Tees Valley Combined Authority
Agenda

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Date: Monday, 4th April, 2016 at 11.00am

Venue: The Curve, Teesside University, Middlesbrough, TS1 3BA

Membership:

Councillor Bill Dixon (Leader of Darlington Borough Council)
Councillor Christopher Akers-Belcher (Leader of Hartlepool Council)
Mayor David Budd (Mayor of Middlesbrough Council)
Councillor Sue Jeffrey (Leader of Redcar and Cleveland Borough Council)
Councillor Bob Cook (Leader of Stockton-on-Tees Borough Council)
Paul Booth (Chair of Tees Valley Local Enterprise Partnership)

Associate Membership:

Phil Cook (Member of Tees Valley Local Enterprise Partnership)
Paul Croney(Member of Tees Valley Local Enterprise Partnership)
Ian Kinnery (Member of Tees Valley Local Enterprise Partnership)
Alastair MacColl (Member of Tees Valley Local Enterprise Partnership)
Naz Parkar (Member of Tees Valley Local Enterprise Partnership)
Nigel Perry (Member of Tees Valley Local Enterprise Partnership)
David Robinson (Member of Tees Valley Local Enterprise Partnership)
David Soley (Member of Tees Valley Local Enterprise Partnership)
Alison Thain (Member of Tees Valley Local Enterprise Partnership)

AGENDA

1. Confirmation of Membership:-

1. To note the constituent Tees Valley Council Members appointed to the Tees Valley Combined Authority
2. To agree the nomination from the Tees Valley Local Enterprise Partnership (The Chair of the Tees Valley Local Enterprise Partnership)
3. To agree the Associate Membership of the Tees Valley Combined Authority

2. Appointment of Chair

To appoint a Chair for the period up until the date of the 2016 Annual Meeting of the Tees Valley Combined Authority

3. Apologies for absence

4. Appointment of Vice Chair

To appoint a Vice Chair for the period up until the date of the 2016 Annual Meeting of the Tees Valley Combined Authority

5. Rotation of Chair of Tees Valley Combined Authority

For Members to note that the position of Chair will be rotated between the 5 Tees Valley Local Authorities

6. Tees Valley Combined Authority's Constitution

To approve the Tees Valley Combined Authority's Constitution which can be found at:

https://www.stockton.gov.uk/media/6346/combined-authority-draft-consitution-march-2016.docx

7. Declarations of interest

8. Appointment of Statutory Officers:-

Monitoring Officer – David Bond (Stockton-on-Tees Borough Council - Monitoring Officer)
Section 151 Officer – Garry Cummings (Stockton-on-Tees Borough Council – Director of Business and Finance)

9. Date of Annual Meeting – Tuesday, 7th June 2016 at 10.00am

10. Approval of Medium Term Financial Plan - Report attached

11. Transport Priorities – Presentation

12. Inward Investment Sirius – Presentation

13. Education & Skills Board Update – To Follow

14. Enterprise Zones – To Follow

Tees Valley Combined Authority

Agenda

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Members of the Public - Rights to Attend Meeting

With the exception of any item identified above as containing exempt or confidential information under the Local Government Act 1972 Section 100A(4), members of the public are entitled to attend this meeting and/or have access to the agenda papers.
Persons wishing to obtain any further information on this meeting or for details of access to the meeting for disabled people, please contact: Peter Bell – 01642 526188 – peter.bell@stockton.gov.uk

Members' Interests

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in paragraphs 9 and 11 of the Tees Valley Combined Authority's (TVCA) code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code.

Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the TVCA he/she must then, **in accordance with paragraph 18** of the code, consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest and the business:-

- ☐ affects the Member's financial position or the financial position of a person or body described in **paragraph 17** of the code, or
- ☐ relates to the determining of any approval, consent, licence, permission or registration in relation to the Member or any person described in **paragraph 17** of the code.

A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a Member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise (**paragraph 19** of the code).

Disclosable Pecuniary Interests

It is a criminal offence for a Member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted)(**paragraph 20** of the code).

Members are required to comply with any procedural rule adopted by the TVCA which requires a Member to leave the meeting room whilst the meeting is discussing a matter in which that Member has a disclosable pecuniary interest (**paragraph 21** of the code).

AGENDA ITEM

REPORT TO BOARD

4 APRIL 2016

REPORT OF HEAD OF PAID SERVICES / CHIEF FINANCE OFFICER

COMBINED AUTHORITY 2016/17 BUDGET AND MTFP

SUMMARY

The purpose of this report is to set out the Tees Valley Combined Authority (TVCA) revenue and capital budgets for 2016/17 and present provisional figures across the medium term.

This is the first formal budget for the TVCA which builds upon those budgets inherited form Tees Valley Unlimited (TVU). It also includes proposed transport budgets to be transferred from Tees Valley Authorities to the new organisation and information on investment funds available.

The budget is presented based on the current organisation and arrangements around the Combined Authority which are linked to the current funding streams and Local Authority contribution levels.

As previously agreed by the Tees Valley Leaders and Mayor, there will be a further staffing review required following the establishment of the Combined Authority and in preparation for the future requirements of the Devolution Deal. A further report will be presented to the Combined Authority Board outlining the financial implications at that time which will need to be considered alongside the funding available.

