Cambridge City Council Item

To:	The Leader and Executive Councillor for Strategy :Councillor Tim Bick
Report by:	Director of Resources
Relevant scrutiny committee:	Strategy & Resources Scrutiny Committee 21/01/2013
Wards affected:	All Wards

MID-YEAR TREASURY MANAGEMENT REPORT 2012/13
Not a key Decision

1. Executive summary

1.1 The purpose of this report is to update the Council on treasury management activity and performance in the first half of 2012/13 in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice.

1.2 To advise the Council on its treasury management practices as required by the CIPFA Treasury Management Code of Practice.

2. Recommendations

2.1 The Executive Councillor is asked to recommend the revised Prudential and Treasury Management Indicators as set out in Appendix 4, incorporating changes as detailed in section 11.

3. Treasury Management Strategy Statement 2012/13

3.1 This report and any tables that follow, show the Mid-Year Treasury Management position as at 30th September 2012. Any subsequent amendments will be reflected as part of the Budget Setting Process for 2013/14.

3.2 This Council approved the annual Treasury Management Strategy Statement for 2012/13 on 23rd February 2012 and updated it as part of its Medium Term Strategy on 25th October 2012. The Strategy states that this Council will monitor treasury management activity through a mid-year report. This report forms the mid-year monitoring report for

2012/13. Also, as part of this strategy, the Council complies with the provisions of Section 32 of the Local Government Finance Act 1992 to set a balanced budget.

3.3 The latest Government guidance, issued by the Department for Communities and Local Government (DCLG), on local authority treasury management states that local authorities should consider the following factors in the order they are stated i.e.

Security – Liquidity – Yield

3.4 The Treasury Management Strategy reflects these factors and is explicit that the priority for the Council is the security of its funds. The monthly Treasury Management Position Statements, updating the Executive Member, are structured according to these factors, to demonstrate that they are being considered and addressed operationally.

4. Treasury Management Activity: Security

4.1 The Treasury Management Strategy Statement places a high emphasis on the security of the Council's deposits. This is achieved through maintaining a lending list of high quality counterparties, and operating strict limits on the amounts that may be deposited with individual counterparties or groups of counterparties.

4.2 This Council approved the list of institutions that the Council can lend to as part of its Treasury Management Strategy Statement.

4.3 The counterparty list was based on advice received from the Council's Treasury Management advisors. The list includes only those institutions that have been assessed as having a high credit rating combined with data relating Credit Default Swaps spreads (CDS). CDS data is used to give early warning signs of likely changes in credit ratings.

5. Treasury Management Activity: Liquidity

5.1 Once the Council is satisfied that security risk is being managed, the next consideration in treasury management is liquidity. The Council has a number of inflows and outflows every month and it is important that the Council's funds are managed to ensure there is sufficient liquidity when it is required.

5.2 During the first half of 2012/13 (to 30th September 2012), cash balances have remained at appropriate levels sufficient to effectively manage the payments that this Council was required to make. This has been achieved through effective cash management arrangements and utilisation of the Council’s HSBC deposit account where appropriate, as it provides the Council with instant access to funds and a reasonable return under the adverse economic conditions (currently 0.30%).

5.3 Appendix 3 shows the Council’s deposits as at 30th September 2012, of £69.960m. This figure excludes deposits held with Icelandic banks, which are subject to a formal and separate claims procedure.

6. Treasury Management Activity: Yield

6.1 Only once security and liquidity have been assessed and the Council has taken all steps to minimise these risks, should yield be a factor. The base rate has remained at 0.50% throughout the financial year to date and our treasury advisor’s (Sector) forecast is that it will remain at this rate until at least December 2014, when it will start to rise slowly.

6.2 The Debt Management Office (DMO) is still paying 0.25%, regardless of the deposit term. Banks are paying a variety of rates up to approximately 1.75%, depending on the period funds are deposited for.

6.3 Interest of £315,000 has been earned on the Council’s deposits during the first half year at an average rate of 0.81%. This return compares favourably with the average 7 day London Interbank Offered Rate (LIBOR) of 0.55% as at 30th September 2012. The original budget for interest earned in 2012/13 is £557,000. However, it is anticipated that this level of budget will be over-achieved and will be reviewed and revised as part of the budget process.

