AGENDA ITEM
6

Treasury Management Strategy 2018/19

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Falkirk Council

Title: **Treasury Management Strategy 2018/19**

Meeting: **Executive**

Date: **10 April 2018**

Submitted By: **Director of Corporate and Housing Services**

1. Purpose of Report

1.1 The Code of Practice for Treasury Management requires that an Annual Strategy Report be prepared and submitted to the Executive for consideration prior to being recommended to Council for approval. The purpose of this report is to comply with this requirement and outline the framework for the expected treasury activities for 2018/19.

2. Recommendations

2.1 Executive agree the report is referred to Council for consideration.

2.2 Executive recommends that Council:

1) **adopts the Borrowing Strategy for 2018/19 as set out in section 4.2 of this report**

2) **adopts the Investment Strategy for 2018/19 and approves the list of "Permitted Investments" as set out in section 4.3 of this report**

3) **approves the Treasury Indicators as set out in section 4.5 of this report**

4) **notes the Council's new banking contract with the Royal Bank of Scotland.**

3. Background

3.1 This report is the first of three Treasury Management reports to Members during the course of the year. This report outlines the framework for Treasury Management activities in 2018/19. Thereafter an Interim Review report will be submitted to Members by 31 December 2018. The Interim Review report provides an update on the progress of Treasury Management activities during the course of the financial year. The final Annual Review report will be submitted to the Executive by 30 June 2019 and will advise Members of the final position in relation to Treasury Management activities during 2018/19.

4. Considerations

4.1 Economic and Interest Rate Outlook

4.1.1 UK GDP growth in 2017 came in at 1.8% which was only marginally down on the 1.9% rate for 2016. Growth for 2017 had been estimated lower than 1.8% but the rate was helped by the increase in exports due to the lower value of sterling and the economic growth within the EU and US. Unemployment has risen very slightly for the first time in two years, albeit that the current rate of 4.4% is still very low. Inflation stands at 3%, with the expectation that it will fall back to the Bank of England's target rate of 2% in two years' time.

4.1.2 The European Central Bank's (ECB) extensive programme of quantitative easing has seen a continued moderate improvement in Eurozone growth. However despite this monetary stimulus, the Eurozone is struggling to get inflation up to its target rate of 2% (currently 1.2%). It is therefore unlikely to increase interest rates until 2019.

4.1.3 USA growth for 2017 came in at 2.6% and unemployment currently sits at 4.1%, the lowest it has been for seventeen years. The Federal Reserve has continued to increase interest rates on a gradual basis with the last rate increase in December 2017, when it was increased from 1.25% to 1.50%. This is the fourth increase since December 2016 and a further four increases are expected during 2018.

4.1.4 The Monetary Policy Committee (MPC) increased the bank base rate from 0.25% to 0.5% in November 2017, which essentially reversed the emergency cut in August 2016 following the EU referendum. The MPC advised in February 2018, that although there was no change to the bank base rate at that time, they would increase rates earlier than previously anticipated. Consequently the bank base rate shown in the table below, is starting to climb from an average of 0.35% in 2017/18 to an average of 1.38% by the end of 2020/21. Public Works Loan Board (PWLB) rates have been experiencing exceptional levels of volatility and it's likely that this volatility could continue for the foreseeable future, not least of all because of the uncertainty over the final terms of Brexit. However in the longer term, it is expected that gilt yields and therefore PWLB rates will rise, as shown in the table below. This information has been provided by Link Asset Services, the Council's Treasury advisers.

		MONEY RATES		PWLB RATES			
Annual Average %	**Bank Rate**	**3 Mths**	**1Yr**	**5Yr**	**10Yr**	**25Yr**	**50Yr**
2017/18	0.35	0.27	0.59	1.48	2.07	2.69	2.42
2018/19	0.75	0.68	1.05	2.03	2.58	2.95	2.75
2019/20	1.06	0.98	1.28	2.30	2.80	3.25	3.05
2020/21	1.38	1.30	1.50	2.50	3.05	3.50	3.30

4.2 Borrowing Strategy

4.2.1 There remains uncertainty over the timing of future interest rate increases but it is anticipated that the trends in both short term and longer term interest rates, as outlined in paragraph 4.1.4, are considered to be the most probable outcome.

