Central
Bedfordshire
Council
Priory House
Monks Walk
Chicksands,
Shefford SG17 5TQ

TO ALL MEMBERS OF THE
CUSTOMER AND CENTRAL SERVICES OVERVIEW & SCRUTINY COMMITTEE

06 December 2010

Dear Councillor

CUSTOMER AND CENTRAL SERVICES OVERVIEW & SCRUTINY COMMITTEE – MONDAY, 13 DECEMBER 2010

Further to the Agenda and papers for the above meeting, previously circulated, please find attached the following late report:-

15. Treasury Management Strategy

To consider the Council's Treasury Management Strategy.

Should you have any queries regarding the above please contact me.

Yours sincerely

Leslie Manning
Committee Services Officer

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Meeting: **Corporate & Customer Services Overview & Scrutiny Committee**

Date: **13 December 2010**

Subject: Treasury Management Strategy

Report of: **Cllr Maurice Jones, Portfolio Holder for People, Finance & Governance**

Summary: The report provides a brief summary of the changes to the Treasury Management Strategy.

Advising Officer:	Richard Ellis, Director of Customer & Shared Services
Contact Officer:	Matt Bowmer, Assistant Director Financial Services
Public/Exempt:	Public
Wards Affected:	All
Function of:	Executive
Key Decision	No
Reason for urgency/ exemption from call-in (if appropriate)	Not applicable

CORPORATE IMPLICATIONS

Council Priorities:
Not applicable.

Financial:

None directly arising from the report.

Legal:

Central Bedfordshire's Strategy is in line with the requirements of the Treasury Management in the Public Sector Code of Practice and The Prudential Code for Capital Finance in Local Authorities.

Risk Management:

The Strategy requires the consideration of risk in all treasury management undertakings.

Staffing (including Trades Unions):

None

Equalities/Human Rights:

None

Community Safety:

None

Sustainability:

None

RECOMMENDATION(S):

1. That the Corporate & Customer Services Shared Services Overview & Scrutiny Committee considers the report and submits comments to the Executive if considered necessary.

Reason for Recommendation(s):	*To put an effective treasury management framework in place for the Council*

Introduction

1. Local authority investments have been placed under greater scrutiny following the failure of the Icelandic Banks. In March 2009 the Audit Commission published their 'Risk and Return' report, the recommendations from which were addressed in the revised Treasury Management in the Public Sector Code of Practice. The Prudential Code for Capital Finance in Local Authorities was also revised in light of the greater risk now evident in investment markets.
2. A Treasury Management Strategy report will be presented to Executive on 11 January 2011. A copy is attached at Appendix 1. A revised Treasury Management Strategy is attached at Appendix A to the report and the Treasury Management Policy is attached for reference at Appendix B. The latter Appendix was revised last year and is subject to review every three years
3. This report summarises the changes to the Treasury Management Strategy as a result of continuous review with our external advisers, Arlingclose.

Treasury Management Policy

4. No changes are proposed for the Treasury Management Policy adopted by the Council in February 2010.

Treasury Management Strategy

5. As a consequence of the continued lack of confidence in markets it is appropriate to reduce the limits for individual counterparties and diversify the investment portfolio. However, UK institutions have been recapitalising following the government intervention during the global banking crisis and as a consequence the Council will now look to make investments with counterparties for over 365 days and up to a maximum of two years.
6. As a result of the review of the counterparty list, it is felt that there is sufficient confidence to add the following foreign institutions to the counterparty list. These are ING, Societe Generale and Svenska Handelsbanken. The authority would only lend to these institutions if their credit ratings at that time met the minimum requirements set out in the Strategy.
7. The authority has reviewed the potential sources of borrowing available to it with its advisers, Arlingclose. As a result of this review, it has chosen to extend its borrowing options to include Structured Finance and Medium Term Notes.
8. The Treasury Management Strategy sets out an Authorised Limit of £272M. This represents the maximum level of external borrowing on a gross basis. The Operational Boundary is set at £257M and links directly to the Capital Financing Requirement and estimates of other cashflow needs.

Appendices:

Appendix 1 - 11 January 2011 Executive Report – Treasury Management Strategy

Background Papers: (open to public inspection)
None

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APPENDIX 1

Meeting: **Executive**

Date: **11 January 2011**

Subject: Treasury Management Strategy

Report of: **Cllr Maurice Jones, Portfolio Holder for Corporate Resources**

Summary: The report proposed a revised strategy in response to changes in two key codes and increased risk in investment markets.

Advising Officer:	Matt Bowmer, Assistant Director Financial Services
Contact Officer:	Adrian King, Head of Financial Strategy
Public/Exempt:	Public
Wards Affected:	All
Function of:	Executive
Key Decision	No
Reason for urgency/ exemption from call-in (if appropriate)	N/A

CORPORATE IMPLICATIONS

Council Priorities:

Not applicable.

Financial:

None directly arising from the report.

Legal:

Central Bedfordshire's Strategy is in line with the requirements of the Treasury Management in the Public Sector Code of Practice and The Prudential Code for Capital Finance in Local Authorities.

Risk Management:

The Strategy requires the consideration of risk in all treasury management undertakings.

Staffing (including Trades Unions):

None.

Equalities/Human Rights:

None.

Community Safety:

None.

Sustainability:

None.

Summary of Overview and Scrutiny Comments:

- The Customer and Central Services Overview and Scrutiny Committee considered the Strategy at its meeting on 13 December 2010.

RECOMMENDATION(S):

that the Executive

1. Recommends Council to approve the Treasury Management Policy and the Treasury Management Strategy

Reason for Recommendation(s):	*To put an effective treasury management framework in place for the Council.*

Executive Summary

Central Bedfordshire annually agrees its Treasury Management Policy and Treasury Management Strategy. In response to the greater risk and uncertainty in investment markets CIPFA revised both the Treasury Management Code of Practice and the Prudential Code for Capital Finance in Local Authorities in the autumn of 2009. There continues to be a greater focus on risk in the two codes and this is recognised in the strategy.

