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CABINET 3 FEBRUARY 2010 PORTFOLIO : FINANCE & EFFICIENCY

TREASURY MANAGEMENT STRATEGY REPORT 2010/11

1. INTRODUCTION

The Prudential Code for Capital Finance in Local Authorities (The Code) was introduced with effect from 1 April 2004. The Code gives the Council greater freedom for future capital investment plans.

This report outlines the Council's prudential indicators for 2010/11 – 2012/13 and sets out the expected treasury operations for this period. It fulfils four key legislative requirements.

1.1 Prudential Indicators

The Council must approve, revise and monitor a minimum number of mandatory prudential indicators setting out the expected capital activities, (as required by the CIPFA Prudential Code for Capital Finance in Local Authorities)

The indicators cover the affordability and prudence of capital expenditure, external debt and the Council's treasury and investment strategies for each financial year. These can be supplemented with local indicators if required.

The purpose of the indicators is to provide a framework for capital expenditure decision making. It highlights the level of capital expenditure and the impact of that expenditure on borrowing and investment levels, which will affect the treasury management strategy for future years.

The main prudential Indicators are shown at Annex A

1.2 Minimum Revenue Provision (MRP) Policy

The Council's Minimum Revenue Provision (MRP) Policy sets out how the Council will pay for capital assets through revenue each year, (as required by Regulation under the Local Government and Public Involvement in Health Act 2007)

Each year's capital expenditure programme is financed by using a variety of sources of funding. One of these sources is debt. Each year the programme generates a borrowing requirement and this is the amount of loan that the Council may have to raise to adequately fund the programme. This borrowing requirement can also be met by using cash reserves and therefore deferring the raising of loans until a later date, which is the current position for this Council.

Loans can be raised in advance or in arrear of generating the borrowing requirement. The most beneficial time to raise loans will depend on prevailing interest rates and the Executive Director, under delegated powers, will determine the most beneficial form of borrowing at the most advantageous time. It is unlikely that loans will be raised in the immediate future as Members have expressed a wish to remain "debt free" currently.

The HRA and Housing Capital Programme report elsewhere on this agenda highlights the Council's intention to invest, for the first time in a number of years, in additional Housing for its own ownership. This project carries with it a potential borrowing requirement of £700,000 but in the short term it is likely that it will be funded from existing resources.

1.3 Treasury Management Strategy Statement

The Treasury Management Strategy Statement sets out how the Council's treasury service will support the capital expenditure and financing decisions taken over the three year period from 2010/11 to 2012/13. The day to day treasury management function and the limitations on activity through treasury prudential indicators are also set out in the statement.

The key indicator is the Authorised Limit. This is the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. (This is the Affordable Borrowing Limit required by s3 of the Local Government Act 2003). This is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code and shown at Annex B;

The indicators for 2010/11 must be agreed prior to 1 April 2010. In addition, the indicators for the following 2 years are also estimated. This informs Members of the treasury management requirements of the estimated capital expenditure and the implications of this expenditure in the medium term.

1.4 Investment Strategy

The investment strategy sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss.

This strategy is in accordance with the CLG Investment Guidance and is also shown in Annex B.

This report informs Members of the treasury strategy and recommends the Treasury prudential indicators for 2010/11.

2. Revised Code of Practice

2.1 The CIPFA Prudential Code and CIPFA Treasury Management Code of Practice were revised in November 2009. The CLG is consulting on changes to the Investment Guidance currently.

2.2 The revised guidance has been incorporated within this report. The CLG proposals are incorporated where they do not conflict with current Guidance.

2.3 If necessary the Investment Strategy contained in Annex B will be revised if any elements of the final CLG Investment Guidance have not already been covered.

2.4 The main changes in these revisions increase Members' responsibility in this area. This would require greater Member scrutiny of the treasury policies, increased Member training and awareness, and frequency of information.

2.5 One element of the revised CIPFA Treasury Management Code of Practice is that the clauses to be adopted as part of the Council's financial regulations be amended. This revision is shown at Annex B3 for approval. The key change is that a scrutiny committee be responsible for ensuring effective scrutiny of the treasury management strategy and policies, before making recommendations to Council.

The above policies and parameters provide an approved framework within which officers undertake the day to day capital and treasury activities.

3. Crime & Disorder, Environmental and Equality & Diversity Implications

3.1 There are none arising directly from this report.

4. Portfolio Holder Comments

4.1 The Finance and Efficiency Portfolio Holder comments that it is pleasing to be able to report after a very difficult 18 months that our significant capital balances have been protected and our balance sheet remains strong.

5. Recommendations

The Cabinet is recommended to request Council to approve each of the six key elements of these reports:

5.1 The Prudential Indicators and Limits for 2010/11 to 2012/13 contained within Annex A of the report, included within which (paragraph 3.4) is the provision to undertake prudential borrowing of £700,000 in support of the local authority housing new build programme;

5.2 The Minimum Revenue Provision (MRP) Statement contained within Annex A which sets out the Council's policy on MRP;

5.3 The Treasury Management Strategy 2010/11 to 2012/13, and the treasury Prudential Indicators contained within Annex B.;

5.4 The Authorised Limit Prudential Indicator;

5.5 The Investment Strategy 2010/11 contained in the treasury management strategy (Annex B), and the detailed criteria included in Annex B1; and

5.6 The revision to the Council's financial regulations at Annex B3. This revision nominates the Corporate Overview Panel to ensure effective scrutiny of the treasury management strategy and policies.

