

MINUTES of the meeting of COUNCIL held at The Assembly Hall, The Shirehall, Hereford. on Friday, 11th March, 2005 at 10.30 a.m.

Present: Councillor P.E. Harling (Chairman)
Councillor J.W. Edwards (Vice Chairman)

Councillors: Mrs. P.A. Andrews, B.F. Ashton, Mrs. W.U. Attfield, Mrs. L.O. Barnett, Mrs. E.M. Bew, W.L.S. Bowen, H. Bramer, R.B.A. Burke, A.C.R. Chappell, Mrs. S.P.A. Daniels, P.J. Dauncey, N.J.J. Davies, Mrs. C.J. Davis, G.W. Davis, P.J. Edwards, D.J. Fleet, Mrs. J.P. French, J.H.R. Goodwin, Mrs. A.E. Gray, K.G. Grumbley, J.G.S. Guthrie, J.W. Hope MBE, B. Hunt, T.W. Hunt, T.M. James, Brig. P. Jones CBE, Mrs. R.F. Lincoln, Mrs. M.D. Lloyd-Hayes, G. Lucas, R.M. Manning, R.I. Matthews, J.C. Mayson, R. Mills, J.W. Newman, Mrs. J.E. Pemberton, R.J. Phillips, Ms. G.A. Powell, Mrs. S.J. Robertson, D.W. Rule MBE, Miss F. Short, R.V. Stockton, J. Stone, D.C. Taylor, J.P. Thomas, W.J.S. Thomas, Ms. A.M. Toon, P.G. Turpin, W.J. Walling, D.B. Wilcox, A.L. Williams, J.B. Williams and R.M. Wilson

64. PRAYERS

The Very Reverend Michael Tavinor, the Dean of Hereford, led the Council in prayer.

65. APOLOGIES FOR ABSENCE

Apologies were received from Councillors M.R. Cunningham, Mrs. J. Hyde, G.V. Hyde and R. Preece.

66. DECLARATIONS OF INTEREST

There were no declarations of interest made.

67. MINUTES

RESOLVED: That the minutes of the meeting held on 11th February, 2005 be approved as a correct record and signed by the Chairman.

68. CHAIRMAN'S ANNOUNCEMENTS

The Chairman congratulated the Highways and Transportation Service on its designation as a Centre of Excellence in Local Transport Delivery by the Department for Transport.

He announced that, following the re-launch of the Council website in January the Council was now in 24th place in the league table of 461 local authority websites, making it the most improved local authority in the country.

Council noted that the next round of Local Area Forum meetings, originally scheduled for April had been rearranged and would now take place in June. Details would be sent to all Members in due course.

The Council joined the Chairman in offering thanks and best wishes to the Chief Fire Officer, David O'Dwyer on his retirement. The Chairman agreed to write to Mr O'Dwyer on the Council's behalf.

The Chairman reminded Council of the arrangements for the Civic Service to be held on Sunday, 13th March, 2005.

There were no petitions.

69. QUESTIONS FROM MEMBERS OF THE PUBLIC

Under the Constitution a member of the public can ask a Cabinet Member or Chairman of a Committee any question relevant to a matter in relation to which the Council has powers or duties, or which affects the County, as long as a copy of the question is deposited with the County Secretary and Solicitor more than six clear working days before the meeting. No such questions had been received.

70. QUESTIONS TO THE CABINET MEMBERS AND CHAIRMEN UNDER STANDING ORDERS

Question asked by Councillor D.C. Taylor of the Cabinet Member (Environment)

"I understand that Mr Justice Elias has handed down a judgement against the Council's decision to grant planning permission for a waste site at Madley for Estech Europe Ltd.

In his judgement he gave leave for the Council to appeal. Has the Cabinet Member (Environment) considered this Council's position and whether it will be appealing against this judgement?

Has the Council also considered what future stance it should take, along with its partner organisations, regarding reducing the landfill deposits to meet the national guidelines, which are to be brought in by 2010."

Councillor P.J. Edwards, Cabinet Member (Environment) said that although the High Court challenge to the planning permission was on two grounds, site selection and environmental impact, Mr Justice Elias' judgement confirmed that there were no grounds to quash the decision on the basis of site selection. The judgement found that clearer information supporting the applicant's assertion that the treatment process would not result in significant environmental emissions was required from the applicant, Estech Europe Ltd, before the Council could properly make a decision on the application.

He advised that the Council would not appeal against the High Court Judgement, as it was for the applicant to consider how they wished to pursue their planning application which awaits determination.

He reminded Council of the Joint Waste Management Strategy with Worcestershire, which sets out how it will achieve targets including diversion from landfill, and also of the long term contract for waste management which has in-built flexibility to adjust to changes in policy.

Councillor Taylor thanked the Cabinet Member for his answer. There was no supplementary question.

Question asked by Councillor Mrs. J. Pemberton of the Cabinet Member (Rural Regeneration and Smallholdings)

"Acknowledging the valuable role that Parish Plans play with local communities throughout Herefordshire, are there any proposals for the Council to further assist parishes in the provision of resources in the light of reduced funding from Government?"

Councillor J.C. Mayson, Cabinet Member (Rural Regeneration and Smallholding) thanked Councillor Mrs. Pemberton for her question and said he acknowledged the valuable role that Parish Plans played in local communities particularly in a rural county like Herefordshire.

He reminded Council that the Countryside Agency had launched the Parish Planning process in March 2002 to encourage Parish Councils throughout the country to engage with their local communities and take a more active role in the development of their Parishes. A grant of £5,000 per Parish, subsequently reduced to £3,500 per Parish, had been made available. The Countryside Agency has confirmed that this grant scheme would close in March 2005.

Of the 238 parishes in Herefordshire approximately 41 Herefordshire parishes had either already successfully completed a Plan or were in the process of completing, and although the Council recognises the important role that Parish Planning takes, it would not be possible for the Council to fund the financial gap created by the closure of the Countryside Agency grant support.

He said that the Council would continue to support Parishes with appropriate advice to help them develop and implement Parish Plans, together with their continuing endorsement by Planning Committee. The Council was also in discussion with the Government over the development of its Second Local Public Sector Area Agreement (LPSA2). One of the possible initiatives being explored as part of this process was further provision of advice and guidance to support the Parish Planning process.

There was no supplementary question.

Question asked by Councillor A.C.R. Chappell of the Leader of the Council

"Will the Leader explore ways of funding for flood defences for the city and in particular for the areas around Belmont roundabout and Greyfriars Avenue?"

Very little apparent effort has been made by the Council to put pressure on the Environment Agency of the Department of the Environment to hasten the implementation of flood defences.

Will he actively promote flood defences for the city and bring whatever pressure is possible on the agencies that are able to deliver results?"

Councillor R.J. Phillips, the Leader of the Council, said that the Council had fully supported the work undertaken by the Environment Agency to develop a flood defence scheme for Hereford and had secured a substantial developer contribution to the scheme through the approved ASDA development.

