

REPORT TO: Executive Board

DATE: 6 February 2014

REPORTING OFFICER: Operational Director – Finance

PORTFOLIO: Resources

TITLE: Treasury Management Strategy Statement 2014/15

WARDS: Borough-wide

1.0 PURPOSE OF REPORT

1.1 To consider the Treasury Management Strategy Statement which incorporates the Annual Investment Strategy (AIS) and the Minimum Revenue Provision (MRP) Strategy for 2014/15.

2.0 RECOMMENDATION: That Council be recommended to adopt the policies, strategies, statements, prudential and treasury indicators outlined in the report.

3.0 SUPPORTING INFORMATION

3.1 This Treasury Management Strategy Statement (TMSS) details the expected activities of the treasury function in the forthcoming financial year (2014/15). Its production and submission to Council is a requirement of the CIPFA Code of Practice on Treasury Management.

3.2 The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

3.3 The Act requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy; this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

3.4 Government guidance notes state that Authorities can combine the Treasury Strategy Statement and Annual Investment Strategy into one report. The Council has adopted this approach and the Annual Investment Strategy is therefore included as paragraph 8.

3.5 The Council is also required to produce a Minimum Revenue Provision (MRP) Policy Statement. There is a formal statement for approval detailed in paragraph 11 with Appendix C discussing MRP in more detail.

4.0 POLICY IMPLICATIONS

4.1 The successful delivery of the strategy will assist the Council in meeting its budget commitments.

5.0 OTHER IMPLICATIONS

5.1 None.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 There are no direct implications, however, the revenue budget and capital programme support the delivery and achievement of all the Council's priorities.

7.0 RISK ANALYSIS

7.1 The Authority operates its treasury management activity within the approved code of practice and supporting documents. The aim at all times is to operate in an environment where risk is clearly identified and managed. This strategy sets out clear objectives within these guidelines.

7.2 Regular monitoring is undertaken during the year and reported on a quarterly basis to the Executive Board.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 None.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact Officer
Working Papers	Financial Management	Jean Clieve
CIPFA TM Code	Kingsway House	
CIPFA Prudential Code		

HALTON BOROUGH COUNCIL
TREASURY MANAGEMENT STRATEGY
STATEMENT

2014/15

Financial Management Division
Finance Department
January 2014

TREASURY MANAGEMENT STRATEGY STATEMENT 2014/15

1.0 INTRODUCTION

1.1 The suggested strategy for 2014/15 in respect of the following aspects of the treasury management function are based upon the views of the Operational Director Finance on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor, Capita Asset Services (formerly Sector).

The strategy covers:

- Treasury limits in force which will limit the treasury risk and activities of the Council
- The current treasury position
- Prospects for interest rates
- The borrowing strategy
- Policy on borrowing in advance of need
- The investment strategy
- Debt rescheduling
- Creditworthiness policy
- Policy on use of external service providers
- Prudential and Treasury Indicators

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

1.3 Section 32 of the Local Government Finance Act 1992 requires the Council to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:-

1. increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
2. increases in running costs from new capital projects

are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

2.0 TREASURY LIMITS FOR 2014/15 TO 2016/17

2.1 It is a statutory duty under Section 3 of the Act and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England, the Authorised Limit represents the legislative limit specified in the Act.

- 2.2 The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax is 'acceptable'.
- 2.3 Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.
- 2.4 Details of the Authorised Limit can be found in Appendix D.

3.0 CURRENT TREASURY PORTFOLIO POSITION

- 3.1 The Council defines its treasury management activities as: "The management of the Council'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".
- 3.2 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 the risk implications for the organisation.
- 3.3 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.
- 3.4 The Council's treasury portfolio position at 10th January 2014 comprised

		Principal £m	£m	Ave. Rate %
Fixed Rate Funding	PWLB	-40.00		
	Market	-31.00		
Total Portfolio <i>Inclusive of:</i>			-71.00	2.28
<i>Mersey Gateway</i>	<i>PWLB</i>	<i>-30.00</i>		<i>1.97</i>
	<i>Market</i>	<i>-20.00</i>		<i>1.06</i>
Variable Rate Funding	PWLB	0.00		
	Market	0.00		
Other Long Term Liabilities (Finance Leases)			-0.59	
Gross Debt			-71.59	2.26
Total Investments			35.65	0.97

4.0 BORROWING REQUIREMENTS FOR 2014/15 to 2016/17

4.1 The table below summarises the net borrowing requirement for the authority for the next three years based on the current level of prudential borrowing contained in the capital programme.

	2012/13 £'000 actual	2013/14 £'000 probable	2014/15 £'000 estimate	2015/16 £'000 estimate	2016/17 £'000 estimate
New borrowing	4,243	24,082	14,512	2,909	72,924
Alternative financing arrangements	154	587	587	587	587
Replacement borrowing	0	0	0	0	0
Total CFR (borrowing requirement)	4,397	24,669	15,099	3,496	73,511

4.2 The Council is to receive £62.2 million in 2014/15, £4.6 million in 2015/16 and £1.6 million in 2016/17 from the Department for Transport (DfT) as part of the Mersey Gateway advanced land acquisition. The grant will be used to settle PWLB (Public Works Loans Board) and market borrowings taken between 2011/12 and 2014/15.

