advance of need due to favourable interest rates). In addition, the level of investments may also increase where there are significant levels of Reserves. The level of investments will be maintained at a

level consistent with an acceptable level of risk and subject to short-term variations.

## **5. INVESTMENT STRATEGY 2018/19**

- 5.1 The requirement to set an annual Investment Strategy is determined by the Local Government Investments (Scotland) Regulations 2010. These requirements include specifying the Permitted Investments of the Council and setting an annual strategy, including identifying the risks associated with the strategy and the minimum reporting requirements.
- 5.2 The proposed Permitted Investments of the Council are shown at Appendix III. These reflect low risk investment products and, together with the application of the approved Lending & Investment Policy (*TMP4, Schedule 4.6 Approved Lending & Investment Policy*), ensure investments are only made with low risk counterparties.
- 5.3 Following the approval of Certificates of Deposit at the meeting on 26 April 2017 (report 17/174 refers), it is proposed that the Permitted Investments are further expanded to include other negotiable instruments, including Bonds and Floating Rate Notes. Whilst each of these instruments has very different characteristics, from a practical perspective they all operate in a similar manner to Certificates of Deposit and with the same level of risk. Further, as they are limited to existing counterparties within the approved organisations for investment, they do not add any additional risk to the Council. It should also be noted that Corporate Bonds are specifically excluded.
- 5.4 It is also proposed to continue the use of Money Market Funds (MMFs) for short term and instant access investment purposes. However, as a result of the European Directive which comes into force in 2018, new Money Market Fund Regulations have been published. These regulations introduce new categories of Funds, with tighter controls and restrictions over Funds in each category. Therefore, the definition of approved MMFs in the Council's Permitted Investments requires to be amended.
- 5.5 Accordingly, it is proposed to amend the definition of MMFs in the Permitted Investments to replicate the European Securities and Market Authority (ESMA) classification of Short Term and Standard Funds. The requirement for approved MMFs to be AAA rated still remains. It is further proposed that this amendment takes effect from 21 July 2018, ie the date that the Money Market Fund Regulations come into force. Short Term MMFs, such as Low Volatility Net Asset Value (LVNAV) MMFs, are closely aligned to the way the Council's current approved MMFs operate, and therefore this change does not increase the risks of using such funds.
- 5.6 It is not proposed to make any changes to the monetary limits for investments or counterparties. The limits ensure that the Council maintains sufficient liquidity and a spread of investments at all times, whilst the counterparty list is reviewed continuously in light of credit-rating changes and other market information.

- 5.7 Details of how investments are managed are contained in the Treasury Management Practices (TMPs), which include the levels of acceptable risk; the approach to the assessment of counterparties; reporting requirements and detailed treasury management practices. The TMPs also detail various control arrangements, including transactional controls, to ensure compliance with policies and procedures. The TMPs are reviewed at least annually, whilst the treasury policies are reviewed continuously in light of prevailing economic and market conditions. A copy of the Treasury Systems Document, which includes the TMPs, is available on the Councillor's CHIP Sharepoint site.
- 5.8 The Council generally only invests short-term cashflow surpluses. Such investments in total are unlimited, as they are determined by cashflow balances. However, investments are limited with each counterparty to ensure any risk is spread. Longer term investments may arise where the Council has significant cash-backed reserves, or following a decision to borrow in advance of need within the determined Capital Financing (borrowing) Requirement. Longer term investments carry greater counterparty risk, as well as a higher liquidity and market risk of adverse movements in interest rates. Therefore, such investments are limited to £10M and up to a maximum of 3 years, and would only be undertaken after consideration of cashflow and interest rate forecasts to determine the optimum duration. However, given current interest rate forecasts and counterparty limits, it is unlikely that any investments for more than one year will be made during 2018/19. This strategy will be reviewed continuously in light of economic forecasts and market developments.
- 5.9 Whilst the counterparty risk on investments has diminished in recent years, the current low returns are anticipated to continue throughout the next year. The level of investments held has generally fallen (subject to short term peaks) over the last year as a result of the Council undertaking only limited borrowing. It is anticipated that the level of investments may increase early in the financial year, before falling again in the second half of the year as a result of uneven cashflows over the year. The level of investments is not expected to exceed £70,000,000 during the year, unless further new borrowing is undertaken early in the year or if the profile of the Council's expenditure during the year is later than originally anticipated.
- 5.10 It is anticipated that the majority of investments will be with banks, building societies and MMFs on instant access or notice terms, or fixed investments for periods of up to one year. The amount invested in each type of investment cannot readily be predicted, but it is anticipated that, based on the total level of investments of £70,000,000, the totality of fixed investments will peak at around £50,000,000. It is anticipated that the level of investment in instant access or notice accounts and funds will vary in line with daily fluctuations in the Council's cashflow. The forecast amounts are dependent on several factors, such as changes in cashflow, any long term borrowing, and market opportunities which may arise. Actual investment activities undertaken will be included in the Quarterly Treasury Activities and Compliance reports submitted to the Council throughout the year.

