Brighton & Hove City Council

Schedules to Treasury Management Practices 2011/2012

(Note – Prudential indicators are set out in Supplement 1 to this Appendix)

Abbreviations

AC (Audit Commission)	FS (Council's Financial Services)
AIS (Annual Investment Strategy)	FSA (Financial Services Authority
BoE (Bank of England)	L&TM (Loans & Technical Manager)
CIPFA (Chartered Institute of Public Finance & Accountancy)	PWLB (Public Works Loan Board)
Director (Director of Finance)	TMPS (Treasury Management Policy Statement)

Schedule 1 – Risk management

Credit & counterparty policies

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

  The AIS sets out the council's policy on investment criteria and counterparties. The Strategy is subject to separate approval by full Council and will be appended to this report when approved.

  Investment for periods longer than 364 days will be in accordance with prudential indicator (E4) (see Supplement 1 to these Schedules).

Liquidity risk management

- Amounts of approved minimum cash balances and short-term investments

  The level of cash balance, reserves and provisions will be determined annually by the council in accordance with the decision made in setting the council tax, housing rents and capital investment programmes.

  The profile of cash investments will be determined by:

  - spending programmes approved by the council;
  - the need to balance daily cash flow surpluses with cash flow shortages;
  - the need to balance investment risk with interest rate risk during the period of high uncertainty within the financial markets and low interest rates; and
  - interest rates over the short- to medium-term.

  Regular reviews will be undertaken throughout the year to ensure an optimum mix of maturity periods is maintained for all investments.

  Fuller details on cash flow management and projections are contained in Schedule 8.

- Details of short-term funding facilities

  The council has an overdraft facility with the Co-operative Bank plc of £1 million. In addition the council has access to the short-term money markets via a number of direct lines and money brokers.

Interest rate

- Details of approved interest rate exposure limits

The council will maintain a debt portfolio on fixed rate terms. This will maintain the stability in the overall cost of borrowing. Exposure to variable rate loans will be considered where it can be justified that this offers a better alternative than fixed term loans.

The early repayment of debt in 2008/09 and 2009/10 has increased the interest rate exposure to the council (Table1)

Table 1 – Interest rate risk 2011/12 to 2013/14

Projected balances as at	31 March 2012	31 March 2013	31 March 2014
Borrowing requirement (Table 5)	£276m	£273m	£263m
Projected long-term borrowing	£190m	£190m	£190m
Projected balance subject to interest rate risk	£86m	£83m	£73m

Investment rates are expected to remain below long term borrowing rates over the next few years and therefore the Director will continue with the policy of using internal cash balances or short-term borrowing to finance new capital expenditure or to replace maturing external debt. This policy ensures value for money is achieved in the short-term and maximises short term savings.

However these short term savings need to be balanced against the potential for incurring additional interest costs by delaying new long-term borrowing until later years when PWLB long term rates are forecast to be significantly higher. The Director will monitor interest rates and market forecasts and where there is a significant risk of an earlier and sharper rise in long-term rates than expected then the policy will be re-appraised, with the possible action that new long-term borrowing will raised whilst interest rates remain relatively low.

The council will maintain an investment portfolio that is consistent with its long term funding requirements, spending plans and cash flow movements.

- Trigger points and other guidelines for managing changes to interest rate levels

  The council will manage its debt and investment portfolios so that the financial impact of any adverse movement in interest rates on each portfolio is minimised.

  Table 2 summaries the projected funding requirement not met by long-term borrowing and the projected level of investments available to reduce the requirement over the next three years.

Table 2 – Shortfall in borrowing requirement 2011/12 to 2013/14

Projected balances as at	31 March 2012	31 March 2013	31 March 2014
Projected balance not met from long-term borrowing (Table 1)	£86m	£83m	£73m
Projected investments	£24m	£25m	£25m

The Director considers it prudent to retain an investment portfolio to protect against unforeseen and immediate demands for cash. The council's strategy will therefore give consideration to new borrowing as follows:

- o short-term borrowing (i.e. debt repayable within 12 months);
- o PWLB variable rate loans for up to 10 years;
- o PWLB fixed rate loans for periods up to 5 years (where rates are expected to be significantly lower than rates for longer periods); and

- consideration to market loans that which offer comparable or better terms to that set out above.