Responsibility for implementation of a flood defence scheme currently rested with the Welsh Region of the Environment Agency's Flood Defence Committee structure but

would transfer to an enlarged Severn Trent Regional Flood Defence Committee on behalf of the Environment Agency from 1st April. The Council has written to the Department for Environment, Food and Rural Affairs seeking confirmation that preparations for this transfer of responsibilities would be taken forward well in advance of April next year and asking for reassurance that the changes would have no adverse impact on the local priority for flood defences in Hereford. DEFRA has confirmed that it is considering how best it might prepare for the change to the boundaries and that this Council would be consulted on any proposals.

DEFRA has pointed out that, under the new administrative arrangements, it would be for the Regional Flood Defence Committee to decide on the programme of works for the area. It would be possible for the Committee to raise funding through a local levy for priority schemes. However, schemes such as that proposed for Hereford were classified as major works, funded from flood defence grant aid and would be subject to national prioritisation applied to all schemes in England.

The Cabinet Member reported that the Local Authority representation on the Severn Trent Regional Flood Defence Committee was being reviewed by DEFRA to ensure fair and proportionate representation and the Council would be consulted on any proposed changes. He assured Councillor Chappell that the Council would continue actively to promote flood defences for Hereford within both existing and future national systems of flood management.

Question asked by Councillor J. Stone of the Cabinet Member (Highways and Transportation)

"Approximately 23% of personal injury accidents in Herefordshire occur on trunk roads like the A49, jeopardising the County's national targets on casualty reduction. Will the Cabinet Member for Highways and Transportation make representations to the Department of Transport over the lack of urgency shown by the Highways Agency in improving road safety on the A49?"

Councillor R.M. Wilson, Cabinet Member (Highways and Transportation) thanked Councillor Stone for his question and said that he was in the process of preparing a letter to the Transport Minister. He advised that the need for higher priority to be given to casualty reduction measures on trunk roads in Herefordshire would be stressed in the next Local Transport Plan due to be submitted to the Government in July this year and discussed with them in draft well before then.

He said that the Council's concerns were also incorporated in the draft Local Public Service Agreement which was currently under negotiation with the Government and in which the Highways Agency would be asked to grant greater flexibility to give priority to reducing accidents in Herefordshire.

Councillor Stone thanked the Cabinet Member for his answer and asked if the relatively low costs involved in the introduction of speed limits, warning signs, white lining or road resurfacing would be money well spent in relation to the costs involved in just one fatal accident. The Cabinet Members said he was well aware of the costs but that the A49 was the responsibility of the Environment Agency. He would continue to lobby on this point.

71. NOTICES OF MOTION UNDER STANDING ORDERS

There were no Notices of Motion.

72. CABINET

Before calling on the Leader of the Council, Councillor R.J. Phillips, to present the report of Cabinet, the Chairman advised that the Revenue Budget and Council Tax for 2005/06 would be debated at page 12 of the agenda. If any Member wished to move an amendment, they should do so once the Leader had proposed the Council Tax and Budget. Once the Council had agreed the whole of the Cabinet report, it would move to item 10 of the agenda to set the Council Tax and Revenue Budget for 2005/06 formally in accordance with the legislation.

The Leader of the Council, Councillor R.J. Phillips, presented the report of the meetings of Cabinet held on 17th and 24th February, 2005.

In relation to item 1.1 - Corporate Plan 2005-2008 - Councillor Phillips reminded Council that this was an important document which sets out the Council's priorities for the next three years and how it intends to achieve them. In response to a query about the lack of targets relating to drug abuse and bullying in schools he stated that the Council could work with the schools to set these targets.

In relation to item 1.2 - Capital Programme 2005/06 - the Leader said that some of this money would help achieve the priorities in the Corporate Plan. He proposed that the supported borrowing for Education, Transport and Housing be distributed in accordance with government allocations. He advised of the prudential borrowing allocations from 2004/05 which had ongoing commitments in 2005/06 and the additional schemes recommended for approval in 2005/06. He spoke, in particular, of the need for investment in the Crematorium, the contact centre (Info by Phone) and the proposed enhancements for Hereford City Centre.

In response to a query about the provisional nature of the proposed funding for enhancements to Hereford City Centre, he stated that this was part of an overall funding package and the Council would work towards the best interests of the City and the County. In response to a comment that £2 million could be needed to improve the Buttermarket alone and that £10-£15 million would be required to bring Hereford City Centre up to standard he invited suggestions as to how that money could be raised.

In relation to item 1.3 Revenue Budget and Council Tax 2005/06 - Councillor Phillips reminded Council that it needed to achieve savings of around £5 million and that the proposed budget was recommended by the Cabinet following consultation with the Budget Panel which included representatives from all the political parties and the trades unions. It had also taken account of proposals from the Strategic Monitoring Committee. He proposed a budget of £184,889,000 equivalent to a 4.31% rise in Council Tax, the lowest ever set by the Council.

In response to a comment that the 4.31% increase was to make up for the previous year's Council Tax capping and rebilling, and a query about the impact this would have on the population, many of whom were on low or fixed incomes, Councillor Phillips referred to the content of the capping decision which led to an amendment of £253,000 to the Council's budget. The Leader indicated that whilst the Council had been capped for an 'overspend' of £253,000 the Government had had no hesitation in making a retrospective amendment of £300,000 in the current settlement to reflect alleged discrepancies in the 2001 Census Data. He was also aware of the number of people on low or fixed income, including pensioners.

In response to a query about the relocation of Tourist Information Centres (TICs) and whether the process would be scrutinised to make sure it was truly effective, the

Leader explained that many Focus Groups, including the Tourism Group, had been consulted on the budget proposals and they were received very favourably. He said £450,000 was spent on tourism, half of that on TICs. He confirmed that the TICs would retain a presence in the market towns and that it would be necessary to review their stock, leases and ensure that properties were fit for purpose.

The Leader of the Liberal Democrat Group said that government settlements were usually more generous prior to a general election. He said that the Council had no option but to set the budget at this level to avoid capping. He was worried that there was little flexibility in the budget and took issue on a number of proposals such as increased charges for green waste bags, car parking charges at Queenswood, and increases to the crematorium and burial charges. He also urged a closer look at the Herefordshire Partnership and was concerned that the Council had no control over the number of people requiring Social Care. Although he supported the level of the council tax rise, he warned that the Chancellor might not be so generous next year. The Leader responded by saying that the budget concentrated, not on one year but on a three-year period. He said there would be a £3 million investment in the crematorium. He agreed that the costs of the Herefordshire Partnership would need to be closely examined. He also shared Councillor James' concerns about the demands on the Social Care budget in light of the County's population profile. He said that vulnerable people were owed a sustained level of services and that challenging discussions would be taking place in order to come to terms with this issue.