Further Information
Please contact Jan Hawker, Treasury Management Accountant Ext. 5722
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Background Papers
The Prudential Code, CIPFA Guidance Notes and ODPM Investment Guidance.
General Fund Revenue Budget and Capital Programme 2010/11(on this agenda)

ANNEX A

THE CAPITAL PRUDENTIAL INDICATORS 2010/11 – 2012/13

1. CAPITAL EXPENDITURE AND CAPITAL FINANCING REQUIREMENT

1.1 Each year the Council approves a programme of capital expenditure. Some of this expenditure will be supported by the Government; the remainder will need to be financed from the Council's own sources. Some of this expenditure that cannot be financed from resources such as capital receipts, capital grants and other sources will impact on the Council's underlying need to borrow.

1.2 This underlying need to borrow is called the Capital Financing Requirement (CFR).

1.3 Future capital expenditure and its financing may impact on the CFR. If any capital expenditure is financed by loan, either internally or externally, the CFR will increase by the amount of the expenditure. Any provision that is made to repay loan in the future will reduce the CFR.

1.4 The revenue consequences of capital expenditure, particularly that expenditure financed by loan will need to be paid for from the Council's own resources.

1.5 The key risks to the plans are that the level of Government support has been estimated and is therefore maybe subject to change. Similarly some estimates for other sources of funding, such as capital receipts, may also be subject to change over this timescale. For instance anticipated asset sales may be postponed due to the impact of the recession on the property market.

2. CAPITAL EXPENDITURE

2.1 The capital expenditure projections and the CFR are shown below. A more detailed schedule for these projections is included in the main budget report on this agenda.

This is the first prudential indicator and the Council is asked to approve the summary capital expenditure projections below.

Capital Expenditure	**2009/10 Original £000**	**2009/10 Forecast £000**	**2010/11 Estimate £000**	**2011/12 Estimate £000**	**2012/13 Estimate £000**
Total expenditure	12,084	12,244	14,795	11,572	8,843
Financed by:					
Capital receipts	1,705	863	1,376	882	150
Capital grants	993	1,726	1,960	927	318
Capital reserves	1,167	1,083	484	-263	-692
Developers Contr.	92	503	59	59	50
Revenue	5,987	5,987	7,887	8,016	6,511
Net capital financing requirement (CFR)	**2,140**	**2,082**	**3,029**	**1,951**	**2,506**

Note that for 2010/11 the CFR includes an amount of £700,000 for the Housing Revenue Account (HRA).

3. CAPITAL FINANCING REQUIREMENT

3.1 Capital expenditure will impact directly on the overall CFR if a borrowing requirement arises as shown at 2.1 above. For the purposes of this report any assumed borrowing requirement is met by using cash held in reserves, rather than raising loans, as Members have expressed the wish that the Council should remain debt free currently. In reality consideration can be given to raising loans from external organisations rather than using the cash held in the Council's reserves depending on the forecast of interest rates over the medium term and the Council's internal cash flow.

3.2 The Capital Financing Requirement is reduced by the amount of any provision that is made to repay loan in the future. This is known as the MRP.

3.3 The cumulative net projections for the CFR at each year-end are shown below. This is the second prudential indicator.

3.4 Included within the Housing figures for 2010/11 (Prudential Borrowing) are the implications of the Council's potential £700,000 loan financing of the development of 10 new HRA dwellings as part of the Homes and Communities Agency local authority new build programme. This sum will increase the CFR and an MRP based on a 50 year repayment period, will be charged annually to the HRA.

3.5 The Cabinet is asked to approve the CFR projections below.

Capital Financing Requirement (CFR)	**2009/10 Original £000**	**2009/10 Forecast £000**	**2010/11 Estimate £000**	**2011/12 Estimate £000**	**2012/13 Estimate £000**
CFR–Non Housing	5,300	5,325	5,795	5,740	6,182
CFR - Housing	1,897	1,897	2,597	2,583	2,569
Total CFR at year end	7,197	7,222	8,392	8,323	8,751
Movement in CFR from one year to the next			**1,170**	**-69**	**428**
For each year the movement in CFR is represented by					
Net Financing Need (The amount of capital expenditure financed by loan)	2,100	2,082	3,029	1,951	2,506
MRP movement (the amount by which any loan requirement is reduced)	-1,800	-1,486	-1,859	-2,020	-2,078
Movement in CFR from one year to the next			**1,170**	**-69**	**428**

4. MINIMUM REVENUE PROVISION

4.1 The Council is required to make a provision to repay a proportion of any amount that has been recognised as a borrowing requirement in previous years. This amount is charged to revenue and is called the Minimum Revenue Provision (MRP). This charge reduces the CFR each year. The Council is also allowed to undertake additional voluntary payments (VRP)

CLG Regulations have been issued which require full Council to approve an MRP Statement in advance of each financial year. The Council is recommended to approve the following MRP Statement:

For capital expenditure that has been incurred and which has given rise to a CFR the MRP Policy shall be to charge to revenue an amount equal to the standard depreciation of any asset financed by loan. In the case of a Housing asset the MRP charge will be equivalent to one fiftieth of the amount of the loan each year.

5. THE COUNCIL'S RESOURCES AND THE INVESTMENT POSITION

5.1 The use of reserves to finance capital expenditure will have an impact on investments unless resources are supplemented each year from sources such as asset sales. The following table shows estimates of year end balances for each resource and anticipated day to day cash flow balances.

Estimated Year End Resources	2009/10 Original £m	2009/10 Forecast £m	2010/11 Estimate £m	2011/12 Estimate £m	2012/13 Estimate £m
Fund Balances	15	15	13	12	12
Capital Receipts	2	2	1	0	0
Earmarked Reserves	5	5	4	5	5
Total Core Funds	**22**	**22**	**18**	**17**	**18**
Temporary Cash Flow	2	3	4	3	2
Under/Over Borrowing (CFR)	-7	-7	-8	-8	-9
Investments at 31 March	**17**	**18**	**14**	**12**	**11**

Temporary Cash Flow is estimated at the year end and may be higher during the year.

