RYEDALE
DISTRICT
COUNCIL

REPORT TO:	**COUNCIL**
DATE:	**25 FEBRUARY 2014**
REPORT OF THE:	**CORPORATE DIRECTOR (s151) PAUL CRESSWELL**
TITLE OF REPORT:	**TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2014/15**
WARDS AFFECTED:	**ALL**

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 To consider the Treasury Management and Annual Investment Strategies, the Minimum Revenue Provision Policy and set the Prudential Indicators for 2014/15.

2.0 RECOMMENDATIONS

2.1 That Council is recommended to approve:

(i) Members receive this report;

(ii) The Treasury Management and Investment Strategies be noted and approved by the Council;

(iii) The Minimum Revenue Provision Policy Statement be approved by the Council and;

(iii) That the Prudential Indicators in the report be approved by the Council.

3.0 REASON FOR RECOMMENDATIONS

3.1 The Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Treasury Management in Local Authorities (The Code) was adopted by the Council.

3.2 The Local Government Act 2003 and supporting regulations requires the Council to have regard to specified codes of practice, namely the CIPFA publications *Prudential Code for Capital Finance in Local Authorities* and *Treasury Management in the Public Services; Code of Practice and Cross Sectoral Guidance Notes*.

4.0 SIGNIFICANT RISKS

4.1 There are significant risks when investing public funds especially with unknown institutions. However, by the adoption of the CIPFA Code and a prudent investment policy, these are minimised. The employment of Treasury Advisors also helps reduce the risk.

5.0 POLICY CONTEXT AND CONSULTATION

5.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in Local Authorities and this report complies with the requirements under this code and the relevant requirements of the Local Government Act 2003.

5.2 The Council use the services of Capita Asset Services to provide treasury management information and advice.

REPORT

6.0 REPORT DETAILS

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

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

6.3 CIPFA defines treasury management as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Reporting Requirements

6.4 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. These reports are required to be adequately scrutinised by committee before being recommended to the Council. This role will be undertaken by the Audit Committee.

Prudential and Treasury Indicators and Treasury Strategy (this report) – The first and most important report covers:

- The capital plans (including prudential indicators);
- A Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time);
- The Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- An investment strategy (the parameters on how investments are to be managed).

A Mid Year Treasury Management Report. This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy or whether any policies require revision.

An Annual Treasury Report. This provides details of a selection of actual prudential treasury indicators and actual treasury operations compared to the estimates within the strategy.

Treasury Management Strategy for 2014/15

6.5 The strategy for 2014/15 covers two main areas

Capital Issues

- The capital plans and prudential indicators
- The MRP strategy

Treasury Management Issues

- The current treasury position;
- Treasury indicators which will limit the treasury risk and activities of the Council;
- Prospects for interest rates;
- The borrowing strategy;
- Policy on borrowing in advance of need;
- The investment strategy; and
- Creditworthiness policy.

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 the CLG Investment Guidance.

THE CAPITAL PRUDENTIAL INDICATORS 2014/15 – 2016/17

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

6.7 **Capital Expenditure.** This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. **<u>Members are asked to approve the capital expenditure forecasts</u>:**

Capital Expenditure	2012/13 Actual £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
Capital Programme	**1.968**	**5.068**	**1.375**	**0.984**	**0.782**

The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already included borrowing instruments.

6.8 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need (borrowing):

Capital Expenditure	2012/13 Actual £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
Total	**1.968**	**5.068**	**1.375**	**0.984**	**0.782**
Financed by:					
Capital receipts	0	-0.340	0	-0.395	-0.016
Capital grants	-0.532	-2.155	0	-0.430	-0.620
Revenue	-1.436	-1.735	-0.143	-0.159	0.146
Net financing need for the year	**0**	**0.838**	**1.232**	**0**	**0**

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

6.10 Following accounting changes the CFR includes any other long term liabilities (e.g. PFI schemes, finance leases) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £0.295m of such schemes within the CFR.

The Council is asked to approve the CFR projections below:

£m	2012/13 Actual £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
Capital Financing Requirement					
CFR – non Housing	0.295	1.092	2.616	2.570	2.410
Total CFR	**0.295**	**1.092**	**2.616**	**2.570**	**2.410**
Movement in CFR	**-0.178**	**0.797**	**1.524**	**-0.046**	**-0.160**

Movement in CFR represented by					
Net financing need for the capital programme	0	0.838	1.232	0	0
Net financing need – other long term liabilities	0	0.152	0.474	0.158	0
Less MRP and other financing movements	-0.178	-0.193	-0.182	-0.204	-0.160
Movement in CFR	**-0.178**	**0.797**	**1.524**	**-0.046**	**-0.160**

MRP Policy Statement

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

6.12 CLG Regulations have been issued which require the full Council to approve an MRP Policy Statement in advance of each year. A variety of options are provided to councils so long as there is a prudent provision. **The Council is recommended to approve the following MRP Statement**.

