Agenda Item No:	**12**	**Report No:**	**109/13**
Report Title:	**Treasury Management**		
Report To:	**Audit and Standards Committee**	**Date: 24 June 2013**	
Ward(s) Affected:	**All**		
Report By:	**Director of Finance**		

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Purpose of Report:

To present details of recent Treasury Management activity and the Treasury Management Report for 2012/2013.

Officers Recommendation:

1. To confirm to Cabinet that Treasury Management activity between 1 March and 31 May 2013 has been in accordance with the approved Treasury Strategies for that period.

2. To review the Annual Treasury Management Report for 2012/2013.

3. To note the contents of this report.

Reasons for Recommendations

1 The Council's approved Treasury Strategy Statement requires the Audit and Standards Committee to review details of Treasury transactions and make observations to Cabinet.

Information

2 Treasury Management Activity

2.1 The Council's approved Treasury Strategy Statement requires the Audit and Standards Committee to review details of Treasury Strategy transactions against the criteria set out in the Strategy and make observations to Cabinet as appropriate.

2.2 The timetable for reporting Treasury Management activity over the next year (and including the current meeting) will be as shown in the table overleaf. This takes into account the timescale for the publication of each Committee agenda and is on the basis that it is preferable to report on activity for complete months. Any extraordinary activity taking place between the close of the reporting period and the date of the Audit and Standards Committee meeting will be reported verbally at that meeting.

Meeting date	Reporting period for transactions
24 June 2013	1 March 2013 to 31 May 2013
23 September 2013	1 June 2013 to 31 August 2013
2 December 2013	1 September 2013 to 31 October 2013
27 January 2014	1 November 2013 to 31 December 2013
17 March 2014	1 December 2014 to 28 February 2014

2.3 It should be noted that the transactions referred to in this report span two financial years and were therefore undertaken with reference to the terms set out under two separately approved Treasury Strategies.

2.4 Fixed Term Deposits pending maturity

The following table shows the fixed term deposits held at 31 May 2013 (excluding that with the Icelandic bank, Landsbanki Islands hf), and identifies the long-tem and short-term credit rating of each counterparty at the date of investment. It is important to note that credit ratings are only one of the criteria that are taken into account when determining whether a potential counterparty is suitable. The minimum ratings required for deposits made in both 2012/2013 and 2013/2014 are long term minimum A (Fitch) and short term F1 (Fitch).

All of the deposits met the necessary criteria.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term rating	Short-term rating
219913	Thurrock Borough Council	11 Apr 13	11 Jul 13	91	2,000,000	0.30	* not applicable	
212113	Nationwide Building Society	19 Apr 13	21 Oct 13	185	2,000,000	0.52	A+	F1
212213	Nationwide Building Society	29 Apr 13	29 Jul 13	91	1,000,000	0.44	A+	F1
213413	Plymouth City Council	28 May 13	22 Jul 13	55	1,000,000	0.28	* not applicable	
	Total				6,000,000			

*UK Government body and therefore not subject to credit rating

2.5 Fixed Term Deposits which have matured in the reporting period

The table overleaf shows the fixed term deposits which have matured since 1 March 2013, in maturity date order. It is important to note that the table includes sums reinvested and that in total the Council's investments have not increased by £33.8m over this period. Further information is given in paragraph 2.12.

At no stage did the total amount held by any counterparty exceed the approved limit set out in the Investment Strategy. The average rate of interest earned on deposits **held** in the period 1 March 2013 to 31 May 2013 was 0.38% which is lower than the average bank base rate for the period, 0.50%. Those **made** during the period averaged 0.37%.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term rating	Short-term rating
213613	Nationwide Building Society	01 Feb 13	01 Mar 13	28	1,000,000	0.38	A+	F1
213513	Birmingham City Council	18 Feb 13	18 Mar 13	28	2,000,000	0.27	* not applicable	
211112	Plymouth City Council	20 Feb 13	05 Apr 13	44	2,000,000	0.28	* not applicable	
211713	Debt Management Office	02 Apr 13	10 Apr 13	08	3,800,000	0.25	* not applicable	
211813	Debt Management Office	05 Apr 13	10 Apr 13	05	1,000,000	0.25	* not applicable	
210712	Thurrock Bouugh Council	01 Feb 13	11 Apr 13	69	2,000,000	0.35	* not applicable	
210312	Nationwide Building Society	15 Jan 13	15 Apr 13	90	2,000,000	0.44	A+	F1
212013	Debt Management Office	15 Apr 13	22 Apr 13	07	2,500,000	0.25	* not applicable	
211612	Nationwide Building Society	27 Mar 13	29 Apr 13	33	1,000,000	0.38	A+	F1
212313	Debt Management Office	01 May 13	07 May 13	06	1,000,000	0.25	* not applicable	
212613	Debt Management Office	07 May 13	08 May 13	01	1,000,000	0.25	* not applicable	
212413	Debt Management Office	01 May 13	09 May 13	08	1,400,000	0.25	* not applicable	
212513	Debt Management Office	01 May 13	13 May 13	12	1,000,000	0.25	* not applicable	
212713	Debt Management Office	08 May 13	14 May 13	06	1,000,000	0.25	* not applicable	
212813	Debt Management Office	09 May 13	20 May 13	11	1,500,000	0.25	* not applicable	
212913	Debt Management Office	13 May 13	20 May 13	07	1,200,000	0.25	* not applicable	
213013	Debt Management Office	14 May 13	20 May 13	06	1,000,000	0.25	* not applicable	
213113	Debt Management Office	15 May 13	22 May 13	07	3,000,000	0.25	* not applicable	
213213	Debt Management Office	16 May 13	22 May 13	06	3,000,000	0.25	* not applicable	
213313	Debt Management Office	22 May 13	28 May 13	06	1,400,000	0.25	* not applicable	
	Total				33,800,000			

*UK Government body and therefore not subject to credit rating

2.6 Use of Deposit accounts

In addition to the fixed term deposits, the Council has made use of the following deposit accounts in the period covered by this report, with the average amount held being £5,145,905 generating interest of approximately £7,889.

	Balance at 31 May '13 £'000	Average balance £'000	Average interest rate %
Co-Operative Bank overnight account	0	132	Nominal
Santander Business Reserve Account	1,400	2636	0.55
Bank of Scotland Corporate Deposit Account	0	2,378	0.50

2.7 The Council's bank is the Co-operative Bank plc. The Bank reported a loss of £509m for 2012 and the Fitch credit ratings assigned to the Bank remain on 'negative watch' (ie there is a heightened probability of a downward change in the rating). In May 2013 Moody's credit ratings agency downgraded the Bank's long-term and short-term ratings. These are shown overleaf :

	Moody's Co-operative Bank	Treasury Strategy Criteria (Moody's)	Steps below Strategy Criteria
Long-term	Ba3	A2	7
Short-term	NP	P-1	2

2.8 The downgrade of the ratings reflects Moody's opinion that the Bank faces the risk of further substantial losses in its non-core portfolio. The long-term rating is now sub-investment grade and the short-term rating is 'not prime'.

2.9 The Council's approved Treasury Strategy for 2013/2014 notes that the credit ratings assigned to the Bank are below the minimum criteria but that it will continue to be used for short term liquidity requirements (daylight cover, overnight and weekend investments) and business continuity arrangements. The Council's Treasury Advisor, Arlingclose, recognises that many of its clients bank with the Co-op and will continue to use it for operational and liquidity purposes.