The council will also seek to benefit from changes in interest rates:

- for borrowing, through a combination of debt restructuring and the timing and terms (e.g. fixed/ variable) of new borrowing, and
- for investments, through an adjustment to the average maturity profile of the investment portfolio.

- Minimum / maximum proportions of variable & fixed rate debt / interest

  Exposure to fixed rate and variable rate loans will be in accordance with prudential indicators (E2) & (E2a) (see Supplement 1 to these Schedules).

  The council will continue to review and, where appropriate, implement debt restructuring opportunities that:

  - result in a reduction in the overall cost of the debt portfolio, and
  - do not adversely affect the (a) stability of the portfolio or (b) exposure to interest rate movements.

- Interest rate prospects (source : Sector February 2011)

  A projection of interest rates over the medium term is set out in Table 3 below. The Bank Rate (i.e. the rate set by the BoE) has been unchanged at 0.50% since March 2009 but is forecast to commence rising in the latter part of 2011. The risks to this forecast are:

  - if economic growth is weaker than expected it is likely the Bank Rate will stay at current levels for longer;
  - if inflation continues to exceed the target rate the BoE may increase the Bank Rate to contain inflation and the inflation expectations of the public.

  Table 3 – Interest Rates April 2011 to March 2014 (annual averages)

	Bank Rate	Short-term rates		Long-term rates		
		3 mth	12 mths	5 year	25 year	50 year
2011/12	0.8%	1.1%	2.0%	3.8%	5.4%	5.3%
2012/13	1.8%	2.1%	3.3%	4.2%	5.5%	5.5%
2013/14	3.0%	3.3%	3.8%	4.7%	5.7%	5.7%

- Policies concerning the use of financial derivatives for interest rate management

  The council has no statutory power to use financial derivatives.

Exchange rate

- Details of approved exchange rate exposure limits for cash investments / debt

  The council does not undertake treasury activity in any currency other than Sterling. Any non-Sterling transactions effected in the course of service delivery will be subject to the appropriate currency exchange charges and risk, except in the case of fees and charges due to the council, where the council shall receive the full Sterling equivalent after exchange rate and other transaction costs. Non-sterling transactions will be converted at the point of payment or receipt to avoid any exchange rate risk.

- Approved criteria for managing changes in exchange rate levels

The council has no approved criteria.

- Policies concerning the use of financial derivatives for exchange rate risk management

  The council has no statutory power to use financial derivatives.

Credit & counterparty policies

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

  The AIS sets out the council's policy on investment criteria and counterparties. The Strategy is subject to separate approval by full Council and will be appended to this report when approved.

  Investment for periods longer than 364 days will be in accordance with prudential indicator (E4).

Refinancing

- Debt / other capital financing maturity profiling, policies and practices

  Table 4 shows debt maturing at £6m over the next 3 years. The table also includes the loans where the lender may vary the interest rate and the council, then, has the right to repay. Based on the latest interest rate projections (Table 3) it is considered unlikely that these loans will be repaid early.

  Table 4 – Projected debt maturity 2011/12 to 2013/14

		2011/12	2012/13	2013/14
Maturing debt		£6m	£0m	£0m
Debt subject to early repayment options		£35m	£35m	£30m
Debt maturing range	Minimum	£6m	£0m	£0m
	Maximum	£41m	£35m	£30m

  Refinancing opportunities will be evaluated against the risk within the council's investment portfolio. Where it is considered prudent to do so, maturing debt may temporarily be met through a reduction in investments.

  Debt restructuring will continue to be used where it meets the long-term objectives of the debt portfolio. The council will seek to minimise the level of debt that potentially could be repaid in any one year through the re-negotiation of existing terms.

- Projected capital investment requirements

  Over the next three years the borrowing requirement is projected to fall by some £10m (i.e. the provision to repay debt is projected to exceed new debt requirements). A summary is shown in Table 5.

  Table 5 – Projected annual borrowing requirement 2011/12 to 2013/14

Projected balances as at	2011/12	2012/13	2013/14
Borrowing requirement – start of year	£273m	£276m	£273m
Borrowing requirement – end of year	£276m	£273m	£263m
Increase in borrowing requirement	£3m	-£3m	-£10m

  With long-term fixed interest rates at risk of being higher over the next few years ((Table 3) the Director will consider the most appropriate form of borrowing depending on the prevailing interest rates at the time, including:

- borrowing in advance of need provided the projected borrowing requirement is not exceeded by March 2014;
- forward borrowing (i.e. agreeing to borrow at a future date).

