Appendix B

TREASURY MANAGEMENT STRATEGY 2013/14 – 2017/18 AND PRUDENTIAL INDICATORS

1 Background

1.1 The Council's cash flow management, use of banks, investments and borrowing is governed by the Treasury Management (TM) Strategy. The role of the strategy is to minimise risk, minimise and manage any adverse impact on the Council's budget strategy and to maximise return commensurate with the Council's risk policy for TM.

1.2 Surplus monies are invested in low risk counterparties in line with the Council's low risk appetite ensuring that security and liquidity of funds are achieved before considering the yield.

1.3 Another role of treasury management is to make funding decisions for the Council's capital programme and the planning of long term cashflow to ensure capital obligations are met.

1.4 The capital programme provides a guide to the borrowing need of the Council minimising the cost of borrowing where possible. This element of TM has become more important in recent years with the need to manage the HRA 'Self Financing' loan portfolio of £88.407 million. The management of long term cash may involve arranging short or long term loans or using long term cash surpluses (internal borrowing) to fund capital expenditure.

2 Reporting Requirements

2.1 Guidance on treasury management recommends that the Cabinet receives a minimum of three reports each year.

2.2 The Treasury Management Strategy which covers:

- the capital programme and associated prudential indicators,
- a Minimum Revenue Provision (MRP) Statement,
- the Borrowing Strategy including treasury indicators; and
- an Investment Strategy.

The report which should accompany the council's budget strategy and Medium Term Financial Strategy (MTFS) has been reviewed by Scrutiny Committee prior to approval by Cabinet and referral to Full Council.

2.3 A Mid Year Treasury Management report: updating Cabinet with progress on the capital position, amending the prudential indicators or Investment Counterparty list as necessary and in general revising the TM strategy if need be.

2.4 An Annual Treasury Management Outturn Report providing details of actual prudential and treasury indicators and actual treasury operations compared to the estimates included in the strategy. The report will be presented to Cabinet in September after the financial year end.

2.5 Regular TM updates are included within the General Fund, Housing Revenue Account and Capital Programme budget monitoring reports received by the Cabinet as scheduled in the Committee reporting timetable.

3 Treasury Management Strategy for 2013/14

3.1 The strategy for 2013/14 will cover:

- Capital Programme and associated Prudential Indicators
- Minimum Revenue Provision (MRP) Statement
- Current treasury position
- Prospects for interest rates
- Borrowing Strategy
- Debt Rescheduling
- Policy for Borrowing in advance of need
- Investment Strategy
- Creditworthiness Policy
- Governance Arrangements

3.2 The proposals contained within the 2013/14 Treasury Management Strategy have been reviewed by the council's TM advisors and Scrutiny Committee on 7 February 2013. Their comments have been included in the proposed strategy.

4 The Capital Programme and Capital Prudential Indicators 2013/14 to 2017/18

4.1 The Council's capital programme is the key driver of treasury management activity. The output of the programme is reflected in the prudential indicators which are designed to provide an overview of the programmes affordability and financial prudence/sustainability.

4.2 Prudential Indicator 1 – Capital Expenditure – this indicator is a summary of the council's estimated capital expenditure for the forthcoming financial year and the following 4 years.

4.2.1 (a) - General Fund Capital Expenditure

	2012/13 Restated Budget £'000	2013/14 Original £'000	2014/15 Forecast £'000	2015/16 Forecast £'000	2016/17 Forecast £'000	2017/18 Forecast £'000	Total £'000
Total General Fund Capital Expenditure	4,836	2,900	820	734	698	1,278	11,266

4.2.2 (b) - HRA Capital Expenditure

	2012/13 Restated Budget £'000	2013/14 Original £'000	2014/15 Forecast £'000	2015/16 Forecast £'000	2016/17 Forecast £'000	2017/18 Forecast £'000	Total £'000
Total HRA Capital Expenditure	5,473	6,463	7,371	6,775	5,843	5,931	37,856

4.2.3 (c) – Total Capital Expenditure

	2012/13 Restated Budget £'000	2013/14 Original £'000	2014/15 Forecast £'000	2015/16 Forecast £'000	2016/17 Forecast £'000	2017/18 Forecast £'000	Total £'000
Total Capital Expenditure	**10,309**	**9,363**	**8,191**	**7,509**	**6,541**	**7,209**	**49,122**

4.2.4 Tables 1(d) and 2(e) below identify the General Fund and HRA capital expenditure proposals and how they will be funded either from grants, contributions, capital receipts, HRA' Financial Headroom' or internal borrowing. The remaining balance is the 'net financing need' for the year to be sourced via external borrowing.

