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 Director of Corporate Resources 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 Director of Corporate Resources 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 Annual Treasury Management Strategy 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 Director of Corporate Resources 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 Director of Corporate Resources 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 2010/11 to 2012/13

Template

Contents

Appendices

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

1. <u>Background</u>

1.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") requires local authorities to determine the Treasury Management Strategy Statement (TMSS). This statement also incorporates the Investment Strategy. Together, these cover the financing and investment strategy for the forthcoming financial year.

In response to the financial crisis in 2008 and the collapse of the Icelandic banks, CIPFA has revised the TM Code and Guidance Notes as well as the Prudential Indicators. Communities and Local Government (CLG) is also in the process of revising and updating the Investment Guidance. Changes required to be made to this Strategy and/or documentation will be placed before members for consideration at the next Executive meeting.

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 is an important and integral element of its treasury management activities. The main risks to the Council's treasury activities are:

- Liquidity Risk (Inadequate cash resources)
- Market or Interest Rate Risk (Fluctuations in interest rate levels)
- Inflation Risk (Exposure to inflation)
- Credit and Counterparty Risk (Security of Investments)
- Refinancing Risk (Impact of debt maturing in future years)
- Legal & Regulatory Risk

1.4 The strategy also 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 (Appendix A), the Prudential Indicators (Appendix B) and the outlook for interest rates (Appendix C).

1.5 The purpose of this Treasury Management Strategy Statement is to approve:

- Treasury Management Strategy for 2010-11 (Borrowing - Section 4, Debt Rescheduling - Section 5, Investments - Section 6)
- Prudential Indicators – Appendix B (NB - PI No. 6 - The Authorised Limit is a statutory limit)
- MRP Statement – Section 8
- Use of Specified and Non-Specified Investments – Appendices D & E

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

2. <u>Balance Sheet and Treasury Position</u>

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 set out below:

	31 Mar 10 Estimate £m	31 Mar 11 Estimate £m	31 Mar 12 Estimate £m	31 Mar 13 Estimate £m
CFR	187.0	192.5	221.7	247.7
Balances & Reserves	(4.9)	(6.9)	(9.9)	(12.9)
Net Balance Sheet Position	**182.1**	**185.6**	**211.8**	**234.8**

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 Appendix 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.

2.3 As the CFR represents the level of borrowing for capital purposes and revenue expenditure cannot be financed from borrowing, net physical external borrowing should not exceed the CFR other than for short term cash flow requirements. It is permissible under the Prudential Code to borrow in advance of need up to the level of the estimated CFR over the term of the Prudential Indicators. Where this takes place the cash will form part of its invested sums until the related capital expenditure is incurred. This being the case net borrowing should not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years other than in the short term due to cash flow requirements.

2.4 The move to International Financial Reporting Standards (IFRS) has implications for the Capital Financing Requirement components on the Balance Sheet. Analysis of the Council's Private Finance Initiative (PFI) schemes and Operating leases against IFRS requirements is currently being undertaken and may result in the related long term assets and liabilities being brought onto the Council's Balance Sheet. The estimates for the CFR and Long Term Liabilities will therefore need to take into account such items which may need to be revised once this analysis has been completed. This will influence the determination of the Council's Affordable Borrowing Limit and Operational Boundary which may, in turn, also need revision.

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

2.5 The Department for Communities and Local Government has recently consulted on proposals to reform the council housing subsidy system. The proposed Self-financing option would require a one-off reallocation of housing debt. As the consultation period has only recently ended and the mechanism for debt transfer has not been determined, the estimates set out in this strategy do not take into account any potential debt transfer that may arise in future years.

2.6 The estimate for interest payments in 2010/11 is £6.3m and for interest receipts is £1.6m. The calculations exclude any assumptions in respect of debt premia and Minimum Revenue Provision (MRP).

3. Outlook for Interest Rates

The economic interest rate outlook provided by the Council's treasury advisor, Arlingclose Ltd, is attached at Appendix C to the Strategy. Financial markets remain reasonably volatile as the structural changes necessary within economies and the banking system evolve. This volatility provides opportunities for active treasury management. . 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.

