St Albans City and District Council

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

2017/18

1. Introduction

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash expenditure during the year will be met by cash raised. 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 commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans are an important factor in calculating the borrowing need of the Council. This relates essentially to the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. The 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.

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."*

1.2 Reporting requirements

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.

Treasury Management Strategy Statement (this report) - The first, and most important, report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) 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 review – This will update members with the progress of the capital position, amending prudential indicators as necessary. It will also provide an update on whether the treasury strategy is meeting the Council's requirements or if any policies require revision.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations, compared to the estimates within this strategy.

Scrutiny
The reports above are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit Committee.

1.3 Treasury Management Strategy for 2017/18

The strategy for 2017/18 covers two main areas:

Capital issues
- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues
- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003; the CIPFA Prudential Code; Department for Communities and Local Government (DCLG) MRP Guidance; the CIPFA Treasury Management Code; and DCLG Investment Guidance.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This applies especially to members responsibe for scrutiny. For this Council, the responsible officer is the Deputy Chief Executive (Finance). Treasury training was made available to members during the year.

The needs of the Council's treasury management staff for training in investment management are assessed every year as part of the staff appraisal process. Training needs are also assessed when the responsibilities of individual members of staff change. Officers attend training courses, seminars and conferences provided by Capita Asset Services and CIPFA, regularly.

1.5 Treasury management consultants

The Council uses 'Capita Asset Services, Treasury Solutions' as its external treasury management advisors.

The Council recognises that it is responsible for treasury management decisions. Undue reliance is not placed upon 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. They will also be subjected to regular review.

2. Capital Issues

2.1 Capital Plans

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

2.2 Capital Prudential Indicators 2017/18 – 2019/20

Capital Expenditure. This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously and the changes being presented to Council in February 2017.

Capital Expenditure	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£'M	£'M	£'M	£'M	£'M
General Fund (GF)	**3.0**	**10.9**	**40.5**	**38.2**	**40.7**
Housing Investment Programme (HIP)					
Housing stock enhancements	7.9	9.6	6.4	8.0	4.9
Non-HRA items	3.1	6.9	7.3	8.8	8.3
Total HIP	**11.0**	**16.5**	**13.7**	**16.8**	**13.2**
Total capital expenditure	**14.0**	**27.4**	**54.2**	**55.0**	**53.9**

General Fund capital expenditure is forecast to be £40.5 million in 2017/18. Spend on capital projects to be identified by the Commercial and Department (including the City Centre Opportunity Site (CCOS)) has been included, subject to approval of the capital budget by Council in February. Other plans already approved include the first spend on a Harpenden Leisure and Cultural Centre (HL&C) project (£7.1M); the New Museum and Galleries (NMG) project (£4.9M); the Museum of St Albans (MoSTA) project (£4.7M); and a budget for Invest to Save projects including property development (£5.0M).

There is also a capital budget for major contracts (£1.6M). Where contract savings or efficiencies can be made from the Council financing the capital requirements of a contract, this will be considered.

Capital proposals for 2018/19 and 2019/20 are for the completion of the Commercial and Development new projects, NMG and HL&C capital projects, and the continuation of Invest to Save projects including property development.

Work continues on options for the development of the Ridgeview site. There will be no expenditure in 2017/18 and any initial expenditure in 2018/19, 2019/20 could be met from the £5M invest to save budget.

The HRA spend on on-going enhancements to housing stock in 2017/18 is forecast to be £6.4 million, which will be met from housing rental income. Other housing expenditure is forecast to be £7.3 million, which will be met from accumulated capital receipts, grants and contributions to expenditure. The 2017/18 programme includes plans to increase the quantity of affordable housing in the District.

Capital financing. The tables below show how the capital expenditure plans above are being financed by capital or revenue resources. Any shortfall of resources results in a funding need (borrowing), which in turn will result in an increase in MRP charge to the revenue account.

Financing Total	2015/16 Actual £'M	2016/17 Estimate £'M	2017/18 Estimate £'M	2018/19 Estimate £'M	2019/20 Estimate £'M
Total Spend	**14.0**	**27.4**	**54.2**	**55.0**	**53.9**
Financed by:					
Capital Receipts	1.8	6.9	6.6	16.2	7.6
Capital Grants and contributions	1.3	2.3	3.9	1.4	1.3
Revenue/revenue reserves	9.2	9.4	6.4	8.0	4.9
Total Financed	**12.3**	**18.6**	**16.9**	**25.6**	**13.8**
Net funding need for the year	**1.7**	**8.8**	**37.3**	**29.4**	**40.1**

Financing GF	2015/16 Actual £'M	2016/17 Estimate £'M	2017/18 Estimate £'M	2018/19 Estimate £'M	2019/20 Estimate £'M
GF spend	**3.0**	**10.9**	**40.5**	**38.2**	**40.7**
Financed by:					
Capital Receipts	0.1	-	-	8.1	-
Capital Grants and contributions	0.6	1.6	3.2	0.7	0.6
Revenue/revenue reserves	0.6	0.5	-	-	-
GF financed	**1.3**	**2.1**	**3.2**	**8.8**	**0.6**
GF funding need for the year	**1.7**	**8.8**	**37.3**	**29.4**	**40.1**

Financing HIP	2015/16 Actual £'M	2016/17 Estimate £'M	2017/18 Estimate £'M	2018/19 Estimate £'M	2019/20 Estimate £'M
HIP spend	**11.0**	**16.5**	**13.7**	**16.8**	**13.2**
Financed by:					
Capital Receipts	1.7	6.9	6.6	8.1	7.6
Capital Grants and contributions	0.7	0.7	0.7	0.7	0.7
Revenue/revenue reserves	8.6	8.9	6.4	8.0	4.9
HIP financed	**11.0**	**16.5**	**13.7**	**16.8**	**13.2**
HIP funding need for the year	**-**	**-**	**-**	**-**	**-**

The General Fund (GF) capital programme is not fully funded by grants, receipts etc. and will require prudential borrowing. This may be from internal cash balances in the first place and external borrowing when cash balances become insufficient. The "funding need" increases each year will require an increase in charges to the GF by way of Minimum Revenue Provision (MRP) as shown in the second table in 2.3 below, though other aspects of some projects (e.g income from facilities) can mitigate the overall impact of this.

Any shortfall in capital receipts and other funding will increase the funding need and the charge to the General Fund.