For internal financing to provide a sustainable payback period and ensure that there is sufficient liquidity for the council's cashflow internal funds will be used to finance assets with useful lives of up to 7 years.

4.2.5 1(d) – General Fund Capital Expenditure and Financing

General Fund Programme Financing	2012/13 Restated Budget £'000	2013/14 Original £'000	2014/15 Forecast £'000	2015/16 Forecast £'000	2016/17 Forecast £'000	2017/18 Forecast £'000	Total £'000
Total General Fund Capital Expenditure	**4,836**	**2,900**	**820**	**734**	**698**	**1,278**	**11,266**
Financed from:							
Grants and Contributions	(1,022)	(1,502)	(165)	(65)	(65)	(65)	**(2,884)**
Capital Receipts	(139)	0	0	0	0	0	**(139)**
Revenue Contributions	(285)	(470)	(35)	(18)	(18)	(18)	**(844)**
Internal Borrowing	(3,390)	(928)	(620)	(651)	(615)	(1,195)	**(7,398)**
Total Financing	**(4,836)**	**(2,900)**	**(820)**	**(734)**	**(698)**	**(1,278)**	**(11,266)**
Net Financing Need(External Borrowing)	**0**	**0**	**0**	**0**	**0**	**0**	**0**

4.2.6 1(e) – HRA Capital Expenditure and Financing

HRA Programme Financing	2012/13 Restated Budget £'000	2013/14 Original £'000	2014/15 Forecast £'000	2015/16 Forecast £'000	2016/17 Forecast £'000	2017/18 Forecast £'000	Total £'000
Total HRA Capital Expenditure	**5,473**	**6,463**	**7,371**	**6,775**	**5,843**	**5,931**	**37,856**
Financed from:							
Major Repairs Reserve	(2,894)	(3,081)	(3,136)	(3,208)	(3,281)	(3,356)	**(18,956)**
Grants and Contributions	(107)	0	(1,180)	0	0	0	**(1,287)**
Capital Receipts	(200)	0	(200)	(775)	0	(88)	**(1,263)**
Revenue Contributions	(420)	0	0	0	0	0	**(420)**
'Financial Headroom'	(1,852)	(3,382)	(2,855)	(2,792)	(2,950)	(2,950)	**(16,780)**
Major Repairs Reserve	0	0	0	0	388	463	**851**
Total Financing	**(5,473)**	**(6,463)**	**(7,371)**	**(6,775)**	**(5,843)**	**(5,931)**	**(37,856)**
Net Financing Need(External Borrowing)	**0**	**0**	**0**	**0**	**0**	**0**	**0**

4.3 Prudential Indicator 2 – Capital Financing Requirement (CFR)

4.3.1 The CFR is the total historical capital expenditure which has as yet not been paid for from either revenue or capital resources. To this is added any future capital expenditure requirements which cannot be immediately paid for.

4.3.2 Long term liabilities are also included, for example finance leases and Private Finance Initiatives (PFI's). Although these arrangements increase the CFR they include a borrowing facility and do not require separate borrowing.

4.4 The table below shows the CFR estimates for the next five years and splits the total CFR into General Fund and HRA elements.

CAPITAL FINANCING REQUIRMENT

Ref	Prudential Indicator	Forecast 2012/13 £'000	Estimate 2013/14 £'000	Estimate 2014/15 £'000	Estimate 2015/16 £'000	Estimate 2016/17 £'000	Estimate 2017/18 £'000
(2a)	Capital Financing Requirement - General Fund	9,610	9,276	8,906	9,433	9,918	10,990
(2b)	Housing Revenue Account	88,407	88,407	88,407	88,407	88,407	86,407
(2c)	**TOTAL**	**98,017**	**97,683**	**97,313**	**97,840**	**98,325**	**97,397**

4.5 Appendix 1 shows that the Council's gross debt is not expected to exceed its Capital Financing Requirement as at 31 March 2014 and this is not expected to .change over the reporting period.

