City of Bradford MDC
www.bradford.gov.uk

Report of the Director of Finance to the meeting of the Council to be held on the 25th March 2014.

Q

Subject:

Treasury Management Policy Statement, Minimum Revenue Provision Strategy and Annual Investment Strategy 2013/14

Summary statement:

This report shows the Council's Treasury Strategy for borrowing for the three financial years commencing 2013/14 and the Annual Investment Strategy for 2013/14

Stuart McKinnon-Evans
Director of Finance

Report Contact: David Willis
Treasury Manager
Phone: (01274) 43 2361
E-mail: david.willis@bradford.gov.uk

Portfolio:

Corporate

Overview & Scrutiny Area:

Corporate

Treasury Management Policy Statement, Minimum Revenue Provision Strategy and Annual Investment Strategy 2013/14

1 Introduction

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

CIPFA defines treasury management as:

> *"The management of the local authority'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."*

This report proposes one temporary change to the Council's Treasury Management Policy. Following the closure of the cash offices in 2013, the Council put in place arrangements for residents to pay their Council tax and other bills through a network of high-street retailers and post offices. The only bank at the time approved to offer the necessary cash handling service to support the new arrangements was the Co-Operative Bank. In April 2013 therefore a bank account was opened with the Co-Operative Bank and cleared balances transferred into the Council's main bank account on a daily basis.

The Co-op Bank is not on the approved Treasury policy list of banks.The Director of Finance's assessment is that the operational and financial advantages of the arrangement are sufficiently great to justify the risks associated with short-term cash holdings with the Co-op in terms of the current policy. A temporary change to the Treasury policy is therefore recommended in section 3.8.3 of the report,to include the Co-op Bank until alternative arrangements can be made.

1.2 Reporting requirements

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

This report - which covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid year treasury management report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and state whether the treasury strategy is meeting the strategy or whether any policies require revision.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny
The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Governance and Audit Committee.

1.3 Treasury Management Strategy for 2014/15

The strategy for 2014/15 covers two main areas:

Capital issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

The training needs of treasury management officers are periodically reviewed.

1.5 Treasury management consultants

The Council uses Capita Asset Services Treasury solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2 THE CAPITAL PRUDENTIAL INDICATORS 2014/15 – 2016/17

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members overview and confirm capital expenditure plans.

2.1 Capital expenditure

Given the contraction of the Council's revenue resources over the next few years the Council has reviewed its planned capital spend and the proportion of the revenue budget that is used to finance capital expenditure. If the revenue budget is decreasing then it would be reasonable to expect that the capital programme has a corresponding shrinkage, unless specific resources have been identified outside of the revenue budget.

The first prudential indicator is the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

Capital expenditure	2012/13 Actual £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
Capital Expenditure	97	100	126	71	13

The above excludes other long term liabilities, such as PFI and leasing arrangements..

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £218m of such schemes within the CFR.

The Council is asked to approve the CFR projections below:

	2012/13 Actual £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
Capital Finance Requirement	**689**	**692**	**707**	**730**	**720**

2.3 Minimum Revenue Provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision – MRP, although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision VRP)

CLG regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. In February the Council approved the following policy for the calculation of MRP.

a) Supported Borrowing MRP continues to be based on 4% of the Capital Financing Requirement – that is, the capital expenditure financed from borrowing – as required by legislation.

b) Unsupported or prudential borrowing MRP is based on the Asset Life method – that is, the expenditure financed from borrowing is divided by the expected asset life. For schemes funded before 31st March 2012 the MRP is calculated on the annuity basis and for schemes funded after 1st April 2012 the MRP is calculated on an equal instalment basis.

c) Since 2009/10 the appropriate financing costs for the Council's BSF PFI schemes have been included in MRP calculations, adjusted as relevant where the estimated asset life is different to the PFI contract life and financing period.

2.4 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

2.5 Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2012/13 Actual %	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %
Non-HRA	14.6	15.9	14.7	15.2	15.4

The estimates of financing costs include current commitments and the proposals in this budget report.

