Item No: 5.1	Classification: Open	Date: 23 February 2005	Meeting Name: Council Assembly
Report title:		Prudential Indicators and Annual Investment Strategy	
Wards or Groups affected:		All	
From:		Finance Director	

INTRODUCTION

1. This report recommends prudential indicators for capital finance and treasury management, sets out debt and investment positions and recommends an Investment Strategy for 2005/06. The indicators should be determined by Council Assembly before the start of 2005/06.

RECOMMENDATIONS

2. Council Assembly agrees the prudential indicators for 2005/06 to 2007/08 as set out in paragraph 15 to this report.

3. Council Assembly agrees the Investment Strategy for 2005/06 as set out in appendix B to this report.

BACKGROUND

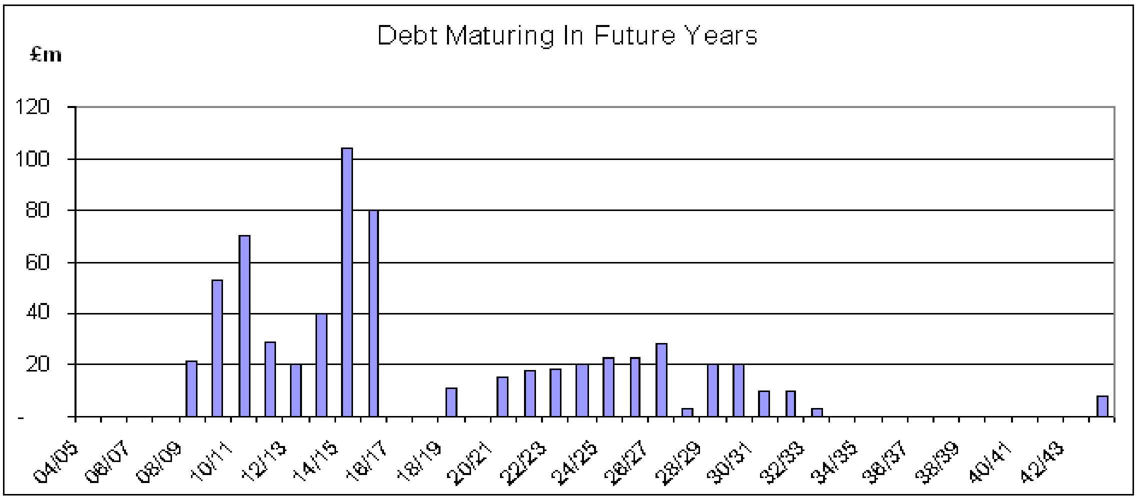
4. The prudential indicators are a series of estimates and limits showing that capital finance, borrowing and investments are affordable prudent and sustainable. The regime for the indicators was brought in by the Local Government Act 2003, supporting regulations and the Prudential Code for Capital Finance in Local Authorities, published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

5. This report sets out the prudential indicators needing approval. The indicators themselves are determined by Council Assembly and under existing arrangements managing and executing borrowing and investment strategies is the responsibility of the Finance Director.

CAPITAL FINANCE, BORROWING AND INVESTMENTS

6. The Council has debt outstanding to pay for past investment in Housing and General Fund capital expenditure. Debt levels have fallen for several years running as the Council was able to use 75% of Right to Buy proceeds for debt repayment. From April 2004 these receipts are clawed back by the Government in a national pool and so will not be available for debt repayment. In 2003/04 the Council was able to reduce debt by £67.9 million, and nine months into 2004/05 the debt has fallen by a further £3.2 million to stand at £648.9 million at December 2004. In future years the demand for debt to finance new capital expenditure is expected to exceed resources generated to reduce it, leading to a gradual increase in debt.

7. The debt is at fixed rates and virtually all from the Public Works Loans Board (PWLB), a lending arm of the Government. There are no short term or variable rate loans and existing loans do not fall for repayment and refinance for some years; refer chart below.



