



Committee: BUDGET AND PERFORMANCE PANEL

Date: TUESDAY, 24 FEBRUARY 2009

Venue: LANCASTER TOWN HALL

Time: 4.30 P.M.

Councillors are reminded that as Members of Overview and Scrutiny they may not be subjected to the Party Whip, which is prohibited under the Lancaster City Council Constitution.

A G E N D A

1. Apologies for absence

2. Declaration of Interests

3. Minutes

Minutes of the Meeting held on 27th January 2009 (previously circulated)

4. Items of Urgent Business authorised by the Chairman

5. Partnership Mapping and Evaluation (Pages 1 - 6)

Report of the Principal Auditor

6. Treasury Management Strategy 2009/10 (Pages 7 - 21)

Report of Head of Financial Services

7. Consideration of the Budget Proposals

The Panel are advised to read the Budget Report to Cabinet on 17th February. Cabinet's recommendations on the Budget will be reported to the Panel at the meeting.

8. Updated Work Programme (Pages 22 - 23)

Report of Head of Democratic Services

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Roger Sherlock (Chairman), John Whitelegg (Vice-Chairman), Tina Clifford,

Jean Dent, Keran Farrow, Sarah Fishwick, Mike Greenall, Ian McCulloch and Keith Sowden

(ii) Substitute Membership

Councillors Chris Coates, Roger Dennison, Rebekah Gerrard, Emily Heath, Karen Leytham, Roger Plumb, Peter Robinson, Sylvia Rogerson and Paul Woodruff

(iii) Queries regarding this Agenda

Please contact Liz Bateson, Democratic Services - telephone (01524) 582047 or email ebateson@lancaster.gov.uk.

(iv) Changes to Membership, substitutions or apologies

Please contact Members' Secretary, telephone 582170, or alternatively email memberservices@lancaster.gov.uk.

MARK CULLINAN,
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Published on 13th February 2009

BUDGET & PERFORMANCE PANEL**Partnership Mapping & Evaluation****24 February 2009****Corporate Director (Finance & Performance)****PURPOSE OF REPORT**

To inform Members of progress made in undertaking a 'mapping' exercise to determine the number, type and purpose of partnerships that the Council is involved in, and the ongoing development of a framework for evaluating and monitoring partnership performance and effectiveness.

This report is public

RECOMMENDATIONS

- 1. That progress on the mapping and evaluation of partnerships be noted**
- 2. That the Budget & Performance Panel endorse the evaluation during 2009/10 of the eight significant partnerships identified in the report.**
- 3. That the results and outcomes arising from the completed evaluations be reported to the Budget & Performance Panel for consideration and scrutiny.**

1 Introduction

- 1.1 In July 2008, members of the Panel considered proposed actions to strengthen performance management in relation to partnerships and to introduce a framework for reviewing and evaluating the effectiveness of partnerships and the Council's involvement in them.
- 1.2 The Panel supported recommendations relating to:
 - the adoption of a corporate definition of what this Council means by a 'partnership' and the types of partnership covered by that definition;
 - the use of tools and techniques for the purpose of identifying (or 'mapping' the number and types of partnership within the adopted definition, and to evaluate the effectiveness of those partnerships considered to be of 'major' significance to the Council in achieving corporate objectives and priorities; and;
 - the Budget and Performance Panel being responsible for the future scrutiny of the effectiveness of partnership working.
- 1.3 The proposed definition and evaluation tools and techniques were subsequently approved by the Individual Cabinet Member with responsibility for Rural Areas, Performance Management and Efficiency in August 2008 and in September 2008, following Council approval, the Budget and Performance Panel were formally given responsibility for the overview and scrutiny of the Council's partnerships and their terms of reference amended accordingly.
- 1.4 In October 2008, a project team lead by the Corporate Director (Finance and Performance) was set up to undertake the partnership mapping and evaluation work and to develop a framework for partnership performance monitoring and evaluation. This report sets out the progress made to date and the plans being made for the coming months and in 2009/10 to evaluate the effectiveness and performance of eight partnerships identified as being of 'major' significance to the Council.

2 Progress to date

- 2.1 Several key benefits arising from the core objective of the project have been identified including successful application of the partnership performance framework which will '*...provide a clear vision of individual partnerships and their intended outcomes for citizens and service users, and information needed to make best use of resources, value for money and efficiencies.*'
- 2.2 During December 2008, the Project Manager and other members of the project team met with all Service Heads and other lead officers involved in partnership working. The approach taken during the mapping exercise has successfully produced an up-to-date list of Council partnerships (59 compared to an original list of 128) which meet the adopted definition and which have been categorised into relevant types of partnership
- 2.3 Using a simple scoring mechanism, known as the *Partnership Assessment Scorecard (PAS)*, the level of 'significance' (Limited/Moderate/Major) of each partnership towards the achievement of corporate objectives and priorities has been determined. This will facilitate a means of determining an appropriate level of treatment of each partnership which reflects its impact on the Council's overall service planning and delivery arrangements.
- 2.4 The mapping exercise has been widely welcomed by Service Heads/lead officers who consider the scores produced to be an accurate reflection of the impact and importance of individual partnerships against key aspects of partnership working, such as value for money, risk management and governance arrangements.
- 2.5 Of the 59 partnerships identified, 23 have been scored as being of 'major' significance to the Council, 21 as 'moderate' and 15 with a 'limited' significance (See Appendix A)
- 2.6 Running concurrently with the mapping exercise has been a pilot study of the *Partnership Development and Evaluation Toolkit* (the toolkit) aimed at testing its robustness and effectiveness in practice and as a means of informing the ongoing development of the partnership performance framework.
- 2.7 The pilot has been undertaken by the Community Safety and Museums partnerships. Although these have yet to be fully assessed, initial feedback has been very positive in that the toolkit has enabled each partnership to assess how effective current working arrangements are, identifying in the process, activities that they do well and other areas where improvements can be made.

3 Forward Plan

- 3.1 Over the coming months a number of tasks will be undertaken by the project team, including the compilation of a register/database of all the partnerships identified which will provide a central point of reference about their activities, purpose, governance and overall performance.
- 3.2 In the future this register should help to inform decision making regarding the Council's continuing involvement in individual partnerships and the budget process, as well as provide a means of ensuring that major partnerships annually report on their overall effectiveness through assurance statements in support of the Council's Governance Statement.
- 3.3 Informed by the results of the mapping exercise and knowledge of individual partnerships purpose and objectives, the project team have identified a possible eight partnerships (highlighted in Appendix A) to be evaluated during 2009/10. The eight recommended have subsequently been considered and endorsed by the Performance Management Group and Corporate Management Team.
- 3.4 It is suggested that outcomes/action plans arising from the completed evaluations be considered by the Performance Management Group and subsequently reported to the Budget and Performance Panel for scrutiny.