4.2.2 The longer term borrowing requirement is c£54m (see paragraph 4.2.5). The next few years indicate a continuation of significant interest rate differential in favour of short term rates; however, the complete range of borrowing periods will be reviewed as we need to borrow.

4.2.3 Previous Strategy reports to Members have outlined the Council's under-borrowed position and the reduction of this on a gradual and managed basis. Consequently, the budgeted borrowing requirements of c£54m per paragraph 4.2.5 may still be required regardless of any slippage in the 2018/19 capital programme.

4.2.4 The Council's estimated debt position at 01/04/18 is:

	£'m	% of Total Debt
LONGER TERM FUNDING		
- Maturing loans in 2018/19	1.0	0.4%
- Loans with Maturity > 1 year	215.6	88.0%
	216.6	
SHORT TERM FUNDING	28.5	11.6%
TOTAL ESTIMATED DEBT	**245.1**	**100.0%**

4.2.5 The expected longer term borrowing requirement for 2018/19 is c£54m, as set out below:

	£'m
Capital Programme (net of capital receipts)	39.4
Service Payments	(15.3)
Replacement of Long-Term Borrowing (see table above)	1.0
Replacement of Short-Term Borrowing (see table above)	28.5
TOTAL LONGER TERM BORROWING REQUIREM(ENT	**53.6**

4.2.6 The above figure includes £5.3m borrowing for TIF projects. The total TIF project costs equate to £6.4m with £1.1m being funded by non-domestic rate income and the balance by borrowing.

4.2.7 The replacement of short term borrowing shown in the table above refers to £28.5m of short term debt that matures in 2018/19. These loans may be replaced on a short term or long term basis depending on cash flow requirements and relative prevailing interest rates.

4.2.8 The total value of Market Loans is £26m. It should be noted that there is potential for £13m of these Market Loans to be repaid during the year should any of the lenders invoke a rate change clause as per their individual contracts. Barclays advised in June 2016, that they were waiving their right to change the applicable interest rates for the £13m of loans held by them. Given the current level of interest rates, the risk of early repayment of any of the remaining loans is assessed as low.

4.2.9 The Council's main source for longer term funding remains the PWLB from which it can access all of its borrowing requirement or alternatively funding can be accessed through the London Money Market. The PWLB has extended the "PWLB Certainty Rate" by a further year. This facility enables local authorities to access discounted PWLB borrowing at 0.2% below standard PWLB rates. Falkirk Council's application for this facility has been approved. The Council will also consider loans from other banks and financial institutions if more advantageous terms can be secured.

4.3 Investment Strategy

4.3.1 The regulatory framework provides greater autonomy for local authorities but makes clear that the onus is on local authorities to act prudently with regard to their investment and treasury management activities. The primary objectives of the Council's investment strategy is first and foremost to ensure timeous and full repayment of principal and interest, then securing adequate liquidity of funds invested and finally optimising investment returns consistent with those counterparty risks.

4.3.2 The Local Government Investments (Scotland) Regulations 2010 requires <u>Council</u> approval of <u>all</u> the types of investments, known as "Permitted Investments", to be used and set limits, where appropriate, for the amount and period that can be held in each type of investment.

4.3.3 The Permitted Investments which may be used in the forthcoming year are:

- CASH TYPE INSTRUMENTS
  - Deposits with other local authorities
  - Deposits with UK Government including Deposits with the Debt Management Account Facility (DMADF), treasury bills and gilts
  - Instant Access or On-Notice deposit accounts with financial institutions (banks and building societies)
  - Term deposits with financial institutions (banks and building societies)
  - Money Market Funds

- OTHER INVESTMENTS
  - Investment Properties (none currently held by the Council)
  - Shareholdings in a local authority company (refer Appendix 1)
  - Loans to a local authority company (none currently held by the Council)
  - Non-local authority shareholdings (refer to Appendix 1)
  - Loans to third parties, including soft loans (refer Appendix 3)

4.3.4 The Investment Regulations also require the investment position of the Common Good fund(s) to be made explicit. Surplus funds are invested in the Council's loans fund on which interest is earned. There is also a property asset (Kilns House) which attracts a rental yield.

4.3.5 Details, as appropriate, of the risks, mitigating controls and limits associated with each of the Permitted Investments are attached at Appendix 1.