4. Borrowing Requirement and Strategy

4.1 The Council's underlying need to borrow for capital purposes is measured by reference to its Capital Financing Requirement (CFR) – see Appendix B. The CFR represents the cumulative capital expenditure of the local authority that has not been financed. To ensure that this expenditure will ultimately be financed, local authorities are required to make a Minimum Revenue Provision for Debt Redemption (MRP) from within the Revenue budget each year.

4.2 Capital expenditure not financed from internal resources (i.e. Capital Receipts, Capital Grants and Contributions, Revenue or Reserves) will produce an increase in the CFR (the underlying need to borrow) and in turn produce an increased requirement to charge MRP in the Revenue Account.

4.3 Physical external borrowing may be greater or less than the CFR, but in accordance with the Prudential Code, the Council will ensure that net external borrowing does not, except in the short term, exceed the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years.

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

4.4 The cumulative estimate of the maximum long-term borrowing requirement is estimated by comparing the projected CFR with the profile of the current portfolio of external debt and long term liabilities over the same financial horizon, as follows:

	31/03/2010 Estimate £m	31/03/2011 Estimate £m	31/03/2012 Estimate £m	31/03/2013 Estimate £m
Capital Financing Requirement	187.0	192.5	221.7	247.7
Less: Existing Profile of Borrowing and Other Long Term Liabilities	(156.3)	(156.3)	(155.6)	(150.6)
Cumulative Maximum External Borrowing Requirement	**30.7**	**36.2**	**66.1**	**97.1**
Balances & Reserves	(4.9)	(6.9)	(9.9)	(12.9)
Cumulative Net Borrowing Requirement/Investments	**25.8**	**29.3**	**56.2**	**84.2**

4.5 The Council's strategy is to maintain maximum control over its borrowing activities as well as flexibility on its loans portfolio. 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. A prudent and pragmatic approach to borrowing will be maintained to minimise borrowing costs without compromising the longer-term stability of the portfolio, consistent with the Council's Prudential Indicators.

4.6 In conjunction with advice from its treasury advisor, Arlingclose Ltd, the Council will keep under review the options it has in borrowing from the PWLB, the market and other sources identified in the Treasury Management Practices Schedules up to the available capacity within its CFR and Affordable Borrowing Limit (defined by CIPFA as the Authorised Limit).

The outlook for borrowing rates:

4.7 Short-dated gilt yields are forecast to be lower than medium- and long-dated gilt yields during the financial year. Despite additional gilt issuance to fund the UK government's support to the banking industry, short-dated gilts are expected to benefit from expectations of lower interest rates as the economy struggles through a recession. Yields for these maturities will fall as expectations for lower interest rates mount.

4.8 The differential between investment earnings and debt costs, despite long term borrowing rates being around historically low levels, remains acute and this is expected to remain a feature during 2010/11. The so-called "cost of carry" associated with long term borrowing compared to temporary investment returns means that the appetite for new long term borrowing brings with it additional short-term costs. It is not surprising that the use of internal resources in lieu of borrowing has been the most cost effective means of financing capital expenditure but, at some stage, internal resources will become depleted and require topping up.

4.9 PWLB variable rates have fallen below 1%. They are expected to remain low as the Bank Rate is maintained at historically low levels to enable the struggling economy emerge from the recession. Against a backdrop of interest rates remaining lower for longer and a continuation of the cost of carry backdrop, then a passive borrowing strategy i.e. borrow long term funds as they are required may remain appropriate. Equally, variable rate funds (that avoid the cost of carry) or EIP (equal instalments of principal) that mitigate the impact are both active considerations.

4.10 Decisions to borrow at low, variable rates of interest will be taken after considering the absolute level of longer term interest rate equivalents and the extent of variable rate earnings on the Council's investment balances. When longer term rates move below the cost of variable rate borrowing any strategic exposure to variable interest rates will be reviewed and, if appropriate, reduced.

4.11 The PWLB remains the preferred source of borrowing given the transparency and control that its facilities continue to provide.