Due to the continued lack of confidence in the markets the Strategy seeks to diversify the investment portfolio. There has been some recapitalisation of the UK banking institutions and this enables longer term lending, up to two years, to take place.

Introduction

1. Local authority investments have been placed under greater scrutiny following the failure of the Icelandic Banks. In March 2009 the Audit Commission published their ‘Risk and Return’ report, the recommendations from which were addressed in the revised Treasury Management in the Public Sector Code of Practice. The Prudential Code for Capital Finance in Local Authorities was also revised in light of the greater risk now evident in investment markets.

2. The Treasury Management Policy is attached for reference at Appendix A; this was revised last year and is subject to review every three years. There are no changes proposed.

3. A revised Treasury Management Strategy is attached at Appendix B. The authority considers its Treasury Management Strategy against the key objectives of being tactically flexible whilst maintaining control.

Developments in Treasury Management in Central Bedfordshire Council

4. The conclusion of the audit of the 2009/10 annual accounts has now provided the authority with its first balance sheet on which detailed projections can be made. This naturally allows the authority to better understand the relationship between its assets and liabilities and the levels of cash available to support them.

5. Analysis of the 2009/10 closing balance sheet reveals the following:

   a) The Council's Capital Financing Requirement is calculated by comparing the total valuation of the authority's fixed assets against the accumulated financing of these assets (e.g. through government grants deferred, borrowing applied through the Minimum Revenue Provision etc). This requirement represents the authority's underlying need to borrow and at £194M was above the actual level of external borrowing and, other long term liabilities of £178M. As a consequence, the authority is considered to be 'internally borrowed' by £16M;

   b) in common with many local authorities, the amount owed by the authority (creditors of £69M) significantly exceeded the amount owed to the authority (debtors of £56M). This working capital 'excess' reduces the level of borrowing required to support the longer term financing commitments.

6. The Capital Programme Review presented to November Executive included the planned intention of the authority to reduce its levels of borrowing in the short term in view of the affordability of the associated capital financing costs.

Developments in Treasury Management

7. The Decentralisation and Localism Bill 2010 will have a significant impact on treasury management. In essence, this will remove the existing subsidy system but transfer all debt back to the local authority. It is expected that the new system would start in April 2012. It will require the authority to fund the amount owed in the medium term through internal resources and/or external borrowing. The authority would have the option of borrowing from the PWLB or the wider financial market. This will require the authority to review its Prudential Indicators in the first quarter of the 2011/12 financial year. It is recommended that the Treasury Management Strategy is reviewed at this time and the Prudential Indicators reassessed accordingly.

8. The Spending Review announced the increase of new local authority fixed rate loans, undertaken through the Public Works and Loans Board (the statutory body operating within the Debt Management Office that is responsible for lending money to local authorities), This broadly equates to a 1% increase above existing rates. The implications of this development will be assessed on an ongoing basis with the authority's advisers, Arlingclose. In simple terms future borrowing has become more expensive and this will need to be taken into account when council considers its Capital Programme in February 2011. Consequently there will be a greater imperative to balance the Programme through grants, contributions and capital receipts with less reliance on borrowing.

9. There are signs of stabilisation in market conditions resulting in wider opportunities and options for investments. This is evidenced through the resilience tests applied to banks that showed stability although these are subject to rigorous and ongoing review.

10. The path of interest base rates reflects the fragility of the economic recovery and the significantly greater fiscal tightening of the emergency budget. With growth and underlying inflation likely to remain subdued, the Bank of England is likely to remain with its 'lower for longer' stance on interest rates.

Treasury Management Policy

11. No changes are proposed for the Treasury Management Policy adopted by the Council in February 2010.

Treasury Management Strategy 2011/12

12. The current strategy and practices reflect the greater focus on risk demanded by the Treasury Management in the Public Services Code of Practice and Prudential Code for Capital Finance in Local Authorities**.**

13. It will be some time before confidence in the investment markets is fully restored and the number of institutions to whom the Council can lend remains restrictive (these are captured within a counterparty list). The Council constantly reviews its counterparty list with its advisors and as a consequence of the continued lack of confidence in markets has reduced the limits for individual counterparties. The Council will allow all existing investments to mature beyond 31 March 2010, where these are in excess of the revised limits. However, the Council will now look to make investments with counterparties for over 365 days and up to a maximum of two years. The current situation has eased sufficiently and this is evidenced by the banks making steps towards recapitalisation.

14. As a result of the review of the counterparty list, it is felt that there is sufficient confidence to add the following foreign institutions to the counterparty list. These are ING, Societe Generale and Svenska Handelsbanken. As with all institutions in the list they must be rated A+ by Fitch and Standard and Poor and A+ by Moody's before the authority can consider lending to them.

15. The authority has reviewed the potential sources of borrowing available with its advisers, Arlingclose. As a result of this review, it has chosen to extend its borrowing options to include Structured Finance and Medium Term Notes. Its preferred borrowing option remains PWLB and the new potential sources of borrowing are options only. Despite the 1% increase in rates on PWLB from 1 April 2011 it is likely to continue to be the most competitive option.

16. The Treasury Management Strategy sets out an Authorised Limit of £272M. This represents the maximum level of external borrowing on a gross basis and is the statutory limit determined under Section 3 (1) of the Local Government Act 2003. The Operational Boundary is set at £257M and links directly to the Capital Financing Requirement and estimates of other cashflow requirements. The Operational Boundary is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but excludes the additional headroom included within the Authorised Limit.

17. The Code of Financial Governance in the Council's Constitution makes provision for detailed Financial Procedures. The day to day operational guidance on treasury management practices are set on in Financial Procedure 16: Treasury Management.