4.3 The £10m Lender's Option Borrowers Option (LOBO), currently with Euro Hypo Bank is on 6 month options (shown within Fixed Rate Market in Table 3.4). As such, it could fall to be replaced in any one of the years.

4.4 The Councils treasury portfolio position at 31 March 2013, with forward projections are summarised below:

	2012/13 £'000 actual	2013/14 £'000 probable	2014/15 £'000 estimate	2015/16 £'000 estimate	2016/17 £'000 estimate
External Borrowing					
Debt at 1 April	80,474	70,429	81,000	156,967	218,838
Expected Change in Debt	0	10,571	75,967	61,871	0
Other LTL	461	461	461	461	461
Expected Change in Other LTL	0	0	0	0	0
Actual Gross Debt at 31 March	80,935	81,461	157,428	219,299	219,299
CFR borrowing need	97,756	119,679	131,884	132,583	203,390
Under/(Over) Borrowing	16,821	38,219	(25,544)	(86,716)	(15,908)

4.5 The table shows actual external debt from treasury management operations against the underlying capital borrowing need.

4.6 The Council is currently maintaining an under borrowed position. This means that the capital borrowing need (the CFR) has not been fully funded by loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high. However, it is expected that during 2014/15 and 2015/16 the Council will take advantage of low long term interest rates and start borrowing for Mersey Gateway construction costs (ahead of need), which are due for payment in 2016/17 and 2017/18. The cost of borrowing for construction costs will be funded from future toll receipts. This explains the over borrowing position for 2014/15 onwards.

5.0 PROSPECTS FOR INTEREST RATES

5.1 The Council has appointed Capita Asset Services (formerly Sector Treasury Services) as treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Appendix A draws together a number of current City forecasts for short term (Bank Rate) and longer term fixed interest rates. The following table gives the Capita Asset Services central view.

Capita Bank Rate forecast for financial year ends (March)

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

There is the potential to the forecast remaining lower over the longer term if the recovery from the recession proves to be weaker than currently expected. A detailed view of the current economic background is contained within Appendix B to this report.

6.0 BORROWING STRATEGY

6.1 Borrowing rates

The Capita Asset Services forecast for new PWLB borrowing is as follows:-

	PWLB Borrowing Rates (including certainty rate adjustment)		
	5 year	25 year	50 year
Dec-13	2.50	4.40	4.40
Mar-14	2.50	4.40	4.40
Jun-14	2.60	4.50	4.50
Sep-14	2.70	4.50	4.50
Dec-14	2.70	4.60	4.60
Mar-15	2.80	4.60	4.70
Jun-15	2.80	4.70	4.80
Sep-15	2.90	4.80	4.90
Dec -15	3.00	4.90	5.00
Mar-16	3.10	5.00	5.10
Jun-16	3.20	5.10	5.20
Sep-16	3.30	5.10	5.20
Dec-16	3.40	5.10	5.20
Mar-17	3.40	5.10	5.20

- 6.2 The cheapest borrowing will be internal borrowing by running down cash balances and foregoing interest earned at historically low rates. However, in view of the overall forecast for long term borrowing rates to increase over the next few years, consideration will be given to weighing the short term advantage of internal borrowing against potential long term costs if the opportunity is missed for taking market loans at long term rates which will be higher in future years.
- 6.3 Shorter term borrowing is expected to be cheaper than long term borrowing and will therefore be attractive throughout the financial year when compared to long term fixed rate borrowing.
- 6.4 Long term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available) may be sought and the Council will maintain an appropriate balance between PWLB and Market debt.
- 6.5 The Operational Director – Finance will certify all borrowings sourced to finance both day-to-day cash flow fluctuations and the capital programme. Borrowings will be sourced principally from either the PWLB or the Market, either by the use of external brokers or direct by the Treasury Manager. The Operational Director – Finance is responsible for putting in place procedures for managing and controlling treasury management activity, managing and controlling risk and pursuing value for money whilst satisfying the requirements of regulation 24 of the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 (SI 2003/3146) as amended.
- 6.6 PWLB borrowing for periods under 5 years is expected to be significantly lower than rates for longer periods. This offers a range of options for new borrowing which will spread debt maturities away from a concentration in longer dated debt.
- 6.7 The Council will consider the advantages to PWLB annuity and EIP (Equal Instalments of Principal) loans as well as maturity loans.
- 6.8 Longer term rates are expected to gradually increase during the year so it should therefore be advantageous to time new borrowing for the start of the year.
- 6.9 **Sensitivity of the Forecast** – in normal circumstances, the main sensitivities of the forecast are likely to be the two scenarios noted below. Council Officers, in conjunction with the treasury advisors, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of sentiment:
- *If it were felt that there was a significant risk of a sharp FALL in long and short term rates e.g. due to a marked increase of risks around relapse into recession or risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.*
 - *If it were felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden*

increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

6.10 External v Internal Borrowing

	2012/13 £'000 actual	2013/14 £'000 probable outturn	2014/15 £'000 estimate	2015/16 £'000 estimate	2016/17 £'000 estimate
Actual external debt (Gross)	80,474	71,000	145,967	207,838	200,762
Cash Balances	-22,369	-35,650	-48,384	-64,153	-49,579
Net Debt	58,105	34,350	97,583	143,685	151,183