RECOMMENDATIONS

1. The Combined Authority approve the 2016/17 budget and indicative 2017-19 Medium Term Financial Plan outlined in paragraph 2.

2. The Combined Authority approve the use of £39,000 of the TVU reserve held at 31 March 2016 as outlined at paragraph 10 with the balance of £811,000 used to create a General Balances Reserve.

3. Combined Authority approve the use of LEP Core and Capacity Funding outlined in paragraph 7.

4. The balance of LEP and Core Capacity Funding of £397,000 are held in a separate Reserve to be allocated by the Combined Authority following consultation with LEP Members as part of a future report.

5. Members approve the Capital Programme at **Appendix A**.

6. Members endorse the previous decision of the Tees Valley Leaders & Mayor, the use of EZ income to fund Digital City and note the estimate of resources available for investment.

7. The Combined Authority approve the Treasury Management Strategy, Minimum Revenue Provision Statement and Prudential Indicators, as set out at **Appendix B**.

DETAIL

Combined Authority Medium Term Financial Plan – Core Budget

1. The purpose of this section of the report is to set out the proposed core budgets for the Tees Valley Combined Authority (CA) for 2016/17 through to 2018/19.

2. The table below identifies the proposed core budgets that are required to operate the CA and are based on the agreement that the running costs of the CA will not increase over and above those agreed for TVU.

TVU Core MTFP	**2016/17 £000's**	**2017/18 £000's**	**2018/19 £000's**
LA Contributions	**(£2,135)**	**(£2,150)**	**(£2,166)**
Salaries	1,551	1,566	1,582
Premises	149	149	149
Running Costs			
Insurance & Training etc.	21	21	21
Transport	32	32	32
General Running Costs	73	73	73
Support Costs	164	164	164
Business Investment	60	60	60
Marketing & Communications	85	85	85
	2,135	**2,150**	**2,166**
Contribution to / from Balances	**0**	**0**	**0**

Salary costs included in the above plan are based on the current organisational structure and assume a 1% pay award in line with Government proposals around Public Sector pay.

3. The Tees Valley Leaders & Mayors have previously discussed and agreed the need to undertake a review of Management and capacity once details of the Devolution Deal are finalized. Any costs associated with this could be funded from the Core Funding Capacity Grant (see paragraph 7) or a small top-slice to the Investment Funds available from EZ income, Single Capital Pot, etc.

Local Authority Contribution

4. In line with the agreements in place around the funding of TVU and the constitution of the Combined Authority which is elsewhere on this Agenda, the contributions required for 2016/17 are outlined below. The comparative figures for 2015/16 are also shown.

Local Authority Contributions	2015/16	2016/17
Darlington	£334,914	£337,284
Hartlepool	£310,959	£313,159
Middlesbrough	£442,821	£445,954
Redcar & Cleveland	£444,703	£447,849
Stockton	£586,613	£590,764
Total Contributions	**£2,120,010**	**£2,135,010**

The future level of contributions will need to be considered alongside the review of the structure and use of future Combined Authority Resources.

Local Enterprise Partnership Core and Capacity Funding

5. In December 2015 DCLG confirmed that they will continue to pay £250,000 of core funding and £250,000 Capacity Funding to each LEP for 2016/17. We are still awaiting confirmation of funding for subsequent years.

6. An additional £500,000 will therefore be available on top of the originally approved expenditure plans.

7. The following table identifies the estimated funds available and the commitments that have been previously approved by the TVU Leadership Board. In advance of the wider review of the organisational structure, it was recognised that there was a need to appoint a temporary Director of Transport and Infrastructure for a period of two years at an estimated cost of £216,000 and this proposal was agreed in February 2016 through utilising this funding. This will clearly be considered as part of the future review of organisational capacity.

LEP Core & Capacity Funding	Future Years Projected £000's
Funding	
Balance b/f from 2015/16	(722)
DCLG Funding Core	(500)
Total Available Funding	**(1,222)**
Approved Expenditure	
ESIF Development	19
City Deal: Low Carbon & CCS	66
City Deal: Commercialisation Hub	0
LGF Management Costs	160
LGF Development Costs	57
External Specialist	34
Live, Work, Play Programme	40
Director Transport & Infrastructure	216
Programme Staffing Costs	233
Total Expenditure	**825**
Balance Carried Forward to 2016/17	**(397)**

It is recommended that the Combined Authority endorse the spending plans and the balance is retained in Reserve to be allocated by the Combined Authority once spending priorities are further clarified.

Transport

8. The Tees Valley Combined Authority Order 2016 places specific transport powers on the CA and these costs have to be attributable across the constituent councils by the way of a contribution in such proportions as they agree. In this instance the apportionment is based on the same proportion each council had budgeted to spend in the year prior to the transfer of functions.

9. The total net 2016/17 expenditure for transport relate specifically to those associated with Concessionary Fares. In 2015/16 the Tees Valley budgets were £16.6m and following negotiations it is anticipated that the costs in 2016/17 will be the same as 2016/17.