2.10 Use of Money Market Funds

Details of the amounts held in the two Money Market Fund (MMF) accounts used by the Council are shown overleaf. The approved Investment Strategy allows a maximum investment of £1m in each fund, and at no time was this limit exceeded.

	Balance at 31 May '13 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	580	594	0.52
Deutsche Managed Sterling Fund	330	590	0.49

2.11 Purchase of Treasury Bills

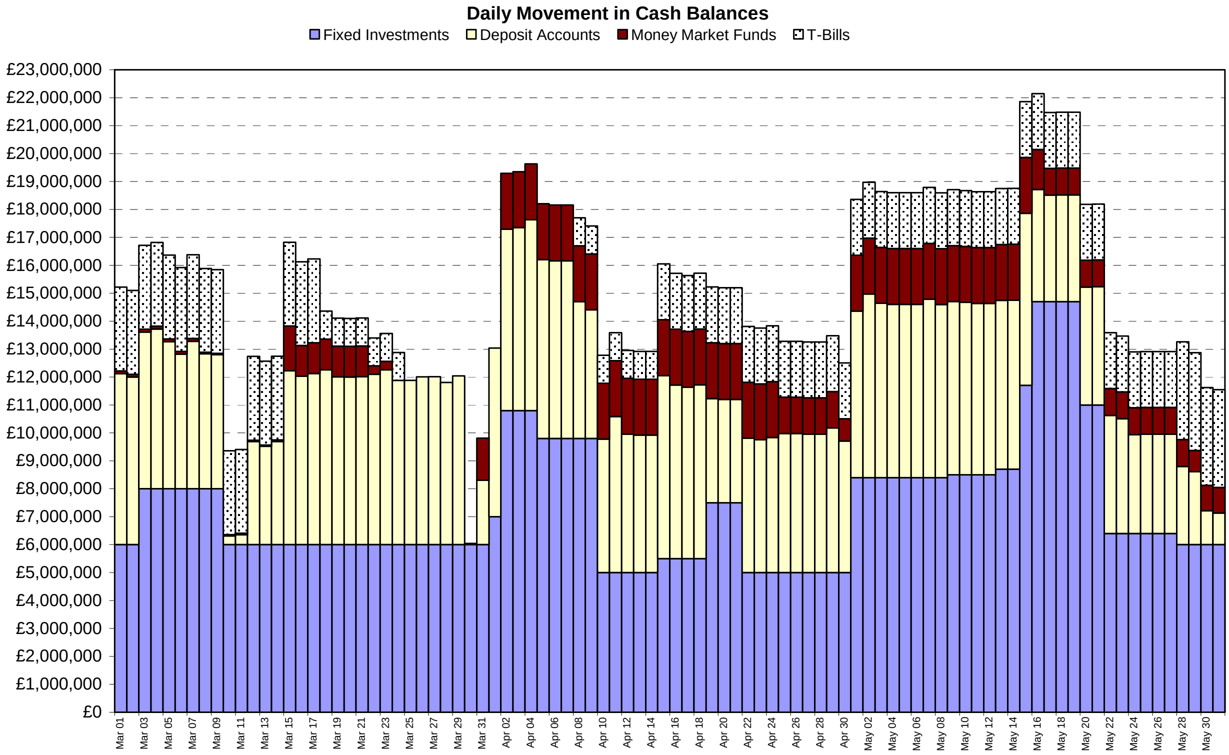
As reported previously, the Council is now utilising Government Treasury Bills (T-Bills) in order to diversify its range of investments.

The table below shows the T-Bills held at 31 May 2013 and activity in the period. It is the Council's intention to hold both T-Bills until maturity.

	Purchased in period	Purchase date	£'000	Average return %
Held at 31 May 2013				
UK Treasury Bill 0% 08 Jul 2013	✓	08/04/13	1,000	0.35
UK Treasury Bill 0% 15 Jul 2013	✓	15/04/13	2,000	0.35
UK Treasury Bill 0% 15 Jul 2013	✓	15/04/13	2,000	0.35
Matured since last report				
UK Treasury Bill 0% 18 Mar 2013		18/02/13	2,000	0.30
UK Treasury Bill 0% 25 Mar 2013		17/12/12	1,000	0.19

2.12 Overall investment position

The chart below summarises the Council's investment position over the period 1 March 2013 to 31 May 2013. It shows the total sums invested each day as either Fixed Term deposits, T-Bills, amounts held in Deposit accounts or MMFs. It excludes the residual element (£0.5m) of the Council's deposit with Landsbanki Islands hf, currently pending distribution.



2.13 Borrowing

There has been no change to the Council's long term borrowing in the reporting period, which remains at £56.673m. No temporary borrowing has been undertaken. The Council's banking contract gives access to a £1m overdraft facility (annual cost £2,500). This is used as a tool of the Treasury Management operations given that it can be cheaper to use the overdraft than to pay the bank transaction charges associated with withdrawing amounts from the deposit accounts or Money Market Funds to cover overnight current account shortfalls.

3 Annual Treasury Management Report

3.1 As well as reviewing details of Treasury transactions during the course of the year, the Audit and Standards Committee is required to review a formal summary report after the year end before it is considered by Council in accordance with best practice and guidance issued by the Chartered Institute of Public Finance and Accountancy.

3.2 The Annual Report is attached at Appendix 1. Any comments that the Audit and Standards Committee may wish to make will be passed on to Cabinet, which is also required to review the Annual Report and will do so on 11 July 2013.

Financial Implications

4 All relevant implications are referred to in the above paragraphs.

Sustainability Implications

5 The Sustainability Screening process for this Report took place in June 2013. There are no implications for sustainability.

Risk Management Implications

6 The risk management implications associated with this activity are explained in the approved Treasury Management Strategy. No additional implications have arisen during the period covered by this report.

Equality Screening

7 The Equality Screening process for this Report took place in June 2013. There are no implications for equality.

Legal Implications

8 None arising from this report.

Appendix – Appendix 1: Annual Treasury Management Report 2012/2013

Background Papers - Treasury Strategy Statements 2012/2013 and 2013/2014
http://www.lewes.gov.uk/council/20987.asp

APPENDIX 1

Lewes District Council

Annual Treasury Management Report 2012/2013

<u>Contents</u>

1. Background

1.1 The Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury management report. The report must review treasury management activities and set out the final position of the Council's Treasury Prudential Indicators. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

1.2 The Council defines its Treasury Management activities as:

> *"the management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

1.3 The Council agreed its Treasury Management Strategy Statement and Investment Strategy 2012/2013 to 2014/2015 at its meeting in February 2012. At that time, final arrangements had not yet been made in respect of the Government's reform of local authority Housing finance, which would have a profound affect on the amount that the Council would have to borrow. Changes to Prudential Indicators to reflect the impact of the reform were approved during the year.

2. Overall Summary of Activity 2012/2013

2.1 The table below lists the key elements of the 2012/2013 Strategy and records actual performance against each one of them.

