REVIEW OF TREASURY MANAGEMENT ACTIVITY 2017/18 and AMENDMENTS TO COUNTERPARTIES FOR 2018-19

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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 2018.

2. Approval is sought to add the CCLA Public Sector Deposit Fund to the list of specified Money Market Funds for temporary liquidity purposes for 2018-19 onwards.

3. Several of the main British banks have split their business into "ring-fenced" and "non ring-fenced" entities. The Council needs to approve the amendment to the specified investments list to include only the "ring-fenced" banks for 2018-19 onwards (see 12. below).

SUMMARY

4. 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

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

6. The Committee is requested to approve the addition of the CCLA Public Sector Deposit Fund to the list of specified Money Market Funds.

7. The Committee is requested to approve the amendment of the specified investments list to include only the ring-fenced parts of banks which have split their activities.

BACKGROUND

8. 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 18th October 2016.

9. The 2017-18 Treasury Management Annual Report produced by the Group Accountant (Strategic Finance) is attached as Appendices 1 to 3. 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.

10. For those Members seeking a summary, paragraph 13.1 of Appendix 1 sets out the key points:

"The actual outturn performance for investment income was higher than the budgeted estimate due to the increase in Base Rate and the higher than forecast average investment balance. The shared service will continue to monitor the market carefully for the best possible interest rates."

11. In order to benefit from the highest available rates on short term deposits with Money Market Funds, approval is sought to add the CCLA Public Sector Deposit Fund to the list of specified Money Market Funds. This is an AAA rated fund which only invests in Sterling denominated investments and deposits. Its principal investments comprise certificates of deposit, call accounts and term deposits with banks and building societies.

12. The largest UK banks are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". There are currently five UK banks that hold retail/SME deposits over £25bn. These are: Barclays, The Royal Bank of Scotland, Lloyds, HSBC and Santander. Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler activities offered from within a ring-fenced bank will be focussed on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed into a separate entity – a non-ring-fenced bank. This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group. The Council will only invest with the ring-fenced entities, which requires the amendment of the specified investments list.

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

POLICY CONTEXT

14. The presentation of this report fulfils the requirements under the Council's treasury management policy to produce an annual report by 31st August 2018 after the year end. Providing transparency and approval of the strategies contained in this report is an important part of the Council's statutory role. Treasury Management has become increasingly topical given the nature of the world's financial markets in recent years, and Members are expected to have a basic understanding of how the Council uses its reserves and cash flows which are in the stewardship of the Head of Corporate Resources.

OTHER OPTIONS CONSIDERED

15. None – this report is statutorily required by regulations issued under the Local Government Act 2003.

FINANCIAL IMPLICATIONS

16. This report has no quantifiable financial implications. Interest payable and interest receivable arising from treasury management operations, and annual revenue provisions for repayment of debt, form part of the revenue budget but are not required to support the provision of services.

RISK MANAGEMENT IMPLICATIONS

17. This report has no specific implications for the risk profile of the Authority.

EQUALITY & CUSTOMER SERVICE IMPLICATIONS

18. None

BACKGROUND PAPERS

- Treasury Management Strategy Statement & Annual Investment Strategy 2017/18 to 2019/20 (Council on 29th March 2017), and Review of Treasury Management Activity 1 April – 30 September 2017 (Audit Committee 21st November 2017).

- Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (CIPFA, November 2011).

- The CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) and CIPFA code of practice on Treasury Management (The Code).

- Link Asset Services report template (May 2018)

APPENDIX 1

1. SUMMARY

1.1 This report summarises the operation of the service treasury management service for the financial year 2017/18. 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 2017/18. 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 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report therefore provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

2.4 For 2017/18 the minimum reporting requirements were that the Council should receive the following reports, which incorporate a variety of policies, estimates and actuals:

- The Annual Treasury Management Strategy Statement and Annual Investment Strategy approved by full Council in advance of the year (Council – 29th March 2017)
- The mid-year treasury management operations update report (Audit Committee – 21st November 2017)
- 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.