8. The average rate of interest on existing debt is 9.1%, high relative to current base rates of 4.75%. The high rate reflects the period in the 1980's when high capital investment and debt taken to support it coincided with high inflation and high base rates. However, high average rate councils like Southwark are largely protected from these rates through Government support: interest on Housing Revenue Account (HRA) debt (around 87% of all debt) is supported pound for pound in Housing Subsidy and the remainder is partially supported through Formulae Grant.

9. The Council can refinance high rate loans with lower rate ones, but currently faces additional costs in the form of premiums which are only partially supported. However, if future circumstances make refinancing an attractive option relative to other alternatives, it may well become necessary to carry it out.

10. Capital expenditure is estimated to be £175 million in 2005/06. £31 million of this will be met from supported borrowing and up to £7 million may be met from unsupported borrowing. The cost of unsupported borrowing falls entirely on local budgets, whereas the cost of supported borrowing is largely met by the Government.

11. Council cash balances have grown following an expansion in Right to Buy sales and spending slippage. At the start of 2003/04 cash balances were £141 million, by the end of the year they had risen to £211 million and at December 2004, they stood at £313 million. The balances are expected to erode however as receipts slow and spend picks up. In the meantime the interest earned on cash help support budgets.

12. The cash is invested across a number of counterparties which include the Government, local authorities, and large high rated banks and building societies. Investment risk is further contained by placing limits on maturities that exceed one year. Day to Day investments management is carried out by an inhouse operation and Invesco Asset Management Ltd, part of large UK investment group AMVESCAP. Invesco are used largely to gain exposure to liquid instruments or periods beyond one year. Investment returns reflect short term money market rates, which in turn follow base rates. In 2003/04

overall annual return was 3.7%, and for the nine months to December 2004 the part year return was 3.5%.

13. In 2004/05, investments so far have almost all been in deposits of up to one year, to capitalise on the benefits of rising rates. The counterparty exposure as at 31 December 2004, including the £24.4 million managed by Invesco, is set out in the table below. All the exposure was under one year.

CASH INVESTMENTS as at 31 December 2004	
Counterparty	**£m**
Abbey National Plc	1.78
ABN AMRO Bank	0.09
Allied Irish Bank	10.00
Barclays Bank	20.20
Banco Bilbao Vizcaya Argentaria	20.00
Bank of Ireland	0.01
Bank of Nova Scotia	20.00
Commonwealth Bank of Australia	3.62
Danske Bank	20.00
Deutsche Bank	15.00
HBOS (Halifax Bank of Scotland)	10.50
KBC	15.00
Landesbank BadenWurtberg.	23.85
LloydsTSB	25.02
National Australia Bank	16.22
Nationwide Building Society	7.43
RBOS (Royal Bk of Scotland/NatWest)	20.00
Rabobank	20.00
Societe Generale	20.00
Svenska Handelsbanken	15.00
UBS (Union Bank Switzerland)	14.83
Unicredito Italiano	15.00
Total	**313.55**

14. Having fallen to 3.5% historical lows in 2003, base raise have gradually climbed to stand at 4.75% as at December 2004. The markets currently do not expect rates to rise much further; but many commentators expect the next move in UK rates to be lower rather than higher, as cooling and even falling house prices and high oil prices impact adversely on consumer spending and in turn on investment spending by firms. However still strong employment and adverse moves in sterling following continued rate tightening in the United States may well temper the need for a rate reduction. Against this background it is expected that investment exposure beyond one year will continue to be cautious. The investment strategy placing priority on security and liquidity of funds recommended for approval is set out in appendix B. It is set out according to guidelines produced by the Government. The rating requirements and limits have been expanded to enable greater flexibility to widen diversification and maturity, whilst still maintaining security.

PRUDENTIAL INDICATORS

15. Capital finance, borrowing and investments are brought together in a series of prudential indicators that show that financing positions and plans are affordable and prudent. The indicators recommended for approval are those for 2005/06 to 2007/08. These are set out below and explained in detail in appendix A.

