ITEM NO: 14

DECISION-MAKER:		COUNCIL		
SUBJECT:		REVIEW OF PRUDENTIAL LIMITS AND TREASURY MANAGEMENT OUTTURN 2009/10		
DATE OF DECISION:		14 JULY 2010		
REPORT OF:		EXECUTIVE DIRECTOR OF RESOURCES		
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STATEMENT OF CONFIDENTIALITY
NOT APPLICABLE

SUMMARY

Council is requested to note the Treasury Management activities and performance for 2009/10 against the approved Prudential Indicators for External Debt and Treasury Management.

This report specifically highlights that:

i. Borrowing activities have been undertaken within the borrowing limits approved by Council on 17th February 2010.

ii. The average rate for repayment of overall outstanding debt has increased slightly from 2.86% in 2008/09 to 3.10% which was inline with the approved strategy and lower than that budgeted due to the continued use of shorter term debt to take advantage of the lower yields whilst the financial markets remain depressed. It should be noted that the forecast for longer term debt is a steady increase over the next few years so new long term borrowing will be taken out above this rate, therefore an increase in the Consolidated Rate of interest should be expected. See paragraph 20 for further analysis.

iii. £1.5M was moved into an Interest Equalisation Reserve during 2009/10 which was agreed as part of the Treasury Management (TM) Strategy in recognition that any savings are temporary until we lock back into long term debt.

iv. The investment portfolio returned £1M at an average rate of 1.89% in 2009/10 compared to 3.11% for 2008/09. This is a result of continuing low interest rates and a smaller investment portfolio due to the continued risk of holding large investment balances.

Net loan debt increased during 2009/10 from £177M to £186M as detailed in paragraph 9.

RECOMMENDATIONS:

That Council:

(i) Notes the Treasury Management activities for 2009/10 and the outturn on the Prudential Indicators.

(ii) Notes that for institutions with a minimum long-term rating in the 'double-A' category or higher (i.e. AAA, AA+, AA, AA- or equivalent) the individual limit was increased from £5M to £10M following a temporary reduction due to market uncertainty. This amendment was made by the Chief Financial Officer under existing delegations.

(iii) Notes that the continued proactive approach to TM has led to significant savings in borrowing costs and safeguarded investment income during the year.

(iv) Delegates authority to the Chief Financial Officer to following consultation with the Cabinet Member for Resources and Workforce Planning to approve any changes to the Prudential Indicators and both borrowing and investment limits that will aid good treasury management. Any amendments will be reported as part of quarterly financial and performance monitoring and in revisions to this strategy.

REASONS FOR REPORT RECOMMENDATIONS

1. The reporting of the outturn position for 2009/10 forms part of the approval of the statutory accounts. The Treasury Management Strategy and Prudential Indicators are approved by Council in February each year in accordance with legislation and CIPFA's Code of Practice

2. The Treasury Management Code requires public sector authorities to determine an annual TM Strategy and now, as a minimum, formally report on their treasury activities and arrangements to full Council mid-year and after the year-end. These reports enable those tasked with implementing policies and undertaking transactions to demonstrate they have properly fulfilled their responsibilities, and enable those with ultimate responsibility/governance of the treasury management function to scrutinise and assess its effectiveness and compliance with policies and objectives.

CONSULTATION

3. Not Applicable.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

4. No alternative options are relevant to this report.

DETAIL

BACKGROUND

5. Treasury Management in Local Government is governed by the CIPFA Code of Practice on Treasury Management in the Public Services and in this context is the "management of the Council's cash flows, its banking and its capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks". This Council has adopted the Code and complies with its requirements.

6. The Prudential Capital Finance System came into force on 1st April 2004. The Council determines at a local level its capital expenditure and can borrow or use alternative financing methods to finance capital spending provided that capital plans are demonstrably affordable, prudent and sustainable, and options appraisal supports asset management planning. In November 2009 CIPFA released the revised Code of Practice for Treasury Management in the Public Services and accompanying Guidance Notes and the revised Prudential Code for Capital Finance in Local Authorities. The CLG also issued revised Guidance on Local Authority Investments for English authorities. The revised Codes/Guidance re-emphasise an appropriate approach to risk management, particularly in relation to the security and liquidity of invested funds. Authorities were also required to demonstrate value for money when borrowing in advance of need and ensure the security of such funds. Authorities are now also required to have a separate body or committee responsible for the scrutiny of the treasury function. The Council is revising its treasury policy and practices documentation to take account of the requirements and changes in the revised Codes and Guidance.