4.6 Prudential Indicator 3 – Actual and Estimate of the ratio of financing costs to net revenue budget

4.6.1 This indicator identifies the proportion of the revenue budgets (General Fund and HRA) which are taken up in financing costs. That is the net interest cost and the provision for debt repayment.

ESTIMATE OF THE RATIO OF FINANCING COSTS TO NET REVENUE

Ref	Prudential Indicator	Forecast 2012/13	Estimate 2013/14	Estimate 2014/15	Estimate 2015/16	Estimate 2016/17	Estimate 2016/17
		%	%	%	%	%	%
(3a)	General Fund	3.74%	5.38%	5.38%	5.38%	5.38%	5.38%
(3b)	Housing Revenue Account	31.76%	45.60%	34.92%	34.30%	34.23%	45.17%

4.7 Prudential Indicator 4 – Incremental Impact of Capital Investment

4.7.1 The calculation's aim is to demonstrate the incremental impact of capital investment on the Council Tax and Housing Rents. For the council this represents lost income due to the use of internal borrowing.

INCREMENTAL IMPACT OF CAPITAL INVESTMENT FINANCED FROM INTERNAL BORROWING

Ref	Prudential Indicator	Forecast 2012/13 £	Estimate 2013/14 £	Estimate 2014/15 £	Estimate 2015/16 £	Estimate 2016/17 £	Estimate 2017/18 £
(4a)	Incremental Impact - General Fund	17,627	23,006	21,347	16,464	16,032	14,743
(4b)	Housing Revenue Account	-	-	-	-	-	-

5 Minimum Revenue Provision (MRP) Statement 2013/14

5.1 Unlike the private sector, local authorities are not required to raise council tax to cover depreciation costs on fixed assets.

5.2 However under the relevant regulations the Council is required to make a prudent provision for debt repayment (including internal financing and the repayment of principal for finance leases and Private Finance Initiative arrangements (PFI)). There is no requirement to charge MRP for HRA expenditure funded from borrowing.

5.3 For the 2011/12 Statement of Accounts and 2012/13 budget process the council chose to calculate the annual repayment provision based on a 'reducing life' method. The provision mirrors the debt repayment over the relevant economic use of the relevant assets (up to a maximum of 7 years). It is proposed that this basis will continue for 2013/14.

5.4 Thus the General Fund MRP currently reflects:

- the annual principal repayment (£106,000 2013/14) for the council's finance leases and PFI commitments,
- the principal repayment of internal financing of assets over the economic life of the asset (for example £1.995 million borrowed internally to fund 10 refuse trucks over 7 years, reflects a payment of £285,000 per annum) and
- the financial impact of any voluntary MRP payments decisions.

6 Treasury Management Strategy

6.1 Introduction

6.1.1 The treasury management function ensures that the Council's cash is managed in accordance with the relevant professional codes, so that sufficient cash is available to meet the council's service requirements.

6.1.2 This will involve both the management of cashflow and, where the capital programme or regulations require (for example the HRA Self Financing Payment), the arrangement of appropriate borrowing facilities (internal or external).

6.1.3 This strategy covers the relevant treasury/ prudential indicators, the current and projected debt position and the annul investment strategy.

6.2 Forecast Outturn to 31st March 2013:

General Treasury Management Position

6.2.1 During 2012/13 the Council continued to comply with the requirements of CIPFA's Code of Treasury Management Practice in the Public Services as well as the Council's Treasury Management Policy and Strategy for 2012/13.