- 5.11 The Permitted Investments also include loans to third parties, which may be given on preferential terms or interest rates. These may arise for operational reasons, where for example, a Service wishes to provide financial support to an organisation. It should also be noted that such loans are determined by Service requirements and will be constrained by virtue of the Service having to meet all costs related to the granting of such loans, including impairments to the recoverable value and any accounting adjustments relating to “soft loans” (ie, loans given on interest free or below market rate terms). All loans to third parties must be individually approved by the Council.
- 5.12 The Investment Strategy and Activities is approved and scrutinised by the Council, in line with current Treasury Management arrangements. This will be achieved by the submission of Quarterly Treasury Activity & Compliance reports, which include monitoring of the investment policies. In addition, the Annual Treasury Report to the Council includes retrospective details of the investment strategy adopted, and details compliance and performance against the strategy for that year.
- 5.13 The Common Good Funds operate with only relatively small cash balances and with no other financial investments. The Common Good Committees also have authority to grant loans to third parties, and these are included as Permitted Investments. However, the granting of such loans in practice is rare, with each individual proposed loan requiring specific approval of the Common Good Committee. It is proposed that investments with the Perth & Kinross Council Loans Fund, together with third party loans, remain the only Permitted Investments for the Common Good Funds. Accordingly, all Common Good cash and balances will be invested with the Council's Loans Fund, either as an instant access deposit, fixed term deposit, or as revenue advances attracting Interest on Revenue Balances (IORB). It is not proposed to change the terms under which the Common Good funds place deposits with the Loans Fund.
- 5.14 In addition, the Common Good Funds hold various properties which generate rental income, and which are therefore deemed to be Investment Properties, and covered by the investment regulations. The Common Good's Property Investment Strategy is included within the Council's Property Investment Strategy (see Section 6 below).
- 5.15 Investments made by any charity or trust administered by the Council are not within the scope of the Investment Regulations and this Strategy. However, any other Council funds that are managed by external investment managers, are covered by this strategy, and the investment manager is therefore bound by this Investment Strategy in relation to those funds. However, it is not proposed to use any external investment manager during 2018/19, other than for the Council's charitable funds.



## **6. INVESTMENT PROPERTIES 2018/19**

- 6.1 Properties held solely to earn rental income and/or for capital appreciation, and not used by the Council for service delivery or administrative purposes, are also covered by the Investment Regulations. Accordingly, an additional permitted investment category of “Investment Property” has been included in the list of Permitted Investments. The Council’s initial limit was established as “unlimited”, and this remains unaltered.
- 6.2 Budgeted gross income of the portfolio in 2017/18 is £1,732,000, with the latest projection indicating that the final income will be £1,707,000 as a result of movement in tenancies and vacancies in the small business units. For 2018/19, the projected income is £1,707,000 which will continue to be closely managed in context of the prevailing economic and market conditions and any opportunities to grow income.
- 6.3 The Annual Property Investment Strategy 2018/19 is attached in Appendix IV and covers property purchased or managed for the following purposes:
- Socio Economic e.g. precinct shops and community facilities
  - Economic development e.g. Industrial Estates and workshop units.
  - Revenue generation e.g. St Johns Centre head lease
- 6.4 The overall aim of the attached Property Investment Strategy for Perth & Kinross Council is to support the objectives of the “2013/18 Corporate Plan – Securing the Future”, and in doing so, it meets the requirements of the Regulations.
- 6.5 In November 2017 the Strategic Policy and Resources Committee (report 17/390 refers) approved the updated Commercial Property Investment Programme (CPIP) approach to effective delivery of corporate property development and investment activities. The Committee approved a refreshed approach which could include future property investment and development activities, including potential joint venture and innovative funding arrangements for property projects working with the market as opportunities arise.
- 6.6 As part of this proposed approach the intention is to focus on strategic sites with development potential, partnering with the private sector via Memorandums of Understanding intended to explore and exploit development and incoming-producing opportunities. Further details of such opportunities that may arise will be reported to the Council as part of the Quarterly Treasury & Investment reports.

