

SECTOR

Treasury Management Lincolnshire County Council

Cecilie Booth, Director

22nd February 2011



The Code - Reporting requirements

- Full Council to receive reports on:
- **Treasury Management Strategy Statement (TMSS)** – overall strategy for borrowing and investing for the year ahead
- **Annual MRP Policy**
- **Annual Investment Strategy** – determination of which investment instruments to use (can be combined with TMSS)
- **Mid year (as a minimum) TMSS and AIS review**
- **Annual Report** – review of previous financial year

SECTOR

U.K. Interest Rate Forecasts

Bank Rate														
	NOW	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Sector's View	0.50%	0.50%	0.50%	0.75%	1.00%	1.00%	1.25%	1.50%	2.00%	2.25%	2.50%	3.00%	3.25%	3.25%
UBS	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	-	-	-	-	-
Capital Economics	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.50%	2.00%	-
5yr PWLB Rate														
	NOW	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Sector's View	3.77%	3.70%	3.70%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.50%	4.60%	4.70%	4.80%
UBS	3.77%	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Economics	3.77%	3.50%	3.50%	3.20%	3.00%	3.00%	3.00%	3.00%	3.20%	3.40%	3.60%	3.90%	4.20%	-
10yr PWLB Rate														
	NOW	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Sector's View	4.91%	4.90%	4.90%	4.90%	4.90%	4.90%	5.00%	5.10%	5.20%	5.20%	5.30%	5.40%	5.40%	5.50%
UBS	4.91%	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	-	-	-	-	-
Capital Economics	4.91%	4.75%	4.75%	4.25%	3.75%	3.75%	3.75%	3.75%	3.75%	3.90%	4.00%	4.30%	4.60%	-
25yr PWLB Rate														
	NOW	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Sector's View	5.47%	5.40%	5.40%	5.40%	5.40%	5.40%	5.50%	5.50%	5.50%	5.50%	5.60%	5.60%	5.70%	5.70%
UBS	5.47%	5.25%	5.30%	5.35%	5.40%	5.45%	5.50%	5.55%	5.60%	-	-	-	-	-
Capital Economics	5.47%	5.50%	5.50%	4.85%	4.65%	4.65%	4.65%	4.65%	4.65%	4.75%	4.85%	5.10%	5.30%	-
50yr PWLB Rate														
	NOW	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Sector's View	5.38%	5.40%	5.40%	5.40%	5.40%	5.40%	5.50%	5.50%	5.50%	5.50%	5.60%	5.60%	5.70%	5.70%
UBS	5.38%	5.35%	5.40%	5.45%	5.50%	5.55%	5.60%	5.65%	5.70%	-	-	-	-	-
Capital Economics	5.38%	5.50%	5.50%	5.20%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.10%	5.20%	5.30%	-

