

ANNEX B - Interest Rate Forecast 2011/2015

Sector's Interest Rate View															
	Now	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Sector's Bank Rate View	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	2.00%	2.25%	2.50%
3 Month LIBID	0.87%	0.70%	0.70%	0.70%	0.70%	0.70%	0.75%	0.80%	0.90%	1.20%	1.40%	1.60%	2.10%	2.40%	2.60%
6 Month LIBID	1.16%	1.00%	1.00%	1.00%	1.00%	1.00%	1.10%	1.20%	1.40%	1.60%	1.80%	2.00%	2.50%	2.70%	2.90%
12 Month LIBID	1.65%	1.50%	1.50%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.20%	2.40%	2.60%	3.10%	3.20%	3.30%
5yr PWLB Rate	2.25%	2.30%	2.30%	2.30%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.10%	3.30%	3.50%	3.70%
10yr PWLB Rate	3.33%	3.30%	3.30%	3.30%	3.40%	3.40%	3.50%	3.60%	3.70%	3.80%	4.00%	4.20%	4.40%	4.60%	4.80%
25yr PWLB Rate	4.24%	4.20%	4.20%	4.20%	4.30%	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%
50yr PWLB Rate	4.26%	4.30%	4.30%	4.30%	4.40%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.30%
Bank Rate															
Sector's View	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	2.00%	2.25%	2.50%
UBS	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	-	-	-	-	-	-	-	-	-
Capital Economics	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	-	-	-	-	-
5yr PWLB Rate															
Sector's View	2.25%	2.30%	2.30%	2.30%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.10%	3.30%	3.50%	3.70%
UBS	2.25%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Economics	2.25%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	-	-	-	-	-
10yr PWLB Rate															
Sector's View	3.33%	3.30%	3.30%	3.30%	3.40%	3.40%	3.50%	3.60%	3.70%	3.80%	4.00%	4.20%	4.40%	4.60%	4.80%
UBS	3.33%	3.45%	3.45%	3.50%	3.60%	3.65%	-	-	-	-	-	-	-	-	-
Capital Economics	3.33%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	-	-	-	-	-
25yr PWLB Rate															
Sector's View	4.24%	4.20%	4.20%	4.20%	4.30%	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%
UBS	4.24%	4.80%	4.90%	4.90%	4.90%	4.90%	-	-	-	-	-	-	-	-	-
Capital Economics	4.24%	4.30%	4.30%	4.30%	4.30%	4.30%	4.30%	4.30%	4.30%	4.30%	-	-	-	-	-
50yr PWLB Rate															
Sector's View	4.26%	4.30%	4.30%	4.30%	4.40%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.30%
UBS	4.26%	4.80%	4.95%	4.95%	5.00%	5.00%	-	-	-	-	-	-	-	-	-
Capital Economics	4.26%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	-	-	-	-	-

Annex C

Specified and Non-Specified Investments Categories

A variety of specified and non-specified investment instruments will be used to place the Council's surplus funds. These investment instruments are, subject to the credit quality of the institution. The criteria, time limits and monetary limits applying to institutions or investment vehicles are list in the tables below.

Accounting treatment of investments. *The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, a review of the accounting implications of new transactions will be occur before they are undertaken.*

SPECIFIED INVESTMENTS:

All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' rating criteria where applicable

Institution / Counterparty	Minimum 'High' Credit Criteria	Use
<i>Term Deposits with nationalised banks and banks and building societies operating with government guarantees</i>		
<i>Debt Management Agency Deposit Facility</i>	UK Sovereign rating	In-house
<i>Term deposits – local authorities</i>	UK Sovereign rating Coded: Orange on Sectors Matrix. Fitch's rating: Short-term F-1+, Long-term AA-, Individual B, Support 2 Or equivalent rating from Standard & Poors and Moody's	In-house
<i>Term deposits – banks and building societies</i>		In-house
<i>Collateralised deposit</i>	UK Sovereign rating	In-house and Fund Mangers
<i>Certificates of deposits issued by banks and building societies covered by UK Government guarantee</i>	UK Sovereign rating	In-house and Fund Mangers

<i>Certificates of deposits issued by banks and building societies</i>	<i>Fitch's rating: UK sovereign rating or Short-term F-1+, Long-term AA-, Individual B, Support 2 or equivalent rating from Standard&Poors and Moody's</i>	<i>In-house and Fund Mangers</i>
<i>UK Government Gilts</i>	<i>UK Sovereign rating</i>	<i>In-house buy and hold and Fund Managers</i>
<i>Bonds issued by multilateral development banks</i>	<i>Long term AAA</i>	<i>In-house buy and hold and Fund Managers</i>
<i>Bonds issued by a financial institution which is guaranteed by the UK government</i>	<i>UK Sovereign rating</i>	<i>In-house buy and hold and Fund Managers</i>
<i>Sovereign bond issues (other than the UK gov't)</i>	<i>Sovereign rating</i>	<i>In-house buy and hold and Fund Managers</i>
<i>Treasury Bills</i>	<i>UK Sovereign rating</i>	<i>Fund Managers</i>
<i>Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -</i>		
<i>1. Government Liquidity Funds</i>	<i>Short-term F1, Long-term AAA</i>	<i>In-house and Fund Managers</i>
<i>2. Money Market Funds</i>	<i>Short-term F-1, Long-term AAA</i>	<i>In-house and Fund Managers</i>
<i>.3. Enhanced cash funds</i>	<i>Short-term F-1, Long-term AAA</i>	<i>In-house and Fund Managers</i>
<i>4. Bond Funds</i>	<i>Long-term AAA</i>	<i>In-house and Fund Managers</i>
<i>5. Gilt Funds</i>	<i>Long-term AAA</i>	<i>In-house and Fund Managers</i>
<i>UK Nationalised Banks</i>	<i>UK sovereign rating</i>	<i>In-house and Fund Managers</i>
<i>UK Part nationalised Banks</i>	<i>UK sovereign rating</i>	<i>In-house and Fund Managers</i>