4 Conclusion

- 4.1 The project has made a good start and is considered to be 'on track' in terms of the forecasted delivery of the perceived benefits, based on the positive feedback and results arising from the mapping exercise, and the experience of the pilot studies testing the effectiveness and usefulness of the *Partnership Development and Evaluation Toolkit*.
- 4.2 It is clear, however, that a lot more has yet to be done to develop and firmly establish a corporate framework for working in partnership and for assessing partnership performance, including that of the Council itself. A further report on progress, and outcomes from the partnership evaluations will be submitted to the Budget & Performance Panel during 2009/10.
- 4.3 In the longer term, corporate establishment of the partnership performance framework will demonstrate that the Council's partnerships embed risk management as part of their arrangements for setting priorities, policy making, financial planning and performance management, all of which are key aspects of the external use of Resources and Comprehensive Area Assessment inspections.

RELATIONSHIP TO POLICY FRAMEWORK

Effective partnership working and the Council's responsibility to provide vision and leadership to local partnerships is a key component of the Council's corporate plan. Strengthening performance management of partnerships is a corporate priority for the Council during 2008/09.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

None identified arising from this report

FINANCIAL IMPLICATIONS

None as a direct result of this report, although as work progresses there will be a need to develop effective links with the Medium Term Financial Strategy (MTFS) and supporting processes to ensure that key financial implications and risks arising from service delivery through working in partnership are reflected and addressed within the Council's existing financial planning arrangements

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has highlighted the need to ensure that as the partnership framework becomes established there will be a need to update the Council's Financial Regulations and Procedures and Contract Procedure Rules as appropriate.

LEGAL IMPLICATIONS

There are no legal implications directly arising from this report.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and as no further comments

BACKGROUND PAPERS

Partnership mapping and evaluation project documentation

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Ref: 07/0735 B&PP report 240208

List of 'Significant' Council Partnerships

Title of Partnership	RSO/LCC Lead Contact	Lead Service	Partnership Type	Comments	Significance	Score
Lancashire Waste Partnership	Mark Davies	CCDS	Joint objectives/no contract	Formed to develop a Lancashire Municipal Waste Strategy.	Major	39
Lancashire Supporting People Commissioning Body	Suzanne Lodge	Health & Strategic Housing	Joint objectives/no contract	The decision making body for allocating and monitoring the Supporting People Programme (SPP).	Major	39
LD LSP (Lancaster District Local Strategic Partnership)	Tracey Jardine	Corporate Strategy	Joint objectives/no contract	A strategic forum to involve all stakeholders in production of a community strategy that articulates a vision for the future of the district.	Major	39
LD LSP Safety Thematic Group	Michelle Emery	Corporate Strategy	Joint objectives/no contract	To ensure that the district is a safe and pleasant place in which to live, work and visit.	Major	36
Luneside East Regeneration Partnership Advisory Board	Julian Inman	Planning & Building Control	Contractual arrangements	Implementation and development of a key regeneration project and Brownfield site using external funding.	Major	34
Parkwise/Decriminalised Parking Enforcement	David Hopwood	Property Services	Joint objectives/no contract	Lancashire wide partnership to deliver effective on-street and off-street parking enforcement.	Major	34
West End Partnership	Anne Marie Harrison	Neighbourhood Management	Joint objectives/no contract	To advise on the delivery of neighbourhood management and regeneration programmes as they relate to the West End of Morecambe.	Major	34
Lancashire Partnership	Richard Tulej	Corporate Strategy	Joint objectives/no contract	Delivery of the County Council's Sustainable Community Strategy 'Ambition Lancashire' and delivery of the Lancashire LAA.	Major	33
Critical Ordinary Watercourses	Ged McAllister	Planning & Building Control	Joint objectives/no contract	Implementation of the requirements of the Land Drainage Act in partnership with the Environment Agency.	Major	31
Local Government Association - Icelandic Bank Investments	Nadine Muschamp	Financial Services	Joint objectives/no contract	Co-ordinating Council's approach to the collapse of Icelandic Banks.	Major	31
Closed Circuit TV	Graham Cox	Property Services	Joint objectives/no contract	Provision and management of CCTV in the district as a contribution to reducing crime and the fear of crime.	Major	30
Shoreline Management Plan 2	Andrew Dobson/Ged McAllister	Planning & Building Control	Joint objectives/no contract	Integration of the way in which coastal defences are managed. Lead partners are Blackpool Unitary Authority.	Major	30
Young Persons Protocol Partnership	Suzanne Lodge/Patricia Preston	Health & Strategic Housing	Joint objectives/no contract	Group to assess housing and support the needs of vulnerable young people.	Major	29
Key Cultural Partnership	David Owen/Richard Hammond	Cultural Services	Joint objectives/no contract	Co-ordinating and developing forum for local Art and Culture. This group is assisting in the development of the district's arts strategy and will be responsible for implementing, monitoring, reviewing it.	Major	28
Lancashire Economic Partnership	Bill Kindon	Economic Development and Tourism	Joint objectives/no contract	Lancashire wide steer the economic development of the sub regions.	Major	28
Amside Silverdale AONB	Andrew Dobson	Planning & Building Control	Joint objectives/no contract	Implement and lead on responsibilities/requirements under the Countryside Rights of Way Act 2000.	Major	26
Children's Trust (incorporating LD LSP Children & Young People Thematic Group)	Richard Tulej	Corporate Strategy	Joint objectives/no contract	Now replaced by Children's Trust Acting Under LD LSP Children & Young People Thematic Group.	Major	26
Lancashire and Blackpool Tourist Board	Jim Trotman	Economic Development and Tourism	Joint objectives/no contract	To take a strategic lead on tourism in the county, providing thematic marketing and providing a credible conduit for significant external funding.	Major	26
Lancashire Sport Partnership	Richard Hammond	Cultural Services	Joint objectives/no contract	Delivers sports and recreation activities across Lancashire.	Major	26
LD LSP Economic Thematic Group	Anne Marie Harrison	Economic Development and Tourism	Joint objectives/no contract	Deliver the economic themes of the Sustainable Community Strategy.	Major	26
NW ERDF Programme Management Committee	Anne Marie Harrison	Economic Development and Tourism	Joint objectives/no contract	Management of ERDF competitiveness for the North West.	Major	26
Forest of Bowland AONB	Andrew Dobson	Planning & Building Control	Joint objectives/no contract	Implement responsibilities/requirements under the Countryside Rights of Way Act 2000, under the leadership of Lancashire County Council.	Major	25
Storey Board	Anne Marie Harrison	Economic Development and Tourism	Contractual arrangements	Management of the Storey building as a centre for creative industries in a commercial and sustainable way.	Major	25