SECTOR

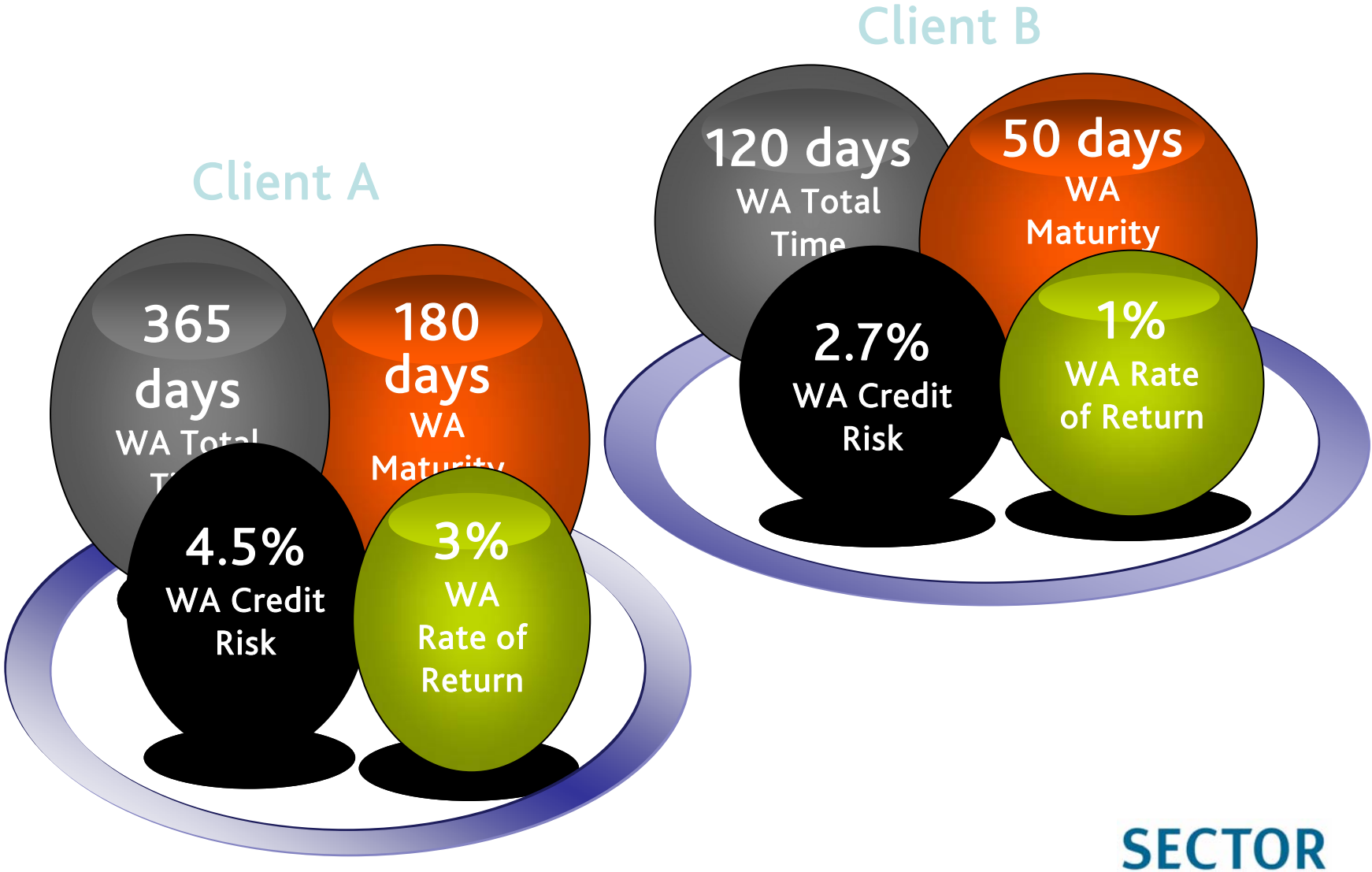
Investment Strategy

- Security
- Liquidity
- Yield

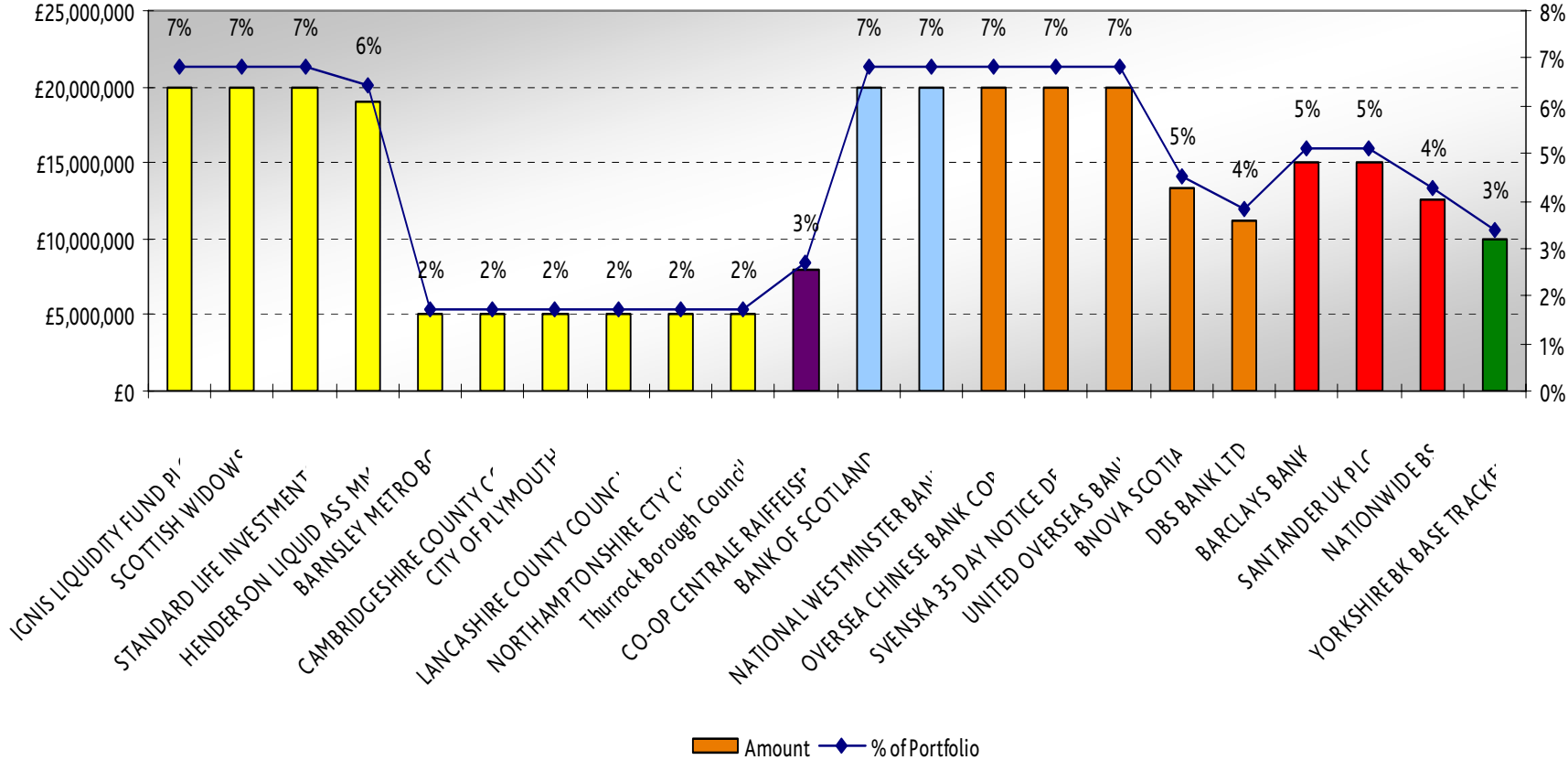
- Risk Aware, not Risk Averse
- Specified Investments (up to 1 year, highly rated, low risk)
- Non-specified Investments (1 year +, max £40m)
- Comparison with other Local Authorities?