6. AFFORDABILITY PRUDENTIAL INDICATORS

The previous sections cover the prudential indicators for capital and borrowing. This section assesses the affordability of the capital investment plans. These provide an indication of the impact of the capital programme on the Council's overall finances.

6.1 Financing Costs

This section shows the cost to the General Fund of financing the Council's capital programme. If the Council finances some of the capital expenditure programme from borrowing, a charge must be made to revenue to repay that borrowing in the future even if no loans have actually been raised. This is called the MRP. This Council's MRP is to repay the internal borrowing that is being used to finance the purchase of vehicles, plant and equipment. The MRP is equal to the annual depreciation charge on that equipment.

MRP costs incurred are offset by savings made by the Council no longer leasing assets.

The following table shows the estimated financing costs for the period from 2009/10 to 2012/13.

Financing Costs	2009/10 Original £000	2009/10 Forecast £000	2010/11 Estimate £000	2011/12 Estimate £000	2012/13 Estimate £000
Loss of interest on cash usage	77	90	84	66	91
Additional RCCO	0	0	200	329	0
Revenue Savings-no longer leasing	-113	-49	-122	-65	-11
MRP	245	99	373	148	58
Total Financing Costs (Increase/decrease(-) year on year movement)	**209**	**140**	**535**	**478**	**138**

The previous table shows the estimated financing costs if the central rate of interest was 2.00% for 2010/11, 2.5% for 2011/12 and 4.5% for 2012/13.

A change of 1% in interest rates would result in a variation to the financing costs as follows:-

Financing Costs	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Variation of 1%	45(+/-)	42(+/-)	26(+/-)	20(+/-)

The Council is asked to approve the following indicators.

6.2 Ratio of financing costs to net revenue stream

6.2.1 The net revenue stream for the General Fund is the amount of revenue expenditure met from government grant and local tax.

6.2.2 The net revenue stream for the Housing Revenue Account is the amount of revenue expenditure met by government grant and rents.

6.2.3 The following table shows the effect of the estimated financing cost, against the estimated net revenue stream. This assesses the cost of borrowing to the revenue account.

6.2.4 The estimates of financing costs include current commitments and the proposals in this budget report.

	2009/10 Original	2009/10 Forecast	2010/11 Estimate	2011/12 Estimate	2012/13 Estimate
Non - HRA	0.9%	0.6%	2.3%	2.1%	0.6%
HRA	0.0%	0.0%	0.0%	0.1%	0.1%

6.3 Estimates of the incremental impact of capital investment decisions on the Band D Council Tax

6.3.1 This indicator shows the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The indicator shows how the changes to the capital programme will affect the Band D Council Tax.

6.3.2 This will not be the total estimated increase/reduction in the Council Tax as there will be savings/additional expenditure in other areas to offset the change in the revenue charge for capital. This indicator shows the impact on the Council Tax of the revenue implications of the capital programme in isolation from any other expenditure that may generate a revenue charge.

	Original 2009/10	Proposed Budget 2009/10	Forward Projection 2010/11	Forward Projection 2011/12	Forward Projection 2012/13
Change to Council Tax-Band D	0.00%	0.00%	4.84%	4.09%	1.13%
Change to Council Tax cost year on year	£0.00	£0.00	£7.39	£6.55	£1.89

6.4 Estimates of the incremental impact of capital investment decisions on housing rent levels

6.4.1 The Council has adopted the Government's rent restructuring policy. As such, the unsupported element of the capital programme has no impact on rent levels. Any revenue financial implications of the programme are covered from balances or through adjustments to other revenue budgets.

6.4.2 The indicator below shows the cost of proposed changes in the housing capital programme, as recommended elsewhere on this agenda, compared to the Council's existing commitments and current plans, expressed as a change in weekly rent levels if the Government's rent restructuring policy had not been adopted.

	Proposed Budget 2010/11	Forward Projection 2011/12	Forward Projection 2012/13
Change to the Weekly Housing Rent levels	£6.30	-£0.71	-£5.77

ANNEX B

TREASURY MANAGEMENT STRATEGY 2010/11 – 2012/13

1. INTRODUCTION

1.1 The treasury management service is an important part of the overall financial management of the Council's affairs. Whilst the prudential indicators in Annex A consider the affordability and impact of capital expenditure decisions, the treasury service covers the effective funding of these decisions. There are specific treasury prudential indicators included in this strategy that need approval. Together they form part of the process which ensures the Council meets its balanced budget requirement under the Local Government Finance Act 1992.

1.2 The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management – revised November 2009). This Council adopted the Code of Practice on Treasury Management on 25 February 2002, and is recommended to adopt the revised Code.

1.3 As a result of adopting the Code the Council also adopted a Treasury Management Policy Statement (25 February 2002). This adoption is the requirements of one of the prudential indicators. However the revised Code of Practice has amended the Treasury Management Policy Statement and this is appended at Annex B3 for approval.

1.4 The policy requires an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming 3 years. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. A further treasury report is produced after the year-end to report on actual activity for the year. A new requirement of the revised Code of Practice is that there is a mid-year monitoring report. This Council already receives a mid-year report so there is no additional requirement to the current arrangements.

This strategy covers:

- The Council's debt and investment projections;
- The Council's estimates and limits to borrowing activity;
- The expected movement in interest rates;
- The Council's borrowing and investment strategies;
- Treasury performance indicators;
- Specific limits on treasury activities;
- Any local treasury issues.

1.5 All of the indicators throughout this report assume that external long-term debt is not raised as the borrowing requirement is incurred but that the council remains "debt free" for the time being. This is the preference expressed by members currently. Short-term debt can be raised for cash flow purposes without compromising the "debt free" status.