He also advised that there would be a seminar on Procurement and ICT and the Council's Service Improvement Plan. He urged all Members to attend the seminar which would be held sometime in April.

In response to a question from Councillor Mrs. Lloyd-Hayes he agreed to provide a written response about the pavilion which had been burnt down at College Hill and whether it would be rebuilt and available for use by young people in the same area.

In response to a query about the Council's presence at the Three Counties Show, he said he would always advertise the County but could not justify £45,000 plus officer time except possibly in the year that Herefordshire hosted the Show.

Council voted on the Council Tax and Revenue Budget 2005/06 as follows:

For - 40

Against - 0

Abstentions - 14

In relation to item 1.5 Draft Crime, Disorder and Drugs Reduction Strategy 2005 - 08 - The Leader advised that it would not be possible for the Council to approve the Strategy as some of the figures were still not available. He hoped that the final document would be ready for approval at the May meeting.

In relation to item 7.1(i) - Herefordshire Council Support to the Community and Voluntary Sector - in response to a question the Leader confirmed that, now that the Budget had been set, any changes to the Council's policy on support to the voluntary sector would be put in place as soon as was expedient.

In relation to item 7.1(ii) - Courtyard Review - In response to a comment from the Chairman of the Review Panel, the Leader confirmed that the Panel would be invited to continue to be involved in scrutinising the Courtyard's operation and financial position.

In relation to item 13.1(ii) **Developing Services to People with Learning Disabilities** - The Cabinet Member (Social Care and Strategic Housing) was unable to give any assurances about respite care facilities at this early stage.

RESOLVED: That the reports from the meetings of Cabinet held on 17th and 24th February, 2005 be received and the recommendations set out below be adopted:

- That (a) the Corporate Plan be approved on the basis that the Local Public Service Agreement (LPSA) 2G performance indicators and targets will be included as and when they are agreed with central government;
- (b) the supported borrowing for Education, Transport and Housing be distributed in accordance with government allocations (Appendix 1);
- (c) the future years funding commitments resulting from 2004/05 allocations of Prudential Borrowing, as stated in Appendix 2, be reaffirmed;
- (d) a capital sum of £2 million be provisionally allocated to the refurbishment of Hereford City Centre and the County Treasurer be asked to make the necessary additional provision within the Revenue Budget and within the Prudential Borrowing requirements;
- (e) Prudential Borrowing for 2005/06, for 2006/07 and for 2007/08 be approved to meet projects as set out in Appendix 3;
- (f) the Revenue Budget for 2005/06 be set at £184,889,000 (representing the figure reflected in the budget report to Cabinet plus a further £200,000 being the capital financing costs associated with the Hereford City Centre improvements proposal);
- (g) the consequential Council Tax Band D figure for 2005/06 be £996.94 representing a 4.31% increase as detailed in the Council Tax Resolution 2005/06 set out at Minute 73;
- (h) the Prudential Indicators detailed in Appendix 4 which includes the projected Capital programme, subject to confirmation of the inclusion of £2 million for refurbishment of Hereford City Centre, be approved;
- (i) the Treasury Management Strategy in Appendix 5 be approved;
- (j) the borrowing limits outlined in Appendix 5 be approved; and
- (k) that the Crime, Disorder, and Drugs Reduction Strategy 2005-08 be finalised and re-submitted to Council in May for final approval.

73. COUNCIL TAX AND REVENUE BUDGET RESOLUTION 2005/06

Following the resolution at Minute 72 above, it was **unanimously** formally **RESOLVED**:

THAT: (1) In respect of the Council's 2005/06 Budget:

- (a) a council tax of £996.94 be levied (at Band D);**
- (b) programme areas contain expenditure within "cash limits" i.e. outturn budgets with no further allowance for pay or price inflation beyond that already provided;**

and

(2) in respect of council tax for 2005/06 that the following amounts be approved by the Council for the year 2005/06 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:

- (a) £270,134,997** being the estimated aggregate expenditure of the Council in accordance with Section 32(2)(a) to (e) of the Act;
- (b) £83,267,000** being the estimated aggregate income of the Council for the items set out in Section 32(3)(a) to (c) of the Act;
- (c) £186,867,997** being the amount by which the aggregate at (a) above exceeds the aggregate at (b) calculated by the Council in accordance with Section 32(4) of the Act, as its total net budget requirement for the year;
- (d) £117,942,196** being the aggregate of the sums which the Council estimated will be payable for the year into its general fund in respect of redistributed non-domestic rates, revenue support grant, additional grant or relevant special grant, increased by the transfer from the Collection Fund;
- (e) £1,026.41** being the amount at (c) above less the amount at (d) above all divided by the amount of the Council Tax base calculated by the Council, in accordance with Section 33(1) of the Act, as the

basic amount of its Council Tax for the year;

- (f) £1,978,997 being the aggregate amount of all special items referred to in Section 34(1) of the Act;
 - (g) £996.94 being the amount at (e) above less the result given by dividing the amount at (f) above by the amount of the Council Tax base calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item relates;
 - (h) that the precepting authority details incorporated in Annex 1 (i-v), relating to Special Items, West Mercia Police and Hereford and Worcester Combined Fire Authority be approved in accordance with Sections 30(2), 34(3), 36(1) and Section 40 of the Local Government Finance Act 1992.
- (3) Pursuant to the requirements of the Local Government (Functions and Responsibility) (England) Regulations 2000, any decisions on the application of reserves and balances as required from time to time during the financial year be taken by Cabinet.

The meeting ended at 11.50 a.m.

CHAIRMAN

FORECAST SUPPORTED CAPITAL EXPENDITURE (REVENUE)

	SCE(R)	Final Settlement	Estimate		
	2004/05	2005/06	2006/07	2007/08	2008/09
	£	£	£	£	£
Education					
Modernisation - all schools need	1,946,743	1,064,162	984,382	1,014,968	SCE(C)
Modernisation - primary need		774,137	1,020,625	1,020,625	SCE(C)
New pupil places – formulaic	217,834	435,725	464,806	471,881	SCE(R)
Prior basic need commitments	1,440,970	339,863			SCE(R)
Schools Access Initiative	254,862	256,623	255,583	255,583	SCE(R)
Targeted Capital – Sutton			304,350		SCE(R)
Targeted Capital – Weobley			221,350		SCE(R)
Capital investment in primary schools	819,542	-			
Total Education SCE	4,679,951	2,870,510	3,251,096	2,763,057	
Less: Funded by Capital Grants (SCE(C))	(1,468,456)	(1,838,299)	(2,005,007)	(2,035,593)	SCE(C)
Whitecross College addl SCE(R)	100,000				
	3,311,495	1,032,211	1,246,089	727,464	727,464
Environment					
Integrated Transport Allocation (Single Pot)	4,830,000	2,900,000			
Maintenance Block Allocation (Single Pot)	6,242,000	7,559,000			
Rotherwas Access Road bid	Nil	Nil	Nil	Nil	Nil
Contaminated Air	26,000				
Coast Protection	469,700				
	11,567,700	10,459,000	10,459,000	10,459,000	10,459,000
Housing					
Housing (Single Pot)	1,909,500	1,935,500	1,935,500	1,935,500	1,935,500
Private Sector Renewal Kick Start Funds (Ringfenced)	162,500	127,500	-	-	-
	2,072,000	2,063,000	1,935,500	1,935,500	1,935,500
Social Care					
Adults (Single Pot)	97,000	95,000	95,000	95,000	95,000
Children (Single Pot)	30,000	30,000	30,000	30,000	30,000
MHSCE(R)	91,539	-			
	218,539	125,000	125,000	125,000	125,000
Total	17,169,734	13,679,211	13,765,589	13,246,964	13,246,964

