

Annex A - Interest Rate Forecast 2014-2017

| Capita Asset Services Interest Rate View | | | | | | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Mar-15 | Jun-15 | Sep-15 | Dec-15 | Mar-16 | Jun-16 | Sep-16 | Dec-16 | Mar-17 | Jun-17 | Sep-17 | Dec-17 | Mar-18 |
| Bank Rate View | 0.50% | 0.50% | 0.50% | 0.75% | 0.75% | 1.00% | 1.00% | 1.25% | 1.25% | 1.50% | 1.75% | 1.75% | 2.00% |
| 3 Month LIBID | 0.50% | 0.50% | 0.60% | 0.80% | 0.90% | 1.10% | 1.10% | 1.30% | 1.40% | 1.50% | 1.80% | 1.90% | 2.10% |
| 6 Month LIBID | 0.70% | 0.70% | 0.80% | 1.00% | 1.10% | 1.20% | 1.30% | 1.50% | 1.60% | 1.70% | 2.00% | 2.10% | 2.30% |
| 12 Month LIBID | 0.90% | 1.00% | 1.10% | 1.30% | 1.40% | 1.50% | 1.60% | 1.80% | 1.90% | 2.00% | 2.30% | 2.40% | 2.60% |
| 5yrPW IB Rate | 2.20% | 2.20% | 2.30% | 2.50% | 2.60% | 2.80% | 2.90% | 3.00% | 3.20% | 3.30% | 3.40% | 3.50% | 3.60% |
| 10yrPW IB Rate | 2.80% | 2.80% | 3.00% | 3.20% | 3.30% | 3.50% | 3.60% | 3.70% | 3.80% | 3.90% | 4.00% | 4.10% | 4.20% |
| 25yrPW IB Rate | 3.40% | 3.50% | 3.70% | 3.80% | 4.00% | 4.20% | 4.30% | 4.40% | 4.50% | 4.60% | 4.70% | 4.70% | 4.80% |
| 50yrPW IB Rate | 3.40% | 3.50% | 3.70% | 3.80% | 4.00% | 4.20% | 4.30% | 4.40% | 4.50% | 4.60% | 4.70% | 4.70% | 4.80% |
| Bank Rate | | | | | | | | | | | | | |
| Capita Asset Services | 0.50% | 0.50% | 0.50% | 0.75% | 0.75% | 1.00% | 1.00% | 1.25% | 1.25% | 1.50% | 1.75% | 1.75% | 2.00% |
| Capital Economics | 0.50% | 0.50% | 0.75% | 0.75% | 1.00% | 1.00% | 1.25% | 1.25% | - | - | - | - | - |
| 5yrPW IB Rate | | | | | | | | | | | | | |
| Capita Asset Services | 2.20% | 2.20% | 2.30% | 2.50% | 2.60% | 2.80% | 2.90% | 3.00% | 3.20% | 3.30% | 3.40% | 3.50% | 3.60% |
| Capital Economics | 2.20% | 2.50% | 2.70% | 3.00% | 3.10% | 3.20% | 3.30% | 3.40% | - | - | - | - | - |
| 10yrPW IB Rate | | | | | | | | | | | | | |
| Capita Asset Services | 2.80% | 2.80% | 3.00% | 3.20% | 3.30% | 3.50% | 3.60% | 3.70% | 3.80% | 3.90% | 4.00% | 4.10% | 4.20% |
| Capital Economics | 2.80% | 3.05% | 3.30% | 3.55% | 3.60% | 3.65% | 3.70% | 3.80% | - | - | - | - | - |
| 25yrPW IB Rate | | | | | | | | | | | | | |
| Capita Asset Services | 3.40% | 3.50% | 3.70% | 3.80% | 4.00% | 4.20% | 4.30% | 4.40% | 4.50% | 4.60% | 4.70% | 4.70% | 4.80% |
| Capital Economics | 3.25% | 3.45% | 3.65% | 3.85% | 3.95% | 4.05% | 4.15% | 4.25% | - | - | - | - | - |
| 50yrPW IB Rate | | | | | | | | | | | | | |
| Capita Asset Services | 3.40% | 3.50% | 3.70% | 3.80% | 4.00% | 4.20% | 4.30% | 4.40% | 4.50% | 4.60% | 4.70% | 4.70% | 4.80% |
| Capital Economics | 3.30% | 3.50% | 3.70% | 3.90% | 4.00% | 4.10% | 4.20% | 4.30% | - | - | - | - | - |

Please note – The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012

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, treasury officers will review the accounting implications of new transactions 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 |
|--|---|---------------------------|
| Debt Management Agency Deposit Facility | UK Sovereign rating | In-house |
| Term deposits – Local Authorities | UK Sovereign rating | In-house |
| Term deposits – banks and building societies | Coded: Orange on Capitas Matrix. Fitch's rating: Short-term F1+, Long-term AA-, Individual B, Support 2 Or equivalent rating from Standard & Poors and Moody's | In-house |
| UK Part nationalised banks | Coded: Blue on Capitas Matrix. Fitch's rating: Short-term F1+, Long-term AA-, Individual B, Support 2 Or equivalent rating from Standard & Poors and Moody's | In-house and Fund Mangers |
| Banks part nationalised by high credit rated (sovereign rating) countries – non UK | Coded: Blue on Capitas Matrix. Fitch's rating: Short-term F1+, Long- | In-house and Fund Mangers |