Key Element	Required by Strategy	Actual Performance	
Borrowing			
Underlying need to borrow (CFR) at year end	£71.224 million	£71.030 million	✓
Internal borrowing at year end	£14.551 million	£14.357 million	✓
New long-term borrowing in year	None anticipated	None undertaken	✓
Debt rescheduling in year	Review options but not anticipated	Options kept under review, none undertaken	✓
Interest paid in year	£2.021m	£1.730 million	✓
Investments			
Minimum counterparty credit ratings for investments of up to 1 year	Long-term A/ Short-term F1 (does not apply to Government and other local authorities)	At least Long-term A/ Short-term F1 where required	✓
Minimum counterparty credit ratings for investments of 1 to 3 years	Long-term AA-/ Short-term F1+	No investments of 1 to 3 years	✓
Sovereign status of counterparties	UK plus 10 specified nations	Only UK counterparties used	✓

Key Element	Required by Strategy	Actual Performance	
Money Market Funds	AAA rated with Constant Net Asset Value	AAA rated with Constant Net Asset Value	✓
Overnight exposure guideline for deposits with Cooperative	Maximum £1 million	Maximum £1 million	✓
Interest received in year	£0.090	£0.068	✓
Appointment of Investment Consultants			
Independent Treasury Adviser to be retained	Procurement exercise to be undertaken for new long-term contract	Arlingclose reappointed following procurement exercise	✓
Reporting and Training			
Reports to be made to Audit Committee and Cabinet	Every meeting	Every meeting	✓
Briefing sessions for Councillors and Staff	Arlingclose to provide	Arlingclose provided	✓

2.2 For those who are looking for more than this overall confirmation that all treasury management and investment activity in 2012/2013 has been carried out in accordance with the Council's agreed Strategy, the remainder of this report explores each of the key elements in more depth. Appendix A gives details of the final position on each of the Prudential Indicators, and Appendix B explores the Economic Background to the year's activity. A Glossary appears at the end of the document to explain the technical terms which could not be avoided when writing this report.

3. Detailed Analysis - Borrowing

3.1 The underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) are, together with Balances and Reserves, the core drivers of Treasury Management Activity. The CFR is, in simple terms, the amount of capital expenditure which has been incurred by the Council but which has not yet been paid for (by using, for example, grants, capital receipts, reserves or revenue income) and in the meantime is covered by internal or external borrowing. External borrowing is where loans are raised from the Public Works Loans Board or banks. Alternatively it is possible to use the significant levels of cash which have been set aside in Balances and Reserves and which would otherwise need to be invested with banks or other borrowers as a means to avoid taking on external loans. This is known as internal borrowing.

3.2 The CFR is calculated each year in accordance with a statutory formula. As noted above, the level of CFR increases each year by the amount of unfinanced capital expenditure and is reduced by the amount that the Council sets aside for the repayment of borrowing. In 2012/2013 the Council started the refurbishment of Southover House, Lewes as part of the Council's Agile Working project. This project is unfinanced pending the expected use of capital receipts generated from the sale of office buildings which will no longer be required when the project is complete. The table below also indicates an increase in the amount set aside for debt repayment. This increase relates to the application of HRA surplus funds to repay internal borrowing from the General Fund and is in accordance with the HRA Business Plan.

	2012/13 Original £m	2012/13 Revised £m	2012/13 Outturn £m
Opening CFR	70.612	70.421	70.421
Capital expenditure in year	6.993	13.921	8.331
Less financed	(6.993)	(12.964)	(6.983)
Less amount set aside for debt repayment	(0.650)	(0.154)	(0.739)
Closing CFR	**69.962**	**71.224**	**71.030**

3.3 The overall CFR can be split between the General Fund and Housing Revenue Account as follows:

CFR Component	2012/13 Revised £m	2012/13 Outturn £m
General Fund	2.652	3.042
Housing Revenue Account	68.572	67.988
Total	71.224	**71.030**

3.4 The following table compares the CFR with the amount that the Council holds in balances and reserves as well as working capital (day to day cash movements as well as grants, developer contributions and capital receipts held pending use). The total held in Balances and Reserves is higher than anticipated in the revised budget because of expenditure on capital projects switching into 2013/2014 and the favourable outturn in the General Fund and Housing Revenue Accounts.

	31/3/13 Revised £m	31/3/13 Outturn £m
(a) Capital Financing Requirement	71.224	71.030
(b) Actual external borrowing	(56.673)	(56.673)
(c) Use of Balances and Reserves as alternative to borrowing (a)–(b)	14.551	14.357
(d) Total Balances and Reserves	12.280	15.968
(e) Working capital	3.819	5.389
(f) Amount used as an alternative to borrowing (c) above	(14.551)	(14.357)
(g) Total investments ^ (d)+(e)–(f)	1.548	7.000

^ excludes Landsbanki deposit which is not readily available

3.5 The Council's loan portfolio at 31 March 2013 was:

Lender	Interest	Amount £m	Rate %	Maturity
PWLB	Fixed	4.00	2.7000	01/03/2024
PWLB	Fixed	5.00	3.3000	01/03/2032
PWLB	Fixed	2.00	3.0500	01/09/2027
PWLB	Fixed	2.00	2.7600	01/09/2024
PWLB	Fixed	4.00	2.9700	01/09/2026
PWLB	Fixed	5.00	3.2800	01/09/2031
PWLB	Fixed	4.00	2.6300	01/09/2023
PWLB	Fixed	5.00	3.4400	01/03/2037
PWLB	Fixed	6.67	3.5000	01/03/2042
PWLB	Fixed	5.00	3.4300	01/09/2036
PWLB	Variable	5.00	0.6200	28/03/2022
PWLB	Fixed	4.00	3.0100	01/03/2027
	Sub-total	51.67		
Barclays	LOBO	5.00	4.5000	06/04/2054
	Total	56.67		

3.6 In the table above the Lender's Options Borrower's Option (LOBO) loan was taken out in April 2004 with a term of 50 years. Every 4 years, the Lender has the option to increase the interest rate, and if it does so, the Council has the right to repay. In April 2012, the last review date, the Lender chose not to increase the interest rate and so the Council could not opt to repay.

3.7 Total interest paid on external long-term borrowing in the year was £1.730m, which was consistent with the revised budget for the year. As anticipated, the debt portfolio having been largely established in March 2012 on the introduction of self-financing for Housing, no debt restructuring took place during the year, and internal borrowing was used as an alternative to new external loans to underpin the increase in the CFR. The Council became eligible to access the Government's 'Certainty Rate' which was introduced by the PWLB in November 2012, allowing the Council to borrow at a reduction of 0.20% on the Standard Rate.

3.8 As noted in the Treasury Management Policy, two separate Loans Pools operated in 2012/2013, for the General Fund and HRA respectively. At 31 March 2013 the balance on internal loans from the General Fund to the HRA was £11.315m. Interest was charged on internal borrowing at 1.31% (equivalent to a one-year maturity loan from the PWLB at the start of the financial year).

4. Detailed Analysis - Investments

4.1 The Council held an average of £16.7m as cash during the year. This comprised working cash balances, capital receipts, earmarked reserves and developer contributions held pending use.

4.2 The Council's general policy objective is to invest its surplus funds prudently. Throughout 2012/2013, the Council's investment priorities were:

highest priority - security of the invested capital;
followed by - liquidity of the invested capital;
finally - an optimum yield commensurate with security and liquidity.