Key estimates relating to funding are:

- As discussed above officers are considering financing the capital content of supplier contract tenders. This is because the Council can obtain more favourable interest rates on borrowing than is generally available in the market to non-government organisations. The Council will have to fund the capital purchase from borrowing. It has been assumed that the charges for interest and MRP will be met from contract savings over the life of the assets.
- The funding of the GF capital programme is dependent upon capital receipts of £8.1M and £6m of grants and contributions over a four year period to 2019/20. This includes £1.4M from fundraising (we forecast £1.7M to be raised in total but to comply with funding restrictions on other funding streams £0.3M will be used to fund revenue expenditure) and £8.1M from the MOSTA development. We have assumed that capital funding will be received in accordance with plans developed by Commercial & Development department.
- The Housing capital programme (HIP) is fully funded, on an assumed £29.2M of retained capital receipts over the 4 year period to 2019/20.

2.3 The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). This shows the total of historic capital expenditure which has not yet been paid for from either revenue or capital resources. This can be met from internal borrowing (use of cash balances) or by external borrowing.

Capital Financing Requirement (CFR)	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
TOTAL	£'M	£'M	£'M	£'M	£'M
Brought Forward	**211.4**	**210.2**	**212.1**	**241.7**	**263.2**
Funding need for the year	1.7	8.8	37.3	29.4	40.1
MRP/VRP	(2.9)	(6.9)	(7.7)	(7.9)	(8.7)
Movement in CFR	**(1.2)**	**1.9**	**29.6**	**21.5**	**31.4**
Closing CFR balance	**210.2**	**212.1**	**241.7**	**263.2**	**294.6**

Capital Financing Requirement (CFR) GF	2015/16 Actual £'M	2016/17 Estimate £'M	2017/18 Estimate £'M	2018/19 Estimate £'M	2019/20 Estimate £'M
Brought Forward	**28.1**	**28.9**	**36.8**	**72.4**	**99.4**
Funding need for the year	1.7	8.8	37.3	29.4	40.1
MRP and VRP	(0.9)	(0.9)	(1.7)	(2.4)	(3.1)
Movement in CFR	**0.8**	**7.9**	**35.6**	**27.0**	**37.0**
Closing CFR balance GF	**28.9**	**36.8**	**72.4**	**99.4**	**136.4**

Capital Financing Requirement (CFR) HRA	2015/16 Actual £'M	2016/17 Estimate £'M	2017/18 Estimate £'M	2018/19 Estimate £'M	2019/20 Estimate £'M
Brought Forward	**183.3**	**181.3**	**175.3**	**168.3**	**160.3**
Funding need for the year	-	-	-	-	-
Transfer from MRR	-	-	(1.0)	(2.5)	(1.4)
VRP for debt repayment	(2.0)	(6.0)	(6.0)	(5.5)	(5.6)
Movement in CFR	**(2.0)**	**(6.0)**	**(7.0)**	**(8.0)**	**(7.0)**
Closing CFR balance HRA	**181.3**	**175.3**	**168.3**	**160.3**	**153.3**

MRP/VRP: Minimum or Voluntary Revenue Provision as defined in 2.4 below

GF: the CFR balance increases each year as some projects are unfunded (ie not funded from capital receipts, grants etc). The NMG and MoSTA projects are currently expected to be fully funded. However, the timing of receipts is such that short term borrowing will be required but this has a minimal impact on the CFR balance. In addition, any shortfall in funds raised will result in an increase in CFR and an increase in MRP charge to the GF. The ‘Commercial and Development Department new projects’ and HL&C projects are ‘unfunded’ during the period of this review. Prudential borrowing will be required and as internal cash balances are used up, external borrowing will be necessary. The impact of the increase in interest charges has been taken into account in the cash flow in section 3.1 below. MRP is discussed further in 2.4 below.

The project plans developed by Commercial & Development department show that longer term capital receipts and/or revenue income are expected to make the projects net cash flow positive over the life of the asset.

HRA: the HRA is fully funded and the decrease in HRA CFR represents the provisions made in the HRA revenue account for the repayment of debt.

2.4 Minimum Revenue Provision (MRP) policy statement or Debt Repayment Provisions Policy

The Council is required to put aside money for the financing of capital expenditure that has not been met from grants, contributions or capital receipts. It is also required to adopt a policy to determine the basic amount of this, called the minimum revenue provision (MRP). The Council is also allowed to undertake additional voluntary payments if it wishes (voluntary revenue provision (VRP)).

The Council's policy is that for all unsupported borrowing, MRP will be calculated using the Asset Life Method – i.e. the MRP will be based on the estimated life of the assets. This provides for a reduction in the borrowing over approximately the assets expected useful life.

Within the asset life method there is the option of providing MRP on a straight line basis or an annuity basis. For income producing assets where income is expected to increase over time, the asset value is high and the asset life is long, it is appropriate to use the annuity method. This takes into account the time value of money in that the annual MRP provision increases each year in line with an estimated interest rate. Council agreed at the 2013/14 budget setting that MRP be provided for Westminster Lodge over 35 years with an interest rate of 2.2%.

MRP is only chargeable in the year following completion of a project so for 'Commercial and Development new projects' and HL&C the MRP charge is outside the period of this report. Significant borrowing is required for these projects and it is essential that the receipts and income from the projects are sufficient to cover the future MRP charges to the General Fund.

Under the Housing Self Financing reform, the HRA is required to charge depreciation on its assets, which has a revenue effect. The provision for depreciation provides cash for housing capital works.

There is no requirement to provide MRP in the HRA. Nevertheless, a voluntary provision has been incorporated into the 30 year business plan to enable repayment of debt to be made when it becomes due.

However, following recent intervention in rent setting by central government, whereby rents must be decreased by 1% per annum for four years from 2016/17, the HRA goes into deficit in 2021/22. Officers are investigating ways of mitigating this but it is likely that additional external borrowing will be required.

2.5 Affordability Prudential Indicators

The previous sections show capital expenditure and borrowing prudential indicators. However, within this framework we also need prudential indicators to assess the affordability of the capital investment plans i.e. the impact on revenue. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

2.5.1 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). This is set against the Council's net revenue stream for the General Fund (taxation and non-specific grant income) and the HRA.