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Title of Partnership	RSO/LCC Lead Contact	Lead Service	Partnership Type	Comments	Significance	Score
LD LSP Environment Thematic Group	Andrew Dobson	Planning & Building Control	Joint objectives/no contract	Adapt to the consequences of Climate Change; protect air, water and land quality and use resources sustainably.	Moderate	24
Museums Partnership	David Owen	Cultural Services	Joint objectives/no contract	Delivery of the Museums Service.	Moderate	24
North Lancashire Local Action Group	Bill Kindon	Economic Development and Tourism	Joint objectives/no contract	Deliver the rural development plan for England within the North Lancashire area.	Moderate	24
Yorkshire Purchasing Organisation (YPO) Contract	Geoff Jackson	Property Services	Contractual arrangements	Energy procurement arrangement.	Moderate	24
Lancashire County Council SLA for Morecambe VIC	Jim Trotman	Economic Development and Tourism	Contractual arrangements	A partnership agreement until March 2010, annually renewable, for the operation of Morecambe Visitor Information Centre. The County Council supplies two members of staff	Moderate	24
District Play Partnership	Richard Hammond	Cultural Services	Joint objectives/no contract	Co-ordinating and developing play activity in the district in accordance with the district-wide Play Strategy. Originally formed as a sub-group of the Children & Young People Building block (now replaced by the C&YP Thematic Group).	Moderate	23
Bulky Matters	Mark Davies	CCDS	Joint objectives/no contract	Delivers a bulky household waste service.	Moderate	23
Homelessness Strategy and Review Steering Group	Suzanne Lodge	Health & Strategic Housing	Joint objectives/no contract	To deliver and monitor the Homelessness Strategy.	Moderate	23
Sports & Physical Activity Alliance	Richard Hammond	Cultural Services	Joint objectives/no contract	Co-ordinating & developing sports & physical activity at a district level, reporting directly to the Lancashire Sports	Moderate	22
LD LSP Health and Wellbeing Thematic Group	Suzanne Lodge	Health & Strategic Housing	Joint objectives/no contract	Promote wellbeing and reduce health inequalities within the district.	Moderate	22
LD LSP Valuing People Thematic Group	Richard Tulej	Corporate Strategy	Joint objectives/no contract	Improve community cohesion; improve capacity of voluntary and faith sector and enable older people to contribute to life.	Moderate	22
LD LSP Education, Skills & Opportunities Thematic Group	Bill Kindon	Economic Development and Tourism	Joint objectives/no contract	Increase provision and opportunities to encourage all people to self develop; engage Not in Education, Employment & Training (NEET's) and help the long term worklessness get back into work.	Moderate	21
MARAC (Multi Agency Risk Assessment Conference) Partnership	Patricia Preston	Health & Strategic Housing	Joint objectives/no contract	Group to assess domestic violence offenders risk profile and assign action to agencies.	Moderate	21
White Lund Plant and Training Centre	Mark Davies	CCDS	Joint objectives/no contract	Training opportunities for vulnerable people and those with learning difficulties.	Moderate	21
Gas Servicing Contract	Keith Hawkard	Council Housing	Contractual arrangements	Maintain gas appliances within housing stock and renewal programme.	Moderate	20
Lancs LAA Economic Thematic Group	Anne Marie Harrison	Economic Development and Tourism	Joint objectives/no contract	Officer group aimed at steering implementation of the economic element of the Lancashire LAA.	Moderate	20
Lancashire EU Steering Group	Anne Marie Harrison	Economic Development and Tourism	Joint objectives/no contract	Steering a sub-regional approach to EU Funding.	Moderate	19
Parksafe	Graham Cox/David Hopwood	Property Services	Joint objectives/no contract	Long term (10 year) partnering arrangement to manage the Mitre House Car Park.	Moderate	18
Rota Painting Contract	Keith Hawkard	Council Housing	Contractual arrangements	External painting of housing stock.	Moderate	18
North West E Government Group	Jane Alder	Information Services	key relationships	Delivery of transformational change in the North West.	Moderate	17
Social Housing Liaison Group	Suzanne Lodge	Health & Strategic Housing	Key relationships	To provide a forum through which the City Council can develop its partnership with Registered Social Landlords (RSLs) in the district.	Moderate	17