Monitoring Performance

18. In line with the CIPFA Code, the Customer and Central Services Overview and Scrutiny Committee receive quarterly reports on the Authority's Treasury Management activities. This includes details of compliance with the Prudential Indicators as outlined within the Treasury Management Strategy. These are the Authorised Limit and the Operational Boundary. No breaches of the Prudential Indicators have been recorded within this financial year.

Appendices:
Appendix A Treasury Management Policy
Appendix B Treasury Management Strategy, February 2011

Background Papers (open to public inspection):
Treasury Management in the Public Sector Code of Practice, fully revised 2nd edition 2009
The Prudential code for Capital Finance in Local Authorities, fully revised 2nd edition 2009

Location of papers: Technology House, Bedford

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Appendix A

TREASURY MANAGEMENT POLICY STATEMENT

1. INTRODUCTION

In accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Treasury Management (Revised 2009), this Council defines the policies and objectives of its treasury management activities as follows:

1.1 This Council defines its treasury management activities as:
"The management of the 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".

1.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will include their risk implications for the Council.

1.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its Medium Term Financial Strategy. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

1.4 The Chief Finance Officer will produce for adoption by Full Council prior to the commencement of each financial year an annual Treasury Management Strategy Statement which will set out the borrowing and investment strategy to be adopted for the for the year ahead along with the associated Prudential Indicators, in compliance with the CIPFA Prudential Code for Capital Finance in Local Authorities.

1.5 The Chief Finance Officer will maintain suitable Treasury Management Practices (TMPs) which will set out the manner in which this Council will seek to achieve its treasury management policies and objectives and how it will manage and control those activities.

2. Objectives

2.1 The principal objectives of this Treasury Management Policy Statement are to provide a framework within which: -

i) Risks which might affect the Council’s ability to fulfill its responsibilities or which might jeopardise its financial security can be identified and managed;

ii) Borrowing costs can be minimised whilst ensuring the long term security and stability of the Council’s financial position;

iii) Investment returns can be safely maximised and capital values maintained;

iv) The use of assets as loan security is minimised.

3. Review Period

It is the Council’s responsibility to approve a Treasury Management Policy Statement on a periodic basis. This policy will be reviewed every three years or whenever legislative, regulatory or best practice changes materially affect the effectiveness of the current policy. The next scheduled date for review is therefore February 2013.

4. Documentation

This document forms part of a suite of Treasury documents intended to govern and regulate treasury management activity. The hierarchy of documents is set out below and the role of each is explained

Treasury Management Policy Statement *(see introduction above)*

↓

Annual Treasury Management Strategy*(see paragraph 4.3)*

↓

Treasury Management Practices Statement (*see paragraph 4.2)*

4.2 The Treasury Management Practices Statement sets out that detailed application the lies behind the policy and sets out the manner in which the organisation will seek to achieve the policy objectives, describing how it will manage and control the activities listed below:

- Treasury Risk Management
- Best value and performance measurement
- Decision making and analysis
- Approved instruments, methods and techniques
- Organisation, clarity and segregation of responsibilities; dealing arrangements
- Reporting requirements, Management information arrangements
- Budgeting, Accounting and Audit Arrangements
- Cash and Cash Flow Management
- Money Laundering
- Staff training and qualifications
- Use of external service providers
- Corporate governance

4.3 The <u>Annual Treasury Management Strategy</u> integrates with the Prudential Indicators being set and will include the following:

- Links to Capital Financing and Treasury Management Prudential Indicators for the current and ensuing year
- Strategy for financing new borrowing requirements (if any) and refinancing maturing borrowing (if any) over the next year and for restructuring of debt
- the extent to which surplus funds are earmarked for short term requirements
- the investment strategy for the forthcoming year *(see below)*
- the minimum to be held in short term/specified investment during the coming year
- the interest rate outlook against which the treasury activities are likely to be undertaken.

4.4 Based on the DCLG Guidance on Investments, the Council will produce as part of the Annual Treasury Management Strategy, an investment strategy that sets out

- the objectives, policies and strategy for managing its investments;
- the determination of which Specified and Non Specified Investments the Council will utilise during the forthcoming financial year(s) based on the Council's economic and investment outlook and the expected level of investment balances;
- the limits for the use of Non-Specified Investments.

5. Basis of Policy

5.1 The Council will adhere to the regulatory framework set out in the following documents: -

a) CIPFA Code of Practice on Treasury Management (Revised 2009;

b) The 2009 Prudential Code for Capital Finance (the 2003 document having first introduced requirements for the manner in which capital spending plans are to be considered and approved and in conjunction with this, the development of an integrated Treasury Management Strategy;

c) The Council's Constitution, Code of Financial Governance and the scheme of Officer Delegations.

5.2 Copies of the documents listed above are available from the Assistant Director – Financial Services, if required. The Council will be bound by the requirements of any successor documents to those listed above unless a subsequent review of this policy deems them no longer to be appropriate.

5.3 In arriving at treasury management decisions, due cognisance will be taken of written and verbal advice provided by Funding Advisors but neither the Council nor its officers will be bound by such advice.

5.4 The Assistant Director - Financial Services will only transact with brokers, funders and counterparties who have accepted the principles set out in the current "London Code of Conduct" issued by the Financial Services Authority.

Appendix B

Treasury Management Strategy Statement and Investment Strategy 2011/12 to 2013/14

Contents

Annex

1. Background

1.1. The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also incorporates the Investment Strategy as required under the CLG's Investment Guidance.

1.2. CIPFA has defined Treasury Management as: *"the management of the organisation's 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."*

1.3. The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk are integral element to treasury management activities and include Credit and Counterparty Risk, Liquidity Risk, Market or Interest Rate Risk, Refinancing Risk and Legal and Regulatory Risk.