2.6 Incremental impact of capital investment decisions on council tax

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

Incremental impact of capital investment decisions on the band D council tax

£	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Council tax - band D	0	0	0	0	0

3 Treasury Managent Strategy

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy

3.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2013, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	2012/13 Actual £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
External loans	418	418	393	339	313
Other long-term liabilities (OLTL)	218	218	223	228	233
Actual gross debt at 31 March	636	636	616	567	546
The Capital Financing Requirement	689	692	707	730	720
Under / (over) borrowing	53	56	91	163	174

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2014/15 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Director of Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational boundary £m	2014/15 £m	2015/16 £m	2016/17 £m
Debt	440	420	400
Other long term liabilities	250	250	250
Total	690	670	650

The authorised limit for external debt. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercise.

Authorised limit	2014/15 £m	2015/16 £m	2016/17 £m
Debt	460	440	420
Other long term liabilities	260	260	260
Total	720	700	680

3.3 Prospects for interest rates

The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives our central view.

Annual Average %	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Mar 2014	0.50	2.50	4.40	4.40
Jun 2014	0.50	2.60	4.50	4.50
Sep 2014	0.50	2.70	4.50	4.50
Dec 2014	0.50	2.70	4.60	4.60
Mar 2015	0.50	2.80	4.60	4.70
Jun 2015	0.50	2.80	4.70	4.80
Sep 2015	0.50	2.90	4.80	4.90
Dec 2015	0.50	3.00	4.90	5.00
Mar 2016	0.50	3.10	5.00	5.10
Jun 2016	0.75	3.20	5.10	5.20
Sep 2016	1.00	3.30	5.10	5.20
Dec 2016	1.00	3.40	5.10	5.20
Mar 2017	1.25	3.40	5.10	5.20

Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth has rebounded during 2013 to surpass all expectations, propelled by recovery in consumer spending and the housing market. Forward surveys are also currently very positive in indicating that growth prospects are strong for 2014, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. This is very encouraging as there does need to be a significant rebalancing of the economy away from consumer spending to construction, manufacturing, business investment and exporting in order for this start to recovery to become more firmly established. One drag on the economy is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent. This therefore means that labour productivity must improve significantly for this situation to be corrected by the warranting of increases in pay rates. The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth.

The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- As for the Eurozone, concerns have subsided considerably in 2013. However, sovereign debt difficulties have not gone away and major concerns could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;

- Investment returns are likely to remain relatively low during 2014/15 and beyond;
- Borrowing interest rates have risen significantly during 2013 and are on a rising trend. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring even higher borrowing costs, which are now looming ever closer, where authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt, in the near future;
- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

3.4 Borrowing strategy

3.4.1 The Council strategy is to reduce its level of external borrowing to broadly ensure that the revenue costs of financing capital reduce in line with the total revenue resources available . The Council's external debt is below its CFR.The difference being made up by internal borrowing.That is the use of the Council's own cash balances arising from reserves,creditors and prepayments.A number of loans are due to mature over the next three years .It is expected that the Council will not need to replace these loans but instead will reduce its cash surpluses.

3.4.2 The advantage of this strategy is that it will reduce the Council's capital financing costs and the risks associated with holding large cash balances.However ,there are also risks that cash balances may reduce faster than expected and if the Council has to borrow to restore those balances there is potential exposure to potential increased interest rates.

3.5 Treasury Management Limits on Activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- The upper limit for fixed interest rate exposure in 2014/15, 2015/16 and 2016/17 will be +175% of net outstanding principal sums.
- The upper limits for variable interest rate exposure in 2014/15, 2015/16 and 2016/17 will be +20% of net outstanding principal sums.

The upper and lower limits for the amount of fixed rate borrowing maturing in each of the periods below expressed as a percentage of total estimated fixed rate borrowing will be.