SECTOR

Investment Benchmarking



Counterparty Exposure – January 2011



Portfolio Characteristics

Portfolio Characteristics

WARoR 0.84%

WAM 41

WA Tot. Time 108

Maturity Std. Dev. 80

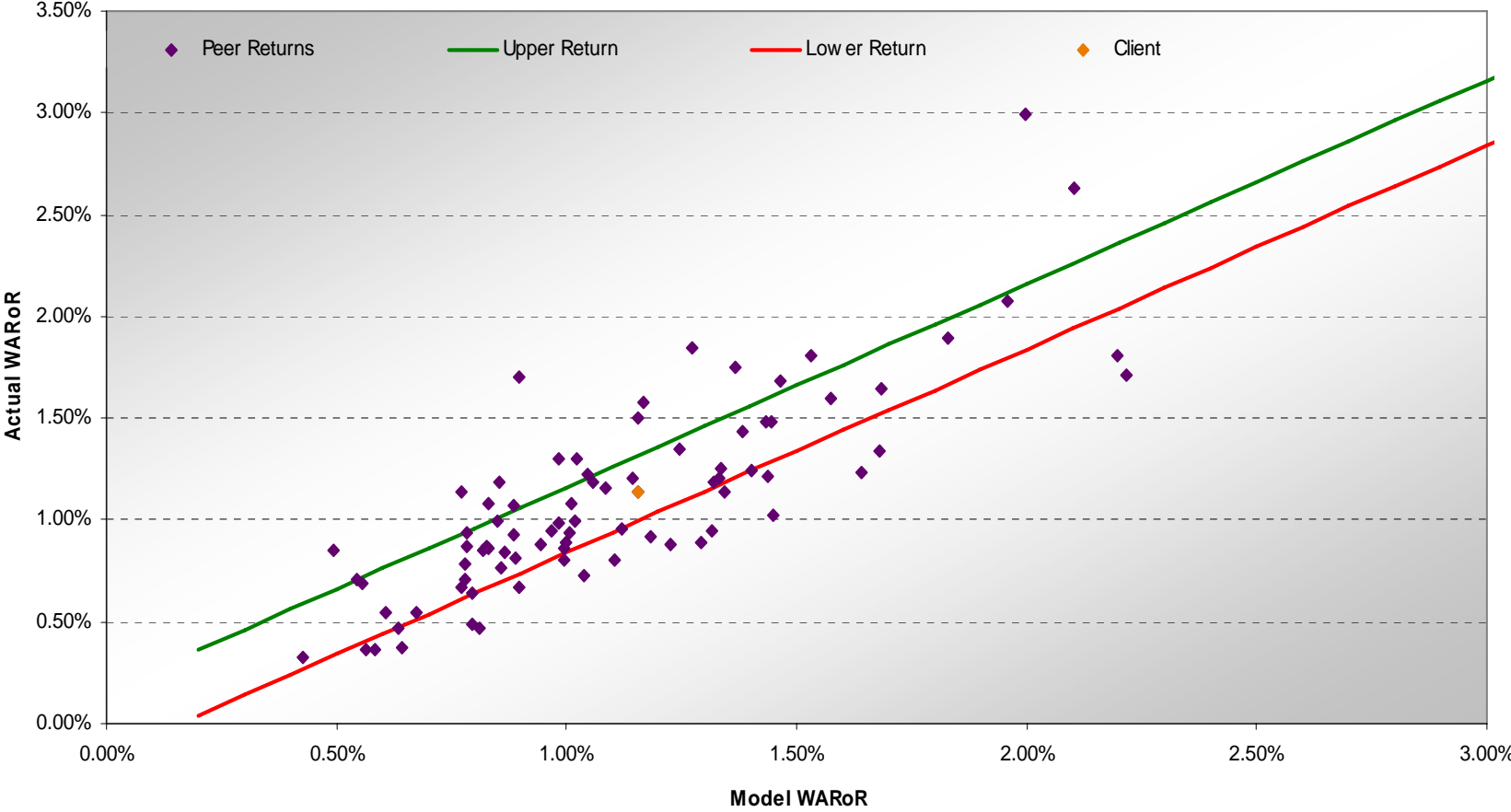
Maturity Skew 2.2

WA Risk 2.9

Y	P	B	O	R	G	N/C
1	2	3	4	5	6	7
1825	730	365	365	180	90	0

SECTOR

Security vs. Liquidity vs. Return



Investment Strategy - Scrutiny Focus:

- Limits - Individual / Group / Sovereign limits?
- Counterparty list?
- Maturity Profiles?
- Financial Instruments?
- Officers' level of understanding?
- Members' level of understanding?
- Scrutiny Level / Quarterly Reporting?
- Risk Appetite / Risk management?
- Benchmarking – risk and return?