6.2.2 The Council's likely treasury management position as at 31st March 2013 was reported to Cabinet 13 December 2012. In summary:

- The Council's Gross Borrowing position is forecast to be £94.2 million by the end of the financial year, primarily being made up of HRA Self Financing borrowing (£88.407 million). Other financial liabilities are estimated to be £5.8 million by the end of March 2013 and represents liabilities in relation to the PFI for Leisure services and various finance leases. These liabilities will reduce as the contracts are delivered.
- The Council is likely to make use of £3.4 million of internal borrowing in 2012/13.
- As at 1st April 2012 the Capital Receipts Reserve had a balance of £74,000 in General Fund Receipts and no HRA Capital Receipts Reserve. A policy of ring fencing HRA receipts to finance affordable housing has been implemented in order to enable the Council to attain full benefit from the new RTB Receipts Pooling legislation reducing the amount to be repaid to central government and enabling reinvest in affordable housing for the district. As at the 31 March 2013 the council is estimated to have:
  - General Fund Capital Receipts Reserve of nil, and
  - HRA Capital receipts Reserve of £245,000.
- The Council's Capital Financing Requirement (the underlying need to borrow) is forecast to be £98.017 million as at 31 March 2013.
- Total Investments as at 31st March 2013 are projected to be £9.4 million, excluding the Landsbanki investment. Almost half of the balance will be represented by monies on call or invested for less than one month. This reflects the Council's risk strategy of prioritising capital and liquidity over yield and the low market returns experienced as credit ratings tighten.
- Interest income on investments is forecast to be £72k for the General Fund and £11k for the HRA during 2012/13.
- Arrangements have been put in place to receive the Landsbanki distributions, with settlement progress and the associated risks being continually monitored and reported to Members.

- All counterparty arrangements undertaken to date have been in line with the Council's approved Counterparty listing, associated Cabinet approvals and delegated authority actions.

6.3 **Economic and Interest rate Forecast 2013/14 onwards**

6.3.1 In addition to consideration of the 'local' financial position, the Council needs to formulate its Treasury Management Strategy in the context of the current economic climate, which can be summarised as follows:

- Economic growth worldwide continues to be slower than predicted.
- In the US, the issues of spending cuts, reducing the budget deficit and raising the country's debt ceiling remain unresolved.
- The US Federal Reserve has signalled that it will keep interest rates at exceptionally low levels until 2015.
- The international banking sector continues to be weak.
- Some progress has been made to the European sovereign debt crisis but the long term solution has not been addressed.
- Inflation has fallen to 2.7% from a peak of 5.2% in 2011. The RPI for was December 2012 is 3.1%. Current forecast is that RPI will be on average 3% for 2013.
- Although the UK's Public Finances continue to be on track to meet the targeted constraints directed by central government, indications are that austerity measures are likely to continue in the medium term.
- Against this backdrop interest rates are expected to remain at current low levels for even longer than forecast. The advice from the Council's TM advisors is that the base rate could remain unchanged until March 2016 increasing to no more than 2% by 2018.

6.3.2 Against this background it is likely that for the council restricted investment options, poor investments returns and focus on the overriding priority of protecting investment capital will continue in the medium term.

6.4 **Borrowing Strategy**

6.4.1 The council maintained an 'under-borrowed' position up until 28th March 2012. This means that the CFR was not funded with new external debt as cash supporting the council's reserves balances and cash flow have been used. This position changed with the need to borrow to finance the HRA 'Self Financing' payment.

6.4.2 The Medium Term Financial Strategy (MTFS) is based on the following borrowing assumptions for the next five years:

- to finance capital expenditure by continuing to run down cash balances and forego interest income at historically low interest rates.

- to provide flexibility to the borrowing strategy by signing up for the Government's new 'certainty rate' for local authorities of 0.2% below the standard PWLB rates. As detailed at paragraph 4.2.4 the arrangement will not be required for 2013/14 as the intention is to use internal borrowing which is currently more cost effective.
- if there is a significant risk of a sharper rise in long and short term rates than forecast then the debt portfolio position will be reappraised; with consideration given to fixed rate funding whilst rates are still relatively cheap.

