

**Treasury Policy Statement**

1. The Council defines its treasury management activities as:  
“The management of the organisation’s investments and cashflows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and pursuit of optimum performance consistent with those risks.”
2. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council and any financial instruments entered into to manage these risks.
3. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
4. The Council’s borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.
5. The Council’s primary objective in relation to investments is the security of capital. The liquidity or accessibility of the Council’s investments followed by the yield earned on investments are important but are secondary considerations.

**ANNEX 2**

**Detail of Treasury Position**

**A: General Fund Pool**

	31 Mar 12 Estimate £000	31 Mar 13 Estimate £000	31 Mar 14 Estimate £000	31 Mar 15 Estimate £000
Existing External Borrowing commitments:				
PWLB	69,792	56,300	49,275	45,528
Market loans	39,566	39,566	39,566	39,566
Local Authorities	14,244	0	0	0
Total External Borrowing	123,602	95,866	88,841	85,094
Long Term Liabilities	88,080	83,952	79,717	75,370
Total Gross External Debt	211,682	179,818	168,558	160,464
CFR	307,087	298,765	288,768	275,302
Internal Borrowing	95,405	90,405	85,405	80,405
Cumulative Borrowing requirement	0	28,542	34,805	34,433

**B: HRA Pool**

	31 Mar 12 Estimate £000	31 Mar 13 Estimate £000	31 Mar 14 Estimate £000	31 Mar 15 Estimate £000
Existing External Borrowing commitments:				
PWLB	150,703	121,568	106,400	98,307
Market loans	85,434	85,434	85,434	85,434
Local Authorities	30,756	0	0	0
Total External Borrowing	266,893	207,002	191,834	183,741
CFR	274,893	274,893	274,893	274,893
Internal Borrowing	8,000	8,000	8,000	8,000
Cumulative Borrowing requirement	0	59,891	75,059	83,152

**Summary of Prudential Indicators**

No.	Prudential Indicator	2012/13	2013/14	2014/15
<b>CAPITAL INDICATORS</b>				
1	Capital Expenditure	£000	£000	£000
	General Fund	37,084	25,889	13,074
	HRA	44,692	30,703	43,732
	TOTAL	81,776	56,592	56,806
2	Ratio of financing costs to net revenue stream	%	%	%
	General Fund	2.70	2.64	2.47
	HRA	15.35	14.86	13.97
3	Capital Financing Requirement	£000	£000	£000
	General Fund	298,765	288,768	275,302
	HRA	274,893	274,893	274,893
	TOTAL	573,658	563,661	550,195
4	Incremental impact of capital investment decisions	£	£	£
	Band D Council Tax	0.94	0.74	0.34
	Weekly Housing rents	0.21	0.19	0.13

No.	Prudential Indicator	2012/13	2013/14	2014/15			
<b>TREASURY MANAGEMENT LIMITS</b>							
5	Borrowing limits	£000	£000	£000			
	Authorised Limit	790,820	777,435	760,491			
	Operational Boundary	640,448	629,604	615,269			
6	HRA Debt Cap	£000	£000	£000			
	Headroom	54,684	54,684	54,684			
7	Net debt to gross debt	£000	£000	£000			
	Limit on proportion of net debt to gross debt	533,658	523,661	510,195			
8	Upper limit – fixed rate exposure	100%	100%	100%			
	Upper limit – variable rate exposure	40%	40%	40%			
9	Maturity structure of borrowing (U: upper, L: lower)	L	U	L	U	L	U
	under 12 months	0%	50%	0%	50%	0%	50%
	12 months & within 2 yrs	0%	50%	0%	50%	0%	50%
	2yrs & within 5 yrs	0%	50%	0%	50%	0%	50%
	5 yrs & within 10 yrs	0%	60%	0%	60%	0%	60%
	10 yrs & within 20 yrs	0%	60%	0%	60%	0%	60%
	20 yrs & within 30 yrs	0%	60%	0%	60%	0%	60%
	30 yrs & within 40 yrs	0%	60%	0%	60%	0%	60%
	40 yrs & within 50 yrs	0%	60%	0%	60%	0%	60%
	50 yrs & above	0%	60%	0%	60%	0%	60%
10	Sums invested for more than 364 days	0	0	0			
11	Adoption of CIPFA Treasury Management Code of Practice	√	√	√			