	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
General Fund	4.0%	4.9%	11.5%	18.8%	27.2%
HRA	46.3%	55.5%	65.6%	70.6%	66.3%

The estimates of financing costs include current commitments and the proposals in this report but do not take account of any positive budget variations as a result of undertaking these projects, for example, income from facilities, reduced running costs or reduced contract costs.

For the GF, the ratio is increasing significantly over the period under review. On the one hand, government funding is decreasing (on top of a basis of zero council tax increases for several years). On the other hand, MRP and interest charges are increasing due to the capital expenditure on 'Commercial and Development new projects, HL&C, Museums and capital equipment for contracts. Commercial and Development department forecast that increased charges will be met by an equivalent saving in costs or increased income over the life of the capital projects. The projects would then be cost neutral to the GF.

The HRA 30 year plan, presented in the budget, forecasts that from 2021/22 the HRA is unable to provide sufficient income to maintain the housing stock at required levels and also provide for debt repayment. This is two years earlier than forecast in last year's TMSS due central government rent intervention mentioned in 2.4 above.

2.5.2 Incremental impact of capital investment decisions on council tax

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in the budget, compared to the Council's existing (2016/17) approved commitments and current plans. The indicator is expressed as an annual monetary change to band 'D' income tax.

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

GF	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Council tax implication band 'D'	**£14.76**	**£15.42**	**£16.44**

The increase over three years is £46.62, which represents 27% of the SADC 2016/17 average Band 'D' council tax for the authority. Note that the costs have been planned to be met from additional income or savings from the projects and not an increase in Council Tax.

2.5.3 Estimates of the incremental impact of capital investment decisions on housing rent levels

Similar to the council tax calculation, this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in the budget compared to the Council's existing commitments and current plans. This is expressed as a monetary impact on weekly rent levels.

Incremental impact of capital investment decisions on housing rent levels

HRA	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Housing rent implication per week	**-£0.06**	**£0.09**	**-£0.21**

This indicator shows the revenue impact on proposed capital changes against the approved 2016/17 capital budget. The amounts in the table above represent less than 0.20% of the 2016/17 average weekly rent. The negative figures result from a reduction in capital spend over the next three years at a greater rate than the expected net reduction in properties.

2.5.4 HRA ratios

The first table below highlights how the debt revenue ratio decreases as debt is repaid at a greater rate than the reduction in rent revenue mentioned in 2.4 above.

HRA	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
HRA debt	£184.6M	£180.4M	£173.4M	£165.4M	£158.4M
HRA revenues	£29.0M	£28.0M	£28.0M	£27.4M	£27.5M
Ratio debt to revenues	**636.9%**	**644.3%**	**619.2%**	**604.4%**	**575.0%**

The next table shows how the debt per property decreases as debt is repaid. This is the case even though the number of properties reduces each year by an estimated net of the number of Right-To-Buy sales and the number of new house purchases.

HRA	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
HRA debt	£184.6M	£180.4M	£173.4M	£165.4M	£158.4M
Number of HRA dwellings	4,943	4,933	4,915	4,907	4,897
Debt per dwelling	**£37,346**	**£36,570**	**£35,280**	**£33,707**	**£32,346**

3. Treasury Management Issues

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with relevant professional codes. 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.

3.1 External Borrowing Requirements

The Council's treasury portfolio position at 31 March 2016, (the last audited accounts figures) with forward projections, are summarised below. The table shows the actual external debt, against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing. The model is used to highlight any amounts of external borrowing required each year in order to manage the capital plans in 2 above.

Critical Assumptions:
Balanced GF and HRA budgets
Increase in MRP due to capital spend matched by revenue savings
No change to working capital requirements
No slippage in capital programmes
Capital receipts relating to MoSTA development totalling £8.1M and fundraising from the Museum Trust totalling £1.4m (capital portion only as mentioned in 2.2 above).

External Borrowing Requirement		**2015-2016**	**2016-2017**	**2017-2018**	**2018-2019**	**2019-2020**
		Actual	**Estimate**	**Estimate**	**Estimate**	**Estimate**
		£'m	**£'m**	**£'m**	**£'m**	**£'m**
CFR closing		**210.4**	**212.3**	**241.9**	**263.4**	**294.8**
External Borrowing balance (Gross Debt)		**184.6**	**180.4**	**201.4**	**229.4**	**265.4**
(Under)/over borrowed		**(25.8)**	**(31.9)**	**(40.5)**	**(34.0)**	**(29.4)**
Reconciliation to Balance Sheet as follows:						
Reserves & Balances	A	(36.5)	(35.9)	(32.7)	(26.0)	(22.4)
Working capital surplus	B	(8.4)	(10.4)	(10.4)	(10.4)	(10.4)
Cash and investments opening		9.5	19.1	14.4	2.6	2.4
Movements before debt items		11.6	(0.5)	(32.8)	(28.2)	(35.0)
Debt repayment		(2.0)	(4.2)	(7.0)	(8.0)	(7.0)
Borrowing required		-	-	28.0	36.0	43.0
Cash and investments closing	C	19.1	14.4	2.6	2.4	3.4
(Under)/over borrowed	**(A+B+C)**	**(25.8)**	**(31.9)**	**(40.5)**	**(34.0)**	**(29.4)**
Movement on External Borrowing						
External borrowing		186.6	184.6	180.4	201.4	229.4
Increase in borrowings		-	-	28.0	36.0	43.0
Debt repayment		(2.0)	(4.2)	(7.0)	(8.0)	(7.0)
Balance on external borrowing		**184.6**	**180.4**	**201.4**	**229.4**	**265.4**

The table above shows the end of year position for 2015/16 and estimated year end positions for the following 4 years. We currently forecast to borrow from 2017-18 onwards.. The interest cost of the increase in borrowing is estimated to be £3.75M over the period of this review. It has been assumed that this will be met from returns on the investment in the projects. If capital funding from receipts or grants is reduced or delayed, external borrowing (and associated charges to the GF) will increase. Conversely, if the capital programme is delayed or not implemented as currently planned, borrowing and charges will reduce.

3.2 Borrowing Limits

The Operational Boundary.

This focuses on the day-to-day treasury management activity. Total external borrowing is not normally expected to exceed this limit.