PRUDENTIAL INDICATOR	**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/08**
INDICATORS ON AFFORDABILITY	**Actual**	**Projection**	**Estimate**	**Estimate**	**Estimate**
Ratio of financing costs to net revenue stream	**%**	**%**	**%**	**%**	**%**
HRA	39.7	34.0	34.1	37.1	37.1
GF	0.8	0.2	0.3	1.1	1.5
Notional Rent/Council Tax Impact of Additional Capital Expenditure			**£ p**	**£ p**	**£ p**
HRA – Weekly rent increase			0.00	0.00	2.69
GF – Council tax increase			10.11	10.11	10.11
INDICATORS FOR PRUDENCE					
Capital Expenditure	£m	£m	£m	£m	£m
HRA	69.3	67.0	90.0	95.0	95.0
GF	43.8	55.0	85.0	75.0	60.0
Total	113.1	122.0	175.0	170.0	155.0
Capital Financing Requirement as at 31 March					
HRA	550.6	562.0	586.0	596.0	648.0
GF	87.8	93.0	105.0	112.0	118.0
Total	638.4	655.0	691.0	708.0	766.0
			£m	£m	£m
Operational boundary for external debt -					
Borrowing			750.0	765.0	830.0
Other long term liabilities			14.0	15.0	16.0
Total			764.0	780.0	846.0
Authorised limit for external debt -			780.0	800.0	870.0
Borrowing			15.0	16.0	17.0
Other long term liabilities					
Total			795.0	816.0	887.0

Indicators Continued on next page

PRUDENTIAL INDICATOR Cont..	**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/08**
INDICATORS ON TREASURY MANAGEMENT					

Original Code adopted 1992; and updated code in 2003

Indication whether the Code of Practice in Treasury Management has been adopted.				
		£m	£m	£m
Upper limit for fixed interest rate exposure		795	816	887
Upper limit for variable rate exposure		200	200	220
Upper limit on investments greater than 1 yr	1-5 years: £50m		5-10 years: £20m	

Maturity structure of fixed rate borrowing	upper limit 2005/06	lower limit 2005/06
under 12 months	25%	0%
12 months and within 24 months	25%	0%
24 months and within 5 years	60%	0%
5 years and within 10 years	80%	0%
10 years and above	80%	0%

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16. The Local Government Act 2003 and supporting regulations require local authorities to determine annual borrowing limits and have regard to the Prudential Code for Capital Finance, published by the Chartered Institute of Public Finance and Accountancy, when determining or changing borrowing limits or prudential indicators. Council Assembly should determine borrowing limits annually before the start of the year the limits relate to and approve the prudential indicators and investment strategy proposed provided they are happy with the report.

REASON FOR LATENESS

17. This report was dependant on capital financing proposals being clarified (please see Item 4.2 elsewhere on this supplemental agenda)

REASON FOR URGENCY

18. There is a requirement to approve prudential indicators prior to the start of the 2005/06 financial year.

BACKGROUND DOCUMENTS

Background Papers	**Held at**	**Contact**
Prudential Code for Capital Finance in Local Authorities. ODPM Investment Guidelines.	Financial Management Services, Strategic Services Department	Dennis Callaghan, Chief Accountant (020 7525 4375)

Lead Officer	Robert Coomber, Chief Executive
Report Author	Eleanor Kelly, Finance Director
Version	Final
Version Date	15/02/05
Key Decision	Yes

CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	**Comments Sought**	**Comments Included**
Borough Solicitor & Secretary	Yes	Yes
Executive Member	Yes	Yes
Final Report Sent to Constitutional Support Services		18/02/05

Appendix A
Prudential Indicators Detailed Analysis

PRUDENTIAL INDICATORS

1. The prudential indicators help identify the affordability and prudence of capital finance on local taxation and rents, and set limits on borrowing and cash management activities. The indicators fall in three areas: affordability, prudence and treasury management. They draw on positions and strategies contained in the body of this report, General Fund and HRA budget reports and capital investment plans.