7. This report:
    a) is prepared in accordance with the revised CIPFA Treasury Management Code and the revised Prudential Code,
    b) presents details of capital financing, borrowing, debt rescheduling and investment transactions,
    c) reports on the risk implications of treasury decisions and transactions,
    d) gives details of the outturn position on treasury management transactions in 2009/10 and
    e) confirms compliance with treasury limits and Prudential Indicators.

    The report is to full Council and will in addition also be submitted to Audit Committee which is responsible for scrutiny of the Treasury Management function.

8. Appendix 1 summarises the economic outlook and events in the context of which the Council operated its treasury function for 2009/10.

TREASURY PORTFOLIO 2009/10

9.

31/03/2009 £M	31/03/2009 %		31/03/2010 £M	31/03/2010 %
		External Borrowing Long-term:		
99.0	47.8	PWLB	112.0	48.2
11.8	5.7	Market	11.7	5.0
16.7	8.1	Temporary Borrowing	31.5	13.5
20.0	9.7	Other Long-term Liabilities (HCC Trans Debt)	19.2	8.3
		Long-term liabilities*:		
59.5	28.7	Public Finance Initiative (PFI) Schemes (a requirement for 2009/10)	58.1	25.0
207.0	**100.0**	**Total External Debt**	**232.5**	**100.0**
		Investments:		
30.0	100.0	Managed in-house	46.3	100.0
0.0	0.0	Managed externally	0.0	0.0
30.0	**100.0**	**Total Investments**	**46.3**	**100.0**
(177.0)		**(Net Borrowing)/Net Investment Position**	**(186.2)**	

The 2009 Statement of Recommended Practice (SORP) has resulted in the PFI related long term assets and liabilities being brought onto the Council's Balance Sheet in 2009/10. The aggregate External Debt including PFI liabilities remained within above the Council's Prudential Borrowing Limit.

BORROWING LIMITS

10. A comparison between the revised borrowing limits approved by Council on 17th February 2010 and the highest borrowing position incurred during the course of the financial year is provided below.

	Approved Operation Limit 2009/10	Highest Level of Borrowing in 2009/10
(i) Overall Borrowing Limit	£408M	£235M
(ii) Proportion of Variable Debt	50%	24.6%

11. The table shows that the Council's borrowing activities (including PFI) have been undertaken within the Approved Limits. The variations arise from the need to set limits which will be sufficient to provide a degree of flexibility in the management of the Council's debt.

LONG TERM BORROWING

12. The need to borrow arises from the requirement to finance new capital expenditure and to meet the repayment of existing long term loans, and is also dependant on any increase or decrease in internal funds.

13. The borrowing may either be long term (i.e. one year or longer) or short term (i.e. under one year). In general, long term loans are raised to fund capital expenditure and short term sources are used for the replacement of internal funds arising through movements in cash-flows.

14. The Council's borrowing requirement for financial year 2009/10 and that of two succeeding financial years was estimated at £141M. Public Works Loan Board (PWLB) borrowing is no longer subject to quotas. Forward funding can be undertaken provided it is affordable, prudent and sustainable. All borrowing is aggregated and there is no requirement to separately identify loans that relate to unsupported borrowing.

15. The Prudential Code allows the Council the flexibility to bring forward or defer borrowing in relation to its Capital Financing Requirement (CFR). During the year the differential between debt costs and investment earnings was significant. In order to eliminate the high "cost of carry" associated with the higher cost of long term borrowing compared to temporary investment returns (between 0.5% and 1.5%), the Council used internal resources in lieu of borrowing. By doing so, the Council lowered overall treasury risk during the year. The Council recognises that utilising investments in lieu of borrowing clearly has a finite duration and that future borrowing will be required to support capital expenditure; this will be kept under review in 2010/11.