4.3 All of the Council's investments were managed in-house. Security of capital was maintained by following the counterparty policy set out in the Investment Strategy for 2012/2013. Investments during the year included:

- Deposits with the Debt Management Office (total £78.8m)
- Deposits with other Local Authorities (total £46.8m)
- Investments in AAA-rated Constant Net Asset Value Money Market Funds (MMFs) (average balance held in year £1.53m)
- Deposit accounts with UK Banks (average balance held in year £3.00m)
- Overnight deposits with the Council's banker, Cooperative Bank (average balance held in year £0.26m)
- Treasury Bills (first purchased in December 2012). Two purchases made, both maturing before 31 March 2013.

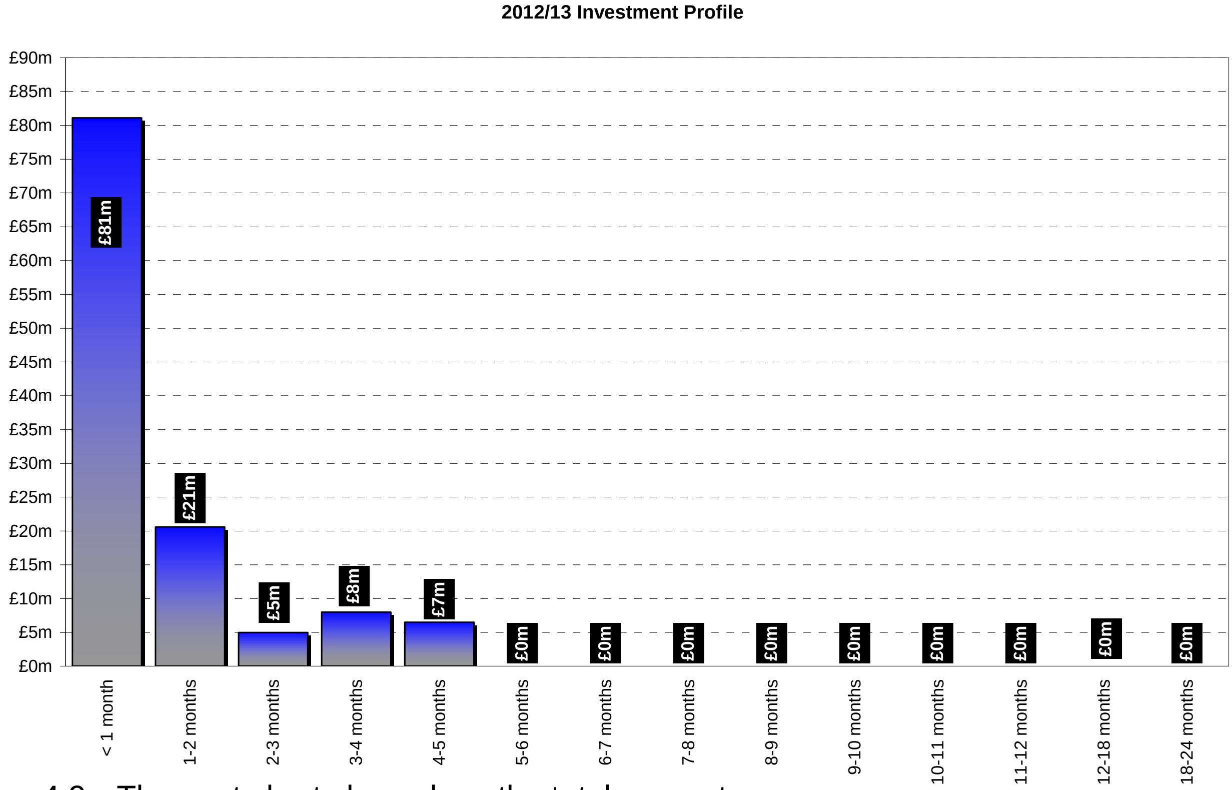
4.4 The guideline for use of the Cooperative Bank for overnight deposits is an overnight exposure limit of £1m. This was exceeded on one occasion when significant sums were received into the account late in the day, after the cut-off time for treasury management activity.

4.5 Counterparty credit quality was assessed and monitored with reference to credit ratings (a minimum long-term counterparty rating of A across all three rating agencies Fitch, Standard and Poors, and Moody's applied); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; any potential support mechanisms and share price.

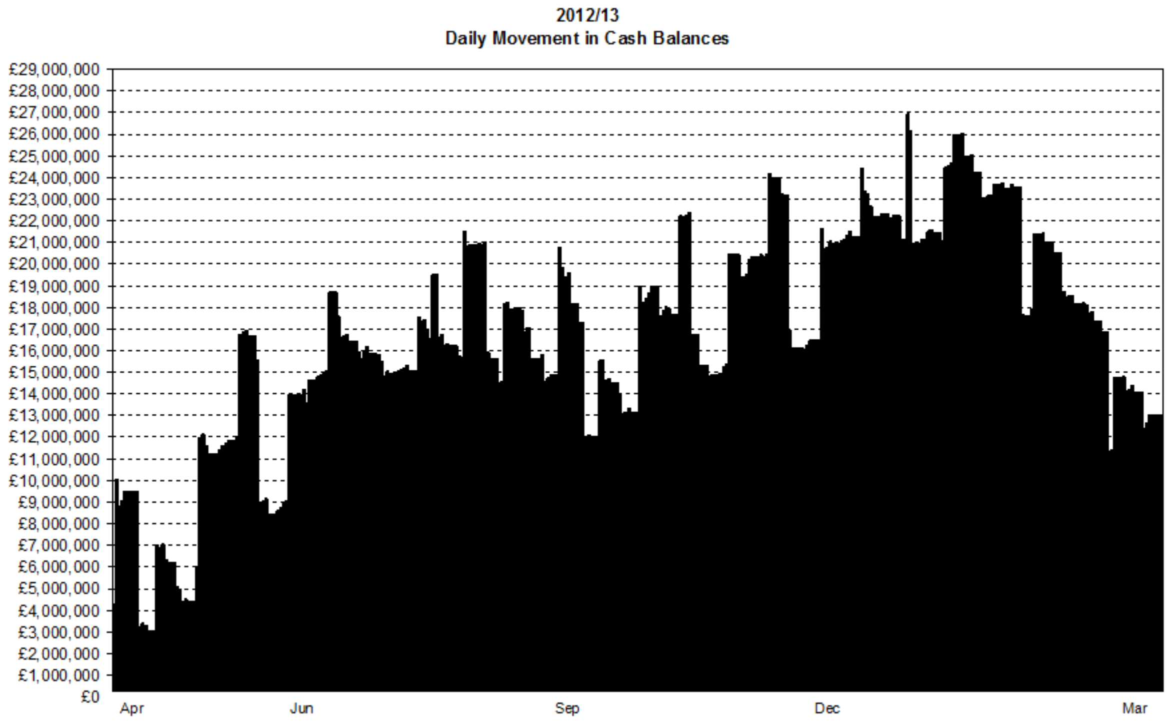
4.6 In keeping with Government guidance on investments, the Council maintained a sufficient level of liquidity through the use of MMFs, overnight deposits and the use of deposit accounts.