4.12 The Council has £13.5m loans which are LOBO loans (Lender's Options Borrower's Option) which will be in their option stage in FY 2010/11. In the event that the lender exercises the option to change the rate or terms of the loan, the Council will consider (a) the terms being provided and (b) 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.

4.13 The Council will undertake a financial options appraisal process to establish how it has arrived at its 'value for money' judgement in the use of resources.

5. Debt Rescheduling

5.1 The Council has rescheduled debt in FY 2009-10 and will continue to maintain a flexible policy for debt rescheduling. Market volatility and the steep yield curve may provide opportunities for rescheduling debt from time to time. 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.

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

5.2 In September 2009, the PWLB issued a Consultation document, entitled 'PWLB Fixed Rates', where the PWLB is reviewing the frequency of rate setting (currently daily) and could move to a live pricing basis. The deadline for the consultation period is 08/01/2010. The likely outcome of this is a reduction in the extent of the margins between premature repayment and new borrowing rates, particularly for longer maturities.

5.3 Any rescheduling activity will be undertaken within the Council's treasury management policy and strategy. The Council will agree in advance with Arlingclose the strategy and framework within which debt will be repaid/rescheduled if opportunities arise. Thereafter the Council's debt portfolio will be monitored against equivalent interest rates and available refinancing options on a regular basis. As opportunities arise, they will be identified by Arlingclose and discussed with the Council's officers.

5.4 All rescheduling activity will comply with the accounting requirements of the local authority SORP and regulatory requirements of the Capital Finance and Accounting Regulations (SI 2007 No 573 as amended by SI 2008/414).

5.5 Borrowing and debt rescheduling activity will be reported to the next Executive meeting.

6. <u>Investment Policy and Strategy</u>

Background

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

Investment Policy

6.2 To comply with the CLG's guidance, the Council's general policy objective is to invest its surplus funds prudently. 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.

The CLG's recent (draft) revised Guidance on investments reiterates security and liquidity as the primary objectives of a prudent investment policy. The speculative procedure of borrowing purely in order to invest is unlawful.

6.3 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 Appendix <u>D.</u>

6.4 The credit crisis has refocused attention on the treasury management priority of security of capital monies invested. The Council will continue to maintain a counterparty list based on its criteria and will monitor and update the credit standing of the institutions on a regular basis. This assessment will include credit ratings and other alternative assessments of credit strength as outlined in paragraph 6.12.

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

6.5 The Council's current level of investments is presented at Appendix A.

Investment Strategy

6.6 The global financial market storm in 2008 and 2009 has forced investors of public money to reappraise the question of risk versus yield. Income from investments is a key support in the Council's budget.

6.7 The UK Bank Rate has been maintained at 0.5% since March 2009. **Short-term money market rates are likely to remain at very low levels which will have a significant impact on investment income**. The Council's strategy must however be geared towards this development whilst adhering to the principal objective of security of invested monies.

6.8 The Director of Corporate Resources, 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 Executive meeting.

Investments managed in-house:

6.9 The Council's shorter term cash flow investments are made with reference to the outlook for the UK Bank Rate and money market rates.

6.10 In any period of significant stress in the markets, the default position is for investments to be made with the Debt Management Office.

6.11 Currently the Council has restricted its investment activity to:

- The Debt Management Agency Deposit Facility (The rates of interest from the DMADF are significantly below equivalent money market rates. However, the returns are an acceptable trade-off for the guarantee that the Council's capital is secure)
- AAA-rated Money Market Funds with a Constant Net Asset Value (CNAV)
- Deposits with other local authorities
- Business reserve accounts and term deposits. *In 2009/10 these have been primarily restricted to UK institutions that are rated at least AA- long term, and have access to the UK Government's 2008 Credit Guarantee Scheme (CGS)*
- Bonds issued by Multilateral Development Banks

  Please see Appendix E for a breakdown of current counterparties, instruments and limits used.

6.12 Conditions in the financial sector have begun to show signs of improvement, albeit with substantial intervention by government authorities. In order to diversify the counterparty list, the use of comparable non-UK Banks for investments is now considered appropriate.

The sovereign states whose banks are to be included are Australia, Canada, Finland, France, Germany, Netherlands, Spain, Switzerland and the US.