We need to ensure that we are able to borrow to meet the capital plans proposed in the budget and leave some headroom. Therefore, an increase in the operational boundary for external debt for the GF by £90M to £110M is recommended. The table below shows existing (2016/17) and proposed limits:

Operational Boundary for External Debt	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£'M	£'M	£'M	£'M	£'M
General Fund	16	20	110	110	110
HRA	192	192	192	192	192
Other Long Term Liabilities	5	5	5	5	5
Total	**213**	**217**	**307**	**307**	**307**

The Authorised Limit for external borrowing.

This key prudential indicator represents a control on the maximum level of borrowing and represents a limit beyond which external borrowing is prohibited. This limit needs to be set or revised by the full Council. It gives some headroom for unforeseen requirements or delays in capital receipts.

An increase in Authorised Limit from £23M to £115M is proposed.

Authorised Limit for External Debt	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£'M	£'M	£'M	£'M	£'M
General Fund	23	23	115	115	115
HRA	192	192	192	192	192
Other Long Term Liabilities	5	5	5	5	5
Total	**220**	**220**	**312**	**312**	**312**

Separately, the Council is also limited to a maximum HRA borrowing position through the Housing Self Finance regime of £192 million.

HRA debt limit	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£'M	£'M	£'M	£'M	£'M
HRA debt cap	192.0	192.0	192.0	192.0	192.0
HRA CFR	181.3	175.3	168.3	160.3	153.3
Headroom	**10.7**	**16.7**	**23.7**	**31.7**	**38.7**

As mentioned in 2.5.1 above, the HRA generates sufficient cash to enable debt to be repaid on the due date until 2020/21. Officers are considering ways to address the shortfall beyond this date.

3.3 Prospects for Interest Rates

Capita Asset Services' view on interest rates and economic outlook, as at 17th November 2016, is given below.

Annual Average %	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Dec 2016	0.25	1.60	2.90	2.70
Mar 2017	0.25	1.60	2.90	2.70
Jun 2017	0.25	1.60	2.90	2.70
Sep 2017	0.25	1.60	2.90	2.70
Dec 2017	0.25	1.60	3.00	2.80
Mar 2018	0.25	1.70	3.00	2.80
Jun 2018	0.25	1.70	3.00	2.80
Sep 2018	0.25	1.70	3.10	2.90
Dec 2018	0.25	1.80	3.10	2.90
Mar 2019	0.25	1.80	3.20	3.00
Jun 2019	0.50	1.90	3.20	3.00
Sep 2019	0.50	1.90	3.30	3.10
Dec 2019	0.75	2.00	3.30	3.10
Mar 2020	0.75	2.00	3.40	3.20

The Monetary Policy Committee, (MPC), cut the Bank Rate from 0.50% to 0.25% on 4th August in order to counteract a forecasted sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut the Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half 2016 than previously forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, the Bank Rate was not cut again in November and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth. During the two-year period 2017 – 2019 the UK will be negotiating the terms for withdrawal from the EU. During this period it is likely that the MPC will not raise the Bank Rate. Accordingly, a first increase to 0.50% is tentatively pencilled in the table above only at quarter 2 2019, after those negotiations may have concluded. However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

Investment returns are likely to remain low during 2017/18 and beyond.

Borrowing interest rates have been on a generally downward trend during most of 2016 up to mid-August. Rates fell sharply to historically low levels after the referendum and then even further after the MPC meeting of 4th August when a new package of quantitative easing purchasing of gilts was announced. The Council's policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times when authorities will not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt.

3.4 Treasury Management Indicators within the Treasury Management Code

The purpose of these indicators is 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 too restrictively they will impair the opportunities to reduce costs / improve performance. The indicators are:

Interest Rate Exposure

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest exposures, expressed as a percentage of net principal borrowed will be unchanged from last year at:

	2017/18	2018/19	2019/20
	%	%	%
Upper Limit on Fixed Interest Rate Exposure	100.00%	100.00%	100.00%
Upper Limit on Variable Interest Rate Exposure	10.00%	10.00%	10.00%

i.e. up to 100% of borrowing can be at fixed rates, or up to 10% at variable rates.

All current borrowings are at fixed rates. Therefore, officers have the flexibility to select fixed or variable rates on any future loans as long as they do not exceed the approved variable limit above.

Maturity Structure of Borrowing

This indicator is set to control the Council's exposure to risk from having to pay back significant amounts of debt all at the same time. The upper and lower limits on the maturity structure of fixed rate borrowings have been kept broad to allow flexibility in the structuring of debt. However the repayment period of loans originally taken out in 2012 has reduced and no new loans have been taken out. This has resulted in the proportion of loans in the 5 to 10 year range exceeding the lower limit of 20%. We therefore propose that the lower limit for 5-10 years and for 10-20 years ranges be changed to zero.

The proposed limits are:

	Upper Limit	Lower Limit	As at 1/4/2017
	%	%	%
Under 12 months	10.0	-	3.9
12 months and within 24 months	10.0	-	4.4
24 months and within 5 years	20.0	-	14.4
5 years and within 10 years	50.0	-	39.4
10 years and within 20 years	80.0	-	37.9
Over 20 years	80.0	-	-

The debt profile as at 1st April 2017 has been based on the expectation of no borrowing in 2016/17 and existing planned debt repayment. The profile is within the current approved upper limits.

Principal sums invested for periods longer than 364 days

The limits have remained the same as those approved last year.

Limit on principal invested beyond 12 months	2017/18 £m	2018/19 £m	2019/20 £m
Local Authorities	5.0	5.0	5.0
Other	1.0	1.0	1.0

3.5 Borrowing Strategy

The Council is currently maintaining an under-borrowed position, i.e. it is running down its investment balances rather than borrow. This strategy recognises that investment returns are low and counterparty risk is relatively high.

Against a background of risks within the economic forecast, caution will be adopted with the 2017-18 treasury operations. The Deputy Chief Executive (Finance) will monitor interest rates in financial markets. He will adopt a pragmatic approach to changing circumstances in deciding whether to take out fixed or variable rate loans.

The Council may also borrow for short periods of time (normally for up to two weeks) to cover unexpected cash flow shortages.

Sources of Borrowing

The approved sources of long-term borrowing will be:

- Public Works Loans Board
- Any Institution approved for investment
- Any Bank or Building Society approved by the Bank of England Prudential Regulation Authority.

3.6 Policy on Borrowing in Advance of Need

The Council may borrow in advance of need for short periods where a review of capital spending profile and views on future interest rates makes it economically attractive.

