Tendring District Council

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ANNUAL TREASURY STRATEGY FOR 2013/14

March 2013

Annual Treasury Strategy for 2013/14

The Annual Treasury Strategy has been prepared in accordance with the CIPFA Code and includes the following sections.

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1. Background

The Local Government Act 2003 (the Act) and supporting regulations require the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act) which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The Council's risk appetite is low and it has taken, historically, a risk adverse approach to Treasury Management, with the security and liquidity of the investment the prime concern, and the budget for income from investments being formulated on this basis. The Annual Strategy for 2013/14 is based on this risk adverse approach continuing.

For a number of years the Council has engaged the services of treasury advisors to provide its officers with advice on treasury management issues. The current advisors are Sector Treasury Services (Sector). However the final decision and responsibility for the actions taken sits with the Council's own officers after considering that advice.

The details of the delegations and responsibilities for treasury management are contained within the Council's Constitution as follows:-

- Part 3 – delegated powers - Responsibilities of Cabinet
- Part 3 – delegated powers – Finance and Asset Management Portfolio and delegation to officers
- Part 5 – Financial Procedure Rules. (Section 14)

2. Treasury Limits for 2013/14 to 2015/16

It is a statutory duty under Section 3 of the Act and supporting regulations for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England and Wales the Authorised Limit represents the legislative limit specified in the Act.

The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is 'acceptable'.

Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years. Details of the Authorised Limit can be found in Annex 1 of this report.

The authorised limit now reflects the additional borrowing requirement as part of the HRA self financing reforms. The Housing self financing reforms also set an overall ‘debt cap’ for the HRA which in itself reflects an affordability level based on the Governments model of how much debt can be supported by the HRA after considering the forecast of income from rents and management and maintenance costs over a 30 year period.

3. Prudential and Treasury Indicators for 2013/14 to 2015/16

Prudential and Treasury Indicators (as set out in Annex 1) are relevant for the purposes of setting an integrated Treasury Management Strategy. The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The revised Code published in November 2009 was adopted by the Council on 30 March 2010.

4. Current Portfolio Position

The Council’s treasury position at the end of December 2012 comprised:

- GF borrowing from The Public Works Loan Board (PWLB) of £2.886m at fixed rates at an average rate of interest of 8.36%
- HRA borrowing from the PWLB of £53.398m at fixed rates at an average rate of 0.49%
- Investments of cash flow surpluses, which include reserves and capital receipts, on a short-term basis (less than 1 year) totalling £40.109m at an average rate of interest of 0.62%.

5. Borrowing Requirement

The Council’s current forecasted borrowing requirement is as follows:

	2011/12	**2012/13**	**2013/14**	**2014/15**	**2015/16**
	£’000	**£’000**	**£’000**	**£’000**	**£’000**
	actual	actual	estimate	estimate	estimate
New borrowing – GF	0	0	0	0	0
New borrowing – HRA	35,979	0	0	0	0
Alternative financing arrangements	Nil	Nil	Nil	Nil	Nil
Replacement borrowing – GF	Nil	Nil	1,000	Nil	Nil
Total new borrowing requirement	**35,979**	**0**	**1,000**	**0**	**0**

This position excludes any assumptions on additional borrowing undertaken as part of the HRA business plan which will be subject to further consideration as the self financing reforms become embedded.

6. Economic Position

The Eurozone debt crisis continues to cast a cloud over the world economy and has depressed growth in most countries. This has impacted the UK economy so that it is unlikely to significantly grow in the immediate term and is creating a major barrier to recovery in going into 2013/14. The crisis has abated somewhat since the ECB pledged to buy unlimited amounts of bonds of countries which ask for a bailout, and sentiment in financial markets has improved following that announcement and the recent Eurozone commitment to support Greece and keep the Eurozone intact. However, the foundations to this "solution" are still weak and events could easily conspire to reverse these feelings. The US economy has only been able to manage weak growth in 2012, although the recent agreement concerning the 'fiscal cliff' that the US Government faced may prevent to some extent a sharp contraction in the economy that may have emerged which would also have had a global impact. Hopes for a broad based recovery have focused on the emerging markets but there are increasing concerns that China's economy may be heading for a hard landing rather than a gradual slow down.

