Committee	Finance and Administration Committee	**Agenda Item** **10**
Date	8 February 2011	
Title	Treasury Management Strategy Statement and Investment Strategy 2011/12 to 2013/14	
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Summary	CIPFA's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also incorporates the Investment Strategy as required under the CLG's Investment Guidance.
Recommendations	Members are approve, for recommendation to Full Council, the 2011/12 Treasury Management Strategy, Prudential Indicators and Investment Strategy.
Background documents	CIPFA Treasury Management Code DCLG Investment Guidance Arlingclose advice

Impact	Communication/Consultation	No specific implications
	Community Safety	No specific implications
	Equalities	No specific implications
	Finance	Details are contained within the report.
	Health and safety	No specific implications
	Human Rights	No specific implications
	Legal implications	Confirms compliance with CIPFA's Treasury Management Code of Practice
	Ward-specific impacts	No specific implications
	Workforce /Workplace	No specific implications

Treasury Management definition

CIPFA defines 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.*"

Background

The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk are integral elements to 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)
- Credit and Counterparty Risk (Security of investments)
- Refinancing Risk (Impact of debt maturing in future years)
- Legal and Regulatory Risk

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).

The purpose of this TMSS is to approve:

- Treasury Management Strategy for 2011-12
- Prudential Indicators
- Minimum Revenue Provision Statement
- Use of Specified and Non-Specified Investments – Appendices C & D

The Council approved the adoption of the CIPFA TM Code in March 2002. The Council has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.

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

Balance Sheet and Treasury Position

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

	31/03/2011 Estimate £m	31/03/2012 Estimate £m	31/03/2013 Estimate £m	31/03/2014 Estimate £m
General Fund CFR	6.639	7.555	9.093	9.211
HRA CFR	0.081	0.081	90.081	88.447
Total CFR	**6.720**	**7.636**	**99.174**	**97.658**
Less: Existing Profile of Borrowing and Other Long Term Liabilities	(6.436)	(5.951)	(5.466)	(4.981)
Cumulative Maximum External Borrowing Requirement	**0.284**	**1.685**	**93.708**	**92.677**
Balances & Reserves	(4.280)	(4.308)	(3.769)	(3.540)
Net Balance Sheet Position	**(3.996)**	**(2.623)**	**89.939**	**89.137**

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.

As the CFR represents the level of borrowing for capital purposes and revenue expenditure cannot be financed from borrowing, net physical external borrowing (i.e. net of investments) should not exceed the CFR other than for short term cash flow requirements.

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) scheme and Operating leases against IFRS requirements have resulted 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 have, therefore, taken such items into account. This has influenced the determination of the Council's Affordable Borrowing Limit and Operational Boundary.

Estimates of Capital Expenditure

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

Capital Expenditure	2010/11 Approved £m	2010/11 Revised £m	2011/12 Estimate £m	2012/13 Estimate £m	2013/14 Estimate £m
Non-HRA	3.096	2.540	2.411	3.990	0.850
HRA	2.688	3.126	2.511	92.025	2.070
Total	**5.784**	**5.666**	**4.922**	**96.015**	**2.920**

Capital expenditure is expected to be financed as follows :

Capital Financing	2010/11 Approved £m	2010/11 Revised £m	2011/12 Estimate £m	2012/13 Estimate £m	2013/14 Estimate £m
Capital receipts	-1.175	-1.595	-0.250	-0.200	- 0.200
Government Grants	-1.272	-1.135	-0.941	-0.160	-0.060
Major Repairs Allowance	-1.955	-1.925	-2.011	0.000	0.000
Revenue contributions	-0.150	-0.400	-0.500	-2.025	-2.070
Total Financing	**-4.552**	**-5.055**	**-3.702**	**-2.385**	**-2.330**
Internal borrowing	-1.232	-0.611	-1.219	-0.825	0.000
Supported borrowing	0.000	0.000	0.000	0.000	0.000
Unsupported borrowing	0.000	0.000	0.000	-92.805	-0.590
Total Funding	**-1.232**	**-0.611**	**-1.219**	**-93.630**	**-0.590**
Total Financing and Funding	**-5.784**	**-5.666**	**-4.922**	**-96.015**	**-2.920**

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

Incremental Impact of Capital Investment Decisions	2010/11 Approved £	2010/11 Revised £	2011/12 Estimate £	2012/13 Estimate £	2013/14 Estimate £
Increase in Band D Council Tax	9.90	25.16	25.00	30.67	31.41
Increase in Average Weekly Housing Rents	1.01	2.64	3.30	47.23	46.66

Reform to the Council Housing Subsidy System: CLG consulted on proposals to reform the council housing subsidy system in July 2010. The consultation proposed a removal of the subsidy system by offering a one-off reallocation of debt. Details of the new system, which will start in 2012, are awaited.