7. Treasury Management Practices

7.1 The CIPFA Treasury Management Code of Practice requires local authorities to produce and maintain a document of Treasury Management Practices.

7.2 The above document is supplemented by a systems document covering Treasury Management procedures, the detail of how to apply the practices for use by officers in their day to day work on treasury management.

8. Economic Update provided by Sector

8.1 In order to produce effective forecasting the Council needs to be aware of how the worldwide economy may potentially influence Treasury Management issues. Sector’s opinion on the wider global economy is shown at Appendix 2, and provides an overview of the economic position as at 30th September 2012.

9. Introduction of the Public Works Loans Board (PWLB) Certainty Rate

9.1 The Government's 2012 Budget announced that the Government will introduce, in 2012-13, a 0.20% discount on loans from the PWLB under the prudential borrowing regime for those local authorities providing improved information and transparency on their locally-determined long-term borrowing and associated capital spending plans.

9.2 Eligibility to this discount rate will be available to English, Scottish and Welsh local authorities operating the CIPFA Prudential Code (such as this Authority) and the discount rate will be available from 1st November 2012 until 31st October 2013 on 'new' borrowing.

9.3 Further to this Council's application, the DCLG has approved the Council's eligibility, and therefore we can use the preferential PWLB interest rate during the period highlighted above.

10. Sector's Interest Rate Forecasts

10.1 The table below represents a prediction on interest rates as forecast by the Council's Treasury Management advisor (Sector) incorporating the introduction of the PWLB certainty rate from November 2012:

	17.9.12 actual	Nov-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
BANK RATE	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75
3 month LIBID	0.55	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.60	0.60	0.70	0.80
6 month LIBID	0.85	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10
12 month LIBID	1.30	1.00	1.00	1.00	1.00	1.00	1.00	1.10	1.10	1.20	1.30	1.30
5 yr PWLB	1.89	1.30*	1.30*	1.30*	1.30*	1.40*	1.60	1.70	1.70	1.80	2.00	2.20
10 yr PWLB	2.91	2.30*	2.30*	2.30*	2.30*	2.40*	2.60	2.70	2.70	2.80	3.00	3.20
25 yr PWLB	4.15	3.50*	3.50*	3.60*	3.60*	3.60*	3.80	3.90	3.90	4.00	4.10	4.30
50 yr PWLB	4.32	3.70*	3.70*	3.80*	3.80*	3.80*	4.00	4.10	4.10	4.20	4.30	4.50

* The above percentages marked, include 0.20% PWLB Certainty Rate discount

10.2 Sector's predictions are that base interest rates will not rise until January 2015, at the earliest.

11. Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy update

11.1 The Treasury Management Strategy Statement (TMSS) for 2012/13, was approved by the Council on 23rd February 2012.

11.2 There are no other policy changes to the TMSS (other than the use of Bank Notice Accounts approved by Council on 25th October 2012); the details in this report show the position in the light of the updated economic position and budgetary changes already approved.

11.3 The table below shows the Council's Prudential Indicators for its Authorised, Operational and Capital Financing Requirement limits.

Prudential Indicator 2012/13	Original Budget £000	Changes since BSR agreed 23/02/2012 £000	Prudential Indicator As at 30/09/2012 £000
Authorised Limit	250,000	0	250,000
Operational Boundary	213,571	2,806	216,377
Capital Financing Requirement	213,571	2,806	216,377

11.4 The changes from original budget (totalling £2,806k) reflect an amendment of £283k to the Council's internal borrowing requirement, and £2,523k for potential borrowing for the Clay Farm Collaboration Agreement.

12. The Council's Capital Position (Prudential Indicators)

12.1 This section of the report is structured to update:

- the Council's capital expenditure plans;
- how these plans are being financed;

- the impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- compliance with the limits in place for borrowing activity.

12.2 **Prudential Indicator for Capital Expenditure**

This table below shows the revised estimates for capital expenditure and the changes to the capital programme as agreed by Council as part of the Medium Term Strategy on 25th October 2012.