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Title of Partnership	RSO/LCC Lead Contact	Lead Service	Partnership Type	Comments	Significance	Score
Morecambe Bay Strategy Partnership	Andrew Dobson	Planning & Building Control	Key relationships	Economic partnership at a sub-regional level to deliver single tourism branding and approach to regeneration projects and integration of strategic planning objectives. The significance of this partnership will evolve over the next few years.	Limited	16
NW Teaching PCT Health & Well Being Group	Peter Loker	Management Team	Joint objectives/no contract	Sub-regional partnership (Wyre, Fylde and Lancaster) promoting wellbeing and reduction in health inequalities.	Limited	16
Team Lancashire Partnership	Nadine Muschamp	Financial Services	Key relationships	Achieve better value for money for all citizens in Lancashire by pooling resources, sharing responsibilities and learning from each other.	Limited	16
Partnership Plus	David Hopwood	Property Services	Key relationships	Crime and safety initiative sharing best practice and developing relationships between NCP, Police and the Council.	Limited	14
Housing & Mental Health Forum	Suzanne Lodge	Health & Strategic Housing	Joint objectives/no contract	To allow statutory and voluntary agencies to address strategic housing issues affecting those with mental health issues.	Limited	13
Lancashire Rural Steering Group	Bill Kindon	Economic Development and Tourism	Joint objectives/no contract	Monitoring of the Rural Strategy and identification of rural issues as part of the overall Lancashire Economic Partnership policy development.	Limited	13
Lancaster Canal Restoration Partnership	Jim Trotman	Economic Development and Tourism	Joint objectives/no contract	To re-instate the Lancaster Canal as a navigable waterway as far as Kendal for Leisure and Tourism purposes - in particular supporting the rural tourism economy.	Limited	13
Leeds/Morecambe Community Rail Partnership	Jim Trotman	Economic Development and Tourism	Joint objectives/no contract	21% of visitors to the District come from W Yorkshire, this partnership exists to enhance the rail connections between W Yorkshire and Morecambe for Leisure and Tourism.	Limited	13
Business Link	Bill Kindon	Economic Development and Tourism	Key relationships	Memorandum of understanding with Business Link NW to co-ordinate and co-operate in the delivery of business development.	Limited	12
Green Partnership Awards	Richard Tulej	Corporate Strategy	Key relationships	Fund environmental projects in the Lancaster district.	Limited	12
Lancashire LA European Advisory Group	Anne Marie Harrison	Economic Development and Tourism	Joint objectives/no contract	Officer structure aimed at advising Chief Executive on European regeneration.	Limited	12
NW Regional European Partnership	Anne Marie Harrison	Economic Development and Tourism	Joint objectives/no contract	Lead the regions European policy agenda.	Limited	12
Benefits Inter-Agency Partnership Group	Richard Mason	Revenues & Benefits	Key relationships	Meets with other agencies in the district i.e. PCT's; DWP; Pensions to share common issues/best practice.	Limited	11
Vision Board	Anne Marie Harrison	Economic Development and Tourism	key relationships	Economic visioning.	Limited	11
Lancashire Association of Local Councils (LALC)	Richard Tulej	Corporate Strategy	Key relationships	Liaison with Parish & Town Councils to promote, share and understand local issues of shared interest.	Limited	9

BUDGET AND PERFORMANCE PANEL

TREASURY MANAGEMENT STRATEGY 2009/10 24 February 2009

Report of Head of Financial Services

PURPOSE OF REPORT				
This report sets out the position regarding the 2009/10 to 2011/12 Treasury Management Strategy for Cabinet's approval.				
Key Decision	✓	Non-Key Decision		Referral
Date Included in Forward Plan		February 2009		
This report is public.				

RECOMMENDATIONS OF OFFICERS

1. That Cabinet approves the Treasury Management Strategy for the period 2009/10 to 2011/12, including the Investment Strategy, and as updated for Cabinet's final budget proposals, for subsequent referral to Council.

REPORT

Introduction

It is a requirement of the CIPFA Code of Practice on Treasury Management that a strategy outlining the expected treasury activity for the forthcoming 3 years is adopted, but that this be reviewed annually. The proposed Treasury Management Strategy for the period 2009/10 to 2011/12 will need to reflect Cabinet's final budget proposals and associated Prudential Indicators, but it will cover the following activities and forecasts:

- the current treasury position
- expected movement in interest rates
- the borrowing and debt strategy
- the investment strategy
- specific limits on treasury activities

The Strategy will be referred on to Budget Council on 04 March.

As context, Members also need to note the Treasury Policy Statement each year, as set out at **Appendix A**. This will also be included in the Council report accordingly.

Proposal/Details

It is proposed that Cabinet approves the Treasury Management Strategy Statement for 2009/10 to 2011/12, including the Investment Strategy, as updated to reflect Cabinet's final budget proposals. A current draft is attached at **Appendix B**. Responsibilities for Treasury Management are set out at **Appendix C**; these are broadly unchanged from previous years, although the reporting arrangements have been updated to tie in with current practice.

Borrowing Aspects of the Strategy

At present, there is only a very small increase assumed in the Council's underlying need to borrow, to support the capital programme proposals to date. In general terms this increase would be covered through cash flow, rather than taking out new borrowing. The proposed strategy needs to provide sufficient flexibility to manage the treasury function over the coming year, however, and therefore a number of scenarios are covered. Furthermore, the Strategy will need to be updated to reflect Cabinet's final budget proposals, in particular in respect of the General Fund Capital Programme.

Investment Aspects of the Strategy

Clearly the recent failure of Icelandic Institutions has had a major impact on the Council and its financial position and future planning. As a result of this, together with recent decisions to repay some capital related debt, as well as expected reductions in the Council's reserves and balances, the Council's cash flow and level of monies available for investment are forecast to be much lower over the coming year. This in itself reduces the exposure to further "counterparty risk" (i.e. the risk of a bank failing), but in addition the following measures are included in the proposals, to reduce the Council's investment risk exposure further:

- The maximum amount to be invested with any one institution (other than the UK Government) has been reduced from £6M to £4M. Generally these maximums would only apply to investments where there is instant access (i.e. not fixed term investments), but with the exception of investments placed with other local authorities or the European Central Bank. Other time / value limits have been similarly reduced.
- The Strategy includes a separate limit of £10M specifically for the Government's Debt Management Accounts Deposit Facility (DMADF). This is included as a 'safe haven', if further major crises occur in the banking sector, as it represents the lowest risk option in the UK. The downside is that its investment rate can be very very low.
- UK institutions will take precedence over other countries, and sovereign ratings (i.e. the credit ratings of countries) will be used. Aside from the UK, only other EU countries would be used, if required.
- No forward deals will be entered into.
- No investments will be made for any period longer than a year (though the bulk of investments are expected to be instant access anyway, to support cashflow needs. There would need to be a major improvement in the Council's financial position to warrant investment periods approaching 12 months).
- Various other restrictions have been introduced, centred around restricting the criteria used to determine counterparty lists etc. In addition, the Strategy makes it clear than other restrictions on investment activity may be introduced, should circumstances warrant it.

It is stressed that in terms of treasury activity, there is no risk free option, but it is felt that the measures set out above provide a sound framework within which to work over the coming year, in response to the turmoil in the global financial sector, and the uncertainty and lack of confidence that surrounds it.

Finally, it is known that nationally a number of inquiries and reviews are being undertaken in response to the Icelandic banking collapse, and it may well be that further guidance and / or regulations are issued over the coming months. If so, the Council's Treasury Management framework will be reviewed accordingly and any required updates will be presented for Members' consideration in due course.

Consultation

Officers have liaised with Butler's, the Council's Treasury Advisors, in developing the proposed Strategies. The proposals are also to be considered by Budget and Performance Panel at its meeting on 24 February 2009 and any recommendations arising will be fed directly into Budget Council.