Certain expenditure reflected within the actual debt liability at 31 March 2013 will under delegated powers be subject to MRP under option 3 of the guidance; this relates to the acquisition through finance lease of refuse and recycling vehicles and will be charged over a period which is commensurate with the life of the lease, using the annuity method.

For future borrowing, estimated life periods will be determined 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.

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 be divided up in cases where there are two or more major components with substantially different useful economic lives.

The Use of the Council's Resources and the Investment Position

6.13 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an on-going impact on investments unless resources are supplemented each year from new sources (asset sales etc). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Year End Resources	**2012/13 Actual £m**	**2013/14 Estimate £m**	**2014/15 Estimate £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**
Fund balances / reserves	2.969	1.816	1.618	1.668	1.737
Capital receipts	0.142	0.142	0.822	0.457	0.481
Provisions	0	0	0	0	0
Other	0	0	0	0	0
Total core funds	**3.111**	**1.958**	**2.440**	**2.125**	**2.218**
Working capital*	2.595	2.500	2.500	2.500	2.500
Under/over borrowing	0	(0.838)	0	0	0
Expected Investments	5.706	3.620	4.940	4.625	4.718

*working capital balances shown are estimated year end; these may be higher mid year

Affordability Prudential Indicators

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

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

%	**2012/13 Actual £m**	**2013/14 Estimate £m**	**2014/15 Estimate £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**
Non HRA	1.29%	1.78%	2.79%	2.74%	2.13%

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

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

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

£	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Council tax – band D	£1.18	£1.17	£1.88

TREASURY MANAGEMENT STRATEGY

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

Current Portfolio Position

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

	2012/13 Actual £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
External Debt					
Debt at 1 April	0	0	0	2.053	2.012
Expected change in debt	0	0	2.053	-0.041	-0.042
Other long term liabilities (OLTL)	0.473	0.295	0.254	0.563	0.558
Expected change in OLTL	-0.178	-0.041	0.309	-0.005	-0.118
Actual gross debt at 31 March	**0.295**	**0.254**	**2.616**	**2.570**	**2.410**
Capital financing Requirement	**0.295**	**1.092**	**2.616**	**2.570**	**2.410**
Under / (over) borrowing	0	0.838	0	0	0

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

6.18 The Corporate Director (s151) reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

Treasury Indicators: Limits to Borrowing Activity

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

Operational Boundary	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
Debt	5.000	5.000	5.000	5.000
Other long term liabilities	0.300	0.700	0.900	0.800
Total	5.300	5.700	5.900	5.800

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

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

The Council is asked to approve the following Authorised Limit:

Authorised Limit	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
Debt	20.000	20.000	20.000	20.000
Other long term liabilities	0.500	1.000	1.000	1.000
Total	21.000	21.000	22.000	22.000

Prospects for Interest Rates

6.21 The Council has appointed Capita as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Annex G draws together a number of current city forecasts for short term (bank rate) and longer fixed interest rates. The following table gives the Capita central view

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

Sep 2016	1.00	3.30	5.10	5.20
Dec 2016	1.00	3.40	5.10	5.20
Mar 2017	1.25	3.40	5.10	5.20

6.22 The economic recovery in the UK since 2008 has been the worst and slowest recovery in recent history. However, growth rebounded in quarter 1 and 2 of 2013 to surpass all expectations. Growth prospects remain strong looking forward, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. One downside is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have offset this to some extent.

A rebalancing of the economy towards exports has started but as 40% of UK exports go to the Eurozone, the difficulties in this area are likely to continue to dampen UK growth. The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do much damage to growth.