The extent of new borrowing will be dependant upon improvements within the financial markets during the period. Total new borrowing will be on terms consistent with the long-term objectives of the debt portfolio.

- Maturity profile – borrowing

The maturity profile of fixed rate debt will be maintained in accordance with prudential indicator (E3). Other forms of funding such as leasing and private finance initiatives are subject to separate terms agreed under each arrangement.

- Policy concerning limits on revenue consequences of capital financing

The revenue implications of the capital investment programme are reported to the council under a separate process to treasury management. Supported debt is met corporately through the Financing Costs budget, whilst unsupported debt is met from service department revenue block allocations.

Legal & regulatory

- References to relevant statutes and regulations

Chapter 1, Part 1 of the Local Government Act 2003 (and related regulations, orders and guidance) govern the council in its treasury dealings. Details of the provisions within the 2003 Act are held within SF. The Act also imposes a duty on the council to comply with the prudential code and treasury management code, both issued by the CIPFA.

Sections 32 & 33 of the Local Government Act 1992 require the council to set a fully funded budget. This requirement has an impact on the council in setting its' limit on affordability borrowing.

All treasury operations will conform to industry and statutory codes of practice.

- Procedures for evidencing the council's powers / authorities to counterparties

The council will provide evidence of the council's power if requested to do so.

- Required information from counterparties concerning their power / authorities

The council will seek information on a counterparty only where that counterparty is new to the council and only to the extent not covered by its credit rating or information provided by a council money broker.

- Statement on the council's political risks and management of same

The council is governed by statute and investors in the council are protected against any failure to meet loan or other debt obligations by such statutes. The council has approved an ethical investment statement, which is included in the AIS.

Fraud, error & corruption & contingency management

- Details of systems and procedures to be followed, including Internet services

Details of the treasury management systems and procedures to be followed, including access to information regarding the councils' bank accounts, are contained in the treasury management manual held within SF. Access to the information for treasury management purposes via the council's electronic link to the Co-operative Bank is limited to a set number of persons within SF.

Access to the council's accounts is also provided to the Banking Team within Finance but this is limited to day-to-day banking activity and not treasury management.

- Emergency and contingency planning arrangements

  Details of the emergency and contingency planning arrangement for the access of bank account information and CHAPS payment transactions are contained in the treasury management manual held within SF.

- Insurance cover details

  Treasury management activity is covered under the Professional Indemnity insurance up to the value of £10 million. Insurance cover is arranged, corporately, by SF.

Market value of investments

- Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (gilts, CD's, etc)

  As set out in the AIS.

<u>Schedule 2 – Best value & performance measurement</u>

- Methodology to be applied for evaluating the impact of treasury management decisions

  There will be on-going reviews of the debt portfolio to ensure that the long-term objectives of the portfolio are maintained.

- Policy concerning methods for testing best value in treasury management

  The council will review the performance of the treasury management function against the following long-term objectives:

  - to increase Member and Officer understanding of the complex treasury management service so that a greater contribution can be made to policy formulation
  - to manage the financial exposure to risk arising from fluctuations in interest rates and potential changes in Government policy
  - to investigate options for improving performance and generating short and long term revenue savings
  - to develop meaningful performance measures for borrowing and investment which can be reviewed and reported on a regular basis

- Methods to be employed for measuring the performance of the council's treasury management activities

  The council will measure the performance of its' treasury management activities by reference to:

  - the long-term objectives of the service;
  - benchmark rates for short-term borrowing and investments;
  - the trend in the average cost of long-term borrowing.

- Benchmarks and calculation methodology – debt management and investments

One of the objectives for treasury management is to reduce, over the medium term, the average cost of the long-term debt portfolio. In the absence of any generally accepted market practice the benchmarking for borrowing will be assessed against this objective.

Investments are benchmarked against the 7-day LIBID rate. This rate is used as it traditionally represents an achievable return on short-term investments without active treasury management. The target rate – the margin above the benchmark – is as follows:

- for the in-house team: 105% of the benchmark rate (i.e. if the benchmark rate is 4% then the target rate is 4% times 1.05 which is 4.2%).
- for the external cash manager: 115% of the benchmark rate. The higher margin reflects the long-term nature of the cash manager mandate and the potential higher returns from the specialist markets available to the manager.