2. The indicators needing Council Assembly approval are those for the years 2005/06 to 2007/08. They are set out in summary in para. 15 of the body of the report. This appendix provides a detailed explanation of each indicator. A description of the indicators, extracted from the Prudential Code on Capital Finance for Local Authorities published by Chartered Institute of Public Finance and Accountancy, is also included.

CRITERIA ONE : AFFORDABILIY AND PRUDENTIAL INDICATORS ON AFFORDABILITY

Extract from Prudential Code:

The fundamental objective in the consideration of the authority's capital plan is to ensure that the level of investment in capital assets proposed means that the total capital investment of the authority remains within sustainable limits, and in particular to consider the impact on the local authority's "bottom line", Council Tax. Affordability is ultimately determined by a judgement on Council Tax levels and, in the case of the Housing Revenue Account, acceptable Rent levels.

In considering the affordability of its capital plans, the authority is required to consider all of the resources currently available to it and estimated for the future, together with the totality of its capital plans, revenue income and expenditure forecasts for the forthcoming year and the following 2 years. The authority is required to consider known significant variations beyond this timeframe.

The local authority shall set and monitor against the following prudential indicators as key indicators of affordability.

INDICATOR ONE: ESTIMATES OF RATIO OF FINANCING COSTS TO NET REVENUE STREAM

Extract from Prudential Code:

The authority will estimate for the forthcoming financial year and the following 2 years the ratio of financing costs to net revenue stream. At the year end, the ratio of financing costs to net revenue stream will be calculated directly from the local authority's consolidated revenue account

Comment and Recommended Indicator

The financing ratios in 2003/04 (39.7% HRA; 0.8% GF) reflect improvements in interest income from growth in cash balances after expansion in Right to Buy Sales and slippage in capital and repairs expenditure. This interest benefit will erode over time as receipts slow and spend picks up, raising ratios in the future. The difference between the HRA and the General Fund percentages reflects the very different structures of the two services: housing services are capital intensive whereas GF are primarily revenue in nature.

	2003/04 Actual	2004/05 Projection	2005/06 Estimate	2006/07 Estimate	2007/08 Estimate
HRA	39.7%	34.0%	34.1%	37.1%	37.1%
GF	0.8%	0.2%	0.3%	1.1%	1.5%

INDICATOR TWO: ESTIMATES OF THE INCREMENTAL IMPACT OF CAPITAL INVESTMENT ON THE COUNCIL TAX AND HOUSING RENTS

Extract from Prudential Code:

> *The local authority will forecast the total budgetary requirements for the authority based on no changes to the existing capital programme; forecast the total budgetary requirement with the changes proposed to the capital programme included in the calculation; and take the difference between these two and calculate the addition or reduction to Council Tax that would result. This calculation shall be undertaken for the forthcoming year and the following two financial years or longer timeframe to capture the full effect of capital programme decisions.*

Comment and Recommended Indicator

Additional budgetary requirements for the capital programme arise mainly from the cost of unsupported borrowing, which unlike supported borrowing is entirely funded locally.

It was estimated this time last year that unsupported borrowing could be needed to enhance the capital programme. However the take up of such borrowing is being deferred in view of programme slippage and growth in receipts. HRA unsupported borrowing of up to £42 million is now likely to slip into 2007/08 and GF unsupported borrowing of up to £7 million into 2006/07. The take up of any actual borrowing will reflect an assessment of the resource position before spend takes place.

The notional rent or council tax increase implied by the unsupported borrowing is set out below. It should be noted that decisions on actual rent and council tax in the future are based on numerous other factors as well and are taken just before the start of the year to which they relate.