4.3.6 The Report provides details of the counterparties that the Council engages with in terms of its investments (See Appendix 2). In order to assess counterparty risk prior to investing, the Council makes use of credit rating information for specific institutions as published by the three credit rating agencies, Fitch, Moody's and Standard and Poors. Furthermore, the Council's officers recognise that ratings should not be 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. The lending criterion for 2018/19 has been reviewed to ensure it is robust enough to enable the Council to manage its investments effectively.

4.3.7 For permitted cash type investments, the Council maintains a counterparty list in compliance with the relevant counterparty selection criteria. Appropriate extracts from the Council's Treasury Management Practices (TMPs) are attached for Members' information at Appendix 2.

4.3.8 The Regulations make clear that the Council must not borrow more, or in advance of its capital financing requirement as determined under the Prudential Code purely to profit from the investment of the extra sums borrowed. It is confirmed that the Council has no plans to borrow in advance of need in the forthcoming financial year.

4.4 Banking Contract

4.4.1 As advised to Members in November 2017, the Council's Banking contract was retendered during 2017/18 with an effective start date of 1 April 2018. A full OJEU tender process was undertaken and bids were received from the Council's current bank, Clydesdale Bank and the Royal Bank of Scotland. The successful bidder was the Royal Bank of Scotland and the migration of banking services from Clydesdale Bank to the Royal Bank of Scotland commenced in January 2018. It is envisaged that the full migration of services will be completed early in 2018/19, with the Clydesdale bank accounts remaining open for a number of months to capture any residual transactions.

4.5 Treasury Indicators

4.5.1 The Code requires that a number of treasury indicators are incorporated within this Strategy Report. The purpose of the indicators is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates.

4.5.2 Members are asked to approve the undernoted Treasury indicators:

	2018/19	2018/19
1) MATURITY STRUCTURE	**LOWER**	**UPPER**
	%	%
Fixed Interest Rate Borrowing 2018/19:		
Under 12 months	0	25
12 months – 2 years	0	25
2 years – 5 years	0	25
5 years – 10 years	0	35
10 years – 20 years	0	35
20 years – 30 years	0	35
30 years – 40 years	0	35
40 years – 50 years	0	35
Variable Interest Rate Borrowing 2018/19:		
Under 12 months	0	5
12 months – 2 years	0	5
2 years – 5 years	0	5
5 years – 10 years	0	5
10 years – 20 years	0	5
20 years – 30 years	0	5
30 years – 40 years	0	5
40 years – 50 years	0	5
2) MAXIMUM PRINCIPAL SUMS INVESTED > 365 DAYS The Council does not envisage having sums available for investment for periods longer than 365 days.		

4.6 Prudential Code

4.6.1 Members were previously advised that CIPFA was reviewing its Prudential Code and capital framework. As a result of this review, CIPFA issued a revised Treasury Management Code of Practice and a revised Prudential Code. These revised Codes were issued in December 2017, however, CIPFA has issued a statement that accepts that issuing these revised Codes so late in the 2018/19 budget cycle, will make it difficult for most authorities to fully implement by 1 April 2018. Accordingly full implementation is not expected until 2019/20.

4.6.2 Key changes within the Treasury Management Code are:

- Guidance on investments that are not part of treasury management activities i.e. investment in non-financial assets which an organisation holds primarily for financial returns such as investment property portfolios. Falkirk Council does not have any investment properties as all commercial and industrial properties are held for economic purposes and not financial returns. Consequently this new section of the code is not applicable to Falkirk Council.

- Amendments to some of the Treasury Management Practices (TMP's) that Councils maintain to manage and control treasury management activities. These amendments include risk management consideration such as inflation risk management together. Specific reference to MIFID II (Markets in Financial Instruments Directive II – see paragraph 4.9.1)) as part of the Council's approved financial instruments, is now included. The Council's TMP's are regularly updated and will now incorporate any changes required by the revised Code.

4.6.3 Key Changes within the Prudential Code are:

- Removal of some Prudential Indicators e.g. Indicator 2 "Incremental Impact on the Council Tax or Housing Rents."

- The requirement for all Councils to prepare a detailed Capital Strategy. The Capital Strategy will include details of capital expenditure, investments, liabilities and treasury management. As the consequences of capital ultimately flow through to the revenue budget in the form of loan charges and running costs, Falkirk Council's Capital Strategy will be integrated with its Medium Term Financial Plan. The Council's Capital Strategy together with any revision to Prudential Indicators, will be reported to Members during 2018/19.