	2016/17 Charges
Hartlepool	£2,261,150
Middlesbrough	£4,176,207
Redcar and Cleveland	£2,968,966
Stockton-on-Tees	£4,078,821
Darlington	£3,129,296
Total Tees Valley	**£16,614,440**

General Balances

10. At 31 March 2016, the level of balances are expected to be £850,000. TVU Leadership Board have previously earmarked £39,000 to support expenditure in future years as follows:

    a. Marketing & Communications £17,000
    b. Combined Authority Programme Management £17,000
    c. LEP Network £5,000

    It is recommended that the Combined Authority endorse these previous approvals.

11. In line with financial Best Practice and Audit guidelines, there will be a requirement to establish a General Reserve, commonly referred to as General Fund Balances in order to manage any unforeseen events. The overall budget of the new Authority is uncertain going forward and will be largely determined by investment funding. Previously a Reserve has been held to cover redundancy costs etc. It is recommended that the uncommitted Reserve of £811,000 be held as General Fund Balances and that this is considered further in the year when funding levels and associated risks are clarified.

CAPITAL PROGRAMME & INVESTMENT FUNDS

12. TVU have received a Local Growth Fund Allocation of £96.6m covering 2015/16 – 2019/20. The 2015/16 and 2016/17 allocations of £53m have been confirmed, with the other 3 years currently being indicative allocations. Schemes totalling £33.84m have been approved and these are shown on the Capital Programme attached at **Appendix B**. A number of additional schemes covering the balance of funding are currently identified subject to satisfactory diligence.

13. In 2015 the TV Shadow Combined Authority agreed a Devolution Deal in principle with the Government which would result in the allocation of funding of £450m, based on £15m per year for 30 years, subject to Gateway reviews every five years, and also subject to the appointment of a Mayor. Indications from Government are that this will be incorporated within

a Single Capital Pot, together with the balance of the Local Growth Fund and elements of transport funds. Negotiations with Government are still ongoing around the level and certainty of funding and the flexibilities available and further detail will be submitted to the Combined Authority when clarity is ascertained.

14. TVU have also operated a Growing Places Fund which is a revolving loans fund which was allocated by the Government to unlock economic growth by addressing immediate infrastructure constraints. £8.5m was originally awarded by the Government and to date approximately £5.3m has been allocated. At present there are no commitments against the remaining £3.2m and so this resource is also available together with a further £5.3m once the loans are repaid.

15. There are eight Enterprise Zones within the Tees Valley where it has been agreed that the business rates growth that is generated from these sites are paid over to the Combined Authority for 25 years. The TVU Shadow Combined Authority also approved the use of EZ income to fund the Digital City scheme which is £468,000. It is estimated that this will generate £18m over the next 5 years. Three of the original four locally funded EZ sites will become Government funded from April 2016 (see separate report, item 14). 50% of the business rates growth from these three sites will come to the Combined Authority with the remainder going to the relevant Local Authority.

16. The Growing Places Fund is a revolving loans fund which was allocated by the Government to unlock economic growth by addressing immediate infrastructure constraints. £8.5m was originally awarded by the Government and to date TV Unlimited has allocated approximately £5.3m. At present there are no commitments against the remaining balance and over the next few years loan repayments will begin to be repaid increasing the amount of funds available to invest.

17. Given that elements of the funding are Revenue, this creates the option of prudentially borrowing if the Strategic Economic Plan identifies transformational projects and initiatives where early implementation would be beneficial.

Treasury Management Strategy

18. The Authority is required to approve a Treasury Management and Investment Strategy each year. The document sets out projections for borrowing and investments, and the guidelines under which Treasury Management officers will operate to ensure the security and liquidity of TVCA's funds.

19. A number of Treasury Management Indicators and Prudential Indicators are set out to be agreed to enable monitoring of the delivery of this strategy.

    The full Treasury Management and Investment Strategy and Prudential Indicators are set out in **Appendix B**.

FINANCIAL IMPLICATIONS

This report sets the budget for the Combined Authority.

LEGAL IMPLICATIONS

None

RISK ASSESSMENT

The MTFP is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk."

CONSULTATION

Not Applicable

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Appendix A

Approved Capital & Investment Programme	**Approved Schemes**
Local Growth Fund	
Bank Top Station	300
Cleveland College of Art & Design	8,340
Central Park	2,200
M.P.I	3,000
Teesside Park A66 Interchange	1,825
Business Growth Hub	5,800
Ingleby Way / Myton Way	1,850
TAMP Research and Technology Centre	3,000
DTVA Southside	5,000
A689 Wynyard Improvement	2,525
Hartlepool Innovation Skills Quarter	368
	34,208
Other Capital & Investment Schemes	
Tees Valley Station Upgrades	500
Total Planned Expenditure	**34,708**
Funded By	
Local Growth Fund	34,208
Government Grants - DFT	500
Approved Funding	**34,708**

Appendix B

PRUDENTIAL CODE AND TREASURY MANAGEMENT STRATEGY 2016/17

Introduction

1. The Authority is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Authority's low risk appetite, providing adequate liquidity initially before considering investment return.

2. The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer term cash flow planning, to ensure that the Authority can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Authority risk or cost objectives.

3. CIPFA defines treasury management as:

   "The management of the local authority'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."