SECTOR

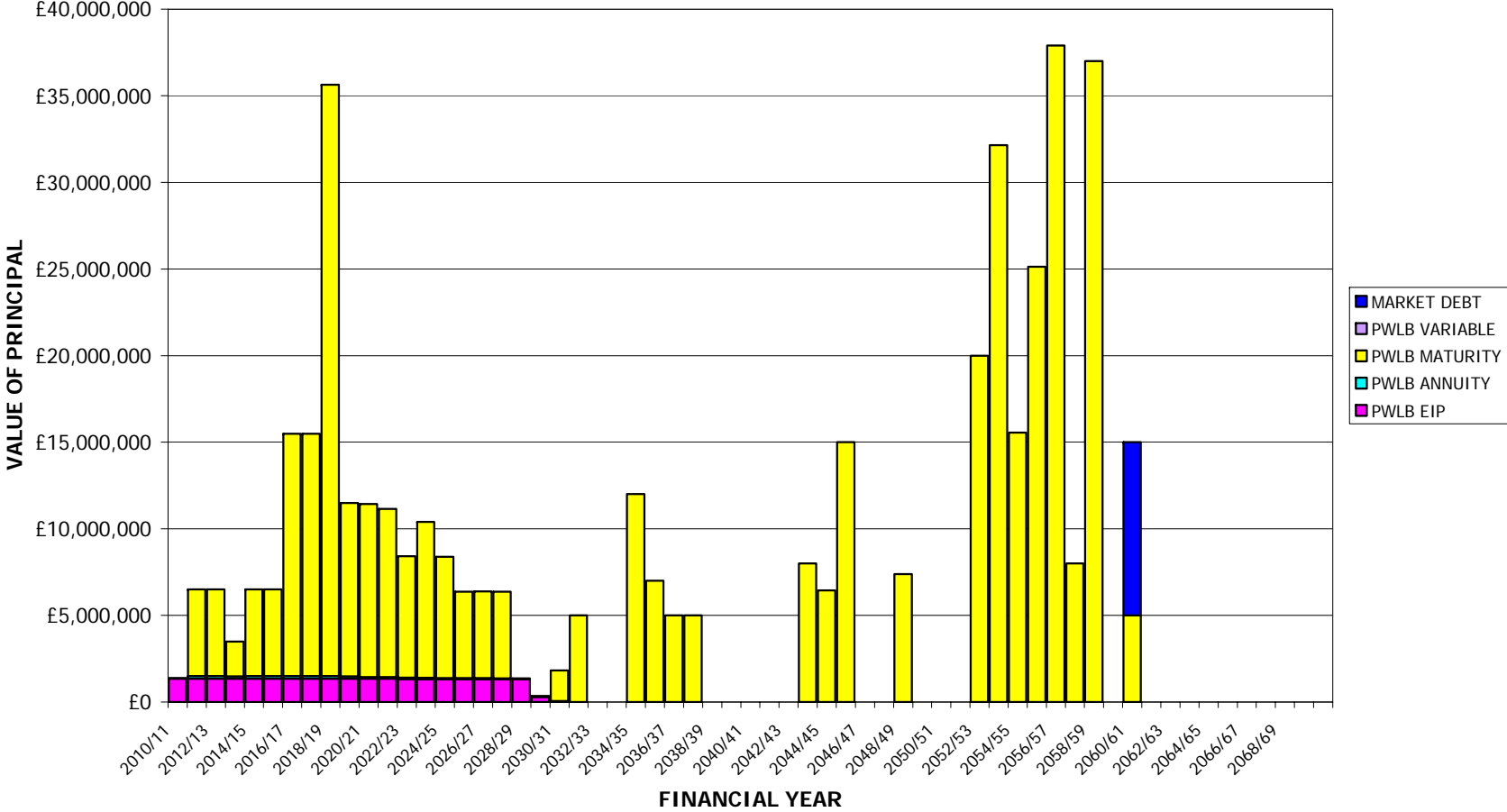
Debt Management

Capital Financing Requirement (as at 31 March)

