

Merton Council

Cabinet

17 February 2014

Further Information for Item 4 Business Plan 2014-18

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A) TREASURY MANAGEMENT POLICY STATEMENT Appendix 15

1. Introduction

1.1 Background and Treasury Management Policy Statement

The London Borough of Merton's treasury management activities spans across the management of its 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.

The successful identification, monitoring and control of risk is the prime criteria by which the effectiveness of its treasury management activities will be measured.

The investment environment we operate in remain difficult, whilst counterparty risk appears to have eased, it remains at elevated levels and economic forecast abound with uncertainty. The Council will continue to scrutinise all investment opportunity or products before use regardless of whether other council's are investing in such.

1.2 Statutory requirements

The Local Government Act 2003 (the Act) as amended in 2011 and supporting regulations, requires the council to 'have regard to' the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code and the CIPFA Treasury Management Code of practice to set Prudential and Treasury Indicators for the next three years and to ensure that the council's capital investment plans are affordable, prudent and sustainable. The Act requires the council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy. CIPFA revised code of practice on treasury management has also been adopted.

1.3 Balanced Budget Requirement

Section 33 of the Local Government Finance Act 1992 requires the council to set a balanced budget. This therefore means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from increases in interest charges caused by increased borrowing to finance additions to capital expenditure and any increases in running costs from new capital projects, are limited to a level which is affordable within the projected income of the council for the foreseeable future.

Part of the Treasury Management operation is to ensure that its cash flow is adequately planned, with cash being available for spend when it is needed. Provision is first made for adequate liquidity before considering investment return.

The capital plans provide a guide to the borrowing need of the council, to manage this, the council has to control and plan its long term cash flow. In addition, the management of longer term cash may involve arranging long or short dated loans, or using longer term cash flow surpluses. On some occasion and after careful thought of the S151 Officer any debt previously drawn may be restructured or repaid to meet council risk or cost objectives.

1.4 The Treasury Management strategy for 2014/15 covers two main areas:

Capital Issues

- the capital plans and the prudential indicators;
- the Minimum Revenue Provision strategy.

Treasury Management Issues

- the current treasury position as at December 2013;
- treasury indicators which will limit the treasury risk and activities of the council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling and early repayment of debt review;
- the Annual Investment Strategy and alternative investment instruments;
- creditworthiness policy
- Treasury Management Principles (Appendix 5);
- cash flow policy and three year cash flow; and
- policy on use of external service providers.

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

2. The Current Treasury Position

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

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources for example asset sales.

The table below shows the position as at 31 January 2014

Year End Resources	2012/13 Actual £'000	31 Dec 2013/14 Actual £'000	31 March 2013/14 Estimate £'000	31 March 2014/15 Estimate £'000
Investments	67,470	100,370	75,000	51,000
Interest on investments	978	323	703	565
Borrowing				
Long Term Borrowing	116,976	116,976	116,976	116,976
Short Term Borrowing	8,000			
Total External Debt	124,976	116,976	116,9766	116,9766
Interest on External Debt				
Long Term	6,696	5,024	6,696	6,696
Short Term	6,696	3,270	6,696	6,696
Total Interest on External Debt				

Interest on investments figures above do not include interest from policy investments.

- 2.2 The application of resources (reserves and sometimes capital receipts) to finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments.

3. The Capital Prudential Indicators

- 3.1 Capital expenditure plans are one of the key drivers of Treasury Management activity, the output of the capital expenditure plans is reflected in prudential indicators which are designed to provide members with an overview and confirm capital expenditure plans.

Capital Expenditure – this indicator is a summary of the council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. It should be noted that the figures in the table below do not reflect any slippage in the capital programme.

Capital Expenditure	2012/13 Actual £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Children Schools & Families	24,370	12,862	27,193	14,722	22,087	21,399
Community & Housing	1,060	1,764	3,574	1,074	1,274	280
Corporate Services	2,583	4,946	7,858	3,091	3,362	2,806
Environment & Regeneration	11,813	12,280	15,920	19,900	7,204	4,555
Total Non-HRA	39,826	31,852	54,545	38,787	33,927	29,040

The table below shows how the capital expenditure plans are being financed by revenue or capital resources. A short fall of resources means a borrowing need. The capital programme expenditure figures used in calculating the financing costs have been adjusted for slippage in the programme.

Capital Expenditure	2012/13 Actual £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Capital Expenditure	39,826	31,852	54,545	38,787	33,927	29,040
Slippage*		1,354	9,940	-2,582	-3,780	-3,234
Total Capital Expenditure	39,826	30,498	44,605	41,369	37,707	32,274
Financed by:						
Capital Receipts	1,002	582	332	64	5	1
Capital Grants & Contributions	24,251	17,760	27,723	10,038	7,261	5,288
Capital Reserves						
Revenue Provisions	2,936	1,683	3,001	96	0	0
Other Financing Sources						
Net financing need for the year	11,637	10,473	13,549	31,171	30,441	26,985

*Slippage includes slippage in from the previous year and out to the following year

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

The second prudential indicator Capital Financing Requirement (CFR), this is simply the total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resources i.e. a measure of the underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR includes any other long term liabilities like PFI schemes and finance leases which have been brought onto the balance sheet. Whilst this increases the CFR, and therefore the council's borrowing requirement, it should be noted that these types of scheme include a borrowing facility and so the council is not required to separately borrow for these schemes.

This council has no Housing Revenue Account (HRA) and no new PFI schemes in 2014/15 is expected.

	2012/13 Actual £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Capital Financing Requirement						
CFR (non-housing)	213,525	215,186	219,591	241,227	261,170	276,175
Total CFR	213,525	215,186	219,591	241,227	261,170	276,175
Movement in CFR	3,177	1,661	4,405	21,636	19,943	15,005
Movement in CFR represented by						
Net financing need for the year (above)	11,637	10,473	13,549	31,171	30,441	26,985
Less Capital MRP/VRP	(7,347)	(7,626)	(7,617)	(8,027)	(9,102)	(10,425)
Less Other MRP/VRP (leasing, PFI)	(1,113)	(1,186)	(1,527)	(1,508)	(1,396)	(1,555)
Less Other financing movements <ul style="list-style-type: none"> • Adjustment of PFI Liability • Adjustment of MRP 						
Movement in CFR	3,177	1,661	4,405	21,636	19,943	15,005

Actual and estimates of the ratio of financing costs to net revenue stream

- this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The indicator shows the proportion of the income received from council tax, revenue support grant and NNDR that is spent in paying the consequences of borrowing associated with delivery of capital investment i.e. principal and interest charges of long term borrowing.

	2012/13 Actual %	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %
Ratio of Financing Costs to Net Revenue Stream (Non HRA)	10.76%	10.92%	11.40%	12.80%	14.12%	15.79%

The table below shows the monetary values for the above ratio

	2012/13 Actual £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Net Revenue Financing Costs	17,040	17,932	18,528	18,956	20,297	22,549
Net Financing Stream**	158,347	164,260	162,542	148,061	143,704	142,847

Estimates of the incremental impact of capital investment decisions on council tax as at 10 February 2014

The table below shows the Incremental impact of changes in the capital programme (incorporating the effects of changes in treasury forecasts and investment decisions) on the band D council tax.

%	2012/13 Actual %	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %
Council tax – band D	-0.13%	1.20%	0.79%	0.57%	1.78%	2.99%

£	2012/13 Actual £	2013/14 Estimate £	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £
Incremental Change in Capital Financing Costs	-104,000	892,000	596,000	428,000	1,341,000	2,252,000
Council Tax Base	74,816	66,981	68,087	68,087	68,087	68,087
Incremental Impact on Council Tax - Band D***	-1.39	13.32	8.75	6.29	19.70	33.08
Council Tax - Band D	1106.56	1106.56	1106.56	1106.56	1106.56	1106.56

***2013/14 is actual council tax amounts, 2014/15 is proposed and remains unchanged from 2012/13. However the council tax base for future years is an approximation of future years.

4. Minimum Revenue Provision (MRP)

- 4.1 The council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP). The Council has not made any provision for VRP in its capital expenditure.

For capital expenditure incurred before 1 April 2008 or by Supported Capital Expenditure, the MRP policy follows CLG regulations (option 1). This provides for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be based on the Asset Life Method – CLG regulations (option 3).

This option will be applied for any expenditure capitalised under a capitalisation direction. It should be noted that this option provides for a reduction in the borrowing need over approximately the asset's life.

Category	Depreciation (Years)
Properties valued over £1m	
Buildings	50
Mechanical & Electrical	20
External	20
Properties valued under £1m	
Buildings	40
Infrastructure (roads etc)	25
Computer software and Computer hardware	5
Large vehicles – e.g. buses, RCVs	7
Small vehicles – e.g. cars, vans	5
Other equipment e.g. CCTV	5

MRP years where there is no depreciation equivalent	
Land	50
Revenue Expenditure Funded by capital Under Statute e.g. Redundancy costs	20

5. Treasury Management Strategy

5.1 The Prospects for Interest Rates and economic forecasts

The following table gives the central position on the council's Treasury Management adviser's view on the prospects on interest rates.

Annual Average %	Bank Rate (%)	PWLB Borrowing Rates (%)			
		5 year	10 year	25 year	50 year
March 2014	0.50	2.50	3.60	4.40	4.40
June 2014	0.50	2.60	3.70	4.50	4.50
Sept 2014	0.50	2.70	3.80	4.50	4.50
Dec 2014	0.50	2.70	3.80	4.60	4.60
March 2015	0.50	2.80	3.90	4.60	4.70
June 2015	0.50	2.80	3.90	4.70	4.80
Sept 2015	0.50	2.90	4.00	4.80	4.90
Dec 2015	0.50	3.00	4.10	4.90	5.00
March 2016	0.50	3.10	4.20	5.00	5.10
June 2016	0.75	3.20	4.30	5.10	5.20
Sept 2016	1.00	3.30	4.30	5.10	5.20
Dec 2016	1.00	3.40	4.40	5.10	5.20
March 2017	1.25	3.40	4.50	5.10	5.20

Source: Capita Asset Services

The council is on the list of qualifying authorities will lend at 0.2% less than the going PWLB rates.

Funding for lending has kept a lid on interest rates in the UK and most of Europe over the past 12 months. UK strong growth of 0.7% in Q2, 0.0% in Q3

and 0.085% in Q4 has meant that unemployment is falling faster towards the threshold of 7% set by the MPC before it said it would consider an increase in Bank Rate.

A sharp fall in inflation (CPI) to 2.1% occurred in November and forward indications are that inflation will continue to be subdued. For the first time in four years UK inflation figures hit the Bank of England target level. December CPI grew 2%.

Short dated gilts experienced a sharp jump in December due to the UK growth and the US Federal Reserve announcement in December that it will start to taper its asset purchases by reducing them by \$10bn per month from January 2014. Wage inflation continues to remain significantly below CPI inflation.

The Eurozone concerns have subsided considerably however sovereign debt difficulties have not gone away.