The Capital Prudential Indicators 2016/17 – 2018/19

4. The Local Government Act 2003 requires the Authority to adopt the CIPFA Prudential Code and produce prudential indicators. Each indicator either summarises the expected activity or introduces limits upon the activity, reflecting the outcome of the Authority's underlying capital appraisal systems.

5. The Authority's capital expenditure plans are a key driver of treasury management activity. The output of the capital expenditure plan is reflected in prudential indicators, which are designed to assist board member overview and confirm capital expenditure plans.

6. The Authority is recommended to approve the summary capital expenditure and financing projections below. This forms the first prudential indicator:

	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
Capital Expenditure			
General Fund	57,799	40,908	24,592
Total Financing			
Capital receipts	0	0	0
Capital grants	57,799	40,908	24,592
Capital contributions	0	0	0
Revenue	0	0	0
Net financing need (borrowing) for the year	**0**	**0**	**0**
(of which Prudential Borrowing)			

The Authority's Borrowing Need (the Capital Financing Requirement)

7. The second prudential indicator is the Authority's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of Authority's underlying borrowing need. Any capital expenditure above which has not immediately been paid for will increase the CFR.

8. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

9. At present the Authority does not own any assets and all capital expenditure has necessary funds so there is no immediate borrowing need.

10. The Authority is recommended to approve the CFR projections below:

	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
Capital Financing Requirement			
General Fund	0	0	0
PFI & Finance Leases	0	0	0
Total	**0**	**0**	**0**
Movement in CFR	0	0	0

Movement in CFR Represented By			
Net financing need for the year	0	0	0
MRP/VRP and other financing movements	0	0	0
Movement in CFR	0	0	0

Minimum Revenue Provision (MRP) Policy Statement

11. The Authority is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments (Voluntary Revenue Provision - VRP).

12. The Department of Communities & Local Government regulations require full Authority to approve an MRP Statement in advance of each year. A variety of options are provided to Authority s to replace the existing Regulations, so long as there is a prudent provision.

13. The Authority does not hold any assets so at present a statement is not required.

Affordability Prudential Indicators

14. The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment

plans on the Authority's overall finances. The Authority is recommended to approve the following indicators:

Actual and Estimates of the ratio of financing costs to net revenue stream

15. This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %
General Fund	0	0	0

BORROWING

16. The capital expenditure plans set out above provide details of the service activity of the Authority. The treasury management function ensures that the Authority's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury/prudential indicators, the current and projected debt positions and the annual investment strategy.

Current Treasury position and forward projections

17. The Authority's treasury portfolio forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement-CFR), highlighting any over or under borrowing.

	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
External Debt			
Debt at 1 April	0	0	0
Maturing Debt	0	0	0
New Debt taken/to be taken out	0	0	0
Gross Debt at 31 March	**0**	**0**	**0**
The Capital Financing Requirement (ex PFI & Finance Leases)	0	0	0
(Under)/over borrowed	0	0	0
Total Investments at 31 March	26,133	20,964	27,468
Investment change	-2,128	-5,169	6,504
Net Investment at 31st March	**26,133**	**20,964**	**27,468**

18. Within the prudential indicators there are a number of key indicators to ensure that the Authority operates its activities within well-defined limits. One of these is that the Authority

needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2016/17 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

Treasury indicators: limits to borrowing activity

19. A further two prudential indicators control or anticipate the overall level of borrowing. These are:

The Authorised Limit for External Debt
This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Authority. It reflects the level of external debt, which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

The Operational Boundary for External Debt
This indicator is based on the expected maximum external debt during the course of the year; it is not a limit. Actual borrowing could vary around this boundary for short periods during the year. It acts as a monitoring indicator to ensure the Authorised Limit is not breached.

20. The Authority is recommended to approve the following Authorised Limit and Operational Boundary:

Authorised Limit	**2016/17 Estimated £'000**	**2017/18 Estimated £'000**	**2018/19 Estimated £'000**
Borrowing	5,000	5,000	5,000
Other long term liabilities	0	0	0
Total	**0**	**0**	**0**
Operational Boundary			
Borrowing	2,000	2,000	2,000
Other long term liabilities	0	0	0
Total	**0**	**0**	**0**

The Prospects for Interest Rates

21. The Authority has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. The following table gives their current view.

	Bank Rate %	**PWLB Borrowing Rates % (including certainty rate adjustment)**		
		5 year	**25 year**	**50 year**
March 2016	0.50	2.40	3.70	3.60
June 2016	0.75	2.60	3.80	3.70
September 2016	0.75	2.70	3.90	3.80
December 2016	1.00	2.80	4.00	3.90
March 2017	1.00	2.80	4.10	4.00
June 2017	1.25	2.90	4.10	4.00
September 2017	1.50	3.00	4.20	4.10

December 2017	1.50	3.20	4.30	4.20
March 2018	1.75	3.30	4.30	4.20
June 2018	1.75	3.40	4.40	4.30
September 2018	2.00	3.50	4.40	4.30
December 2018	2.00	3.50	4.40	4.30
March 2019	2.00	3.60	4.50	4.40

22. **UK.** UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, probably being second to the US. However, quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a rebound in quarter 2 to +0.7% (+2.4% y/y) before weakening again to +0.5% (2.3% y/y) in quarter 3. The November Bank of England Inflation Report included a forecast for growth to remain around 2.5 – 2.7% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero since February 2015 this year. Investment expenditure is also expected to support growth. However, since the August Inflation report was issued, worldwide economic statistics have distinctly weakened and the November Inflation Report flagged up particular concerns for the potential impact on the UK.