- Banking services

The Banking & VAT Team undertakes banking. The separation of the function from SF is an essential element in the council's overall internal controls and security for treasury management activity. This team is responsible for maintaining detailed records of all cash transactions of the council and for reconciling cash to the council's accounting system. The team is also responsible for the selection of a financial institution that can provide a banking service to the council.

Schedule 3 – Decision-making & analysis

- Funding, borrowing, lending and new instruments / techniques – records to be kept, processes to be pursued and issues to be addressed

Details are held within SF.

Schedule 4 – Approved instruments, methods & techniques

- Listings and individual limits for the use of approved investments, approved methods and approved techniques

The council shall use any instrument available under Chapter 1, Part 1 of the Local Government Act 2003 (and any relevant regulations, guidance and codes), including credit arrangements and operating leases, to raise finance.

Where practical the council will only transact with organisations that are registered with the FSA, but in all other respects the council adopts an unlimited market for borrowing purposes. Under the Financial Services and Markets Act 2000 (Exemption) Order 2001 (SI 2001/1201) made under the Financial Services and Markets Act 2000 the council is exempt from the general prohibition in relation to accepting deposits.

The council or its agents may use any instrument authorised under guidance issued by the Secretary of State to make investments. No other instrument may be used without the prior approval of the Director.

For the purposes of investments the council's in-house treasury team will use only cash deposits, including money market funds and, subject to certain conditions (see AIS), negotiable instruments and the Debt Management Account Deposit Facility.

Schedule 5 – Organisations, clarity & segregation of responsibilities & dealing arrangements

- Limits to responsibilities / discretion at committee / executive levels

Full Council only has the statutory power to determine and revise the prudential indicators as required by the Prudential Code.

The council delegates responsibility for the implementation and monitoring of its treasury management policies, practices and the AIS to Cabinet. The execution and administration of all treasury management decisions is further delegated to the Director and more specifically to SF, who will act in accordance with the council's treasury management policy statement, TMPs and AIS (Part 8.2 of the Constitution).

Financial Regulations also set out the respective duties of the Head of Paid Service (Chief Executive), Monitoring Officer (Director of Strategy & Governance) and the Director. In respect of treasury management:

- the Monitoring Officer has a duty to report on any proposal, decision or omission that has given rise to or is likely to or would give rise to a contravention of the relevant legislation, including the codes of practice issued by CIPFA and the investment guidance issued by the Secretary of State;
- the Head of Paid Service has a duty to ensure that the number and grades of staff required to carry out treasury management is sufficient to discharge the function
- the Director has a responsibility for the financial affairs of the council, including assurance that adequate and effective treasury management procedures are in place (including compliance with the relevant codes of practice issued by CIPFA and investment guidance issued by the Secretary of State) at all times.

In accordance with the code of practice on treasury management monies held by locally managed schools is aggregated with council monies for treasury management purposes. The model scheme for the delegation (to school governing bodies) of financial powers requires a governing body to seek the approval of the Director to any proposal to borrow money and the banking arrangements of the school.

- Principles and practices concerning segregation of duties

The treasury management team within SF is responsible for the treasury management operation in totality. Long-term funding is undertaken on the expressed instruction of the L&TM; short-term funding and investment are undertaken after discussion with the L&TM.

Segregation of duties is achieved by the independent verification of transactions by the Banking Team.

- Treasury management organisation chart

A chart is detailed in Supplement 2 to these Schedules.

- State of duties / responsibilities of each treasury post

Details are held within SF.

- Absence cover arrangements

Details are held within SF.

- Dealing limits

Details of dealing limits are held within SF.

Levels of outstanding borrowing will be monitored against the operational boundary (prudential indicator (D2)) and the authorised limit (prudential indicator (D1)) (see Supplement 1 to these Schedules).

- List of approved brokers / Policy on brokers services

  Details of approved brokers are contained in the treasury management manual held within SF. The discretion to appoint brokers rests with the L&TM. The number of brokers at any one time is kept to a minimum, subject to achieving sufficient access to the money markets and competition.

- Policy on taping of conversation

  It is strongly recommended by the BoE and the FSA for brokers and dealers to record telephone conversations with principals (such as the council). The council does not operate a specific policy on taping but is able to rely on the brokers and institutions with which it transacts.

- Direct dealing practices

  Details of direct dealing are held within SF.

- Settlement transmission procedures / document requirements

  Details are contained in the treasury management manual held within SF.