4.7 The Council sought to optimise returns commensurate with its objectives of security and liquidity. As expected when setting the investment income budget for 2012/2013, the UK Bank Rate was maintained at 0.5% through the year. Short term money market rates remained at very low levels which had a significant constraining impact on investment returns. As can be seen, the main type of investment made during 2012/2013 was with the Government's Debt Management Office, used in the absence of other counterparties which matched the Council's credit criteria. Deposits with the Debt Management Office attracted an interest rate of 0.25%, below the UK Bank Rate for the year.

4.8 A full list of temporary investments made in the year is given at Appendix C. All investments were made with UK institutions, and no new deposits were made for periods in excess of one year. The chart below gives an analysis of aggregate fixed term deposits by duration.

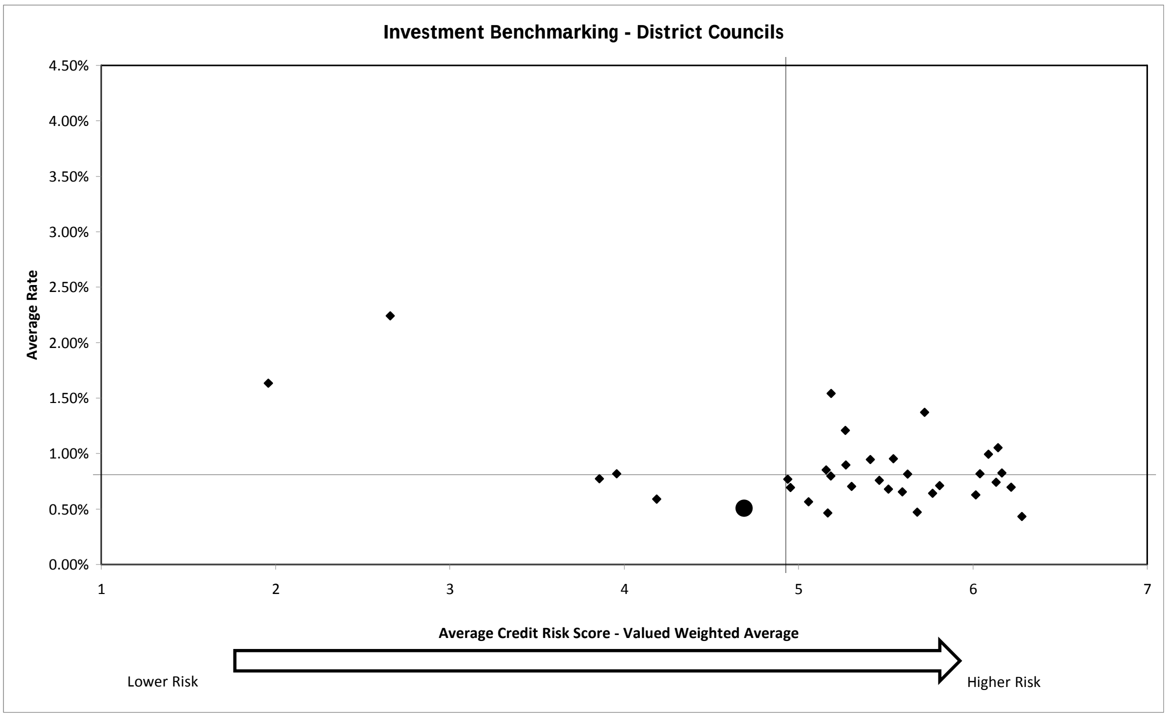


4.9 The next chart shows how the total amount invested varied from day to day over the course of the year, with the movement largely reflecting the cycle of grant, council tax and business rate receipts and precept payments made.



4.10 The budget for income generated by external investments in 2012/2013 was £0.090 million. Actual interest generated was 25% lower at £0.068 million, reflecting the continuing low rate of interest available on the lowest risk investments, primarily the Government's Debt Management Office.

4.11 The following chart illustrates the results of investment benchmarking carried out by Arlingclose as at 31 March 2013. It measures the average credit risk associated with the institutions with which the Council has invested against the average rate of return achieved. As can be seen, the Council's average investment return (indicated by the larger dot) was lower than most other district council clients of Arlingclose, but this is the consequence of our focus on low credit risk. Other districts have gained marginally higher returns but with greater risk. It is understood that those clients with relatively higher returns but lower credit risk hold long-standing investments.



5. Counterparty Update

In June, Moody's completed its review of banks with global capital market operations, downgrading the long-term ratings of all of them by between one to three steps. As a result, the UK banks Royal Bank of Scotland and NatWest Bank were suspended from the Council's authorised lending list, along with a number of non-UK banks, and have not been restored. Santander UK were suspended from the authorised list for a short time but were later restored.

6. Safe Custody Arrangement

The Council opened a Safe Custody facility with 'King and Shaxson' in early September. This enables Treasury Bill (T-Bill) transactions to be executed and the instruments held. As noted in paragraph 4.3 above, two T-Bills were purchased and held until maturity during 2012/2013.

7. Icelandic Bank Investment

7.1 The Council lodged a formal claim against Landsbanki Island hf in respect of its deposit of £1m (plus accrued interest) which was not repaid following the failure of the bank in October 2008. The Council's interests have been represented by the solicitors Bevan Brittan who were appointed by the Local Government Association (LGA) on behalf of all local authorities who had deposited funds with Icelandic banks which failed at that time.

7.2 Local authorities with investments in Iceland's Landsbanki gained priority status as creditors, with the decision ratified by the Icelandic Supreme Court. As a result, full recovery of the amount claimed, £1.047m, is expected, of which £0.500 has been received to date, including £0.188m in 2012/2013. The timing of future payments to the Council remains uncertain.

8. Compliance with Prudential Indicators

The Council can confirm that it has complied with its Prudential Indicators for 2012/2013. A detailed review of each of the Prudential Indicators is at Appendix A.

9. Reporting and Training

9.1 The Director of Finance reported the details of treasury management activity to each meeting of the Audit and Standards Committee and Cabinet held in 2012/2013. In addition, a mid-term summary report was issued in November 2012.

9.2 All councillors tasked with treasury management responsibilities, including scrutiny of the treasury management function, were offered the opportunity to attend a local briefing session led by the Council's appointed Treasury Management adviser, Arlingclose, on 15 October 2012.

9.3 The training needs of the Council's treasury management staff were reviewed as part of the annual corporate staff appraisal/training needs assessment process for all Council employees. Members of staff attended Arlingclose workshops alongside colleagues from other local authorities during 2012/2013.

10. Investment Consultants

In June 2012 Arlingclose was reappointed as the Council's treasury management adviser, for a four year term. The reappointment followed a competitive tendering process. Arlinglose was the primary source of information, advice and assistance relating to investment activity, with individual investment decisions being made by the Council.

Appendix A – Prudential Indicators 2012/2013

1. Background:

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. Some of the Prudential Indicators relate directly to the Council's Capital Programme These Indicators are also included below for completeness of reporting.

2. Net Borrowing and the Capital Financing Requirement

2.1 This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that the net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

2.2 The Director of Finance reports that the Council has had no difficulty meeting this requirement in 2012/2013, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the budget for 2013/2014.

3. Estimates of Capital Expenditure (direct link to Capital Programme)

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels.