- 6.11 The Council currently estimates a difference of £34.35 million between gross debt and net debt after deducting cash balances of £35.65 million for 2013/14. This is a reduction from the net position as at 2012/13 and takes account of the reduction in borrowings for Mersey Gateway land acquisition costs.
- 6.12 The usual aim of the Treasury Management Strategy is to reduce the difference between the two debt levels over the medium term. Although given the unique nature of the Mersey Gateway project and the potential to borrow ahead of need, the net debt position is expected to increase from 2014/15 as the Council looks to borrow funds to cover construction costs for the project.
- 6.13 A factor which will be carefully considered is the difference between borrowing rates and investment rates (referred to as 'the cost of carry'). The Council will ensure that it obtains value for money, once an appropriate level of risk management has been attained to ensure the security of its investments.
- 6.14 The next financial year is expected to continue to be one of historically abnormally low Bank Rate. This provides a continuation of the current window of opportunity for local authorities to fundamentally review their strategy of undertaking new external borrowing.
- 6.15 Over the next three years, investment rates are therefore expected to be below long term borrowing rates and so value for money considerations would indicate that value could be best obtained by avoiding new external borrowing and by using internal cash balances to finance new capital expenditure or to replace maturing external debt (this is referred to as internal borrowing). This would maximise short term savings.
- 6.16 However, short term savings by avoiding new long term external borrowing in 2014/15 will also be weighed against the potential for incurring additional long term extra costs by delaying unavoidable new external borrowing until later years when PWLB long term rates are forecast to be significantly higher.
- 6.17 The Operational Director - Finance will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the Executive Board at the next available opportunity.

7.0 POLICY ON BORROWING IN ADVANCE OF NEED

7.1 The Council will not borrow more than or in advance of its need purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

If borrowing were to be undertaken in advance of need, the Council would:-

- Ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need.
- Ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered.
- Evaluate the economic and market factors that might influence the manner and timing of any decision to borrow.
- Consider the merits and demerits of alternative forms of funding.
- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.
- Consider the impact of borrowing in advance and temporarily increasing investment cash balances (until required to finance capital expenditure) and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them.

8.0 ANNUAL INVESTMENT STRATEGY

8.1 The Council will have regard to CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are:-

- (a) the security of capital
- (b) the liquidity of its investments

8.2 The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of the Council is low in order to give priority to security of its investments.

8.3 The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

8.4 Investment instruments identified for use in the financial year are listed under the 'Specified' and 'Non-Specified' investments categories.

8.5 Eligible counterparties and their limits were last reviewed and set by the Executive Board 7th February 2013.

- 8.6 Since that time, counterparty limits for HSBC and Standard Chartered have been increased as part of the Mid Year Review report approved by Executive Board on 12th December 2013. The list is continually reviewed to ensure that all the counterparties still meet the Council's minimum requirements for investment purposes. It is recommended that Handelsbanken be added to the Council's counterparty list, and that Yorkshire Building Society and Skipton Building Society be removed. Appendix E contains a list of all the Councils counterparties and their corresponding investment limits.

Specified v Non-Specified Investments

- 8.7 There have been an increasing number of innovative investment products being marketed over recent years. They have arisen due to the relatively low interest rate environment which has prevailed during this period. The initial guidance from the CLG focused on high security and more particularly credit risk. This approach however does not deal with market risk, which is the sudden adverse movement in interest rates. In some products this could lead to a significant diminution of the maturity value below that of the original sum invested.
- 8.8 Because of this it has been suggested that if any investment other than a straight cash deposit is envisaged the following tests are applied;-
1. the working of the product is fully understood;
 2. the degree of risk exposure the product carries is identified;
 3. the level of risk fits within the parameters set by the authority;
 4. the product complies with the CIPFA Code of Practice on Treasury Management (prime focus on security and best value applied to optimise returns).
- 8.9 The Council has previously used straightforward cash deposits, with both fixed and variable rates, but always with options to repay if the counterparty wanted to change the terms and agreement couldn't be reached. The issue therefore still boils down to credit risk and this is handled through the counterparty weighted rankings and prudential indicators which limit the amount that can be placed with non rated organisations at any one time.

Specified Investments:

- 8.10 All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' credit quality where applicable (i.e. credit rated counterparties).

	Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	--	In-house
UK Government Gilts	UK Only (AAA)	In house
Bonds Issued by an Institution guaranteed by the UK government	UK Only (AAA)	In house
Term Deposits – UK Government	--	In-house
Term Deposits – Other LAs	--	In-house
Term Deposits – Banks and Building Societies	On Approved List and Rated A or above	In-house

If forward deposits are to be made, the forward period plus the deal period should not exceed one year in aggregate.

Non-Specified Investments:

- 8.11 A maximum of 30% will be held in aggregate in non-specified investments for 2-3 years and 60% for 1-2 years. This group can include non-credit rated organisations but with caution.