Treasury Management Strategy Statement
and Investment Strategy 2010/11 to 2012/13

These countries, and the Banks within them (see Appendix E/F), have been selected after analysis and careful monitoring of:

- Credit Ratings (minimum long-term AA-)
- Credit Default Swaps
- GDP; Net Debt as a Percentage of GDP
- Sovereign Support Mechanisms/potential support from a well-resourced parent institution
- Share Price

The Council has also taken into account information on corporate developments and market sentiment towards the counterparties. 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.

We do remain in a heightened state of sensitivity to risk. Vigilance is key. This modest expansion of the counterparty list is an incremental step. In order to meet requirements of the revised Code of Practice on Treasury Management, the Council is focusing on a range of indicators (as stated above), not just credit ratings.

Limits for Specified Investments are set out in Appendix E/F.

6.13 To protect against a prolonged period of low interest rates, 1-year deposits and longer-term secure investments will be actively considered within the limits the Council has set for Non-Specified Investments (see Appendix D). The longer-term investments will be likely to include: *(please select /amend as appropriate)*

- **Supranational bonds (bonds issued by multilateral development banks):** The joint and individual pan-European government guarantees in place on these bonds provide security of the principal invested. 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.

- **UK government guaranteed bonds and debt instruments issued by banks/building societies**: The UK Government's 2008 Credit Guarantee Scheme permits specific UK institutions to issue short-dated bonds with an explicit government guarantee. The bonds are issued at a margin over the underlying gilt and would be a secure longer-term investment option. (*Please note that these bonds would, under existing statute, be capital expenditure investments.*)

Investments managed externally

Funds managed on a segregated basis

6.14 The Council's funds are also managed on a discretionary basis by Investec as listed in Appendix A. The fund's remit allows the managers scope to add value through the use of investments contained in Appendix D/E and within the parameters and guidelines set for the Council's fund. Performance is monitored and measured against the benchmark set for the fund, prevailing economic conditions and investment opportunities.

6.15 The fund manager's expectation on the range of returns is based on their economic outlook and their forecasts for gilt/bond yields and money market rates. These are in Appendix C.

Collective Investment Schemes (Pooled Funds)

6.16 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.

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

Investments which constitute capital expenditure

6.18 Investments 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.

6.19 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.

6.20 All investment activity will comply with the accounting requirements of the local authority SORP.

7. Balanced Budget Requirement

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

8. 2010/11 MRP Statement

The Annual MRP Statement is subject to Council approval and may therefore be reported separately to Council instead of being incorporated into the TMSS.

8.1 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.

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

8.2 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.

The 2009 SORP and IFRS may result in PFI schemes and leases being brought on balance sheet. Where this is the case the CFR will increase, which will lead to an increase in the MRP charge to revenue. MRP for these items will match the annual principal repayment for the associated deferred liability.

8.3 MRP in 2010/11: 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).

8.4 The MRP Statement will be submitted to Council before the start of the 2010/11 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.

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

MRP in respect of PFI and leases brought on Balance Sheet under the 2009 SORP and IFRS will match the annual principal repayment for the associated deferred liability.

9. **Reporting on the Treasury Outturn**

The Portfolio Holder - Resources will report to the Executive on treasury management activity / performance as follows:
(a) quarterly against the strategy approved for the year.
(b) The Council will produce an outturn report on its treasury activity no later than 30th September after the financial year end.

10. **Other items**

Member Training

It is expected that CIPFA's revised Code will require the Director of Corporate Resources 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.