3.7 Policy on charging interest to the Housing Revenue Account

The Council is free to adopt its own policy on sharing interest costs and income between the General Fund and Housing Revenue Account (HRA). This follows the reform of housing finance. The CIPFA Code recommends that authorities state their policy on this matter each year in their treasury management strategy.

On 1 April 2012, the Council assigned the long term HSF loan to the HRA pool. New long-term loans borrowed will be assigned in their entirety to either the General Fund or the HRA pool. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be allocated in line with each specific loan.

An HRA cash flow balance is calculated each month and interest on this balance transferred between the General Fund and HRA. This is at the monthly net average rate earned by the Council on its portfolios of treasury investments and any short-term borrowing.

3.8 Investment Policy and Annual Investment Strategy

Investment Policy: The Council's investment policy has regard to the DCLG's Guidance on Local Government Investments ("the Guidance"). It has regard also to 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; then
- Liquidity; then
- Return.

Officers are also aware of the 'Wednesbury Principles', whereby 'ethical' investments could be open to challenge if regarded as indefensible and a waste of public funds. Nevertheless, St Albans City and District Council supports the concept of responsible investment. The Council expects institutions it deposits funds with, through its treasury management function, to comply with internationally accepted norms. These include norms for the environment, human rights, working conditions, corruption and controversial weapons. The Council will seek to avoid placing funds with institutions that do not have a similar responsible investment policy.

Investment Strategy: To minimise the risk to investments, the Council has stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list (see Appendix 1). Other information sources used will include the financial press, share price and other such banking sector information. The objective is to establish the most robust scrutiny process on the suitability of potential investment counterparties.

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).

For cash flow generated balances, the Council will seek to use its business reserve accounts, 15 and 30 day notice accounts, and short-dated deposits (overnight to three months). In this way is will benefit from the compounding of interest.

The Deputy Chief Executive (Finance) will maintain a counterparty list in compliance with the following criteria. He will revise the criteria and submit them to Council for approval as necessary.

3.9 Creditworthiness policy

3.9.1 Credit Ratings

The Council applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following:

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

This results in three suggested credit assessments as follows:

A) Based on the credit ratings of the agencies only
B) Adjusted for watch/outlook
C) Where applicable the end result is adjusted for CDS information with a manual override.

These indicate an overall assessment of the relative creditworthiness of counterparties at increasing levels of risk aversion.

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system. This is combined with an overlay of CDS spreads for which the end product is a series of colour coded bands indicating the relative creditworthiness of counterparties.

The Capita Asset Services' creditworthiness service uses a wider array of information than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Officers propose to continue to use the lowest risk rating 'C' for all investments.

3.9.2 Credit Periods

Capita Asset Services then allocate a colour code within each credit assessment level to indicate the maximum duration period for each counterparty. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the durational bands shown in Appendix1.

Officers propose that the Council continue to use up to the maximum investment duration indicated by Capita Asset Services in the 'C' risk rating category.

3.9.3 Country Limits

Treasury policy is that 20% of funds invested, measured at the time the investment is made, can be invested in non-UK banks. These banks must be members of the Organisation for Economic Co-operation and Development (OECD). A list of current members is at Appendix 2.

Officers propose no change to these limits.

3.9.4 List of Counterparties

The application of credit ratings, credit periods and country limits lead to an amended list of counterparties each with 3 credit assessments with associated maximum investment durations.

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

If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria;

- no new investments will be made;
- any existing investments that can be recalled or sold at no cost will be; and
- full consideration will be given to recall or sale of all other existing investments with the affected counterparty.

An example list of counterparties is shown at Appendix 1. Capita Asset Services update the list on a weekly basis.

3.9.5 Counterparty Limits

Counterparty limits for value and period by type of counterparty are proposed by officers, in consultation with the Resources Portfolio Holder. The objective is to have a mix of investments, limiting exposure to any one counterparty and limiting exposure to long term deposits.

Officers propose no change to the counterparty limits, which are shown at appendix 4.

3.9.6 Non-specified investments

The Council is required to state whether it is intending to use any of what the Government calls "Non-specified investments" (See Appendix 3). The Council's policy is that the only situation where we will use these is in the case of long-term investments, (i.e. those that would meet the definition of a specific investment, but for the fact that they are due to mature 12 months or longer from the date of arrangement).

The limit for these Non-Specified investments remains at £5m (see second table at 3.4 above for where such investments can be placed).

Appendices

1. Capita Asset Services listing of Qualifying Counterparties (as at 14/12/16)
2. List of OECD members (December 2016)
3. Treasury Management Criteria Summary
4. Example of weekly investment list
5. Four Clauses adopted from CIPFA‘s Treasury Management Code of Practice

Appendix 1

Capita Asset Services listing of Qualifying Counterparties (as at 14/12/16)

Showing suggested maximum duration of investment.