	Minimum Credit Criteria	Use	Max % of Total Investments	Max. Maturity Period
Term deposits – UK government (with maturities in excess of 1 year)	-	In-house	30% 60%	2-3 years 1-2 years
Term deposits – other LAs (with maturities in excess of 1 year)	-	In-house	30% 60%	2-3 years 1-2 years
Term deposits – banks and building societies (with maturities in excess of 1 year)	On Approved List and less than A or Unrated.	In-house	30% 60%	2-3 years 1-2 years

Investment Strategy

- 8.12 In-house funds: Investments will be made with reference to cash flow requirements and the outlook for short term interest rates (i.e. rates for investments up to 12 months).
- 8.13 The Council has avoided locking into longer term deals while investment rates are down at historically low levels, and has chosen instead to finance the capital programme by running down investment balances.
- 8.14 The interest rate outlook is particularly relevant to the performance of the Council's investment portfolio. The timing of any increase in investment rates will be subject to the speed of economic recovery.

- 8.15 The Council has placed much of its current portfolio into fixed rate, fixed period deals. The Council's policy will be to explore the availability of variable rate investments, whilst prioritising security and liquidity over yield in order to optimise a return commensurate with the principal invested. The Council will also continue to run down the level of investments, to reduce counterparty and interest rate exposure whilst waiting for the opportune time to borrow to fund its long term capital projects. This policy will minimise the impact of low investment rates.
- 8.16 For its cash flow generated balances, the Council will seek to utilise its business reserve account and short-dated deposits (1-3 months) in order to benefit from the compounding of interest.

End of year Investment Report

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

9.0 DEBT RESCHEDULING

- 9.1 As short term borrowing rates will be considerably cheaper than longer term rates, there may be potential for some residual 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 size of the premiums incurred, their short term nature, and the likely cost of refinancing those short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio. Any such rescheduling and repayment of debt is likely to cause a flattening of the Council's maturity profile.
- 9.2 Consideration will be given to identifying whether 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.
- 9.3 All rescheduling will be reported to the Executive Board at the meeting following its action.

10.0 EXTRAORDINARY ITEMS

- 10.1 The Council will actively seek during 2014/15 to reduce the impact of the cost of borrowing used to finance Mersey Gateway construction costs. This will involve, taking borrowing when a rate reaches a pre set 'trigger' and placing funds with a counterparty until expenditure falls due.

11.0 MINIMUM REVENUE PROVISION POLICY STATEMENT 2014/15

- 11.1 The major proportion of the MRP for 2014/15 will relate to the more historic debt liability that will continue to be charged at the rate of 4%, in accordance with option

1 of the guidance. Certain expenditure reflected within the debt liability at 31st March 2011 will under delegated powers be subject to MRP under option 3, which will be charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of the expenditure, using the equal instalment method. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.

- 11.2 Estimated life periods will be determined by the Operational Director – Finance under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.
- 11.3 As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.
- 11.4 A brief explanation of the Minimum Revenue Provision and the options available is contained in Appendix C.

12.0 CREDITWORTHINESS POLICY

- 12.1 The Council uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays: -
- credit watches and credit outlooks from credit rating agencies
 - Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings
 - sovereign ratings to select counterparties from only the most creditworthy countries
- 12.2 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration for investments and are therefore referred to as durational bands

12.3 The selection of counterparties with a high level of creditworthiness will be achieved by selecting institutions down to a minimum durational band within Capita's weekly credit list of worldwide potential counterparties. The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years
- Purple 2 years
- Blue 1 year (only applies to nationalised/semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No Colour not to be used

12.4 All credit ratings will be monitored on a weekly basis. The Council is alerted to changes to ratings of all three agencies through its use of the Capita creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of Credit Ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

12.5 Sole reliance will not be placed on the use of this external service. In addition the Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

13.0 POLICY ON THE USE OF TREASURY MANAGEMENT CONSULTANTS

13.1 The Council uses Capita Asset Services as its external treasury management advisers.

13.2 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.

14.0 TREASURY MANAGEMENT INDICATORS FOR 2014/15-2016/17

14.1 The treasury management indicators as set out in Appendix D to this report are relevant for the purposes of setting an integrated treasury management strategy.

15.0 ADOPTING THE CIPFA CODE OF PRACTICE ON TREASURY MANAGEMENT

15.1 The Council is required to indicate that it has adopted the revised CIPFA code of practice on treasury management. The original 2001 code was adopted in March 2002, the revised 2009 Code was adopted in March 2010 with the 2011 version being adopted in March 2012.

16.0 ROLES AND RESPONSIBILITIES FOR TREASURY MANAGEMENT

16.1 Appendix F outlines the respective roles and responsibilities for Treasury Management within Halton Borough Council as outlined in the Treasury Management Code.