6.4.3 No external borrowing will be required over the next five years.

6.4.4 This strategy will be administered through the review of the following key Prudential Indicators:

- Prudential Indicator 6 – Operational Boundary
- Prudential Indicator 7 – Authorised Limit for External Borrowing
- Prudential Indicator 8(a) – Upper Limit on Variable Rate Exposure
- Prudential Indicator 8(b) – Upper Limit on Fixed Rate Exposure
- Prudential Indicator 8(c) – Interest Rate Exposure on External Debt
- Prudential Indicator 9 – Maturity Structure of borrowing

Borrowing limits

Ref	Prudential Indicator	Forecast 2012/13 £'000	Estimate 2013/14 £'000	Estimate 2014/15 £'000	Estimate 2015/16 £'000	Estimate 2016/17 £'000	Estimate 2017/18 £'000
(6)	Operational Boundary	96,925	96,565	96,833	96,741	96,280	94,188
(7)	Authorised Limit	99,925	99,565	99,833	99,741	99,280	97,188

		Actual	Forecast	Estimate	Estimate	Estimate	Estimate
Interest Rate Exposure Prudential Indicators							
Ref	**Prudential Indicator**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
(8)(a)	Limits on Fixed Interest Rate based on Net Debt	-	78,713	78,713	78,713	78,713	78,713
(8)(b)	Limits on Variable Interest Rate based on Net Debt	-	10,000	10,000	10,000	10,000	10,000

Gross Interest Rate Exposure Prudential Indicators

Ref	**Prudential Indicator**	**Forecast 2012/13 £'000(%)**	**Estimate 2013/14 £'000(%)**	**Estimate 2014/15 £'000(%)**	**Estimate 2015/16 £'000(%)**	**Estimate 2016/17 £'000(%)**	**Estimate 2017/18 £'000(%)**
(8c)	Limits on Fixed Interest Rate based on Net Debt	2,570	2,570	2,570	2,570	2,570	2,570
		(3.28%)	(3.28%)	(3.28%)	(3.28%)	(3.28%)	(3.28%)
(8c)	Limits on Variable Interest Rate based on Net Debt	62	62	62	62	62	62
		(0.62%)	(0.62%)	(0.62%)	(0.62%)	(0.62%)	(0.62%)

Liquidity/Refinancing Indicator

Ref	**Prudential Indicator**	**Forecast 2011/12 £'000**
(9)	Maturity Structure - Upper Limit	
	Under 5 Years	0
	5 years to 10 years	10,000
	11 years to 20 years	32,000
	21 years and above	46,713

6.5 Debt Rescheduling

6.5.1 The Council's debt portfolio can be restructured through the premature repayment of loans and refinancing to reduce interest rate risk and make savings in the revenue budgets.

6.5.2 This option has however been restricted due to the current low interest rate environment and the margins associated with repaying PWLB early. With the assistance of the council's treasury advisors, the debt portfolio will be kept under review to take advantage of any rescheduling opportunities.

6.6 **Policy on Borrowing in Advance of Need (Future Capital Expenditure)**

6.6.1 The Council will not borrow more than or in advance of its needs purely in order to profit from investment of extra sums borrowed, as the practice is unlawful.

7 Investment Strategy

7.1 As with 2012/13, the council's primary objective for 2013/14 in relation to investment of surplus funds will be the security and liquidity over yield.

7.2 The Council and its advisors remain on a heightened state of alert for signs of credit or market distress that might adversely affect the Council.

7.3 Credit Ratings are monitored by the Council on a daily basis. An institution will be suspended or removed from the Council's counterparty listing should there be any concerns. The Council's TM advisors provide constant advice on credit ratings for financial institutions and the necessary action to be taken.

7.4 **Specified and Non Specified**

7.4.1 Central Government's updated Investment guidance is based on categorising investments into 'Specified' and 'Non Specified' investments. The Localism Act 2011 has added many additional investment categories to the 'Specified' list.

7.4.2 'Specified' investments are investments in sterling having a relatively high security (relatively high credit ratings) and high liquidity rating (maturity duration of less than 365 days). These investments are not to be deemed as capital expenditure under the relevant finance regulations.

7.4.3 The table below identifies the available 'Specified' investments under regulation which now includes lending to Housing Associations.

Specified Investments under Statute (Investments with high security and liquidity risk)
Instrument
Term deposits with Banks and Building Societies Debt Management Account Deposit Facility Term deposits with Other UK Local Authorities Investments with Registered Providers (Housing Associations) Certificates of Deposit with Banks and Building Societies Gilts Treasury Bills (T Bills) Bonds issued by Multilateral Development Banks Local Authority Bills Commercial Paper Corporate Bonds AAA Rated Money Market Funds - UK and Non UK Domicile Other Money Market and Collective Investment Schemes

7.4.4 Non Specified' investments are anything which is not on the Governments 'Specified' list and have more potential for risk and therefore need fuller consideration before the council makes the relevant investment. For example investments with other organisations. Given the Council's current risk appetite in the current economic climate the council is not willing to consider 'Non Specified' investments.

