8. ANNUAL REVIEW OF TREASURY MANAGEMENT ACTIVITY 2014/15

REPORT OF: Peter Stuart, Head of Finance

Contact Officer: Group Accountant, Strategic Finance.
Email: pamela.coppelman@adur-worthing.gov.uk Tel: 01903 221236

Wards Affected: All

Key Decision No

PURPOSE OF REPORT

1. The report sets out the Council's treasury management activity for the year ended 31 March 2015.

SUMMARY

2. All transactions are in order and the performance of the service has been in keeping with the requirements of the Service Level Agreement (SLA) with our shared services provider.

RECOMMENDATIONS

3. The Committee is requested to note the contents of the report.

BACKGROUND

4. The Treasury Management function of this Council has been provided by Adur and Worthing Councils as a shared service since October 2010. This has enabled the cost of the service to be reduced whilst giving access to specialist advice and the administration skills of a larger authority. The SLA was extended for a further three years from 18 October 2013.

5. The 2014-15 Treasury Management Annual Report produced by the Group Accountant Strategic Finance is attached at Appendix 1. Members should note that this report format and level of detail is similar to that presented to the other authorities in the shared service and whilst it may appear to contain much in the way of industry knowledge, it would reward careful reading by those with an interest.

6. For those Members seeking a summary, paragraph 12.2 sets out the report in one sentence:

   The actual outturn performance compared to the budgeted estimate has underperformed due to the reduction of available funds for longer-term investment during the year and depressed interest rates. All counterparty lending limits approved at the start of the year were met and all Prudential Limits were adhered to.

7. The Group Accountant would welcome questions and queries from Members using the contact details above.

POLICY CONTEXT

8. The presentation of this report fulfils the requirements under the Council's treasury management policy to produce an annual report by 30 September after the year end.

OTHER OPTIONS CONSIDERED

9. None.

FINANCIAL IMPLICATIONS

10. None.

OTHER MATERIAL IMPLICATIONS

11. None.

BACKGROUND PAPERS

None.

APPENDIX 1

1. SUMMARY

This report summarises the treasury management transactions for the financial year 2014/15. The presentation of this report fulfils the requirements under the Council's treasury management policy.

2. INTRODUCTION AND BACKGROUND

2.1 Treasury management is defined as:

"The management of the local authority's cash flows and investments, 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."

2.2 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2014/15. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

2.3 For 2014/15 the Council's Treasury Management Strategy and practices required that a minimum of three main reports be prepared , which incorporate a variety of polices, estimates and actuals. The CIPFA Code of Practice recommends the reports be scrutinised by the relevant committee before being recommended to the Council. Discretion to do this is exercised by the Head of Finance and where this occurs the scrutiny role is undertaken by the Audit Committee. The reports so prepared are:

- The Annual Treasury Management and Annual Investment Strategy to be approved by full Council in advance of the year – this was submitted in March 2014.

- The mid-year treasury management operations update report – this was submitted in November 2014.

- An annual review (this report) to be presented to the Audit Committee following the end of the year describing the activity compared to the strategy.

2.4 Accordingly, this report covers:

- ♦ treasury portfolio position 2014/15
- ♦ borrowing strategy and outturn for 2014/15
- ♦ interest rate movements for 2014/15
- ♦ investment strategy and outturn for 2014/15
- ♦ compliance with treasury limits and Prudential Indicators

2. **INTRODUCTION AND BACKGROUND**

- ♦ performance measures
- ♦ minimum revenue provisions (MRP) for repayment of debt
- ♦ incidence of other issues & matters

2.5 The regulatory environment places importance on Members for the review and scrutiny of treasury management policy and activities. This report supports such a review, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

3. PORTFOLIO POSITION 2014/15

3.1 The Council's position at the beginning and end of year was as follows:-

	Balance at 01.04.14 £m	**Raised in Year £m**	**Repaid in Year £m**	**Balance at 31.03.15 £m**	**% of Funds 31.03.15**
<u>Borrowing</u>					
PWLB	(1.175)	-	0.128	(1.047)	100%
Temporary Borrowing	-	(1.000)	1.000	-	
TOTAL BORROWING	**(1.175)**	**(1.000)**	**1.128**	(1.047)	**100%**
<u>Investments:</u>					
In-house:					
Long Term	8.000			8.000	32%
Short Term	18.000	162.435	(163.435)	17.000	68%
TOTAL INVESTMENTS	**26.000**	**162.435**	**(163.435)**	**25.000**	**100%**
NET INVESTMENTS	**24.825**	**161.435**	**(162.307)**	**23.953**	

3.2 In the year gross borrowing reduced by £128k, and gross investments reduced by £1m, resulting in an overall movement in funds of £0.872m.