No.	Capital Expenditure	2012/13 Original £m	2012/13 Revised £m	2012/13 Actual £m
1a	Non-HRA	1.533	9.206	2.079
1b	HRA	5.460	6.915	6.252
	Total	**6.993**	**16.121**	**8.331**

4. Ratio of Financing Costs to Net Revenue Stream (direct link to Capital Programme)

4.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs.

4.2 The ratio is based on costs net of investment income. Where investment income exceeds interest payments, the indicator is negative.

No.	Ratio of Financing Costs to Net Revenue Stream	2012/13 Original %	2012/13 Revised %	2012/13 Actual %
2a	Non-HRA	0.05	0.15	-0.02
2b	HRA	13.65	12.14	11.08

5. Capital Financing Requirement

5.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and its financing. It is an aggregation of the amounts shown for Fixed and Intangible assets, the Revaluation Reserve, the Capital Adjustment Account, Government Grants Deferred and any other balances treated as capital expenditure.

No	Capital Financing Requirement	2012/13 Original £m	2012/13 Revised £m	2012/13 Actual £m
3a	Non-HRA	2.540	2.652	3.042
3b	HRA	67.422	68.572	67.988
	Total CFR	**69.962**	**71.224**	**71.030**

5.2 The year-on-year change in the CFR is set out below.

Capital Financing Requirement	2012/13 Original £m	2012/13 Revised £m	2012/13 Actual £m
Balance B/F	70.612	70.421	70.421
Capital expenditure financed from borrowing	0.000	0.957	1.348
Revenue provision for Debt Redemption.	(0.650)	(0.154)	(0.739)
Balance C/F	**69.962**	**71.224**	**71.030**

6. Actual External Debt

This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit (see 8 below).

No.	Actual External Debt as at 31/03/2013	Revised £m	Actual £m
4a	Borrowing	56.573	56.673
4b	Other Long-term Liabilities	0.500	0.160
4c	**Total**	**57.073**	**56.833**

7. Incremental Impact of Capital Investment Decisions Stream (direct link to Capital Programme)

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

No.	Incremental Impact of Capital Investment Decisions	2012/13 Original £	2012/13 Revised £	2012/13 Actual £
5a	Increase in Band D Council Tax	14.40	66.74	7.68
5b	Increase in Average Weekly Housing Rents	13.64	13.55	7.74

The increase in Band D council tax/average weekly rents reflects the funding of the capital programme: for example, new borrowing increases interest payable, and funding from reserves utilises resources which could have otherwise been used to fund revenue expenditure. The actual indicators are less than the revised as a result of capital projects being deferred from 2012/2013 into 2013/2014.

8. Authorised Limit and Operational Boundary for External Debt

8.1 The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.

8.2 The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

8.3 The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

8.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit). The 2012/13 Actual values shown below are the maximum levels of borrowing experienced at any time during the year.

No.	Authorised Limit for External Debt	2012/13 Original £m	2012/13 Revised £m	2012/13 Actual £m
6a	Borrowing	72.00	72.00	56.67
6b	Other Long-term Liabilities	0.50	0.50	0.16
6c	**Total**	**72.50**	**72.50**	**56.83**

8.5 The **Operational Boundary** links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

8.6 The Director of Finance has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the immediately following meeting of the Cabinet. The 2011/12 Actual values shown below are the maximum levels of borrowing experienced at any time during the year.

No.	Operational Boundary for External Debt	2012/13 Original £m	2012/13 Revised £m	2012/13 Actual £m
7a	Borrowing	66.50	66.50	56.67
7b	Other Long-term Liabilities	0.50	0.50	0.16
7c	**Total**	**67.00**	**67.00**	**56.83**

9. Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the Council has adopted best practice.

No.	Adoption of the CIPFA Code of Practice in Treasury Management
8	The Council approved the adoption of the CIPFA Treasury Management Code in 2002. Following revisions to the Code published in December 2009, reconfirmed its adoption of the Code in February 2010.

10. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

10.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on net principal outstanding sums ie fixed rate debt net of fixed rate investments. The guidance notes to the updated Treasury Management Code allow the option for these indicators to be stated either in percentage or value terms. The decision has been taken to state these indicators as values which offers greater clarity.

10.2 The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget.

No.		2012/13 Original £m	2012/13 Revised £m	2012/13 Actual £m
9	**Upper Limit for Fixed Interest Rate Exposure**	72.5	72.5	51.7
10	**Upper Limit for Variable Interest Rate Exposure**	(20.0)	(27.5)	(26.9)

10.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's Treasury Management Strategy.

10.4 Because the Council's borrowing is substantially in excess of its investments, these calculations have resulted in a positive figure.

11. Maturity Structure of Fixed Rate borrowing

11.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

11.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

No.	Maturity structure of fixed rate borrowing	Lower Limit %	Upper Limit %	Actual %
11a	under 12 months	0	70	0
11b	12 months and within 24 months	0	70	0
11c	24 months and within 5 years	0	75	0
11d	5 years and within 10 years	0	75	0
11e	10 years and above	0	100	100

12. Upper Limit for total principal sums invested over 364 days

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested. No investments of more than 364 days were made during 2012/13.

No.	Upper Limit for total principal sums invested over 364 days	2012/13 Original %	2012/13 Revised %	2012/13 Actual %
12	Upper limit	50	50	0

Appendix B – Economic Background explained by Arlingclose

The global outlook stabilised mainly due to central banks maintaining low interest rates and expansionary monetary policy for an extended period. Equity market assets recovered sharply with the FTSE 100 registering a 9.1% increase over the year. This was despite economic growth in G-7 nations being either muted or disappointing.

In the UK the economy shrank in the first, second and fourth quarters of calendar 2012. It was the impressive 0.9% growth in the third quarter, aided by the summer Olympic Games, which allowed growth to register 0.2% over the calendar year 2012. The expected boost to net trade from the fall in the value of sterling did not materialise, but raised the price of imports, especially low margin goods such as food and energy. Avoiding a 'triple-dip' recession became contingent on upbeat services sector surveys translating into sufficient economic activity to overhaul contractions in the struggling manufacturing and construction sectors.

Household financial conditions and purchasing power were constrained as wage growth remained subdued at 1.2% and was outstripped by inflation. Annual CPI dipped below 3%, falling to 2.4% in June before ticking up to 2.8% in February 2013. Higher food and energy prices and higher transport costs were some of the principal contributors to inflation remaining above the Bank of England's 2% CPI target.

The lack of growth and the fall in inflation were persuasive enough for the Bank of England to maintain the Bank Rate at 0.5% and also sanction additional £50 billion asset purchases (QE) in July, taking total QE to £375 billion. The possibility of a rate cut was discussed at some of Bank's Monetary Policy Committee meetings, but was not implemented as the potential drawbacks outweighed the benefits of a reduction in the Bank Rate. In the March Budget the Bank's policy was revised to include the 2% CPI inflation remit alongside the flexibility to commit to intermediate targets.

The resilience of the labour market, with the ILO unemployment rate falling to 7.8%, was the main surprise given the challenging economic backdrop. Many of the gains in employment were through an increase in self-employment and part time working.