4.7 Treasury Management Advisers

4.7.1 The Council has appointed Link Asset Services as its treasury management advisers. The contract is subject to regular review and comprises:

- Technical support on treasury and capital finance issues
- Economic and interest rate analysis
- Advice on debt rescheduling
- Borrowing and investment advice on interest rates, timing and financial instruments
- Credit ratings/market information service accessing the three main credit rating agencies

4.7.2 It is important to recognise under the terms of the revised Code, that regardless of the input from Link, the final decision on treasury matters always rests with the Council.

4.7.3 The Council's current two year contract with Link Asset Services expires on 31 March 2019.

4.8 Loans Fund

4.8.1 The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 came into force on 1 April 2016. A key requirement of these regulations is the provision of additional disclosures within the annual Strategy, in relation to Loans Fund Accounting. Details of the additional disclosures required are as follows:

- Explanation of the Loans Fund
- The policy for determining the repayment for loans fund advances.
- An analysis of the movement in Loans Fund Advances
- A profile of future Loans Fund Repayments
- Separate disclosure for Housing Revenue Account (HRA)
- An explanation for any changes to Loans Fund Repayment profile.

4.8.2 Every local authority in Scotland as required by The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016, has to operate a loans fund. This is unique to Scotland and is not required in the rest of the UK. The loans fund acts as an internal bank for the Council. The loans fund also provides the long term financing that the Council needs in respect of capital expenditure.

4.8.3 Under the 2016 regulations, the Council is required to set out its method for the statutory repayment of loans fund advances prior to the start of the financial year. The repayment of loans fund advances ensures that the Council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years. The Council's method is as follows:

- All historic loans fund advances made up to 31 March 2018, will continue to be repaid on the existing repayment basis i.e. annuity method. The repayment term is commensurate with the benefit of the asset to which the advance relates.

- All loans fund advances made during 2018/19 will also be repaid using the annuity method with a repayment term which is commensurate with the benefits of asset to which the advance relates.

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4.8.4 An analysis of the loans fund advances together with a profile of future loans fund repayments is detailed in Appendix 4. This information has been separately shown for General Fund, HRA and TIF. Specific details have been provided for 2017/18 and 2018/19 and thereafter shown in bands of years. Note that the advances for 2018/19 includes 2017/18 slippage/rescheduled projects as well as those included in the approved 2018/19 Capital Programmes. There have been no changes to the repayment profile of any loans fund advances.

4.9 Markets in Financial Instruments Directive II (MiFID II)

4.9.1 As previously advised to Members, the Markets in Financial Instruments Directive II (MiFID II) came into effect in January 2018 and was implemented by the Financial Conduct Authority (FCA). Under the Directive, local authorities are required to "opt up" to professional client status, in order to continue their treasury management activities with banks and other financial institutions. Falkirk Council has successfully completed this process and continues to interact with banks and financial institutions as part of its treasury management function.

4.10 Member/Officer Training

4.10.1 The Investment Regulations provide for increased scrutiny by Members of treasury management issues. Training sessions have been arranged in the past and going forward, further training sessions will be scheduled to ensure that Members are fully aware of their scrutiny role for treasury management purposes

4.10.2 There is a requirement under the Treasury Management Practices (TMPs), that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. This is achieved by in-house training supplemented by staff attending training courses/seminars organised by the Council's Treasury Advisers or other institutions in the field of Treasury Management or CIPFA (Scotland) Treasury Management Forum.

5. Consultation

5.1. There is no requirement to carry out a consultation on this report.

6. Implications

Financial

6.1 Assumptions made on both borrowing and investment is an integral part of the Revenue Budget setting process. As such the Revenue Budget and Capital Programmes for both General Fund and Housing reflect the financial consequences of the proposed Borrowing and Investment Strategies within this report.

Resources

6.2 Given the change in the Council's Bank, additional staff time will be required to perform dual tasks e.g. reconciliations, whilst the Clydesdale Bank accounts remain open.

Legal

6.3 There are no legal implications arising from the report recommendations.

Risk

6.4 Although interest rate assumptions are considered after discussion with Link, the Council's treasury advisers, there is always the risk that they could change, which could impact on the level of interest payable by the Council.

6.5 In terms of investments, the Council engages with a number of counterparties who meet the minimum rating criteria with at least one of the three credit rating agencies. There is a risk that some counterparties will fall below this minimum criteria which would limit the number of available counterparties to the Council.