UK economy

The Government's austerity measures, aimed at getting the public sector deficit into order over the next four years, now look as if they will fail to achieve their objectives within the original planned timeframe. Other than to move this back there is little room for the Government to change course as it will be important for investor confidence in UK gilts to be retained Currently the UK is enjoying a major financial benefit from some of the lowest sovereign borrowing costs in the world as it is seen as a safe haven from Eurozone debt. However there is little evidence that consumer confidence levels or the manufacturing sector are improving, availability of credit remains tight and the outlook is for house prices to be little changed for a prolonged period.

Economic growth has basically remained flat since 2010 and the economic forecasts for 2012/13 and beyond have been revised substantially lower in each Bank of England quarterly inflation report. Many forecasters are expecting the Banks' Monetary Policy Committee (MPC) to vote for a furter round of Quantative Easing to stimulate economic activity.

Inflation and Bank Rate. Inflation has fallen sharply during 2012 but increased again in October. However it is expected to fall back to reach the 2% target level within the two year horizon.

AAA rating. The UK continues to enjoy an AAA sovereign rating. The credit rating agencies will, however, be carefully monitoring the rate of growth in the economy as the performance in that area may reflect on the plans to contain the growth in Government debt over the next few years. Standard and Poor's has recently put their rating on negative outlook and Moody's has stated that it will review its rating at the start of 2013.

Economic forecasting remains difficult with so many extermal influences weighing on the UK. There does, however, appear to be consensus among analysts that the economy remains relatively fragile and whilst there is still a broad range of views as to potential performance, expectations have all been downgraded.

7. Interest Rates

The following table gives SECTOR's view on Bank Rate movements and their forecast for the PWLB new borrowing rate based on that view. The PWLB rates are based on the new Certainty Rate introduced by the Government for local authorities providing improved information and transparency on their locally-determined long-term borrowing and associated capital spending plans, and for which the Council submitted a successful application.

	Bank Rate	LIBID			PWLB Borrowing Rate			
		3 month	6 month	12 month	5 yr.	10 yr.	25 yr.	50 yr.
Mar 2013	0.50	0.50	0.70	1.00	1.50	2.50	3.80	4.00
Jun 2013	0.50	0.50	0.70	1.00	1.50	2.50	3.80	4.00
Sep 2013	0.50	0.50	0.70	1.00	1.60	2.60	3.80	4.00
Dec 2013	0.50	0.50	0.70	1.00	1.60	2.60	3.80	4.00
Mar 2014	0.50	0.50	0.70	1.10	1.70	2.70	3.90	4.10
Jun 2014	0.50	0.60	0.80	1.10	1.70	2.70	3.90	4.10
Sep 2014	0.50	0.60	0.90	1.20	1.80	2.80	4.00	4.20
Dec 2014	0.50	0.70	1.00	1.30	2.00	3.00	4.10	4.30
Mar 2015	0.75	0.80	1.10	1.30	2.20	3.20	4.30	4.50
Jun 2015	1.00	1.10	1.30	1.50	2.30	3.30	4.40	4.60
Sep 2015	1.25	1.40	1.60	1.80	2.50	3.50	4.60	4.80
Dec 2015	1.50	1.70	1.90	2.10	2.70	3.70	4.80	5.00
Mar 2016	1.75	1.90	2.20	2.40	2.90	3.90	5.00	5.20

Given the weak outlook for economic growth Sector sees the prospects for any changes in Bank Rate before 2015 as very limited. There is potential for the start of increases to be delayed even further if actual economic growth does not follow current forecasts.

8. Borrowing Strategy

8.1 External v Internal Borrowing

The main Prudential Indicator relevant to capital investment is the Capital Financing Requirement (CFR). This is the total outstanding capital expenditure that has not yet been funded from either revenue or capital resources and is therefore a measure of the Council's underlying borrowing need after taking into account the provision included in the revenue budgets for the repayment of outstanding debt.

The borrowing to finance the capital expenditure can be either from external sources or the Council can use its own internal resources.

The planned external debt compared to the CFR over the next 5 years is shown in the following table, the difference between the two being the amount the Council has funded from internal resources. This is now also set out separately for the GF and the HRA as part of the housing self-financing reforms. This excludes other long term liabilities such as long term creditors and pensions which form part of the separate Financial Strategy process of the Council from a prudential perspective.