Options and Options Analysis

As part of the adoption of the CIPFA Code of Practice on Treasury Management it is a statutory requirement that the authority has a Treasury Management Strategy Statement and Investment Strategy. In this regard, Cabinet may put forward alternative proposals or amendments to the proposed documents, but these would have to be considered in light of legislative, professional and economic factors. As such, no further options analysis is available at this time.

Furthermore, the Strategies must fit with other aspects of Cabinet's budget proposals, such as investment interest estimates and underlying prudential borrowing assumptions, feeding into Prudential Indicators. It should be noted that the Prudential Indicators will also be covered in the Budget report, elsewhere on this agenda.

Officer Preferred Option and Justification

To approve the annual Treasury Management Strategy Statement as set out, including the Investment Strategy, for referral on to Council, but as updated for Cabinet's final budget proposals.

<p>RELATIONSHIP TO POLICY FRAMEWORK</p> <p>This report is in accordance with the Council's Treasury Management Policy.</p>
<p>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability etc)</p> <p>No direct implications arising.</p>
<p>FINANCIAL IMPLICATIONS</p> <p>None directly arising. The Strategy is in support of achieving the borrowing cost and investment interest estimates included in the draft base budget.</p>
<p>DEPUTY SECTION 151 OFFICER'S COMMENTS</p> <p>This report and its content forms part of the S151 Officer's responsibilities.</p>

LEGAL IMPLICATIONS

Legal Services have been consulted and have no observations to make regarding this report; there are no implications directly arising.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

CIPFA Code of Practice

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LANCASTER CITY COUNCIL

TREASURY MANAGEMENT POLICY STATEMENT

As reported to Cabinet 17 February 2009

(This is unchanged from previous years)

1. This organisation defines its treasury management activities as:

“The management of the authority’s 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”.

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

Treasury Management Strategy 2009/10 to 2011/12

Draft for Consideration by Cabinet 17 February 2009

Introduction

1. The treasury management function is an important part of the overall financial management of the Council's affairs. Its importance has increased as a result of the freedoms provided by the Prudential Code. Whilst the prudential indicators consider the affordability and impact of capital expenditure decisions, the function covers the effective funding of these decisions. There are also specific treasury prudential indicators included in this strategy that need approval.
2. The Council's activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). This Council adopted the Code of Practice on Treasury Management on 13 February 2002, and as a result adopted a treasury management policy statement. This adoption complies with the requirements of the first of the treasury prudential indicators.
3. The Code requires an annual strategy to be reported to Cabinet outlining the expected treasury activity for the forthcoming 3 years. A further report is produced after the year-end to report on actual activity for the year.
4. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury function.
5. This strategy covers:
 - The current treasury position
 - The expected movement in interest rates
 - The Council's borrowing and debt strategy (including its policy on making provision for the repayment of debt)
 - The Council's investment strategy (in compliance with the Department for Communities and Local Government guidance)
 - Specific limits on treasury activities

Treasury Position

6. The forecasted treasury position and the expected movement in debt and investment levels over the next three years are as follows.

Table 1: Gross external debt and investment forecast

	2009/10 Estimated	2010/11 Estimated	2011/12 Estimated
	£'000	£'000	£'000
EXTERNAL DEBT			
Borrowing	39,200	39,200	39,200
Other long term liabilities	265	260	255
Total Debt at 31 March	39,465	39,460	39,455
INVESTMENTS			
Total Investments at 31 March*	9,600	12,900	12,900

*this figure is inclusive of the £6m principal held with Icelandic banks.

The forecast position on external borrowing remains static across the three years, despite the fact that by the end of 2008/09 there will be a cumulative increase in the underlying need to borrow of £3.605M (2006/07 £1.608M, 2007/08 £1.762M, 2008/09 £1.636M, 2009/10 -£1.401M – *figures subject to final budget proposals*) for which no actual additional borrowing has been taken up. This is because the twin issues of the amounts set aside for the future repayment of debt, and a cashflow position which is forecast to remain relatively stable, mean that there is no immediate need to take out new loans.

Expected Movement in Interest Rates

7. The UK economy has entered a profound recession, worsened by a dangerous combination of negative growth and dislocation in the domestic and world financial markets. The situation in the economy is considered critical by the policy setters who are concerned that the testing financial environment, the sharp decline in house prices and persistently tight credit conditions could trigger a collapse in consumer confidence. At best this could deliver a short, sharp downturn, at worst a prolonged Japanese-style recession.
8. The sharp downturn in world commodity, food and oil prices, the lack of domestic wage pressures and weak retail demand promises a very steep decline in inflation in the year ahead. In the recent pre-Budget Report, the Treasury suggested RPI inflation could fall to minus 2.25% by September 2009. Inflation considerations will not be a constraint upon Bank of England policy action. Indeed, the threat of deflation strengthens the case for more aggressive policy ease.
9. The Government's November pre-Budget Report did feature some fiscal relaxation but it also highlighted the very poor health of public sector finances. The size of the package is considered insufficient alone to kick-start the economy. The onus for economic stimulation will fall upon monetary policy and the Bank of England.
10. The Bank will continue to ease policy and the need to drive commercial interest rates, currently underpinned by the illiquidity of the money market, to much lower levels suggests the approach will be more aggressive than might otherwise have been the case. A Bank Rate below 1% now seems a distinct possibility and short-term LIBOR rates of below 2% may result. Only when the markets return to some semblance of normality will official rates be edged higher.
11. Long-term interest rates will be the victim of conflicting forces. The threat of deep global recession should drive bond yields to yet lower levels and this will be a favourable influence upon the sterling bond markets. But the prospect of exceptionally heavy gilt-edged issuance in the next three years (totalling in excess of £100bn per annum), as the Government seeks to finance its enormous deficit, could severely limit the downside potential for yields.
12. The expected movement in interest rates is as follows:

Table 2: Medium-Term Rate Estimates (averages)

Annual Average %	Bank Rate	Money Rates		PWLB Rates*		
		3 month	1 year	5 year	20 year	50 year
2008/09	3.9	5.0	5.3	4.2	4.8	4.5
2009/10	1.0	1.6	1.8	2.4	3.9	3.8
2010/11	1.7	2.1	2.8	3.2	4.1	4.0
2011/12	2.4	2.8	3.6	4.0	4.3	4.1

* Borrowing Rates

Information provided by Butlers Consultants (January 2009).