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

The estimate for interest payments in 2011/12 is £0.481m and for interest receipts is £0.085m. The ratio of financing costs to the Council's net revenue stream is an indicator of affordability and highlights the revenue implications of capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2010/11 Approved %	2010/11 Revised %	2011/12 Estimate %	2012/13 Estimate %	2013/14 Estimate %
Non-HRA	2.83	8.38	9.18	10.83	10.88
HRA	1.17	-0.03	-0.03	52.50	49.82

Authorised Limit and Operational Boundary for External Debt

The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing can 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.

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

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 (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.

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.

The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003.

Authorised Limit for External Debt	2010/11 Approved £m	2010/11 Revised £m	2011/12 Estimate £m	2012/13 Estimate £m	2013/14 Estimate £m
Net External Borrowing	5.5	5.5	7.0	110.0	111.0
Other Long-term Liabilities	1.5	8.0	8.0	7.5	7.0
Total	**7.0**	**13.5**	**15.0**	**117.5**	**118.0**

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

Operational Boundary for External Debt	2010/11 Approved £m	2010/11 Revised £m	2011/12 Estimate £m	2012/13 Estimate £m	2013/14 Estimate £m
Net External Borrowing	3.5	3.5	3.5	100.0	101.0
Other Long-term Liabilities	1.5	7.5	7.5	7.0	6.5
Total	**5.0**	**11.0**	**11.0**	**107.0**	**107.5**

Borrowing Strategy

The Council's strategy in 2011/12 will be to utilise its balances and reserves through its cashflow to fund the Capital Programme by internal borrowing. The risks to the council that this strategy will create are:

- A reduction in investment income generated from Council balances – but as the current forecast for interest rates is expected to remain at very low levels, this will have a minimal impact.
- With the reduction in the Council's cashflow there may be periods when the council is required to take temporary loans to cover the short fall. The impact of this will be minimal as variable bank rates have fallen to around 1% and are expected to remain so.
- On the positive side this strategy will reduce the Council's exposure on the money markets during the current ongoing uncertainties.

One point to note is that if the Stansted Housing Partnership draws down its £2.6m balance that the Council holds on its behalf, this could result in the council having to review or amend this strategy.

The Assistant Chief Executive - Finance, under delegated powers, will keep this strategy under review. Should market conditions change the council may need to investigate (with the advice of the Councils' treasury consultants) long term borrowing, if it becomes necessary.

The PWLB remains the preferred source of borrowing given the transparency and control that its facilities continue to provide. During 2011/12 officers will be investigating alternative funding options to finance the changes to the Council Housing Subsidy System in conjunction with Arlingclose.

Actual External Debt

The Councils actual external debt as at the 31/3/2010 was as follows:

Actual External Debt as at 31/03/2010	**£m**
Borrowing	-
Other Long-term Liabilities	6.921
Total	**6.921**

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

Maturity structure of fixed rate borrowing	Existing level at 31/03/10 %	Lower Limit for 2011/12 %	Upper Limit for 2011/12 %
under 12 months	0	0	0
12 months and within 24 months	0	0	0
24 months and within 5 years	0	0	0
5 years and within 10 years	0	0	0
10 years and within 20 years	0	0	0
20 years and within 30 years	0	0	0
30 years and within 40 years	0	0	0
40 years and within 50 years	0	0	0
50 years and above	0	0	0

Investment Policy and Strategy Background

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

To comply with 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 revised Guidance on investments emphasises security and liquidity as the primary objectives of a prudent investment policy. The speculative procedure of borrowing purely in order to invest is unlawful.

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 Appendices C and D. The Assistant Chief Executive - Finance, 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 Cabinet.

The continuing 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.

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

Investments managed in-house

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

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

The Council selects countries and the institutions within them (see Appendix C), for the counterparty list after analysis and careful monitoring of:

- Credit Ratings (minimum long-term A+ for counterparties; AA+ for countries)
- Credit Default Swaps (where quoted)
- GDP; Net Debt as a Percentage of GDP
- Sovereign Support Mechanisms/potential support from a well-resourced parent institution
- Share Prices
- Macro-economic indicators
- Corporate developments, news and articles, market sentiment.