2004/05 PRUDENTIAL BORROWING ALLOCATIONS

Ref	Total	Budget				Commitments				
			2004/05	2005/06	2006/07	2007/08				
Approved Scheme										
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social Development										
	North Herefordshire Swimming Pool	2,258	1,800	395	63	-				
16	Friar St Museum Resource & Learning Centre	140	140	-	-	-				
19	Aylestone Park	100	100	-	-	-				
	Ross Creative Learning Centre	117	117	-	-	-				
	Ross Library	10	10	-	-	-				
Economic Development										
	Hereford City of Living Crafts	120	60	60	-	-				
	Hereford City Shop Front Scheme	150	50	50	50	-				
	Hereford City Eign Gate	500	100	400	-	-				
	Hereford City High Town & High St	145	145	-	-	-				
	Hereford City Victoria Foot Bridge	300	100	100	100	-				
P & F General										
14	Ledbury Info	4	4	-	-	-				
Property										
2	Disabled Access	200	200	-	-	-				
1	Energy Conservation	100	100	-	-	-				
Environment General										
9	Crematorium Hereford	100	100	-	-	-				
8	Leominster Landfill Infrastructure	45	45	-	-	-				
5	Public Toilets Improvements	150	150	-	-	-				
	Hereford Cemetery	100	100	-	-	-				
ICT Services										
	Network Enhancement	3,170	770	950	500	950				
	Continuity / Disaster Recovery	950	250	500	100	100				
Social Care										
	Community Equipment	200	200	-	-	-				
Housing										
	Disabled Facilities Grants	200	200	-	-	-				
TOTAL		9,059	4,741	2,455	813	1,050				

2005/06 SCHEME SELECTION & PRIORITISATION BIDS RECOMMENDATIONS FOR APPROVAL

Ref	Scheme	Total	Budget	Commitments		
		£'000	2005/06 £'000	2006/07 £'000	2007/08 £'000	2008/09 £'000
	Allocations agreed in 2004/05 to be funded	4,318	2,455	813	1,050	
	2005/06 Priority Bids due to Legal Requirement					
2	Disabled Access	200	200			
3	Leominster Broad Street Car Park - petrol inceptors	100	100			
4	Powell Croft Sewage Plant Improvements – Upton Bishop nr Ross	50	50			
8	Restore Leominster Landfill Site	710	210	500		
9	Crematorium	3,050	450	800	1,800	
19	Aylestone Park - Canal Safety	166	166			
	Further bids					
22	Contact Centre	1,500	750	750		
17	Library Refurbishment (Kington)	535	535			
5	Improvement to Toilet facilities	215	215			
15	Relocation Ledbury Library	53	53			
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	City Centre Enhancements	2,000	2,000			
		<hr/>				
	Sub-total	12,897	7,184	2,863	2,850	
	Bids where Revenue to meet Capital Financing Costs					
11	4 x Minibuses	97	97			
12	Holistic Resource at St. Owens (Cost is £83,000, part funded by £74,000 capital receipt)	9	9			
18	Queenswood Car Park	137	137			
20	2 x Mobile Libraries	180	180			
		<hr/>				
	TOTAL	13,320	7,607	2,863	2,850	

HEREFORDSHIRE COUNCIL

PRUDENTIAL INDICATORS 2005/06

1. INTRODUCTION

The PIs set out below are recommended by the Prudential Code. However members may prefer additional or alternative indicators that will help with the decision making process. The indicators set out below are based on a total of £7,607,000 Prudential Borrowing for 2005/06, of which £423,000 is for schemes for which the capital financing costs are met from existing revenue budgets. The indicators for future years continue to be based on the assumption of a provisional £5,000,000 Prudential Borrowing per year.

2. ACTUAL AND ESTIMATED CAPITAL EXPENDITURE

This table takes into account new borrowing for which the government is providing support, government grants, capital receipts, other funding (including s106 receipts) and Prudential Borrowing. The second table shows how this programme would be funded.

	2004/05	2005/06	2006/07	2007/08
	£'000	£'000	£'000	£'000
Capital Programme Area:-				
Economic Development	3,805	1,238	245	0
Education	5,857	6,655	3,251	2,763
Environment General	11,974	13,424	11,759	12,259
Policy & Finance - ICT Services	2,803	2,576	2,233	1,933
Policy & Finance - General	265	0	0	0
Policy & Finance - Property	503	350	250	250
Social Care	473	605	125	125
Social Development	2,792	1,958	63	0
Strategic Housing	5,435	10,325	7,705	5,325
Potential Prudential Borrowing to be allocated	0	0	2,137	2,150
	33,907	37,131	27,768	24,805
By funding				
Capital Receipts Reserve	4,925	4,670	3,299	3,324
Grants	7,585	11,055	5,703	3,234
SCE(R)	16,656	13,679	13,766	13,247
Revenue Contribution	0	120	0	0
Agreed Prudential Borrowing	4,741	7,607	2,863	2,850
Prudential Borrowing to be agreed (for £5m total)	0	0	2,137	2,150
	33,907	37,131	27,768	24,805

3. RATIO OF FINANCING COSTS TO NET REVENUE STREAM

The net revenue stream is the budget amount to be met from Formula Grant and Council Tax income (the budget requirement). The ratio is the proportion of the budget requirement that relates to the ongoing capital financing costs.

	2004/05 £'000	2005/06 £'000	2006/07 £'000	2007/08 £'000
Net Revenue Stream	175,320	184,889	195,221	205,194
Capital Financing Requirement	7,418	8,562	10,469	12,362
Ratio of financing costs to net revenue stream	4.23%	4.63%	5.36%	6.03%

4. CAPITAL FINANCING REQUIREMENT

This indicator represents the Authorities underlying need to borrow for a capital purpose.

	2004/05 £'000	2005/06 £'000	2006/07 £'000	2007/08 £'000
Capital Financing Requirement (as at 31/3)	96,486	112,347	125,149	136,341

5. AUTHORISED LIMIT FOR EXTERNAL DEBT

The Authorised Limit for external debt represents the absolute maximum level of debt that may be incurred. This limit would only be reached in exceptional circumstances.