4. BORROWING STRATEGY AND OUTTURN FOR 2014/2015

4.1 The Council's net indebtedness, including finance leases, at 31 March for 2014 and **2015**, was:

Comparison of Net Debt to Capital Financing Requirement (CFR)	**2014 Actual £m**	**2015 Actual £m**
Long Term Borrowing	1.175	1.047
Finance Leases	0.601	0.458
Gross Debt at 31 March	**1.776**	**1.505**
Less Capital Financing Requirement (CFR)	(1.792)	(1.542)
(Under)/ Over Borrowing	**(0.016)**	**(0.037)**
Total Investments at 31 March	(26.000)	(25.000)
Net (Investments)/Debt	**24.224**	**23.495**

4. **BORROWING STRATEGY AND OUTTURN FOR 2014/2015**

4.2 The Table above compares the Gross Debt against the underlying need to borrow (the Capital Financing Requirement, CFR) thereby highlighting any over or under borrowing. This comparison is one of the Prudential Indicators of affordability under the Prudential Code to show that borrowing levels are prudent over the medium term and sustained for capital investment purposes – i.e that the Council is not borrowing to support revenue expenditure.

4.3 Accordingly, the amount of borrowing should not exceed the CFR for 2014/15 (plus any expected changes to the CFR over 2015/16 and 2016/17) except in the short term. This requirement has been fully met in 2014/15 as the gross debt is below the CFR by £37k.

4.4 The debt movement for **2014/15** was as follows:

	Average Interest Rate	**Balance at 01.04.14 £m**	**Raised in Year £m**	**Repaid in Year £m**	**Balance at 31.03.15 £m**
Long Term Indebtedness					
PWLB - Fixed rate	4.54%	(1.175)	-	0.128	(1.047)
Finance Leases		(0.601)	-	0.143	(0.458)
Short Term					
Temporary Borrowing	0.38%	-	(1.000)	1.000	-
TOTAL INDEBTEDNESS	**4.54%**	**(1.776)**	**(1.000)**	**1.271**	**(1.505)**

4.5 Although no new long term debt was raised in 2014/15, there was one instance of temporary borrowing of £1m from another Council for the period of 3 days at a rate of 0.38%. This arose due to uncertainty in short term cash flows. Such borrowing for short term temporary cash flows is entirely permissible within the treasury management policy, and no prudential limits on borrowing were exceeded.

4.6 The Council's long term debt at the year end comprises one loan from the Public Works Loans Board (PWLB), being:

Loan Number	**Start Date**	**End Date**	**Original Loan Amount £**	**Interest Rate**	**Balance at 31. 03. 2015***
494369	06/03/2008	01/03/2023	1,700,000	4.55%	1,047,045

4.7 The total cost of interest on long term borrowing for 2014/15 was £50,900 (£57,039 for 2013-14) and is within the budgetary estimates provided for at the start of the year.

5. **THE ECONOMY AND INTEREST RATES 2014/15**

The following commentary has been supplied by Capita Asset Services Ltd, the professional consultants for the Council's shared treasury management services provider. The context is significant as it describes the backdrop against which treasury management activity has been undertaken during the year.