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

APPENDIX A

EXISTING PORTFOLIO PROJECTED FORWARD

	Current Portfolio £m	%	31 Mar 10 Estimate £m	31 Mar 11 Estimate £m	31 Mar 12 Estimate £m	31 Mar 13 Estimate £m
External Borrowing:						
Fixed Rate – PWLB	123.2	78.9	123.2	123.2	122.6	117.5
Fixed Rate – Market	13.5	8.6	13.5	13.5	13.5	13.5
Variable Rate – PWLB						
Variable Rate – Market	19.5	12.5	19.5	19.5	19.5	19.5
Other long-term liabilities						
IFRS long-term liabilities (to be determined):						
- PFI (2009/10)	0	0.0	0	0	0	0
- Operating Leases (2010/11 onwards)	0	0.0	0	0	0	0
Total External Debt	156.2	100.0	156.2	156.2	155.6	150.5
Investments:						
Managed in-house						
- Deposits and monies on call and Money Market Funds	101.0	90.6	92.0	92.0	92.0	92.0
- Supranational bonds						
- Corporate bonds						
Managed externally						
- Segregated cash and gilt funds (Investec)	5.5	4.9	5.6	5.8	5.9	6.1
- Lime Fund	5.0	4.5	5.0	5.0	5.0	5.0
Total Investments	**111.5**	**100.0**	**102.6**	**102.8**	**102.9**	**103.1**
(Net Borrowing Position)/ Net Investment position	**(44.7)**		**(53.6)**	**(53.4)**	**(52.7)**	**(47.4)**

Variable debt will be under constant review and it will be fixed if deemed appropriate.

Analysis of the Council's Private Finance Initiative (PFI) schemes and Operating leases against IFRS requirements is currently being undertaken and may result in the related long term assets and liabilities being brought onto the Council's Balance Sheet.

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

APPENDIX B

PRUDENTIAL INDICATORS 2010/11 TO 2012/13

1 **Background:**
There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. It should be noted that CIPFA undertook a review of the Code in early 2008. The outcome from that review has yet to be published.

2. **Net Borrowing and the Capital Financing Requirement:**
This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that the net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

The Director of Corporate Resources reports that the authority had no difficulty meeting this requirement in 2009/10, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

3. **Estimates of Capital Expenditure:**

3.1 This indicator is set to ensure that the level of proposed 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.

No. 1	Capital Expenditure	2009/10 Revised £m	2010/11 Estimate £m	2011/12 Estimate £m	2012/13 Estimate £m
	Non-HRA	50.0	60.0	52.6	41.8
	HRA	5.7	4.9	5.0	5.1
	Total	**55.7**	**64.9**	**57.6**	**46.9**

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

3.2 Capital expenditure will be financed as follows:

Capital Financing	**2009/10 Revised £m**	**2010/11 Estimate £m**	**2011/12 Estimate £m**	**2012/13 Estimate £m**
Capital receipts	10.5	11.8	6.2	2.8
Government Grants	24.5	26.2	5.3	1.6
Major Repairs Allowance	3.6	3.8	3.8	4.0
Revenue contributions	0.4	0.4	0.4	0.4
External Contributions	7.9	11.3	6.5	4.9
Contribution Reserves	0.0	0.3	0.3	0.3
Supported borrowing	8.8	11.0	34.9	32.9
Unsupported borrowing	0.0	0.0	0.0	0.0
Total	**55.7**	**64.8**	**57.4**	**46.9**

Note: the element to be financed from borrowing impacts on the movement in the Capital Financing Requirement.

4. Ratio of Financing Costs to Net Revenue Stream:

4.1 This 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 definition of financing costs is set out at paragraph 87 of the Prudential Code.

4.2 The ratio is based on costs net of investment income.

No. 2	**Ratio of Financing Costs to Net Revenue Stream**	**2009/10 Revised %**	**2010/11 Estimate %**	**2011/12 Estimate %**	**2012/13 Estimate %**
	Non-HRA	5.8	5.8	6.3	6.9
	HRA*	0.4	0.4	0.4	0.4
	Total	**5.1**	**5.2**	**5.6**	**6.1**

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

5. Capital Financing Requirement:

5.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and its financing. It is an aggregation of the amounts shown for Fixed and Intangible assets, the Revaluation Reserve, the Capital Adjustment Account, Government Grants Deferred and any other balances treated as capital expenditure**.

