

CABINET

(from 3 March 2014)

CAB **Treasury Management Policy for 2014/15 (Cabinet minute 33 refers)**

RECOMMENDED to Council that the recommendations as contained within the report be supported.

4.1a the Head of Financial Services and Section 151 Officer and officers nominated by him is given authority to lend surplus funds as necessary in accordance with the Treasury Management Policy;

4.1b the Head of Financial Services and Section 151 Officer is given delegated authority to either replace maturing debt or repay it depending on the outlook for long term interest rates that exists at the time

4.1c the upper limits for fixed interest exposures are set as follows:

2013/14 £362m

2014/15 £332m

2015/16 £343m

2016/17 £391m

4.1d the upper limits for variable interest exposure are set as follows:

2013/14 (£189m) – Investments up to £189m

2014/15 (£196m) – Investments up to £196m

2015/16 (£202m) – Investments up to £202m

2016/17 (£223m) – Investments up to £223m

4.1e the following limits be placed on principal sums invested for periods longer than 364 days:

31/3/2014 £179m

31/3/2015 £170m

31/3/2016 £158m

31/3/2017 £124m

4.1f the City Council set upper and lower limits for the maturity structure of its borrowings as follows:

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.

	Upper Limit	Lower Limit
Under 12 Months	20%	0%
12 months & within 24 months	20%	0%
24 months & within 5 years	30%	0%
5 years & within 10 years	30%	0%
10 years & within 20 years	40%	0%
20 years & within 30 years	40%	0%
30 years & within 40 years	60%	0%
40 years & within 50 years	70%	0%

- 4.1g authority to reschedule debt during the year is delegated to the Head of Financial Services and Section 151 Officer subject to conditions being beneficial to the City Council;**
- 4.1h no restriction be placed on the amount that can be borrowed in sterling from an individual lender provided it is from a reputable source and within the authorised limit for external debt approved by the City Council;**
- 4.1i the principals upon which the apportionment of borrowing costs to the Housing Revenue Account (HRA) should be based are as follows:**
- The apportionment is broadly equitable between the HRA and the General Fund, and is detrimental to neither;**
 - The loans portfolio is managed in the best interests of the whole authority;**
 - The costs and benefits of over and under borrowing above or below the capital financing requirement (CFR) are equitably shared between the General Fund and the HRA;**
- 4.1j the regulatory method of calculating Minimum Revenue Provision (MRP) be applied to pre 1 April 2008 debt and new government supported debt other than finance leases and service concessions (including Private Finance Initiative schemes);**
- 4.1k the asset life (equal instalment) method of calculating MRP is applied to post 1 April 2008 self financed borrowing other than finance leases, service concessions (including Private Finance Initiative schemes) and borrowing to fund long term debtors (including finance leases);**
- 4.1l MRP on finance leases and service concessions including Private Finance Initiative (PFI) arrangements equals the charge that goes to write down the balance sheet liability;**
- 4.1m the principal element of the income receivable from long term debtors be set aside to repay debt if the asset was financed**

through self-financed borrowing in order that the repayment of the debt is financed from the capital receipt;

- 4.1n the principal element of the rent receivable from finance leases be set aside to repay debt if the asset was financed through self-financed borrowing in order that the repayment of the debt is financed from the capital receipt;
- 4.1o the Housing Revenue Account (HRA) provide for the repayment of the Self Financing Payment over 30 years;
- 4.1p that specified investments should only be placed with institutions that have a long term credit rating of at least A- from at least two credit rating agencies except registered social landlords for which a single credit rating will be required;
- 4.1q investments should only be placed with institutions based in either the United Kingdom or states with a AA+ credit rating;
- 4.1r the bodies meeting the criteria of categories 1 to 9 in paragraph 16.11 be approved as repositories of specified investments of the City Council's surplus funds;
- 4.1s credit ratings be reviewed monthly and that any institution whose credit rating falls below the minimum level stated in paragraph 16.11 of the Treasury Management Policy be removed from the list of specified investments;
- 4.1t institutions that are placed on negative watch or negative outlook by the credit rating agencies be reassigned to a lower category;
- 4.1u non-specified investments are limited to the following:

	£
Building societies with a BBB credit rating and unrated building societies	81m
Investments in MMD (Shipping Services) Ltd including funds lodged to guarantee the company's banking limits. MMD is a wholly owned subsidiary of the City Council.	2m
Long term investments	170m
Investments denominated in foreign currencies to hedge against contracts priced or indexed against foreign currencies	5m
Community investment companies without a credit rating	£5m
Total	263m

- 4.1v the total amount that can be directly invested with any organisation at any time should be limited as follows (see paragraph 16.11):

	Maximum Investment in Single Organisation
Category 1	Unlimited for up to 5 years
Category 2	£26m for up to 5 years
Category 3	£26m for up to 5 years or 10 years if secured
Category 4	£26m for up to 5 years
Category 5	£20m for up to 5 years or 10 years if secured
Category 6	£19m for up to 5 years for banks & building societies. £19m for up to 4 years for corporate bonds
Category 7	£13m for up to 5 years for banks & building societies. £13m for up to 4 years for corporate bonds
Category 8	£10m for up to 5 years for banks & building societies. £10m for up to 4 years for corporate bonds
Category 9	£6m for up to 4 years
Category 10	£10m for up to 364 days
Category 11	£6m for up to 364 days
Category 12	£5m for an unlimited period
MMD (Shipping Services) Ltd including sums lodged to guarantee the company's banking limits	£2m for up to 364 days

4.1w the Head of Financial Services and Section 151 Officer in consultation with the Leader of the Council be given delegated authority to revise the total amount that can be directly invested with any organisation at any time

4.1x that the following investment limits be applied to sectors:

Money market funds	£80m
Building societies	£107m
Registered social landlords	£80m

4.1y that the following investment limits be applied to regions outside the United Kingdom:

Asia & Australia	£40m
Americas	£40m
Continental Europe	£40m

- 4.2 the Head of Financial Services and Section 151 Officer submits the following:**
- (i) an annual report on the Treasury Management outturn to the Cabinet by 30 September of the succeeding financial year;**
 - (ii) a Mid Year Review Report to the Cabinet;**
 - (iii) the Annual Strategy Report to the Cabinet in March 2015;**
 - (iv) quarterly Treasury Management monitoring reports to the Governance and Audit and Standards Committee.**