5.1 The original market expectation at the beginning of 2014/15 was for the first increase in Bank Rate to occur in quarter 1 2015 as the unemployment rate had fallen much faster than expected through the Bank of England's initial forward guidance target of 7%. In May, however, the Bank revised its forward guidance. A combination of very weak pay rises and inflation above the rate of pay rises meant that consumer disposable income was still being eroded and in August, the Bank halved its forecast for pay inflation in 2014 from 2.5% to 1.25%. Expectations for the first increase in Bank Rate therefore started to recede as growth was still heavily dependent on buoyant consumer demand. During the second half of 2014 financial markets were caught out by a halving of the oil price and the collapse of the peg between the Swiss franc and the euro. Fears also increased considerably that the ECB was going to do too little too late to ward off the threat of deflation and recession in the Eurozone. In mid-October, financial markets had a major panic for about a week. By the end of 2014, it was clear that inflation in the UK was going to head towards zero in 2015 and possibly even turn negative. In turn, this made it clear that the MPC would have great difficulty in starting to raise Bank Rate in 2015 while inflation was around zero and so market expectations for the first increase receded back to around quarter 3 of 2016.

5.2 Gilt yields were on a falling trend for much of the last eight months of 2014/15 but were then pulled in different directions by increasing fears after the anti-austerity parties won power in Greece in January; developments since then have increased fears that Greece could be heading for an exit from the euro. While the direct effects of this would be manageable by the EU and ECB, it is very hard to quantify quite what the potential knock on effects would be on other countries in the Eurozone once the so called impossibility of a country leaving the EZ had been disproved. Another downward pressure on gilt yields was the announcement in January that the ECB would start a major programme of quantitative easing, purchasing EZ government and other debt in March. On the other hand, strong growth in the US caused an increase in confidence that the US was well on the way to making a full recovery from the financial crash and would be the first country to start increasing its central rate, probably by the end of 2015. The UK would be closely following it due to strong growth over both 2013 and 2014 and good prospects for a continuation into 2015 and beyond. However, there was also an increase in concerns around political risk from the general election due in May 2015.

5.3 The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing throughout 2014/15.

5.4 The UK coalition Government maintained its tight fiscal policy stance but recent strong economic growth and falling gilt yields led to a reduction in the forecasts for total borrowing in the March budget.

5. THE ECONOMY AND INTEREST RATES 2014/15

5.5 The EU sovereign debt crisis had subsided since 2012 until the Greek election in January 2015 sparked a resurgence of fears. While the UK and its banking system has little direct exposure to Greece, it is much more difficult to quantify quite what effects there would be if contagion from a Greek exit from the euro were to severely impact other major countries in the EZ and cause major damage to their banks.

6. INVESTMENT STRATEGY AND OUTTURN FOR 2014/15

Investment Strategy

6.1 Bank Rate remained at its historic low of 0.5% throughout the year, it has now remained unchanged for six years. Market expectations as to the timing of the start of monetary tightening started the year at quarter 1 of 2015 but then moved back to around quarter 3 of 2016 by the end of the year. Deposit rates remained depressed during the whole of the year, primarily due to the effects of the Funding for Lending Scheme.

6.2 The investment strategy aimed to secure investment interest for 2014/15 of £364,000 as contained in the Council's budget. This equated to expected average returns on all investments of 1.083%. This target was set against the overriding criteria of security of principal sums invested, and liquidity of funds to service the Council's operational cash flow requirements.

6.3 The investment returns included in the reported income of the Council for 2014/15 amounts to £320,410, a reduction of £43,590 over the budgeted investment estimate. The outturn in 2014/15 equates to an average return on all investments of 0.988%. The variance between the actual outturn and budget estimate at the start of the year is analyzed as follows:

Investment Duration	2014/15 Estimate	2014/15 Actual	Variance (Under)/Over
	(£000)	**(£000)**	**(£000)**
Up to 6 Months	39	58	19
6-12 Months	219	127	(92)
12 months or more	106	135	29
Total	**364**	**320**	**(44)**

6.4 The outturn performance compared to the budgeted estimate has underperformed due to the reduction of available funds for investment during the year and depressed interest rates. The average balances forecast for 2014/15 (based upon 2013/14 actual balances) was £33,922m. In fact the average balances for 2014/15 were £32.521m, some £1.401m lower than expected.

6. **INVESTMENT STRATEGY AND OUTTURN FOR 2014/15**

Investment Strategy

6.5 In all, 200 transactions were conducted in the year, 137 of which were in respect of Money Market Funds. This translated into a significant higher volume of Money Market Fund transactions to provide instant liquidity. This outcome was also driven by suppressed interest rates for investments beyond 12 months, which meant that longer term investments were delayed. The long term investments held at the year end were for periods of between 2-5 years. These were conducted to bolster returns all the while interest rates are not predicted to rise before 2015/16.