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

- Although Eurozone concerns have subsided in 2013, Eurozone sovereign debt difficulties have not gone away and there are major concerns as to how these will be managed over the next few years as levels of government debt, in some countries, continue to rise to levels that compound already existing concerns. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2014/15 and beyond;
- Borrowing interest rates are on a rising trend;
- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

Borrowing Strategy

6.24 The Council has resolved to borrow £2.070m as funding towards the 4 year capital programme. Although specifically earmarked as funding towards the A64 Brambling Fields upgrade, the council has delayed borrowing until internal capital funds reach the point where they are insufficient to meet capital expenditure. . It is anticipated that the council will reach this position towards the end of 2013/14, at which point internal borrowing of £0.838m is scheduled to take place This is presently the cheapest method of borrowing and involves running down cash balances and forgoing interest earned at historically low rates. However, in view of the overall forecast for increases in long term borrowing rates over the next few years, this will be a short term measure and the Council will look to borrow the full £2.070m externally from the PWLB during 2014/15 in order to avoid the potential long term costs of taking loans at rates which will be higher in future years.

The Chief Financial Officer will monitor interest rates in conjunction with Treasury Advisors and seek to borrow at the most advantageous point in time. Any decisions will be reported to the Policy and Resources Committee.

Treasury Management Limits on Activity

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

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

<u>The Council is asked to approve the following treasury indicators and limits:</u>

%	2014/15 £'000	2015/16 £'000	2016/17 £'000
Interest Rates Exposure	**Upper**	**Upper**	**Upper**
Borrowing:			
Limits on fixed interest rates	100%	100%	100%
Limits on variable interest rates	5%	5%	5%
Investments:			
Limits on fixed interest rates	100%	100%	100%
Limits on variable interest rates	50%	50%	50%
Maturity Structure of fixed interest rate borrowing 2014/15		**Lower**	**Upper**
		N/a	N/a

Policy on Borrowing in Advance of Need

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

ANNUAL INVESTMENT STRATEGY

Investment Policy

6.27 The Council's investment policy has regard to the CLGs 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 will be security first, liquidity second, and then return.

6.28 In accordance with guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency. Using the Sector ratings service banks ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

6.29 Further the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "Credit Default Swaps" and overlay that information on top of the credit ratings. This is fully integrated into the credit methodology provided by the advisors, Sector in producing its colour coding which show the varying degrees of creditworthiness.

6.30 The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk. The intention of the strategy is to provide security of investment and minimisation of risk.

6.31 Investment securities identified for use in the financial year are listed in Annex B under the Specified and Non-Specified Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices – schedules. The Council's current bankers, National Westminster Bank are excluded from these limits.

Creditworthiness Policy

6.32 This Council applies the creditworthiness service provided by Sector. This service employs a sophisticated modelling approach utilising credit ratings from all three main credit rating agencies - Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

6.33 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 also used by the Council to determine the duration for investments. The Council will therefore use the counterparties within the following durational bands:

- Yellow 5 years *
- Dark Pink 5 years for enhanced money market funds with a credit score of 1.25
- Light Pink 5 years for enhanced money market funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

* This category has been added for AAA rated Government debt or its equivalent.

6.34 The Sector creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency ratings.

6.35 Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of Short Term rating F1 , Long Term rating A-. Viability ratings of BB+, and a Support rating of 3. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these, instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

6.36 All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the Sector 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 with drawn 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 lending list.

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

Country Limits

6.38 The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies). The list of countries that qualify using this credit criteria as at the date of this report are shown in Annex C. This list will be added to or deducted from by officers should ratings change in accordance with this policy.

Investment Strategy to be followed with cash flow derived balances

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

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

- 2013/2014 0.50%
- 2014/2015 0.50%
- 2015/2016 0.50%
- 2016/2017 1.25%

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

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

<u>The Council is asked to approve the treasury indicator and limit:</u>

Maximum principal sums invested > 364 days			
	2014/15	**2015/16**	**2016/17**
Principal sums invested > 364 days	£1.0m	£1.0m	£1.0m

6.42 For its cash flow generated balances, the Council will seek to utilise its business reserve accounts, notice accounts, and short dated deposits (overnight to three months) in order to benefit from the compounding of interest.

End of Year Investment Report

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

Policy on the use of external service providers

6.44 The Council currently uses Sector as its external treasury management advisors.

6.45 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.

6.46 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.

Scheme of Delegation

6.47 Please see Annex D.

Role of the section 151 officer

6.48 Please see Annex E.

7.0 IMPLICATIONS

7.1 The following implications have been identified:

a) Financial
The results of the investment strategy affect the funding of the Capital Programme.

b) Legal
There are no legal implications regarding this report.

c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)
There are no legal implications regarding this report.

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Background Papers:
None

Background Papers are available for inspection at:
None