- Investment returns are likely to remain relatively low during 2014/15 because the 7% unemployment rate is the threshold for reconsidering policy and not the trigger for rate rises according to the MPC although overnight index swap markets have priced a rate rise in Q1 2015. ;
- Interest rates are likely to change when there are fundamental changes in central bank policies in the UK and US because such changes will affect the market, will affect swap prices significantly and affect the forward rate curve.

5.2 Borrowing Strategy

Current Borrowing Portfolio Position

The table below shows the CFR against the gross debt position of the council. The gross debt includes other long term liabilities like PFI and finance lease obligations.

	2012/13 Actual £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
External Debt at 1 April	125,039	124,976	116,976	116,976	116,976	133,913
Expected change in Debt (repayment and new debt)****	-63	-8,000	0	0	16,937	15,528
Closing External Debt	124,976	116,976	116,976	119,976	133,913	149,441
PFI liabilities at 1 April	38,125	37,287	36,216	34,734	33,277	31,932
Expected change in PFI Liabilities	-839	-1,071	-1,482	-1,457	-1,345	-1,481
Closing PFI balance	37,287	36,216	34,734	33,277	31,932	30,451
Finance Leases at 1 April	855	615	501	425	374	323
Expected Change in Finance Leases	-240	-115	-75	-51	-51	-74
Closing Balance Finance Leases	615	501	425	374	323	248
Salix Loan		58	48	38	28	18
Salix in year movement		-10	-10	-10	-10	-10
Closing Balance Salix		48	38	28	18	8
Actual gross debt at 31 March	162,878	153,741	152,173	150,655	166,186	180,148
Capital Financing Requirement	213,525	215,186	219,591	241,227	261,170	276,175
Under/(over) borrowing	50,647	-61,958	-68,462	-92,213	-97,265	-99,039

****£3.967m of long term debt matures in 2017/18

The council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the CFR), has not been fully funded with loan debt as cash supporting the council's reserves, balances and cash flow has been used as a temporary measure. It should be noted that the PFI and finance lease portion of the CFR will not be funded by additional loan. This strategy is prudent as investment returns still low and counterparty risk remains to a degree. Against this background and the risks within the economic forecast, the Director of Corporate Services will monitor interest rates in financial markets to maximise short term savings. However when interest rates begin to rise faster than expected, the council will consider borrowing in advance of need than current forecast requirements show.

Debt Liability Benchmarking

In defining its borrowing strategy, the council considered the true characteristics of all of the debt instruments in its portfolio, most especially the LOBO's and the various options available to the council. Consideration was given to the fact that in the current economic climate the LOBO's in the council's portfolio will not be called due to their very high interest rate. Should they be called, replacement borrowing will not be required because the council

will have cash available in 2014/15 to meet the call options based on the current estimates of the use of internal borrowing for the capital program. However future estimated use of cash to temporarily fund the capital program may be affected.

All Counter parties were contacted and most responded citing a minimum rate they would consider reviewing the call option on the LOBO was over 3%. Bank of England rate is currently 0.50% with rates not expected to rise to 1.00% before Q1 2015.

The borrowing strategy to temporarily finance its capital program, led the council to consider setting a minimum amount of projected liquid cash of £10m. This means that cash outflows for capital purposes would primarily be met from cash investments until £10m was reached and only at that point would external borrowing be undertaken except if interest rates fall well below its borrowing trigger rate then the council will borrow in advance of need or where interest rates are expected to rise significantly. The council will review continue to review through out the year its options around higher and lower levels of cash-backed balances.

The council has given consideration to future borrowing rates for new borrowing and has set a trigger rate of 3.75% for 25 to 30 year PWLB loans.

Treasury Risk Analysis - Debt

Whilst it is not mandatory for Local Authorities to adopt the CIPFA Risk Toolkit produced by CIPFA's Treasury Management Panel last year in relation to treasury management, the Council has chosen to participate in the risk study and adopt the risk toolkit in 2014/15 as there are some merits for the council in managing its integrated treasury management portfolio and in considering risk mitigation options for its treasury management review process and benchmarking with its peers.

5.3 Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary - this is the limit beyond which external borrowing is not normally expected to exceed.

Operational boundary £'000	2012/13 Actual £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
External Debt	124,976	116,976	116,976	119,976	133,913	149,441
Other long term liabilities	37,902	36,765	35,159	33,679	32,273	30,707
Operational Boundary	162,262	153,192	152,173	150,655	166,186	180,148

The Authorised Limit for external borrowing

The limit is the statutory limit determined under section 3 (1) of the Local Government Act 2003. It represents a limit beyond which external borrowing must not go over in the 3 years, and this limit when set is to be revised annually by Council. It reflects the level of external borrowing which, while not

desired, could be afforded in the short term, but is not sustainable in the longer term.

	2012/13 Actual £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Gross Debt	164,253	162,262	152,173	150,655	166,186	180,148
Authorised Limit	182,262	183,192	212,173	210,655	226,186	240,148

Members are required to note that these authorised limits shows the gross maximum borrowing for the year and, in year regulatory accounting changes which may affect the level of debt in the balance sheet as well as allow for any potential overdraft position and short term borrowing for cash flow purposes. All of which will be counted against the overall borrowing. The authorised limit also provides headroom for any debt rescheduling which may occur during the year and any borrowing in advance of need.

5.4 Treasury Management Limits on Activity

- The table below shows the debt related treasury activity limits.

Members are asked to note that the maturity structure guidance has changed in the CIPFA 2011 guidance notes for Lenders Option Borrowers Option (LOBO) Loans, the maturity dates is now deemed to be the next call date.

As interest rates begin to rise, it may be beneficial for the council to go into some variable rate investments to avoid being locked into long term investments at low rates in a period of rising interest rates.

The table below shows the fixed and variable interest rate exposure

	2013/14	2014/15	2015/16	2016/17	201718
Interest rate Exposures	Upper Estimate	Upper Estimate	Upper Estimate	Upper Estimate	Upper Estimate
Upper limit for fixed interest rates based on net debt	100%	100%	100%	100%	100%
Upper limit for variable interest rates based on net debt	50%	50%	50%	50%	50%
Limits on fixed interest rates:					
• Debt only	100%	100%	100%	100%	100%
• Investments only	100%	100%	100%	100%	100%
Limits on variable interest rates					
• Debt only	40%	40%	40%	40%	40%
• Investments only	40%	40%	40%	40%	40%

The table below shows the Limits on the Maturity Structure of Borrowing

	Maturity Structure of fixed interest rate borrowing 2014/15			Maturity Structure of variable interest rate borrowing 2014/15		
	Actual at 31/01/2014	Lower	Upper	Actual 31/01/2014	Lower	Upper
Under 12 months	0.0%	0%	60%	0%	0%	50%
12 months to 2 years	0.0%	0%	60%	0%	0%	50%
2 years to 5 years	3.39%	0%	60%	0%	0%	50%
5 years to 10 years	3.68%	0%	80%	0%	0%	50%
10 years and above	92.93%	0%	100%	0%	0%	50%

Local Indicators

The table below shows target borrowing and investment rates

	2012/13 Actual %	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %
Average Investment Target Return	0.81%	0.78%	0.65%	0.75%	1.00%	1.50%
Long Term Borrowing Target						
• Current Portfolio	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%
• New Borrowing trigger rate	0	0	3.75%	3.75%	4.00%	4.00%

The average investment target return above is based on the expected target return for the following periods

Period	Overnight	7 day	1 month	3 month	6 month	12 months
Target Rate	0.20%	0.35%	0.36%	0.40%	0.47%	0.76%

5.5 Policy on Borrowing in Advance of Need

The London Borough of Merton will not borrow more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved CFR estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the council can ensure the security of such funds. Should interest rates reach the borrowing trigger rates of 3.75% or less then, borrowing in advance could be made within the constraints that:

- It will be limited to no more than 50% of the expected increase in borrowing need (CFR) over the three year planning period; and
- Would not look to borrow more than 24 months in advance of need. Where possible rates will be locked using forward borrowing to reduce the risk of the council holding cash in low interest rate environment.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism. The possibility of this happening is very slim. However should the council need to borrow in advance of need, then the following will apply.

Year	Maximum Borrowing in advance	Notes
2014/15	0%	Borrowing in advance will be limited to no more than 50% of the expected increase in borrowing need (CFR) over the period of the approved Medium Term Capital Programme, a maximum of 2 years in advance.
2015-16	No more than 50% of CFR increase	
2016-17	No more than 50% of CFR increase	
2017-18	No more than 50% of CFR increase	

5.6. Debt Rescheduling

The table below shows the maturity profile of the council's current debt as at 31 January 2014

	£'000	% of portfolio
less than 1 year	0	0.00
1 - 2 years	0	0.00
2 - 5 years	3,966,258	3.39
5 -10 years	4,310,000	3.68
10 -15 years	30,700,000	26.24
15- 20 years	1,000,000	0.85
20 - 25 years	11,500,000	9.83
25-30 years	13,500,000.00	11.54
30 - 35 years	0	0.00
35-40 years	7,000,000	5.98
40 -45 years	25,000,000	21.37
45-50 years	20,000,000	17.10
Total	116,976,258	100.00

All of the Council's LOBO's are past their call dates, however should all LOBO's be called at their next interest due date then the maturity profile will be as shown in the table below and even which is very unlikely due to interest rates being so low:

	£'000	% of portfolio
less than 1 year	63,000,000	53.86
1 - 2 years	0	0.00
2 - 5 years	1,966,258	1.68
5 -10 years	310,000	0.27
10 -15 years	26,200,000	22.40
15- 20 years	1,000,000	0.85
20 - 25 years	2,500,000	2.14
25-30 years	0.00	0.00
30 - 35 years	0	0.00
35-40 years	7,000,000	5.98
40 -45 years	15,000,000	12.82
45-50 years	0	0.00
Total	116,976,258	100.00

The review of redemption estimates showed that the premium to be paid on the PWLB loan portfolio total of £52.010m will be £11.359m. Estimates as at 15 January 2014 (Appendix 1).

The Director of Corporate Services will continue to review and identify any residual potential for making savings and provide cabinet with updates when such circumstances present itself. All rescheduling made will be reported to cabinet at the earliest meeting following action.

5.7 Key and Future Changes which may affect Treasury Management

- Future changes to money market fund valuation

Proposed EU legislative changes which will require money market funds with constant net asset value to change to variable net asset value. This will mean that investors in the fund will be liable for their share of all losses as a result of counterparty failure.

- Changes to accounting for schools

Proposals to accounting for schools in Local Authority Accounts where by payments of Dedicated Schools Grant to non-controlled schools will be recorded as payment to 3rd parties in the Income and Expenditure statement. Likely impacts are cashflow items like teachers payroll.

- Transport Infrastructure Assets

This is expected to start possibly in 2014/15 financial year. It is proposed that liabilities under PFI arrangements (for example road schemes) be recognized like they are financial liability under IAS39. It is anticipated that there will be not impact on MRP, however the impact on borrowing limits is unknown at the moment.

- Proposed changes to leasing

Future changes to accounting for leasing may mean that the cost of service will increase along with increases in MRP and CFR which affect

the underlying borrowing requirement of the Council. It is anticipated that there may be some impact on both capital and revenue income.