1.4. The strategy takes into account the impact of the Council's Revenue Budget and Capital Programme on the Balance Sheet position, the current and projected Treasury position (Annex A), the Prudential Indicators and the outlook for interest rates (Annex B).

1.5. The purpose of this TMSS is to approve:

- Treasury Management Strategy for 2010-11 (Borrowing and Debt Rescheduling - Section 4, Investments - Section 5)
- Prudential Indicators – (NB: the Authorised Limit is a statutory limit)
- MRP Statement – Section 8
- Use of Specified and Non-Specified Investments – Annexes C & D

1.6. The Council approved the adoption of the CIPFA Treasury Management Code at its Shadow Executive meeting on 17th Feb 2009. The Council has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.

1.7. All treasury activity will comply with relevant statute, guidance and accounting standards.

2. Balance Sheet and Treasury Position

2.1. The underlying need to borrow for capital purposes, as measured by the Capital Financing Requirement (CFR), together with Balances and Reserves, are the core drivers of Treasury Management Activity. The estimates, based on the current Revenue Budget and Capital Programmes, are:

	31/03/2011 Estimate £m	31/03/2012 Estimate £m	31/03/2013 Estimate £m	31/03/2014 Estimate £m
General Fund CFR	203.8	211.4	215.9	209.2
HRA CFR	(7.7)	(7.7)	(7.7)	(7.7)
Total CFR	196.0	203.6	208.2	201.5
Less: Existing Profile of Borrowing and Other Long Term Liabilities	 (156.3) (21.7)	 (155.6) (21.0)	 (150.6) (20.1)	 (146.1) (19.2)
Cumulative Maximum External Borrowing Requirement	**18.0**	**27.1**	**37.5**	**36.1**
Balances & Reserves	**(7.1)**	**(9.0)**	**(10.9)**	**(12.8)**
Cumulative Net Borrowing Requirement/(Investments)	**10.9**	**18.1**	**26.6**	**23.3**

2.2. The Council's level of physical debt and investments is linked to these components of the Balance Sheet. The current portfolio position is set out at Annex A. Market conditions, interest rate expectations and credit risk considerations will influence the Council's strategy in determining the borrowing and investment activity against the underlying Balance Sheet position. The Council will ensure that net physical external borrowing (i.e. net of investments) will not exceed the CFR other than for short term cash flow requirements.

2.3. Estimates **of Capital Expenditure:** It is a requirement of the Prudential Code to ensure that capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels.

Capital Expenditure	**2010/11 Approved £m**	**2010/11 Revised £m**	**2011/12 Estimate £m**	**2012/13 Estimate £m**	**2013/14 Estimate £m**
Non-HRA	60.0	59.1	**39.5**	32.4	19.2
HRA	4.9	6.2	**4.7**	5.1	5.1
Total	**64.9**	**65.3**	**44.2**	**37.5**	**24.3**

2.4. Capital expenditure is expected to be financed as follows:

Capital Financing	**2010/11 Approved £m**	**2010/11 Revised £m**	**2011/12 Estimate £m**	**2012/13 Estimate £m**	**2013/14 Estimate £m**
Capital receipts	11.8	12.9	**7.7**	10.0	12.0

Government Grants& contributions	37.8	40.3	**17.9**	11.4	7.2
Major Repairs Allowance	3.8	3.7	**3.8**	4.0	4.0
Revenue contributions	0.4	1.1	**0.9**	1.1	1.1
Total Financing	53.8	58.0	**30.4**	26.5	24.3
Supported borrowing	11.0	7.2	**13.8**	11.0	0.0
Unsupported borrowing					
Total Funding	11.0	7.2	**13.8**	11.0	0.0
Total Financing and Funding	**64.8**	**65.2**	**44.2**	**37.5**	**24.3**

2.5. Incremental **Impact of Capital Investment Decisions:** As an indicator of affordability the table below shows the impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Incremental Impact of Capital Investment Decisions	**2010/11 Revised £**	**2011/12 Estimate £**	**2012/13 Estimate £**	**2013/14 Estimate £**
Increase in Band D Council Tax	3.12	**10.4**	16.75	17.36
Increase in Average Weekly Housing Rents	0.33	**0.12**	0..33	0.35

2.6. **Reform to the Council Housing Subsidy System**: CLG consulted on proposals to reform the council housing subsidy system in July 2010. The consultation proposed a removal of the subsidy system by offering a one-off reallocation of debt. Details of the new system will be announced following the recent Comprehensive Spending Review, and will be introduced in the Localism Bill later this Autumn to enable the new system to start in April 2012.

2.7. This will **require** the Council to fund the amount owed in the medium term through internal resources and/or external borrowing. The Council has the option of borrowing from the PWLB or the market. The type of loans taken will be decided on in discussions with the Housing department and the councils' Treasury Advisors.

2.8. Due to the lack of data around the proposal, this strategy has been written and all prudential indicators set excluding the impact of the reform. Details on the methodology of the settlement between the CLG and local authorities, as well as a model containing updated data, will be released in January 2011. A revised set of Prudential Indicators and a revised treasury strategy will most likely be put forward for consideration during the course of 2011-12.