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.

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

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

Upper Limit for total principal sums invested over 364 days	2010/11 Approved £m	2010/11 Revised £m	2011/12 Estimate £m	2012/13 Estimate £m	2013/14 Estimate £m
	0.000	3.000	2.500	2.000	1.000

The above figures relate to the Council's investment in Landsbanki Islands HF, the subject of ongoing trial proceedings.

Interest Rate Exposure

The following Prudential Indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The Council calculates these limits on net principal outstanding sums.

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.

	2010/11 Approved £m	2010/11 Revised £m	2011/12 Estimate £m	2012/13 Estimate £m	2013/14 Estimate £m
Upper Limit for Fixed Interest Rate Exposure	25	25	25	25	25
Upper Limit for Variable Interest Rate Exposure	25	25	25	25	25

Outlook for Interest Rates

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

Balanced Budget Requirement

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

2011/12 MRP Statement

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.

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.

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

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

The Council will use Option 4 in respect of supported and unsupported capital expenditure.

MRP in respect of leases brought on Balance Sheet under the IFRS-based Code of Practice will match the annual principal repayment for the associated deferred liability.

MRP Estimates	**2010/11 Approved £m**	**2010/11 Revised £m**	**2011/12 Estimate £m**	**2012/13 Estimate £m**	**2013/14 Estimate £m**
General Fund MRP	0.290	0.338	0.353	0.456	0.472
HRA MRP	0.000	0.000	1.666	1.666	1.666
Total MRP	**0.290**	**0.338**	**2.019**	**2.122**	**2.138**

Monitoring and Reporting on the Treasury Outturn and Prudential Indicators

The Assistant Chief Executive – Finance will report to the Cabinet on treasury management activity and performance and Prudential Indicators as follows:

(a) Quarterly against the strategy approved for the year.

(b)The Council will produce a mid year report on its treasury activity no later than 30 November 2011.

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

(d) The Cabinet will be responsible for the scrutiny of treasury management activity and practices.

Other Items

Training

CIPFA's Code of Practice requires the Assistant Chief Executive – Finance 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 consultants

The Council uses Arlingclose as its treasury management consultants. The company provides a range of services which include:

- Economic and interest rate analysis
- Credit ratings/market information service comprising the three main credit rating agencies
- Generic investment advice on interest rates, timing and investment instruments
- Debt rescheduling advice
- Technical support on treasury matters and capital finance issues.

Whilst Arlingclose provide support to the Council's internal treasury function, under current market rules and the CIPFA TM Code, the final decision on treasury matters rests with the Council. The treasury consultancy service is subject to regular review; the current arrangement has an end date of 31 December 2011 so will require review before the end of the year.

APPENDIX A

EXISTING PORTFOLIO PROJECTED FORWARD

	Current Portfolio £m	%	31 Mar 11 Estimate £m	31 Mar 12 Estimate £m	31 Mar 13 Estimate £m	31 Mar 14 Estimate £m
External Borrowing:						
Fixed Rate – PWLB	0	0	0	0	92.805	0.600
Fixed Rate – Market	0	0	0	0	0	0
Variable Rate – PWLB	0	0	0	0	0	0
Variable Rate – Market	0	0	0	0	0	0
Existing long-term Borrowing	0	0	0	0	0	91.216
long-term liabilities:	6.921	100	6.436	5.951	5.466	4.981
Total External Debt	**6.921**		**6.436**	**5.951**	**98.271**	**96.797**
Investments:						
Managed in-house						
- Deposits	4.500	31	2.000	2.000	2.000	1.500
- Monies on call	7.486	51	1.500	3.000	3.000	2.000
- Money Market Funds	0	0	0.000	1.000	1.000	1.000
- Cash at Bank	2.641	18	2.000	1.000	0.500	0.500
Total Investments	**14.627**		**5.500**	**7.000**	**7.500**	**6.000**
(Net Borrowing Position)/ Net Investment position	**7.706**		**(0.936)**	**1.049**	**(90.771)**	**(90.797)**

APPENDIX B

Arlingclose's Economic and Interest Rate Forecast

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Official bank rate													
Upside risk	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	**0.50**	**0.50**	**0.75**	**1.00**	**1.25**	**1.50**	**2.00**	**2.50**	**2.75**	**2.75**	**3.00**	**3.00**	**3.00**
Downside risk	0	0	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
1-yr LIBID													
Upside risk	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central case	1.65	1.90	2.15	2.40	2.50	2.50	2.75	3.00	3.25	3.50	3.50	3.50	3.50
Downside risk	-0.25	-0.25	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50