No. 3	**Capital Financing Requirement**	**2009/10 Revised £m**	**2010/11 Estimate £m**	**2011/12 Estimate £m**	**2012/13 Estimate £m**
	Non-HRA	194.7	200.2	229.4	255.4
	HRA*	(7.7)	(7.7)	(7.7)	(7.7)
	Total CFR	**187.0**	**192.5**	**221.7**	**247.7**

** if applicable*

*** in line with CIPFA's guidance, any investments or other items not falling within the classification of fixed or intangible assets, but financed from capital resources must be included within the CFR for the purposes of this calculation.*

Note: The CFR can be a negative amount in situations where resources were required to be set aside under the 1989 Act regime that exceeded the underlying need to borrow.

5.2 The year–on-year change in the CFR is due to the following

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

Capital Financing Requirement	**2009/10 Revised £m**	**2010/11 Estimate £m**	**2011/12 Estimate £m**	**2012/13 Estimate £m**
Balance B/F	174.4	187.0	192.5	221.7
Capital expenditure financed from borrowing (per 2.2)	17.6	11.0	34.9	32.9
Revenue provision for debt Redemption.	(5.0)	(5.5)	(5.7)	(6.9)
Deferred Liability Add : PFI brought on Balance Sheet Less : PFI Principal Repayment (to be determined)	0.0	0.0	0.0	0.0
Deferred Liability Add : Operating Lease brought on B/S Less : Operating Lease Principal Repayment (to be determined)	0.0	0.0	0.0	0.0
Other items *(specify)*	0.0	0.0	0.0	0.0
Balance C/F	**187.0**	**192.5**	**221.7**	**247.7**

Analysis of the Council's Private Finance Initiative (PFI) schemes and Operating leases against IFRS requirements is currently being undertaken and may result in their inclusion in the table above.

6. Actual External Debt:

6.1 This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

No. 4	**Actual External Debt as at 31/03/2009**	**£m**
	Borrowing	156.3
	Other Long-term Liabilities	0.0
	Total	**156.3**

7. Incremental Impact of Capital Investment Decisions:

7.1 This is an indicator of affordability that 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.

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

No. 5	Incremental Impact of Capital Investment Decisions	2009/10 Estimate £	2010/11 Estimate £	2011/12 Estimate £	2012/13 Estimate £
	Increase in Band D Council Tax	1.06	2.12	9.46	8.40
	Increase in Average Weekly Housing Rents	0.39	0.33	0.91	1.21

7.2 Impact of Capital Plans
The increase in Band D council tax/average weekly rents reflects the increases in running costs and/or increases in the provision for Capital Financing Charges.

8. Authorised Limit and Operational Boundary for External Debt:

8.1 The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.

8.2 The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities. This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

8.3 The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

8.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

No. 6	Authorised Limit for External Debt	2009/10 Approved £m	2010/11 Estimate £m	2011/12 Estimate £m	2012/13 Estimate £m
	Borrowing	360	221	232	243
	Other Long-term Liabilities	0	0	0	0
	Total	**360**	**221**	**232**	**243**

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

8.5 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.

8.6 The Director of Corporate Resources 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 Executive.

No. 7	**Operational Boundary for External Debt**	**2009/10 Approved £m**	**2010/11 Estimate £m**	**2011/12 Estimate £m**	**2012/13 Estimate £m**
	Borrowing	350	211	222	233
	Other Long-term Liabilities	0	0	0	0
	Total	**350**	**211**	**222**	**233**

9. Adoption of the CIPFA Treasury Management Code:

9.1 This indicator demonstrates that the Council has adopted the principles of best practice.

No. 8	**Adoption of the CIPFA Code of Practice in Treasury Management**
	The Council approved the adoption of the CIPFA Treasury Management Code at its Shadow Executive meeting on 17th February 2009

10. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

10.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on *(select as appropriate)* net principal outstanding sums, (i.e. fixed rate debt net of fixed rate investments.

10.2 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

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

		2009/10 Approved %	2009/10 Revised %	2010/11 Estimate %	2011/12 Estimate %	2012/13 Estimate %
No. 9	Upper Limit for Fixed Interest Rate Exposure	100	100	100	100	100
No. 10	Upper Limit for Variable Interest Rate Exposure	50	50	35	35	35

10.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's treasury management strategy.

10.4 As the Council's investments are substantially in excess of its borrowing, these calculations have resulted in a negative figure.