7.4.5 The Council's counterparty list takes the 'Specified' list of investments based on regulations and overlays the list with the TM advisors localised advice to arrive at a flexible list of Counterparties consistent with the Council's operational cashflow and risk appetite. This is then overlaid with local delegated authority.

7.4.6 Appendix 2 charts the reasoning in deriving the Councils' counterparty listing.

7.4.7 Counterparties have been excluded primarily as their creditworthiness is considered not to be commensurate with the Council's low risk appetite.

7.5 Counterparties Listing (Appendix 3)

7.5.1 In consultation with the Council's treasury management advisors, the counterparty list detailed at Appendix 3 has been proposed for 2013/14 and is derived from the decision matrix identified at Appendix 2.

7.5.2 In response to the current economic climate, the list includes only those counterparties which are UK domiciled and systemic to the UK financial sector and hold a minimum credit rating of A-(across three credit rating agencies). To provide further safeguards the maximum investment duration has been reduced to 6 months and a placement value has been implemented.

7.5.3 Given the current economic climate, the Counterparty list is monitored on a daily basis in liaison with the Council's treasury management advisors; with material changes as required being reported to Cabinet for approval.

7.5.4 It should be noted that operationally the Council's placement of investments is well below its treasury management policy and central government guidance. For example, operational practice has suspended Santander UK as a counterparty. Arlingclose's advice is to place investments with Santander UK up to a maximum of 100 days.

7.6 **Council's Bankers**.

7.6.1 The Council banks with Barclays Bank PLC which meets the council's minimum credit criteria. Even if the banks credit rating fell below the Councils' minimum rating the bank would continue to be used to facilitate short term liquidity requirements (overnight and weekend investments) and to provide business continuity arrangements.

7.7 **Landsbanki Investment**

7.7.1 In October 2007 the Council placed a fixed term deposit of £2.2 million with the Icelandic bank Landsbanki. The funds were subsequently placed in liquidator's hands in October 2008.The liquidators began to make repayment of the initial investment in February 2012 and a total of £1.1 million has been received to date.

7.7.2 Current legal and professional advice is that the initial investment will be recovered in full by 2018.

7.8 **Use of Financial Instruments**

7.8.1 Although recent legislation has opened up the ability of Councils to operate in a similar manner to a corporate body (General Power of Competence – Localism Act 2011) and use financial derivatives to manage its treasury management risks. In line with the CIPFA Code the Council's policy with regards to financial derivatives is:

The council does not at present intend to use derivative financial instruments to manage treasury management risk.

8 Governance Arrangements

8.1 Treasury Management Scheme of Delegation

8.1.1 The following lists the main treasury management responsibilities in relation to the relevant individual/Committee:

8.1.2 Full Council:

- Approval of the Treasury Management Policy and Annual treasury Management Strategy.

8.1.3 Cabinet:

- Reviews the Treasury Management Strategy and recommends the Strategy for approval by Full Council.

- Receive reports on treasury management activities.

8.1.4 Performance and Audit Committee:

- Monitors compliance with the Council's Financial Regulations.

8.1.5 Scrutiny Committee:

- Assists in the development of budget and policy framework.
- Reviews and scrutinises policy objectives and performance targets.

8.1.6 S151 Officer – Assistant Chief Executive - Finance:

- Implements and monitors the Treasury Management Strategy.
- Reports to Cabinet no less than three times in each financial year on treasury management activities and the relevant delegated powers.
- One activity report must comprise the annual treasury management outturn report. To be reported to Cabinet by the September following the end of the financial year.

8.2 Treasury Management Procedures

8.2.1 Treasury Management Procedures (TMP's) will be reviewed on an annual basis prior to the commencement of the financial year and will be in compliance with CIPFA's guidance on Treasury Management Practices.