## **7. DEBT RESCHEDULING**

- 7.1 The low current interest rate environment together with the current borrowing terms and conditions of the PWLB, where different interest rates are applicable for new borrowing and premature repayments, mean that any early redemption of PWLB loans are likely to be prohibitively expensive and unlikely

to generate opportunities for savings. Therefore, following the recent PWLB debt rescheduling exercises undertaken this year, it is unlikely that the maturity profile of the Council's remaining portfolio will offer any further significant opportunities. Savings may also be achieved using LOBOs, however, such loans offer less long-term flexibility.

7.2 The main benefits of undertaking rescheduling include:

- Interest savings, without exposing the Council to additional risk,
- Ensuring a better balanced maturity profile and volatility ratio in the portfolio,
- Assisting the achievement of the desired strategy of reducing the level of investments, as outlined above.

7.3 As outlined above, there is unlikely to be any significant debt rescheduling undertaken in 2018/19, however interest rates will continue to be monitored for opportunities that may arise within the profile of the Councils' portfolio.

## **8. THE PRUDENTIAL CODE**

8.1 The Prudential Code requires the Council to set Prudential Indicators for at least the next three years to ensure that the Council's plans are affordable, sustainable and prudent. However, to improve longer term strategic and forward planning, the Council has operated a seven year Capital Budget in recent years.

8.2 The Council has a statutory duty (under the Local Government in Scotland Act 2003) to determine, and keep under review, how much it can afford to allocate to Capital expenditure. Consequently, the level of Capital Financing Costs strongly influences the size of the ongoing Capital programme. Effective and proactive Treasury Management aims to minimise these costs ("Loan Charges") and their impact on the overall finances of the Council, whilst not exposing the Council to undue risk in the longer term. Adverse movements in interest rates, for example, would directly impact on the level of Capital expenditure which is affordable and sustainable.

8.3 The average borrowing costs for all Scottish local authorities are published annually and in recent years the average interest rate payable by this Council (the Loans Fund pooled rate) has consistently been within the three lowest in Scotland. This reflects the Council's prudent and pro-active approach to its borrowing and investment strategy and to minimising its borrowing costs.

8.4 In December 2017, CIPFA published a revised Prudential Code and Treasury Management Code of Practice. The revised codes are effective from 1 April 2018, however CIPFA has advised that they may be implemented on a phased basis during 2018/19 as a result of the delays in their publication. The revised codes include some changes to the Prudential Indicators, as well as new requirements relating to "non treasury management" investments, and require Councils to set a Capital Strategy each year. In line with the Council setting a new Composite Capital Budget on 20 June 2018, it is therefore

proposed that implementation of the new codes by the Council are also deferred to that meeting.

## **9. PRUDENTIAL INDICATORS 2018/19 to 2024/25**

- 9.1 The principal means of monitoring and controlling adherence to the Council's capital and treasury plans, and ensuring that they remain affordable, sustainable and prudent, is the determination and monitoring of Prudential Indicators. These Indicators must relate to, and be consistent with, the Council's approved Capital Budget and Treasury Management Strategy.
- 9.2 The Council has deferred setting a new Composite Capital Budget to its meeting on 20 June 2018. Therefore, notwithstanding the introduction of the new Prudential Code (see Section 8.4 above), it is proposed that the setting of new Prudential Indicators are also deferred to June 2018, in order that they reflect the most up-to-date position for the Council. In the meantime, it is also proposed that the currently approved Prudential Indicators, including the Authorised Limit, continue to apply until then. The Quarterly Treasury & Activity report submitted to this meeting of the Council includes the most recent monitoring of the current Indicators.