11. Maturity Structure of Fixed Rate borrowing:

11.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

11.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

No. 11	Maturity structure of fixed rate borrowing	Upper Limit %
	under 12 months	100
	12 months and within 24 months	100
	24 months and within 5 years	100
	5 years and within 10 years	100
	10 years and within 20 years	100
	20 years and within 30 years	100
	30 years and within 40 years	100
	40 years and within 50 years	100
	50 years and above	100

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

12. Upper Limit for total principal sums invested over 364 days:

12.1 The purpose of 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.

No. 12	Upper Limit for total principal sums invested over 364 days	2009/10 Approved £m	2010/11 Estimate £m	2011/12 Estimate £m	2012/13 Estimate £m
		20	20	20	20

**Treasury Management Strategy Statement
and Investment Strategy 2010/11 to 2012/13**

APPENDIX C

Arlingclose's Economic and Interest Rate Forecast

	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12
Official Bank Rate										
Upside risk				+0.25	+0.25	+0.50	+0.50	+0.50	+0.50	+0.50
Central case	0.50	0.50	0.50	0.50	1.00	1.50	2.25	3.00	4.00	4.00
Downside risk					-0.50	-0.50	-0.50	-0.25	-0.25	-0.25
1-yr LIBID										
Upside risk				+0.25	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50
Central case	1.25	1.25	1.25	1.50	2.00	2.75	3.50	4.00	4.25	4.25
Downside risk					-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
5-yr gilt										
Upside risk		+0.25	+0.25	+0.25	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50
Central case	2.60	2.70	2.80	2.90	3.00	3.25	3.50	3.75	4.00	4.25
Downside risk		-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	+0.25	+0.25
Central case	3.60	3.75	3.75	4.00	4.00	4.25	4.25	4.50	4.50	4.75
Downside risk			-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	+0.25	+0.25
Central case	4.10	4.25	4.50	4.75	4.75	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
50-yr gilt										
Upside risk	+0.25	+0.25	+0.25	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50	+0.50
Central case	4.00	4.25	4.50	4.50	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

- The recovery in growth is likely to be slow and uneven, more "W" than "V" shaped. The Bank of England will stick to its lower-for-longer stance on policy rates.
- Gilt yields will remain volatile; yields have been compressed by Quantitative Easing and will rise once QE tapers off and if government debt remains at record high levels.
- Central banks will eventually wind down and exit their emergency liquidity provisions and shrink their balance sheets, but official interest rates in the UK, Eurozone and US will stay low for some while.
- There are significant threats to the forecast from potential downgrades to sovereign ratings and/or political instability.

<u>Assumptions</u>

- The Bank of England has increased **Quantitative Easing** (QE) to £200bn to insure against the downside risks to growth and stimulate the economy.

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

- The Bank forecasts **GDP** to grow by 4% in 2011 but concedes growth could be impeded by corporate and consumer balance sheet adjustments, restrictions in bank credit and consumers' cautious spending behaviour. This is an optimistic forecast in our view; evidence of recovery is scant with weak real economic data and rising unemployment.
- Looming bank regulation and liquidity and capital requirements will curb banking lending activity. The Bank retains the option to reduce the rate on commercial banks' deposits to encourage them to lend.
- The **employment** outlook remains uncertain. Pay freezes and job cuts will continue into 2010.
- **Inflation** is not an immediate worry. The Bank's forecast is for CPI to rise in the next few months from higher commodity prices and VAT reverting to 17.5%, but is forecast to remain below 2% in the short term, only surpassing the target in 2012. There is a risk that inflation overshoots in 2010 prompting a letter from the Bank's Governor to the Chancellor.
- The **UK fiscal deficit** remains acute. Cuts in public spending and tax increases are now inevitable and more likely to be pushed through in 2010 by a new government with a clear majority.
- The net supply of gilts will rise to unprecedented levels in 2010. Failure to articulate and deliver on an urgent and credible plan to lower government borrowing to sustainable levels over the medium term will be negative for gilts.
- The Federal Reserve Chairman Bernanke's diagnosis of a weak U.S. economy and labour market signal that the Fed's "extended period" of low rates may get even longer. The outlook the Eurozone is more optimistic but the European Central Bank will only increase rates after a durable upturn in growth.