Counterparty			Fitch Ratings Long Term	Fitch Ratings Short Term		Moodys Ratings Long Term	Moodys Ratings Short Term		S&P Ratings Long Term	S&P Ratings Short Term	Suggested Duration	(Watch/ Outlook Adjusted)	CDS Price	CDS Status	CDS Adj with manual override
Australia		SB	AAA		SB	Aaa		NO	AAA				24.63		
Banks	Australia and New Zealand Banking Group Ltd.	SB	AA-	F1+	NO	Aa2	P-1	NO	AA-	A-1+	O - 12 mths	O - 12 mths	69.08	●	O - 12 mths
	Commonwealth Bank of Australia	SB	AA-	F1+	NO	Aa2	P-1	NO	AA-	A-1+	O - 12 mths	O - 12 mths	70.80	●	O - 12 mths
	Macquarie Bank Ltd.	SB	A	F1	SB	A2	P-1	NO	A	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	National Australia Bank Ltd.	SB	AA-	F1+	NO	Aa2	P-1	NO	AA-	A-1+	O - 12 mths	O - 12 mths	70.80	●	O - 12 mths
	Westpac Banking Corp.	SB	AA-	F1+	NO	Aa2	P-1	NO	AA-	A-1+	O - 12 mths	O - 12 mths	70.80	●	O - 12 mths
Belgium		NO	AA		SB	Aa3		SB	AA				33.40		
Banks	BNP Paribas Fortis	SB	A+	F1	SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	KBC Bank N.V.	PO	A-	F1	SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths			R - 6 mths
Canada		SB	AAA		SB	Aaa		SB	AAA				31.38		
Banks	Bank of Montreal	SB	AA-	F1+	NO	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths			O - 12 mths
	Bank of Nova Scotia	SB	AA-	F1+	NO	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths			O - 12 mths
	Canadian Imperial Bank of Commerce	SB	AA-	F1+	NO	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths			O - 12 mths
	National Bank of Canada	SB	A+	F1	NO	Aa3	P-1	SB	A	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	Royal Bank of Canada	NO	AA	F1+	NO	Aa3	P-1	NO	AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
	Toronto-Dominion Bank	SB	AA-	F1+	NO	Aa1	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
Denmark		SB	AAA		SB	Aaa		SB	AAA				21.04		
Banks	Danske A/S	SB	A	F1	PO	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths	59.54	●	R - 6 mths
Finland		SB	AA+		SB	Aa1		SB	AA+				24.01		
Banks	Nordea Bank Finland PLC	SB	AA-	F1+	SB	Aa3	P-1	NO	AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
	OP Corporate Bank plc	SB	WD	WD	SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
France		SB	AA		SB	Aa2		SB	AA				34.36		
Banks	BNP Paribas	SB	A+	F1	SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths	85.70	●	R - 6 mths
	Credit Agricole Corporate and Investment Bank	PO	A	F1	SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths	71.29	●	R - 6 mths
	Credit Agricole S.A.	PO	A	F1	SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths	75.84	●	R - 6 mths
	Credit Industriel et Commercial	SB	A+	F1	SB	Aa3	P-1	SB	A	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	Societe Generale	SB	A	F1	SB	A2	P-1	SB	A	A-1	R - 6 mths	R - 6 mths	86.69	●	R - 6 mths

Germany		SB	AAA			SB	Aaa		SB	AAA					20.06		
Banks	BayernLB	SB	A-		F1	SB	A1	P-1		NR		NR	R - 6 mths	R - 6 mths			R - 6 mths
	Commerzbank AG	SB	BBB+		F2	SB	A2	P-1	SB	BBB+		A-2	G - 100 days	G - 100 days	120.14	●	N/C - 0 mths
	Deutsche Bank AG	NW	A-	NW	F1	SB	A3	P-2	NO	BBB+		A-2	G - 100 days	G - 100 days	195.15	●	N/C - 0 mths
	DZ BANK AG Deutsche Zentral-Genossenschaftsbank	SB	AA-		F1+	SB	Aa1	P-1	SB	AA-		A-1+	O - 12 mths	O - 12 mths			O - 12 mths
	Landesbank Baden-Wuerttemberg	SB	A-		F1	SB	Aa3	P-1		NR		NR	R - 6 mths	R - 6 mths			R - 6 mths
	Landesbank Berlin AG					PO	Aa3	P-1					O - 12 mths	O - 12 mths			O - 12 mths
	Landesbank Hessen-Thueringen Girozentrale	SB	A+		F1+	SB	Aa3	P-1	SB	A		A-1	O - 12 mths	O - 12 mths	58.00	●	O - 12 mths
	Landwirtschaftliche Rentenbank	SB	AAA		F1+	SB	Aaa	P-1	SB	AAA		A-1+	P - 24 mths	P - 24 mths			P - 24 mths
	Norddeutsche Landesbank Girozentrale	SB	A-		F1	NO	A3	P-2		NR		NR	G - 100 days	G - 100 days			G - 100 days
	NRW.BANK	SB	AAA		F1+	SB	Aa1	P-1	SB	AA-		A-1+	P - 24 mths	P - 24 mths			P - 24 mths
Netherlands		SB	AAA			SB	Aaa		SB	AAA					25.49		
Banks	ABN AMRO Bank N.V.	SB	A+		F1	SB	A1	P-1	SB	A		A-1	R - 6 mths	R - 6 mths			R - 6 mths
	Bank Nederlandse Gemeenten N.V.	SB	AA+		F1+	SB	Aaa	P-1	SB	AAA		A-1+	P - 24 mths	P - 24 mths			P - 24 mths
	Cooperatieve Rabobank U.A.	SB	AA-		F1+	NO	Aa2	P-1	SB	A+		A-1	O - 12 mths	O - 12 mths	64.41	●	O - 12 mths
	ING Bank N.V.	SB	A+		F1	SB	A1	P-1	SB	A		A-1	R - 6 mths	R - 6 mths	64.45	●	R - 6 mths
	Nederlandse Waterschapsbank N.V.					SB	Aaa	P-1	SB	AAA		A-1+	P - 24 mths	P - 24 mths			P - 24 mths
Qatar		SB	AA			NW	Aa2		SB	AA					88.20		
Banks	Qatar National Bank	SB	AA-		F1+	NO	Aa3	P-1	SB	A+		A-1	O - 12 mths	O - 12 mths			O - 12 mths
Singapore		SB	AAA			SB	Aaa		SB	AAA							
Banks	DBS Bank Ltd.	SB	AA-		F1+	SB	Aa1	P-1	SB	AA-		A-1+	O - 12 mths	O - 12 mths			O - 12 mths
	Oversea-Chinese Banking Corp. Ltd.	SB	AA-		F1+	SB	Aa1	P-1	SB	AA-		A-1+	O - 12 mths	O - 12 mths			O - 12 mths
	United Overseas Bank Ltd.	SB	AA-		F1+	SB	Aa1	P-1	SB	AA-		A-1+	O - 12 mths	O - 12 mths			O - 12 mths
Sweden		SB	AAA			SB	Aaa		SB	AAA					21.54		
Banks	Nordea Bank AB	SB	AA-		F1+	SB	Aa3	P-1	NO	AA-		A-1+	O - 12 mths	O - 12 mths			O - 12 mths
	Skandinaviska Enskilda Banken AB	SB	AA-		F1+	SB	Aa3	P-1	SB	A+		A-1	O - 12 mths	O - 12 mths			O - 12 mths
	Svenska Handelsbanken AB	SB	AA		F1+	SB	Aa2	P-1	NO	AA-		A-1+	O - 12 mths	O - 12 mths			O - 12 mths
	Swedbank AB	SB	AA-		F1+	SB	Aa3	P-1	NO	AA-		A-1+	O - 12 mths	O - 12 mths			O - 12 mths
Switzerland		SB	AAA			SB	Aaa		SB	AAA					19.00		
Banks	Credit Suisse AG	SB	A		F1	SB	A1	P-1	SB	A		A-1	R - 6 mths	R - 6 mths	127.76	●	G - 100 days
	UBS AG	SB	A+		F1	SB	Aa3	P-1	SB	A+		A-1	O - 12 mths	O - 12 mths	60.71	●	O - 12 mths
United Arab Emirates		SB	AA			NO	Aa2		SB	AA					67.97		
Banks	National Bank of Abu Dhabi	SB	AA-		F1+	NO	Aa3	P-1	NW	AA-	NW	A-1+	O - 12 mths	O - 12 mths			O - 12 mths
United States		SB	AAA			SB	Aaa		SB	AA+					21.89		
Banks	Bank of America N.A.	SB	A+		F1	SB	A1	P-1	PW	A		A-1	R - 6 mths	R - 6 mths			R - 6 mths
	Bank of New York Mellon, The	SB	AA		F1+	SB	Aa1	P-1	SB	AA-		A-1+	P - 24 mths	P - 24 mths			P - 24 mths
	Citibank N.A.	SB	A+		F1	SB	A1	P-1	PW	A		A-1	R - 6 mths	R - 6 mths	77.83	●	R - 6 mths
	JPMorgan Chase Bank N.A.	SB	AA-		F1+	SB	Aa2	P-1	SB	A+		A-1	O - 12 mths	O - 12 mths			O - 12 mths
	Wells Fargo Bank, NA	NO	AA		F1+	SB	Aa1	P-1	NO	AA-		A-1+	P - 24 mths	O - 12 mths	53.84	●	O - 12 mths