## **10. CONCLUSION AND RECOMMENDATIONS**

- 10.1 Treasury operations are undertaken within a dynamic and volatile environment, which can significantly affect the cost of borrowing and returns from investing. Given that annual interest charges are currently in the region of £12M per annum and on a rising trend, the setting of an appropriate strategy is viewed as essential to ensure that the Council is not exposed to undue risks and costs. The strategy outlined in this report is, therefore, designed to ensure that the Council achieves the best possible rates on its borrowings and investments, and at the minimum level of risk in light of prevailing and forecast market conditions.
- 10.2 The Investment Strategy outlined in this report covers all matters required by the Investment Regulations, and lists the proposed Permitted Investments and the strategy for undertaking investments. These will be reviewed on an ongoing basis as the economic environment changes and/or new investment products are introduced in the financial markets. The proposed Permitted Investments include alternative investment products which would improve diversification, returns and liquidity, but without increasing counterparty risk. The definition of approved Money Market Funds has also been amended to reflect the new regulations which come into force this year. There are no proposed changes to investment limits, nor to the definition of approved counterparties.
- 10.3 The Investment Strategy, in conjunction with the Treasury Management Practices (TMPs), also includes references to the various risks associated with investments, how these will be controlled, and the considerations and procedures to be followed. Security and liquidity of sums invested remain the

primary objectives over yield. The proposed Permitted Investments carry a low level of risk.

10.4 The report also outlines the link between Treasury Management and the Capital Budget. Accordingly, it is proposed that no new Prudential Indicators, are set at this stage, and that these are considered when the Council sets a new Capital Budget in June 2018. It is also proposed that the revised Prudential Code and Code of Practice for Treasury Management are considered at that meeting.

10.5 It is recommended that the Council:

1. Approves the five year Treasury Strategy for 2018/19 to 2022/23, as detailed in this report, which is submitted in accordance with the Council's approved Treasury Management Practices (TMP).
2. Approves the Permitted Investments and Investment Strategy for 2018/19 outlined at Sections 5 and 6 and detailed at Appendices III and IV of this report, including expanding the Permitted Investments of the Council to include further negotiable instruments such as Bonds and Floating Rate Notes.
3. Agrees to defer the implementation of the revised Prudential Code and Code of Practice for Treasury Management by the Council to its meeting on 20 June 2018, as outlined in Section 8 of this report.
4. Confirms that the current approved Prudential Indicators for 2017/18 to 2022/23 will continue to apply until June 2018 when a new Capital Budget is set, as outlined in Section 9 of this report.

#### Author(s)

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#### Approved

Name	Designation	Date
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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	<b>Yes / None</b>
Community Plan / Single Outcome Agreement	None
Corporate Plan	Yes
<b>Resource Implications</b>	
Financial	Yes
Workforce	Yes
Asset Management (land, property, IST)	Yes
<b>Assessments</b>	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	Yes
Sustainability (community, economic, environmental)	Yes
Legal and Governance	None
Risk	None
<b>Consultation</b>	
Internal	Yes
External	None
<b>Communication</b>	
Communications Plan	None

### 1. Strategic Implications

#### 1.1 Corporate Plan

1.1.1 The Council's Corporate Plan 2013 – 2018 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

1.1.2 This report relates to all of these objectives.

### 2. Resource Implications

#### 2.1 Financial

2.1.1 There are no direct financial implications arising from this report other than those reported within the body of the main report.

## 2.2 Workforce

- 2.2.1 There are no direct workforce implications arising from this report other than those reported within the body of the main report.

## 2.3 Asset Management (land, property, IT)

- 2.3.1 There are no direct asset management implications arising from this report other than those reported within the body of the main report.

## 3. **Assessments**

### 3.1 Equality Impact Assessment

- 3.1.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.1.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

### 3.2 Strategic Environmental Assessment

- 3.2.1 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.2.2 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

### 3.3 Sustainability

- 3.3.1 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.
- 3.3.2 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

## 4. **Consultation**

- 4.1 The Chief Executive, and the Council's Treasury advisors, Link Asset Services, have been consulted in the preparation of this report.

## **2. BACKGROUND PAPERS**

- 2.1 No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

## **3. APPENDICES**

Appendix I – Outlook for Interest Rates.

Appendix II – Forecast for Interest Rates (Link Asset Services Ltd).

Appendix III – Permitted Investments 2018/19.

Appendix IV – Property Investment Strategy 2018/19