The Chancellor largely stuck to his fiscal plans with the austerity drive extending into 2018. In March the Office for Budgetary Responsibility (OBR) halved its forecast growth in 2013 to 0.6% which then resulted in the lowering of the forecast for tax revenues and an increase in the budget deficit. The government is now expected to borrow an additional £146bn and sees gross debt rising above 100% of GDP by 2015-16. The fall in debt as a percentage of GDP, which the coalition had targeted for 2015-16, was pushed two years beyond this horizon. With the national debt metrics out of kilter with a triple-A rating, it was not surprising that the UK's sovereign rating was downgraded by Moody's to Aa1. The AAA status was maintained by Fitch and S&P, albeit with a Rating Watch Negative and with a Negative Outlook respectively.

The government's Funding for Lending (FLS) initiative commenced in August which gave banks access to cheaper funding on the basis that it would then result in them passing this advantage to the wider economy. There was an improvement in the flow of credit to mortgagees, but was still below expectation for SMEs.

The big four banks in the UK – Barclays, RBS, Lloyds and HSBC – and several other global institutions including JP Morgan, Citibank, Rabobank, UBS, Credit Suisse and Deutsche came under investigation in the Libor rigging scandal which led to fines by and settlements with UK and US regulators. Banks' share prices recovered after the initial setback when the news first hit the headlines.

Europe: The Euro region suffered a further period of stress when Italian and Spanish government borrowing costs rose sharply and Spain was also forced to officially seek a bailout for its domestic banks. Markets were becalmed after the ECB's declaration that it would do whatever it takes to stabilise the Eurozone and the central bank's announcement in September of its Outright Monetary Transactions (OMT) facility, buying time for the necessary fiscal adjustments required. Neither the Italian elections which resulted in political gridlock nor the poorly-managed bailout of Cyprus which necessitated 'bailing-in' non-guaranteed depositors proved sufficient for a market downturn. Growth was hindered by the rebalancing processes under way in Euroland economies, most of which contracted in Q4 2012.

US: The US Federal Reserve extended quantitative easing through 'Operation Twist', in which it buys longer-dated bonds with the proceeds of shorter-dated US Treasuries. The Federal Reserve shifted policy to focus on the jobless rate with a pledge to keep rates low until unemployment falls below 6.5%. The country's extended fiscal and debt ceiling negotiations remained unresolved.

Gilt Yields and Money Market Rates: Gilt yields ended the year lower than the start in April. By September the 2-year gilt yield had fallen to 0.06%, raising the prospect that short-dated yields could turn negative. 10-year yields fell by nearly 0.5% ending the year at 1.72%. The reduction was less pronounced at the longer end; 30-year yields ended the year at 3.11%, around 25bp lower than in April. Despite the likelihood the DMO would revise up its gilt issuance for 2012/13, there were several gilt-supportive factors: the Bank of England's continued purchases of gilts under an extended QE programme; purchases by banks, insurance companies and pension funds driven by capital requirements and the preference for safe harbour government bonds.

One direct consequence of the Funding for Lending Scheme was the sharp drop in rates at which banks borrowed from local government. 3-month, 6-month and 12-month Libid rates which were 1%, 1.33% and 1.84% at the beginning of the financial year fell to 0.44%, 0.51% and 0.75% respectively.

Appendix C – List of Term Deposits made and/or maturing in 2012/2013

Deal	Counterparty	Value £	From	To	Rate
204111	Hinkley & Bosworth Borough Council	2,600,000	23-Mar-12	02-Apr-12	0.50%
204211	West Yorkshire Fire & Rescue Service	1,000,000	30-Mar-12	16-Apr-12	0.35%
204311	Debt Management Office	600,000	30-Mar-12	12-Apr-12	0.25%
204412	Thurrock Borough Council	2,000,000	16-Apr-12	22-May-12	0.30%
204512	Plymouth City Council	2,000,000	25-Apr-12	25-May-12	0.28%
204612	Birmingham City Council	2,000,000	01-May-12	01-Jun-12	0.30%
204712	Birmingham City Council	1,000,000	02-May-12	06-Jun-12	0.30%
204812	Debt Management Office	1,000,000	15-May-12	21-May-12	0.25%
204912	Debt Management Office	3,500,000	15-May-12	22-May-12	0.25%
205012	West Yorkshire Fire & Rescue Service	3,600,000	28-May-12	13-Jul-12	0.32%
205112	Debt Management Office	2,000,000	01-Jun-12	06-Jun-12	0.25%
205212	Debt Management Office	2,500,000	01-Jun-12	08-Jun-12	0.25%
205312	Debt Management Office	2,500,000	01-Jun-12	12-Jun-12	0.25%
205412	Birmingham City Council	3,000,000	06-Jun-12	06-Sep-12	0.35%
205512	Debt Management Office	2,500,000	08-Jun-12	04-Jul-12	0.25%
205612	Debt Management Office	1,000,000	08-Jun-12	18-Jun-12	0.25%
205712	Thurrock Borough Council	2,000,000	04-Jul-12	04-Oct-12	0.29%
205812	Thurrock Borough Council	1,000,000	11-Jul-12	11-Oct-12	0.29%
205912	Dundee City Council	2,500,000	12-Jun-12	19-Oct-12	0.30%
206012	Debt Management Office	1,000,000	15-Jun-12	19-Jun-12	0.25%
206112	Debt Management Office	2,500,000	15-Jun-12	25-Jun-12	0.25%
206212	Debt Management Office	1,000,000	25-Jun-12	02-Jul-12	0.25%
206312	Debt Management Office	1,000,000	25-Jun-12	11-Jul-12	0.25%
206412	Birmingham City Council	2,000,000	16-Jul-12	22-Nov-12	0.30%
206512	Debt Management Office	1,000,000	02-Jul-12	03-Jul-12	0.25%
206612	Debt Management Office	500,000	05-Jul-12	19-Jul-12	0.25%
206712	Thurrock Borough Council	2,000,000	07-Aug-12	07-Dec-12	0.31%
206812	West Yorkshire Fire & Rescue Service	3,600,000	13-Jul-12	16-Jul-12	0.32%
206912	Debt Management Office	1,000,000	16-Jul-12	19-Jul-12	0.25%
207012	Debt Management Office	1,000,000	16-Jul-12	25-Jul-12	0.25%
207112	Debt Management Office	2,000,000	16-Jul-12	09-Aug-12	0.25%
207212	Debt Management Office	1,000,000	19-Jul-12	09-Aug-12	0.25%
207312	Debt Management Office	1,100,000	01-Aug-12	13-Aug-12	0.25%
207412	Nationwide Building Society	1,000,000	01-Aug-12	01-Nov-12	0.58%
207512	Debt Management Office	1,500,000	03-Sep-12	04-Sep-12	0.25%
207612	Debt Management Office	1,500,000	06-Sep-12	07-Sep-12	0.25%
207712	Debt Management Office	1,300,000	06-Sep-12	10-Sep-12	0.25%
207812	Debt Management Office	1,200,000	06-Sep-12	12-Sep-12	0.25%
207912	Newport City Council	3,500,000	01-Oct-12	03-Oct-12	0.30%
208012	Debt Management Office	3,500,000	03-Oct-12	11-Feb-13	0.25%
208112	Debt Management Office	1,000,000	04-Oct-12	08-Oct-12	0.25%
208212	Debt Management Office	1,000,000	05-Oct-12	12-Oct-12	0.25%
208312	Debt Management Office	1,400,000	11-Oct-12	22-Oct-12	0.25%
208412	Woking Borough Council	2,000,000	12-Oct-12	29-Nov-12	0.29%