United Kingdom		NO	AA		NO	Aa1		NO	AA				29.95		
AAA rated and Government backed securities	Collateralised LA Deposit*										Y - 60 mths	Y - 60 mths			Not Applicable
	Debt Management Office										Y - 60 mths	Y - 60 mths			Not Applicable
	Multilateral Development Banks										Y - 60 mths	Y - 60 mths			Not Applicable
	Supranationals										Y - 60 mths	Y - 60 mths			Not Applicable
	UK Gilts										Y - 60 mths	Y - 60 mths			Not Applicable
Banks	Abbey National Treasury Services PLC	PO	A	F1	NO	Aa3	P-1				R - 6 mths	R - 6 mths			R - 6 mths
	Bank of Scotland PLC	SB	A+	F1	SB	A1	P-1	NO	A	A-1	R - 6 mths	R - 6 mths	68.35	●	R - 6 mths
	Barclays Bank PLC	SB	A	F1	NO	A1	P-1	NO	A-	A-2	R - 6 mths	R - 6 mths	81.62	●	R - 6 mths
	Close Brothers Ltd	SB	A	F1	SB	Aa3	P-1				R - 6 mths	R - 6 mths			R - 6 mths
	Clydesdale Bank PLC	SB	BBB+	F2	SB	Baa2	P-2	NO	BBB+	A-2	N/C - 0 mths	N/C - 0 mths			N/C - 0 mths
	Co-operative Bank PLC (The)	SB	B	B	PO	Caa2	NP				N/C - 0 mths	N/C - 0 mths			N/C - 0 mths
	Goldman Sachs International Bank	SB	A	F1	SB	A1	P-1	PW	A	A-1	R - 6 mths	R - 6 mths	89.91	●	R - 6 mths
	HSBC Bank PLC	SB	AA-	F1+	NO	Aa2	P-1	NO	AA-	A-1+	O - 12 mths	O - 12 mths	68.91	●	O - 12 mths
	Lloyds Bank Plc	SB	A+	F1	SB	A1	P-1	NO	A	A-1	R - 6 mths	R - 6 mths	68.91	●	R - 6 mths
	Santander UK PLC	PO	A	F1	NO	Aa3	P-1	NO	A	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	Standard Chartered Bank	SB	A+	F1	NO	Aa3	P-1	SB	A	A-1	R - 6 mths	R - 6 mths	115.23	●	G - 100 days
	Sumitomo Mitsui Banking Corporation Europe Ltd	NO	A	F1	SB	A1	P-1	PO	A	A-1	R - 6 mths	R - 6 mths	55.77	●	R - 6 mths
	UBS Ltd.	SB	A+	F1	SB	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths	60.71	●	R - 6 mths
	Ulster Bank Ltd	SB	BBB+	F2	PO	A3	P-2	SB	BBB	A-2	N/C - 0 mths	N/C - 0 mths		●	N/C - 0 mths
Building Society	Coventry Building Society	SB	A	F1	NO	A2	P-1				R - 6 mths	R - 6 mths			R - 6 mths
	Leeds Building Society	SB	A-	F1	NO	A2	P-1				R - 6 mths	R - 6 mths			R - 6 mths
	Nationwide Building Society	PO	A	F1	NO	Aa3	P-1	NO	A	A-1	R - 6 mths	R - 6 mths			R - 6 mths
	Nottingham Building Society				NO	Baa1	P-2				N/C - 0 mths	N/C - 0 mths			N/C - 0 mths
	Principality Building Society	SB	BBB+	F2	SB	Baa3	P-3				N/C - 0 mths	N/C - 0 mths			N/C - 0 mths
	Skipton Building Society	SB	A-	F1	PO	Baa2	P-2				N/C - 0 mths	G - 100 days			G - 100 days
	West Bromwich Building Society				SB	B1	NP				N/C - 0 mths	N/C - 0 mths			N/C - 0 mths
	Yorkshire Building Society	SB	A-	F1	SB	A3	P-2				G - 100 days	G - 100 days			G - 100 days
Nationalised and Part Nationalised Banks	National Westminster Bank PLC	SB	BBB+	F2	PO	A3	P-2	SB	BBB+	A-2	B - 12 mths	B - 12 mths			Not Applicable
	Royal Bank of Scotland Group Plc	SB	BBB+	F2	PO	Ba1	NP	SB	BBB-	A-3	B - 12 mths	B - 12 mths			Not Applicable
	The Royal Bank of Scotland Plc	SB	BBB+	F2	PO	A3	P-2	SB	BBB+	A-2	B - 12 mths	B - 12 mths	116.26	●	Not Applicable

KEY: For current investment list see appendix 4

Includes Foreign banks in OECD countries
Maximum non-UK investment to be 20% of total investments at time of investment
Column C in the table above will be used for all investments.