- The recovery in growth is likely to be slow and uneven.
- The initial reaction to the CSR is positive, but implementation risks remain.
- The path of base rates reflects the fragility of the recovery and the significantly greater fiscal tightening of the emergency budget. With growth and underlying inflation likely to remain subdued, the Bank will stick to its lower for longer stance on policy rates.
- Uncertainty surrounding Eurozone sovereign debt and the risk of contagion will remain a driver of global credit market sentiment.

Underlying assumptions:

- The framework and targets announced in the Comprehensive Spending Review (CSR) to reduce the budget deficit and government debt will be put to the test; meeting the 2010 borrowing target of £149bn will be crucial to the gilt market's confidence in the credibility of the deficit reduction plans.
- Despite Money Supply being weak and growth prospects remaining subdued, the MPC has gravitated towards increasing rates in the new year as global inflation continues to rise along with household inflation.
- Consumer Price Inflation is stubbornly above 3% and is likely to spike above 4% in the first quarter of 2011 as a result of VAT, Utilities and Rail Fares.
- Unemployment remains near a 16 year high, at just over 2.5 Million, and is set to increase as the Public Sector shrinks. Meanwhile employment is growing but this is mainly due to part time work, leaving many with reduced income.
- Recently announced Basel III capital/liquidity rules and extended timescales are positive for banks. Restructuring of UK banks' balance sheets is ongoing and expected to take a long time to complete. This will be a pre-condition for normalisation of credit conditions and bank lending.
- Mortgage repayment, a reduction in net consumer credit and weak consumer confidence are consistent with lower consumption and therefore the outlook for growth.
- The US Federal Reserve downgraded its outlook for US growth; the Fed is concerned enough to signal further QE through asset purchases. Industrial production and growth in the Chinese economy are showing signs of slowing. Both have implications for the global economy.

APPENDIX C

Specified and Non Specified Investments

Specified Investments identified for use by the Council

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

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

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

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

** Investments in these instruments will be on advice from the Council's treasury advisor.*

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

Long-term minimum: A+ (Fitch); A1 (Moody's) A+ (S&P)
Short-term minimum: F1 (Fitch); P-1 (Moody's); A-1 (S&P)

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

New specified investments will be made within the following limits:

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limits £m
Term Deposits	UK	DMADF, DMO	No limit
Term Deposits	UK	Other UK Local Authorities	No limit
Term Deposits/ Call Accounts	UK	Counterparties rated at least A+ Long Term and F1 Short Term (or equivalent)	3
Term Deposits/ Call Accounts	UK	Santander UK Plc (Banco Santander Group)	3
Term Deposits/ Call Accounts	UK	Lloyds TSB (Lloyds Banking Group)	3
Term Deposits/ Call Accounts	UK	Bank of Scotland (Lloyds Banking Group)	3
Term Deposits/ Call Accounts	UK	Barclays Bank Plc	3 UDC holds its current accounts with Barclays PLC. The 3m limit may need to be temporarily exceeded for short periods
Term Deposits/ Call Accounts	UK	Clydesdale Bank	3
Term Deposits/ Call Accounts	UK	HSBC Bank Plc	3
Term Deposits/ Call Accounts	UK	Nationwide Building Society	3
Term Deposits/ Call Accounts	UK	Nat West (RBS Group)	3
Term Deposits/ Call Accounts	UK	Royal Bank of Scotland (RBS Group)	3
Term Deposits/ Call Accounts	UK	Standard Chartered Bank	3
T-Bills	UK	DMO	No limit
AAA-rated Money Market Funds	UK	CNAV MMFs (e.g. Prime Rate)	1 per fund

Group Limits *- For institutions within a banking group, a limit of 1.5 times the individual limit of a single bank within that group will be applied.*

APPENDIX D

Non-Specified Investments determined for use by the Council

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

	In-house use	**Use by fund managers**	**Maximum maturity**	**Capital expenditure?**
▪ Deposits with banks and building societies ▪ CDs with banks and building societies	✓ ✓	✓	1 year	No
Money Market Funds and Collective Investment Schemes, which are credit rated	✓ (on advice from treasury advisor)	✓	These funds do not have a defined maturity date	No

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.