### Specified Investments

It is proposed that the Council only uses specified investments during 2012/13. Specified Investments are 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" definition 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 UK banks and building societies
- AAA-rated Money Market Funds with a Constant Net Asset Value
- Treasury-Bills (T-Bills)
- \*Certificates of deposit with UK banks and building societies
- \*Gilts: (bonds issued by the UK government)

*\* Investments in these instruments would only be undertaken on advice from the Council's treasury management adviser.*

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); A3 (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 the range of information on investment counterparties detailed in section 6.8.

Specified investments will be made within the limits detailed in the table below. The limits stated will apply across the total portfolio operated by the Council and so incorporate both Council and Pension Fund specific investments.

The limits for the period of investment are the maximum for the categories of counterparties. Lower operational limits will apply if recommended following a review of creditworthiness.

<b>Instrument</b>	<b>Country/ Domicile</b>	<b>Counterparty</b>	<b>Maximum Counterparty Limits £m</b>	<b>Maximum period of investment</b>
Term Deposits	UK	Debt Management Account Deposit Facility (DMADF), Debt Management Office (DMO)	No limit	6 months
Gilts	UK	Debt Management Office (DMO)	No limit	364 days
T-Bills	UK	Debt Management Office (DMO)	No limit	6 months
Term Deposits/ Call Accounts	UK	Other UK Local Authorities	£30m per local authority	364 days
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Counterparties rated at least A- Long Term and F1 Short Term (or equivalent)	£20m per bank or banking group	364 days
AAA-rated Money Market Funds	UK/Ireland/ Luxembourg domiciled	Constant Net Asset Value Money Market Funds (MMFs)	£20m per MMF*; Group limit £100m	Instant Access

\* Limit per MMF to be no more than 0.5% of the Money Market Fund's total assets.

## ANNEX 6

### Lending List of counterparties for investments

This is the proposed list of counterparties which the Council can lend to, providing the counterparties meet the requirements set out in Annex 5 at the time of investment. The list will be kept under constant review and counterparties removed if the process described in 6.8 and 6.9 raises any concerns about their credit worthiness.

<b>Instrument</b>	<b>Country/ Domicile</b>	<b>Counterparty</b>	<b>Maximum Counterparty Limit £m</b>
Gilts, Treasury Bills, Term Deposits	UK	Debt Management Office (Term deposits with Debt Management Account Deposit Facility DMADF)	No limit
Term Deposits	UK	Other Local Authorities	£30m per local authority
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Barclays Bank Plc	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	HSBC Bank Plc	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Lloyds Banking Group including Lloyds TSB and Bank of Scotland	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Nationwide Building Society	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	RBS Group including Nat West Bank and Royal Bank of Scotland	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Standard Chartered Bank	20
Money Market Funds	Ireland	BlackRock Institutional Sterling Liquidity Fund	20
Money Market Funds	Ireland	BlackRock Institutional Sterling Government Liquidity Fund	20
Money Market Funds	Ireland	Goldman Sachs Liquid Reserves Fund	20



<b>Instrument</b>	<b>Country/ Domicile</b>	<b>Counterparty</b>	<b>Maximum Counterparty Limit £m</b>
Money Market Funds	Ireland	Deutsche Bank Managed Sterling Fund	20
Money Market Funds	Ireland	Invesco Short Term Investments Company Sterling Liquidity Portfolio	20
Money Market Funds	Luxembourg	J.P. Morgan Asset Management Sterling Liquidity Fund	20
Money Market Funds	Ireland	RBS Global Treasury Fund - Sterling	20