	2004/05 £'000	2005/06 £'000	2006/07 £'000	2007/08 £'000
Borrowing	119,000	133,000	151,000	169,000
Other Long Term Liabilities	3,000	3,000	3,000	3,000
Total	122,000	136,000	154,000	172,000

6. OPERATIONAL BOUNDARY FOR EXTERNAL DEBT

The Operational Boundary for external debt is the prudent expectation of the maximum level of external debt.

	2004/05 £'000	2005/06 £'000	2006/07 £'000	2007/08 £'000
Borrowing	73,500	94,500	108,500	121,500
Other Long Term Liabilities	1,500	1,500	1,500	1,500
Total	75,000	96,000	110,000	123,000

7. COUNCIL TAX IMPLICATIONS OF THE INCREMENTAL EFFECT OF CAPITAL DECISIONS

This indicator represents the increases in Council Tax resulting from unsupported Prudential Borrowing. These figures will need to be revised following the decisions taken by Council.

	2005/06	2006/07	2007/08
	£ p	£ p	£ p
Increase in council tax (Band D, per annum) based on Prudential Borrowing of £7,607,000 taken for 2005/06 and £5,000,000 per year for subsequent years.	5.66	13.91	20.62

8. TREASURY MANAGEMENT INDICATORS

These are specific indicators which relate to the management of the Treasury Management process. The upper limit for variable rate borrowing is recommended to be increased in order to allow more flexibility to react to changes in market conditions.

	2004/05	2005/06	2006/07	2007/08
Upper Limit for Fixed Interest Rate Exposure				
Net principal re fixed rate borrowing / investments	100%	100%	100%	100%
Upper Limit for Variable Interest Rate Exposure				
Net principal re variable rate borrowing / investments	50%	50%	50%	50%
Maturity Structure of new fixed rate borrowing during 2004/05	Upper Limit	Lower Limit		
Under 12 Months	30%	0%		
12 months and within 24 months	60%	0%		
24 months and within 5 years	90%	0%		
5 years and within 10 years	100%	0%		
10 years and above	100%	20%		
Upper Limit for total principal sums invested for over 364 days	2004/05	2005/06	2006/07	2007/08
	£'000	£'000	£'000	£'000
(per maturity date)	10,000	10,000	10,000	10,000

HEREFORDSHIRE COUNCIL

TREASURY MANAGEMENT STRATEGY 2005/06

1. INTRODUCTION

- 1.1 The Financial Policy Team is responsible, under the direction of the County Treasurer for the day-to-day management of the Council's treasury management activities. The Treasury Management Strategy for borrowing and Annual Investment Strategy for 2005/06 details the expected activities for the Team in the coming financial year and has been produced in accordance with the Council's approved Treasury Management Policy Statement.
- 1.2 The 2003 Prudential Code for Capital Finance in local authorities introduced new requirements for the manner in which capital spending plans are to be considered and approved, and in conjunction with this, the development of this integrated Treasury Management Strategy.
- 1.3 The Treasury Management Strategy covers the: -
- current treasury portfolio position
 - treasury limits for 2005/06
 - prudential indicators for 2005/06 – 2007/08
 - prospects for the economy and interest rates
 - borrowing strategy
 - debt rescheduling opportunities
 - specified and non-specified investments
 - investment objectives
 - security of capital: the use of credit ratings
 - investment strategy
 - externally managed funds
 - end of year report

2. CURRENT TREASURY PORTFOLIO POSITION

- 2.1 The Council's treasury portfolio position as at 31 January 2005 is as follows: -

DEBT POSITION	Principal (£)	Borrowing Rate (%)
Public Works Loan Board	50,886,555	4.96
Market Debt	12,000,000	2.05
Total Debt	62,886,555	

Estimated Borrowing Requirement for 2005/06 – supported borrowing approvals of approximately £13,679,211, plus the potential for an additional £5,423,000 unsupported borrowing under the Prudential Code. In addition refinancing of maturing debt of £9,423,523 in the year will be required.

INVESTMENT POSITION	Principal (£)	Rate of Return (%)
Internally managed funds	29,846,098	4.79
Externally managed funds	7,094,101	4.82
Total Investments	36,940,199	

Note: Total investments will decline sharply in the last two months of the financial year as capital projects near completion.

3. TREASURY LIMITS FOR 2005/06

- 3.1 It is a statutory duty under Section 3 of the Local Government Act 2003, and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". The authorised limit represents the legislative limit specified in Section 3 of the Local Government Act 2003.
- 3.2 The Council must have regard to the Prudential Code when setting their Affordable Borrowing Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax levels is 'acceptable'.
- 3.3 Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate those planned to be financed by both external borrowing and other forms of liability, such as credit arrangements. The affordable borrowing limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years. The Council has already indicated an affordable Prudential Borrowing limit of £5,000,000 per year and the effect of this is set out in the Prudential Indicators below.

4. PRUDENTIAL INDICATORS FOR 2005/06 – 2007/08

- 4.1 The following prudential indicators are relevant for the purposes of setting an integrated Treasury Management Strategy.

PRUDENTIAL INDICATOR	2004/05	2005/06	2006/07	2007/08
(1). Extract from Budget Setting Report				
Capital Expenditure	£'000	£'000	£'000	£'000
	33,907	37,131	27,768	24,805
Ratio of financing costs to net revenue stream				
Net Revenue Stream	175,320	184,889	195,221	205,194
Financing Costs	7,418	8,562	10,469	12,362
Ratio of financing costs to net revenue stream	4.23%	4.63%	5.36%	6.03%

	2004/05	2005/06	2006/07	2007/08
Affordable Borrowing Limit	£ p	£ p	£ p	£ p
Increase in council tax (Band D, per annum) (Prudential borrowing of 2005/06 = £7.607m, 2006/07 = £5.0m, 2007/08 = £5.0m)	£0.00	£5.66	£13.91	£20.62
Capital Financing Requirement (as at 31/3)	£'000	£'000	£'000	£'000
Total	£96,486	£112,347	£125,149	£136,341
PRUDENTIAL INDICATOR	2004/05	2005/06	2006/07	2007/08
(2). Treasury Management Prudential Indicators				
Authorised Limit for External Debt	£'000	£'000	£'000	£'000
Borrowing	£119,000	£133,000	£151,000	£169,000
Other Long Term Liabilities	£3,000	£3,000	£3,000	£3,000
Total	£122,000	£136,000	£154,000	£172,000
Operational Boundary	£'000	£'000	£'000	£'000
Borrowing	£73,500	£94,500	£108,500	£121,500
Other Long Term Liabilities	£1,500	£1,500	£1,500	£1,500
Total	£75,000	£96,000	£110,000	£123,000
Upper Limit for Fixed Interest Rate Exposure	£ or %	£ or %	£ or %	£ or %
Net principal re fixed rate borrowing / investments	100%	100%	100%	100%
Upper Limit for Variable Interest Rate Exposure	£ or %	£ or %	£ or %	£ or %
Net principal re variable rate borrowing / investments	50%	50%	50%	50%
Maturity Structure of new fixed rate borrowing during 2005/06	Upper Limit	Lower Limit		
Under 12 Months	30%	0%		
12 months and within 24 months	60%	0%		
24 months and within 5 years	90%	0%		
5 years and within 10 years	100%	0%		
10 years and above	100%	20%		
Upper Limit for total principal sums invested for over 364 days	2004/05 £'000	2005/06 £'000	2006/07 £'000	2007/08 £'000
	10,000	10,000	10,000	10,000