	2005/06	2006/07	2007/08
Weekly Housing Rent increase	Nil	Nil	£2.69
Council Tax Band D increase	£10.11	£10.11	£10.11

CRITERIA TWO: PRUDENCE AND PRUDENTAIL INDICATORS FOR PRUDENCE

Extract from the Code

> *The prudential indicators in respect of external debt must be set and revised taking into account their affordability. It is through this means that the objective of ensuring that external debt is kept within sustainable, prudent levels is*

addressed year on year. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirements in the preceding year plus the estimates of any additional capital financial years. Ensuring that treasury management is carried out in accordance with good professional practice is an essential feature of prudence.

INDICATOR THREE: ESTIMATES OF CAPITAL EXPENDITURE

Extract from Prudential Code

The local authority will make reasonable estimates of the total capital expenditure that it plans to incur during the forthcoming financial year and at least the following two financial years. After the year end the actual expenditure incurred during the financial year will be recorded.

Comment and Recommended Indicator

The actual capital expenditure for 2003/04 was £113.1 million. Future spend estimates reflect further approvals through the Council's Capital Investment Strategy and spending slippage. The 2005/06 to 2007/08 capital expenditure estimates recommended for approval are set out below.

	2003/04 £m Actual	2004/05 £m Projection	2005/06 £m Estimate	2006/07 £m Estimate	2007/08 £m Estimate
HRA	69.3	67.0	90.0	95.0	95.0
GF	43.8	55.0	85.0	75.0	60.0
Total	113.1	122.0	175.0	170.0	155.0

INDICATOR FOUR: ACTUAL AND ESTIMATES OF CAPITAL FINANCING REQUIREMENTS.

Extract from Prudential Code

The local authority will make reasonable estimates of the total capital financing requirement at the end of the forthcoming financial year and the following two years. After the year end, the actual capital financing requirement will be calculated directly from the local authority's balance sheet.

Comment and Recommended Indicator

The capital financing requirement represents the level of debt associated with past capital expenditure. The capital financing requirement will rise to pay for new expenditure met from borrowing, both supported and unsupported, but fall as sums are set aside for debt repayment. The actual 2003/04 position reflects sums set aside largely from Right to Buy receipts and revenue to reduce debts. In future, as the bulk of the receipts are passed to the Government, the capital financing requirement will rise.

	31/3/04 £m Actual	31/3/05 £m Projection	31/3/06 £m Estimate	31/3/07 £m Estimate	31/3/08 £m Estimate

Appendix A
Prudential Indicators Detailed Analysis

HRA	550.6	562.0	586.0	596.0	648.0
General Fund	87.8	93.0	105.0	112.0	118.0
Total	638.4	655.0	691.0	708.0	766.0

INDICATOR FIVE: ACTUAL DEBT- THE AUTHORISED AND OPERATIONAL LIMITS

Extract from Prudential Code

> *The local authority will set for the forthcoming financial year and the following two financial years an authorised limit and an operational boundary for its total external debt, gross of investments, separately identifying borrowing from other long-term liabilities.*

Comment and Recommended Indicator

These two limits are the limit on debt and long term liabilities outstanding on any one day. The lower limit is the operational boundary and takes account of ordinary activity. The authorised limit is the higher limit to accommodate unexpected borrowing that may be needed for very short periods. The total authorised limit is the limit Councils have to determine under the Local Government Act 2003.

The average level of borrowing in any one year is usually close to the capital financing requirement. However on any one day borrowing may be higher or lower depending on cash flow movements and timing of borrowing decisions. When rates are expected to rise it is generally more attractive to borrow ahead of capital spending. There may also be benefit in borrowing funds over a short period to restructure debt by "changing" high rate loans for lower rates. At the end of 2003/04 the Council had £652.1 million in outstanding borrowing. As at December 2004 this had fallen to £648.9 million (the expected year end position). Throughout 2004/05 debt has been below both the operational and authorised limits for that year (£731 million and £761 million respectively) and there has been no long term liabilities.