2.9. The estimate for interest payments in 2011/12 is £8m and for interest receipts is £1.3m. The ratio of financing costs to the Council's net revenue stream is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	**2010/11 Approved %**	**2010/11 Revised %**	**2011/12 Estimate %**	**2012/13 Estimate %**	**2013/14 Estimate %**
Non-HRA	5.8	6.68	**7.61**	7.85	7.54
HRA	0.4	0.61	**0.60**	0.61	0.61
Total	**5.2**	**6.14**	**6.76**	**6.98**	**6.71**

3. **Borrowing and Rescheduling Strategy**

3.1. The Council's balance of actual gross borrowing plus other long-term liabilities is shown in Annex A. This is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

3.2. The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) and is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

Authorised Limit for External Debt	**2010/11 Approved £m**	**2010/11 Revised £m**	**2011/12 Estimate £m**	**2012/13 Estimate £m**	**2013/14 Estimate £m**
Borrowing	221	218	**242**	247	243
Other Long-term Liabilities	0	30	**30**	30	30
Total	**221**	**248**	**272**	**277**	**273**

3.3. The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

Operational Boundary for External Debt	2010/11 Approved £m	2010/11 Revised £m	2011/12 Estimate £m	2012/13 Estimate £m	2013/14 Estimate £m
Borrowing	211	208	**232**	237	233
Other Long-term Liabilities	0	25	**25**	25	25
Total	**211**	**233**	**257**	**262**	**258**

3.4. The Assistant Director of Financial Services has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of The Full Council.

3.5. In conjunction with advice from its treasury advisor, Arlingclose Ltd, the Council will keep under review the following borrowing options:

- PWLB loans
- Borrowing from other local authorities
- Borrowing from institutions such as the European Investment Bank and directly from Commercial Banks
- Borrowing from the Money Markets
- Local authority stock issues
- Structured finance
- Medium Term Note

3.6. Notwithstanding the issuance of Circular 147 on 20th October following the CSR announcement which increases the cost of new local authority fixed rate loans to 1% above the cost of the Government's borrowing, the PWLB remains an attractive source of borrowing, given the transparency and control that its facilities continue to provide. The types of PWLB borrowing that are considered appropriate for a low interest rate environment are:

- Variable rate borrowing
- Medium-term year Equal Instalments of Principal (EIP) or Annuity Loans
- Long-term Maturity loans, where affordable

3.7. Capital expenditure levels, market conditions and interest rate levels will be monitored during the year in order to minimise borrowing costs over the medium to longer term and maintaining stability. The differential between debt costs and investment earnings, despite long term borrowing rates being at low levels, remains acute and this is expected to remain a feature during 2011/12. The "cost of carry" associated with medium- and long-term borrowing compared to temporary investment returns means that new fixed rate borrowing could entail additional short-term costs. The use of internal resources in lieu of borrowing may again, in 2011/12, be the most cost effective means of financing capital expenditure.

3.8. PWLB variable rates are expected to remain low as the Bank Rate is maintained at historically low levels for an extended period. The Council has £35.5m PWLB variable rate loans (current average rate 0.70%) on which the interest rate is re-set every 6 months. This exposure to variable interest rates will be kept under regular review. Each time the spread between long-term rates and variable rates narrows by 0.50%, this will trigger a formal review point and options will be considered in conjunction with the Authority's Treasury Advisor and decisions taken on whether to retain the same exposure or change from variable to fixed rate debt.

3.9. As the Council's existing PWLB variable rate loans were borrowed prior to 20/10/2010, the interest rate structure will be maintained on their initial terms and are not subject to the additional 0.9% increased margin for new variable rate loans.

3.10. The Council has two loans totalling £13.5m which are LOBO loans (Lender's Options Borrower's Option) on which the lender can exercise their call option semi-annually. In the event that the lender exercises the option to change the rate or terms of the loan, the Council will consider the terms being provided and also repayment of the loan without penalty. The Council may utilise cash resources for repayment or may consider replacing the loan(s) by borrowing from the PWLB. The default response will however be early repayment without penalty.

3.11. The rationale for rescheduling would be one or more of the following:
- Savings in interest costs with minimal risk
- Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio*
- Amending the profile of maturing debt to reduce any inherent refinancing risks.

3.12. As opportunities arise, they will be identified by Arlingclose and discussed with the Council's officers. (*During 2009-10 the Council restructured £35m of PWLB fixed rate loans into variable rate loans.)

3.13. Borrowing and rescheduling activity will be reported to the Customer & Central Services Overview and Scrutiny Committee and Executive.

3.14. The following Prudential Indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

3.15. On its debt, the Council's Current existing level of fixed interest rate exposure is 77% and variable rate exposure is 23%.

	2010/11 Approved %	2010/11 Revised %	2011/12 Estimate %	2012/13 Estimate %	2013/14 Estimate %
Upper Limit for Fixed Interest Rate Exposure	100	100	100	100	100
Upper Limit for Variable Interest Rate Exposure	35	35	35	35	35

3.16. The Council will also limit and monitor large concentrations of fixed rate debt needing to be replaced. Limits in the following table are intended to control excessive exposures to volatility in interest rates when refinancing maturing debt.

3.17. The maturity of the Council's borrowing will be profiled in order that no more than 20% matures in any one financial year.

Maturity structure of fixed rate borrowing	Existing level at 31/03/10* %	Lower Limit for 2011/12 %	Upper Limit for 2011/12 %
under 12 months	0.00	0	20
12 months and within 24 months	0.54	0	20
24 months and within 5 years	7.83	0	60
5 years and within 10 years	0.00	0	100
10 years and within 20 years	26.62	0	100
20 years and within 30 years	2.10	0	100
30 years and within 40 years	0.54	0	100
40 years and within 50 years	57.15	0	100
50 years and above	5.22	0	100

*Total fixed rate borrowing as at 31/3/2010 was £120.7m.

4. Investment Policy and Strategy

4.1. Guidance from CLG on Local Government Investments in England requires that an Annual Investment Strategy (AIS) be set.

4.2. The Council's investment priorities are:
- security of the invested capital;
- liquidity of the invested capital;
- an optimum yield which is commensurate with security and liquidity.

4.3. Investments are categorised as 'Specified' or 'Non Specified' investments based on the criteria in the CLG Guidance. Potential instruments for the Council's use within its investment strategy are contained in Annex C and Annex D. The Assistant Director of Financial Services under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Decisions taken on the core investment portfolio will be reported to the Customer & Central Services Overview and Scrutiny Committee and Executive.