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

APPENDIX D

Specified and Non Specified Investments

Please note the CLG is in the process of undertaking a review of the Investment Guidance for Local Authorities in England and this section would therefore be subject to review and amendment

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 criteria as determined by the Council or is made with the UK government or is made with a local authority in England, Wales and Scotland.
- 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
- AAA-rated Money Market Funds with a Constant Net Asset Value (Constant NAV)
- 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.*

**Treasury Management Strategy Statement
and Investment Strategy 2010/11 to 2012/13**

For credit rated counterparties, the minimum criteria will be the highest short-term and a long-term rating (equivalent of AA- or higher) assigned by various agencies which may include Moody's Investors Services, Standard & Poor's, Fitch Ratings.

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 In-house	Country	Counterparty	Maximum Limit of Investments %/£m
Term Deposits	UK	DMADF, DMO	No limit
Term Deposits/Call Accounts	UK	Other UK Local Authorities	No limit
Term Deposits/Call Accounts	UK	Abbey	25
Term Deposits/Call Accounts	UK	Bank of Scotland/Lloyds	25
Term Deposits/Call Accounts	UK	Barclays	25
Term Deposits/Call Accounts	UK	Clydesdale	25
Term Deposits/Call Accounts	UK	HSBC	25
Term Deposits/Call Accounts	UK	Nationwide	25
Term Deposits/Call Accounts	UK	Royal Bank of Scotland/Natwest	30
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	5
Term Deposits/Call Accounts	Australia	Westpac Banking Corp	5

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

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	Calyon (Credit Agricole Group)	5
Term Deposits/Call Accounts	France	Credit Agricole SA	5
Term Deposits/Call Accounts	Germany	Deutsche Bank AG	5
Term Deposits/Call Accounts	Netherlands	Rabobank	5
Term Deposits/Call Accounts	Spain	Banco Bilbao Vizcaya Argentaria	5
Term Deposits/Call Accounts	Spain	Banco Santander SA	5
Term Deposits/Call Accounts	Switzerland	Credit Suisse	5
Term Deposits/Call Accounts	US	JP Morgan	5
Gilts	UK	DMO	No limit

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

Bonds	EU	For example, European Investment Bank/ Council of Europe	
AAA rated Money Market Funds	UK/Ireland/ Luxembourg	CNAV MMFs	40%
Other MMFs and CIS	UK	Collective Investment Schemes	
Instrument External		**Counterparty**	**Maximum Limit of Investments %/£m**
Deposits, Certificates of Deposits,	Fund Managers	Min AA-long term category and F1+ short term rating or equivalent	15% per counterparty
	Lime Fund	N/A	£10m

NB Any existing deposits outside of the current criteria will be reinvested with the above criteria on maturity.
NB Our advice is that non-UK banks should be restricted to a maximum exposure of 40%.

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

APPENDIX E

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 ▪ Certificates of deposit with banks and building societies	✓ ✓	 ✓	5 yrs	60% in aggregate	No
Gilts and bonds ▪ Gilts ▪ Bonds issued by multilateral development banks ▪ Bonds issued by financial institutions guaranteed by the UK government, e.g. GEFCO ▪ 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 (pooled funds which meet the definition	✓ (on advice from treasury advisor)	✓	These funds do not have a defined maturity date	50%	No

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573) but which are not credit rated					
Government guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies (e.g. govt bonds issued by HBOS / RBS / Nationwide, etc)	✓ (on advice from treasury advisor)	✓	*10 years*	*£5m*	**Yes**
Non-guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies	✓	✓	*10 years*	*£5m*	**Yes**
Collective Investment Schemes (Pooled funds) which do not meet the definition of collective investment schemes in SI 2004 No 534 or SI 2007 No 573	✓ (on advice from treasury advisor)	✓	These funds do not have a defined maturity date	*£10m*	**Yes**

Treasury Management Strategy Statement and Investment Strategy 2010/11 to 2012/13

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.