INTEREST RATE FORECASTS

Appendix A

Bank Rate														
	NOW	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.00%	1.25%
UBS	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	-	-	-	-	-
Capital Economics	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	-	-	-	-	-
5yr PWLB Rate														
	NOW	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services	2.63%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.40%
UBS	2.63%	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Economics	2.63%	2.60%	2.60%	2.60%	2.60%	2.70%	2.80%	3.00%	3.20%	-	-	-	-	-
10yr PWLB Rate														
	NOW	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services	3.72%	3.60%	3.70%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.20%	4.30%	4.30%	4.40%	4.50%
UBS	3.72%	3.70%	3.80%	3.90%	4.05%	4.05%	4.30%	4.55%	4.55%	-	-	-	-	-
Capital Economics	3.72%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	4.05%	-	-	-	-	-
25yr PWLB Rate														
	NOW	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services	4.35%	4.40%	4.50%	4.50%	4.60%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.10%
UBS	4.35%	4.55%	4.55%	4.80%	4.80%	5.05%	5.05%	5.30%	5.30%	-	-	-	-	-
Capital Economics	4.35%	4.35%	4.35%	4.35%	4.35%	4.35%	4.35%	4.35%	4.45%	-	-	-	-	-
50yr PWLB Rate														
	NOW	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services	4.31%	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.20%	5.20%	5.20%
UBS	4.31%	4.45%	4.45%	4.70%	4.70%	4.90%	4.90%	5.05%	5.05%	-	-	-	-	-
Capital Economics	4.31%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.60%	-	-	-	-	-

Economic Background (provided by Capita Asset Services)

THE UK ECONOMY

Economic growth. Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth strongly rebounded in 2013 - quarter 1 (+0.3%), 2 (+0.7%) and 3 (+0.8%), to surpass all expectations as all three main sectors, services, manufacturing and construction contributed to this strong upturn. The Bank of England has, therefore, upgraded growth forecasts in the August and November quarterly Inflation Reports for 2013 from 1.2% to 1.6% and for 2014 from 1.7% to 2.8%, (2015 unchanged at 2.3%). The November Report stated that: -

In the United Kingdom, recovery has finally taken hold. The economy is growing robustly as lifting uncertainty and thawing credit conditions start to unlock pent-up demand. But significant headwinds — both at home and abroad — remain, and there is a long way to go before the aftermath of the financial crisis has cleared and economic conditions normalise. That underpins the Monetary Policy Committee's (MPC's) intention to maintain the exceptionally stimulative stance of monetary policy until there has been a substantial reduction in the degree of economic slack. The pace at which that slack is eroded, and the durability of the recovery, will depend on the extent to which productivity picks up alongside demand. Productivity growth has risen in recent quarters, although unemployment has fallen by slightly more than expected on the back of strong output growth.

Forward surveys are currently very positive in indicating that growth prospects are also 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 Consumer Prices Index (CPI) inflation so disposable income and living standards are under pressure, although income tax cuts have improved 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.

Forward guidance. The Bank of England issued forward guidance in August which stated that the Bank will not start to consider raising interest rates until the jobless rate (Labour Force Survey / ILO i.e. not the claimant count measure) has fallen to 7% or below. This would require the creation of about 750,000 jobs and was forecast to take three years in August, but revised to possibly December 2014 in November. The UK unemployment rate has already fallen to 7.4% on the three month rate to October 2013 (although the rate in October alone was actually 7.0%). The Bank's guidance is subject to three provisos, mainly around inflation; breaching any of them would sever the link between interest rates and unemployment levels. This actually makes forecasting Bank Rate much more complex given the lack of available reliable forecasts by economists over a three year plus horizon. The recession since 2007 was notable for how unemployment did NOT rise to the levels that would normally be expected in a major recession and the August Inflation Report noted that productivity had sunk to 2005 levels. There has, therefore, been a significant level of retention of labour, which will mean that there is potential for a significant amount of GDP growth to be accommodated without a major reduction in unemployment. However, it has been particularly encouraging that the strong economic growth in

2013 has also been accompanied by a rapid increase in employment and forward hiring indicators are also currently very positive. It is therefore increasingly likely that early in 2014, the Monetary Policy Committee (MPC) will need to amend its forward guidance by reducing its 7.0% threshold rate and/or by adding further wording similar to the Fed's move in December (see below).

Credit conditions. While Bank Rate has remained unchanged at 0.5% and quantitative easing has remained unchanged at £375bn in 2013, the Funding for Lending Scheme (FLS) was extended to encourage banks to expand lending to small and medium size enterprises. The second phase of Help to Buy aimed at supporting the purchase of second hand properties, will also start in earnest in January 2014. These measures have been so successful in boosting the supply of credit for mortgages, and so of increasing house purchases, (though levels are still far below the pre-crisis level), that the Bank of England announced at the end of November that the FLS for mortgages would end in February 2014. While there have been concerns that these schemes are creating a bubble in the housing market, house price increases outside of London and the south-east have been much weaker. However, bank lending to small and medium enterprises continues to remain weak and inhibited by banks still repairing their balance sheets and anticipating tightening of regulatory requirements.

Inflation. Inflation has fallen from a peak of 3.1% in June 2013 to 2.1% in November. It is expected to remain near to the 2% target level over the MPC's two year time horizon.

AAA rating. The UK has lost its AAA rating from Fitch and Moody's but that caused little market reaction.