4.4. Changes to investment strategy for 2011/12 include:
- AAA-rate Variable Net Asset Value (VNAV) Money Market Funds
- Treasury Bills
- Term deposits in Sweden
- Maximum duration for new deposits 2 years

4.5. The Council's current level of investments is presented at Annex A.

4.6. The Council's in-house investments are made with reference to the outlook for the UK Bank Rate and money market rates.

4.7. In any period of significant stress in the markets, the default position is for investments to be made with the Debt Management Office or UK Treasury Bills. (The rates of interest from the DMADF are below equivalent money market rates, but the returns are an acceptable trade-off for the guarantee that the Council's capital is secure.)

4.8. The Council selects countries and the institutions within them (see Annex C, for the counterparty list after analysis and careful monitoring of:
- Credit Ratings (minimum long-term A+ for counterparties; AA+ for countries)
- Credit Default Swaps (where quoted)
- GDP; Net Debt as a Percentage of GDP
- Sovereign Support Mechanisms/potential support from a well-resourced parent institution
- Share Prices
- Macro-economic indicators
- Corporate developments, news and articles, market sentiment.

4.9. The Council and its Treasury Advisors, Arlingclose, will continue to analyse and monitor these indicators and credit developments on a regular basis and respond as necessary to ensure security of the capital sums invested.

4.10. The UK Bank Rate has been maintained at 0.5% since March 2009, and is anticipated to remain at low levels throughout 2011/12. Short-term money market rates are likely to remain at very low levels for an extended period which will have a significant impact on investment income.

4.11. To protect against a lower for longer prolonged period of low interest rates and to provide certainty of income, 2-year deposits and longer-term secure investments will be actively considered within the limits the Council has set for Non-Specified Investments (see Annex D). The longer-term investments will be likely to include:

- Term Deposits with counterparties rated at least A+ (or equivalent)
- Supranational Bonds (bonds issued by multilateral development banks)

Even at the lower yields likely to be in force, the return on these bonds will provide certainty of income against an outlook of low official interest rates.

4.12. The Council has placed an upper limit for principal sums invested for over 364 days, as required by the Prudential Code. This limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

Upper Limit for total principal sums invested over 364 days	**2010/11 Approved £m**	**2010/11 Revised £m**	**2011/12 Estimate £m**	**2012/13 Estimate £m**	**2013/14 Estimate £m**
	20	**20**	**25**	**25**	**25**

4.13. Collective Investment Schemes (Pooled Funds): The Council has evaluated the use of Pooled Funds and determined the appropriateness of their use within the investment portfolio. Pooled funds enable the Council to diversify the assets and the underlying risk in the investment portfolio and provide the potential for enhanced returns.

4.14. Investments in pooled funds will be undertaken with advice from Arlingclose.

4.15. Investments **which constitute capital expenditure:** the meeting the definition of capital expenditure can be financed from capital or revenue resources. They are also subject to the CLG's Guidance on "non-specified investments". Placing of such investments has accounting, financing and budgetary implications. Whilst it is permissible to fund capital investments by increasing the underlying need to borrow, it should be noted that under the CLG's MRP Guidance, MRP must be applied over a 20 year period.

4.16. The Council has determined a maximum of £10m limit to investments which constitute capital expenditure. This includes the Council's existing investment in the Lime Property Fund

5. **Outlook for Interest Rates**

5.1. The economic interest rate outlook provided by the Council's treasury advisor, Arlingclose Ltd, is attached at Annex B. The Council will reappraise its strategy from time to time and, if needs be, realign it with evolving market conditions and expectations for future interest rates.

6. **Balanced Budget Requirement**

6.1. The Council complies with the provisions of S32 of the Local Government Finance Act 1992 to set a balanced budget.

7. **2011/12 MRP Statement**

7.1. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) place a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

7.2. The four MRP options available are:
Option 1: Regulatory Method
Option 2: CFR Method
Option 3: Asset Life Method
Option 4: Depreciation Method
NB This does not preclude *other prudent methods.*

7.3. MRP in 2011/12: Options 1 and 2 may be used only for supported expenditure. Methods of making prudent provision for self financed expenditure include Options 3 and 4 (which may also be used for supported expenditure if the Council chooses).

7.4. The MRP Statement will be submitted to Council before the start of the 2011/12 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.

7.5. The Council will apply Option 1 in respect of supported capital expenditure and Option 3 in respect of unsupported capital expenditure.

8. **Monitoring and Reporting on the Treasury Outturn and Prudential Indicators**

8.1. Treasury activity will be monitored regularly and reported quarterly to Customer & Central Services Overview and Scrutiny Committee who will be responsible for the scrutiny of treasury management activity and practices.

8.2. The Portfolio will report to Full Council on treasury management activity / performance and Performance Indicators mid-year and prepare an annual report after year end against the strategy approved for the year.

8.3. The Council will produce an outturn report on its treasury activity no later than 30th September after the financial year end.

9. **Other Items**

9.1. Training

9.2. CIPFA's Code of Practice requires the responsible officer to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

9.3. We will be organising training for members and staff with Arlingclose and any other suitable workshops.

10. Investment Consultants

10.1. The Council external advisor on Treasury Management is Arlingclose who provide information advice and assistance in all areas of treasury. The Council has a close working relationship and are in contact with their advisors on a regular basis (weekly) and if needs be daily.

10.2. This contract is the subject to review every three years. This tender will be due for renewal 31.3.12. and a detailed scheduled of services is listed within the contract.