3. THE ECONOMY AND INTEREST RATES

*The following commentary has been supplied by **Link 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.*

During the calendar year of 2017, there was a major shift in expectations in financial markets in terms of how soon Bank Rate would start on a rising trend. After the UK economy surprised on the upside with strong growth in the second half of 2016, growth in 2017 was disappointingly weak in the first half of the year which meant that growth was the slowest for the first half of any year since 2012. The main reason for this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports into the economy. This caused a reduction in consumer disposable income and spending power as inflation exceeded average wage increases. Consequently, the

services sector of the economy, accounting for around 75% of GDP, saw weak growth as consumers responded by cutting back on their expenditure.
However, growth did pick up modestly in the second half of 2017. Consequently, the market expectations during the autumn rose significantly that the MPC would be heading in the direction of imminently raising Bank Rate. The minutes of the MPC meeting of 14 September indicated that the MPC was likely to raise Bank Rate very soon. The 2 November MPC quarterly Inflation Report meeting duly delivered by raising Bank Rate from 0.25% to 0.50%.
The 8 February MPC meeting minutes then revealed another sharp hardening in MPC warnings on a more imminent and faster pace of increases in Bank Rate than had previously been expected.
Market expectations for increases in Bank Rate, therefore, shifted considerably during the second half of 2017-18 and resulted in investment rates from 3 – 12 months increasing sharply during the spring quarter.
The major UK landmark event of the year was the inconclusive result of the general election on 8 June. However, this had relatively little impact on financial markets.

4. OVERALL TREASURY POSITION AS AT 31 MARCH 2018

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

	Principal at 31.03.17 £m	**Average Rate of Return**	**Average Life in Years**	**Principal at 31.03.18 £m**	**Average Rate of Return**	**Average Life in Years**
Borrowing						
PWLB	(0.819)	4.55%	6	(0.698)	4.55%	5
Other Borrowing	(22.000)	0.82%	1.75	(12.000)	0.87%	2.31
Finance lease	(0.158)			0.000		
TOTAL BORROWING	**(22.977)**			**(12.698)**		
CFR	**25.736**			**25.357**		
(Over)/under borrowing	**2.759**			**12.659**		
Investments:						
Local Authority Property Fund	6.000	4.30%	n/a	5.851	4.30%	n/a
In-house:						
Long Term	5.000	1.99%	1.47	4.000	0.98%	1.17
Short Term	29.620	0.74%	< 1 year	27.550	1.01%	< 1 year
TOTAL INVESTMENTS	**40.620**			**37.401**		
NET INVESTMENTS	**17.643**			**24.703**		

4.2 The Council's debt comprises one loan from the Public Works Loan Board (PWLB), which matures on 1 March 2023 and loans with other local authorities, totalling £12.698m, for between 1 year and 5 years. The local authority loans are at rates lower than those available from the PWLB, ranging from 0.60% to 1.1%, and they will be repaid using capital receipts and maturing investments. The finance lease is in respect of capital assets acquired.

5. THE STRATEGY FOR 2017/18

5.1 The expectation for interest rates within the treasury management strategy for 2017/18 anticipated that Bank Rate would not start rising from 0.25% until quarter 2 2019 and then only increase once more before 31.3.2020. There would also be gradual rises in medium and longer term fixed borrowing rates during 2017/18 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates. During 2017/18, longer term PWLB rates were volatile but with little overall direction, whereas shorter term PWLB rates were on a rising trend during the second half of the year.

6. THE BORROWING REQUIREMENT and DEBT

6.1 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). The actual CFR shown in the table below differs from the budget due to a re-profiled capital receipt.

	31 March 2017 Actual	31 March 2018 Budget	31 March 2018 Actual
CFR (£m)	**25.736**	**14.595**	**25,357**
External Debt	**(22.819)**	**(12.698)**	**(12.698)**
Finance Lease	**(0.158)**	**0.00**	**0.00**
Total Borrowing	**(22.977)**	**(12.698)**	**(12.698)**
(Over)/under borrowing	**2.759**	**1.897**	**12.659**

6.2 The table above compares the Gross Debt against the underlying need to borrow (the 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.