The following debt and investment strategies are based on the above interest rate projections. The general scene is one of low returns on investment with little opportunity to restructure debt due to the premia charged by the PWLB which, simplistically speaking, increase as interest rates decrease. In the scenario that rates are expected to increase, this may mean that repaying debt is a more attractive investment option in the future, as this will become relatively cheaper than when the underlying rates are low. Similarly if rates are expected to rise any borrowing requirement will be taken earlier in the year.

Borrowing and Debt Strategy 2009/10 to 2011/12

13. The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy.
14. Long-term fixed interest rates are at risk of being higher over the medium term. The Head of Financial Services, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. It is likely that shorter term fixed rates may provide better opportunities.
15. With the likelihood of a steepening of the yield curve debt restructuring is likely to focus on switching from longer term fixed rates to cheaper shorter term debt, although the Head of Financial Services and treasury consultants will monitor prevailing rates for any opportunities during the year.
16. The option of postponing borrowing and running down investment balances will also be considered. This would reduce counterparty risk and hedge against the expected fall in investments returns.
17. Whilst the Capital Programme for 2009/10 provides for an in-year reduction in the underlying need for unsupported borrowing, over recent years the need has increased with £1.608M brought forward from 2006/07, £1.762M from 2007/08 and £1.636M from 2008/09 (*again, subject to Cabinet's budget proposals*). No additional actual borrowing has been entered into (see under paragraph 6 above). Any borrowing activity needed will take place when it is viewed most advantageous for the authority, and this will be regularly monitored by officers. The monitoring will also cover, as appropriate, continued use of the option of utilising the Council's cash balances as an alternative to immediately entering into new borrowings.

Provision for the Repayment of Debt 2009/10 to 2011/12

18. Up until 2007/08 the Council calculated the basic amount of provision, which it sets aside each year for the repayment of debt, in accordance with a prescribed formula. To this has been added a further provision, in respect of the financing of assets with relatively short lives, as considered prudent.
19. The new arrangements were introduced from 1 April 2008. In summary:
 - the prescribed formula has been abolished and replaced by a simple requirement for Councils to make 'prudent' provision;
 - the old calculation may still be used for expenditure financed by un/supported (or 'prudential') borrowing before 31 March 2008, but
 - provision for expenditure financed by un/supported borrowing after this date must either be based on the estimated life of the asset, or equal to the depreciation on the asset.
20. Financially, this has no real impact on the Council, because the changes effectively codify the full 'prudent' provision which the Council was already making, but because an element of discretion has been introduced, the Council's approach needs to be incorporated within the borrowing strategy.

21. Therefore, for 2009/10, the Council's policy for the making of provision for the repayment of debt will be as follows.
- For all expenditure financed from un/supported borrowing prior to 1 April 2008, with the exception of that in respect of motor vehicles (less than 15 years life), by the application of the methodology detailed in the former Regulations.
 - For expenditure on motor vehicles prior to 01 April 2008, and for all expenditure on motor vehicles and other short-life assets on or after that date, equal annual amounts based on the estimated life of each individual asset so financed.

Investment Strategy 2009/10 – 2011/12

22. In the current climate, the main principle governing the Council's investment criteria is the security of its investments. After this main principle the Council will ensure:
- It maintains a policy covering the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.
 - 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 Council's prudential indicators covering the maximum principal sums invested.
23. The Head of Financial Services will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. It is highlighted that these criteria select which counterparties the Council will choose, rather than defining what its investments are. The ratings criteria will use the 'lowest common denominator' method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside of the lending criteria.
24. The use of the lowest common denominator method reflects the current economic climate and the Council's priority to ensure the security of its financial assets. The credit rating limits to be applied are as follows:
- The Council will use banks, subsidiary and treasury operations of banks, Money Market funds, building societies, local authorities, the UK government and Supranational institutions (i.e. the European Central Bank (ECB) in line with the limits set out in table 3.
 - In exceptional circumstances, the Council will consider using UK banks whose ratings fall below the criteria specified in table 1 if all of the following conditions are met
 - (a) wholesale deposits in the bank are covered by a government guarantee;
 - (b) the government providing the guarantee is rated "AAA" by all three major rating agencies (Fitch, Moody's and Standard & Poors); and
 - (c) the Council's investments with the bank are limited to amounts and maturities within the terms of the stipulated guarantee.
 - The Council will also consider using banks whose ratings fall below the criteria specified in table 3 if the organisation is an Eligible Institution for the HM Treasury Credit Guarantee Scheme initially announced on 13 October 2008.

- In addition, should the authority's own bank (i.e. currently the Co-Operative Bank) fall below the criteria specified in table 3, Council will consider still using it for investment purposes, with the caveat that this will be monitored on a daily basis, with funds being moved to other counterparties meeting the criteria per table 3 at the first opportunity. Although, due to the nature of Local Government funding, there will be spikes in the balances on the current account that mean it may well exceed the £4m upper limit set in table 3 at some point (e.g. overnight), daily banking practices are already in place which aim to maintain the net current account balance at 0 +/- £100K.
25. Due to the uncertainty in the financial markets, it is acknowledged that Officers may restrict further the pool of available counterparties from the above criteria, to safer instruments and institutions. Currently this involves the use of the Debt Management Account Deposit Facility (DMADF), AAA rated Money Market Funds and institutions with higher credit ratings than those outlined in the investment strategy, or which are provided support from the Government.
 26. The credit rating of counterparties will be monitored regularly. The Council receives credit rating advice from its treasury management consultants, on a daily basis, in respect of any changes in ratings, 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 principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Head of Financial Services. New counterparties which meet the criteria will, similarly, be added to the list. More details on the different ratings can be found in appendix B2.
 27. The Authority will make deposits in both Specified and Non Specified Investments, these are defined in appendix B1. As the Council will no longer risk investing cash for greater than 1 year at present, this effectively prevents using most Non Specified products apart from the exceptions included in paragraph 24 above.
 28. In addition to the credit ratings applied to institutions, the Council will only deposit with institutions in EU countries with a AAA sovereignty rating. Precedence will be given, however, to institutions listed as UK banks in the Butler's counterparty listing.
 29. The exception to these sovereignty limits relates to institutions within the UK, i.e. other Local Authorities, UK based money market funds and deposits direct with the UK Government. In these cases the limits will apply as per table 3 but no sovereignty limit will apply. The Head of Financial Services retains the discretion to apply further limits where the relationship between institutions and sovereignties is ambiguous, for example UK banks who are owned by foreign institutions.

30. For the above categories of Specified and Non Specified Investments, and in accordance with the Code, the Council has developed additional criteria to set the maximum amounts which will be invested in these bodies. The criteria, using the lowest common denominator approach (see paragraph 24 above) are set out below.