Total External Debt

	Revised 2012/13	Estimate 2013/14	Forecast 2014/15	Forecast 2015/16	Forecast 2016/17	Forecast 2017/18
	£000's	£000's	£000's	£000's	£000's	£000's
CFR as at 31 March	**60,207**	**57,953**	**55,711**	**53,480**	**51,259**	**49,349**
Debt as at 1 April	57,907	55,738	53,551	51,345	49,119	46,871
Estimated change in debt	(2,169)	(2,187)	(2,206)	(2,226)	(2,248)	(1,971)
Estimated debt as at 31 March	55,738	53,551	51,345	49,119	46,871	44,900
Difference - internally financed	4,469	4,402	4,366	4,361	4,388	4,449

General Fund External Debt

	Revised 2012/13	Estimate 2013/14	Forecast 2014/15	Forecast 2015/16	Forecast 2016/17	Forecast 2017/18
	£000's	£000's	£000's	£000's	£000's	£000's
CFR as at 31 March	**7,251**	**6,961**	**6,683**	**6,416**	**6,159**	**5,913**
Debt as at 1 April	2,987	2,782	2,559	2,317	2,055	1,771
Estimated repayment of debt	(205)	(1,223)	(242)	(262)	(284)	(307)
Estimated debt as at 31 March	2,782	1,559	2,317	2,055	1,771	1,464
Forecast of internal financing	4,469	5,402	4,366	4,361	4,388	4,449
External borrowing to meet internal						

financing target	-	1,000	-	-	-	-
Revised forecast of Internal financing	4,469	4,402	4,366	4,361	4,388	4,449

HRA External Debt

	Revised 2012/13	Estimate 2013/14	Forecast 2014/15	Forecast 2015/16	Forecast 2016/17	Forecast 2017/18
	£000's	£000's	£000's	£000's	£000's	£000's
CFR as at 31 March	**52,956**	**50,992**	**49,028**	**47,064**	**45,100**	**43,436**
Debt as at 1 April	54,920	52,956	50,992	49,028	47,064	45,100
Estimated repayment of debt	(1,964)	(1,964)	(1,964)	(1,964)	(1,964)	(1,664)
Estimated debt as at 31 March	52,956	50,992	49,028	47,064	45,100	43,436
Forecast of internal financing	0	0	0	0	0	0

In respect of the General Fund, the Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with external loans as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy remains prudent, as investment returns are low and counterparty risk is high, and will be continued.

The Council's officers have made an assessment, based on advice from treasury advisors, of the amount of internal resources that it is prudent to use to finance capital expenditure and it is felt, taking into account the Council's financial position, that £4m-£5m would at the present time and over the medium term be an appropriate level of internal borrowing. A maturity loan of £1m falls due for repayment in 2013-14 and should be replaced in order to maintain the internal borrowing level but consideration will be given to the points outlined below.

The use of internal resources is only a temporary solution as, in time, these reserves and capital receipts will be utilised to finance service initiatives and capital investment and at that point will not be available. This will need to be balanced against the replacement external borrowing which will be required at some point in the future which may attract higher rates of interest, so timing of such borrowing will need to consider forecasted rates of interest against the various types of borrowing structure to determine the most advantageous approach. Against this approach consideration may be required to borrow in advance of need, as set out in section 8.3 below, so as to reduce the need to borrow when interest rates may be higher.

8.2 Gross Debt v Investments

A comparison between the Council's gross and net borrowing position helps to assess the credit risk that would apply if the Council has surplus resources invested at a low interest rate which could be used to repay existing debt or to negate the need for additional new debt if at higher interest rates than that being achieved on the investments.

The table below sets out the Council's probable position taking account of both the individual GF and HRA debt figures.

Comparison of gross and net debt positions at year end	2011/12	2012/13	2013/14	2014/15	2015/16
	actual	probable out-turn	estimate	estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
General Fund external debt (gross)	2,987	2,781	2,559	2,317	2,055
HRA external debt (gross)	54,920	52,956	50,992	49,027	47,063
Investments	30,337	24,050	15,000	15,000	15,000
Net debt	**27,570**	**31,687**	**38,551**	**36,344**	**34,118**

The net debt positions show that the Council does not have excess resources which could be used to repay long term debt.