16. During the year PWLB borrowing rates were relatively "steep", (rates for short-dated maturity loans were much lower than for longer-dated maturities), reflecting sharply lower official interest rates of just 0.5% and the reasonably sanguine expectations for inflation. The demand for gilts generated by Quantitative Easing (QE) more than offset the supply of new gilts issued to plug the deficit; this resulted in lowering gilts yields by around 70 base points (0.7%). However, it was expected that QE would be withdrawn over time and this coupled with the prospect of a downgrade to the sovereign rating from the increasing burden of the fiscal deficit meant that the risk of higher interest rates could not be ruled out. Against this outlook, the Council viewed long term rates of 4.5% or below to be prudent and affordable borrowing opportunities. Short-dated PWLB borrowing rates produced some attractive borrowing options being 2.0% - 2.5% below the more traditional longer-term fixed rates.

17. The cost of PWLB variable rate debt fell below 1%. During 2009/10 this significantly reduced the 'cost of carry' associated with the cost of new borrowing and income earned on investments. This was advocated as a borrowing option by our advisors, Arlingclose, taking into account the substantial proportion of fixed rate debt in the Council's portfolio. Interest rates would undoubtedly rise over the medium term, but the increase in the cost of variable rate borrowing would be mitigated by a parallel increase in investment income earned at variable rates. In addition existing PWLB arrangements also permit the conversion of variable rate debt to fixed rate at minimal cost. The Council will maintain the discipline of regularly and actively reviewing the proportion and cost of variable rate debt within the portfolio and will either repay or convert the debt to fixed rate as necessary.

18. Equal Instalments of Principal (EIP) loans also reflected the steepness exhibited in the borrowing curve and was advocated as a borrowing option by Arlingclose. EIP loan principal is repaid evenly over the life of the loan and thus avoids adding to specific peaks in the maturity profile of debt.

19. Against the above backdrop, the following loans were taken out during 2009/10 to refinance maturing debt (£22M) and to fund the capital programme (£23M). PWLB rates and investment rates will be continually monitored to assess the best time to refinance with long term debt. It should be noted that a further £10M of maturing debt was refinanced via the short term market through other Local authorities to take advantage of the low rates offered. This will be refinanced via long term debt when the market conditions are right.

Date	Lender	Principal £M	Rate %	Period of loan
Jan 2010	PWLB - Variable	10.0	0.65	10 years
Feb 2010	PWLB - EIP	10.0	3.06	10 years
Feb 2010	PWLB - EIP	5.0	3.04	10 years
Feb 2010	PWLB - EIP	5.0	3.05	10 years
Feb 2010	PWLB - Variable	15.0	0.70	10 years
Total		**45.0**		

20. The Council has £9M loans which are Lender's Options Borrower's Option (LOBO) loans, all of which were in their option state in 2009/10. However, the lender did not exercise any call option.

The opening and closing external borrowing portfolio (excluding PFI) is summarised below:

	Balance at 01/4/2009		Maturing loans	New Borrowing	Balance at 31/3/2010	
	£M	Rate %	£M	£M	£M	Rate %
Long-term Borrowing						
Fixed Rate – PWLB EIP	9.0	1.97	2.0	20.0	27.0	2.69
Fixed rate loans – PWLB Maturity	80.0	3.32	20.0	20.0	60.0	3.76
Variable rate loans - PWLB	10.0	1.15	10.0	25.0	25.0	0.67
Variable rate loans – Market	11.8	4.85	0.1		11.7	4.85
Temporary Borrowing	16.7	0.76		14.8	31.5	0.59
Total borrowing	**127.5**	**2.86**	**32.1**	**59.8**	**155.2**	**3.10**

PWLB borrowing rates are shown in Appendix 1.

The Council's current debt maturity profile is detailed overleaf:

	PWLB £M	Rate %	Other Loans £M	Rate %	Total £M
Short Term Borrowing			31	0.59	31
Long Term Borrowing -					
Under a year	19	2.44			19
Between 1 and 2 years	9	3.18	1	4.84	10
Between 2 and 5 years	19	3.51	1	4.84	20
Between 5 and 10 years	36	1.35	1	4.84	37
Between 25 and 30 years	10	4.68	6	4.94	20
Between 30 and 35 years	5	4.6			
Between 35 and 40 years					
Between 40 and 45 years	5	5.70	3	4.71	18
Over 45 years	10	3.98			
Total Borrowing	**112**	**2.83**	**43**		**155**

DEBT RESTRUCTURING

21. The main objective of debt rescheduling is to reduce the Council's overall exposure to the risk of interest rate movements, to lower the long-term interest charges paid on its debt, to smooth the maturity profile without compromising the overall longer-term stability, or to alter its volatility profile (i.e. exposure to variable rate debt).