Maturity structure of fixed interest rate borrowing 2014/15		
	Lower	**Upper**
Under 12 months	0%	20
12 months to 2 years	0%	20
2 years to 5 years	0%	50
5 years to 10 years	0%	50
10 and above	20%	90
Maturity structure of variable interest rate borrowing 2014/15		
	Lower	Upper
Under 12 months	0%	20
12 months to 2 years	0%	20
2 years to 5 years	0%	20
5 years to 10 years	0%	20
10 years to 20 years	0%	20
20 years to 30 years	0%	20
30 years to 40 years	0%	20
40 years to 50 years	0%	20

3.6 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

3.7 Debt rescheduling

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;

- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the Governance and Audit Committee at the earliest meeting following its action

3.8 Annual Investment Strategy

.

3.8.1 Investment policy

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of these reflect in the eyes of each agengy.
Further, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will monitorr market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable divesification and thus avoidance of concentration risk.

The intention of the strategy is to provide security of investment and minimisation of risk.

Investment instruments identified for use in the financial year are listed in appendix 1 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules.

3.8.2 Creditworthiness policy

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Director of Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is:

- Banks 1 - good credit quality **–** the Council will only use banks which:
    - o are UK banks; and/or
    - o are non-UK and domiciled in a country which has a minimum sovereign long term rating of AA-

  and have, as a minimum, the following Fitch, Moody's and Standard and Poor's credit ratings (where rated):
    - o Short term - S & P A-1 Fitch F1 or above
    - o Long term – Moody's Aa3 or above
    - o Support – 2 (Fitch only)

  Banks 2 same as Bank 1 apart from Moody's rating of A1
- Banks 3 – The four main UK Clearing banks HSBC, Barclay, Lloyds and RBS and their subsidiaries. The UK government rating is used.
- Banks 4 – same as Bank 1 apart from having a Moody's rating of A2.
    - o Bank subsidiary and treasury operation. The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Money market funds – AAA Moody's , Fitch or S & P
- UK Government (including gilts treasury bills and the DMADF)
- Local authorities, parish councils etc
- Co-op Bank temporary basis. Limit exposure as much as possible.

A limit of 20% will be applied to the use of non-specified investments.

Use of additional information other than credit ratings. Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

Time and monetary limits applying to investments. The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both specified and non-specified investments):

	Maximum Invested	**Time Limit**
Banks 1 **Banks 2**	**£30m** **£20m**	**2yrs** **1yr**
Banks 3	**£60m**	**1-2yrs**
Banks 4	**£7m**	**3 months**
DMADF/Treasury Bills	**unlimited**	**6 months**
Local authorities	**£20m**	**2yrs**
Money market funds	**£20m**	**Liquid**
Co-op Bank until a suitable alternative provider is available.		**Day exposure**

3.8.3 Changes to Treasury Policy

Due to the reduction in counterparties available to the Council .It is proposed to increase the investment limits for the top rated Banks.

Also due to the issues raised in 1.1 in regard to the Co-op Bank the following changes to the Treasury Policy are recommended.

a)Banks with a Moody's long term rating of Aa3 or better the limits to be increased from £20m to £30m.

b) Approval is recommended to use the Co-op Bank by the Council, until a suitable alternative provider is available.

3.8.4 Country limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent). This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

3.8.5 Investment strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Investment returns expectations. Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 2 of 2016. Bank Rate forecasts for financial year ends (March) are:

- 2013/14 0.50%
- 2014/15 0.50%
- 2015/16 0.50%
- 2016/17 1.25%

There are upside risks to these forecasts (i.e. start of increases in Bank Rate occurs sooner) if economic growth remains strong and unemployment falls faster than expected. However, should the pace of growth fall back, there could be downside risk, particularly if the Bank of England inflation forecasts for the rate of fall of unemployment were to prove to be too optimistic.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next four years are as follows:

2014/15	0.50%
2015/16	0.50%
2016/17	1.00%
2017/18	2.00%

Investment treasury indicator and limit - total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit: -

Maximum principal sums invested > 364 days			
£m	**2014/15**	**2015/16**	**2016/17**
Principal sums invested > 364 days	£20m	£20m	£20m