Given the severe reductions in Local Government funding and capital receipts along with earmarked reserves being applied in the short term, the overall strategy is to keep external borrowing to the minimum. This both restricts the additional cost falling to the revenue account and ensures repayments can be made. If opportunity arises, external debt will be repaid early, although this is difficult under current arrangements as set out in section 9. If borrowing is required then any requirement will be considered whilst balancing internal resources and forecasted interest rates within the parameters previously set out.

Against this background caution will be adopted within the 2013/14 treasury operations. Interest rates will be monitored and a pragmatic approach adopted to changing circumstances with appropriate action taken in accordance with the Council's Financial Procedure Rules.

8.3 Policy on borrowing in advance of need

The Council 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 considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

In determining whether borrowing will be undertaken in advance of need the Council will;

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- consider the merits and demerits of alternative forms of funding
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use
- consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them.

9. Debt Rescheduling

Officers together with the treasury advisors examine on a regular basis the potential for undertaking early repayment of some external debt to the PWLB in order to maximise any potential financial advantages to the Council. However, the continuing and significant difference between new borrowing and repayment rates, has meant that large premiums would be incurred by such action and cannot be justified on value for money grounds. This situation will be monitored in case the differential is narrowed by the PWLB or repayment rates change substantially.

As short term borrowing rates will be considerably cheaper than longer term rates there may be some potential for some residual opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the size of premiums incurred, their short term nature, and the likely cost of refinancing these short term loans once they mature compared to the current rates of longer term debt in the existing portfolio.

Any opportunities for debt rescheduling will be considered if such action would be advantageous to the Council. The reasons for any rescheduling to take place will include:

- the generation of cash savings and/or discounted cash flow savings
- helping to fulfil the strategy outlined above
- enhance the balance of the portfolio

Consideration will also be given to identifying if there is any residual potential left for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

10. Annual Investment Strategy

10.1 Investment Policy

The Council will have regard to the Department of Communities and Local Government's (CLG) Guidance on Local Government Investments, the 2009 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (the Code) along with any relevant revisions or updates. The Council's investment priorities when investing are: -

- The security of capital and
- The liquidity of its investments.

The Council will also aim to achieve the optimum return on its investments commensurate with these main priorities. It is important to note that the borrowing of monies purely to invest or on-lend and make a return is unlawful.

Investment instruments identified for use in the financial year are listed in Annex 2 under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices – Schedules.

The majority of the Council's investments will be in Specified Investments although limited investments may be made in Non- Specified investments.

10.2 Creditworthiness Policy

This Council uses credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors. In determining the appropriate credit rating the Council will use the lowest rating available to determine the investment limits both in terms of amount and period for a particular counterparty. This is in accordance with the recommendations of The Code. Counterparties rated by only one agency will not be used. Counterparties will not meet the minimum rating criteria set out in the TMPs if their long term rating is B or below.

One of the credit rating agencies may be more aggressive in giving lower ratings than the other two agencies and this could result in the Council's counterparty list becoming too restrictive. If this happens the position will be discussed with the Council's treasury advisors and the Annual Treasury Strategy may need to be revised and approved by Council.

- All credit ratings will be monitored weekly**.** The Council is alerted to changes to ratings of all three agencies through its use of the Creditworthiness Service provided by Sector

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use for a new investment will be withdrawn immediately.

The Code also recommends that credit ratings are not the sole determinant of creditworthiness and therefore the Council will also use available market information from a variety of sources including

1. The Creditworthiness Service utilises movements in Credit Default Swaps against the iTraxx benchmark and other market data on a weekly basis. This creditworthiness service information will be used to confirm the assessed creditworthiness derived from the three ratings agencies. Where the information from this service indicates a lower standing for a particular counterparty than that derived via the credit ratings then the investment limits and length of investments applicable to that counterparty will be adjusted accordingly or the counterparty removed from the list.
2. Market data and information,
3. Information on government support for banks and the credit ratings of that government support

10.3 Credit Limits

Through its approved Treasury Management Practices the Council will set maximum limits for the amount that can be invested with any counterparty. This limit will be determined by reference to the counterparty's credit rating and other criteria. In addition the amount invested in building societies and Certificates of Deposit is also limited to 50% of the total investment portfolio.