Y	Yellow	60 months
DP	Dark pink	5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
LP	Light pink	5 years for Enhanced money market funds (EMMFs) with a credit score of 1.5
P	Purple	24 months
B	Blue	12 months Nationalised and part nationalised UK banks
O	Orange	12 months
R	Red	6 months
G	Green	100 days
NC	No colour	Not to be used

Appendix 2

List of OECD Members

Country	Date	
AUSTRALIA	7 June 1971	
AUSTRIA	29 September 1961	
BELGIUM	13 September 1961	
CANADA	10 April 1961	
CHILE	7 May 2010	
CZECH REPUBLIC	21 December 1995	
DENMARK	30 May 1961	
ESTONIA	9 December 2010	
FINLAND	28 January 1969	
FRANCE	7 August 1961	
GERMANY	27 September 1961	
GREECE	27 September 1961	
HUNGARY	7 May 1996	
ICELAND	5 June 1961	
IRELAND	17 August 1961	
ISRAEL	7 September 2010	
ITALY	29 March 1962	
JAPAN	28 April 1964	
KOREA	12 December 1996	
LATVIA	1 July 2016	*
LUXEMBOURG	7 December 1961	
MEXICO	18 May 1994	
NETHERLANDS	13 November 1961	
NEW ZEALAND	29 May 1973	
NORWAY	4 July 1961	
POLAND	22 November 1996	
PORTUGAL	4 August 1961	
SLOVAK REPUBLIC	14 December 2000	
SLOVENIA	21 July 2010	
SPAIN	3 August 1961	
SWEDEN	28 September 1961	
SWITZERLAND	28 September 1961	
TURKEY	2 August 1961	
UNITED KINGDOM	2 May 1961	
UNITED STATES	12 April 1961	

- New member

Appendix 3

Treasury Management Criteria Summary

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with maturities up to the suggested duration as calculated by Capita Asset Services from time to time.

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the Specified Investment criteria. For this Council these are qualifying investments with maturities exceeding one year. A maximum of £5m will be held in aggregate in non-specified investments.

Country Limits

UK: 100%

Non-UK: 20% (measured as at time of investment) **and** OECD membership countries **and** restricted to countries rated AAA with all three rating agencies.

Qualifying Counterparties

Counterparties appearing on the Capita Asset Services list of qualifying counterparties from time to time, together with UK local authorities or supranationals.

Time and monetary limits applying to investments

The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both Specified and Non-Specified Investments):

	Existing Limit	Proposed Limit	Max. maturity period	Sector Rating
Cash deposits with DMO at the Bank of England	No limit	No limit	Liquid	N/A
Cash or Term deposits with Local authorities	£5m	£5m	3 years	N/A
Cash or Term deposits with UK Nationalised and Part Nationalised Banks	£5m	£5m	On call	C
	£5m	£5m	Up to 1 year	C
	£1m	£1m	Up to 3 years	C
Cash or Term deposits with banks and building societies (per CAPITA list as updated from time to time)	£5m	£5m	On call	C
	£5m	£5m	Up to 3 months	C
	£5m	£5m	Over 3 months up to 1 year	C
	£1m	£1m	Over 1 year up to 2 years	C
	£1m	£1m	Over 2 years up to 3 years	C

Key:

There are no proposed changes from prior year.

C CDS adjusted with manual override column of Capita Asset Services credit rating list (Appendix 1)

Other
The local authority limit applies to the entire Local Authority sector.

A group of banks under the same ownership will be treated as a single organisation for limit purposes.

Appendix 4

Example of investment list using the list in appendix 1 and the criteria in appendix 3

SUMMARY OF INVESTMENTS - 09.12.16					
BORROWER	LIMIT	START DATE	END DATE	INT RATE	INV VALUE
	£				£
Deposits with DMO (0 - 60mths)	Unlimited	01/12/2016	19/12/2016	0.150%	9,000,000
					9,000,000
Deposits with Other Local Authorities (up to 3 years)	5,000,000				
Herts County Council					0
Deposits with UK nationalised and part nationalised (up to 12mths)	5,000,000				
Lloyds Banking Group (0 - 6mths)		13/09/2016	13/03/2017	0.650%	1,000,000
		12/10/2016	17/02/2017	0.550%	4,000,000
Royal Bank of Scotland (0 - 12mths)		29/01/2016	30/01/2017	0.850%	5,000,000
					10,000,000
UK Banks and Building Societies	5,000,000				
Barclays Bank PLC *(0 - 6mths)*		06/10/2016	20/03/2017	0.402%	1,250,000
		13/10/2016	20/02/2017	0.355%	2,750,000
		01/12/2016	27/03/2017	0.319%	1,000,000
Nationwide B S *(0 - 6mths)*		28/09/2016	17/03/2017	0.410%	5,000,000
Nationwide Total					5,000,000
Coventry B S *(0 - 6mths)*		22/11/2016	20/12/2016	0.230%	5,000,000
Coventry Total					5,000,000
HSBC Bank PLC *(0 - 12mths)*		various	CALL	0.100%	1,870,000
Santander UK plc *(0 - 6mths)*		95 day notice	14/03/2017	0.650%	5,000,000
					21,870,000
Non UK, Non Eurozone Banks (No more than 20%, measured at the time of investment)	5,000,000				
Handelsbanken *(0 - 12mths)*		various	CALL	0.150%	5,000,000
					5,000,000
			TOTAL		**45,870,000**

The institutions available for investment and actual period limits will be determined by Capita Asset Services's credit rating list issued from time to time (see Appendix 1), and using the monetary limits set by Council (see Appendix 3).

Appendix 5

Four Clauses adopted from CIPFA's Treasury Management Code of Practice

The Council has adopted the key principles of CIPFA's *2011 Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance* (the Code), as described in Section 4 of that Code.

1. The Council will create and maintain, as the cornerstones for effective treasury management:
    - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
    - suitable Treasury Management Practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.

    The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments will not result in the organisation materially deviating from the Code's key principles.

2. The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its financial year-end, in the form prescribed in its TMPs.

3. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Audit Committee and for the execution and administration of treasury management decisions to the Deputy Chief Executive (Finance), who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Statement of Professional Practice on Treasury Management.

4. This organisation nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.