2. DEBT AND INVESTMENTS PROJECTIONS

2.1 The borrowing requirement comprises the expected movement in the CFR. In this Council's case the expected movement in the CFR represents the funding of capital expenditure by "borrowing" from internal funds.

2.2 The expected external maximum debt position during each year represents the Operational Boundary prudential indicator (para 3.3 below), and so is different from the year end position.

2.3 The expected impact of the capital expenditure decisions on the Council's debt and investment position are shown below:

	2009/10 Revised £m	2010/11 Estimated £m	2011/12 Estimated £m	2012/13 Estimated £m
External Debt				
Debt at 1 April	0	0	0	0
Expected change in debt	0	0	0	0
Debt at 31 March	0	0	0	0
Investments				
Total Investments at 31 March	-18.0	-13.8	-12.0	-10.8
Investment change		4.2	1.8	1.2

The movement of the total investments of £4.2 million between the 2009/10 revised estimate and the 2010/11 estimates reflects the estimated use of investments to finance capital expenditure during 2010/11 (£4.9 million), offset by the anticipated receipt of new sums of developers' contributions and capital receipts (£0.7 million).

The reduction in the investment balance between 2009/10 and 2010/11 reflects the use of loan, capital receipts, developers' contributions, and capital reserves to finance capital purchases in 2010/11.

2.4 The impact of the above movements on the revenue budget are:

	2009/10 Revised	2010/11 Estimated	2011/12 Estimated	2012/13 Estimated
Revenue Budgets	**£000**	**£000**	**£000**	**£000**
Interest on Borrowing	6	7	9	14
Related HRA Charge	26	44	70	156
Net General Fund Borrowing Cost	**32**	**51**	**79**	**170**
Investment income	-646	-596	-730	-1,234
Total	**-614**	**-545**	**-651**	**-1,064**

A change of 1% in interest rates would result in a variation in the impact to the revenue budget as follows:-

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Variation of 1%	310(+/-)	272(+/-)	260(+/-)	236(+/-)

3. LIMITS TO BORROWING ACTIVITY

3.1 Net external borrowing

The Council needs to make sure that net external borrowing in 2010/11 does not exceed the total of the CFR at the end of 2010/11 and the two subsequent years. This allows some flexibility for limited borrowing in advance of the need to spend but assures that borrowing is not undertaken for revenue purposes. This is crucial to effective treasury management as it means that treasury decisions can be made when interest rates are at the most beneficial to the Council. Members have expressed a wish that borrowing will not be undertaken currently but this Prudential Indicator still requires member approval.

Net External Borrowing	2009/10 Comparator £m	2010/11 Estimate £m	2011/12 Estimate £m	2012/13 Estimate £m
Gross Borrowing	0	0	0	0
Investments	-18.0	-13.8	-12.0	-10.8
Net Borrowing	**-18.0**	**-13.8**	**-12.0**	**-10.8**
CFR at year end	7.2	8.4	8.3	8.8
Safety Margin for Limit of Capital Expenditure to be Financed from Loan	**25.2**	**22.2**	**20.3**	**19.6**

As net borrowing of -£13.8 million in 2010/11 does not exceed the CFR in any year up to 2012/13 this indicator is satisfied. The Executive Director reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties in the future. This takes into account current commitments, existing plans and the proposals in this budget report.

3.2 The Authorised Limit for External Debt

This is the limit beyond which borrowing is prohibited and needs to be set by Members for each financial year. It reflects the level of borrowing that, while not desired or sustainable, could be required in the short-term. It is the maximum borrowing required with some headroom for unexpected cash flow movements and includes both temporary borrowing for cash flow purposes and long term borrowing to finance capital expenditure.

Authorised limit for external debt	2009/10 Revised £m	2010/11 Estimate £m	2011/12 Estimate £m	2012/13 Estimate £m
Total Borrowing	25	26	26	27

3.3 The Operational Boundary (for both Capital and Revenue expenditure)

This indicator is based on the probable external debt during the course of the year. It is not a limit and the borrowing of the Council could vary around this boundary for short times during the year. It is a warning indicator to flag up total borrowing and to help ensure that the Authorised Limit is not breached.

Although the Council is "debt free" currently and there is no immediate plan to raise loans for capital expenditure this indicator must still be set and monitored according to the code as there may be borrowing of a temporary nature from time to time.

Operational boundary for external debt	**2009/10 Revised £m**	**2010/11 Estimate £m**	**2011/12 Estimate £m**	**2012/13 Estimate £m**
Total Borrowing	0	0	0	0

4. EXPECTED MOVEMENT IN INTEREST RATES

4.1 Medium-Term Rate Forecasts – Annual Averages %

Year	**Base Rate**	**Money Market Rate**		**Borrowing Rate**		
	%	3 Month %	1 Year %	5 year %	20-year %	50-year %
2008/09	3.9	5.0	5.3	4.2	4.8	4.5
2009/10	0.5	0.8	1.4	3.2	4.4	4.6
2010/11	1.0	1.5	2.3	4.0	5.0	5.2
2011/12	2.0	2.5	3.3	4.3	5.3	5.3
2012/13	4.5	4.8	5.3	5.3	5.5	5.3

4.2 Short-term rates are expected to remain relatively low for some time. There is a recovery in the economy but it will remain weak and there is a danger that an early increase in interest rates and a lessening of Quantitative Easing (QE) may push the economy back to negative growth.

4.3 Lending to the corporate and personal sectors has improved slightly but banks remain extremely cautious. This is likely to continue to frustrate business growth.

4.4 The main reason for slow economic recovery is expected to be weak consumers' expenditure growth. The desire to reduce the level of personal debt combined with job uncertainty is likely to reduce spending. This likelihood will be increased by the increases in taxation already scheduled for 2010 – VAT and National Insurance. Without consumer expenditure growth any recovery in the economy is set to be weak and protracted.