5. PROSPECTS FOR THE ECONOMY & INTEREST RATES

- 5.1 The Council retains Sector Treasury Services Limited as its treasury advisers and part of their service is to assist in forming a view on economic trends and the effect on interest rates. This section of the strategy outlines the Council's view of the economy and interest rates based on the advice of its treasury advisers.

Economic Background

UK

- Above trend Gross Domestic Product (GDP) robust, but indications of weakening activity ahead.
- Slowdown in household spending and weakening housing market.
- Benign inflation at present, may rise in 2005 as high street competition cannot sustain the current situation against the effect of rising oil prices.
- Sterling expected to remain at \$1.80 or above.

International

- US - measured interest rate raising by the Federal Reserve; weak trend employment data.
- Consumer slowdown shows no signs of abating and this will be compounded by high oil prices, rising interest rates, the fading effects of past tax cuts and a faltering labour market.
- US inflation benign.
- European Central Bank (ECB) has held repo rate at 2.00% since June 2003.
- Weak domestic demand/export led growth indicates an economy about to suffer as world economy expected to slow.

Interest rate forecast

- The base rate is expected to rise to 5.00% in Q1 2005, but is nearing the peak of the cycle, and is consequently expected to fall back in 2005.

Long term 25 year PWLB rate:

- Expected to remain around 4.75%
 - Housing market to weaken from fast market increases causing consumers to feel the pinch.
 - Slower global growth driven by weakness in the US

Interest Rates

- 5.2 Having set the scene in economic terms, the likely impact for interest rates can be assessed and is illustrated in the following tables.

Table 1 Sector Treasury - Interest Rate Forecast

(This table represents the view of the Council's Treasury advisors as at January 2005)

%	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2006
Base Rate	5.00	5.00	4.75	4.75	4.50
10 Year PWLB	5.00	4.75	4.75	4.75	4.75
25 Year PWLB	4.75	4.75	4.75	4.75	4.75

Table 2 Summary of Independent Forecasts of Base Rate

(This table represents the views of independent forecasters views of base rate as at November 2004)

%	2005 Year end	2006 average	2007 average	2008 average
Average	4.71	4.81	4.82	4.76
Highest	5.25	5.50	5.25	5.25
Lowest	3.90	4.10	4.10	3.80

6. BORROWING STRATEGY

6.1 Based upon the prospects for interest rates outlined above, there are a number of strategy options available. The anticipation is that there is not likely to be much difference between short-term variable PWLB rates and medium and long-term PWLB fixed rate borrowing during 2005/06 provided base rate falls from 5.0% to 4.75% as expected in quarter 3 of 2005. Variable rate borrowing will therefore be slightly more expensive than long-term fixed borrowing during quarter 2, but is expected to become cheaper in quarter 1 of 2006 when base rate is forecast to fall to 4.5%. Thereafter variable rate borrowing is expected to become still cheaper during 2006 and so the gap will widen further between long-term fixed and variable rates. Long-term rates are not currently expected to move significantly in 2005/06 but may drift to the downside.

6.2 These interest rate expectations provide a variety of options:

- that short-term variable rates will be good value compared to long-term rates, and are likely to remain so for potentially at least the next couple of years. Best value will therefore be achieved by borrowing short term at variable rates in order to minimise borrowing costs in the short term or to make short term savings required in order to meet budgetary constraints. Money Market debt will also be considered where opportunities are available to minimise borrowing costs in the short term. These have recently become more attractive than PWLB rates and therefore the County Treasurer will carefully monitor the interest rates available and take advice from the Treasury Management Consultants over the timing of any new borrowing. If fixed PWLB rates should fall significantly, then a suitable trigger point for considering new fixed rate long-term borrowing would be about 4.5%.

- that the risks intrinsic in the shorter term variable rates are such, when compared to historically relatively low long term fixed funding, which may be achievable in 2005/06, that the Council will maintain a stable, longer term portfolio by drawing longer term fixed rate funding at a marginally higher rate than short term rates.
- 6.3 Against this background caution will be adopted with the 2005/06 treasury operations. The County Treasurer will monitor the interest rate market and adopt a pragmatic approach to any changing circumstances.
- 6.4 **Sensitivity of the forecast** - The main sensitivities of the forecast are likely to be the two scenarios below. The Council officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of view:
- ***If it was felt that there was a significant risk of a sharp rise in long and short term rates***, perhaps arising from a greater than expected increase in world economic activity, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.
 - ***If it was felt that there was a significant risk of a sharp fall in long and short term rates***, due to e.g. growth rates remaining low or weakening, then long term borrowings will be postponed, and any rescheduling from fixed rate funding into variable or short rate funding will be exercised.

7. DEBT RESCHEDULING OPPORTUNITIES

- 7.1 Opportunities may exist for restructuring long-term debt into short-term variable rate debt to produce savings later in the year, particularly once base rate has fallen to 4.5%. With variable rate borrowing rates likely to fall significantly during 2005/06, it will be best to avoid restructuring into fixed borrowing for short periods (e.g. one year). Long-term fixed rates are not expected to rise above 5.25% during 2005/06. Consequently long-term debt rates at or above 4.90% would warrant reviewing the potential for undertaking debt restructuring.
- 7.2 Money market debt will also be considered as part of debt rescheduling, where opportunities exist to replace high rated PWLB loans with lower rated market debt to produce interest savings over the short term (between one and four years). The County Treasurer will carefully monitor interest rates and take advice from the Treasury Management Consultants over the timing of any debt rescheduling.
- 7.3 Any positions taken via rescheduling will be in accordance with the strategy position outlined in paragraph 6 above. The reasons for any rescheduling to take place will include:
- the generation of cash savings at minimum risk
 - the borrowing strategy outlined above
 - a better balance in the maturity profile of the long-term debt portfolio
 - a better balance in the ratio of variable to fixed interest rate loans in the long-term debt portfolio.