Annex A

EXISTING PORTFOLIO PROJECTED FORWARD

	Current Portfolio £m		31 Mar 11 Estimate £m	31 Mar 12 Estimate £m	31 Mar 13 Estimate £m	31 Mar 14 Estimate £m
External Borrowing:						
Fixed Rate – PWLB	107.1		114.3	127.5	169.0	164.6
Fixed Rate – Market	13.5		13.5	13.5	13.5	13.5
Variable Rate – PWLB	35.6		35.6	35.6	0.0	0.0
Variable Rate – Market						
Total External Borrowing	156.3		163.5	176.6	182.6	178.1
IFRS Long Term Liabilities:						
- PFI	19.7		19.1	18.7	18.1	17.5
- Operating Leases	2.9		2.6	2.3	2.0	1.7
Total Gross External Debt	178.9		185.2	197.6	202.7	197.4
Investments:						
Managed in-house						
- Short-term monies (Deposits/ monies on call /MMFs)	56.0		51.0	51.0	51.0	51.0
- Long-term investments						
Managed externally						
- By Fund Managers	5.8		0	0	0	0
- Pooled Funds						
Lime fund	4.6		4.6	4.7	4.8	4.9
Total Investments	66.4		55.6	55.7	55.8	55.9
(Net Borrowing Position)/ Net Investment position	(112.5)		(129.6)	(141.9)	(147.0)	(141.6)

Annex B

Arlingclose's Economic and Interest Rate Forecast

	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
Official Bank Rate											
Upside risk	-	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	**0.50**	**0.50**	**0.50**	**0.75**	**1.00**	**1.25**	**1.50**	**2.00**	**2.50**	**2.75**	**2.75**
Downside risk	-	-	-	- 0.25	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50
1-yr LIBID											
Upside risk	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	**1.50**	**1.75**	**2.00**	**2.25**	**2.50**	**2.75**	**3.00**	**3.25**	**3.50**	**3.50**	**3.50**
Downside risk	- 0.25	- 0.25	- 0.25	- 0.25	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50	- 0.50
5-yr gilt											
Upside risk	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	**2.00**	**2.25**	**2.75**	**3.25**	**3.50**	**3.75**	**4.00**	**4.00**	**4.00**	**4.00**	**4.00**
Downside risk	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25
10-yr gilt											
Upside risk	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50
Central case	**3.50**	**3.75**	**3.75**	**4.00**	**4.25**	**4.50**	**4.75**	**4.75**	**4.75**	**4.75**	**4.75**
Downside risk	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25
20-yr gilt											
Upside risk	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50
Central case	**4.25**	**4.50**	**4.75**	**5.00**	**5.00**	**5.00**	**5.00**	**5.00**	**5.00**	**5.00**	**5.00**
Downside risk	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25
50-yr gilt											
Upside risk	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	**4.25**	**4.25**	**4.50**	**4.75**	**4.75**	**4.75**	**4.75**	**4.50**	**4.50**	**4.50**	**4.50**
Downside risk	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25	- 0.25

- The recovery in growth is likely to be slow, uneven and more "Square root" than "V" shaped.
- The initial reaction to the CSR is positive but implementation risks remain.
- The path of base rates reflects the fragility of the recovery and the significantly greater fiscal tightening of the emergency budget. With growth and underlying inflation likely to remain subdued, the Bank will stick to its lower for longer stance on policy rates.
- Gilts will remain volatile as the growth versus headline inflation debate escalates

Underlying assumptions:

- The framework and target announced in the Comprehensive Spending Review to reduce the budget deficit and government debt are the same as announced in June and focuses on how the cuts are to be distributed. The next big fiscal milestone will be the Office of Budget Responsibility's assessment of the CSR's implications for growth, employment and inflation.
- The minutes of the Monetary Policy Committee's meeting suggest an increased likelihood of further Quantitative Easing. Money supply is weak and growth prospects remain subdued. The analysis and projections in November's Quarterly Inflation Report will give the Bank of England the opportunity to re-evaluate the outlook for economic activity and inflation and the fiscal impact of the CSR.
- Consumer Price Inflation is stubbornly above 3% and could remain higher than the MPC has previously forecast.

- The employment outlook remains uncertain, as unemployment remains near a 16 year high at just over 2.4 Million.
- The recently announced Basel III capital/liquidity rules and extended timescales are positive for banks. However, the restructuring of UK bank balance sheets is ongoing and expected to take a long time to complete, and is a pre-condition for eventual normalisation of credit conditions and bank lending.
- A high savings ratio combined with a reduction in net consumer credit and weak consumer confidence are consistent with lower consumption and therefore future trend rate of growth despite Q2's strong performance.
- Uncertainty surrounding Eurozone sovereign debt and the risk of contagion will remain a driver of global credit market sentiment.
- The US Federal Reserve downgraded its outlook for US growth; the Fed is concerned enough to signal further QE through asset purchases might be required. Industrial production and growth in the Chinese economy are showing signs of slowing. Both have implications for the global economy.

Annex C

Specified and Non Specified Investments

Specified Investments identified for use by the Council

Specified Investments will be those that meet the criteria in the CLG Guidance, i.e. the investment

- is sterling denominated
- has a maximum maturity of 1 year
- meets the "high credit quality" as determined by the Council or is made with the UK government or is made with a local authority in England, Wales, Scotland or Northern Ireland or a parish or community council.
- the making of which is not defined as capital expenditure under section 25(1)(d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).

"Specified" Investments identified for the Council's use are:

- Deposits in the DMO's Debt Management Account Deposit Facility
- Deposits with UK local authorities
- Deposits with banks and building societies
- *Certificates of deposit with banks and building societies
- *Gilts: (bonds issued by the UK government)
- *Bonds issued by multilateral development banks
- Treasury-Bills (T-Bills)
- AAA-rated Money Market Funds with a Constant Net Asset Value (CNAV)
- AAA-rated Money Market Funds with a Variable Net Asset Value (VNAV)
- Other Money Market Funds and Collective Investment Schemes– i.e. credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

1. ** Investments in these instruments will be on advice from the Council's treasury advisor.*
2. *The use of the above instruments by the Council's fund manager(s) will be by reference to the fund guidelines contained in the agreement between the Council and the individual manager.*

For credit rated counterparties, the minimum criteria will be the lowest equivalent short-term and long-term ratings assigned by Fitch, Moody's and Standard & Poor's (where assigned).