4.5 The Monetary Policy Committee (MPC) will continue with a programme of QE which has been extended to a total of £200bn. There is still a chance that it could be extended further in February 2010. Whether this will have much impact in the short term given that the personal sector is reluctant to take on more debt is questionable.

4.6 With inflation estimated to remain low in the next few years, the pressure upon the MPC to raise the Bank Base rate will be moderate. Some increase is anticipated in 2010 to counter the effects of rising commodity prices and to avoid any damage to sterling should the UK defy any international moves to commence the unwinding of some elements of the country's debt position.

4.7 Longer term rates are expected to be more volatile. The current level of rates may continue for a while yet. These are being affected by low international economic growth and the effects of QE.

5. BORROWING AND DEBT STRATEGY 2010/11 – 2012/13

5.1 The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its borrowing strategy.

5.2 Long-term fixed interest rates are at risk of being higher over the medium term, and short term rates are expected to rise, although more modestly. The option of postponing borrowing and running down investment balances has been preferred by Member in past years.

5.3 Although the borrowing requirement is detailed by year it is not certain that any loans will be raised as the Members wish to maintain "debt free" status currently. This would reduce investment counterparty risk and hedge against the expected fall in investments returns

5.4 The Executive Director, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast at 4.1 above and Members wishes. This will include borrowing in advance for future years requirements.

5.5 The expected borrowing requirement is:

	2009/10 revised £000	**2010/11 Estimate £000**	**2011/12 Estimate £000**	**2012/13 Estimate £000**
To fund Capital expenditure	2,082	3,029	1,951	2,506
Prior years expenditure not yet funded	8,252	10,334	13,363	15,314
Less MRP	-5,009	-6,868	-8,888	-10,967
Total Borrowing Requirement at year end	**5,325**	**6,495**	**6,426**	**6,853**

This table reflects the estimated loan financing requirement shown at table 3.5 in Annex A, net of £1.897m HRA balance outstanding that does not need financing.

6. INVESTMENT STRATEGY 2010/11 – 2012/13

6.1 Key Objectives

The key intention of the investment guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield.

Following the economic background above, the current investment climate has one over-riding risk consideration; that of counterparty security risk. Although this risk has always been rigidly controlled recent events have heightened the consciousness of this risk still further. As a result of these concerns officers are implementing an operational investment strategy which tightens the controls already in place in the approved investment strategy.

6.2 Risk Benchmarking

New requirements in the revised Codes and the CLG consultation paper is the consideration and approval of security and liquidity benchmarks.

Yield benchmarks are already widely used to assess investment performance. Security and liquidity benchmarks are new requirements which must be reported to Members. Yield benchmarking is factual whereas the application of security and liquidity benchmarking is subjective in nature. Additional background in the approach taken is attached at Annex B2.

These benchmarks are targets (not limits) and so 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 depending on any changes. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report.

6.2.1 Security

The Council's maximum security risk benchmark for the current portfolio, when compared to the historic default tables at Annex B2, is **0.18%.**

The Council invests in building societies that are not credit rated. By default the credit rating applied to them for this benchmarking purpose is BBB+. This is a very cautious approach as historically there has been no default of any UK building society. The historic security risk for these organisations is therefore negligible.

The security risk benchmark is measured against Long Term Credit Ratings. In reality most of this Council's investments have a life of less than one year and are therefore measured against a short term credit rating. However this security risk must be shown in the Treasury Management Strategy.

In addition the security risk benchmark for each individual year is as follows:

	1 year	**2 years**	**3 years**	**4 years**	**5 years**
Maximum	0.18%	0%	0%	0%	0%

There is no risk for any period of longer than one year currently as the Council is investing in periods of less than one year because of the economic climate.

Note: This benchmark shows an average risk of default and would not constitute an expectation of any loss against a particular investment.

6.2.2 Liquidity

In respect of this area the Council seeks to maintain:

- Bank overdraft - £0.5m
- Liquid short term deposits of at least £0.25m available with instant access.

- Weighted Average Life benchmark is expected to be 0.5 years, with a maximum of 2 years.

In 2009/10 to date the weighted average life benchmark for investment periods is 79 days. It is likely that this benchmark will increase as decisions are made to invest for longer periods as the global economic situation eases.

6.2.3 Yield

Local measures of yield benchmarks are:

- Investments – returns above the 7 day LIBID rate

More information about risk benchmarking is provided as Annex B2.

6.3 Investment Counterparty Selection Criteria

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Executive Director (Finance) will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. The criteria provides an overall pool of counterparties which are considered to be of high quality rather than defining individual counterparties.

6.4 Credit Ratings

The Council uses all three credit rating agencies, Moody's, Standard & Poors and Fitch, to determine which counterparties to use. Although they are similar in their ratings some are slightly different particularly due to time lapses when ratings are being amended.

The rating criterion considered by this Council uses the **lowest common denominator** method of selecting counterparties and applying limits. This means that the Council will apply the minimum criteria available for the rating of any institution. For instance if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

Credit rating information is supplied by the Council's treasury consultants on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria is omitted from the authorised dealing list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. .

6.4.1 Specified and Non Specified Investments

Specified investments are highly credit rated and highly liquid investments in sterling and with a maturity of no more than a year.

Non-specified investments identifies the greater risk implications of investments that are not so highly credit rated or are for a longer period than one year.

It should be noted that specified and non-specified investments are both approved under the new guidance and both should normally form part of a council's policy.

6.4.2 Specified Investments

These investments are made in sterling and have duration of 1 year or less, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes.