3.8.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

4. Options

4.1 None

5. Financial and Resources Appraisal

5.1 The financial implications are set out in section 1,2 and 3

6. Risk Management

6.1 None

7. Legal Implications

7.1 Any relevant implication considerations are set out in the report

8. Other Implications

8.1 Equal Rights implications – no direct implications
8.2 Sustainability implications – no direct implications
8.3 Greenhouse Gas Emissions Impact - no direct implications
8.4 Community safety implications – no direct implications
8.5 Human Rights Act – no direct implications
8.6 Trade Union – no direct implications
8.7 Ward Implications – no direct implications

9. Not for publication documents –none

10. Recommendations

10.1 That the changes to the Treasury Policy set out in section 3.8.3 be adopted by full Council .

11. Appendices

Appendix 1 Specified and Unspecified Investments
Appendix 2 Approved countries for investments
Appendix 3 Treasury management scheme of delegation
Appendix 4 The treasury management role of the section 151 officer

Appendix 1

SPECIFIED INVESTMENTS:
(All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable)

	*** Minimum 'High' Credit Criteria**	**Use**
Debt Management Agency Deposit Facility and Treasury Bills	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies	Moody's Aa3, Fitch F1 Support 2 and S & P A-1 or above	In-house
Term deposits – banks and building societies	Moody's A1, Fitch F1 Support 2 and S & P A-1 or above	In-house
Term deposits – banks and building societies	Moody's A2 Fitch F1 Support 3 and S & P A-1	In-house

	* Minimum Credit Criteria	Use
Term deposits HSBC, Barclays RBS , Lloyds and subsidiaries	UK sovereign rating	In-house
Certificates of deposit issued by banks and building societies covered by UK Government (explicit) guarantee	UK sovereign rating	In-house
Certificates of deposit issued by banks and building societies	Moody's Aa3 ,Fitch F1, Support 2 and S & P A-1	In-house
Certificates of deposit issued by banks and building societies	Moody's A1 ,Fitch F1, Support 2 and S & P A-1	In-house
Certificates of deposit issued by banks and building societies	Moody's A2 Fitch F1 Support 2 and S & P A-1	In-house
Certificates of deposit issued by one of UK four main clearing banks	UK sovereign rating	In-house
Money Market Funds	AAA either Moody's Fitch or S & P	In-house
Treasury Bills	UK sovereign rating	In house

NON-SPECIFIED INVESTMENTS: A maximum of 20% will be held in aggregate in non-specified investment

1. Maturities of ANY period

	* Minimum Credit Criteria	Use	Max. maturity period
Term deposits with unrated counterparties with unconditional guarantee from parent	Moody's A1 Fitch F1 Support 2 S & P A-1	In-house	1 year
Co-op Bank specific Account	Temporary until a suitable alternative provider is available.	In House Accountancy	

2. Maturities in excess of 1 year

	* Minimum Credit Criteria	Use	Max. maturity period
Term deposits – local authorities	--	In-house	2 years
Term deposits – banks and building societies	Moody's Aa3 Fitch F1 S & P A-1 Support Rating 2	In-house	2 years
Certificates of deposit issued by banks and building societies	Moody's Aa3 Fitch F1 S & P A-1 Support Rating 2	In-house	2 years
Certificates of deposit issued one of 4 main clearing banks	UK sovereign rating	In-house	2 years
Term deposit issued by one of 4 main clearing banks	UK sovereign rating	In-house	2 years

APPENDIX 2 Approved countries for investments

Based on lowest available rating

AAA

- Australia
- Canada
- Denmark
- Finland
- Germany
- Luxembourg
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Hong Kong
- Netherlands
- U.K.
- U.S.A.

AA

- France

AA-

- Belgium

APPENDIX 3 Treasury management scheme of delegation

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Governance and Audit Commitee

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;

(iii) Internal Audit

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

APPENDIX 4 The treasury management role of the section 151 officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- approving the appointment of external service providers.