The following limits are recommended for approval for 2005/06 to 2007/08. They are based on the capital financing requirement and will:

- accommodate existing borrowing,
- permit new investment, reflecting growth in capital financing and
- take on temporary borrowing for short period in a prudent and risk controlled framework without having the delay of a fresh re-determination (and risk compromising potential benefits in volatile markets)

OPERATIONAL BOUNDARY	2005/06 £m	2006/07 £m	2007/08 £m
Debt	750.0	765.0	830.0
Long term liabilities	14.0	15.0	16.0
Total	764.0	780.0	846.0

AUTHORISED LIMIT	2005/06 £m	2006/07 £m	2007/08 £m

Debt	780.0	800.0	870.0
Long term liabilities	15.0	16.0	17.0
Total	795.0	816.0	887.0

The Council has no long term liabilities at the moment, but the limit accommodates liabilities that may be taken in place of borrowing to finance assets.

Under existing arrangements, the Finance Director is responsible for all executive, strategic and operational borrowing decisions and has discretion to allow activity to go outside the operational boundary, should it be prudent and justified, but nevertheless remain within the overall authorised limit. The Finance Director may also vary the mix between long term liabilities and debt should it to be prudent to do so.

CRITERIA THREE: TREASURY MANAGEMENT

INDICATOR SIX: ADOPTION OF THE CIPFA TREASURY MANAGEMENT CODE OF PRACTICE.

Extract from Prudential Code

That the local authority has adopted the Treasury Management Code.

Comment and Recommended Indicator

This indicator confirms that the Council has adopted the code of practice for Treasury Management in the Public Sector issued by CIPFA and updated in 2002. At Southwark, the original code was adopted when it was first produced in 1992 and the latest version was adopted by the Council in February 2003. The Council Assembly is asked to confirm the continued adoption of the Code through the recommendations contained in this report.

INDICATOR SEVEN: INTEREST RATE EXPOSURES – FIXED
INDICATOR EIGHT: INTEREST RATE EXPOSURES - VARIABLE
INDICATOR NINE: MATURITIES

Extract from Prudential Code

The local authority will set for the forthcoming year and the following two financial years upper limits to its exposures to the effects of changes in interest rates. These prudential indicators will relate to both fixed and variable interest rates. The local authority will set for the forthcoming year both upper and lower limits with respect to the maturity of its borrowing.

Comment and Recommended Indicator

Council debt currently consists entirely of fixed rate loans, with very little falling for repayment over the next few years. All cash investments are currently at fixed rates for periods of under 1 year.

This is expected to continue given the cost currently of altering maturities or the mix between fixed and variable debt. However should conditions, relating to existing debt and cash positions become favourable in the future, the fixed, variable and maturity limits recommended are set out below. The fixed and variable rate limits reflect growth in capital financing requirement and the related authorised debt limit. The limits have been presented as amounts rather than percentages for ease of reference.

	2005/06 £m	2006/07 £m	2007/08 £m
Upper limit On net fixed rate debt	795.0	816.0	887.0
Upper limit on net variable rate debt	200.0	200.0	220.0

2005/06	Under 1 year	12 months and under 2 years	2 years and under 5 years	5 years and under 10 years	10 years or above
Upper limit on Maturities	25%	25%	60%	80%	80%
Lower limit on maturities	0%	0%	0%	0%	0%

INDICATOR TEN: TOTAL PRINCIPAL SUMS INVESTED FOR PERIODS LONGER THAN 364 DAYS.

Extract from Prudential Code

Where a local authority invests, for periods longer than 364 days, the local authority will set an upper limit for each forward financial year period for the maturing of such investments.

Comment and Recommended Indicator

At the end of 2003/04 the Council had £211million in cash investments. This had risen by the end of December 2004 to £313 million following growth in Right to Buy sales and spend slippage. Under current conditions almost all investments are for less than one year. However it could be attractive to allow longer exposure should financial conditions prove favourable. The upper limit on exposure from 1 year and beyond recommended for approval is set out in the table below. These limits will help the Council take advantage of favourable movements in rates whilst maintaining security.