Table 3: Counterparty criteria and investment limits.

	Minimum across all three ratings			Money Limit	Time Limit
	Fitch	Moody's	Standard & Poors		
Upper Limit ¹	F1+/AA-	P-1/AA3	A-1/AA-	£4M	N/A - Instant Access Only
Middle Limit ²	F1/A-	P-1/A3	A-1/A-	£2M	1 Year
Other Institutions ³	N/A	N/A	N/A	£4M	1 Year
Money Market fund ⁴	AAA	AAA	AAA	£4M	N/A - Instant Access Only
DMADF deposit ⁵	N/A	N/A	N/A	£10M	1 Year
Sovereign rating to apply to all foreign counterparties except UK investments ⁶	AAA	AAA	AAA	N/A	N/A

Note that the Time Limit starts on the placing of the investment and not its inception date

1 & 2 The Upper and Middle Limits apply to appropriately rated banks and building societies.
3 The Other Institutions limit applies to other local authorities and supranational institutions (i.e. ECB).
4 Sterling, constant net asset value funds only, sovereignty limits apply to domicile of host institution.
5 The DMADF facility is direct with the UK government, it is extremely low risk and hence the higher limit.
6 UK investments are defined as those listed under UK banks or building societies in the Butler's counterparty listing.

31. 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. The Council will maintain a minimum £2M of investments in Specified Investments provided that the cashflow allows for this.
32. To control the geographical risk, no more than £4M will be invested in any one country, with the exception of institutions listed as UK banks on the counterparty listings supplied by Butlers.
33. The use of longer term instruments (greater than one year from inception to repayment) will not be used.
34. Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of the current 1.0% Bank Rate reducing during 2009/10. This means that the average rate receivable on the Council's investments will be significantly below that for 2008/09, which was running at an average of 5.1% over the year to the end of December 2008.
35. The criteria for choosing counterparties set out above provide a sound approach to investment in current market circumstances. Whilst formal Member approval is required for the base criteria above, under exceptional market conditions the Head of Financial Services will temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out above.
36. Examples of these restrictions would be the greater use of the Debt Management Account Deposit Facility (DMADF) – the Government body which accepts local authority deposits, but at very low rates of interest.

Treasury Management Prudential Indicators and Limits on Activity

37. There are four mandatory treasury Prudential Indicators. The purpose of these prudential 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. The full list of Prudential Indicators is included elsewhere on the agenda, but the treasury management indicators are as follows:

- Upper limits on fixed interest rate exposure – This indicator identifies a maximum limit for fixed interest rates based upon the debt position net of investments
- Upper limits on variable interest rate exposure – Similar to the previous indicator, this covers a maximum limit on variable interest rates.
- Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.
- Total principal funds invested for greater than 364 days – given the current economic climate the Authority is not willing to risk investing sums for fixed terms of greater than 1 year and so this is £0.

38. Council will be requested to approve the Prudential Indicators, as updated in line with final budget proposals, at its meeting on 04 March 2009.

Table 4: Prudential Indicators

	2009/10		2010/11		2011/12	
Interest Rate Exposures						
	Upper		Upper		Upper	
	£'000		£'000		£'000	
Limits on exposure to fixed interest rates	£40m		£40m		£40m	
Limits on exposure to variable interest rates	£14m		£14m		£14m	
Maturity Structure of fixed interest rate borrowing						
	Lower	Upper	Lower	Upper	Lower	Upper
Under 12 months	0%	35%	0%	35%	0%	35%
12 months to 2 years	0%	20%	0%	20%	0%	20%
2 years to 5 years	0%	20%	0%	20%	0%	20%
5 years to 10 years	0%	20%	0%	20%	0%	20%
10 years and above	60%	100%	60%	100%	60%	100%
Maximum principal sums invested > 364 days						
Principal sums invested, in 2008/09, for periods of greater than 364 days, to mature after the end of each financial year	£0M		£0M		£0M	

Performance Indicators

39. The Code of Practice on Treasury Management requires the Council 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. Examples of performance indicators often used for the treasury function are:

- Debt – Average rate movement year on year
- Investments – Internal returns above the 7 day LIBID rate

The results of these indicators will be reported in the Treasury Annual Report.

TREASURY MANAGEMENT DOCUMENTS and RESPONSIBILITIES

DOCUMENT	RESPONSIBILITY		
<p>CODE of PRACTICE</p> <p>POLICY STATEMENT</p>	<p>This was adopted by Council on 13 March 2002.</p> <p>The Code of Practice recommends a specific form of words to be used to set out the Council's objectives within the Policy Statement, for its Treasury Management activities. It is the responsibility of Council to approve this document initially, and then note it each year thereafter.</p>		
<p>TREASURY MANAGEMENT STRATEGY</p>	<p>The Strategy document breaks down the Policy Statement into detailed activities and sets out the objectives and expected market forecasts for the coming year. It is the responsibility of Cabinet to approve this document, and Council must be then informed of its content for information only.</p>		
<p>PRUDENTIAL INDICATORS</p>	<p>These are included within the Strategy Statement as part of the framework within which treasury activities will be undertaken. It is the responsibility of Council to approve these limits.</p>		
<p>INVESTMENT STRATEGY</p>	<p>The Investment Strategy states which types of investments the Council may use for the prudent management of its treasury balances during the financial year. The Secretary of State recommends that the Strategy should be approved by Council.</p>		
<p>TREASURY MANAGEMENT PRACTICES</p>	<p>These are documents that set out the procedures that are in place for the Treasury Management function within the Council. The main principles were approved by Cabinet following the adoption of the Code of Practice; they include:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <p><i>TMP 1:</i> Risk management</p> <p><i>TMP 2:</i> Best value and performance management</p> <p><i>TMP 3:</i> Decision-making and analysis</p> <p><i>TMP 4:</i> Approved instruments, methods & techniques</p> <p><i>TMP 5:</i> Organisation of responsibilities & dealing</p> <p><i>TMP 6:</i> Reporting & management information</p> </td> <td style="width: 50%; vertical-align: top;"> <p><i>TMP 7:</i> Budgeting, accounting & audit</p> <p><i>TMP 8:</i> Cash & cash flow management</p> <p><i>TMP 9:</i> Money laundering</p> <p><i>TMP 10:</i> Staff training & qualifications</p> <p><i>TMP 11:</i> Use of external service providers</p> <p><i>TMP 12:</i> Corporate governance</p> </td> </tr> </table> <p>Any changes to the above principles will require Cabinet approval.</p> <p>It is the Head of Financial Services's responsibility to maintain detailed working documents and to ensure their compliance with the main principles. It is highlighted that for 2009/10, quarterly treasury management reports will continue to be included within Corporate Financial Monitoring and in turn, these will be reported into Cabinet and Budget and Performance Panel.</p>	<p><i>TMP 1:</i> Risk management</p> <p><i>TMP 2:</i> Best value and performance management</p> <p><i>TMP 3:</i> Decision-making and analysis</p> <p><i>TMP 4:</i> Approved instruments, methods & techniques</p> <p><i>TMP 5:</i> Organisation of responsibilities & dealing</p> <p><i>TMP 6:</i> Reporting & management information</p>	<p><i>TMP 7:</i> Budgeting, accounting & audit</p> <p><i>TMP 8:</i> Cash & cash flow management</p> <p><i>TMP 9:</i> Money laundering</p> <p><i>TMP 10:</i> Staff training & qualifications</p> <p><i>TMP 11:</i> Use of external service providers</p> <p><i>TMP 12:</i> Corporate governance</p>
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Definition of specified and non specified investments.