- Arrangements concerning the management of third party funds

  Arrangements in accordance with the TMPS, subject to any special conditions.

Schedule 6 – Reporting requirements & management information arrangements

- Content and frequency of committee reporting requirements

  The Director will prepare (a) an annual treasury management policy / strategy statement, (b) a mid-year report on the activity of treasury management in the first 6 months of the year and (c) an annual review of treasury activity. These reports will exclude banking services, which are subject to separate arrangements. Reports will be made to Cabinet.

  The annual treasury management policy statement will include the treasury management prudential indicators agreed by full Council as part of the council tax setting process.

- Content and frequency of management information reports

  A monthly bulletin will be produced which summarises the key indicators and events affecting borrowing and investment activity. The bulletin will include a section on the monitoring of the treasury management prudential indicators. The bulletin will be circulated to:

  - members on the Audit Committee;
  - other key members of the council, including the Cabinet Member - Finance; and
  - senior managers within the council and Finance.

Schedule 7 – Budgeting, accounting & audit arrangements

- Statutory / regulatory requirements

  The council will conform to the relevant statutory and legislative requirements in the preparation of budgets, accounting and audit arrangements. Details of these requirements are held in FS.

- Accounting practices and standards

  The council will bring together, for budgeting and management control purposes, all of the costs and revenues associated with its treasury management activities (with the exception of banking services). The costs and revenues associated with banking are recorded separately.

- Sample budgets / accounts

  Details of the budgets relating to treasury management activities are held within SF.

- List of information requirements of external auditors

  The information provided as part of the external audit of the council is subject to review on an annual basis between Finance and the AC. FS hold the list of information for the audit of the council's Accounts.

Schedule 8 – Cash & cash flow management

- Arrangements for preparing / submitting cash flow statements

  One of the criteria for judgement used by the AC in assessing how well the council plans and manages its finances is that the council undertakes cash-flow monitoring which is used to inform short- and long-term investment decisions.

  Cash flow statements are prepared by SF prior to the financial year in question. The statements are retained by SF to assist in providing liquidity of funds over the period.

  The statements are prepared for the financial year, with the cash flows analysed on a week by week basis. The cash flow statement informs the L&TM in advance of key periods of cash flow shortages or surpluses. This in turn enables a planned approach to investing short-term funds. Details of the actual movement in cash flows are reported in the monthly treasury management bulletin.

- Content and frequency of cash flow budgets

  The cash flow statements contain the major receipts and payments of the council for the relevant period. Statements are revised weekly, including an analysis of any significant variations from projections.

- Listing of sources of information

  Details of the sources of information are held in SF.

- Bank statements procedures

  Details of the procedures are held by the Banking Team.

- Payment scheduling and agreed terms of trade with creditors

  Council Standing Orders and Financial Regulations require each service director to be responsible for the payment of creditors for his or her own department. The terms and conditions for such payments are negotiated and held within the relevant service directorate but the council is committed to paying suppliers invoices within 30 days of receipt.

- Arrangements for monitoring debtor / creditor levels

  Systems are in place to ensure payment is received from council debtors within the prescribed time periods. Regular reports on income collection and recovery are made to the Cabinet Member – Finance. Systems are also in place to ensure creditors are paid within the contractual payment terms and are subject to a best value performance indicator.

A review of data held on the council's accounting system is on-going to assess whether more accurate information on debtor / creditor levels can be obtained with the view to improving cash flow forecasting.

Schedules of creditor payments are received by SF each week for inclusion within the cash flow forecasts for that week.

- Procedures for banking of funds

  As set out in the council's Standing Orders and Financial Regulations.

- Practice concerning prepayments to obtain benefits

  Each instance will be reviewed on an ad-hoc basis to ensure the most cost efficient and effective approach is adopted.

<u>Schedule 9 – Money laundering</u>

- Procedures for establishing identity / authenticity of lenders

  Where practical the council will only undertake treasury activity with organisations that are registered with the FSA.

  The treasury team will immediately advise the council's Money Laundering Reporting Officer should an incidence of money laundering be suspected.

- Methodology for identifying sources of deposit

  Membership of the FSA places, amongst other things, a duty on the member to set up and operate arrangements, including the appointment of a money laundering officer, to prevent money laundering. The council will rely on membership of the FSA to satisfy itself of the integrity of its counterparties to treasury management transactions.