Equalities

6.6 An equality and poverty impact assessment was not required**.**

Sustainability/Environmental Impact

6.7 A sustainable assessment was not required.

7. Conclusion

7.1 It is largely accepted that interest rates will rise with the Bank of England recently confirming that this would be the case, albeit that the exact timing is unknown. However, the prospects for both short term and longer term interest rates will clearly be influenced by future inflationary expectations, the pace of the economic recovery both of which will undoubtedly be impacted on by Brexit. A mid-year review of the treasury management function will be submitted to Members by 31 December as required by the Regulations.

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Appendices
Appendix 1 – Falkirk Council Permitted Investments, Associated Controls and Limits
Appendix 2 – Credit & Counterparty Policies
Appendix 3 – Third Party Loans
Appendix 4 – Loans Fund Advances & Repayments

List of Background Papers
Link Asset Services Interest Rate Forecast

APPENDIX 1

FALKIRK COUNCIL PERMITTED INVESTMENTS, ASSOCIATED CONTROLS AND LIMITS

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits
(a) Deposits with other local authorities or public bodies **(very low risk)**	These are considered quasi UK Government debt and as such there is no risk to value. Deposits will be for a fixed term and liquidity may therefore present a problem as deposits can only be broken with the agreement of the counterparty and penalties can apply. Deposits with other non local authority bodies will be restricted to the overall credit rating criteria. Non local authority deposits will follow the approved crediting rating criteria	Little mitigating controls required for local authority deposits, as this is a quasi UK Government investment. .	£8m per LA and maximum 1 year
(b) Deposits with the Debt Management Account Facility (UK Government) **(very low risk)**	This is a deposit with the UK Government and as such there is no risk to value. Deposits can be between overnight and 6 months and liquidity may therefore present a problem as deposits can only be broken with the agreement of the counterparty and penalties can apply.	Little mitigating controls required. As this is a UK Government investment, the monetary limit is unlimited to allow for a safe haven for investments.	£unlimited, maximum 6 months
(c) Money Market Funds (MMFs) **(very low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the MMFs have a “AAA” rated status from all of Fitch, Moody’s or Standard & Poors.	£8m per fund and on Call

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits
(d) Instant Access or On-Notice deposit accounts with financial institutions (banks and building societies) **(low risk depending on credit rating)**	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. There is little risk to value with these types of investments, liquidity is high and investments can be returned at short notice.	The counterparty selection criteria restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard & Poors. On day to day investment dealing, use of the selection criteria will be further strengthened by additional market intelligence.	£8m max and on Call subject to individual institution criteria
(e) Term deposits with financial institutions (banks and building societies) **(low to medium risk depending on period and credit rating)**	This tends to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is little risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty and penalties may apply.	The counterparty selection criteria restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard & Poors. On day to day investment dealing, use of the selection criteria will be further strengthened by additional market intelligence.	Banks - £8m and maximum 1 year subject to individual institution criteria for banks. Building Societies - £5m and maximum 1 year subject to individual institution criteria for building societies.
(f) Investment Properties (The Council does not currently hold, nor does it plan to hold any investment properties)	These are non-service properties which are being held pending disposal or for a longer term rental income stream. These are highly illiquid assets with high risk to value (the potential for property prices to fall or for rental voids)	In larger investment portfolios, some small allocation of property based investment may counterbalance/compliment the wider cash portfolio. Property holding will be re-valued regularly and reported annually with gross and net rental streams.	N/A

	Type of Investment	Treasury Risks	Mitigating Controls	Council Limits
(g)	Loans to third parties, including soft loans and loans to Registered Social Landlords	These are service transactions either at market rates of interest or below market rates (soft loans). These types of transactions may exhibit credit risk and are likely to be highly illiquid.	Each third party loan and each application is supported by the service rationale behind the loan and the likelihood of partial or full default.	Consistent with the particular scheme
(h)	Loans to a local authority company (the Council currently has no such loans)	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each loan to a local authority company and each application is supported by the service rationale behind the loan and the likelihood of partial or full default.	N/A
(i)	Shareholdings in a local authority Company. The Council has an investment of £5.810m as at 31/03/17 in Falkirk Community Stadium Ltd represented by a range of assets at Westfield, Falkirk)	These are service investments which may exhibit market risk and are likely to be highly illiquid.	Each equity investment in a local authority company requires Member approval and each application will be supported by the service rationale behind the investment and the likelihood of loss	£9m
(j)	Non-local authority shareholdings: The Council has an investment of £0.5m in thinkWhere, an independent company in Geographical Information Systems. The Council relies on their systems, software and data management capacity to analyse, interrogate and utilise information that underpins some of the Council's Core Services.	These are non-service investments which may exhibit market risk; be only considered for longer term investments and will likely be liquid.	Any non-service equity investment will require separate Member approval and each application will be supported by the service rationale behind the investment and the likelihood of loss.	£0.5m