6.3 Accordingly, the amount of borrowing should not exceed the CFR for 2017/18 (plus any expected changes to the CFR over 2018/19 and 2019/20) except in the short term. This requirement has been fully met in 2017/18 as the gross debt is below the CFR by **£12.659m.**

7 BORROWING OUTTURN for 2017/18

The following loan was taken during the year to replace a loan of £5m from the London Borough of Croydon. This loan was fixed during the purchase of Orchard Shopping Centre to take advantage of the low borrowing rates available.

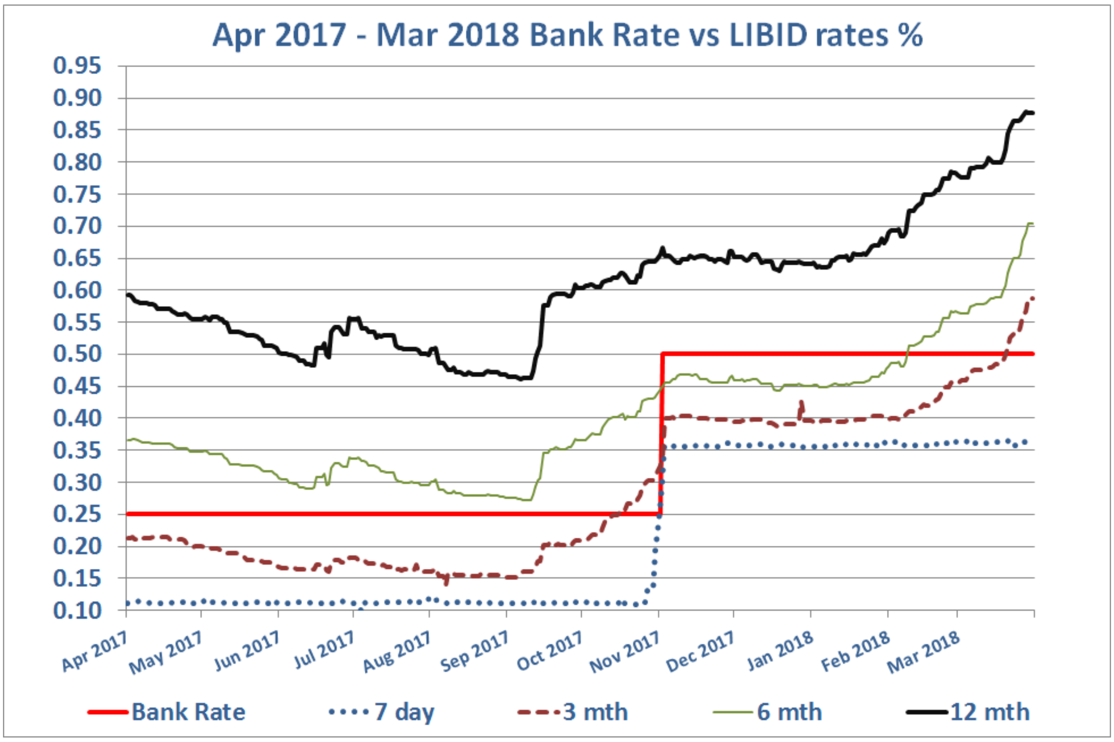
Lender	Principal	Type	Interest Rate	Maturity
London Borough of Islington	**£5m**	**Fixed interest rate**	**0.60%**	**19/11/2018**

The following loans were repaid on maturity during the year

Lender	Principal	Type	Interest Rate	Maturity
London Borough of Ealing	£5m	Fixed interest rate	0.38%	14/08/2017
Derbyshire County Council	£5m	Fixed interest rate	0.35%	30/06/2017
London Borough of Croydon	£5m	Fixed interest rate	0.42%	20/11/2017

8 INVESTMENT RATES IN 2017/18

Investments rates for 3 months and longer have been on a rising trend during the second half of the year in the expectation of Bank Rate increasing from its floor of 0.25%, and reached a peak at the end of March. Bank Rate was duly raised from 0.25% to 0.50% on 2.11.17 and remained at that level for the rest of the year. However, further increases are expected over the next few years. Deposit rates continued into the start of 2017/18 at previous depressed levels due, in part, to a large tranche of cheap financing being made available under the Term Funding Scheme to the banking sector by the Bank of England; this facility ended on 28.2.18.