100% of the Council's investments may be in Treasury Bills or Gilts or invested with the Government's Debt Management Office (DMO). Although these sums are very secure the rate of interest is usually lower than the market rate, however Treasury Bills are a valuable tool in providing security and liquidity whilst the DMO offers a variety of investment terms and is a valuable source of investment should credit ratings of other financial institutions result in a reduction in the number of counterparties that meet the Council's minimum credit rating criteria.

10.4 Country Limits

The Council has determined that it will only use approved counterparties from the UK and those countries with a minimum sovereign credit rating of AA or equivalent from the relevant rating agencies.

In a similar way that individual counterparties have a maximum investment limit, countries other than the UK will also have a limit.

10.5 Investment Strategy

The Council's funds are managed in-house and are mainly cash flow based but there is a core balance that could be available for investment for longer periods (2-3 years). Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

The bank rate is not now forecast to commence rising until 2015 but then to rise steadily from thereon (see Section 7). The Council will avoid locking into longer term deals while investment rates are down at historically low levels unless exceptionally attractive rates are available which make longer term deals worthwhile without compromising the Council's priority of security of the investments.

For 2013/14 the Council has budgeted for investment returns based on the principles set out in this strategy including the forecast position on interest rates.

For its cash flow generated balances the Council will seek to utilise its business reserve accounts and short dated deposits (overnight to three months) in order to benefit from the compounding of interest. At the present time these short dated deposits are paying interest rates at or above base rate and provide a good level of liquidity to help manage the Council's cash flow.

10.6 Allocation of Investment returns between GF and HRA

With last year's introduction of the housing self financing reforms a policy on the allocation of investments returns across the GF and HRA is required.

The HRA holds balances and would benefit from cash flow advantages, which are amalgamated for the purposes of the overall investment activity of the Council. At the end of each year the transfer to the HRA of its share of the authorities overall investment returns will be agreed by the S151 Officer in consultation with the relevant officers based on the following principles:

- Equity
- Risk Sharing
- Minimising volatility between years

10.7 End of year investment report

At the end of the financial year the Cabinet will receive a report on its investment activity.

Prudential Indicators

Indicator Title	2011/12 Actual	2012/13 Revised	2013/14	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast	2017/18 Forecast
Capital Expenditure		**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**
Non -HRA	4,383	6,000	1,889	1,082	1,244	1,077	1,104
HRA	3,112	4,361	4,242	3,242	3,242	3,263	3,263
TOTAL	**7,495**	**10,361**	**6,131**	**4,324**	**4,486**	**4,340**	**4,367**
Ratio of Financing Costs to Net Revenue Stream							
Non –HRA	2.07%	2.41%	2.09%	1.50%	1.41%	1.27%	1.03%
HRA	26.47%	55.08%	55.62%	47.11%	45.77%	44.61%	43.34%
TOTAL	**28.54%**	**57.49%**	**57.71%**	**48.61%**	**47.18%**	**45.88%**	**44.37%**
If the Council had funded the proposed capital investment and associated ongoing costs by a direct charge on Council Tax alone the **estimate of the incremental impact of capital investment decisions on the Council Tax** would have been as follows.			**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£2.35**

Prudential Indicators (cont.)

Indicator Title	2011/12 Actual	2012/13 Revised	2013/14	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast	2017/18 Forecast
Estimate of the Incremental Impact of Capital Investment Decisions on Housing Rents			**£5.98**	**£0.00**	**£0.00**	**£0.00**	**£19.50**
Estimates of Capital Financing Requirement							
Non -HRA	7,552	7,251	6,961	6,683	6,416	6,159	5,913
HRA	54,920	52,956	50,992	49,028	47,064	45,100	43,436
TOTAL	**62,472**	**60,207**	**57,953**	**55,711**	**53,480**	**51,259**	**49,349**
Gross Debt and the Capital Financing Requirement							
Capital Financing Requirement	62,472	60,207	57,953	55,711	53,480	51,259	49,349
External Debt	57,907	55,738	53,551	51,345	49,119	46,870	44,900
Internal borrowing	4,565	4,469	4,402	4,366	4,361	4,388	4,449
Debt Cap (Housing Revenue Account) Debt cap amount as determined by CLG	-	60,285	60,285	60,285	60,285	60,285	60,285