	Over 1 year and up to 5 years	Over 5 up to 15 years
Upper limit on long investments	£50m	£20m

Appenxix B
Investment Strategy 2005/06 Recommended for Approval

INVESTMENT STRATEGY

1. The Council will invest surplus cash to secure the best returns, giving a high priority to security and liquidity. Investments shall only be in sterling and be limited to specified and non specified investments in the UK Government, local authorities, specified European Union bodies, banks and building societies meeting the minimum credit criteria or money market funds meeting the minimum credit criteria.

2. The specified European Union bodies are:
European Investment Bank.

3. The minimum credit criteria for banks and building societies is set out below, together with maximum exposure and maturity limits. The high rating demanded reflect the Council's preference for security.

Support Rating	Long Rating	Individual Rating	Short Rating	Max Exposure Up to 1 Yr £m	Max Exposure 1-2 Yrs £m	Max Overall Exposure £m
2	A+	C	F1+	30	20	30
3	AA+	B	F1+	10	0	10

Fitch Ratings used:-
Support rating: 1- extremely high probability of external support, should it be needed
2- high probability of external support, should it be needed
3- moderate probability of external support, should it be needed

Long rating: AA – very high credit quality, very low expectation of credit risk.
A – high credit quality, a low expectation of credit risk.
(a + or - is added to donate status within rating category)

Individual rating: A – a very strong bank
B – a strong bank
C – an adequate bank

Short rating: F1 - the best credit risk for timely payments of financial commitments
(a + is added if particularly strong)

The raising of the maximum overall limit to £30 million (from £25 million currently) and the addition of a support rating of 3 with strong individual rating will help expand diversification whilst ensuring lending is only to high rated counterparties.

4. The minimum credit criteria for money market funds is set out below, together with maximum exposure and maturity limits.

Fund Rating	Minimum Fund Value £m	Maximum Exposure £m
AAA/MRA or AAAm	500	40

(Standard and Poors and Moody ratings used: AAA/MRA or AAAm – highest rating)

5. Ratings shall be reviewed at least every quarter and where investment beyond one year is contemplated the rating should be checked before the investment is made. Where there is exposure to a counterparty or an investment that has been downgraded since the investment was made, the investment may be maintained. In the interest of operational efficiency, the Finance Director will have discretion to vary the minimum rating or limits as appropriate to market conditions or developments and may request recall of investments prior to maturity should that be prudent.

6. Investments shall be diversified as much as is consistent with securing a reasonable return.

Appenxix B
Investment Strategy 2005/06 Recommended for Approval

7. Exposure to the Royal Bank of Scotland or National Westminster Bank may exceed limits set out above should it be necessary to be fully invested. Exposure to any one local authority or specified European Body may not exceed £30 million and there shall be no upper limit on exposure to the UK Government.

8. Specified investments shall consist of investments up to one year with:

- the UK Government or local authorities or a specified European Body
- deposits or certificates of deposits with a bank or building society meeting the minimum rating criteria
- money market funds meeting the minimum rating requirement

9. Non specified investments shall consist of:

- investments of more than 1 year but not more than 15 years in the UK Government or a specified European Union body,
- fixed maturity deposits or certificate of deposits of more than 1 year but not exceeding 2 years with a local authority, or a bank or building society meeting the minimum credit criteria.

The non specified investments shall exclude any investment involving the acquisition of share or loan capital in any body corporate.

10. To contain interest rate risk, whilst being able to participate in favourable rate movements, exposure to investments between 1 and 5 years shall not exceed £50 million and that from 5 years to 15 years not exceed £20 million. Day to day exposure to these investments will be subject to market conditions and be under the discretion of the Finance Director. At least £50 million of all investments shall be held in specified investments.

11. Any addition to the list of non specified investments shall require Council Assembly or appropriate committee approval and follow advice from the Finance Director.

12. The Finance Director will be responsible for managing all investments and operations, including use of suitably qualified and experienced external firms of investment managers.