6.6 A major reason for the high volume of transactions was the decision to refrain from investing fixed term deposits with the Council's own banker and maintain near zero overnight bank balances following a ratings downgrade. Hence the turnover of funds amounted to £162m (£174m for 2013/14).

6.7 The composition of investment transactions is shown below (the movement of these transactions during the year is shown in paragraph 3.1).

	No. of Transactions	Amount Invested £m	Average Deal Size £m	Minimum Deal Size £m	Maximum Deal Size £m
Long-term (> 1 year)					
Banks	1	1.000	1.000	1.000	1.000
Building Societies	3	4.000	1.333	1.000	2.000
Local Authorities	2	3.000	1.500	1.000	2.000
Total Long Term	**6**	**8.000**	**1.333**	**1.000**	**2.000**
Short-term < 1 year or less)					
Council's own Bank	-	-	-	-	-
Other Banks	16	16.000	1.000	1.000	1.000
Building Societies	41	53.000	1.293	1.000	3.000
Money Market Funds	137	111.435	0.813	0.040	3.000
Total Short-term	**194**	**180.435**	**0.930**	**0.040**	**3.000**
OVERALL	**200**	**188.435**	**0.942**	**0.040**	**3.000**

6. INVESTMENT STRATEGY AND OUTTURN FOR 2014/15

6.8 The total number of long term investments remained the same during 2014/15 and they were conducted at rates ranging between 1.1% and 2.3%. They represent 32% of the total value of the investment portfolio at year end. The composition of investments at 31 March 2015 was as follows:

Counterparty	Issue Date	Maturity Date	Principal	Current Interest Rate	
Barclays Bank	24.06.14	23.06.15	£1,000,000	0.97%	
Barclays Bank	23.07.14	22.07.15	£1,000,000	0.99%	
Barclays Bank	06.01.14	06.01.16	£1,000,000	1.10%	
Cheshire West & Chester C'cil	20.12.13	20.12.18	£2,000,000	2.30%	
Leeds Building Society	15.09.14	14.09.15	£1,000,000	0.80%	
London Borough of Islington	31.01.14	31.01.19	£1,000,000	2.30%	
National Counties B'ding Soc.	02.12.14	13.04.15	£1,000,000	0.58%	
National Counties B'ding Soc.	17.12.14	07.04.15	£1,000,000	0.58%	
National Counties B'ding Soc.	19.02.15	18.02.16	£1,000,000	1.15%	
Nationwide Building Society	30.09.14	29.09.15	£2,000,000	0.99%	
Newcastle Building Society	19.01.15	18.01.16	£1,000,000	1.11%	
Newcastle Building Society	20.02.15	18.02.16	£1,000,000	1.10%	
Newcastle Building Society	13.03.15	11.03.16	£1,000,000	1.10%	
Nottingham Building Society	04.09.14	03.09.15	£1,000,000	1.00%	
Nottingham Building Society	06.10.14	13.04.15	£1,000,000	0.66%	
Nottingham Building Society	16.03.15	18.02.16	£1,000,000	0.90%	
Principality Building Society	10.11.14	09.11.15	£1,000,000	0.94%	
Skipton Building Society	15.04.13	15.04.15	£1,000,000	1.21%	
Skipton Building Society	18.03.14	18.03.16	£2,000,000	1.45%	
West Bromwich B'ding Soc.	13.03.15	18.02.16	£1,000,000	0.95%	
West Bromwich B'ding Soc.	16.03.15	18.02.16	£1,000,000	0.95%	
West Bromwich B'ding Soc.	12.04.13	13.04.15	£1,000,000	1.40%	
TOTAL			£25,000,000		

7. COMPLIANCE WITH TREASURY MANAGEMENT LIMITS AND PRUDENTIAL INDICATORS

7.1 The Council operates to approved Prudential Indicators for treasury management as contained in the Treasury Management Strategy Statement (TMSS). The TMSS for 2014/15 was reported to Council in March 2014. The approved limits exist to regulate short-term borrowing for operational cash flow fluctuations, as well as long-term borrowing for financing capital investments. Additionally, the limits aim to mitigate risk against fluctuations in interest rates.