8.3 Role of Treasury Management Advisors

8.3.1 The Council uses Arlingclose as its treasury management advisors, which provides access to specialist skills/resources in the following areas:

- Credit Advice
- Investment advice
- Technical advice
- Economic and interest rate forecasts
- Workshops and training events
- HRA support, etc

8.3.2 In applying the Council's agreed terms of appointment and undertaking timely reviews of the service provided; the value added from the appointment can be assessed and properly documented.

8.3.3 The Council recognises that the responsibility for treasury management decisions remains with the Council at all times and will ensure that the appropriate training and decision making process does not place undue reliance on the advisors.

8.4 Training

8.4.1 CIPFA's Code of Practice requires the S151 Officer to ensure that all officers and members tasked with treasury management responsibilities, including scrutiny of the TM function receive appropriate training and understand fully their roles and responsibilities.

APPENDIX 1

Forecast Investment and Debt Portfolio Position As at 31st March 2014	
Balance Sheet Extract	**Forecast £'000**
External Borrowing:	-
Variable Rate PWLB	10,000
Fixed Rate PWLB	78,704
Total External Borrowing	**88,704**
Other Long Term Liabilities:	
-PFI	4,852
- Finance Leases	0
-Pension Liability	0
Total Long Term Liabilities	**4,852**
Total Gross Debt	**93,556**
Investments	
Long Term Investments	1,500
Short Term Investments	3,800
Cash and Cash Equivalents	3,800
Total Investments	**9,100**
Net Borrowing	**84,456**

Treasury Management Strategy 2013-14
Counterparty Decision Process **Appendix 2(i)**

Arlingclose Recommended Sovereign and Counterparty list as at 17/12/12		Operational Comments	Uttlesford DC Counterparty list for 2013-14 Treasury Management Strategy
Specified Investments			
A : Term deposits with banks and building societies			
UK	Co-operative Bank (for banking & liquidity purposes only)	Recommended for banking & liquidity only purposes only.	Not applicable
UK	Clydesdale Bank (for banking & liquidity purposes only)	Suspended on broker's advice wef 01/12/11	Clydesdale Bank - Temporarily suspended as minimum credit rating not met.
UK	Santander UK Plc .(Banco Santander Group).	Suspended under local delegated authority wef 01/05/12.	Santander UK Plc - Suspended under delegated authority
UK	Bank of Scotland (Lloyds Banking Group)		Bank of Scotland
UK	Lloyds TSB (Lloyds Banking Group)		Lloyds TSB
UK	Barclays Bank Plc		Barclays Bank Plc
UK	HSBC Bank Plc		HSBC Bank Plc
UK	Nationwide Building Society		Nationwide Building Society
UK	NatWest (RBS Group)		NatWest (RBS Group)
UK	Royal Bank of Scotland (RBS Group)		Royal Bank of Scotland (RBS Group)
UK	Standard Chartered Bank		Standard Chartered Bank
UK	Debt Management Account Deposit Facility - UK Treasury Debt Management Office (DMO)		Debt Management Account Deposit Facility - UK Treasury Debt Management Office (DMO)
A : Term deposits with banks and building societies (cont.)			
Australia	Australia and NZ Banking Group	Non-UK domiciled	Not Applicable
Australia	Commonwealth Bank of Australia	Non-UK domiciled	Not Applicable
Australia	National Australia Bank Ltd (National Australia Bank Group)	Non-UK domiciled	Not Applicable Not Applicable
Australia	Westpac Banking Corp	Non-UK domiciled	Not Applicable
Canada	Bank of Montreal	Non-UK domiciled	Not Applicable
Canada	Bank of Nova Scotia	Non-UK domiciled	Not Applicable
Canada	Canadian Imperial Bank of Commerce	Non-UK domiciled	Not Applicable
Canada	Royal Bank of Canada	Non-UK domiciled	Not Applicable
Canada	Toronto-Dominion Bank	Non-UK domiciled	Not Applicable
Finland	Nordea Bank Finland	Non-UK domiciled	Not Applicable
Finland	Pohjola	Non-UK domiciled	Not Applicable
France	BNP Paribas	Non-UK domiciled	Not Applicable
France	Credit Agricole CIB (Credit Agricole Group)	Non-UK domiciled	Not Applicable
France	Credit Agricole SA (Credit Agricole Group)	Non-UK domiciled	Not Applicable
France	Société Générale	Non-UK domiciled	Not Applicable
Germany	Deutsche Bank AG	Non-UK domiciled	Not Applicable
Netherland	ING Bank NV	Non-UK domiciled	Not Applicable
Netherland	Rabobank	Non-UK domiciled	Not Applicable
Netherland	Bank Nederlandse Gemeenten	Non-UK domiciled	Not Applicable
Singapore	DBS Bank Ltd	Non-UK domiciled	Not Applicable
Singapore	Oversea-Chinese Banking Corporation (OCBC)	Non-UK domiciled	Not Applicable
Singapore	United Overseas Bank (UOB)	Non-UK domiciled	Not Applicable
Sweden	Svenska Handelsbanken	Non-UK domiciled	Not Applicable
Switzerlan	Credit Suisse	Non-UK domiciled	Not Applicable
US	JP Morgan	Non-UK domiciled	Not Applicable