23. The Inflation Report was notably subdued in respect of the forecasts for inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. However, once the falls in oil, gas and food prices over recent months fall out of the 12 month calculation of CPI, there will be a sharp increase from the current zero rate to around 1 percent in the second half of 2016. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon was the biggest since February 2013. There is considerable uncertainty around how quickly inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate.

24. **USA.** The American economy made a strong comeback after a weak first quarter's growth at +0.6% (annualised), to grow by no less than 3.9% in quarter 2 of 2015, but then weakened again to 1.5% in quarter 3. The downbeat news in late August and in September about Chinese and Japanese growth and the knock on impact on emerging countries that are major suppliers of commodities, was cited as the main reason for the Fed's decision at its September meeting to pull back from a first rate increase. However, the nonfarm payrolls figure for growth in employment in October was very strong and, together with a likely perception by the Fed. that concerns on the international scene have subsided, has now firmly opened up the possibility of a first rate rise in December.

25. In the **Eurozone**, in January 2015 the ECB implemented a €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.0% y/y) but came in at +0.4% (+1.5% y/y) in quarter 2 and looks as if it may maintain this pace in quarter 3. However, the recent downbeat Chinese and Japanese news has raised questions as to whether the ECB will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

26. **Greece.** During July, Greece finally agreed to EU demands to implement a major programme of austerity and is now cooperating fully with EU demands. An €86bn third bailout package has since been agreed though it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the resistance of the Syriza Government, elected in January, to EU demands. The

surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so Greek exit from the euro may only have been delayed by this latest bailout.

27. **In summary:**

- Investment returns are likely to remain relatively low during 2016/17 and beyond;

- Borrowing interest rates have been highly volatile during 2015 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. Gilt yields have continued to remain at historically low levels during 2015. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt;

- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

Borrowing Strategy

28. Against this background and the risks within the economic forecast, caution will be adopted with the 2016/17 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *If it was felt that there was a significant risk of a sharp FALL in long and short term rates*, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowing requirements will be postponed and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- *If it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast*, perhaps from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then any future borrowing portfolio will be re-appraised with the likely action that fixed rate borrowing will be undertaken whilst interest rates are still lower than they will be in the next few years.

Treasury Management Limits on Activity

29. There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The indicators are:
- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Authority's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

30. The Authority is asked to approve the following treasury indicators and limits:

	2016/17	2017/18	2018/19
Interest Rate Exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates	100%	100%	100%
Limits on variable interest rates	100%	100%	100%

Maturity Structure of fixed interest rate borrowing 2016/17		
	Lower	**Upper**
Under 12 months	0%	25%
12 months to 2 years	0%	40%
2 years to 5 years	0%	60%
5 years to 10 years	0%	80%
10 years and above	0%	100%

Policy on Borrowing in Advance of Need

31. The Authority will not borrow more than or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Authority can ensure the security of such funds. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the quarterly or annual reporting mechanism.

ANNUAL INVESTMENT STRATEGY

Investment Policy

32. The Authority's investment policy has regard to CLG's Guidance on Local Government Investments and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes. The Authority's investment priorities (in order) are:-
    1) safeguarding the re-payment of the principal and interest of its investments on time;
    2) ensuring adequate liquidity, and finally
    3) the investment return.

33. In accordance with the above guidance and in order to minimise the risk to investments, the Authority applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

34. The Authority's officers recognise that ratings are not the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. To this end the Authority will also take into account other information such as Credit Default Swap pricing, articles in the financial press, share prices and any other information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of investment counterparties.

35. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

36. Investment instruments identified for use in the financial year are listed in Annex A under the “Specified” and “Non-Specified” Investment categories. Counterparty limits will be as set through the Authority’s Treasury Management Practices-Schedules.

Creditworthiness policy

37. The primary principle governing the Authority’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 Authority will ensure:-

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

    - 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 Authority’s prudential indicators covering the maximum principal sums invested.

38. The Chief Finance Officer will maintain a counter-party list in compliance with the following criteria and will revise the criteria and submit them to Authority for approval as necessary. These criteria are separate to that which determines Specified and Non-Specified investments as it provides an overall pool of counter-parties considered high quality the Authority may use, rather than defining what types of investment instruments are to be used.

39. Credit rating information is supplied by Capita Asset Services, our treasury consultants, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (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. For instance, a negative rating Watch applying to a counterparty at the minimum Authority criteria will be suspended from use, with all others being reviewed in light of market conditions.

40. The criteria for providing a pool of high quality investment counter-parties (both Specified and Non-specified investments) is:-

    - **Banks 1** - **Good Credit Quality** - the Authority will only use banks which:
        - Are UK banks: and/or
        - Are non-UK and domiciled in a country which has a minimum Sovereign long term rating of AA

      And have, as a minimum, the following Fitch, Moody’s and Standard and Poor’s credit ratings (where rated):

        - Short Term – F2/P2/A-2
        - Long Term – AA-/Aa3/AA-

    - **Banks 2** - **Part nationalised UK bank** - Royal Bank of Scotland. This bank can be included provided it continues to be part nationalised or they meet the ratings criteria in Banks 1 above.