These are low risk investments where the possibility of loss of principal or investment income is very low. Specified investments include:

- UK Government - (including gilts and the Debt Management Office)
- Local Authorities, Parish Councils etc
- Supranational Bonds
- Banks - The Council will only use banks which are:
  - UK banks; or
  - non-UK and domiciled in a country which has a minimum Sovereign long term rating of AAA; and
  - which have at least the short – term credit ratings in the table below
- Building Societies – which have at least one of the following short – term credit ratings

Credit Rating Agency	Short – Term Credit Rating	Long-Term Credit Rating	Individual/ financial strength	Support
Fitch	F - 1	A(+/-)	C	3
Moody's	P - 1	A2(+/-)	C	
Standard & Poors	A - 1	A(+/-)		

- Money Market Funds – highly rated (AAA) by a credit rating agency

6.4.3 Non-Specified Investments

Non – Specified investments are any other type of permissible investment not defined as specified above and include:

- UK Government Gilts with a maturity of greater than 1 year.
- Local Authorities, Parish Council etc with a maturity of greater than 1 year.
- Supranational bonds – with a maturity date beyond 1 year.
- Institutions not meeting the credit rating at 6.4.2 above and where other restrictions have been applied as follows:

Counterparty Criteria	Investment Restrictions
Unrated fully owned subsidiaries of highly credit rated institutions	£3m for up to 6 months
Building Societies with a short-term credit rating of at least F-2; P-2; A-2 which are Eligible Institutions (See Annex B1)	£3m for up to 6 months
Unrated Building Societies with total assets greater than £250 million which are Eligible Institutions (See Annex B1)	£2m for up to 3 months
Local Authorities	£5m for up to 4 years
Organisations wholly owned by UK Government	£10m for up to 6 months

- Banks and Building Societies – with a high credit rating but with a maturity of more than 1 year and have, as a minimum, the following Fitch, Moody's and Standard and Poors equivalent credit ratings as follows:

Long-Term Credit Rating	Short term	Individual	Support	Maximum Period of Investment
A (+/-)	F - 1	C	3	Up to 2 years
AA (+/-)	F - 1	B	1	Up to 4 years
AAA (+/-)	F - 1	B	1	Up to 5 years

6.4.4 Guaranteed Banks with suitable Sovereign Support

In addition, the Council will use banks whose ratings fall below the criteria specified above if all of the following conditions are met:

- wholesale deposits in the bank are covered by a government guarantee;
- the government providing the guarantee is rated "AAA" by all three major rating agencies (Fitch, Moody's and Standard & Poors); and
- the Council's investments with the bank are limited to amounts and maturities within the terms of the stipulated guarantee.

6.4.5 The Council’s own banker

If the Council’s own bank falls below the above criteria the bank will still be used for normal banking transactions. If this happens balances held on account will be kept to a minimum working amount.

6.4.6 More information about these categories of investment is shown at Annex B1 paragraph 5.3.

6.5 The Monitoring of Investment Counterparties

6.5.1 The credit rating of counterparties will be monitored regularly, as a policy at least monthly. However the Council receives credit rating advice from its advisers, on a daily basis as and when ratings change, and counterparties are checked promptly.

6.5.2 There will be a minor time delay between rating changes and the Council receiving notification, and on occasion ratings may be downgraded when an investment has already been made.

6.5.3 The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list. And if required new counterparties which meet the criteria will be added to the list.

6.6 Other Criteria

6.6.1 Any longer-term investments will need to fit in with the principles of the treasury prudential indicator for total sums invested for periods longer than 364 days as shown at 8.3 below.

6.6.2 The Council will ensure that no more than 20% of the current total sum invested may be deposited with any one organisation at any one time at the time of investment. But if the total sum invested is less than £2.5m, then the maximum investment may be £500,000.

6.6.3 In the normal course of the Council’s cash flow operations it is expected that both specified and non-specified investments will be used as both categories allow for short-term investments.

6.6.4 The use of longer-term investments will be within the non-specified investment category. These investments will only be used according to the parameters shown at paragraph 8.3 below and will depend on the council’s need for liquidity. A limit of 50% will be applied to the use of Non-Specified investments which are invested for longer than 1 year.

6.7 Country and sector considerations

Due care will be taken to consider the country, group and sector exposure of the Council’s investments.

- no more than 25% will be placed with any one non-UK country at any time;

- limits in place above will apply to any one individual group of companies;
- Banking, Building Society and other sector limits will be monitored regularly for appropriateness.

6.8 Use of additional information other than credit ratings

Additional requirements under the Code of Practice now require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, any available additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, equity prices, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

6.9 Economic Investment Considerations

Expectations on shorter-term interest rates, on which investment decisions are based, show likelihood of the current 0.5% Bank Rate remaining flat but with the possibility of a rise in mid-2010. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts.

6.10 Operational Considerations

There is an operational difficulty arising from the current banking crisis. The longer the investment the greater risk is perceived as credit ratings, which normally do not change very often, are now seen to be regularly updated and amended. Because of the nervousness surrounding counterparties and their credit worthiness, market investments for short periods are considered to represent better security.

6.11 Temporary Restrictions

The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market conditions. Members are asked to approve the criteria above but under the exceptional current market conditions the Executive Director (Finance) may temporarily restrict investment activity further to specific counterparties or by amount and period. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly the time periods for investments will be restricted.

7. SENSITIVITY TO INTEREST RATE MOVEMENTS

Future Council accounts will be required to disclose the impact of risks on the Council's treasury management activity. Whilst most of the risks facing the treasury management service are addressed elsewhere in this report (credit risk, liquidity risk, market risk, maturity profile risk), the impact of interest rate risk is not quantified.

The table below highlights the estimated impact of a 1% increase/decrease in all interest rates to treasury management costs/income for next year. That element of the investment portfolio which is of a longer term, fixed interest rate nature, will not be affected by interest rate changes.