The Monitoring of Investment Counterparties – The status of counterparties will be monitored regularly. The Council receives credit rating and market information from Link Asset Services, from which 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.

APPENDIX 2

CREDIT AND COUNTERPARTY POLICIES

Criteria to be used for creating/managing approved counterparty lists/limits.

- Chief Finance Officer in conjunction with the treasury management advisers, will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising period, type, sector and specific counterparty limits.

- To qualify for use, a counterparty must meet the minimum rating criteria with at least one of the three credit rating agencies.

- The Council will also have regard to additional operational market information such as negative rating watches/outflows before selecting the relevant counterparties.

- The Council's approved counterparty list will extend to selected counterparties from the following sectors:

  UK Banks
  Overseas Banks (but with UK authorisation) Minimum Sovereign rating of AA
  Building Societies
  UK Local Authorities
  UK Government

- The minimum level of credit rating for an approved counterparty per Fitch or equivalent ratings will be as undernoted, with particular reference to the short term rating but having regard to the long term rating.

SHORT TERM	F1	Indicates the strongest capacity for timely payment of financial commitments within a 12 month timeframe
LONG TERM	A-	High Credit Quality. A low expectation of credit risk with a strong capacity for timely payment of financial commitments

- The Council's own banker (Royal Bank of Scotland) will continue to be used for investment purposes even if the bank falls below the above criteria, because it is part nationalised. Balances will also be held on a Call basis too.

- Investments in Nat West, which is also part nationalised with the Royal Bank of Scotland, can be included if they continue to be part nationalised or if they meet the ratings above.

- The maximum period for investments will be 1 year unless an alternative period is recorded against a specific counterparty.

- The maximum value for any one investment transaction will be £8 million unless a lesser amount is recorded against a specific counterparty.

Full individual listings of counterparties and their limits are shown below.

APPROVED COUNTERPARTIES AND COUNTERPARTY LIMITS

Investments in the form of Temporary Deposits may be placed with the institutions noted below subject to the limit per institution indicated.

UK BANKS INSTITUTIONS	**LIMIT**	**MAX PERIOD**
Royal Bank of Scotland *		
Royal Bank of Scotland	£8m	1 year
Nat West	£8m	1 year
* A maximum combined monetary limit of	£8m	
Santander UK	£8m	1 year
Barclays Bank	£8m	1 year
HSBC	£8m	1 year
Standard Chartered	£8m	1 year
Sumitomo Mitsui Banking Corporation Europe	£8m	1 year
Lloyds Banking Group *		
Lloyds TSB	£8m	1 year
Bank of Scotland	£8m	1 year
* A maximum combined monetary limit of	£8m	
Goldman Sachs International Bank	£8m	1 year
BUILDING SOCIETIES		
Nationwide	£5m	1 year
Leeds	£5m	1 year
Coventry	£5m	1 year
Yorkshire	£5m	1 year
Skipton	£5m	1 year
UK LOCAL AUTHORITIES	£8m per LA	1 year
UK GOVERNMENT	Unlimited	6 months
MONEY MARKET FUNDS	£8m per fund	Call

APPENDIX 3

THIRD PARTY LOANS

The Investment Regulations require all loans to third parties to be classified as investments.

The (questionable) rationale behind this is to identify monies utilised in this way, which would otherwise be available for general investment and give rise to investment income.