7.2 The Council's treasury management limits and indicators for 2014/15 are compared with the outturn position and previous year's outturn in Appendix 3. Actual performance was within the limits determined at the start of the year.

8. PERFORMANCE MEASURES

The council's return on all investments is shown in the Table below and exceeded the benchmark returns in a comparison of 84 non-metropolitan councils.

INVESTMENTS	Mid Sussex Average Balances Held in Year(£m)	Mid Sussex Rate of Return %	Benchmark Average Return %
Combined Balances	32.521	0.988	0.72

9. AMENDMENTS TO INVESTMENT COUNTERPARTY LENDING LIST

9.1 The Counter Party Approved Lending List was last reviewed and reported as part of the Treasury Management Strategy and Annual Investment Strategy Report for 2015/16 which was approved by Council in July 2015.

9.2 No counterparties were added to or removed from the Counterparty lending during 2014/15.

9.3 The Council's investment exposure to counterparties during 2014/15 is reported in Appendix 2 and the limits of approved dealing for the Council's counterparties are reproduced at Appendix 4.

10. MINIMUM REVENUE PROVISIONS (MRP) FOR REPAYMENT OF DEBT

10.1 The Council, in accordance with legislation, makes a provision from revenue to enable the repayment of borrowing that has been undertaken to fund the capital programme. This provision is known as the Minimum Revenue Provision (MRP) and is charged to the General Fund Revenue Account each year. MRP is set aside each year at an amount equivalent to the value of debt repaid in the year.

10.2 For 2014/15 an amount of £249,350 has been set aside in the annual accounts as the MRP for repayment of debt.

11. OTHER ISSUES AND MATTERS

Shared Services Arrangements

11.1 The Council's treasury management services are provided under a shared services arrangement (SSA) performed by the in-house treasury management team formed out of partnership working between Adur District Council and Worthing Borough Council. The treasury management team is based at Worthing Town Hall, but services all three councils' treasury management operations from this location utilising similar banking arrangements.

11.2 The SSA is provided under a Service Level Agreement that was renewed from 18th October 2013, and which defines the respective roles of the client and provider authorities for a period of three years.

12. CONCLUSION

12.1 This report fulfils the requirements under the CIPFA Code of Practice for Treasury Management, as well as the Council's own treasury management practices, to present an annual outturn report on treasury management activity before 30 September 2015.

12.2 The actual outturn performance compared to the budgeted estimate has underperformed due to the reduction of available funds for investment during the year and depressed interest rates. All counterparty lending limits approved at the start of the year were met and all Prudential Limits were adhered to.

13. RECOMMENDATION

The Council is recommended to note the Annual Report for 2014/15.

Contact Officer: Pamela Coppelman

Background Papers:

(1) Half-Year In-House Treasury Management Operations Report 2014/15 (Audit Committee, November, 2014)

(2) Template Annual Treasury Report 2014/15 (Capita Asset Services Ltd)

(3) CIPFA Treasury Management Code of Practice in the Public services and Cross Sectoral Guidance (Nov 2011)

(4) CIPFA Prudential Code of Practice for Capital Finance in Local Authorities

APPENDIX 2

MAXIMUM INVESTMENTS WITH EACH COUNTERPARTY IN 2014/2015

Name of Counterparty	Maximum Individual Investment	Maximum Holdings At Any Time	Balance at 31st March, 2015
	£m	£m	£m
Fixed Term Cash Deposits			
Banks			
Bank of Scotland	1.000	2.000	-
Barclays Bank	1.000	4.000	3.000
Lloyds TSB	1.000	2.000	-
Royal Bank of Scotland	1.000	2.000	-
Building Societies			
Coventry	3.000	3.000	-
Leeds	1.000	1.000	1.000
National Counties	1.000	3.000	3.000
Nationwide	2.000	3.000	2.000
Newcastle	1.000	3.000	3.000
Nottingham	1.000	3.000	3.000
Principality	1.000	1.000	1.000
Skipton	2.000	3.000	3.000
West Bromwich	1.000	3.000	3.000
Commercial Money Markets			
Invesco	3.000	3.000	-
Federated Prime Rate	3.000	3.000	-
Goldman Sachs	3.000	3.000	-
BlackRock	3.000	3.000	-
Local Authorities			
Cheshire West & Chester	2.000	2.000	2.000
London Borough of Islington	1.000	1.000	1.000
TOTAL INVESTMENTS AT 31ST MARCH, 2015			**25.000**