8. SPECIFIED AND NON-SPECIFIED INVESTMENTS

- 8.1 Under CIPFA's Treasury Management Code of Practice and the ODPM's Guidance on Local Government Investments issued in March 2004 the Council is required to formulate a strategy each year regarding its investments.
- 8.2 This Annual Investment Strategy states which investments the Council may use for the prudent management of its treasury balances during the financial year under the headings of **Specified Investments** and **Non-Specified Investments** as detailed in **Annex A**.
- 8.3 This Annex sets out:
- The procedures for determining the use of each category of investment (advantages and associated risk), particularly if the investment falls under the category of "non-specified investments."
 - The maximum periods for which funds may be prudently committed in each category.
 - Whether the investment instrument is to be used by the Council's in-house officers and/or by the Council's appointed external fund managers (Investec Asset Management); and, if non-specified investments are to be used in-house, whether prior professional advice is to be sought from the Council's treasury advisors (Sector Treasury Services Ltd).

9. INVESTMENT OBJECTIVES

- 9.1 All investments will be in sterling. The general policy objective for Herefordshire Council is the prudent investment of its treasury balances*. The Council's investment priorities are:
- (a) the **security** of capital; and
 - (b) **liquidity** of its investments.

The Council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

* This includes monies borrowed for the purpose of expenditure in the reasonably near future (i.e. borrowed 12-18 months in advance of need).

- 9.2 The ODPM guidance maintains that the borrowing of monies purely to invest or on-lend and make a return is unlawful and the Council will not engage in such activity.

10. SECURITY OF CAPITAL: THE USE OF CREDIT RATINGS

- 10.1 The Council relies on credit ratings published by *Fitch Ratings*, *Moody's Investors Service* or *Standard & Poor's* to establish the credit quality of counterparties and investment schemes. The Council has also determined the minimum long-term, short-term and other credit ratings it deems to be "high" for each category of investment in conjunction with its Treasury Management advisor.

10.2 **Monitoring of credit ratings:**

- All credit ratings will be monitored monthly: The Council has access to Fitch credit ratings and is alerted to changes from its Treasury Management advisor.
- If a counterparty's or investment scheme's rating is downgraded with the result that it no longer meets the Council's minimum criteria, the further use of that counterparty/investment scheme as a new investment will be withdrawn immediately. Any intra-month credit rating downgrade, which the Council has identified, that affects the Council's pre-set criteria will also be similarly dealt with. The Council will also immediately inform its external fund manager of the withdrawal of the same.
- If a counterparty is upgraded so that it fulfils the Council's criteria, its inclusion will be considered for approval by the County Treasurer.

11. **INVESTMENT STRATEGY**

- 11.1 The County Treasurer manages part of the Council's investment portfolio. Investments managed by the in-house team are generally temporary in nature and short-term. All decisions are made in the light of the Council's forecast cash flow requirements.
- 11.2 If, during the course of the year, the County Treasurer detects that the market's expectation for base rates has been too high, the strategy will be to keep investments as long as possible with a view to locking in higher rates of return than may be available at a later stage when market expectations are corrected.
- 11.3 The money market yield curve is currently anticipating falling base rates in 2005/06. The Council will therefore seek to lock in longer period investments at higher rates before this fall starts. For its cash flow generated balances, the Council will seek to utilise short-dated deposits (1-3 months), business reserve accounts and money market funds in order to benefit from the compounding of interest.
- 11.4 In relation to the Council's internally managed funds, the County Treasurer does not currently plan to invest over 364 days. However, the Council's External fund manager could have a maximum 50% of its investment portfolio invested for periods in excess of 364 days. The market will be continuously monitored for opportunities to lock in to higher, longer-term rates, if it is viewed that this will add stability and value to returns.

12. **EXTERNALLY MANAGED FUNDS**

- 12.1 A cash fund of £7,065,667.38 (as at 31st December 2004) is currently managed by Investec Asset Management on a discretionary basis. The Council, in conjunction with the Council's Treasury Management adviser, will monitor the external fund manager's performance in 2005/06.
- 12.2 The fund management agreement between the Council and Investec Asset Management formally documents the instruments it can use within pre-agreed limits.

13. **END OF YEAR REPORT**

- 13.1 At the end of the financial year, the Council will prepare a report on its investment activity as part of its Annual Treasury Report.

SPECIFIED INVESTMENTS

All investments listed below must be sterling-denominated

Investment	Security / Credit Rating	Circumstance of use
Debt Management Agency Deposit Facility (DMADF)	Govt-backed	In-house
Term deposits with the UK government or with UK local authorities	High security although LAs not credit rated.	In-house and by external fund manager
Term deposits with credit-rated deposit takers (banks and building societies), including callable deposits, with maturities up to 1 year	Yes-varied <i>Minimum rating "A" Long-term and "F1" Short-term (or equivalent)</i>	In-house and by external fund manager
Certificates of Deposit issued by credit-rated deposit takers (banks and building societies): up to 1 year. <i>Custodial arrangement required prior to purchase</i>	Yes-varied <i>Minimum rating "F1+" Short-term (or equivalent)</i>	External fund manager
Gilts: up to 1 year <i>Custodial arrangement required prior to purchase</i>	Govt-backed	(1) Buy and hold to maturity: to be used in-house after consultation with Treasury Management advisor (2) For trading: by external fund manager only subject to the guidelines and parameters agreed with them
Reverse Gilt Repos: maturities up to 1 year	Govt-backed	External fund manager only subject to the guidelines and parameters agreed with them
Money Market Funds	Yes-varied <i>Minimum AAA credit rated</i>	In-house and by external fund manager subject to the guidelines and parameters agreed with them
Forward deals with credit rated banks and building societies < 1 year (i.e. negotiated deal period plus period of deposit)	Yes-varied <i>Minimum rating "A" Long-term and "F1" Short-term (or equivalent)</i>	In-house
Commercial paper <i>[Short-term obligations (generally with a maximum life of 9 months) which are issued by banks, corporations and other issuers]</i> <i>Custodial arrangement required prior to purchase</i>	Yes-varied <i>Minimum rating "F1+" Short-term (or equivalent)</i>	External fund manager only subject to the guidelines and parameters agreed with them
Gilt Funds and other Bond Funds***. <i>[These are open-end mutual funds investing predominantly in UK govt gilts and corporate bonds. These funds do not have any maturity date. These funds hold highly liquid instruments and the Council's investments in these funds can be sold at any time.]</i>	Yes <i>Minimum rating "AA-"</i>	External fund manager only subject to the guidelines and parameters agreed with them (NB: In the selection of a fund the manager will ensure that the fund is not a body corporate by virtue of its set up structure).
Treasury bills <i>[Government debt security with a maturity less than one year and issued through a competitive bidding process at a discount to par value]</i> <i>Custodial arrangement required prior to purchase</i>	Govt-backed	In-house and external fund manager subject to the guidelines and parameters agreed with them

ANNEX A

Investment	Security / Credit Rating	Circumstance of use
Bonds issued by a financial institution that is guaranteed by the UK Government <i>[As defined by Statutory Instrument 2004 No. 534, with maturities under 12 months].</i> <i>Custodial arrangement required prior to purchase</i>	Govt-backed	1) Buy and hold to maturity: to be used in-house after consultation with Treasury Management advisor (2) For trading: by external fund manager only subject to the guidelines and parameters agreed with them
Bonds issued by a multilateral development bank <i>[As defined by Statutory Instrument 2004 No. 534, with maturities under 12 months].</i> <i>Custodial arrangement required prior to purchase</i>	AAA	1) Buy and hold to maturity: to be used in-house after consultation with Treasury Management advisor (2) For trading: by external fund manager only subject to the guidelines and parameters agreed with them

***Open-ended funds continually create new units (or shares) to accommodate new monies as they flow into the funds and trade at net asset value. (NAV).