Treasury indicators

Indicator Title	2011/12 Actual	2012/13 Revised	2013/14	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast	2017/18 Forecast
Has the Authority adopted the *'CIPFA Code of practice for Treasury management in the public sector'*	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Authorised Limit (of external debt)							
Borrowing		76,758	77,159	74,526	74,468	74,302	74,170
Other long Term Liabilities		-	-	-	-	-	-
		76,758	**77,159**	**74,526**	**74,468**	**74,302**	**74,170**
Operational Boundary (of External Debt)							
Borrowing		68,138	68,932	66,710	66,468	66,206	65,922
Other long Term Liabilities		-	-	-	-	-	-
		68,138	**68,932**	**66,710**	**66,468**	**66,206**	**65,922**
Interest Rate Exposures							
Upper Limit for Fixed Interest Rates		60,207	57,953	55,711	53,480	51,259	49,349
Upper Limit for Variable Interest Rates		18,062	17,386	16,713	16,044	15,378	14,805
Gross and Net Debt							
Upper limit on the proportion of net debt compared to gross debt	-0.98%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Prudential Limits for Principal Sums Invested for Periods Longer than 364 days	Nil	3,500	3,500	3,500	3,500	3,500	3,500

Maturity Structure of Fixed rate Borrowing

Indicator Title	2011/12 Actual	2012/13 Revised	2013/14	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast	2017/18 Forecast
Upper and Lower Limits for the Maturity Structure of Borrowing							
Upper Limit for the Maturity Structure of Borrowing							
Under 12 months	3.75%	25%	25%	25%	25%	25%	25%
12 months and within 24 months	5.50%	30%	30%	30%	30%	30%	30%
24 months and within 5 years	11.54%	60%	60%	60%	60%	60%	60%
5 years and within 10 years	15.45%	75%	75%	75%	75%	75%	75%
10 years and above	63.76%	95%	95%	95%	95%	95%	95%
Lower Limit for the Maturity Structure of Borrowing							
Under 12 months	3.75%	0%	0%	0%	0%	0%	0%
12 months and within 24 months	5.50%	0%	0%	0%	0%	0%	0%
24 months and within 5 years	11.54%	0%	0%	0%	0%	0%	0%
5 years and within 10 years	15.45%	0%	0%	0%	0%	0%	0%
10 years and above	63.76%	25%	25%	25%	25%	25%	25%

SPECIFIED AND NON-SPECIFIED INVESTMENTS

This schedule sets out the specified and Non-Specified investments the Council may use in 2013/14.

Investments may be in the form of direct deposits, Certificates of Deposits (CDs), or the purchase of financial instruments such as Treasury Bills, Bonds and Gilts.

SPECIFIED INVESTMENTS:

An investment is a Specified Investment if all of the following apply

1. The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling
2. The investment is not a long term investment which is one that is due to be repaid within 12 months of the date on which the investment is made or one which the local authority may require to be repaid within that period.
3. The investment is not defined as capital expenditure by regulations
4. The investment is made with a body or in an investment scheme of high credit quality or the investment is made with the following public sector bodies.
    a. UK Government
    b. Local authority
    c. Parish council or community council

Where an investment is being made with a UK nationalised or part nationalised bank this will be treated for the purposes of classification as a Specified or Non-specified investment as being invested with the UK Government.

High credit quality

For a counterparty to meet the high credit quality criteria for specified investments, that counterparty must meet as a minimum the ratings of the three credit rating agencies listed below, and not be the subject of any adverse indications from the following sources.

- Credit Default Swap index
- The quality financial press
- Market data
- Information on government support for banks and
- The credit ratings of that government support

Ratings	**Fitch**	**Moodys**	**Standard & Poors**
Short term	F1	P-1	A-1
Long term	A-	A3	A

NON SPECIFIED INVESTMENTS

A maximum of £3.5m may be held, in aggregate, in Non-Specified Investments

The only Non-Specified investments that the Council will use in 2013/14 are investments for periods of longer than 12 months with any institution or investment instrument that would have been classed as a Specified Investment if the investment had been for less than 12 months.