THE GLOBAL ECONOMY

The Eurozone (EZ). The sovereign debt crisis has eased considerably during 2013 which has been a year of comparative calm after the hiatus of the Cyprus bailout in the spring. In December, Ireland escaped from its three year EZ bailout programme as it had dynamically addressed the need to substantially cut the growth in government debt, reduce internal price and wage levels and promote economic growth. The EZ finally escaped from seven quarters of recession in quarter 2 of 2013 but growth is likely to remain weak and so will dampen UK growth. The European Central Bank's (ECB)'s pledge to buy unlimited amounts of bonds of countries which ask for a bail out has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2012 figures) of Greece 176%, Italy 131%, Portugal 124%, Ireland 123% and Cyprus 110%, remain a cause of concern, especially as many of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth i.e. these debt ratios are continuing to deteriorate. Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. It should also be noted that Italy has the third biggest debt mountain in the world behind Japan and the US. Greece remains particularly vulnerable and continues to struggle to meet EZ targets for fiscal correction. Whilst a Greek exit from the Euro is now improbable in the short term, as Greece has made considerable progress in reducing its annual government deficit and a return towards some economic growth, some commentators still view an eventual exit as being likely. There are also concerns that austerity measures in Cyprus could also end up in forcing an exit. The question remains as to how much damage an exit by one country would do and whether contagion would spread to other countries. However, the longer a Greek exit is delayed, the less are likely to be the repercussions beyond Greece on other countries and on EU banks.

Sentiment in financial markets has improved considerably during 2013 as a result of firm Eurozone commitment to support struggling countries and to keep the Eurozone intact. However, the foundations to this current "solution" to the Eurozone debt crisis are still weak and events could easily conspire to put this into reverse. There are particular concerns as to whether

democratically elected governments will lose the support of electorates suffering under EZ imposed austerity programmes, especially in countries like Greece and Spain which have unemployment rates of over 26% and unemployment among younger people of over 50%. The Italian political situation is also fraught with difficulties in maintaining a viable coalition which will implement an EZ imposed austerity programme and undertake overdue reforms to government and the economy. There are also concerns over the lack of political will in France to address issues of poor international competitiveness,

USA. The economy has managed to return to robust growth in Q2 2013 of 2.5% year on year and 4.1% year on year in Q3, in spite of the fiscal cliff induced sharp cuts in federal expenditure that kicked in on 1 March, and increases in taxation. The Federal Reserve therefore decided in December to reduce its \$85bn per month asset purchases programme of quantitative easing by \$10bn. It also amended its forward guidance on its pledge not to increase the central rate until unemployment falls to 6.5% by adding that there would be no increases in the central rate until 'well past the time that the unemployment rate declines below 6.5%, especially if projected inflation continues to run below the 2% longer run goal'. Consumer, investor and business confidence levels have all improved markedly in 2013. The housing market has turned a corner and house sales and increases in house prices have returned to healthy levels. Many house owners have, therefore, been helped to escape from negative equity and banks have also largely repaired their damaged balance sheets so that they can resume healthy levels of lending. All this indicates a reasonable growth rate looking forward.

China. There are concerns that Chinese growth could be on an overall marginal downward annual trend. There are also concerns that the new Chinese leadership have only started to address an unbalanced economy which is heavily dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector. There are also concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

Japan. The initial euphoria generated by "Abenomics", the huge quantitative easing (QE) operation instituted by the Japanese government to buy Japanese debt, has tempered as the follow through of measures to reform the financial system and the introduction of other economic reforms, appears to have stalled. However, at long last, Japan has seen a return to reasonable growth and positive inflation during 2013 which augurs well for the hopes that Japan can escape from the bog of stagnation and deflation and so help to support world growth. The fiscal challenges though are huge; the gross debt to GDP ratio is about 245% in 2013 while the government is currently running an annual fiscal deficit of around 50% of total government expenditure. Within two years, the central bank will end up purchasing about Y190 trillion (£1,200 billion) of government debt. In addition, the population is ageing due to a low birth rate and, on current trends, will fall from 128m to 100m by 2050.

CAPITA ASSET SERVICES FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds.

There could well be volatility in gilt yields over the next year as financial markets anticipate further tapering of asset purchases by the Fed. The timing and degree of tapering could have a significant effect on both Treasury and gilt yields. Equally, while the political deadlock and infighting between Democrats and Republicans over the budget has almost been resolved the raising of the debt limit, has only been kicked down the road. A final resolution of these issues could have a significant effect on gilt yields during 2014.

The longer run trend is for gilt yields and Public Works Loan Board (PWL) rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in economic recovery is also likely to compound this effect as a continuation of recovery will further encourage investors to switch back from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly weighted. However, only time will tell just how long this period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

The interest rate forecasts in this report are based on an initial assumption that there will not be a major resurgence of the EZ debt crisis, or a break-up of the EZ, but rather that there will be a managed, albeit painful and tortuous, resolution of the debt crisis where EZ institutions and governments eventually do what is necessary - but only when all else has been tried and failed. Under this assumed scenario, growth within the EZ will be tepid for the next couple of years and some EZ countries experiencing low or negative growth, will, over that time period, see a significant increase in total government debt to GDP ratios. There is a significant danger that these ratios could rise to the point where markets lose confidence in the financial viability of one, or more, countries. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a resurgence of the EZ debt crisis. While the ECB has adequate resources to manage a debt crisis in a small EZ country, if one, or more, of the large countries were to experience a major crisis of market confidence, this would present a serious challenge to the ECB and to EZ politicians.