Deal	Counterparty	Value £	From	To	Rate
208512	Debt Management Office	1,000,000	15-Oct-12	19-Oct-12	0.25%
208612	Nationwide Building Society	2,000,000	15-Oct-12	15-Jan-13	0.45%
208712	Santander UK Plc	3,000,000	01-Nov-12	22-Nov-12	0.38%
208812	Nationwide Building Society	1,000,000	01-Nov-12	01-Feb-13	0.45%
208912	Plymouth City Council	2,000,000	15-Nov-12	04-Jan-13	0.27%
209012	Debt Management Office	1,500,000	15-Nov-12	19-Nov-12	0.25%
209112	Debt Management Office	3,000,000	30-Nov-12	04-Dec-12	0.25%
209212	Debt Management Office	2,000,000	04-Dec-12	05-Dec-12	0.25%
209312	Debt Management Office	2,000,000	05-Dec-12	12-Dec-12	0.25%
209412	Debt Management Office	1,000,000	07-Dec-12	10-Dec-12	0.25%
209512	Debt Management Office	1,000,000	07-Dec-12	18-Dec-12	0.25%
209612	Debt Management Office	1,000,000	10-Dec-12	31-Dec-12	0.25%
209712	Debt Management Office	2,000,000	12-Dec-12	11-Jan-13	0.25%
209812	London Borough of Haringey	1,000,000	13-Dec-12	13-Mar-13	0.32%
209912	Woking Borough Council	2,000,000	17-Dec-12	31-Jan-13	0.29%
210012	Debt Management Office	4,000,000	02-Jan-13	04-Jan-13	0.25%
210112	Debt Management Office	1,000,000	10-Jan-13	11-Feb-13	0.25%
210212	Debt Management Office	1,500,000	11-Jan-13	22-Jan-13	0.25%
210312	Nationwide Building Society	2,000,000	15-Jan-13	15-Apr-13	0.44%
210412	Debt Management Office	2,000,000	15-Jan-13	11-Feb-13	0.25%
210512	Debt Management Office	1,000,000	15-Jan-13	28-Jan-13	0.25%
210612	Debt Management Office	2,000,000	18-Jan-13	25-Jan-13	0.25%
210712	Thurrock Borough Council	2,000,000	01-Feb-13	11-Apr-13	0.35%
210812	Debt Management Office	1,400,000	25-Jan-13	01-Feb-13	0.25%
210912	Birmingham City Council	2,000,000	18-Feb-13	18-Mar-13	0.27%
211012	Nationwide Building Society	1,000,000	01-Feb-13	01-Mar-13	0.38%
211112	Plymouth City Council	2,000,000	20-Feb-13	05-Apr-13	0.28%
211212	Debt Management Office	2,000,000	01-Feb-13	11-Feb-13	0.25%
211312	Debt Management Office	2,500,000	11-Feb-13	18-Feb-13	0.25%
211412	Debt Management Office	3,800,000	15-Feb-13	18-Feb-13	0.25%
211512	Debt Management Office	2,000,000	18-Feb-13	20-Feb-13	0.25%
211612	Nationwide Building Society	1,000,000	27-Mar-13	29-Apr-13	0.38%

Glossary of Terms

Affordable Borrowing Limit	Each local authority is required by statute to determine and keep under review how much money it can afford to borrow. The Prudential Code (see below) sets out how affordability is to be measured.
Base Rate	The main interest rate in the economy, set by the Bank Of England, upon which others rates are based.
Bonds	Debt instruments issued by government, multinational companies, banks and multilateral development banks. Interest is paid by the issuer to the bond holder at regular pre-agreed periods. The repayment date of the principal is also set at the outset.
Capital Expenditure	Spending on the purchase, major repair, or improvement of assets eg buildings and vehicles
Capital Financing Requirement (CFR)	Calculated in accordance with government regulations, the CFR represents the amount of Capital Expenditure that it has incurred over the years and which has not yet been funded from capital receipts, grants or other forms of income. It represents the Council's underlying need to borrow.
Chartered Institute of Public Finance and Accountancy (CIPFA)	CIPFA is one of the leading professional accountancy bodies in the UK and the only one that specialises in the public services. It is responsible for the education and training of professional accountants and for their regulation through the setting and monitoring of professional standards. Uniquely among the professional accountancy bodies in the UK, CIPFA has responsibility for setting accounting standards for a significant part of the economy, namely local government.
Counterparty	Organisation with which the Council makes an investment
Credit Default Swaps	CDS are a financial instrument for swapping the risk of debt default and are effectively an insurance premium. Local authorities do not trade in CDS but trends in CDS prices can be monitored as an indicator of relative confidence about the credit risk of counterparties.
Credit Rating	A credit rating is an independent assessment of the credit quality of an institution made by an organisation known as a rating agency. The rating agencies take many factors into consideration when forming their view of the likelihood that an institution will default on their obligations, including the institution's willingness and ability to repay. The ratings awarded typically cover the short term outlook, the long term outlook, as well as an assessment of the extent to which the parent company or the state will honour any obligations. At present, the three main agencies providing credit

	rating services are Fitch Ratings, Moody’s and Standard and Poor’s.
Fixed Deposits	Loans to institutions which are for a fixed period at a fixed rate of interest
Gilts	These are issued by the UK government in order to finance public expenditure. Gilts are generally issued for set periods and pay a fixed rate of interest. During the life of a gilt it will be traded at price decided in the market.
Housing Revenue Account (HRA)	There is a statutory requirement for local authorities to account separately for expenditure incurred and income received in respect of the dwellings that they own and manage.
International Financial Reporting Standards (IFRS)	The set of accounting rules with which all local authorities have been required to comply from 1 April 2010.
Lenders’ Option Borrower’s Option (LOBO)	A long term loan with a fixed interest rate. On pre-determined dates (eg every five years) the lender can propose or impose a new fixed rate for the remaining term of the loan and the borrower has the ‘option’ to either accept the new imposed fixed rate or repay the loan.
LIBID	The rate of interest at which first-class banks in London will bid for deposit funds
Minimum Revenue Provision (MRP)	The minimum amount which must be charged to an authority’s revenue account each year and set aside as provision for the repayment of debt.
Operational boundary	This is the most likely, prudent view of the level of gross external indebtedness. A temporary breach of the operational boundary is not significant.
Prudential Code/Prudential Indicators	The level of capital expenditure by local authorities is not rationed by central government. Instead the level is set by local authorities, providing it is within the limits of affordability and prudence they set themselves. The Prudential Code sets out the indicators to be used and the factors to be taken into account when setting these limits
Public Works Loan Board (PWLB)	A central government agency which provides long- and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow.
Treasury Management Strategy Statement (TMSS)	Approved each year, this document sets out the strategy that the Council will follow in respect of investments and financing both in the forthcoming financial year and the following two years.
Treasury Bills (T-Bills)	These are issued by the UK Government as part of the Debt Management Office’s cash management operations. They do not pay interest but are issued at a discount and are redeemed at par. T-Bills have up to 12 months maturity when first issued.