Revenue Budgets	2010/11 Estimated @ 2% £000	2010/11 Estimated + 1% £000	2010/11 Estimated -1% £000
Interest on Borrowing	-7	-11	-4
Investment income	596	894	298

8. TREASURY MANAGEMENT LIMITS ON ACTIVITY

8.1 Treasury Management Prudential Indicators and Limits on Activity.

There are further treasury prudential indicators. The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However if the limits are set at a level that are too restrictive they will actually limit opportunities to reduce costs.

8.2 The indicators for borrowing are:

- Upper limits on fixed rate exposure –
  This indicator identifies a maximum limit for fixed interest rates based upon the debt position net of investments.

- Upper limits on variable rate exposure –
  Similar to the previous indicator this covers a maximum limit on variable interest rates. The variable limit is 50% of the total net borrowing to ensure that volatility is contained within the portfolio.

  The following table shows the estimated limits for the net debt position: -

Net Debt Limits	2010/11 Upper	2011/12 Upper	2012/13 Upper
Limit for fixed interest rates based on net debt	100%	100%	100%
Limit for variable interest rates based on net debt	50%	50%	50%

- Maturity structure of borrowing –
  These limits are set to heighten the awareness of borrowing fixed interest rate loans for varying periods and to reduce the council's exposure to the refinancing of the loans when maturity is reached. Each limit for fixed interest rates is set at 100% because only limited borrowing is envisaged at this time. If a loan is raised for any purpose it would, by its very nature, fall into just one period and not be spread over a range of periods. The limits are required for both upper and lower thresholds.

A variable interest rate limit has been introduced to help identify the risks associated with fixed/variable interest rate borrowing. This is set at a maximum of 50% to ensure that the volatility of the portfolio is limited.

These limits are shown in the following table:

Borrowing	2010/11 Upper		2011/12 Upper		2012/13 Upper	
Limits - fixed interest rates	100%		100%		100%	
Limits - variable interest rates	50%		50%		50%	
Maturity Structure of fixed interest rate borrowing						
	Lower	**Upper**	**Lower**	**Upper**	**Lower**	**Upper**
Under 12 months	0%	100%	0%	100%	0%	100%
12 months to 2 years	0%	100%	0%	100%	0%	100%
2 years to 5 years	0%	100%	0%	100%	0%	100%
5 years to 10 years	0%	100%	0%	100%	0%	100%
10 years and above	0%	100%	0%	100%	0%	100%

8.3 The indicators for investment are:

- Estimated interest receivable on net investments-
  The limits on fixed and variable interest rates give an indication of the potential volatility of the interest earnings.

- Maximum principal funds invested –
  These limits are set to help identify the total sums available for investment over the year.

- Total principal funds invested for more than 364 days –
  These limits are set to reduce the need for early sale of an investment, and are based on the availability of investments after each year-end. This is the amount of funds that are not needed immediately for revenue or capital purposes and therefore can be invested for longer periods.

- Fixed and variable interest rate investments –
  Limits are included for fixed and variable interest rate investments to contain the volatility of the investments

- Maturity structure of investments –
  These limits are set to indicate the maturity structure of investments and to ensure that should the Council have funds that are not immediately required for expenditure purposes, and therefore could be invested for periods longer than 364 days, are invested in a cautious manner. The lower limit is set at 25% for less than 12 months, as a greater proportion of this Council's funds will not be available for longer-term investment. The upper limit for investments with periods of less than 12 months is set at 100% because most of the funds will fall into this category. The upper limit for investments of more than 12 months is set at 75% because only a limited value of funds will fall into this category.

  These limits are shown in the following table: -

Investments	2010/11 Upper		2011/12 Upper		2012/13 Upper	
Estimated interest on net investments	£0.59m		£0.73m		£1.23m	
Estimated Maximum sums invested	£47m		£45m		£46m	
Estimated Maximum sums invested for more than 364 days	£3m		£3m		£3m	
Limits - fixed interest rates	100%		100%		100%	
Limits - variable interest rates	50%		50%		50%	
Maturity Structure of investments						
	Lower	Upper	Lower	Upper	Lower	Upper
Under 12 months	25%	100%	25%	100%	25%	100%
12 months to 2 years	0%	75%	0%	75%	0%	75%
2 years to 5 years	0%	75%	0%	75%	0%	75%

9. PERFORMANCE INDICATORS

The Code of Practice for Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. An example of performance indicators often used for the treasury function is:

- Investments – returns should be above the average 7 day LIBID rate

The result of this indicator will be reported in the Annual Treasury Report at each year-end.

10. LOCAL PRUDENTIAL INDICATORS

There are no local prudential indicators other than those currently included in the body of this report.

11. TREASURY MANAGEMENT ADVISERS

The Council uses Butlers as its treasury management consultants. The company provides a range of services which include:

- Technical support on treasury matters and capital finance issues;
- Economic and interest rate analysis;
- Generic investment advice on interest rates, timing and investment instruments;
- Credit ratings/market information service comprising the three main credit rating agencies;

Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council. This service is subject to regular review.

12. USE OF MONEY BROKERS

Generally the Council will use money brokers to place investments with counterparties. The broker has access to the money markets and will be able to determine the best rate of investment for the Council given the counterparties that the Council can invest with and type of investment required.

Several highly rated organisations now conduct their own treasury transactions and no longer use money brokers. If beneficial to the Council, investments may be made by dealing directly with these counterparties.

13. MEMBER AND OFFICER TRAINING

The increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for Members and officers.

This Council has addressed this important issue by inviting a Director from the Treasury Consultants to give a review of the current economic conditions.

Further training can be arranged on this subject during the year.

14. LOCAL ISSUES

Paragraph 6.11 explains that the Executive Director can restrict investment parameters because of current economic conditions if necessary.