NON-SPECIFIED INVESTMENTS

All investments listed below must be sterling-denominated

Investment	Security / Minimum credit rating	Circumstance of use	Max % of overall investments	Maximum maturity of investment
Term deposits with credit rated deposit takers (banks and building societies) with maturities greater than 1 year	YES-varied <i>Minimum rating "AA-" Long-term and "F1" Short-term (or equivalent) Support 1,2 or equivalent</i>	External Fund Manager. In-house	50% 20%	5 years
Certificates of Deposit with credit rated deposit takers (banks and building societies) with maturities greater than 1 year <i>Custodial arrangement required prior to purchase</i>	YES-varied <i>Minimum rating "AA" Long-term and "F1+" Short-term (or equivalent)</i>	External fund manager. In-house after consultation with Treasury Management advisor	50% 20%	5 years
Callable deposits with credit rated deposit takers (banks and building societies) with maturities greater than 1 year	YES-varied <i>Minimum rating "AA-" Long-term and "F1" Short-term (or equivalent) Support 1,2 or equivalent</i>	External Fund Manager. In-house after consultation with Treasury Management advisor	50% 20%	5 years in aggregate

ANNEX A

Investment	Security / Minimum credit rating	Circumstance of use	Max % of overall investments	Maximum maturity of investment
<p>UK government gilts with maturities in excess of 1 year</p> <p><i>Custodial arrangement required prior to purchase</i></p>	Govt backed	<p>(1) Buy and hold to maturity: in-house after consultation with Treasury Management advisor</p> <p>(2) For trading: by external fund manager only subject to the guidelines and parameters agreed with them</p>	<p>20%</p> <p>50%</p>	10 years (but also including the 10 year benchmark gilt)
<p>Sovereign issues ex UK govt gilts: any maturity</p> <p><i>Custodial arrangement required prior to purchase</i></p>	AAA	<p>(1) Buy and hold to maturity in-house after consultation from Treasury Management advisor</p> <p>(2) For trading: by external fund manager only subject to the guidelines & parameters agreed with them</p>	<p>20%</p> <p>50%</p>	10 years
<p>Forward deposits with credit rated banks and building societies for periods > 1 year (i.e. negotiated deal period plus period of deposit)</p>	<p>Yes-varied</p> <p><i>Minimum rating "AA-" Long-term and "F1" Short-term (or equivalent) Support 1,2 or equivalent</i></p>	<p>External Fund Manager</p> <p>In-house after consultation with Treasury Management advisor</p>	<p>50%</p> <p>20%</p>	5 years
<p>Deposits with unrated deposit takers (banks and building societies) but with unconditional financial guarantee from HMG or credit-rated parent institution: any maturity</p>	<p>Not rated in their own right, but parent must be rated.</p> <p><i>Minimum rating for parent "AA-" Long-term and "F1" Short-term (or equivalent) Support 1,2 or equivalent</i></p>	In-house	20%	1 year

ANNEX A

Investment	Security / Minimum credit rating	Circumstance of use	Max % of overall investments	Maximum maturity of investment
<p>Bonds issued by a financial institution that is guaranteed by the UK Government (as defined in Statutory Instrument 2004 No. 534) with maturities in excess of 1 year</p> <p><i>Custodial arrangement required prior to purchase</i></p>	AAA / Govt guaranteed	(1) Buy and hold to maturity: in-house after consultation with Treasury Management advisor (2) For trading: by external fund manager only subject to the guidelines and parameters agreed with them	20% 50%	10 years
<p>Bonds issued by multilateral development banks (as defined in Statutory Instrument 2004 No. 534) with maturities in excess of 1 year</p> <p><i>Custodial arrangement required prior to purchase</i></p>	AAA / Govt guaranteed	(1) Buy and hold to maturity: in-house after consultation with Treasury Management advisor (2) For trading: by external fund manager only subject to the guidelines and parameters agreed with them	20% 50%	10 years

HEREFORDSHIRE COUNCIL

TREASURY MANAGEMENT POLICY STATEMENT

Statement of Purpose

1. Herefordshire Council adopts the key recommendations of CIPFA's *Treasury Management in the Public Services: Code of Practice (2001)* and: -
 - will put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of its treasury management activities
 - will make effective management and control of risk the prime objectives of its treasury management activities
 - acknowledge that the pursuit of best value in treasury management, and the use of suitable measures of performance measures, are valid and important tools to employ in support of business and service objectives;
 - that, within the context of effective risk management, will ensure that its treasury management policies and practices reflect the pursuit of best value;
 - formally adopts Section 5 of the Code
 - will adopt a treasury management policy statement as recommended in Section 6 of the Code
 - will follow the recommendations in Section 7 of the Code concerning treasury management practice statements.

Definition of Treasury Management

2. Herefordshire Council defines its treasury management activities as: -

'The management of the organisations 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.'

Policy Objectives

3. Herefordshire Council regards the successful identification, monitoring and control of risk to 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 Council.
4. Herefordshire Council acknowledges that effective treasury management will provide support towards the achievement of its business and services 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.

Delegation & Reporting

5. Herefordshire Council retains responsibility for the approving the Council's Treasury Management Policy and will consider amendments to it on the advice of Cabinet.
6. Herefordshire Council delegates responsibility for approving an annual Treasury Management Strategy to Cabinet as the mechanism for implementing the Treasury Management Policy.
7. Herefordshire Council delegates responsibility for monitoring that treasury management activity is in accordance with the approved policies, strategies and practices to Cabinet.
8. Herefordshire Council delegates responsibility for the development and maintenance of suitable Treasury Management Practices to the County Treasurer.
9. Herefordshire Council delegates responsibility for the administration of treasury management decisions to the County Treasurer who will act in accordance with the approved Treasury Management Policy Statement, Treasury Management Strategy and Treasury Management Practices. If the County Treasurer is a member of CIPFA, he/she shall also comply with CIPFA's Standard of Professional Practice on Treasury Management.
10. Herefordshire Council will receive reports from the County Treasurer on its treasury management policies, strategy, practices and activities, including, as a minimum, an annual strategy in advance of the year and an annual report after its close, in the form prescribed in the Council's Treasury Management Practices.