See table 1 in the investment strategy for details on limits to be applied.

1. Specified Investments are defined as follows.

SPECIFIED INVESTMENTS
<p>These are to be sterling investments of a maturity period of not more than 364 days, or those which could be for a longer period but where the Council has the right to be repaid within 364 days if it wishes. These are low risk assets where the possibility of loss of principal or investment income is negligible. These include investments with:</p> <p>(i) The UK Government (such as the Debt Management Office, UK Treasury Bills or a Gilt with less than one year to maturity).</p> <p>(ii) Supranational bonds of less than one year's duration.</p> <p>(iii) A local authority, parish council or community council.</p> <p>(iv) An investment scheme that has been awarded a high credit rating by a credit rating agency.</p> <p>(v) A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society)</p> <p>For category (iv) this covers a money market fund rated by Standard and Poor's, Moody's or Fitch rating agencies.</p>

2. Non-specified Investments are defined as follows:

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 are set out below.

Ref	Non Specified Investment Category	Limit
(i)	<p>A body which has been provided with a government issued guarantee for wholesale deposits within specific timeframes.</p> <p>Where these guarantees are in place and the government has an AAA sovereign long term rating these institutions will be included within the Council's criteria temporarily until such time as the ratings improve or the guarantees are withdrawn. Monies will only be deposited within the timeframe of the guarantee.</p>	Included as per Appendix B paragraph 24.
(ii)	<p>A body which is an Eligible Institution for the HM Treasury Credit Guarantee Scheme initially announced on 13 October 2008.</p>	Included as per Appendix B paragraph 24.
(iii)	<p>The Council's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.</p>	Included as per Appendix B paragraph 24.

Background information on credit ratings

Credit ratings are a key part of the Authority's investment strategy. The information below summarises some of the key features of credit ratings and why they are important.

What is a Credit Rating ?

A credit rating is:

- An independent assessment of an organisation;
- It gauges the likelihood of getting money back on the terms it was invested;
- It is a statement of opinion, not statement of fact;
- They help to measure the risk associated with investing with a counterparty;

Who Provides / Uses Credit Ratings?

There are three main ratings agencies, all of which are used in the Authority's treasury strategy.

- Fitch
- Moody's Investor Services
- Standard & Poors

The ratings supplied by these agencies are used by a broad range of institutions to help with investment decisions, these include:

- Local Authorities;
- Other non-financial institutional investors;
- Financial institutions;
- Regulators;
- Central Banks;

Rating Criteria

There are many different types of rating supplied by the agencies. The key ones used by the Authority are ratings to indicate the likelihood of getting money back on terms invested. These can be split into two main categories:

- 'Short Term' ratings for time horizons of 12 months and less. These are the most important for local authorities.
- 'Long Term' ratings for time horizons of over 12 months. These are less important in the current climate.

In addition, the agencies issue sovereign, individual and support ratings which will also feed into our investment strategy.

Rating Scales (Fitch, Moody's and Standard & Poors)

The table below shows how some of the higher graded short and long term ratings compare across the agencies, the top line represents the highest grade possible. We liaise with our treasury consultant's Butlers, who provide information relating to the appropriate gradings for our investment strategy.

Short Term			Long Term		
Fitch	Moody's	S&P	Fitch	Moody's	S&P
F1+	P-1	A-1+	AAA	Aaa	AAA
F1	P-1	A-1	AA	Aa2	AA
F2	P-2	A-2	A	A2	A

BUDGET AND PERFORMANCE PANEL

**Work Programme Report
24th February 2009**

Report of Head of Democratic Services

PURPOSE OF REPORT

To update Members with regard to the Work Programme.

This report is public

RECOMMENDATIONS

- (1) **That the monitoring of the Contract for Homelessness Prevention services be added to the Budget and Performance Panel Work Programme.**

1.0 Introduction

This report provides Members with recommendations for additions to its Work Programme for consideration and advise of upcoming items to be dealt with by the Panel.

1.1 Recommendation of Overview and Scrutiny Committee – Call-in Officer – Homelessness Prevention Services

The Officer Delegated decision with regard to the contract for Homelessness Prevention Services (Officer Delegated decision 54 refers) was called-in and considered by the Overview and Scrutiny Committee on 29th January 2009. Whilst the Committee agreed that the decision should be upheld the Committee made the following recommendation for the consideration of the Budget and Performance Panel:

“That the monitoring of the Contract for Homelessness Prevention Services be added to the Budget and Performance Panel Work Programme.”

The Panel are requested to agree to this recommendation.

BACKGROUND PAPERS

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BUDGET AND PERFORMANCE PANEL
WORK PROGRAMME

Matter for consideration	Officer Responsible	Meeting date
Partnership Scrutiny - Update	Principal Auditor	24.2.09
Treasury Management Framework	HFS	24.2.09
Partnership Scrutiny Pilot– Community Safety Partnership	H.CS	TBC
Partnership Scrutiny Pilot – Museums Service Partnership	H.Cult.S	TBC

Requests for Cabinet Member attendance

PRT Reports 3r ^d quarter	Cabinet Member with responsibility for performance management efficiency	TBC
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Briefing Notes requested

Date requested	Topic	Officer responsible	Progress