| | | |
|--|---|--|
| | term AA-, Individual B, Support 2 Or equivalent rating from Standard & Poors and Moody's | |
| Collateralised deposit | Coded: Orange on Capitas Matrix / UK Sovereign rating | In-house and Fund Mangers |
| Certificates of deposits issued by banks and building societies covered by UK Government guarantee | Coded: Orange on Capitas Matrix / UK Sovereign rating | In-house and Fund Mangers |
| Certificates of deposits issued by banks and building societies | F Coded: Orange on Capitas Matrix / Fitch's rating: UK sovereign rating or Short-term F1+, Long-term AA-, Individual B, Support 2 or equivalent rating from Standard & Poors and Moodys | In-house and Fund Mangers |
| UK Government Gilts | Coded: Orange on Capitas Matrix / UK Sovereign rating | In-house buy and hold and Fund Mangers |
| Bonds issued by multilateral development banks | Coded: Orange on Capitas Matrix / Long term AAA | In-house buy and hold and Fund Mangers |
| Bonds issued by a financial institution which is guaranteed by the UK government | Coded: Orange on Capitas Matrix / UK Sovereign rating | In-house buy and hold and Fund Mangers |
| Sovereign bond issues (other than the UK govt) | Coded: Orange on Capitas Matrix / Sovereign rating | In-house buy and hold and Fund Mangers |
| Treasury Bills | Coded: Orange on Capitas Matrix / UK Sovereign rating | Fund Mangers |
| Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): - | | |
| 1. Government Liquidity Funds | Short-term F1, Long-term AAA | In-house and Fund Mangers |
| 2. Money Market Funds | Short-term F1, Long-term AAA | In-house and Fund Mangers |
| .3. Enhanced cash funds | Short-term F1, Long-term AAA | In-house and Fund Mangers |
| 4. Bond Funds | Long-term AAA | In-house and Fund Mangers |
| 5. Gilt Funds | Long-term AAA | In-house and Fund Mangers |
| 6. Property Funds | Long-term AAA | In-house and Fund Mangers |
| UK Nationalised Banks | UK sovereign rating | In-house and Fund Mangers |
| UK Part nationalised Banks | UK sovereign rating | In-house and Fund |

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 |
|--|--|---|----------------------------|----------------------|
| Term deposits – banks and building societies | Coded: red (6mths) and green (3mths) on Capitas Matrix. Fitch's rating: Short-term F1, Long-term A-, Or equivalent rating from Standard & Poors and Moody's | In-house | 100% | 3-6 Months |
| Fixed term deposits with variable rate and variable maturities: -Structured deposits | Coded: orange (1yr) red (6mths) and green (3mths) on Capitas Matrix. Fitch's rating: Short-term F1, Long-term A-, Or equivalent rating from Standard & Poors and Moody's | In-house | 40% | 1 Year |
| Certificates of deposits issued by banks and building societies NOT covered by UK Government guarantee | Coded: orange (1yr) red (6mths) and green (3mths) on Capitas Matrix. Fitch's rating: Short-term F1, Long-term A-, Or equivalent rating from Standard & Poors and Moody's | 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 | Coded: orange (1yr) red (6mths) and green (3mths) on Capitas Matrix. Fitch's rating: Short-term F1, Long-term A-, Or equivalent rating from Standard & | In-house | 30% | 1 Year |

| | | | | |
|---|--|----------------------------|---------------------------|---------------------------|
| | Poors and Moody's | | | |
| Corporate Bonds | Coded: orange (1yr) red (6mths) and green (3mths) on Capitas Matrix. Fitch's rating: Short-term F1, Long-term A-, Or equivalent rating from Standard & Poors and Moody's | In-house and Fund Managers | 30% | 1 Year |
| 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 | Coded: orange (1yr) red (6mths) and green (3mths) on Capitas Matrix. Fitch's rating: Short-term F1, Long-term A-, Or equivalent rating from Standard & Poors and Moody's | 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(2yrs) or Yellow (5yrs) on Capitas Matrix. Fitch's rating: Short-term F1+, Long-term AA-, Support 2 Or equivalent rating from Standard & Poors and Moody's | In-house | 10% | > 1 year |
| 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 | UK Sovereign | In house and Fund Managers | 10% | > 1 year |

| | | | | |
|--|---|----------------------------|-----|----------|
| the UK government banking support package | | | | |
| Certificates of deposits issued by banks and building societies NOT covered by the UK government banking support package | Coded: Purple(2yrs) or Yellow (5yrs) on Capitas Matrix / Short-term F1+, Long-term AA-, 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 |
| Collective Investment Schemes structure as open Ended Investment Companies (OEICs) | | | | |
| 1. Bond Funds | Long-term AAA | In-house and Fund Managers | | |
| 2. Gilt Funds | Long-term AAA | In-house and Fund Managers | | |

Approved countries for investments

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- Hong Kong
- Netherlands
- U.K.
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Qatar

AA-

- Belgium
- Saudi Arabia

Treasury Management Scheme of Delegation

(i) Cabinet / Full Council

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

(ii) Cabinet

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities

(iii) Audit & Governance Committee

- receiving and scrutinising reports on treasury management policies, practices and activities
- scrutinising the annual strategy, annual outturn and mid year review.

(iv) Director of Customer and Business Support (Section 151 Officer)

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.
- all operational decisions are delegated by the Council to the Director of Customer & Business Support Services, who operates within the framework set out in this strategy and through the Treasury Management Policies and Practices
- 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
- all operational decisions delegated by the Council to the Director of Customer & Business Support Services (S151 Officer), who operates within the framework set out in this

strategy and through the treasury management policies and practices

- 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.