APPENDIX 3

COMPLIANCE WITH PRUDENTIAL INDICATORS 2014/15

1. PRUDENTIAL INDICATORS Extract from budget	2013/14 Actual	2014/15 Full year Estimate	2014/15 Actuals
	£'000	£'000	£'000
Capital Expenditure	6,181	6,021	5,443
Ratio of financing costs to net revenue stream	-0.22%	0.09 %	-0.01%
Borrowing Outstanding			
Brought forward 1 April	1,324	1,175	1,175
Carried forward 31 March	1,179	1,050	1.047
Net in year borrowing / (repayments)	(145)	(125)	(128)
Capital Financing Requirement as at 31 March	1,792	1,479	1,542
Change in Cap. Financing Requirement	(240)	(271)	(250)
Incremental impact of capital investment decisions			
Increase in council tax (band D) per annum	£0.36	£0.23	(£0.23)

2. TREASURY MANAGEMENT INDICATORS	Limit £'000	Limit £'000	Actuals (£'000) at 31.03.15
Authorised Limit for external debt -			
Borrowing	5,000	5,000	1,047
Other long term liabilities	1,000	1,000	458
Total Authorised Limit for external debt	6,000	6,000	n/a
Operational Boundary for external debt			
Borrowing	3,000	3,000	1,047
Other long term liabilities	1,000	1,000	458
Total Operational Boundary for external debt	4,000	4,000	n/a
	Actuals (%) at 31.03.14	**2014/15 Limit**	**Actuals (%) at 31.03.15**
Upper limit for fixed interest rate exposure			
Investments net of Borrowing	100%	100%	100%
Upper limit for variable rate exposure			
Investments net of Borrowing	0%	0%	0%
Upper limit for total principal sums invested for over 364 days	52%	50%	32%

APPENDIX 3

COMPLIANCE WITH PRUDENTIAL INDICATORS 2014/15

The Maturity structure of fixed rate borrowing at 31 March 2015 is :	**Proportion of Total Fixed rate Borrowing =**
under 12 months	0%
12 months and within 24 months	0%
24 months and within 5 years	0%
5 years and within 10 years	100%
10 years and above	0%

APPENDIX 4

APPROVED INVESTMENT INSTITUTIONS

Specified Investments identified for use by the Council

New specified investments will be made within the following limits:

(a) **Banks (Approved Investment Regulation 2 (b))**

Major U.K. and European Banks and their wholly-owned subsidiaries meeting the Council's approved investment criteria.

	Counterparty	Group	Individual Sum and Maximum Period	
1	**HSBC Bank Group:**	**£5m**		
	• HSBC Bank plc		£4m	5 years
2	**The Royal Bank of Scotland Group:**	**£5m**		
	• The Royal Bank of Scotland plc		£4m	5 years
	• National Westminster Bank plc		£4m	5 years
	• Ulster Bank Belfast Limited		£1m	1 year
3	**Lloyds Banking Group:**	**£5m**		
	• Lloyds Bank plc		£4m	5 years
	• Halifax plc		£4m	5 years
	• Bank of Scotland plc		£4m	5 years
	• HBOS Treasury Services plc		£4m	5 years
4	**Barclays Group:**	**£5m**		
	• Barclays Bank plc		£4m	5 years
5	**Santander Group:**	**£5m**		
	• Santander UK plc (incorporating Alliance and Leicester & Abbey)		£4m	5 years
6	**The Co-operative Bank p.l.c.**		£5m	5 years
7	**Clydesdale Bank**		£4m	5 years

(b) **Building Societies (Approved Investment Regulation 2 (c))**

Building Societies (Assets in excess of £1 billion):