22. Debt rescheduling became more challenging after the PWLB introduced a separate, lower set of repayment rates in November 2007. This increased the costs associated with the premium payable and diminished the discount receivable, thus reducing the cost savings achievable. Nevertheless, volatility in PWLB rates does provide opportunities to reschedule debt.

23. No debt restructure took place during 2009/10; however £45M was restructured during 2008/09 into short-term debt to take advantage of lower interest rates and to lower risk.

24. In the current climate of low interest rates remaining at the short end of the market this is obviously still a sound strategy, however at some point when the market starts to move the Council will need to act quickly to lock into fixed long term rates which may be at similar levels to the debt that was restructured (4.5 – 5.0%). The savings generated in 2010/11 will not therefore be recurring and should not be used for budget setting purposes. As agreed at Council in February 2010 an Interest Equalisation Reserve has been set up and £1.5M has been moved into this in 2009/10.

25. During 2009/10, the Council raised loans through the London Money Market from financial institutions and other Local Authorities on a short term basis. The following table illustrates the level of short term borrowing activity which has taken place during 2009/10 and shows the average rate for 2009/10.

Number of Transactions	109
Total Transaction Value	£243,800,000
Average Interest Rate	0.48%
Interest Paid	£104,439

ANNUAL INVESTMENT STRATEGY AND OUTTURN

26. The Council held cash balances during the year of between £30 and £63M averaging £46M. These represent working cash balances / capital receipts and the Council's reserves.

27. The ODPM's Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles. Having assessed the risks associated with the various potential investment instruments, the Council determined the 'specified' and 'non-specified' investments it would use during the year (as detailed in Appendix 2). These decisions were taken at local level to suit the Council's particular circumstances, return aspirations and risk tolerances.

28. The Council's existing investments are a combination of long-dated investments (i.e. with maturities in excess of one year) and short-term investments and reflect previous treasury management strategies and decisions. The mix of long and short term investments enables the Council to maintain an appropriate level of liquidity and enables it to mitigate re-investment risk (the risk that a large proportion of maturing investments is reinvested when interest rates are at a cyclical low).

The Council's investment income for the year was £1M compared to a budget of £2.6M and the variance is principally due to a combination of the following:

- Average investment balances held during the financial year were lower than originally budgeted due to the repayment of £45M debt in 2008 which reduced the investment risk and reduced borrowing costs which are significantly higher that investment rates available in the current financial climate.
- The prevailing money market rates of interest were lower than that budgeted.

29. In the early part of 2009, following advice from the Council's Treasury advisors, it was decided to reintroduce certain UK banks and building societies who had implicit or explicit expressions of support from the UK government as clients' investment counterparties; this does not include their subsidiary banks. The maximum limit per bank was £5M. The maximum maturity period for these investments was initially three months but has now been extended to twelve months as confidence in the market has returned. All other funds were still invested with the Debt Management Office (DMO) and AAA money market funds.

For institutions with a minimum long-term rating in the 'double-A' category or higher (i.e. AAA, AA+, AA, AA- or equivalent) the individual limit was increased from £5M to £10M following a temporary reduction due to market uncertainty. This amendment was made by the Chief Financial Officer under existing delegations. This strategy is kept under constant review until the markets settle down and revert to more normal levels.

30. The table below summarises the nominal value of the Council's short term investment portfolio at the end of each financial year into the relevant credit rating.

	31st March 2009		31st March 2010	
Credit Rating	**£000**	**%**	**£000**	**%**
A-	9,000	37%	0	0%
A	0	0%	0	0%
A+	0	0%	18,430	46%
AA-	8,400	35%	10,000	25%
AA	0	0%	0	0%
AA+	0	0%	0	0%
AAA	6,635	28%	11,795	29%
Total Investments	**24,035**	**100%**	**40,225**	**100%**

31. The table below summarises the maturity profile of the Council's short term investments together with the long and short term credit ratings of the institutions with which funds have been deposited. The authority does not expect any losses from non-performance by any of its counterparties in relation to its investments.