Long-term minimum: A+(Fitch); A1 (Moody's;) A+ (S&P)

Short-term minimum: F1 (Fitch); P-1 (Moody's); A-1 (S&P)

The Council will also take into account information on corporate developments of and market sentiment towards investment counterparties.

New specified investments will be made within the following limits:

Instrument	**Country/ Domicile**	**Counterparty**	**Maximum Counter-party Limits %/£m**
Term Deposits	UK	DMADF, DMO	No limit
Term Deposits/Call Accounts	UK	Other UK Local Authorities	No limit
Term Deposits/Call Accounts	UK*	Counterparties rated at least A+ Long Term and F1 Short Term (or equivalent)	15m
Term Deposits/Call Accounts	Non-UK*	Counterparties rated at least A+ Long Term and F1 Short Term (or equivalent) in select countries with a Sovereign Rating of at least AA+	5m
Gilts	UK	DMO	No limit
T-Bills	UK	DMO	No limit
Bonds issued by multilateral development banks		(For example, European Investment Bank/Council of Europe, Inter American Development Bank)	30%
AAA-rated Money Market Funds	UK/Ireland/ Luxembourg domiciled	CNAV MMFs VNAV MMFs (where there is greater than 12 month history of a consistent £1 Net Asset Value)	40%
Other MMFs and CIS	UK/Ireland/ Luxembourg domiciled	Pooled funds which meet the definition of a Collective Investment Scheme per SI 2004 No 534 and subsequent amendments	10m

NB Any existing deposits outside of the current criteria will be reinvested with the above criteria on maturity.

<u>NB</u>
Group Limits - For institutions within a banking group, a limit of 1.5 times the individual limit of a single bank within that group.

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limit £m
Term Deposits/Call Accounts	UK	Santander UK Plc (Banco Santander Group)	15
Term Deposits/Call Accounts	UK	Bank of Scotland (Lloyds Banking Group)	15
Term Deposits/Call Accounts	UK	Lloyds TSB (Lloyds Banking Group)	15
Term Deposits/Call Accounts	UK	Barclays Bank Plc	15
Term Deposits/Call Accounts	UK	Clydesdale Bank (National Australia Bank Group)	15
Term Deposits/Call Accounts	UK	HSBC Bank Plc	15
Term Deposits/Call Accounts	UK	Nationwide Building Society	15
Term Deposits/Call Accounts	UK	NatWest (RBS Group)	25
Term Deposits/Call Accounts	UK	Royal Bank of Scotland (RBS Group)	15
Term Deposits/Call Accounts	Australia	Australia and NZ Banking Group	5
Term Deposits/Call Accounts	Australia	Commonwealth Bank of Australia	5
Term Deposits/Call Accounts	Australia	National Australia Bank Ltd (National Australia Bank Group)	5
Term Deposits/Call Accounts	Australia	Westpac Banking Corp	5
Term Deposits/Call Accounts	Canada	Bank of Montreal	5
Term Deposits/Call Accounts	Canada	Bank of Nova Scotia	5

Term Deposits/Call Accounts	Canada	Canadian Imperial Bank of Commerce	5
Term Deposits/Call Accounts	Canada	Royal Bank of Canada	5
Term Deposits/Call Accounts	Canada	Toronto-Dominion Bank	5
Term Deposits/Call Accounts	Finland	Nordea Bank Finland	5
Term Deposits/Call Accounts	France	BNP Paribas	5
Term Deposits/Call Accounts	France	Credit Agricole CIB (Credit Agricole Group)	5
Term Deposits/Call Accounts	France	Credit Agricole SA (Credit Agricole Group)	5
Term Deposits/Call Accounts	France	Société Générale	5
Term Deposits/Call Accounts	Germany	Deutsche Bank AG	5
Term Deposits/Call Accounts	Netherlands	ING Bank NV	5
Term Deposits/Call Accounts	Netherlands	Rabobank	5
Term Deposits/Call Accounts	Sweden	Svenska Handelsbanken	5
Term Deposits/Call Accounts	Switzerland	Credit Suisse	5
Term Deposits/Call Accounts	US	JP Morgan	5

Annex D

Non-Specified Investments determined for use by the Council

Having considered the rationale and risk associated with Non-Specified Investments, the following have been determined for the Council's use:

	In-house use	**Use by fund managers**	**Maximum maturity**	**Max % of portfolio**	**Capital expenditure?**
▪ Deposits with banks and building societies ▪ CDs with banks and building societies	✓ ✓	 ✓	*<u>5 YEARS</u>*	<u>60% In Aggregate</u>	No
▪Gilts ▪Bonds issued by multilateral development banks ▪Bonds issued by financial institutions guaranteed by the UK government ▪Sterling denominated bonds by non-UK sovereign governments	✓ (on advice from treasury advisor)	✓	10 years	75% in Aggregate	No
Money Market Funds and Collective Investment Schemes, which are not credit rated	✓ (on advice from treasury advisor)	✓	*<u>These funds do not have a defined maturity date</u>*	*50%*	No

Government guaranteed bonds and debt instruments issued by corporate bodies	✓	✓	*10 Years*	*£5m*	Yes
Non-guaranteed bonds and debt instruments issued by corporate bodies	✓	✓	*10 years*	*£5m*	Yes
Pooled funds which are not capital expenditure investments as defined by regulations.	✓ (on advice from treasury advisor)	✓	*These funds do not have a defined maturity date*	£10m	Yes

1. In determining the period to maturity of an investment, the investment should be regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty.
2. The use of the above instruments by the Council's fund manager(s) will be by reference to the fund guidelines contained in the agreement between the Council and the individual manager.