Downside risks currently include:

- UK strong economic growth is currently very dependent on consumer spending and recovery in the housing market. This is unlikely to endure much beyond 2014 as most consumers are maxed out on borrowing and wage inflation is less than CPI inflation, so disposable income is being eroded.
- A weak rebalancing of UK growth to exporting and business investment causing a major weakening of overall economic growth beyond 2014
- Weak growth or recession in the UK's main trading partners - the EU and US, depressing economic recovery in the UK.
- Prolonged political disagreement over the raising of the US debt ceiling.
- A return to weak economic growth in the US, UK and China causing major disappointment in investor and market expectations.
- A resurgence of the Eurozone sovereign debt crisis caused by ongoing deterioration in government debt to GDP ratios to the point where financial markets lose confidence in the financial viability of one or more countries and in the ability of the ECB and Eurozone governments to deal with the potential size of the crisis.
- The potential for a significant increase in negative reactions of populaces in Eurozone countries against austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- The Italian political situation is frail and unstable; this will cause major difficulties in implementing austerity measures and a programme of overdue reforms. Italy has the third highest government debt mountain in the world.

- Problems in other Eurozone heavily indebted countries (e.g. Cyprus and Portugal) which could also generate safe haven flows into UK gilts, especially if it looks likely that one, or more countries, will need to leave the Eurozone.
- A lack of political will in France, (the second largest economy in the EZ), to dynamically address fundamental issues of low growth, poor international uncompetitiveness and the need for overdue reforms of the economy.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Geopolitical risks e.g. Syria, Iran, North Korea, which could trigger safe haven flows back into bonds.

The potential for upside risks to UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- A sharp upturn in investor confidence that sustainable robust world economic growth is firmly expected, causing a surge in the flow of funds out of bonds into equities.
- A reversal of Sterling's safe-haven status on a sustainable improvement in financial stresses in the Eurozone.
- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.
- In the longer term – an earlier than currently expected reversal of QE in the UK; this could initially be implemented by allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held.

Minimum Revenue Provision

Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. It would be impractical to charge the entirety of such expenditure to revenue in the year in which it was incurred therefore such expenditure is spread over several years in order to try to match the years over which such assets benefit the local community through their useful life. The manner of spreading these costs is through an annual Minimum Revenue Provision, which was previously determined under Regulation, and will in future be determined under Guidance.

Statutory duty

Statutory Instrument 2008 no. 414 s4 lays down that:

- “A local authority shall determine for the current financial year an amount of minimum revenue provision that it considers to be prudent.”
- The above is a substitution for the previous requirement to comply with regulation 28 in S.I. 2003 no. 3146 (as amended).
- There is no requirement to charge MRP where the Capital Financing Requirement is nil or negative at the end of the preceding financial year.
- The share of Housing Revenue Account CFR is not subject to an MRP charge.

Government Guidance

Along with the above duty, the Government issued guidance which came into force on 31st March 2008 which requires that a Statement on the Council’s policy for its annual MRP should be submitted to the full Council for approval before the start of the financial year to which the provision will relate.

The Council is legally obliged to “have regard” to the guidance, which is intended to enable a more flexible approach to assessing the amount of annual provision than was required under the previous statutory requirements. The guidance offers four main options under which MRP could be made, with an overriding recommendation that the Council should make prudent provision to redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits. The requirement to ‘have regard’ to the guidance therefore means that: -

1. although four main options are recommended in the guidance, there is no intention to be prescriptive by making these the only methods of charge under which a local authority may consider its MRP to be prudent.
2. it is the responsibility of each authority to decide upon the most appropriate method of making a prudent provision, after having had regard to the guidance.

Option 1: Regulatory Method

Under the previous MRP regulations, MRP was set at a uniform rate of 4% of the adjusted CFR (i.e. adjusted for "Adjustment A") on a reducing balance method (which in effect meant that MRP charges would stretch into infinity). This historic approach must continue for all capital expenditure incurred in years before the start of this new approach. It may also be used for new capital expenditure up to the amount which is deemed to be supported through the SCE annual allocation.

Option 2: Capital Financing Requirement Method

This is a variation on option 1 which is based upon a charge of 4% of the aggregate CFR without any adjustment for Adjustment A, or certain other factors which were brought into account under the previous statutory MRP calculation. The CFR is the measure of an authority's outstanding debt liability as depicted by their balance sheet.

Option 3: Asset Life Method

This method may be applied to most new capital expenditure, including where desired that which may alternatively continue to be treated under options 1 or 2.