- **Banks 3** - The Authority's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- **Bank Subsidiary and Treasury Operations** - the Authority will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- **Building Societies** - the Authority will use all Societies which;-
  a) meet the ratings for banks outlined above;
  b) have assets in excess of £2 billion;
  or meet both criteria.
- **Money Market Funds (MMFs)** – that are AAA rated limited to £5m each.
- **Enhanced Money Market Funds (EMMFs)** – that are AAA rated limited to £5m each.
- **UK Government** (including gilts and the Debt Management Office) - unlimited
- **Local Authorities, Police & Crime Commissioners, Fire Authorities** - limit £10m each

41. **Country and sector considerations** - Due care will be taken to consider the country, group and sector exposure of the Authority's investments. In part the country selection will be chosen by the credit rating of the Sovereign state in Banks 1 above. In addition:

    - No more than £30m will be placed with any non-UK country at any time,
    - Limits in place above will apply to Group companies,
    - Sector limits will be monitored regularly for appropriateness.

42. **Use of additional information other than credit ratings.**
    Additional requirements under the Code require the Authority to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counter-parties for officers to use, 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, negative rating Watches/Outlooks) will be applied to compare the relative security of differing investment counterparties.

43. **Time and Monetary Limits applying to Investments.**
    The time and monetary limits for institutions on the Authority's Counterparty List are as follows:

	Fitch	Moody's	Standard & Poor's	Money Limit	Time Limit
Upper Limit Category (long term)	AA-	Aa3	AA-	£15m Each	1 to 3 years
Middle Limit Category (short term)	F2	P2	A-2	£10m Each	Up to and including 364 days
Part-nationalised UK Banks:					

RBS Group	-	-	-	£10m	Up to 2 years
Upper Limit & Middle Limit Categories	For those banks that meet the above rating criteria, additional sums of up to £20m each can be placed in accounts that can be withdrawn within 24 hours.				
Lower Limit Category	Unrated Building Societies with assets in excess of £2 billion			£3.5m Each	Up to and including 364 days
Other Institutions					
Money Market Funds	AAA	AAA	AAA	£5m Each	Up to and including 364 days
Enhanced Money Market Funds	AAA	AAA	AAA	£5m Each	Up to and including 364 days
UK Government	-	-	-	unlimited	unlimited
Local Authorities Police and Crime Commissioners Fire Authorities	-	-	-	£10m Each	1 to 3 years

(The Upper and Middle Limit categories will include banks and building societies. The Lower Limit Category will normally just be used for un-rated subsidiaries and un-rated building societies. The Other Institution Limit will be for other local authorities, the Debt Management Account Deposit Facility (DMADF), Money Market Funds and Enhanced Money Market Funds. These are all considered high quality names – although not always rated).

44. The proposed criteria for Specified and Non-Specified investments are shown in Annex A for approval.

45. In the normal course of the Authority's cash flow operations it is expected that both Specified and Non-specified investments will be utilised for the control of liquidity as both categories allow for short-term investments.

46. The use of longer-term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Authority's liquidity requirements are safeguarded. This will also be limited by the longer-term investment limits.

Investment Strategy

47. Investments will be made with reference to cash flow requirements and the outlook for interest rates up to 3 years.

48. Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 2 of 2016. Bank Rate forecasts for financial year ends (March) are:

- 2016/17 1.00%
- 2017/18 1.75%
- 2018/19 2.00%

49. The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next eight years are as follows:

- 2016/17 0.90%
- 2017/18 1.50%
- 2018/19 2.00%
- 2019/20 2.25%
- 2020/21 2.50%
- 2021/22 3.00%
- 2022/23 3.00%
- Later years 3.00%

50. The overall balance of risks to these forecasts is currently to the downside (i.e. start of increases in Bank Rate occurs later). However, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk.

Investment treasury indicator and limit

51. This sets a limit on the total principal invested for periods greater than 364 days. The limits are set with regard to the Authority's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

52. The Authority is asked to approve the following treasury indicator and limit:

Maximum principal sums invested > 364 days	2016/17	2017/18	2018/19
	£m	£m	£m
Principal sums invested > 364 days	30	30	30

53. For its cash flow generated balances, the Authority will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

Performance Indicators

54. The Code of Practice on Treasury Management requires the Authority 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.

55. The following indicators will be reported in the annual report on treasury management activity for 2016/17:-
    - Debt – Borrowing - Average rate of borrowing for the year compared to average available
    - Debt – Average rate movement year on year
    - Investments – Internal returns above the 7 day LIBID rate

56. The Authority will use Capita Asset Services as its treasury management consultants. The company provides credit ratings and a market information service comprising the three main credit rating agencies. A three year contract with Capita Asset Services and Stockton Council commenced on 1st January 2013 and has been extended for a further year. TVCA will access this contract.

57. 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 Authority.