9 INVESTMENT OUTTURN FOR 2017/18

9.1 **Investment Policy** – the Council's investment policy is governed by MHCLG guidance, which has been implemented in the annual investment strategy approved by the Council on **29th March 2017**. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.). The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

9.2 **Investments held by the Council** - the Council maintained an average balance of **£39.18m** of internally managed funds, which earned an average rate of return of **0.875%**. The comparable performance indicator is the average 3 month LIBID rate, which was **0.286**%. This compares with a budget assumption of **£38.51m** investment balances earning an average rate of **0.80%**. The Treasury investment returns (excluding returns from the Local Authority Property Fund) included in the reported income of the Council for 2017/18 amount to **£342,836, £34,771** above the budgeted investment estimate. This was due to the higher than projected interest rates available for investments following the increase in Bank Rate in November 2011, and the higher than forecast average balance.

9.3 **Local Authority Property Fund** – the Council has invested £6m with the Local Authority Property Fund and earned **£269,590** in dividend interest in 2017/18.

9.4 Investments held at 31 March 2018 (excluding the Local Authority Property Fund):

Counterparty	Issue Date	Maturity Date	Principal	Current Interest Rate	Long Term Rating
Barclays Bank	11/09/2017	10/09/2018	£1,000,000	0.53%	A
Barclays Bank	19/09/2017	18/09/2018	£1,000,000	0.66%	A
Barclays Bank	10/10/2017	09/10/2018	£1,000,000	0.68%	A
Cheshire West & Chester C'cil	20/12/2013	20/12/2018	£2,000,000	2.30%	N/A
Close Brothers Limited	29/03/2018	29/03/2019	£2,000,000	1.10%	A
Federated Investors (UK) LLP	03/07/2017	/ /	£1,550,000	Variable	AAA
Goldman Sachs Int Bank	12/03/2018	12/03/2019	£1,000,000	1.18%	A
London Borough of Islington	31/01/2014	31/01/2019	£1,000,000	2.30%	N/A
Monmouthshire B'ding Soc	03/05/2017	02/11/2018	£1,000,000	1.00%	*
Monmouthshire B'ding Soc	23/05/2017	23/11/2018	£1,000,000	1.00%	*
Monmouthshire B'ding Soc	05/09/2017	05/03/2019	£1,000,000	1.00%	*
National Counties B'ding Soc.	04/04/2017	03/04/2018	£1,000,000	0.77%	*
National Counties B'ding Soc.	19/04/2016	19/04/2018	£2,000,000	1.50%	*
Newcastle Building Soc.	05/07/2017	04/07/2018	£2,000,000	0.80%	*
Newcastle Building Soc.	05/09/2017	04/09/2018	£1,000,000	0.80%	*
North Lincolnshire Council	09/03/2018	09/04/2019	£1,000,000	0.98%	N/A
Nottingham Building Soc.	16/05/2017	15/05/2018	£1,000,000	0.76%	BAA1
Nottingham Building Soc.	05/09/2017	05/09/2019	£2,000,000	0.95%	BAA1
Principality Building Soc	11/04/2017	10/04/2018	£1,000,000	0.74%	BBB+
Progressive Building Society	20/04/2017	18/04/2019	£1,000,000	1.02%	BBB+
Saffron Building Society	15/02/2018	14/02/2019	£1,000,000	0.92%	*
Saffron Building Society	26/02/2018	25/02/2019	£1,000,000	0.92%	*
Skipton Building Society	11/04/2017	10/04/2018	£1,000,000	0.75%	A-
West Bromwich Building So	28/06/2017	27/06/2018	£2,000,000	0.78%	BA3
West Bromwich Building So	05/09/2017	04/09/2018	£1,000,000	0.81%	BA3
TOTAL			**£31,550,000**		

***** - Not on credit list

10. COMPLIANCE WITH TREASURY MANAGEMENT LIMITS AND PRUDENTIAL INDICATORS

10.1 The Council operates to approved Prudential Indicators for treasury management as contained in the Treasury Management Strategy Statement (TMSS). The TMSS for 2017/18 was reported to Council on 29th March 2017. 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.