Under this option, it is intended that MRP should be spread over the estimated useful life of either an asset created, or other purpose of the expenditure. There are two useful advantages of this option: -

- longer life assets e.g. freehold land can be charged over a longer period than would arise under options 1 and 2
- no MRP charges need to be made until the financial year after that in which an item of capital expenditure is fully incurred and, in the case of a new asset, comes into service use (this is often referred to as being an 'MRP holiday'). This is not available under options 1 and 2

There are two methods of calculating charges under option 3: -

- a. equal instalment method – equal annual instalments
- b. annuity method – annual payments gradually increase during the life of the asset

Option 4: Depreciation Method

Under this option, MRP charges are to be linked to the useful life of each type of asset using the standard accounting rules for depreciation (but with some exceptions) i.e. this is a more complex approach than option 3.

The same conditions apply regarding the date of completion of the new expenditure as apply under option 3.

Date of implementation

The previous statutory MRP requirements ceased to have effect after the 2006/07 financial year. Transitional arrangements included within the guidance no longer apply for the MRP charge for 2009/10 onwards. Therefore, options 1 and 2 should only be used for Supported Capital Expenditure (SCE). Authorities are however reminded that the DCLG document remains as guidance and authorities may consider alternative individual MRP

approaches, as long as they are consistent with the statutory duty to make a prudent revenue provision.

Strategy Adopted for 2013/14 and 2014/15

In order to determine its MRP for 2013/14 and taking into consideration the available options the Council has applied the following strategy:

- For all capital expenditure incurred before 2009/10 and for all capital expenditure funded via supported borrowing MRP to be calculated using Option 1 – The Regulatory Method.
- For all capital expenditure incurred from 2009/10 financed by prudential borrowing MRP to be calculated using Option 3 the Asset Life Method
- For credit arrangements such as on balance sheet leasing arrangements (finance leases) MRP charge to be equal to the principal element of the annual rental.
- For on balance sheet PFI contracts MRP charge to be equal to the principal element of the annual rental.

It is recommended that for 2014/15 the Council adopt the same strategy for calculating MRP as that used for 2013/14.

Appendix D

Prudential Indicators 2014/15

			2012/13	2013/14	2014/15	2015/16	2016/17
			Actual	Probable Outturn	Estimate	Estimate	Estimate
	Prudential Indicators						
1	Total capital expenditure (estimate) Note: These figures will be amended as further allocations and grant approvals are received	£m		53.31	36.18	15.96	77.87
2	Total capital expenditure (actual)	£m	50.46				
3	Capital Financing Requirement (estimate)	£m		119.68	131.88	132.58	203.39
3	Capital Financing Requirement (actual)	£m	97.76				
4	Ratio of financing costs to net revenue stream (estimate)	%		3.83	4.60	5.92	9.10
4	Ratio of financing costs to net revenue stream (actual)	%	3.28				
5	Incremental impact of capital investment decisions on the Council Tax (estimate)	£		2.32	0.48	0.83	0.83
5	Incremental impact of capital investment decisions on the Council Tax (actual)	£	1.34				
	Treasury Management Indicators						
6	Adopted CIPFA Code of Practice for Treasury Management		yes	yes	yes	yes	yes
7	Operational boundary for external debt	£m		70.59	146.55	208.42	201.35
8	Authorised limit for external debt	£m		81.59	157.55	219.42	212.35
9	External debt (actual)	£m	80.93				
10	Upper limit on interest rate exposure on fixed rate debt (principal)	£m %		31.54 90	88.35 90	129.84 90	136.59 90
10	Upper limit on interest rate exposure on Variable rate debt (principal)	£m %		10.48 30	29.45 30	43.28 30	45.53 30
11	Total principal sums invested for periods longer than 364days			15.45	48.81	60.00	50.01
12	Maturity structure of borrowing as a percentage of fixed rate borrowing				Upper	Lower	
	Under 12 months	%		15	100	0	
	12 months – 2 years	%		42	100	0	
	2 years – 5 years	%		28	100	0	
	5 years – 10 years	%		0	100	0	
	10 years and above	%		14	100	0	

Counterparty List for 2014/15

	Limits	
	less than 3 months £m	more than 3 months £m
Banks		
HSBC Plc	30.00	20.00
Santander UK Plc	15.00	10.00
Barclays Plc	15.00	10.00
Lloyds	30.00	20.00
National Westminster Plc (Liquidity Account)	15.00	10.00
Standard Chartered Bank Plc	20.00	15.00
Royal Bank of Scotland Plc	30.00	20.00
Clydesdale Bank	10.00	7.50
Handlesbanken	20.00	15.00
Building Society		
Nationwide BS	15.00	10.00
Coventry BS	10.00	7.50
Local Authorities	5.00	2.50
Debt Management Account Deposit Facility (DMADF)	2.50	2.50

Note: the proposed limits for 2014/15 will remain the same as the limits agreed by Executive Board for 2013/14 on 12th December 2013, except for the added inclusion of Handlesbanken and the removal of Yorkshire BS and Skipton BS.

Treasury Management Scheme of Delegation

(i) Council

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

(ii) Executive Board

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Corporate PPB

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

(iv) Operational Director - Finance

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- 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
- recommending the appointment of external service providers.

(v) Treasury Management Transaction Authorisation

Treasury Management transactions are to be authorised in accordance with paragraph 6.5 of Finance Standing Orders.