Management Structure

58. The management arrangements for dealing with Treasury Management are shown, for information at Annex B. Stockton Council as administrative body for the Combined Authority will undertake treasury management activities on the Authority's behalf.

Annex A

TREASURY MANAGEMENT PRACTICE (TMP1)

Credit and Counterparty Risk Management

The Department of Communities and Local Government issued Investment Guidance in 2010, and this forms the structure of the Authority's policy below. These guidelines do not apply to either trust funds or pension funds which are under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for the Authority to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires the Authority to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Authority adopted the Code on 6th March 2002 and will apply its principles to all investment activity. In accordance with the Code, the Chief Finance Officer has produced its treasury management practices (TMP's). This part, TMP1, covering investment counterparty policy requires approval each year.

Annual Investment Strategy - 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 following year, covering the identification and approval of the following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments the Authority will use. These are high security (i.e. high credit rating, the credit ratings to be used have to be determined by the Authority as no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Authority is as follows:

Strategy Guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

Specified Investments – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Authority has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Office, UK Treasury Bills or a Gilt with less than one year to maturity): unlimited
2. Supranational bonds of less than one year's duration: limit £0
3. A local authority, Police and Crime Commissioner or fire authority: limit £10m each
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating (AAA) by a credit rating agency: limit £5m each.
5. A body that is considered a high credit quality (such as a bank or building society).

Category 4 covers investments in money market funds and enhanced money market funds. These are rated AAA by the rating agencies (the highest security rating possible). The Authority had approved the use of one fund, Standard Life, but in recent times investment returns from money market funds in general has been poor and consequently our account with Standard Life has been closed. Investment returns from money market funds have now improved and it is recommended that they are now used with a maximum limit of £5m with each fund.

Category 5 covers bodies with a minimum rating of F2/P2/A-2 as rated by Fitch, Moody's and Standard & Poors. Within these bodies, and in accordance with the Code, the Authority has set additional criteria to set the time and amount of monies which will be invested in these bodies. This criteria is:

<table>
<tr><th></th><th>Fitch</th><th>Moody's</th><th>Standard & Poor's</th><th>Money Limit</th><th>Time Limit</th></tr>
<tr><td rowspan="2">Middle Limit Category</td><td rowspan="2">F2</td><td rowspan="2">P2</td><td rowspan="2">A-2</td><td>£20m</td><td>Up to and including 364 days</td></tr>
<tr><td colspan="2">In addition, up to a further £20m can be invested in each bank that operates call accounts that can be withdrawn within 24 hours notice.</td></tr>
</table>

Non-Specified Investments – Non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

	Non Specified Investment Category	**Limit (£ or %)**
	Supranational Bonds greater than 1 year to maturity **(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. National Rail, 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.	£0 £0
	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.	£0
	The Authority's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	£20m
	Building societies not meeting the basic security requirements under the specified investments. The operation of some building societies does not require a credit rating, although in	£7m

	every other respect the security of the society would match similarly sized societies with ratings. The Authority may use such building societies which have the following criteria:- Building Societies with an asset base in excess of £2 billion (restricted to up to and including 364 days)	each
	Any bank or building society that has the following rating:- Upper Limit Category (restricted to 1-3 years) for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment). In addition, up to a further £20m can be invested in each bank that operates call accounts that can be withdrawn with up to 24 hours notice.	£30m each up to an additional £20m
	Any non rated subsidiary of a credit rated institution included in the specified investment category.	£0
	Share capital or loan capital in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies.	£0
	Pooled property or bond funds. The use of these instruments will normally be deemed to be capital expenditure, and as such will be an application of capital resources.	£0

The Monitoring of Investment Counterparties - The credit rating of counterparties will be monitored regularly. The Authority receives credit rating information (changes, rating watches and rating outlooks) from its advisers, Capita Asset Services, as and when ratings change, and, counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. 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 immediately by the Chief Finance Officer, and if required new counterparties which meet the criteria will be added to the list.

Annex B

TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS

INDEX OF SCHEDULES

5.1 LIMITS TO RESPONSIBILITIES/DISCRETION AT COMMITTEE/EXECUTIVE LEVELS

5.1.1 Delegation of Powers

a) Authority
- The limits required by Housing & Finance Act 1989
- Approval of Treasury Management Policy Statement
- Approval of Treasury Management Strategy
- Approval of Annual Report
- The Cabinet recommend to Authority the above

b) Leadership Board
- Division of responsibilities

5.2 PRINCIPLES AND PRACTICES CONCERNING SEGREGATION OF DUTIES

The Chief Finance Officer will ensure there is always adequate segregation of duties in all transactions, with a minimum of 2 officers required to make payments, and Senior Finance Managers or the Procurement and Governance Manger to release authorised payments.