At the time of writing this report the parameters are restricted because of the uncertainty about counterparty creditworthiness.

Regular treasury meetings are held between the Executive Director, the portfolio holder for Finance & Efficiency and the Treasury Manager to consider the prevailing economic and investment situation.

Annex B1

TREASURY MANAGEMENT PRACTICE (TMP)1 – Credit and Counterparty Risk Management

1. The Office of the Deputy Prime Minister (now CLG) issued Investment Guidance on 12th March 2004, and this forms the structure of the Council's policy below. The CLG is currently consulting over revisions to the Guidance and where applicable the Consultation recommendations have been included within this policy.

2. The key intention of the investment guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield.

3. In order to meet this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes and includes the Statement of Treasury Management Practices.

4. This Council adopted the Code on 25 February 2002 and will apply its principles to all investment activity. In accordance with the Prudential Code, this part of the approved treasury management practices must be agreed prior to each financial year and amended if necessary.

5. Annual Investment Strategy

5.1 The key requirements of both the Code and the investment guidance are to set an annual investment strategy as part of its annual treasury strategy for the year, covering the identification and approval of the following:

- The strategy guidelines for decision making on investment decisions.
- Specified investments that the Council will use. - These are highly credit rated and highly liquid investments in sterling and with a maturity of no more than a year.
- Non-specified investments that the Council will use. -This identifies the greater risk implications of investments that are not so highly credit rated. It specifies the limits for which investments may be made with each counterparty at any time.

5.2 The investment strategy proposed for the Council is as set out in paragraph 6 of Annex B:

5.3 Further information about some investment categories are as follows:-

i) Supranational Bonds

(a) Multilateral development bank bonds - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).

(b) **A financial institution that is guaranteed by the United Kingdom Government** (e.g. The Guaranteed Export Finance Company {GEFCO}) - The security of interest and principal on maturity is on a par with the Government and so very secure, and these bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.

ii) **Gilt edged securities** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.

iii) **Building societies** The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which are Eligible Institutions. An Eligible Institution for the HM Treasury Credit Guarantee Scheme initially announced on 13 October 2008. These institutions have been subject to suitability checks before inclusion, and have access to HM Treasury liquidity if needed.

iv) **Non rated subsidiary** of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to a guarantee from the parent company.

Annex B2

SECURITY, LIQUIDITY AND YIELD BENCHMARKING

1. Benchmarking and Monitoring Security, Liquidity and Yield in the Investment Service

This is a proposed development for Member reporting is the consideration and approval of security and liquidity benchmarks.
These benchmarks are targets and so may be breached from time to time. Any breach will be reported, with supporting reasons in the Annual Treasury Report.

1.1 Yield

These benchmarks are currently widely used to assess investment performance. Local measures of yield benchmarks are shown at paragraph 6.2.3 in the Treasury Management Strategy at Annex B:

Security and liquidity benchmarks are already intrinsic to the approved treasury strategy through the counterparty selection criteria and some of the prudential indicators. However they have not previously been separately and explicitly set out for Member consideration. Proposed benchmarks for the cash type investments are shown in the main body of Annex B and these will form the basis of future reporting in this area. In the other investment categories appropriate benchmarks will be used where available.

1.2 Liquidity

This is defined as "having adequate, though not excessive cash resources, borrowing arrangements, overdrafts 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 objectives" (CIPFA Treasury Management Code of Practice). Measures of yield benchmarks are shown at paragraph 6.2.2 in the Treasury Management Strategy at Annex B

The availability of liquidity and the term risk in the portfolio can be benchmarked by the monitoring of the Weighted Average Life (WAL) of the portfolio – shorter WAL would generally embody less risk. In this respect the proposed benchmark is shown at paragraph 6.2.2 in the Treasury Management Strategy at Annex B

1.3 Security of the investments

In context of benchmarking, assessing security is a much more subjective area to assess. Security is currently evidenced by the application of minimum credit quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody's and Standard and Poors). Whilst this approach embodies security considerations, benchmarking levels of risk is more problematic. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council's investment strategy. The table below shows average defaults for differing periods of investment grade products for each Fitch long term rating category over the period 1990 to 2007.

Long term rating	1 year	2 years	3 years	4 years	5 years
AAA	0.00%	0.00%	0.00%	0.00%	0.00%
AA	0.00%	0.00%	0.00%	0.03%	0.06%
A	0.03%	0.15%	0.30%	0.44%	0.65%
BBB	0.24%	0.78%	1.48%	2.24%	3.11%

The Council's minimum long term rating criteria is currently "A", meaning the average expectation of default for a one year investment in a counterparty with a "A" long term rating would be 0.03% of the total investment (e.g. for a £1m investment the average loss would be £300).

This is only an average - any specific counterparty loss is likely to be higher - but these figures do act as a proxy benchmark for risk across the portfolio.

The Council's maximum security risk benchmark for the whole portfolio, when compared to these historic default tables, is shown at paragraph 6.2.1 in the Treasury Management Strategy at Annex B.

These benchmarks are embodied in the criteria for selecting cash investment counterparties and these will be monitored and reported to Members in the Investment Annual Report. As this data is collated, trends and analysis will be collected and reported. Where a counterparty is not credit rated a proxy rating will be applied.

Annex B3

TREASURY MANAGEMENT CLAUSES TO FORM PART OF FINANCIAL REGULATIONS

1. This Council will create and maintain, as the cornerstones for effective treasury management:

    - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;

    - Suitable TMPs, setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

2. The Council will receive reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, a mid year review and an annual report after its close, in the form prescribed in its TMPs.

3. The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Executive Director (Finance), who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

4. The organisation nominates the Corporate Overview Panel to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

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