6. Annual Investment Strategy

6.1 Investment Policy

The London Borough of Merton's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The council's investment priorities will be security first, liquidity second, then return.

6.2 Investment Strategy

The council does not place cash with fund managers as all of its cash is managed in house. Base rate is forecast to remain at 0.50% till Q1 2015. The forecast rates have been built on the basis that bank rate is expected to remain unchanged to around quarter one of 2015, however if interest rates do not rise then future income expectations may not be met. Local indicators /benchmark for investments set is included in paragraph 5.4 this report
Cash available for investments will be split into three categories;

- Operational cash
- Core cash
- Strategic cash

Strategic cash will aim to be locked for longer periods of up to 12 months or more to enable the council to gain the advantage of good rates. However this is also constrained by counterparty risk. Operational cash will predominantly be overnight cash and cash locked away for less than one month.

6.3 Alternative investment instruments

The Council has in the past restricted its treasury activities to simple investment structures like fixed deposits. However in today's market there are a wide range of alternative asset classes available like enhanced money market funds, corporate bonds, property funds and equity funds. There are varying degree of risks associated with each of these asset classes as such these need a good understanding of not just credit risk but interest rate/liquidity and market risk. Should the council choose to invest in these asset classes a comprehensive analysis will be conducted to understand the risk associated them.

6.4 Investment treasury indicator and limit - total principal funds invested for greater than 364 days. These limits are set with regard to the council's liquidity requirements and are based on the availability of funds after each year-end.

	31 Dec 2013 Actual £'m	2013/14 Estimate £'m	2014/15 Estimate £'m	2015/16 Estimate £'m	2016/17 Estimate £'m	2017/18 Estimate £'m
Estimated Principal sums invested greater than 364 days	0	20m	40m	40m	30m	30m

For its cash flow generated balances, the council will seek to utilise its, reserve accounts, 15 and 30 day notice accounts, money market funds and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

6.5 The use of Specified and Non-Specified Investments

Investment instruments identified for use in the financial year are as follows:

Specified Investments

An investment is a specified investment if all of the following apply:

- The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling;
- The investment is not a long term investment;
- The making of the investment is not defined as capital expenditure by virtue of regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146 as amended]; and
- The investment is made with a body or in an investment scheme of *high credit quality* or with one of the following public-sector bodies:
 - The United Kingdom Government;
 - A local authority in England or Wales (as defined under section 23 of the 2003 Act).

Non Specified Investments

Non-Specified investments are defined as those not meeting the above criteria and exceeding 365 days in duration.

6.6 Investment Risk Benchmarking

These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change

Security - The council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- 0.00% historic risk of default which is not due to administrative faults when compared to the whole portfolio.
- Liquidity – in respect of this area the council seeks to maintain:
 - Bank overdraft - £1m

- Liquid short term deposits of around £5m or more available with a week's notice.

6.7 Risk Management and Creditworthiness Policy

In managing its risk, the London Borough of Merton will only use financial instruments for the prudent management of its financial affairs and never for speculative purposes.

In order to minimise the risk to investments, the council's minimum acceptable credit quality of counterparties for inclusion on its lending list is listed below. Credit ratings including viability ratings are monitored daily in the first instance as prescribed by CIPFA using daily electronic notifications of the three agencies received from the council's treasury adviser.

In addition other monitoring takes the form of;

- Review where possible daily financial news and treasury journals for news on counterparties and sovereigns;
- Receiving and reading direct mail shots from the ratings agencies;
- Share price monitoring of counterparties for early warning signals;
- Monitor other market information and pricing data such as the Credit Default Swaps via data obtained from the council's treasury adviser;
- As part of daily contact with brokers market information will be obtained;
- The counterparties exposure to sovereign debt; and
- Provisions which the counterparty has in place in compliance with Financial Services Authority (FSA) and EU rules e.g. the Individual Liquidity Adequacy Standards – Basle Committee directives.
- European Banking Association Bank Reports and European Securities Market Association report and news
- For money market funds in addition to the credit rating, the Weighted Average Maturity and the constituents counterparties will be monitored daily in addition to comprehensive month end reviews..
- The Council's aggregate exposure to counterparties including its money market constituent funds will be monitored on a monthly basis and where possible daily.

Investment instruments identified for use in the financial year are listed in Appendices 2A and 2B to this report under the categories of specified and non specified investment categories.

Apart from government owned or part owned banks, the minimum credit criteria the council will use for individual counterparties is stated below:

BANKS AND BUILDING SOCIETIES MINIMUM CRITERIA ACROSS ALL THREE RATING AGENCIES			
	FITCH	MOODY'S	S&P
Short Term	F1	P-1	A-1
Long Term	A-	A3	A-
OTHER CRITERIA			
Viability / BFSR Rating	Bbb+	c-	n/a

Support	1	n/a	n/a
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The rating agency support rating score remain a key criteria. For building societies in addition to credit criteria, the council will also use only the top ten building societies in terms of asset value. However credit quality rather than asset size or position in the league table ranking will be the main driver for selection.

	FITCH	MOODY's	S&P
Money Market Funds	AAAmf	Aaa-mf	AAAm
UK Gilts	Assume rating of UK Government Sovereign		
Government Institutions and DMADF	N/A (assume rating of UK Government Sovereign)		
Local authorities, parish councils Collateralised Deposits	N/A (assume rating of UK Government Sovereign)		
Supranational Institutions	AAA	Aaa	AAA
Multilateral Development Banks	AAA	Aaa	AAA

Duration of use for Counterparties - In coming to a decision on duration the Council will consider suggested duration from its adviser. Counterparties may therefore fall in to duration categories of:

- not to be used,
- use for three months or less ,
- use for six months or less,
- use for one year or less or
- use for one year or more
- use for two years or less or
- use for five years or less (this will apply to AA+ rated government debt)

The council in addition to the criteria above will also consider the sovereign ratings of each of its counterparties. This is included in Appendix 2 of this report.

6.8 Counterparty Downgrades

A counterparty will be removed, suspended or kept on close watch from the council's approved list on the following grounds:

- if a downgrade results in the counterparty / investment scheme no longer meeting the council's minimum criteria, its further use as a new investment will be withdrawn immediately;
- If the council is advised of movements in CDS which shows extreme market movements which may result in downgrade of an institution;
- If market information or market data indicate that there is cause for concern about a counterparty;
- If there are adverse changes to government support for banks or the support is withdrawn; and
- If the Sovereign rating of the counterparty is downgraded below the council's minimum rating for a sovereign.

There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

Treasury Risk Analysis – Investments

The tables below show the Security/Liquidity/Yield characteristics of the council's investments as at 31 January 2014.

Portfolio Breakdown		Institution Type		Country	
Fixed Deposits	90.70%	Banks	65.51%	UK	100%
Call	9.30%	Building Societies	15.22%	Foreign ex MMF's	0%
MMF	0%	Government/L A	19.28%		
CD's	0%	MMF	0%		
		Other	0%		
Total	100%	Total	100%	Total	100%

Maturity Structure of Investments as at 31 January 2014

	Number of Investments	£ ('000)	%
< 1 month	4	14,770	15
1 – 3 months	9	28,400	29
3 – 6 months	9	14,500	15
6 – 9 months	8	19,400	20
9 – 12 months	5	16,500	17
12 months+	1	5,000	5
Total		98,57029	100

6.9 Provisions for Credit Related Losses

If any of the council's investments appears at risk of loss due to default (i.e. this is a credit-related loss and not one resulting from a fall in price due to movements in interest rates) the council will make revenue provision of an appropriate amount. To avoid this

6.10 Banking Arrangements

The council's bankers are Lloyds bank. The Council's bank accounts include some school accounts and client bank accounts managed as part of its Appointeeship role for residents that require this support. All schools are responsible for the management of their bank accounts.

From time to time the council may open bank accounts with other banks for specific reasons.

6.11 Country limits

The current economic climate has not only affected companies and financial institutions, it has affected sovereigns as well. In addition to counterparty selection, due care will be placed on country selection and only approved counterparties from countries with a minimum sovereign credit rating of AA- (Appendix 3).

This does not mean that the council will lend to every sovereign that meets this criteria, the list will be added to, or deducted from, by officers in consultation with the Director of Corporate Services, should ratings change in accordance with this policy. The council is mindful of the fact that investments should not be concentrated in one counterparty or country apart from the UK. Therefore;

- no more than 50% of the council's aggregate investments will be placed with any non-UK country at any time;
- Countries will be monitored weekly as part of the credit rating's monitoring for appropriateness against limits suggested by the council's treasury adviser Capita Asset Services.

6.12 Nationalised and Part Nationalised Banks - Part nationalised UK banks – Lloyds Bank and Royal Bank of Scotland these banks will be included on the council's lending list in so far as they continue to be part nationalised or they meet the minimum ratings set by the council. When they cease to be part nationalised then they will be assessed like any other counterparty.

6.13 Group Limits - No more than 50% of the council's aggregate funds will be placed in any one banking group. To avoid this happening, the council will invest in a range of strong counterparties.

6.14 Guarantee from Parent Banks - The council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above to suggest this.

6.15 Lending to Community Organisations and Other Third Parties - Any loans to or investments in third parties will be made under the Well Being powers of the council conferred by section 2 of the Local Government Act 2000 or Localism Act of 2012.

The Well Being power can be exercised for the benefit of some or all of the residents or visitors to a local authority's area. The power may also be used to benefit organisations, schools or even individuals. Loans of this nature will be under exceptional circumstances and must be approved by cabinet or by delegated authority to the Director of Corporate Services.

Where it is deemed necessary additional guarantees will be sought. This will be via security against assets and/or through guarantees from a parent company.

In other instances, the council may receive soft loans from government agencies, European Economic Community agencies or organisations like Salix for energy efficiency related loans.

6.16 Comparative Reviews - The Council participates in various comparative and benchmarking clubs.

7. Cash Flow Management

7.1 CIPFA requires all monies to be under the control of the responsible officer and for cash flow projections to be prepared on a regular and timely basis. Cashflow, actuals and forecast are recorded using Logotech systems. At the end of each day the net receipts and payments is either invested or borrowed to ensure that the council's bank account is kept at a minimum. The current projection as at 31 January 2014 for 2013/14 year end is a cash balance of £75m.

7.2 Purchase and Corporate Credit Cards

The use of corporate credit cards like other accounts payable methods carries significant risks. The Director of Corporate Services is responsible for ensuring that the council has appropriate controls in place to protect the council's funds.

8. Policy on the use of external service providers

The council recognises CIPFA's guidance on Treasury Management that the responsibility for Treasury Management cannot be delegated outside the authority and recognises that any external service provider used by the council is to support the in-house Treasury Management function. The council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. The council is aware of the CIPFA Treasury Management Advisors Regulation and Services issues in March 2010.