NON-SPECIFIED INVESTMENTS:

A maximum of 100% can be held in aggregate in non-specified investment

1. Maturities of ANY period

Institution / Counterparty	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
<i>Term deposits – banks and building societies</i>	<i>Coded: red and green on Sectors Matrix. Fitch's rating: Short-term F-1, Long-term A-, Or equivalent rating from Standard & Poors and Moody's</i>	<i>In-house</i>	<i>100%</i>	<i>3-6 Months</i>

Fixed term deposits with variable rate and variable maturities: -Structured deposits	Short-term F1+, Long-term AA-, Individual B, Support 2	In-house	40%	1 Year
Certificates of deposits issued by banks and building societies NOT covered by UK Government guarantee	Short-term F1+, Long-term AA-, Individual B, Support 2	In-house buy and hold and Fund Managers	30%	1 Year
Commercial paper issuance covered by a specific UK Government guarantee and issued by banks covered by the UK bank support package	UK Sovereign rating	In-house and Fund Managers	30%	1 Year
Commercial paper other	Short-term F1+, Long-term AA-, Individual B, Support 2	In-house	30%	1 Year
Corporate Bonds other: the use of these investments are under consultation. From 1/4/12 potential that they are no longer classed as capital expenditure. (Update will be given in the outturn report)	Short-term F1+, Long-term AA-, Individual B, Support 2	In-house and Fund Managers	N/A – Capital Expenditure BUT Under consultation 1/4/12.	N N/A – Capital Expenditure - But Under consultation 1/4/12.
Other debt issuance by UK banks covered by UK Government guarantee	UK Government explicit guarantee	In-house and Fund Managers	30%	
Floating Rate Notes: the use of these investments would constitute capital expenditure unless they are issued by a multi lateral development bank	Long-term AAA	Fund Managers	N/A – Capital Expenditure	N/A – Capital Expenditure
Property fund: the use of these investments would constitute capital expenditure	--	Fund Managers	N/A – Capital Expenditure	N/A – Capital Expenditure
Local Authority mortgage guarantee scheme	Short-term F1+, Long-term AA-, Individual B, Support 2	In-house		

2. Maturities in excess of 1 year

Term deposits – local authorities	--	In-house	10%	> 1 year
Term deposits – banks and building societies	Coded: Purple on Sectors Matrix. Fitch's rating: Short-term F1+, Long-term AA-, Individual B, Support 2 Or equivalent rating	In-house	10%	> 1 year

		<i>from Standard & Poo's and Moody's</i>			
Certificates of deposits issued by banks and building societies covered by UK Government guarantee	UK Sovereign	In house and Fund Managers	10%	> 1 year	
Certificates of deposits issued by banks and building societies covered by the UK government banking support package	UK Sovereign	In house and Fund Managers	10%	> 1 year	
Certificates of deposits issued by banks and building societies NOT covered by the UK government banking support package	Short-term F1+, Long-term AA-, Individual B, Support 2	In house and Fund Managers	10%	> 1 year	
UK Government Gilts	UK Sovereign rating	In-house and Fund Managers	10%	> 1 year	
Bonds issued by multilateral development banks	Long term AAA	In-house and Fund Managers	10%	> 1 year	
Sovereign bond issues (i.e. other than the UK govt)	Long term AAA	In-house and Fund Managers	10%	> 1 year	
<i>Collective Investment Schemes structure as open Ended Investment Companies (OEICs)</i>					
1. Bond Funds	Long-term AAA	In-house and Fund Managers			
2. Gilt Funds	Long-term AAA	In-house and Fund Managers			

Annex D

Approved countries for investments

AAA

- Australia
- Canada
- Denmark
- Finland
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- U.K.

AA+

-
- France
- Hong Kong
- U.S.A.

AA

- Belgium
- UAE

AA-

- Japan
- Qatar
- Saudi Arabia



Treasury Management Scheme of Delegation

(i) Executive / Full Council

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

(ii) Executive

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

(iii) Audit & Governance Committee

- receiving and scrutinising reports on treasury management policies, practices and activities
- scrutinising the annual strategy, annual outturn and quarterly updates.

(iv) Director of resources (Section 151 Officer)

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.
- Approving the selection of external service providers and agreeing terms of contract in accordance with the delegations in financial regulations.

The Treasury Management Role of the Section 151 Officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
 - submitting regular treasury management policy reports
 - submitting budgets and budget variations
 - receiving and reviewing management information reports
 - reviewing the performance of the treasury management function
-

- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers.