  The council has adopted a Counter Fraud strategy as part of the council's constitution. The strategy strengthens the council's existing measures on anti-fraud & corruption and meets the broader implications of money laundering introduced through various statutes such as the Terrorism Act 2000, the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007.

  The council's Audit & Business Risk Section has actioned an implementation plan that included an assessment of the council's exposure to the risk associated with money laundering. Awareness training has also been provided to key members of staff. Systems and controls will be kept under review and further awareness training will be provided as appropriate. Fuller details of the systems and controls can be obtained from the Audit & Business Risk Section.

  The council has appointed a Money Laundering Reporting Officer as required under the Money Laundering Regulations 2003. The named officer is the council's Head of Audit & Business Risk.

<u>Schedule 10 – Training & qualifications</u>

External training courses for the treasury management team will be considered for value and benefit. Records of individual training will be kept in accordance with the procedures introduced by the council for such purposes. Career development and succession arrangements will also be in accordance with council policy on such arrangement.

Details of the qualifications for treasury staff are set out in the job descriptions and person specifications appertaining to each post. Secondments (if any) will be recorded in accordance with council policy on such instances.

Member training on treasury management is seen as an important tool in the scrutiny of the service. A course entitled “An introduction to treasury management”, which gives an overview of treasury management, is available. The course explains what treasury management is, the aims & objectives of the service and an understanding of the key risks. It also covers how the council manages investment risk.

Schedule 11 – Use of external service providers

- Details of contracts with service providers, including bankers, brokers, consultants, advisers

  The council uses an external cash manager to administer part of its investment portfolio. The manager is able to use specialist markets with the aim to achieve higher investment returns. The current manager, Scottish Widows Investment Partnership, was appointed in March 2006 following a competitive selection process.

  The council uses Sector as its treasury advisors (the former advisor, Butlers, was subject to a merger with Sector in October 2010). The advisors are expected to be proactive in analysing information to assist the in-house treasury team to meet its targets on the cost of long term borrowing and investment returns as well as advise on developments in the treasury management field.

- Procedures and frequency for tendering services

  In accordance with council Standing Orders and Financial Regulations.

Schedule 12 – Corporate governance

- Treasury management procedures

  The council has formally adopted the code of practice on treasury management issued by CIPFA. This demonstrates that the organisation of the council’s treasury function is open and transparent. Clear treasury policies and procedures have been developed to support the stewardship responsibilities of the Director.

- List of documents to be made available for public inspection

  Various documents will be made available for public inspection, subject to confidentiality constraints.

- Procedures for consultation with stakeholders

  In accordance with council policy.

ITEM 72 ON THE AUDIT COMMITTEE AGENDA

Item 191 Appendix 3

Supplement 1 to Appendix 3

Prudential indicators recommended for approval by full Council 3rd March 2011

Prudential indicator (E1) – Adoption of CIPFA Code

The CIPFA code of practice on treasury management is included within Part 8.2 (Financial Regulations) of the Council's new Constitution.

Prudential indicator (E2) – Upper limits on interest rate exposure 2011/12 to 2013/14

	2011/12	2012/13	2013/14
Upper limit on fixed interest rate exposure	110%	110%	111%
Upper limit on variable interest rate exposure	44%	44%	44%

The percentages in Indicator E2 are calculated on the net outstanding principal sums (i.e. net of investments). The upper limit of 111% is a consequence of the council maintaining an investment portfolio. Indicator E2a exemplifies the indicator over borrowing and investment.

Prudential indicator (E2a) (supplemental) – Upper limits on interest rate exposure 2011/12 to 2013/14

	2011/12	2012/13	2013/14
Upper limit on borrowing – fixed rate exposure	100%	100%	100%
Upper limit on borrowing – variable rate exposure	40%	40%	40%
Upper limit on investments – fixed rate exposure	100%	100%	100%
Upper limit on investments – variable rate exposure	100%	100%	100%

Prudential indicator (E4) – Principle sums invested for periods longer than 364 days

	2011/12	2012/13	2013/14
Limit	£25m	£25m	£25m

Prudential indicator (E3) – Upper and lower limits on the maturity structure of borrowing 2011/12

	Upper limit	Lower limit
under 12 months	40%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	50%

Prudential indicators (D1) "Authorised limit" and (D2) "Operational boundary 2011/12 to 2013/14