The council is also mindful of the requirements of the Bribery Act 2011 in its dealings with external providers. A copy of the Council's policy can be found in the link below.

http://www.merton.gov.uk/democratic_services/w-agendas/w-nonexecreports/1115.pdf

9. Training

A key outcome of the recent investigations into Local Authority investments is the need to ensure that all relevant Treasury Management staff receive appropriate training and knowledge in relation to these activities. Training is in-house on the job, via CIPFA seminars and training courses, via treasury adviser seminars and training courses and sometimes counterparties conduct training. In addition members of the team attend national forums and practitioner user groups.

10. The Localism Act

10.1 A key element of the Act is the "General Power of Competence": "A local authority has power to do anything that individuals generally may do." CIPFA emphasise that where the legality of the use of derivatives is confirmed, then there is a need for a framework for their use. The council does not use derivatives. Should the need for the use of derivative arise as a requirement for managing its interest rate exposure or hedging its investments, the council will take legal advice and report to members before use.

11. Treasury Management Practices

- 11.1 The 2011 code reinforces a framework of 12 Treasury Management practices (TMPs), which define the manner in which authorities seek to achieve the policies and objectives outlined in their Treasury Management policy statement. The council's detailed Treasury Management practices approved in March 2012/13 can be found on the council's intranet. An updated version is included as Appendix 5

12. Appendices

- 12.1 Appendix 1– Early Repayment of Debt estimate
Appendix 2A – Specified Investments
Appendix 2B – Non Specified Investments
Appendix 3 – Approved Countries for Investment
Appendix 4 – The Treasury Management Role of the S151 Officer
Appendix 5 – Treasury Management Principles 2014/15
Appendix 6 – Cash Flow Statement 2013/14 to 2015/16

13. Background Papers

- CIPFA Treasury Management in Public Services. Code of Practice and Cross –Sectional Guidance Notes 2011
- CIPFA Prudential Code for Capital Finance in Local Authorities 2013 Edition
- 2012/13 Treasury Management Strategy report
- The Guide to Local Government Finance (2013 Edition) Module 4: Treasury Management
- CIPFA Practical Considerations in Using Financial Instruments to Manage Risk in the Public Sector

APPENDIX 1 – Early Repayment Estimates for Debt

Estimated Repayment cost for PWLB Loans as at 15 January 2014

Internal Reference Number	Type	F/V	Previous Payment	Final Payment	Loan Rate	Discount Rate	Nominal	*** Accrued Interest to 15/01/2014	***Premium/Discount	Total Due	Counter Party
1097480120	Maturity	Fixed	30/09/2013	31/03/2023	6.62500	2.64000	310,000	6,133	100,325	416,458	PWLB
1097480121	Maturity	Fixed	30/09/2013	31/03/2024	6.50000	2.78000	12,000,000	232,932	3,941,188	16,174,119	PWLB
1097480232	Maturity	Fixed	30/09/2013	31/03/2024	6.75000	2.78000	1,700,000	34,268	595,857	2,330,125	PWLB
1098480925	Maturity	Fixed	31/10/2013	30/04/2024	5.87500	2.78000	6,000,000	75,329	1,651,316	7,726,644	PWLB
1000484711	Maturity	Fixed	31/10/2013	31/10/2024	5.00000	2.84000	5,000,000	53,425	997,294	6,050,718	PWLB
1000484981	Maturity	Fixed	31/10/2013	31/10/2024	4.75000	2.84000	1,500,000	15,226	264,560	1,779,786	PWLB
1005489969	Maturity	Fixed	20/11/2013	20/05/2035	4.45000	3.38000	2,500,000	17,678	404,369	2,922,047	PWLB
1005490706	Maturity	Fixed	21/11/2013	21/11/2031	4.25000	3.30000	1,000,000	6,637	127,341	1,133,978	PWLB
1005490967	Maturity	Fixed	25/07/2013	25/07/2055	3.95000	3.40000	10,000,000	190,466	1,218,635	11,409,101	PWLB
1005490976	Maturity	Fixed	25/07/2013	25/07/2055	3.95000	3.40000	5,000,000	95,233	609,317	5,704,550	PWLB
1006491475	Maturity	Fixed	28/10/2013	28/10/2051	4.40000	3.42000	7,000,000	68,351	1,448,734	8,517,085	PWLB
Total							52,010,000	795,676	11,358,936	64,164,612	

***** Accrued Interest will vary depending on when the loan is paid. *****Discount rate used in the calculations of the premium is valid only as at 15 January 2014

APPENDIX 2A – Specified Investments

Organisation/Instrument/ Sovereign	Counter Party Minimum Credit Criteria												Other Data	Maximum Lending Period	Limit (Agg)
	FITCH			MOODY			STANDARDS & POORS								
	Fitch L/T	Fitch S/T	Fitch Viability	Fitch Support	Moody L/T	Moody S/T	Moody FSR	S&P L/T	S&P S/T	Moody C	S&P A	STANDARDS & POORS A-1+			
Term deposits – banks	AA-	F1+	a+	1	Aa3	P-1	C	AA-	A-1+				In range	0 – 12 months	80%
Term deposits – banks	A	F1	a	1	A2	P-1	C	A	A-1				In range	0 – 12 months	60%
Term deposits – building societies	A	F1	a	1	A2	P-1	C	A	A-1				In range	0- 12 months if within limits	30%
Term deposits – Nationalised and Part Nationalised Banks	A	F1	bb+	1	A3	P-2	D	A-	A-2				In range	0 - 12 months if within limits	80%
Structured Deposits															
Term Deposits in Supranational	AAA	n/a	n/a	n/a	Aaa	n/a	a/a	AAA	n/a				n/a	0 – 12 months	90%
Money Market Funds	AAAmmf	Excellent			Aaa-mf			Principal Stability Fund Rating	Fund Credit Quality Rating				n/a	0 – 3 months	60%
Term Deposits – UK Government			Assume AA+ UK Government Sovereign rating Status												100%
Term Deposits – LA's with or without credit ratings			Assume AA+ UK Government Sovereign rating Status												50%
Debt Management Agency Deposit			Assume AA+ UK Government Sovereign rating Status												80%
UK Government Gilts			Assume AA+ UK Government Sovereign rating Status												80%
Gilt Funds and Bond Funds	AA+	n/a	n/a	n/a	Aa1	n/a	n/a	AA	n/a					0 – 12 months	50%
Certificate of Deposit	AA-	F1+	a+	1	Aa3	P-1	C	AA-	A-1+					0 -12 months	30%
Corporate Bond															
Corporate Bonds LA	AA+				Aa1			AAA					n/a	0 – 12 months	50%

Ratings will become a key criteria should the UK government sell more than 70% of its shares in a part nationalised bank

APPENDIX 2B - Non Specified Investments (where rating agencies have issued a counterparty with different ratings score, the lowest ratings score will apply)

Type of investment	Counter Party Minimum Credit Criteria												Other Data	Maximum Lending Period	Limit (Agg)
	FITCH				MOODY			STANDARDS & POORS		CDS DATA					
	Fitch L/T	Fitch S/T	Fitch Viability	Fitch Support	Moody L/T	Moody S/T	Moody FSR	S&P L/T	S&P S/T	AAA	A-1+	In range			
Term Deposits in Banks	AAA	F1+	n/a	1	Aaa	P-1	-	AAA	A-1+			In range		1 – 3 years	80%
Term Deposits in Supranational	AAA	n/a	n/a	n/a	Aaa	n/a	n/a	AAA	n/a			n/a		1 – 5 years	80%
Collateralised Local Authority Deposits	AA+	n/a	n/a	n/a	Aa1	n/a	n/a	AAA	n/a			n/a		1 – 5 years	80%
Certificates of deposits issued by banks and building societies	AA	n/a	n/a	n/a	Aa3	n/a	n/a	AA-	n/a			In range		1 – 2 years	40%
Term Deposits – UK Governments	AA+				Aa1			AAA				n/a		0 – 5 years	80%
Term Deposits – LA's with or without credit ratings	Assume AA+ UK Government Sovereign rating Status	Assume AA+ UK Government Sovereign rating Status			Assume Aa1 UK Government Sovereign rating Status	Assume Aa1 UK Government Sovereign rating Status		Assume AAA UK Government Sovereign rating Status				n/a		0 – 5 years	80%
Debt Management Office Deposit	AA+				Aa1			AAA				n/a		1 – 2 years	80%
UK Government Gilts	AA+				Aa1			AAA	n/a			n/a		0 – 5 years	80%
Gilt Funds and Bond Funds	AA+	n/a	n/a	n/a	Aa1			AAA						0 – 2 years	30%
Commercial Paper issuance covered by a specific UK Government (explicit) Guarantee	AA+	n/a	n/a	n/a	Aaa	n/a	n/a	AAA						0 – 2 year	20%
Commercial Paper Other	AA	n/a	n/a	1	Aa3	n/a	n/a	AA-	n/a					1 year	20%

APPENDIX 2C – Special Investments – Local Authority Mortgage Scheme

Should the Council place funds under the local authority mortgage scheme this is classified as special investment rather than treasury management investments and is therefore outside of the specified /non specified categories.

APPENDIX 3

Approved countries for investments for use by the council's treasury team or countries in which the money markets the council invests in place money based on ratings as at 31 January 2014. It should however be noted that the countries on the council's approved list may change from time to time as Sovereign ratings change. Where rating agencies have awarded different ratings, the lowest credit rating will apply.

Sovereign Benchmark	Fitch Long Term Ratings	Moody's Long Term Ratings	S&P Long Term Ratings
Australia	AAA	Aaa	AAA
Canada	AAA	Aaa	AAA
Denmark	AAA	Aaa	AAA
Finland	AAA	Aaa	AAA
Germany	AAA	Aaa	AAA
Luxembourg	AAA	Aaa	AAA
Norway	AAA	Aaa	AAA
Singapore	AAA	Aaa	AAA
Sweden	AAA	Aaa	AAA
Switzerland	AAA	Aaa	AAA
Hong Kong	AA+	Aa1	AAA
Netherlands	AAA	Aaa	AA+
U.K	AA+	Aa1	AAA
USA	AAA	Aaa	AA+
Abu Dhabi (U.A.E)	AA	Aa2	AA
France	AA+	Aa1	AA
Qatar	-	Aa2	AA
Belgium	AA	Aa3	AA
Saudi Arabia	AA-	Aa3	AA-

APPENDIX 4 The Treasury Management role of the section 151 officer

The S151 officer (Director of Corporate Services)

- recommending clauses, Treasury Management policy / practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular Treasury Management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the Treasury Management function;
- ensuring the adequacy of Treasury Management resources and skills, and the effective division of responsibilities within the Treasury Management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of Treasury Management external service providers.
- Approval of appropriate money market funds for the council to invest in.

LONDON BOROUGH OF MERTON TREASURY MANAGEMENT **PRINCIPLES 2014/15**

TMP1 RISK MANAGEMENT

The Director of Corporate Services – the responsible officer will implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy / suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

1.1 Credit and Counterparty Risk Management

The council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments Methods and Techniques and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements.

Policy on the use of credit risk analysis techniques

- The council will use credit criteria in order to select creditworthy counterparties for placing investments with.
- Credit ratings will be used as supplied from all three rating agencies - Fitch, Moodys and Standard & Poors.
- Treasury Management Consultants will provide regular updates of changes to all ratings relevant to the council.
- The treasury manager will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising maturity periods, type, group, sector, country and counterparty limits.