Outstanding Investments as at 31st March 2010

Country	Current Long Term rating (LCD approach)	Original Long Term rating	Sovereign Rating (LCD approach)	Under 1 Month	1-3 Months	3-6 Months	6-9 Months	Total
UK								
Bank Deposits *	A+	AA+	AAA	0	3,000	0	0	3,000
Bank Deposits *	A+	AA-	AAA	5,230	0	4,200	2,050	11,480
Bank Deposits *	AA-	AA-	AAA	1,750	0	3,500	4,750	10,000
Building Societies *	A+	AA-	AAA	0	0	2,000	1,950	3,950
Gov't & Local Authority Deposits	AAA	AAA	AAA	1,150	0	0	0	1,150
Money Market Funds	AAA	AAA	AAA	10,645	0	0	0	10,645
Total Investments				**18,775**	**3,000**	**9,700**	**8,750**	**40,225**

* Institutions which have access to the UK Government Credit Guarantee Scheme

32. The following table illustrates the level of investment activity which has taken place during 2009/10 and shows the average rates for 2009/10.

It also shows those funds which have been invested for a year which were part of the Council's rolling programme of investment of Core balances to generate higher interest, which was suspended during part of the year until the market settled down. The investment figures exclude the Business Reserve accounts, where interest is earned on the daily balance and not on individual deals; these generated an additional £59,000 in interest.

	Short Term Investments	One Yearly Investments
Number of Transactions	124	8
Total Transaction Value	£221,440,000	£15,200,000
Average Interest Rate	0.62%	1.54%
Interest Earned	£120,031	£234,252

33. In addition to short term investments the council also holds the following AAA rated bonds, which provided excellent credit quality, certainty of income and a valuable return during a period of relatively high risk and low interest rates.

Date of Investment	Issuer	Nominal value £M	Yield to Maturity %	Maturity Date
31/07/2007	Euro Investment Bank	1	5.375	07/06/2021
4/11/2008	Euro Investment Bank	1	5.375	07/06/2021
4/11/2008	Euro Investment Bank	1	5.5	15/04/2025
4/11/2008	Euro Investment Bank	3	4.5	14/01/2013

MINIMUM REVENUE PROVISION (MRP)

34. There is now a statutory requirement to make a "prudent provision" for MRP (SI 2008 No.414). Statutory Guidance issued by the DCLG in March 2008 makes recommendations to local authorities on the interpretation of the term "prudent provision". Local authorities are to have regard to this Guidance which provides four options:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

35. Options 1 and 2 can be used on all capital expenditure incurred before 1st April 2008 and on Supported Capital Expenditure on or after that date. Options 3 and 4 are considered prudent options for Unsupported Capital Expenditure on or after 1st April 2008 and can also be used for Supported Capital Expenditure whenever incurred.

36. The Council's approved its policy at its meeting of 16th July 2008 and determined that for 2009/10 Option 1 would be adopted for Supported Borrowing and Option 3 for Unsupported Borrowing.

The MRP Statement has to be submitted to Council before the start of each financial year but if ever there is a need to vary the terms of the original MRP Statement during the year, a revised statement will be put to Council at that time. No such statement was required for 2009/10.

37. The 2009 SORP has resulted in PFI schemes being brought on balance sheet and has resulted in an increase in the CFR which in turn will lead to an increase in the MRP charge to revenue. MRP for these items will match the annual principal repayment for the associated deferred liability.

COMPLIANCE WITH TREASURY LIMITS

38. The Council implemented its treasury strategy within the limits and parameters set in its treasury policy statement and Prudential Indicators against the prevailing market opportunities as follows:

a) Obtaining long-term funding for the Council's supported and unsupported borrowing requirement from the PWLB.

b) Restructuring existing long-term loans to lower debt financing costs without compromising longer-term stability.

c) Adhering to the paramount requirement of safeguarding the council's invested balances during a period of unprecedented money market dislocation; tightening the minimum credit criteria for lending in response to the credit crisis and maintaining adequate diversification between institutions; optimising investment returns subject to the overriding requirement of security and liquidity.

d) Forecasting and managing cash flow and undertaking short-term borrowing and lending to preserve the necessary degree of liquidity.

TREASURY RELATED PRUDENTIAL INDICATORS

39. The Prudential Code requires the Prudential Indicators for External Debt and Treasury Management to be reported against approved indicators previously reported. Appendix 3 compares actual performance against approved indicators, all of which were within agreed limits.

40. **BALANCED BUDGET**

The Council complied with the Balanced Budget requirement.