Rank *	Counterparty	Individual Sum	Individual Period
1	Nationwide	£3m	3 years
2	Yorkshire	£3m	3 years
3	Coventry (incorporating Stroud & Swindon)	£3m	3 years
4	Skipton	£3m	3 years
5	Leeds	£3m	3 years
6	West Bromwich	£3m	3 years
7	The Principality	£3m	3 years
8	Newcastle	£3m	3 years
9	Nottingham	£3m	3 years
10	Progressive	£3m	3 years
11	Cumberland	£3m	3 years
12	National Counties	£3m	3 years

(c) Money Market Funds (Approved Investment Regulation 2(2) and 2(3)(b))

Counterparty	Sum	
Invesco Aim – Sterling	£3m	For Short Term Operational Cash Flow Purposes
BlackRock Institutional Sterling Liquidity Fund	£3m	
Ignis Sterling Liquidity Fund	£3m	
Goldman Sachs Sterling Liquidity Reserve Fund	£3m	
Henderson Liquid Assets Sterling Fund	£3m	
Fidelity Institutional Cash Fund plc – Sterling	£3m	
Federated Short Term Sterling Prime Liquidity Fund	£3m	
RBS – Global Treasury Fund - Sterling	£3m	

The limit for investing in any one Money Market Fund is £3 million. Except in exceptional circumstances, the total investments in Money Market Funds shall not exceed £5m or 25% of the total investment portfolio, whichever is the higher.

APPENDIX 4

(d) **Local Authorities (Approved Investment Regulation 2 (i) and Schedule Part II)**

All the following local authorities mentioned in the Regulations

Schedule Part II Ref	**Details**	**Individual**	
		Sum	**Period**
1	*County Councils (England and Wales)*	*£3m*	*5 years*
2	*District Councils in England and Wales (including Borough, City, Metropolitan Borough Councils and Unitary Councils)*	*£3m*	*5 years*
3	*London Borough Councils*	*£3m*	*5 years*
4	*The Common Council of the City of London*	*£3m*	*5 years*
5	*The Council of the Isles of Scilly*	*£3m*	*5 years*
7	*Combined police authorities*	*£3m*	*5 years*
16	*Regional, Islands, or District Councils in Scotland*	*£3m*	*5 years*
17	*Joint boards under s.235(1) of LG (Scotland) Act 1973*	*£3m*	*5 years*
28	*District Councils in Northern Ireland*	*£3m*	*5 years*
29	*Police Authorities under s.3 Police Act 1964 as substituted by s.2 Police & Magistrates Courts Act 1994*	*£3m*	*5 years*

ANNEX - GLOSSARY OF TREASURY MANAGEMENT TERMS

TERM	EXPLANATION
BANK / BANKING INSTITUTION	In order to be called a **bank** and before it may accept **deposits,** an institution has to be authorised by the Financial Services Authority, which took over the regulation of banks from the Bank of England as a result of the Financial Services and Market Act 2000.
BROKER	An agent whose purpose is to bring together principals (borrowers and lenders) and facilitate efficient dealing. They charge a commission or brokerage fee (normally a percentage of the sum dealt) to the borrower - the lender pays no commission.
BUILDING SOCIETY	A well-known type of financial institution, authorised under the Building Societies Act 1986, whose traditional business of taking in small savings from individuals ('members') and lending out mortgages for house purchase has expanded in recent years to cover many additional financial services. The rankings given to **building societies** - e.g. top 5 - refer to the relative size in terms of asset size (published annually in *Butlers Building Society Guide*).
CALL DEPOSIT	A **notice deposit** on which the interest rate can be varied or repayment requested on the same day providing **notice** is given by mid-day.
CLEARING BANK	For the purpose of the Council's permitted lending list there are 6 major 'high-street' **clearing banks** (Barclays, HSBC, Lloyds-TSB, Abbey National, Royal Bank of Scotland (which now includes National Westminster) and Halifax-Bank of Scotland.
CREDIT RATING	A measure of the perceived ability of an organisation (**bank** or top **building society**) to meet its interest and debt repayment obligations. Several specialist **credit rating** agencies exist - e.g. Moodys, Standard & Poors, and Fitch IBCA.
CONSUMER PRICE INDEX	The **Consumer Price Index (CPI)** is the official measure of inflation of consumer prices of the United Kingdom. It is also called the **Harmonised Index of Consumer Prices (HICP).**
DEPOSIT (CASH DEPOSIT)	A non-tradeable interest-paying **investment**.
FIXED (INTEREST)	Refers to a **deposit** where the interest rate is determined on the start date and remains in force until maturity.