1.2 Liquidity Risk Management

The council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives. The council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

The treasury management team shall seek to minimise the balance held in the council's main bank accounts at the close of each working day. Borrowing or lending shall be arranged in order to achieve this aim. At the end of each financial day any unexpected surplus funds are transferred to the main bank account.

Bank overdraft arrangements – A £1 million net overdraft at 2% over base rate on debit balances has been agreed as part of the banking services contract. The overdraft is assessed on a group basis for the council's accounts. Separate facilities are available for the Pension Fund bank account.

a. Short-term borrowing facilities

The council accesses temporary loans through approved brokers on the London money market.

b. Special payments

Where an urgent clearing house automated payment system (CHAPS) payment is required, a CHAPS payment request form must be completed and forwarded to the Head of Transactional Services who then checks for correct required signatures and supporting paper work. Further guidance can be found on the Council's intranet.

c. Inter account transfer

From time to time transactions occur between the Pension Fund and the Council. Reimbursement where necessary is by inter- account transfers between both bank accounts.

1.3 Interest Rate Risk Management and use of Derivatives

The council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements. It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

The council does not use derivatives, the council's S151 Officer will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives when used will be clearly stated to members. The treasury management strategy has full details of interest rate exposure limits.

Policies concerning the use of instruments for interest rate management.

- forward dealing

Consideration will be given to dealing from forward period's dependant upon market conditions. When forward dealing is more than a 364 day period forward then the approval of the Chief Financial Officer is required.

- callable deposits

The council may use callable deposits as part as of its Annual Investment Strategy (AIS). The credit criteria and maximum periods are set out in the Schedule of Specified and Non Specified Investments appended to the AIS.

Policy on Use of LOBOS (borrowing under lender's option / borrower's option)

Use of LOBOs is considered as part of the annual borrowing strategy. All long term borrowing must be approved by the S151 Officer.

1.4 Exchange Rate Risk Management

Occasionally, the council has to make foreign exchange payments, the council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

1.5 Refinancing Risk Management

The council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

The council will establish through its Prudential and Treasury Indicators the amount of debt maturing in any year. Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

- a) the generation of cash savings at minimum risk;
- b) to reduce the average interest rate;
- c) amend the maturity profile and /or the balance of volatility of the debt portfolio.

Any rescheduling will be reported to the council at the meeting immediately following the action.

1.6 Legal and Regulatory Risk Management

The council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1 1.1 Credit and Counterparty Risk Management, it will ensure that there is evidence of counterparties powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

The council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

The council will ensure that its treasury management activities comply fully with legal statute, guidance, Codes of Practice and the regulations of the council.

The council's powers to borrow and invest are contained in the Local Government Act 2003, section 12 and Local Government Act 2003, section 1. The treasury management scheme of delegation is contained in the corporate services scheme of delegation. This document contains the officers who are authorised signatories. The council's monitoring officer is the Assistant Director Corporate Governance, while the S151 Officer is the Director of Corporate Services.

1.7 Fraud, Error and Corruption, and Contingency Management

Treasury tasks are segregated and adequate internal checks have been implemented to minimise risks and fraud. Procedures are documented and staff will not be allowed to take up treasury management activities until they have had proper training and are then subject to an adequate and appropriate level of supervision.

Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out. Periodic backups will be made to ensure contingency of systems is available.

Details of Systems and Procedures to be Followed, Including Internet Services

The council uses Logotech Treasury systems as its treasury management recording tool.

- The Corporate Services Scheme of Delegation sets out the delegation of duties to officers. While the council's constitution details delegated authority of treasury management to the Section 151 Officer.

- All loans and investments are negotiated by the treasury manager or authorised persons.
- All long term loans must be authorised by the Section 151 Officer.

1.8 Market Risk Management

The council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect it from the effects of such fluctuations. This is controlled mainly by setting limits on investment instruments where the principal value can fluctuate. The limits are detailed in the treasury management strategy

TMP 1 SCHEDULE 1 – SPECIFIED AND NON SPECIFIED INVESTMENTS

This is included in the treasury management strategy.

TMP 2 PERFORMANCE MEASUREMENT

2.1.1 Evaluation and Review of Treasury Management Decisions

Periodic reviews during the financial year

The Director of Corporate Services will as and when required may periodically hold treasury management review meetings with the treasury manager to review actual activity against the Treasury Management Strategy Statement and cash flow forecasts.

This will include:

- Total debt (both on-and off balance sheet) including average rate and maturity profile.
- Total investments including average rate and maturity profile and changes to the above from the previous review and against the TMSS.
- Cash flow forecast against the actual.

2.1.2 Annual Review after the end of the financial year

- Annual Treasury Report will be submitted to the Full Council each year after the close of the financial year.

2.1.3 Comparative reviews

Each year or on a quarterly basis, comparative reviews are undertaken to see how the performance of the council on debt and investments compares to other authorities with similar size portfolios (but allowing for the fact that Prudential and Treasury Indicators are locally set). Such reviews are: -

- CIPFA Treasury Management statistics published each year for the last complete financial year
- CIPFA Benchmarking Club
- CIPFA Risk Study
- other

2.2 Benchmarks and Calculation Methodology:

2.2.1 Debt management

- Average rate on all external debt
- Average rate on external debt borrowed in previous financial year
- Average period to maturity of external debt
- Average period to maturity of new loans in previous year

2.2.2 Investment.

The performance of investment earnings will be measured against any of the following benchmarks: -

- in house benchmark and when necessary other benchmarks such as Bank of England base rate, 7 day LIBID un compounded, 7 day LIBID compounded weekly, 1 month LIBID and 3 month LIBID compounded quarterly

Performance will also be measured against other local authority funds with similar benchmark and parameters managed by other fund managers using the CIPFA treasury management benchmark service.

2.3 Policy Concerning Methods for Testing Value for money in Treasury Management

The process for advertising and awarding contracts will be in line with the council's Contract Standing Orders and procurement guidelines.

2.3.1 Money-broking services

From time to time, the council will use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them. An approved list of firm of brokers is maintained by the treasury manager, this takes account both prices and quality of services. No firm of brokers will be given undue preference.

2.3.2 Consultants / advisers services

The council's treasury management adviser is Capita Asset services.

TMP 3 DECISION-MAKING AND ANALYSIS

3.1 Funding, Borrowing, Lending, and New Instruments/Techniques:

3.1.1 Records to be kept

The following records will be retained -

- Daily cash balance forecasts for the day and previous day
- Money market deal booking and deal approval confirmation emails
- Dealing slips for all investment and borrowing transactions
- Brokers' confirmations for all investment and temporary borrowing transactions made through brokers
- Confirmations from borrowing / lending institutions including money market fund portals
- PWLB loan confirmations
- PWLB interest due schedule
- Certificates for market loans, local bonds and other loans
- Deal confirmation letters for deals over one month
- Banking and other contract documents which the treasury team has responsibility for.

3.1.2 Processes to be pursued

- Cash flow analysis.
- Debt and investment maturity analysis
- Ledger/Logotech/Bank reconciliations
- Review of counterparty limits in addition to monitoring of counterparties
- Review of opportunities for debt restructuring
- Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer value for money)
- Performance information (e.g. monitoring of actuals against budget for debt charges, interest earned, debt management; also monitoring of average pool rate, investment returns, etc).
- Treasury contracts management

3.1.3 Issues to be addressed.

3.1.3.1. In respect of every treasury management decision made the council will:

- a) Above all be clear about the nature and extent of the risks to which the council may become exposed
- b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
- c) Be content that the documentation is adequate both to deliver the council's objectives and protect the council's interests, and to deliver good housekeeping
- d) Ensure that third parties are judged satisfactory in the context of the council's creditworthiness policies, and that limits have not been exceeded
- e) Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.
- f) Ensure that adequate investigation on security of the council's funds has been conducted

3.1.3.2 In respect of borrowing and other funding decisions, the council will:

- a) consider the ongoing revenue liabilities created, and the implications for the organisation's future plans and budgets
- b) evaluate the economic and market factors that might influence the manner and timing of any decision to fund
- c) consider the merits and demerits of alternative forms of funding, including funding from revenue, use of reserves, leasing and private partnerships
- d) consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

3.1.3.3 In respect of investment decisions, the council will:

- a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions;
- b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the council to changes in the value of its capital;

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 Approved Activities of the Treasury Management Operation

- borrowing;
- lending;
- debt repayment and rescheduling;
- consideration, approval and use of new financial instruments and treasury management techniques;
- managing the underlying risk associated with the council's capital financing and surplus funds activities;
- managing cash flow;
- banking activities;
- the use of external fund managers (other than Pension Fund)
- leasing;
- Undertaking all treasury management activities for the Pension Fund including its strategy setting.

4.2 Approved Instruments for Investments

English and Welsh authorities: The Annual Investment Strategy has a list of approved instruments.

4.3 Approved Techniques

- Forward dealing
- LOBOs – lenders option, borrower's option borrowing instrument
- Structured products such as callable deposits

4.4 Approved Methods and Sources of Raising Capital Finance

Finance will only be raised in accordance with the Local Government Act 2003 and within this limit the council has a number of approved methods and sources of raising capital finance. These are:

On Balance Sheet	Fixed	Variable
PWLB	●	●
EIB	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Leasing (not operating leases)	●	●
Deferred Purchase	●	●

Other Methods of Financing

Government and EC Capital Grants

Lottery monies

PFI/PPP

Operating and Finance leases

Revenue Contributions

Borrowing will only be done in British Pound Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Director of Corporate Services has delegated powers in accordance with Financial Regulations, Standing Orders and Scheme of Delegation to Officers to take the most appropriate form of borrowing from the approved sources.

4.5 Investment Limits

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument.

4.6 Borrowing Limits

The Treasury Management Strategy Statement and Prudential and Treasury Indicators state all appropriate limits.

TMP 5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

5.1 Allocation of responsibilities

(i) Council (Budget)

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

(ii) Cabinet

- approval of amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations

(iii) Overview and Scrutiny Commission (financial monitoring task group)

- reviewing all treasury management reports and making recommendations to the Cabinet.