10.2 The Council's treasury management limits and indicators for 2017/18 are compared with the outturn position, and previous year's outturn in Appendix 2. Actual performance was within the limits determined at the start of the year.

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

11.1 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.

11.2 For 2017/18 an amount of **£379k** has been set aside in the annual accounts as the MRP for repayment of debt.

12. OTHER ISSUES AND MATTERS

Shared Services Arrangements

12.1 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.

The SSA is provided under a Service Level Agreement that was renewed from 18th October 2016, and which defines the respective roles of the client and provider authorities for a period of three years.

12.2 **Revised CIPFA Codes**

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued a revised Treasury Management Code and Cross Sectoral Guidance Notes, and a revised Prudential Code.

A particular focus of these revised codes was how to deal with local authority investments which are not treasury type investments e.g. by investing in purchasing property in order to generate income for the Authority at a much higher level than can be attained by treasury investments. One recommendation was that local authorities should produce a new report to members to give a high level summary of the overall capital strategy and to enable members to see how the cash resources of the Authority have been apportioned between treasury and non-treasury investments. Officers will report to members when the implications of these new codes have been assessed as to the likely impact on this Authority.

12.3 **Markets in Financial Instruments Directive II (MiFID II)**
The EU set the date of 3 January 2018 for the introduction of regulations under MIFID II. These regulations govern the relationship that financial institutions conducting lending and borrowing transactions will have with local authorities from that date. This has had little effect on this Authority apart from having to fill in forms sent by each institution dealing with this Authority and for each type of investment instrument we use, apart from for cash deposits with banks and most building societies.

13. CONCLUSION

13.1 This report fulfils the requirements of the CIPFA Codes as well as the Council's own treasury management practices to present an annual outturn report on treasury management activity before 31 August 2018.

13.2 The actual outturn performance for investment income was higher than the budgeted estimate due to the increase in Base Rate and the higher than forecast average investment balance. The shared service will continue to monitor the market carefully for the best possible interest rates. All counterparty lending limits approved at the start of the year were met and all Prudential Limits were adhered to.

APPENDIX 2

COMPLIANCE WITH PRUDENTIAL INDICATORS 2017/18

1. PRUDENTIAL INDICATORS Extract from budget	2016/17 Actual £'000	2017/18 Full year Estimate £'000	2017/18 Actuals £'000
Capital Expenditure	28,631	2,784	3,477
Ratio of financing costs to net revenue stream	-1.76%	-0.22%	-0.68%
Borrowing Outstanding			
Brought forward 1 April	936	22,820	22,819
Carried forward 31 March	22,819	12,698	12,698
Net in year borrowing / (repayments)	21,883	(10,122)	(10,121)
Capital Financing Requirement at 31 March	25,736	14,595	25,357
Change in Cap. Financing Requirement	24,453	11,141	379

2. TREASURY MANAGEMENT INDICATORS	2016/17 Actual £'000	2017/18 Original £'000	2017/18 Actual £'000
Authorised Limit for external debt -			
Borrowing	30,000	30,000	30,000
Other long term liabilities	1,000	1,000	1,000
Total Authorised Limit for external debt	31,000	31,000	31,000
Operational Boundary for external debt			
Borrowing	28,000	28,000	28,000
Other long term liabilities	1,000	1,000	1,000
Total Operational Boundary for external debt	29,000	29,000	29,000
	Actuals at 31.03.17	**2017/18 Limit**	**Actuals at 31.03.18**
Upper limit for fixed interest rate exposure			
Debt only	100%	100%	100%
Investments only	87%	100%	80%
Upper limit for variable rate exposure			
Debt only	0%	25%	0%
Investments only	13%	100%	20%
Upper limit for total principal sums invested for over 364 days	14%	50%	26%

APPENDIX 2

COMPLIANCE WITH PRUDENTIAL INDICATORS 2017/18

The maturity structure of the debt portfolio was as follows:

	2017/18 upper limits	2017/18 lower limits	31-Mar-18 actual
Under 12 months	50%	30%	40%
12 months and within 24 months	40%	0%	1%
24 months and within 5 years	70%	25%	59%

The authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The Council did not breach the authorised limit during the year.

The operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached. The Council did not breach the operational boundary during the year.

Gross borrowing and the Capital Financing Requirement - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2017/18) plus the estimates of any additional capital financing requirement for the current (2018/19) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2017/18.

Actual financing costs as a proportion of 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.

APPENDIX 3

APPROVED INVESTMENT INSTITUTIONS IN THE 2017/18 TREASURY MANAGEMENT STRATEGY STATEMENT

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 TSB Group:**	**£5m**		
	• Lloyds TSB 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		£4m	5 years
6	**Clydesdale Bank**	N/A	£4m	5 years
7	**Svenska Handelsbanken AB**	N/A	£4m	1 year
8	**Close Brothers Ltd**	N/A	£4m	5 years

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

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

Rank	Counterparty	Individual	
		Sum	Period
1	Nationwide	£4m	3 years
2	Yorkshire	£4m	3 years
3	Coventry	£4m	3 years
4	Skipton	£3m	3 years
5	Leeds	£3m	3 years
6	Principality	£3m	3 years
7	West Bromwich	£3m	3 years
8	Newcastle	£3m	3 years
9	Nottingham	£3m	3 years
10	Cumberland	£3m	3 years
11	Progressive	£3m	3 years
12	National Counties	£3m	3 years
13	Saffron	£3m	3 years
14	Cambridge	£3m	3 years
15	Monmouthshire	£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	
Goldman Sachs Sterling Liquidity Reserve Fund	£3m	
Fidelity Institutional Cash Fund plc – Sterling	£3m	
Federated Short-Term Sterling Prime Liquidity Fund	£3m	

The limit for investing in any one Money Market Fund is £3 million. Total investments in Money Market Funds shall not exceed the higher of £9m or 25% of the total investment portfolio, for more than one week at any one time.

(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*

APPENDIX 3

NON-SPECIFIED INVESTMENTS DETERMINED FOR USE BY THE COUNCIL

Having considered the rationale and risk associated with Non-Specified Investments, the following have been determined for the Council's use.

	In-house use	Use by Fund Managers	Maximum Maturity	Maximum % of portfolio or £m	Capital Expenditure?
• Deposits with banks and building societies • Certificates of deposit with banks and building societies	√ √	 √	5 years	The higher of £10m or 50% of funds	No
Gilts and Bonds: • Gilts • Bonds issued by multilateral development banks • Bonds issued by financial institutions guaranteed by the UK government • Sterling denominated bonds by non-UK sovereign governments	√ √ √ √ (on advice from treasury advisor)	√ √ √ √	5 years	The higher of £3m or 25% of funds	No
Money Market Funds and Collective Investment Schemes (pooled funds which meet the definition of a collective investment scheme as defined in SI 2004 No. 534 and SI 2007, No. 573), but which are not credit rated.	√ (on advice from treasury advisor)	√	These funds do not have a defined maturity date.	The higher of £9m or 25% of funds	No
Government guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies	√ (on advice from treasury advisor)	√	5 years	The higher of £2m or 10% of funds	Subject to test
Property Funds approved by HM Treasury and operated by managers regulated by the Financial Conduct Authority – specifically the Local Authorities' Property Fund	√	√	These funds do not have a defined maturity date.	The higher of £4m or 25% of funds	No
Non-guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies	√ (on advice from treasury advisor)	√	5 years	The higher of £2m or 10% of funds	Subject to test
Collective Investment Schemes (pooled funds) which do not meet the definition of collective investment schemes in SI 2004 No. 534 or SI 2007, No. 573.	√ (on advice from treasury advisor)	√	These funds do not have a defined maturity date	The higher of £2m or 20% of funds	Subject to test