B : Term deposits with other local authorities **Appendix 2(ii)**

UK	Local Authorities	DMO. Not considered suitable for UDC cashflow requirements. Included in UDC list should the opportunity of an investment of the right duration and value be presented. Proposal to limit to Upper Tier Local Authorities with a minimum credit limit of A-	Upper Tier Local Authorities with a minimum credit rating of A-.

C : Investments with Registered Providers

UK	Registered Providers e.g. Housing Associations.	Generally longer term investments. May not be suitable for UDC cashflow requirements.	

D : Other

UK	Certificates of deposit with banks and building societies	This group of investment products requires potentially expensive custodian services where holdings are held by a third party. Credit risk assessments and administration generally require greater in-house expertise than the extent of the Council's investment portfolio justifies.	Not Applicable
	Gilts		
	Treasury Bills (T-Bills)		
	Commercial Paper		
	Corporate Bonds		
UK	AAA-rated UK domiciled Money Market Funds	Complex global holdings. Suspended under local delegated authority w.e.f 27.04.2010.	AAA-rated UK domiciled Money Market Funds
UK	Other Money Market and Collective Investment Schemes	Complex global holdings.	Not Applicable
	Local Authority Bills	No market currently exists	Not Applicable
Non-UK	Bonds issued by Multilateral Development Banks	Non-UK	Not Applicable

Appendix 3

Specified Investments Counterparty List - 2013/14

(based upon revised policy as set out in the report and credit ratings as at 12 December 2012)

Instrument	Country	Maximum	Maximum Duration
Government DMO	UK	15% or if total < £10m then £2m to each counterparty	-
UK local authorities	UK	15% or if total < £10m then £2m to each counterparty	6 months
Bank of Scotland plc	UK	15% or if total < £10m then £2m to each counterparty	6 months
Barclays Bank plc	UK	15% or if total < £10m then £2m to each counterparty	6 months
Clydesdale Bank ***	UK	15% or if total < £10m then £2m to each counterparty	6 months
HSBC Bank plc	UK	15% or if total < £10m then £2m to each counterparty	6 months
Lloyds TSB Bank plc	UK	15% or if total < £10m then £2m to each counterparty	6 months
National Westminster Bank	UK	15% or if total < £10m then £2m to each counterparty	6 months
Nationwide Building Society	UK	15% or if total < £10m then £2m to each counterparty	6 months
Royal Bank of Scotland plc	UK	15% or if total < £10m then £2m to each counterparty	6 months
Santander UK Plc **	UK	15% or if total < £10m then £2m to each counterparty	6 months
Standard Chartered Bank	UK	15% or if total < £10m then £2m to each counterparty	6 months
AAA-rated UK domiciled Money Market Funds **	UK	15% or if total < £10m then £2m to each counterparty	On Call

Notes:

1. Banking counterparties to be suspended from the list if their credit rating falls below A -

2. UK Local Authorities include organisations detailed in the PWLB's Lending Arrangements. Restricted to Upper Tier Authorities with a minimum of A- credit rating.

3. Group Limits: For institutions within a banking group, a maximum limit of £3 million will apply.

** -counterparty suspended temporarily under delegated authority.

*** - Clydesdale Bank does not currently meet the council's minimum credit rating of A- over the three rating agencies.