5.2 Principles and Practices Concerning Segregation of Duties

5.2.1 The following duties are undertaken by separate officers: -

Tasks	Duties	Responsible Officer
Dealing	• Negotiation and approval of deal	Treasury manager
	• Entering of deal into Logotech	Treasury manager/ Fund officer
	• Sending confirmation letter to counterparty (to be signed by authorised signatory)	Treasury Manager/Fund Officer
	• Checking of brokers and counterparty confirmation notes against Logotech	Fund officer
	• Reconciliation of FMIS Codes and reconciliation to bank statement	Fund Officer Treasury manager
	• Sign off of reconciliations	Fund officer
Accounting Entry	• Processing of accounting entry into FMIS (bank reconciliation team)	Bank reconciliation team
Authorisation / Payment of Deal	• Inputting CHAPS on Lloyds link	Treasury Manager/Fund officer
	• Approval of CHAPS on Lloyds link and CHAPS form authorisation	Authorisers per bank mandate

5.3 Statement of the treasury management duties/responsibilities of each treasury post

5.3.1 The responsible officer

The responsible officer is the person charged with professional responsibility for the treasury management function and in this council it is the Director of Corporate Services and is also the S151 officer. This person or delegated persons will carry out the following duties: -

- a) recommending clauses, treasury management policy / practices for approval, reviewing the same regularly, and monitoring compliance
- b) submitting regular treasury management policy reports
- c) submitting budgets and budget variations

- d) receiving and reviewing management information reports
- e) reviewing the performance of the treasury management function
- f) ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- g) ensuring the adequacy of internal audit, and liaising with external audit
- h) recommending the appointment of external service providers.
- i) The responsible officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
- j) The responsible officer may delegate his power to borrow and invest to members of her staff. The Treasury & Insurance Manager, the fund officer. Only treasury management team staff must conduct all dealing transactions, or staff authorised by the responsible officer to act as temporary cover for leave / sickness. All treasury transactions must be authorised by the treasury manager or the S151 officer.
- k) The responsible officer will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
- l) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the council's Financial Regulations
- m) It is also the responsibility of the responsible officer to ensure that the council complies with the requirements of The Non-Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

5.3.2 Treasury & Insurance Manager

The responsibilities of this post will be: -

- a) Drafting the treasury management strategy and annual report
- b) execution of transactions
- c) adherence to agreed policies and practices on a day-to-day basis
- d) maintaining relationships with counterparties and external service providers
- e) supervising treasury management staff
- f) monitoring performance on a day-to-day basis
- g) submitting management information reports to the responsible officer
- h) identifying and recommending
- i) opportunities for improved practices

5.3.3 The Head of the Paid Service – the Chief Executive

The responsibilities of this post will be: -

- a) Ensuring that the system is specified and implemented

- b) Ensuring that the responsible officer reports regularly to the full Council / cabinet or General Purpose Committee on treasury policy, activity and performance.

5.3.4 The Monitoring Officer

The responsibilities of this post will be: -

- a) Ensuring compliance by the responsible officer with the treasury management policy statement and treasury management practices and that they comply with the law.
- b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
- c) Giving advice to the responsible officer when advice is sought.

5.3.5 Internal Audit

The responsibilities of Internal Audit will be: -

- a) Reviewing compliance with approved policy and treasury management practices.
- b) Reviewing division of duties and operational practice.
- c) Assessing value for money from treasury activities.
- d) Undertaking probity audit of treasury function.

5.4 Absence Cover Arrangements

Cover for treasury management staff will be to specific delegated staff.

5.5 Dealing Limits

No investment deal must exceed £5million per transaction

No borrowing deal at any point in time must exceed £10 million except when existing loans are being repaid.

5.6 List of Approved Brokers

A list of approved brokers is maintained within the Treasury team and a record of all transactions recorded against them can be obtained from Logotech.

Policy on Brokers' Services

It is this council's policy to rotate business between brokers.

5.7 Policy on Taping of Conversations

The council currently does not tape conversations **but** ensures that confirmations are received from counterparties.

5.8 Direct Dealing Practices

The council will deal direct with counterparties if it is appropriate and the council believes that

better terms will be available. There are certain types of accounts and facilities, however, where direct dealing is required, as follows;

- Business Reserve Accounts:
- Call Accounts:
- Money Market Funds.
- Gilt/CD purchase via custodian
- Fixed period account e.g. 15 day fixed period account

5.9 Settlement Transmission Procedures

A confirmation letter signed by an authorised signatory per the council's bank mandate must be sent to the counterparty if the deal period exceeds one month. Copy of forms folder located in H: /techaccy/treasury/forms

For payments any transfer to be made via Lloyds link CHAPS system must be completed by 2.00 p.m. on the same day to ensure it is authorised. Money market funds may have earlier time deadlines.

5.10 Documentation Requirements

For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker and confirmation fax, email or letter.

5.11 Arrangements Concerning the Management of Third-Party Funds.

The council holds a number of trust funds, appointeeship and custody bank accounts. The cash in respect of these funds is held in the council's bank account but transactions are separately coded.

TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

6.1 Annual Treasury Management Strategy Statement

1. The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted the cabinet and then to the Council (budget) for approval before the commencement of each financial year.
2. The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, this council may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.
3. The Treasury Management Strategy Statement is concerned with the following elements:
 - a) Prudential and Treasury Indicators
 - b) current Treasury portfolio position
 - c) borrowing requirement
 - d) prospects for interest rates
 - e) borrowing strategy
 - f) policy on borrowing in advance of need
 - g) debt rescheduling
 - h) investment strategy
 - i) creditworthiness policy
 - j) policy on the use of external service providers
 - k) any extraordinary treasury issue
 - l) the MRP strategy
4. The Treasury Management Strategy Statement will establish the expected move in interest rates against alternatives.

6.2 The Annual Investment Strategy Statement

At the same time as the council receives the Treasury Management Strategy Statement it will also receive a report on the Annual Investment Strategy which will set out the following: -

- a) The council's risk appetite in respect of security, liquidity and optimum performance
- b) Which specified and non specified instruments the council will use
- c) The council's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
- d) Which credit rating agencies the council will use
- e) How the council will deal with changes in ratings, rating watches and rating outlooks

- f) Limits for individual counterparties and group limits
- g) Country limits
- h) Levels of cash balances
- i) Interest rate outlook
- j) Budget for investment earnings
- k) Policy on the use of external service providers

6.3 The Annual Minimum Revenue Provision Statement

This statement sets out how the council will make revenue provision for repayment of its borrowing using the four options for so doing and will be submitted at the same time as the Annual Treasury Management Strategy Statement.

6.4 Policy on Prudential and Treasury Indicators

1. The council approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.
2. The responsible officer is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to the full Council.

6.5 Other reporting

- Annual report on treasury management activity
- Other management information reports

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 Statutory / Regulatory Requirements

The accounts are drawn up in accordance with IFRS. The council has also has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to this council's treasury management activities.

TMP 8 Cash and Cash Flow Management

8.1 Arrangements for Preparing Cash Flow

Cash flow projections are prepared annually, monthly and daily. The annual and monthly cash flow projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income and expenditure, new grant allocations and changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known. Logotech is used to record cashflow.

8.2 Bank Statements Procedures

The council receives daily bank statements. On a daily basis download the day's bank statement into the folder below. Estimates on Logotech cash flow is updated with actuals from bank statement.

H:\TECHACCY\TREASURY\Daily\Bank Statement Export

TMP 9 MONEY LAUNDERING

9.1 Proceeds of Crime Act 2002

See council's website and intranet for Money laundering process and associated policies

http://intranet/anti_money_laundering_policy.pdf

9.2 The Terrorism Act 2000 and updates

See council's website and staff intranet on policy. Staff should note that. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment

9.3 The Money Laundering Regulations 2007 and updates

The council's money laundering officer is the monitoring officer. See council's website and intranet for details http://intranet/anti_money_laundering_policy.pdf

Treasury management and banking staff are required to familiarise themselves with all money laundering regulations.

9.4 Procedures for Establishing Identity / Authenticity of Lenders

It is not a requirement under POCA for local authorities to require identification from every person or organisation it deals with. However, in respect of treasury management transactions, the council does not accept loans from individuals except during a bond issue.

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FSA website on www.fsa.gov.uk.

9.5 Methodologies for identifying Deposit Takers

In the course of its Treasury activities, the council will only lend money to or invest with those counterparties that are on its approved lending list. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The FSA register can be accessed through their website on www.fsa.gov.uk).

All transactions will be carried out by CHAPS or bacs for making deposits or repaying loans.

TMP 10 TRAINING AND QUALIFICATIONS

The council recognises that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity.

All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. Additionally, training may also be provided on the job and it will be the responsibility of the treasury manager to ensure that all staff under her authority receives the level of training appropriate to their duties.

10.1 Details of Approved Training Courses

Treasury management staff and members will go on courses provided by our treasury management consultants, CIPFA, money brokers etc.

10.2 Records of Training Received by Treasury Staff

Staff will keep records on their training.

10.3 Member training records

Member training will be provided as required.

TMP 11 USE OF EXTERNAL SERVICE PROVIDERS

11.1 Details of Contracts with Service Providers, Including Bankers, Brokers, Consultants, Advisers

This council may employ the services of other organisations to assist it in the field of treasury management. However, it will ensure that it fully understands what services are being provided and that they meet the needs of this council, especially in terms of being objective and free from conflicts of interest.

11.1.1 Banking Services

- a) The council's supplier of banking services is Lloyds TSB Bank. The bank is an authorised banking institution authorised to undertake banking activities by the FSA
- b) The branch address is:
Lloyds Banking Group
25 Gresham Street, London
EC2V 7HN

11.1.2 Money-Broking Services

The council will use money brokers for temporary borrowing and investment and long term borrowing. It will seek to give an even spread of business amongst the approved brokers.

11.1.3 Consultants'/Advisers' Services

Treasury Consultancy Services

The council receives mail shots on credit ratings, economic market data and borrowing data. In addition interest rate forecasts, annual treasury management strategy templates and from time to time the council may receive advice the timing of borrowing, lending and debt rescheduling. The performance of consultants will be reviewed by the treasury manager to check whether performance has met expectations.

11.1.4 Credit Rating Information

The council receives notifications of credit ratings from Capita Asset services.

11.2 Procedures and Frequency for Tendering Services

See TMP2

TMP 12 CORPORATE GOVERNANCE

12.1.1 List of Documents to be Made Available for Public Inspection

- a. The council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.
- b. It has adopted the CIPFA Code of Practice on Treasury Management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.