ANNEX - GLOSSARY OF TREASURY MANAGEMENT TERMS

TERM	EXPLANATION
FOREIGN BANK	A **bank** which is incorporated outside the UK, but which may have a UK office or UK incorporated **subsidiaries**.
FUND MANAGER	A company providing professional expertise on managing **investments** in return for a fee, which is normally, a percentage of the funds managed or a fee based on a claimed performance.
GROSS DOMESTIC PRODUCT (GDP)	**Gross domestic product** (**GDP**) is the market value of all officially recognized final goods and services produced within a country in a given period of time.
INTERBANK	See **LIBOR** and **money market**.
INVESTMENT	A generic term from the lender's perspective, which includes cash **deposits**.
LIBID	See **LIBOR**.
LIBOR / LIBID	**LIBOR** and **LIBID** are the *averages* of the rates of interest at which major **banks** conduct business in the London **interbank money market** at 11 a.m. each business day: **LIBOR** (**L**ondon **i**nter**b**ank **o**ffered **r**ate) is the rate at which the major banks are prepared to lend (i.e. offer) money to the money market. **LIBID** (**L**ondon **i**nterbank **bid** rate) is the rate at which the reference banks are prepared to borrow (i.e. bid) money from the money market. Both **LIBOR** and **LIBID** rates are published daily in the ***Financial Times*** for periods ranging from **overnight** to 1 year. They are important to **local authorities** as 'benchmark' rates for assessing performance.
LOCAL AUTHORITY	For the purpose of investment, **local authority** means one of the *principal* authorities - i.e. County Councils; London Borough Councils and the City of London Corporation; Metropolitan Borough and City Councils; 'shire' and ‘unitary’ District, Borough, and City Councils (England and Wales); ‘unitary’, Regional, Islands, and District Councils (Scotland); and District Councils (Northern Ireland).
LONG-TERM DEPOSIT/ INVESTMENT	Normally used to mean an **investment** for a period of 1 year or more.

ANNEX - GLOSSARY OF TREASURY MANAGEMENT TERMS

TERM	EXPLANATION
MONEY MARKET	The process of wholesale lending and borrowing in the City of London, which is regulated by the Bank of England. The largest market is the **interbank** market, and other important markets are **local authorities** and **building societies**. Much business is arranged via money **brokers**.
MONEY MARKET FUNDS	Stand-alone pooled investment funds that actively invest their assets in a diversified portfolio of high-grade, short-term money market instruments.
NOTICE DEPOSIT	A **deposit** on which the interest rate can be varied or repayment made by either borrower or lender on giving a required period of **notice**. The most common types of **notice deposits** are **call**, 2 days or 7 days.
OVERNIGHT	The shortest **deposit** that can be made in the **money markets**, and which has the most volatile interest rate from day to day. '**Overnight**' refers to banking days - so that, for example, an '**overnight**' **deposit** made on the day before Good Friday would mature on the following Tuesday, a period of 5 days including the weekend and bank holidays.
QUARTER ON QUARTER (q/q)	The “q/q” expression used in this report denotes the movement of an index or measure (eg. GDP) over a three month i.e. quarterly period of time.
SHORT-TERM DEPOSIT / INVESTMENT	Normally used to mean an **investment** for a period of between **overnight** and 364 days - i.e. less than 1 year from start to maturity.
SUBSIDIARY	Normally used to refer to a **banking institution**, which is wholly owned, by a **clearing bank**. Examples include Ulster Bank Belfast Ltd (**subsidiary** of Royal Bank of Scotland).
VARIABLE (INTEREST)	Refers to a **deposit** where the initial interest rate can be varied by giving the required period of **notice**.
YEAR ON YEAR (y/y)	The year-on-year (y/y) expression used in this report indicates the change of an index or measure (eg. inflation) expressed over the corresponding period (i.e. the previous year).