	2011/12 Estimate		2012/13 Estimate		2013/14 Estimate	
Authorised limit						
- Borrowing	£305m		£296m		£287m	
- Other Iterm liabilities	£61m	£366m	£60m	£356m	£58m	£345m
Operational boundary						
- Borrowing	£293m		£283m		£274m	
- Other Iterm liabilities	£61m	£354m	£60m	£343m	£58m	£332m

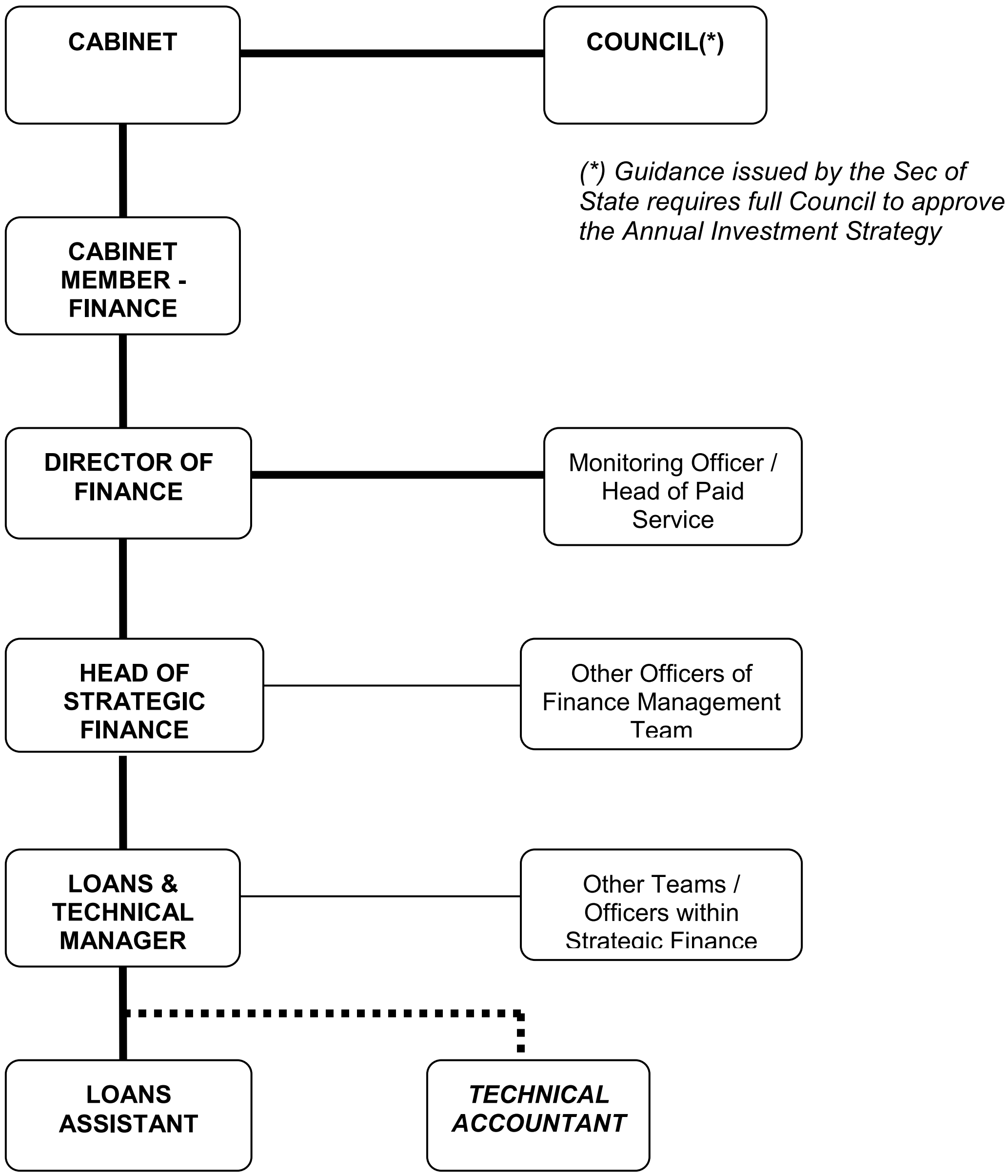
ITEM 72 ON THE AUDIT COMMITTEE AGENDA

Item 191 Appendix 3

Supplement 2 to Appendix 3

Brighton & Hove City Council

Treasury Management Organisational Chart



The delegation of authority to make executive decisions on, and keep records of, treasury management activity is denoted by the bold line