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	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Total 2014/15
REFDESC													
TOTAL OTHER EXPENDITURE	-6,764,106	-2,108,106	-2,228,106	-2,140,106	-2,101,106	-2,120,106	-2,195,106	-2,100,106	-2,116,106	-2,167,106	-2,086,106	-2,103,106	-30,229,272
CAPITAL EXPENDITURE	-3,717,083	-3,717,083	-3,717,083	-3,717,083	-3,717,083	-3,717,083	-3,717,083	-3,717,083	-3,717,083	-3,717,083	-3,717,083	-3,717,083	-44,605,000
PFI RELATED PAYMENTS													
DAILY DEBITS FROM CHEQU													
CHEQUES - FMS	-400,000	-400,000	-400,000	-400,000	-400,000	-400,000	-400,000	-400,000	-350,000	-400,000	-400,000	-400,000	-4,750,000
CHEQUES (H/MNDR/CTAX)	-500,000	-500,000	-500,000	-500,000	-500,000	-500,000	-500,000	-500,000	-500,000	-500,000	-500,000	-500,000	-1,050,000
BACS RUN FOR INVOICES	-30,282,917	-23,282,917	-24,582,917	-23,482,917	-25,282,917	-32,282,917	-25,282,917	-24,782,917	-26,782,917	-28,282,917	-26,282,917	-36,282,917	-327,895,000
RATE SUPPORT GRANT	0	-3,479,888	-3,479,888	-3,479,888	-3,479,888	-3,479,888	-3,479,888	-3,479,888	-3,479,888	-3,479,888	-3,479,888	0	-30,490,439
MID MONTH PAYROLL	-3,500,000	-3,400,000	-3,400,000	-3,400,000	-3,400,000	-3,500,000	-3,500,000	-3,500,000	-3,500,000	-3,500,000	-3,500,000	-3,500,000	-41,600,000
END MTH PAYROLL MAIN	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-27,600,000
CHAS PAYROLL & OTHER DISBURSEMENTS	-34,000	-34,000	-34,000	-34,000	-34,000	-34,000	-34,000	-34,000	-34,000	-34,000	-34,000	-34,000	-408,000
END MONTH TIFIN	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-3,480,000
TEACHERS PAYROLL	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-33,600,000
TEACHERS PENSION	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-13,200,000
HOUSING BENEFIT	-5,700,000	-5,700,000	-5,700,000	-5,700,000	-5,700,000	-5,700,000	-5,700,000	-5,700,000	-7,000,000	-5,700,000	-5,700,000	-5,700,000	-72,000,000
H BENEFIT RUN FOR MPH	-1,700,000	-1,700,000	-1,700,000	-1,700,000	-1,700,000	-1,700,000	-1,700,000	-1,700,000	-2,000,000	-1,600,000	-1,600,000	-1,600,000	-21,800,000
S106 PAYMENTS	-3,400,000	-3,300,000	-3,300,000	-3,300,000	-3,300,000	-3,300,000	-3,300,000	-3,300,000	-3,300,000	-3,300,000	-3,300,000	-3,300,000	-39,800,000
INLAND REVENUE	-163,000	-163,000	-163,000	-163,000	-163,000	-163,000	-163,000	-163,000	-163,000	-163,000	-163,000	-163,000	-1,956,000
PAYROLL PENSIONERS (GF)													
ESTIMATED TOTAL EXPENDITURE	-62,651,106	-53,824,993	-55,244,994	-57,756,992	-55,817,994	-62,936,992	-56,011,992	-55,416,994	-58,982,993	-59,055,449	-53,323,106	-63,440,106	-694,463,711
TOTAL OTHER CREDITS	11,523,072	9,543,072	9,387,572	11,183,072	9,683,072	9,087,572	9,723,072	9,273,072	9,677,572	9,323,072	7,063,072	6,767,572	112,234,868
TOTAL GRANTS	26,405,424	4,110,718	5,688,821	2,064,404	4,029,483	5,101,394	2,087,279	2,911,483	5,101,394	3,064,404	12,604,203	8,288,006	81,397,013
CTAX RECD VIA ALL P	1,300,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	800,000	310,000	300,000	11,110,000
COUNCIL TAX D/D	6,350,000	6,350,000	6,350,000	6,350,000	6,350,000	6,350,000	6,350,000	6,350,000	6,350,000	6,350,000	6,350,000	6,350,000	64,600,000
BUSINESS RATES D/D	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	47,600,000
D/O OF WORKS AND PENSION	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	96,000,000
HOUSING BENEFIT ADMIN SUBSIDY GRANT	90,534	90,534	90,534	90,534	90,534	90,534	90,534	90,534	90,534	90,534	90,534	90,534	1,086,408
PUBLIC HEALTH GRANT (Doh)	16,542,240	11,028,160	11,028,160	11,028,160	11,028,160	11,028,160	11,028,160	11,028,160	11,028,160	11,028,160	11,028,160	11,028,160	137,852,000
PUBLIC HEALTH PAYROLL PAYMENT RECOUPED	2,309,050	0	0	2,309,050	0	0	2,309,050	0	0	2,309,050	0	0	9,236,200
REIMBURSEMENT	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	84,000,000
	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	22,800,000
ESTIMATED TOTAL INCOME	86,120,320	53,772,484	55,165,087	55,675,220	53,931,250	54,307,661	54,238,095	52,303,250	54,897,661	54,585,220	48,795,970	44,244,272	667,916,489
NET INCOME/EXPENDITURE	23,469,214	-52,509	-79,907	-2,081,772	-1,986,744	-8,629,331	-1,773,997	-3,113,744	-4,085,332	-4,490,229	-4,527,137	-19,195,834	-26,547,222
INTEREST ON DEPOSITS	70,784	44,197	45,341	45,760	44,245	44,636	44,579	42,989	45,121	44,848	40,106	36,365	548,972
INTEREST ON EXISTING LONG TERM DEBT						0							
INTEREST ON NEW LONG TERM BORROWING	-1,059,120.74	-76,875.00	-27,846.58	-296,250.00	0.00	0.00	-1,059,120.74	-12,174.25	-114,904.11	-623,763	0	-3,421,512	-6,691,566
INTEREST ON SHORT TERM DEBT													
ESTIMATED TOTAL INTEREST PAID/RECEIVED	-988,337	-32,678	17,495	-250,490	44,245	44,636	-1,014,541	30,815	-69,783	-578,915	40,106	-3,385,147	-6,142,594
ESTIMATED NEW DEBT													
REPAYMENT OF DEBT													
DISCOUNT / PREMIUM													
ESTIMATED TOTAL PREMIUM/DISCOUNT	0	0	0	0	0	0	0	0	0	0	0	0	0
ESTIMATED CASH BALANCE	97,480,877	97,395,690	97,333,277	95,001,016	93,058,517	84,473,822	81,685,383	78,602,454	74,447,338	69,378,195	64,891,165	42,310,184	0
CLOSING BALANCE INVESTMENTS	97,480,000	97,390,000	97,300,000	95,000,000	93,000,000	84,400,000	81,700,000	78,600,000	74,400,000	69,400,000	64,900,000	42,300,000	0
OUTSTANDING SHORT TERM BORROWING	877	5,690	33,277	1,016	58,517	73,822	-14,617	2,454	47,338	-21,805	-8,835	10,184	0
YEAR END CLOSING CASH BALANCE	-116,976,257.60	-116,976,258	-116,976,258	-116,976,258	-116,976,258	-116,976,258	-116,976,258	-116,976,258	-116,976,258	-116,976,258	-116,976,258	-116,976,258	-116,976,258
OUTSTANDING TEMPORARY BPPROWING													
LONG TERM DEBT													
ADD ESTIMATED NEW LONG TERM DEBT													
LESS DEBT REPAID DURING THE YEAR													
ESTIMATED CLOSING LONG TERM DEBT	-19,496,258	-19,586,258	-19,676,258	-21,976,258	-25,976,258	-32,876,258	-35,276,258	-38,376,258	-42,576,258	-47,576,258	-52,076,258	-57,676,258	-64,676,258
LIABILITY BENCHMARK	10M	10M	10M	10M	10M	10M	10M	10M	10M	10M	10M	10M	10M

REFDESC	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Total 2016/17
TOTAL OTHER EXPENDITURE	-3,142,250	-3,142,250	-3,142,250	-3,142,250	-3,142,250	-3,142,250	-3,142,250	-3,142,250	-3,142,250	-3,142,250	-3,142,250	-3,142,250	-37,707,000
CAPITAL EXPENDITURE													0
PFI RELATED PAYMENTS													0
DAILY DEBITS FROM CHEQU													0
CHEQUES - FIMS	-400,000	-400,000	-400,000	-400,000	-400,000	-400,000	-400,000	-400,000	-350,000	-400,000	-400,000	-400,000	-4,750,000
CHEQUES (HB/INDR/C/TAX)	-500,000	-500,000	-500,000	-500,000	-500,000	-500,000	-500,000	-500,000	-500,000	-500,000	-500,000	-500,000	-1,050,000
BAGS RUN FOR INVOICES	-30,857,750	-23,857,750	-25,157,750	-24,057,750	-25,828,074	-32,857,750	-25,857,750	-25,357,750	-27,357,750	-32,857,750	-27,857,750	-30,857,750	-332,763,324
RATE SUPPORT GRANT	0.00	-3,479,887	-3,479,888	-3,479,888	-3,479,888	-3,479,888	-3,479,888	-3,479,888	-3,479,887	-2,651,343	0	0	-30,490,439
MID MONTH PAYROLL	-3,500,000	-3,400,000	-3,400,000	-3,400,000	-3,400,000	-3,500,000	-3,500,000	-3,500,000	-3,500,000	-3,500,000	-3,500,000	-3,500,000	-41,600,000
END MONTH PAYROLL MAIN	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-27,600,000
CHAS PAYROLL & OTHER	-34,000	-34,000	-34,000	-34,000	-34,000	-34,000	-34,000	-34,000	-34,000	-34,000	-34,000	-34,000	-408,000
END MONTH TFFIN	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-3,480,000
TEACHERS PAYROLL	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-33,600,000
TEACHERS PENSION	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-13,200,000
HOUSING BENEFIT	-5,700,000	-5,700,000	-5,700,000	-5,700,000	-5,700,000	-5,700,000	-5,700,000	-5,700,000	-8,000,000	-5,700,000	-5,700,000	-5,700,000	-74,000,000
H BENEFIT RUN FOR MPH	-1,700,000	-1,700,000	-1,700,000	-1,700,000	-1,700,000	-1,700,000	-1,700,000	-1,700,000	-2,000,000	-1,600,000	-1,600,000	-1,600,000	-21,000,000
S106 PAYMENTS	-3,400,000	-3,400,000	-3,300,000	-3,300,000	-3,300,000	-3,400,000	-3,400,000	-3,400,000	-3,400,000	-3,400,000	-3,400,000	-3,400,000	-40,500,000
INLAND REVENUE	-163,000	-163,000	-163,000	-163,000	-163,000	-163,000	-163,000	-163,000	-163,000	-163,000	-163,000	-163,000	-1,956,000
PAYROLL PENSIONERS (GF)													0
ESTIMATED TOTAL EXPENDITURE	-55,887,000	-51,816,887	-53,016,888	-56,616,886	-53,687,212	-60,916,886	-53,916,886	-53,416,888	-57,966,887	-59,988,343	-52,337,000	-55,337,000	-664,904,763
TOTAL OTHER CREDITS	11,326,072	9,446,072	9,240,572	11,036,072	9,536,072	9,040,572	9,656,072	9,206,072	9,610,572	9,156,072	6,966,072	6,670,572	110,890,868
TOTAL GRANTS	16,849,667	3,164,309	4,009,626	2,008,501	4,084,074	4,154,985	2,031,376	2,965,074	4,154,985	2,008,501	11,250,794	8,264,597	64,946,491
TAX REC'D VIA ALL P	1,200,000	1,100,000	1,100,000	1,100,000	1,100,000	1,200,000	1,100,000	1,100,000	1,100,000	970,000	410,000	546,000	12,026,000
MUNICIPAL TAX D/D	6,420,000	6,300,000	6,250,000	6,250,000	6,250,000	6,250,000	6,250,000	6,250,000	6,250,000	6,228,000	850,000	430,000	63,978,000
BUSINESS RATES D/D	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	800,000	300,000	48,100,000
DEBT OF WORKS AND PENSION	8,100,000	8,100,000	8,100,000	8,100,000	8,100,000	8,100,000	8,100,000	8,100,000	8,100,000	8,100,000	8,100,000	8,100,000	97,200,000
HOUSING BENEFIT ADMIN SUBSIDY	90,534	90,534	90,534	90,534	90,534	90,534	90,534	90,534	90,534	90,534	90,534	90,534	1,086,408
DEBT	17,502,240	11,668,160	11,668,160	11,668,160	11,668,160	11,668,160	11,668,160	11,668,160	11,668,160	11,668,160	11,668,160	11,668,160	145,852,000
PUBLIC HEALTH GRANT (DoH)	2,813,500	0	0	2,813,500	0	0	2,813,500	0	0	2,813,500	0	0	11,254,000
SCHOOLS PAYROLL PAYMENT	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	84,000,000
VAT REIMBURSEMENT	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	22,800,000
ESTIMATED TOTAL INCOME	77,902,013	53,469,075	54,058,892	56,666,767	54,428,841	54,104,252	55,309,642	52,979,841	54,574,252	54,634,767	49,035,561	44,969,863	662,133,767
NET INCOME/ EXPENDITURE	22,015,013	1,652,188	1,042,004	49,881	741,629	-6,812,634	1,392,756	-437,047	-3,392,635	-5,353,576	-3,301,439	-10,367,137	-2,770,996
INTEREST ON DEPOSITS	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	240,000
INTEREST ON LEASING LONG TERM DEBT	-1,059,121	-76,875	-27,847	-296,250	0	0	-1,059,121	-12,174	-114,904	-623,763	0	-3,421,512	-6,691,566
INTEREST ON NEW LONG TERM DEBT													0
INTEREST ON SHORT TERM DEBT													0
ESTIMATED TOTAL INTEREST	-1,039,121	-56,875	-7,847	-276,250	20,000	20,000	-1,039,121	7,826	-94,904	-603,763	20,000	-3,401,512	-6,451,566
ESTIMATED NEW DEBT													16,937,000
REPAYMENT OF DEBT													0
DISCOUNT / PREMIUM													0
ESTIMATED TOTAL PREMIUM/DISCOUNT	0	0	0	0	0	0	0	0	0	0	0	0	16,937,000
ESTIMATED CASH BALANCE	23,975,892	25,595,313	26,634,158	26,373,631	27,061,629	37,144,366	37,453,636	36,970,779	33,512,461	27,542,662	24,218,561	10,431,351	
CLOSING BALANCE INVESTMENTS	24,000,000	25,600,000	26,600,000	26,300,000	27,000,000	37,100,000	37,400,000	37,000,000	33,500,000	27,500,000	24,200,000	10,400,000	
BORROWING													
CLOSING BANK BALANCE	-24,108	-4,687	34,158	73,631	61,629	44,366	53,636	-29,221	12,461	42,662	18,561	31,351	
YEAR END CLOSING CASH BALANCE													
OUTSTANDING TEMPORARY													
LONG TERM DEBT													
ADD ESTIMATED NEW LONG TERM DEBT													
LESS DEBT REPAYED DURING THE YEAR													
ESTIMATED CLOSING LONG TERM DEBT													
LIABILITY BENCHMARK													