To comply with the Regulations, the following is presented:-

Category and Context	Outstanding	
	No of loans	**Value £**
(a) Home Loans Only one loan remains of the advances to people purchasing under the right to buy scheme. The interest rate is set by the Scottish Government and is currently 3.13%.	1	1,227
(b) Care Home Deferred/Front Funding Payments When a person enters a care home, legislation requires the Council to offer the facility to pay care home fees to avoid a forced house sale. In the case of Deferred Payments, a standard security allows the monies to be recovered in due course. The Council is not allowed to charge interest.	47	1,000,025
(c) Bike to Work Scheme During the course of 2010/11, the Council launched a “Bike to Work” Scheme to encourage employees to become greener. The scheme provides tax and national insurance savings to employees who obtain bicycles and safety equipment used mainly for cycling to and from work. The scheme provides a loan which is paid over a one year period.	77	17,609
(d) Owner/Occupiers – High Rise Flats Communal repairs for High Rise blocks of flats e.g. lift refurbishment. Owner/occupiers have deferred their share of costs until such time as flat is sold and thereafter Council will be reimbursed. An Admin Fee for the service is also recharged to owner/occupiers.	17	131,295
(e) National Housing Trust Initiative The Council was granted Scottish Government consent to borrow under the National Housing Trust Initiatives. The consent was used to finance a loan to Carrongrove NHT 2011 LLP for the purchase of housing units under this scheme. The loan will be repaid to the Council on the sale of the houses.	1	2,341,563

APPENDIX 4

LOANS FUND ADVANCES & REPAYMENTS

TOTAL			Years	Years	Years	Years	Years	Years	Years	Years	Years
	2017/18	2018/19	2-5	6-10	11-15	16-20	21-25	26-30	31-35	36-40	41-45
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Opening Balance	**279.40**	**293.67**	**317.77**	**359.97**	**258.37**	**155.05**	**77.75**	**48.17**	**28.87**	**12.54**	**3.37**
Advances	27.80	39.40	109.43	-	-	-	-	-	-	-	-
Repayments	(13.53)	(15.30)	(67.23)	(101.60)	(103.32)	(77.30)	(29.58)	(19.30)	(16.33)	(9.17)	(3.37)
Closing Balance	**293.67**	**317.77**	**359.97**	**258.37**	**155.05**	**77.75**	**48.17**	**28.87**	**12.54**	**3.37**	**-**

GENERAL FUND			Years	Years	Years	Years	Years	Years	Years	Years	Years
	2017/18	2018/19	2-5	6-10	11-15	16-20	21-25	26-30	31-35	36-40	41-45
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Opening Balance	**151.55**	**154.36**	**156.71**	**128.40**	**88.16**	**52.91**	**24.83**	**11.86**	**4.86**	**1.39**	**0.34**
Advances	11.01	11.74	4.31	-	-	-	-	-	-	-	-
Repayments	(8.20)	(9.39)	(32.62)	(40.24)	(35.25)	(28.08)	(12.97)	(7.00)	(3.47)	(1.05)	(0.34)
Closing Balance	**154.36**	**156.71**	**128.40**	**88.16**	**52.91**	**24.83**	**11.86**	**4.86**	**1.39**	**0.34**	**-**

HRA			Years	Years	Years	Years	Years	Years	Years	Years	Years
	2017/18	2018/19	2-5	6-10	11-15	16-20	21-25	26-30	31-35	36-40	41-45
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Opening Balance	**127.26**	**138.15**	**154.64**	**191.23**	**142.26**	**88.45**	**52.85**	**36.31**	**24.01**	**11.15**	**3.03**
Advances	16.20	22.36	67.04	-	-	-	-	-	-	-	-
Repayments	(5.31)	(5.87)	(30.45)	(48.97)	(53.81)	(35.60)	(16.54)	(12.30)	(12.86)	(8.12)	(3.03)
Closing Balance	**138.15**	**154.64**	**191.23**	**142.26**	**88.45**	**52.85**	**36.31**	**24.01**	**11.15**	**3.03**	**-**

TIF			Years	Years	Years	Years	Years	Years	Years	Years	Years
	2017/18	2018/19	2-5	6-10	11-15	16-20	21-25	26-30	31-35	36-40	41-45
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Opening Balance	**0.59**	**1.16**	**6.42**	**40.34**	**27.95**	**13.69**	**0.07**	**-**	**-**	**-**	**-**
Advances	0.59	5.30	38.08	-	-	-	-	-	-	-	-
Repayments	(0.02)	(0.04)	(4.16)	(12.39)	(14.26)	(13.62)	(0.07)	-	-	-	-
Closing Balance	**1.16**	**6.42**	**40.34**	**27.95**	**13.69**	**0.07**	**-**	**-**	**-**	**-**	**-**