5.3 TREASURY MANAGEMENT ORGANISATION CHART

Chief Finance Officer (Director of Finance & Business Services)
Senior Finance Managers and Procurement and Governance Manger
Finance Manager – Corporate (Chief Accountant)
Senior Finance Technician (Treasury Management)

5.4 STATEMENT OF DUTIES/RESPONSIBILITIES OF EACH TREASURY POST

5.4.1 Chief Finance Officer (SBC - Director of Finance and Business Services)

1. The Chief Finance Officer will:

   a) Recommend clauses, treasury management policy/practices for approval, reviewing the same regularly and monitor compliance
   b) Submit reports as and when required by Authority
   c) Authorise and maintain TMPs and Schedules
   d) Set submit and monitor budgets
   e) Review the performance of the treasury management function and promote best value reviews
   f) Ensure the adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function
   g) Ensure the adequacy of internal audit and liaise with external audit
   h) Recommend the appointment of external service providers where appropriate
   i) Approve treasury payments

2. The Chief Finance Officer has delegated powers to take the most appropriate form of borrowing from the approved sources and to take the most appropriate form of investments in approved instruments.

3. The Chief Finance Officer may delegate his power to borrow and invest to members of his staff to conduct all dealing transactions. All transactions must be

authorised by at least two specified named officers. Alternatively staff can be authorised to act as temporary cover for leave/sickness.

5.4.2 Director of Finance and Business Services & Procurement and Governance Manager.

1. Authorise treasury payments
2. Close investment deals

5.4.3 Finance Manager – Corporate (Chief Accountant)

The treasury responsibilities of this post will be:-

- To assist Chief Finance Officer in the formation of the Treasury Strategy.
- Identify and recommend opportunities for improved practices
- Supervise Treasury Management staff
- Monitor performance
- Review the performance of treasury management functions and promote best value reviews
- Implement Treasury Management Strategy
- Close investment deals
- Check interest calculations
- Arrange rescheduling or premature repayment of existing borrowings.

5.4.4 Senior Finance Technician

Responsibilities:-

- Calculate daily cash balances
- Enter transmission of monies via Nat West Web Banking system
- Select Brokers from approved list
- Adhere to agreed policies and practices on a day to day basis
- Submit management information reports
- Maintain cash flow projections
- Third party loan confirmation
- Ensure counter party limits are not exceeded
- Ensure there is a clear segregation between officers for negotiating/ approving and closing deals.

5.5 ABSENCE COVER ARRANGEMENTS

The authority will ensure that there is adequate cover for all absences.

5.6 DEALING LIMITS

Dealings can be carried out providing that transactions are within limits determined by the Authority and the Chief Finance Officer.

5.7 LIST OF APPROVED BROKERS

Prebon Brokers (UK) plc
Sterling International Brokers Ltd
Garbon Intercapital Brokers Ltd
Tradition Brokers
Martin Brokers

MPC Treasury Services

5.8 POLICY ON BROKERS' SERVICES

The authority will use brokers for its temporary transactions when appropriate. The Finance Manager – Corporate (Chief Accountant) will evaluate the services provided by Brokers.

5.9 POLICY ON TAPING OF CONVERSATIONS

The authority will not tape telephone conversations

5.10 DIRECT DEALING PRACTICES

All deals are carried out with brokers with the exception of Bank of England and major UK banks.

5.11 SETTLEMENT TRANSMISSION PROCEDURES

All payments and repayments resulting from the treasury management function will be made via the authority's bank account using the electronic payment facility (with Nat West Web Banking system). Only authorised officers can transmit, approve or release payments, protected by appropriate passwords and card operated pin number. A manual back up facility will be in place to cover system failure.

5.12 DOCUMENTATION REQUIREMENTS

Cash dealing sheet
Cashflow summary
Loan Record
Dealing sheet
Brokers confirmation
Counter party confirmation
Invoice signed/coded to budget
Nat West Bankline confirmation sheet

Annex C

INVESTMENT COUNTERPARTY LIMITS

COUNTERPARTY	Money	Time	Bank Call Accounts Returned within 24hrs
	£m		£m
Bank of England (guaranteed by HM Government equivalent to a sovereign triple A rating)			
Debt Management Account Deposit Facility	unlimited	unlimited	unlimited
UPPER LIMIT/LONG TERM			
Clearing Banks with at least AA- Fitch, Aa3 Moody's or AA- S & P Rating			
HSBC Group	30	3 years	20
Svenska Handelsbanken	30	3 years	20
National Australia Bank Group	30	3 years	20
European Investment Bank	30	3 years	20
MIDDLE LIMIT/SHORT TERM			
Clearing Banks with at least F2 Fitch, P2 Moody's or A-2 S & P Rating			
Barclays Bank	20	364 days	20
Close Brothers Ltd	20	364 days	20
Clydesdale Bank (part of National Australia Group)	20	364 days	20
Goldman Sachs International Bank	20	364 days	20
Lloyds Banking Group	20	364 days	20
Virgin Money	20	364 days	20
RBS Group	20	2 years	20
Santander UK Group	20	364 days	20
Clearing Building Societies with at least F2 Fitch, P2 Moody's or A-2 S & P Rating			
Coventry	15	364 days	
Leeds	15	364 days	
Nationwide	15	364 days	
Nottingham	15	364 days	
Yorkshire	15	364 days	
LOWER LIMIT			
Building Societies with an asset base of £2 billion +			
Newcastle	7	364 days	
Principality	7	364 days	
Skipton	7	364 days	
West Bromwich	7	364 days	
Local Authorities, Police & Crime Commissioners, Fire Authorities	10	3 years	
Money Market Funds	5	364 days	
	5	364 days	

Enhanced Money Market Funds