REFDESC	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Total 2017/18
TOTAL OTHER EXPENDITURE													
CAPITAL EXPENDITURE	-2,689,500	-2,689,500	-2,689,500	-2,689,500	-2,689,500	-2,689,500	-2,689,500	-2,689,500	-2,689,500	-2,689,500	-2,689,500	-2,689,500	-32,274,000
PFI RELATED PAYMENTS													0
DAILY DEBITS FROM CHEQU													0
CHEQUES - FMIS	-400,000	-400,000	-400,000	-400,000	-400,000	-400,000	-400,000	-400,000	-350,000	-400,000	-400,000	-400,000	-4,750,000
CHEQUES (HB/INDR/TAX)	-500,000	-500,000	-500,000	-500,000	-500,000	-500,000	-500,000	-500,000	-500,000	-500,000	-500,000	-500,000	-4,050,000
BAGS RUN FOR INVOICES	-31,310,500	-24,310,500	-25,610,500	-24,310,500	-26,310,500	-33,310,500	-26,310,500	-25,810,500	-27,810,500	-31,310,500	-27,310,500	-39,310,500	-343,226,000
RATE SUPPORT GRANT	0	0	0	0	0	0	0	0	0	0	0	0	-30,490,439
MID MONTH PAYROLL	-3,500,000	-3,400,000	-3,400,000	-3,400,000	-3,400,000	-3,400,000	-3,400,000	-3,500,000	-3,500,000	-3,500,000	-3,500,000	-3,500,000	-41,600,000
END MONTH PAYROLL MAIN	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-2,300,000	-27,600,000
CHAS PAYROLL & OTHER	-34,000	-34,000	-34,000	-34,000	-34,000	-34,000	-34,000	-34,000	-34,000	-34,000	-34,000	-34,000	-408,000
END MONTH TIFIN	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-290,000	-3,480,000
TEACHERS PAYROLL	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-2,800,000	-33,600,000
TEACHERS PENSION	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-1,100,000	-13,200,000
HOUSING BENEFIT	-6,000,000	-6,000,000	-6,000,000	-6,000,000	-6,000,000	-6,000,000	-6,000,000	-6,000,000	-7,000,000	-6,000,000	-6,000,000	-6,000,000	-75,500,000
H BENEFIT RUN FOR MPH	-1,600,000	-1,600,000	-1,600,000	-1,600,000	-1,600,000	-1,600,000	-1,600,000	-1,600,000	-1,600,000	-1,600,000	-1,600,000	-1,600,000	-21,100,000
S106 PAYMENTS	-3,400,000	-3,400,000	-3,300,000	-3,300,000	-3,300,000	-3,400,000	-3,400,000	-3,400,000	-3,400,000	-3,400,000	-3,400,000	-3,400,000	-40,500,000
INLAND REVENUE	-163,000	-163,000	-163,000	-163,000	-163,000	-163,000	-163,000	-163,000	-163,000	-163,000	-163,000	-163,000	-1,956,000
PAYROLL PENSIONERS (GF)													0
ESTIMATED TOTAL EXPENDITURE	-56,087,000	-52,016,887	-53,216,888	-56,116,886	-53,916,888	-61,116,886	-54,116,886	-53,616,888	-56,966,887	-58,288,343	-51,637,000	-63,637,000	-670,734,439
TOTAL OTHER CREDITS	11,626,072	9,446,072	9,240,572	11,036,072	9,536,072	9,040,572	9,656,072	9,206,072	9,610,572	9,156,072	7,166,072	7,177,572	111,890,868
TOTAL GRANTS	16,849,667	3,164,309	4,009,626	2,008,501	4,084,074	4,154,985	2,031,376	2,965,074	4,154,985	2,008,501	11,250,794	8,264,597	64,946,491
CASH REC'D VIA ALL P	1,300,000	1,100,000	1,100,000	1,100,000	1,100,000	1,200,000	1,100,000	1,100,000	1,100,000	970,000	410,000	546,000	12,126,000
COUNCIL TAX D/D	6,320,000	6,300,000	6,250,000	6,250,000	6,250,000	6,250,000	6,250,000	6,250,000	6,250,000	6,250,000	1,202,012	430,000	64,252,012
BUSINESS RATES D/D	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	800,000	300,000	48,100,000
DOT OF WORKS AND PENSION	8,100,000	8,100,000	8,100,000	8,100,000	8,100,000	8,100,000	8,100,000	8,100,000	8,100,000	8,100,000	8,100,000	8,100,000	97,200,000
HOUSING BENEFIT ADMIN SUBSIDY	90,534	90,534	90,534	90,534	90,534	90,534	90,534	90,534	90,534	90,534	90,534	90,534	1,086,408
PUBLIC HEALTH GRANT (DoH)	17,982,240	11,988,160	11,988,160	11,988,160	11,988,160	11,988,160	11,988,160	11,988,160	11,988,160	11,988,160	11,988,160	11,988,160	149,852,000
SCHOOLS PAYROLL PAYMENT	2,309,050	0	0	0	0	0	2,309,050	0	0	2,309,050	0	0	9,236,200
VAT REIMBURSEMENT	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	22,800,000
ESTIMATED TOTAL INCOME	78,177,563	53,789,075	54,378,892	56,482,317	54,748,841	54,424,252	55,125,192	53,299,841	54,894,252	54,472,317	49,907,573	45,789,863	665,489,979
NET INCOME/ EXPENDITURE	22,090,563	1,772,188	1,162,004	365,431	831,953	-6,692,634	1,008,306	-317,047	-2,072,635	-3,816,026	-1,729,427	-17,847,137	-5,244,460
INTEREST ON DEPOSITS	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	180,000
INTEREST ON LEASING/LOANS													0
DEBT	-1,059,120.74	-76,875.00	-27,846.58	-296,250.00	0.00	0.00	-948,519.74	-12,174.25	-114,904.11	-623,763	0	-3,421,512	-6,580,965
INTEREST ON SHORT TERM DEBT													0
ESTIMATED TOTAL INTEREST													0
ESTIMATED NEW DEBT						19,494,000							19,494,000
REPAYMENT OF DEBT	-1,966,268								-2,000,000				-3,966,268
DISCOUNT / PREMIUM													0
ESTIMATED TOTAL PREMIUM/DISCOUNT													0
ESTIMATED CASH BALANCE	30,524,295	32,272,188	33,462,004	33,765,431	34,531,953	47,301,366	48,308,306	47,982,953	43,927,365	40,183,974	38,370,573	20,452,863	30,683,272
CLOSING BALANCE INVESTMENTS	10,400,000	30,500,000	32,300,000	33,700,000	34,500,000	47,300,000	48,300,000	48,000,000	44,000,000	40,100,000	38,300,000	20,400,000	
BORROWING													
CLOSING BANK BALANCE	24,295	-27,812	62,004	65,431	31,953	1,366	8,306	-17,047	-72,635	83,974	70,573	52,863	
YEAR END CLOSING CASH BALANCE													
OUTSTANDING TEMPORARY													
LONG TERM DEBT	-133,913,258	-131,946,990	-131,946,990	-131,946,990	-131,946,990	-131,946,990	-131,946,990	-131,946,990	-129,946,990	-129,946,990	-129,946,990	-129,946,990	-129,946,990
ADD ESTIMATED NEW LONG TERM DEBT	1,966,268	0	0	0	0	0	0	0	-19,494,000	-19,494,000	-19,494,000	-19,494,000	-19,494,000
LESS DEBT REPAID DURING THE YEAR													
ESTIMATED CLOSING LONG TERM DEBT	-131,946,990	-131,946,990	-131,946,990	-131,946,990	-131,946,990	-131,946,990	-131,946,990	-131,946,990	-149,440,990	-149,440,990	-149,440,990	-149,440,990	-149,440,990
LIABILITY BENCHMARK	-101,446,990	-99,646,990	-98,546,990	-98,246,990	-97,446,990	-104,140,990	-103,140,990	-103,440,990	-105,440,990	-109,340,990	-111,140,990	-129,040,990	

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