EXTERNAL SERVICE PROVIDERS

41. Arlingclose is appointed as the Council's treasury management advisor. The Council is clear as to the services it expects and which are provided under the contract. The service provision is comprehensively documented. The Council is also clear that overall responsibility for treasury management remains with the Council.

HOUSING FINANCE REFORM

42. In March 2010 the CLG published proposals for the reform of the Housing Revenue Account (HRA) and abolition of the current subsidy system. Under the self-financing system it is intended for authorities with housing to keep all of the rent they collect and all the receipts from sales of housing or land. The self-financing model indicates a level of opening HRA debt for each local authority and the modelled figures give an estimate as to whether the Authority would receive a capital sum from or pay a capital sum to the Government under the HRA reform.

43. The Council will need to evaluate to what extent the modelled figures in the consultation documents resemble the reality of the Council's HRA position and business plans and also needs to consider the direct impact of the proposals and also any indirect impacts, for example on the General Fund or on Treasury Management costs.

44. The Government is formally consulting on these proposals with a closing date for responses of 6th July 2010. If there is agreement, Government proposes to work towards voluntary implementation from 2011/12, subject to confirmation at the next Spending Review.
If there is not agreement, the Government will seek to implement self-financing through new primary legislation possibly as early as 2012/13.

TRAINING

45. CIPFA's revised Code requires the Chief Financial Officer to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. Training was undertaken by external consultants on the 10th December 2009.

46. The CLG's revised Investment Guidance also recommends that a process is adopted for reviewing and addressing the needs of the authority's treasury management staff for training in investment management. This is provided through our Treasury Advisors.

FINANCIAL/RESOURCE IMPLICATIONS

Capital

47. None.

Revenue

48. The report is a requirement of the TM Strategy, which was approved at Council on 17th February 2010.

49. The interest cost of financing the Authority's long term and short term loan debt is charged corporately to the Income and Expenditure account, the interest cost of financing the Authority's loan debt amounted to £3.5M in 2009/10 compared with an estimate of £10.5M, a reduction of £7M, £3.1M of which related to the HRA. This was mainly due to savings as a result of refinancing long term debt through the use of variable interest rates and short term borrowing which currently remain significantly lower (0.70% as opposed to the estimated rate of 4.6%).

50. In addition interest earned on temporary balances invested externally is credited to the Income and Expenditure account. In 2009/10 £1M was earned against a budget of £2.6M, a decrease of £1.6M. This was a result of lower than expected interest rates in the depressed financial market and Appendix 1 gives further details surrounding the economic climate for 2009/10.

51. The expenses of managing the Authority's loan debt consist of brokerage, printing costs and internal administration charges. These are pooled and borne by the HRA and General Fund proportionately to the related loan debt. Debt management expenses amounted to £108,400 in 2009/10 compared to an estimate of £96,700. This was mainly as a result of additional PWLB commission paid as a result of the debt restructure.

Property

52. None.

Other

53. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

54. Local Authority borrowing is regulated by Part 1, of the Local Government Act 2003, which introduced the new Prudential Capital Finance System.

55. From 1st April 2004, investments are dealt with, not in secondary legislation, but through guidance. Similarly, there is guidance on prudent investment practice, issued by the Secretary of State under Section 15(1)(a) of the 2003 Act. A local authority has the power to invest for "any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs". The reference to the "prudent management of its financial affairs" is included to cover investments, which are not directly linked to identifiable statutory functions but are simply made in the course of treasury management. This also allows the temporary investment of funds borrowed for the purpose of expenditure in the reasonably near future; however, the speculative procedure of borrowing purely in order to invest and make a return remains unlawful.

<u>Other Legal Implications</u>:

56. None.

POLICY FRAMEWORK IMPLICATIONS

57. This report has been prepared in accordance with CIPFA's Code of Practice on Treasury Management and the TM Strategy approved by Council on 17th February 2010

SUPPORTING DOCUMENTATION

Appendices

1.	Summary of Economic Outturn 2009/10	
2.	Specified and Non Specified Investments	
3.	Prudential Indicators 2009/10 Outturn	

Documents In Members' Rooms

1.	
2.	

Background Documents

	Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.		
2.		

Background documents available for inspection at:

E-mail: tina.connolly@southampton.gov.uk

FORWARD PLAN No:	N/A	**KEY DECISION?**

WARDS/COMMUNITIES AFFECTED:

NOT APPLICABLE