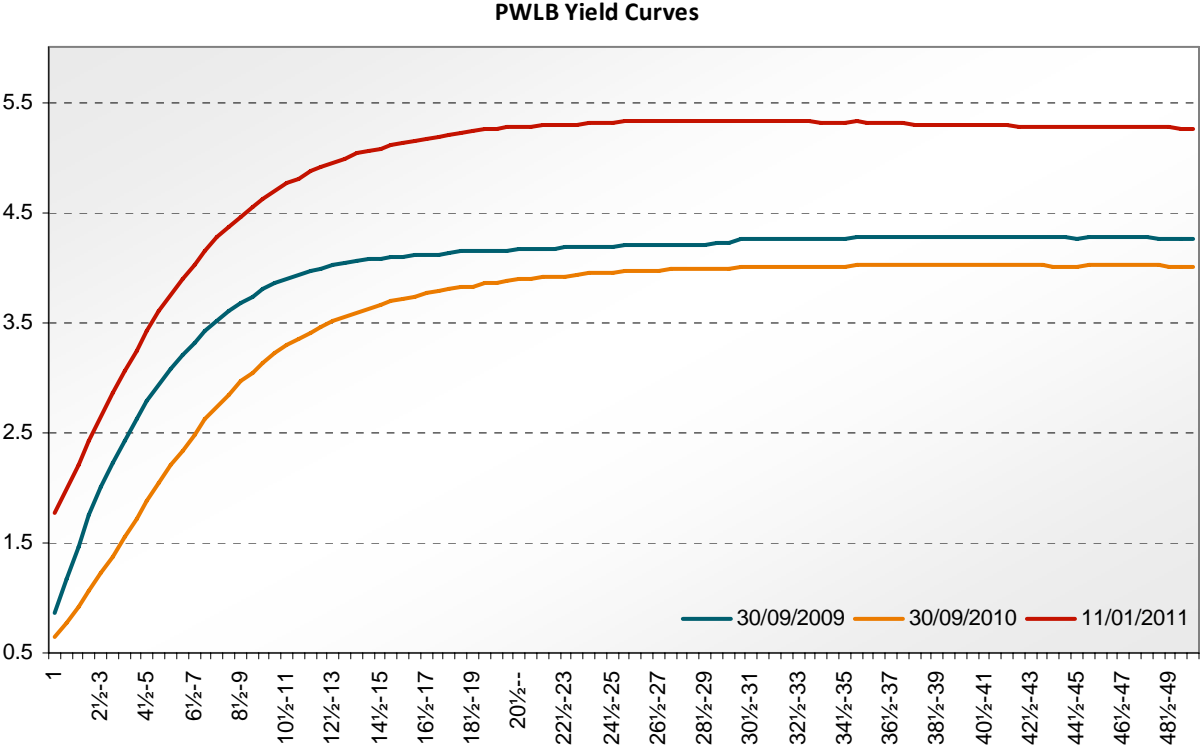
2010/11	-	£487.734m
External Borrowing	-	£448.869m
Internal Borrowing	-	£ 38.865m
2011/12	-	£552.804m
2012/13	-	£605.561m
2013/14	-	£620.870m

SECTOR

Maturity Profile



PWLB Yield Curves – 2009 - 2011



Debt / Borrowing – Scrutiny Focus

- How much needs to be borrowed?
- External vs. Internal borrowing?
- Sustainable strategy in the longer term?
- Which type of external borrowing (PWLB / LOBO)
- How long to borrow for?
- Fixed or variable rate?
- What limit should there be on LOBOs as a % of borrowing (no more than 10%)
- Are there any extraordinary issues coming up?
- 3 year ahead time frame under the Prudential Code

SECTOR