Capital Expenditure	**2012/13 Original Estimate £000**	**Changes since BSR agreed 23/02/2012 £000**	**2012/13 Revised Estimate £000**
General Fund	14,722	2,023	16,745
HRA	21,663	5,384	27,047
Total	**36,385**	**7,407**	**43,792**

12.3 **Changes to the Financing of the Capital Programme**

The table below draws together the main strategy elements of the capital expenditure plans (above), and the expected financing arrangements of this capital expenditure. The borrowing need, as shown in the table below, will increase the underlying indebtedness of the Council.

Capital Expenditure	**2012/13 Original Estimate £'000**	**Changes since BSR agreed 23/02/2012 £000**	**2012/13 Revised Estimate £000**
General Fund	14,722	2,023	16,745
HRA	21,663	5,384	27,047
Total spend	**36,385**	**7,407**	**43,792**
Financed by:			
Capital receipts	(937)	0	(937)
Other contributions	(35,448)	(4,884)	(40,332)
Total financing	**(36,385)**	**(4,884)**	**(41,269)**
External borrowing need	**0**	**2,523**	**2,523**

12.4 **Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary**

The table shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary.

12.5 **Prudential Indicator – Capital Financing Requirement**

The Council is on target to achieve the original forecast Capital Financing Requirement.

12.6 **Prudential Indicator – External Debt / the Operational Boundary**

The table below details the Council's operational Boundary (the limit which external borrowing is not normally expected to exceed).

Operational Boundary	**2012/13 Current Position £000**
CFR – non housing	1,629
CFR – housing	214,748
Total CFR	**216,377**
Net movement in CFR	216,377
Borrowing	216,095
Total estimated external debt as at 31 March 2013	**216,095**

12.7 **Limits to Borrowing Activity**

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less deposits) will only be for a capital purpose. Net external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2012/13 and the next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need that will be adhered to if this proves prudent.

Cumulative Net External Debt	2012/13 Original Estimate £000	Changes since BSR agreed 23/02/2012 £000	2012/13 Revised Estimate £000
Gross debt	213,571	2,806	216,377
Less: deposits	32,432	30,778	63,210
Net debt	**181,139**	**(27,972)**	**153,167**

No difficulties are envisaged for the current or future years in complying with this prudential indicator.

12.8 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit that represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2012/13 Current Position £000
Borrowing	250,000
Total	**250,000**

Source: Medium Term Strategy Report – 25th October 2012

13. Deposit Portfolio 2012/13

13.1 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return that is consistent with the Council's risk appetite. As set out in Section 8, it is a very difficult deposit market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.50% Bank Rate. The continuing Eurozone sovereign debt crisis, and its potential impact on banks, prompts a low risk and short-term strategy. Given this risk averse environment, deposit returns are likely to remain lower.

13.2 The Council held £69.960m of deposits as at 30th September 2012 (£69.380m at 31st March 2012) and the deposit portfolio yield for the first six months of the year is 0.81%. The approved counterparty limits within the Annual Investment Strategy were not breached during the first six months of 2012/13.

13.2 **Deposit Counterparty Criteria**

There have been some changes to the counterparty list since the Medium Term Strategy as agreed by Council on 25th October 2012. These are the introduction of Bank Notice Accounts, which are now ready to use. The use of these accounts has additionally been endorsed by Sector.

13.3 The Council continues to monitor the guidance received from Sector on a daily basis and places deposits in line with their current advice.

13.5 As a result of the heightened uncertainty in financial markets, Sector Treasury are stressing the importance of a cautionary deposit stance, and on a temporary basis, are including in their methodology a restricted duration limit (to a maximum of 3 months) for the majority of institutions. This limit will apply to all institutions on the suggested Sector Credit List with the following exceptions:

- UK Government and related entities such as Local Authorities
- UK semi-nationalised institutions (including Lloyds and RBS).

13.4 During the first half of 2012/13, Moody's Investors Service (one of the three ratings agencies used by Sector) downgraded the ratings of a number of financial institutions, including some semi-nationalised banks. The downgrades do not reflect any deterioration in the financial strength of the banking system or that of the Government. The downgrades have been caused by Moody's reassessment of the support environment in the UK. Fitch has downgraded these institutions as well.

13.5 In line with Sector’s current advice, deposits with semi-nationalised banks and local authorities be limited to a maximum of 12 months duration and UK domiciled banks up to 3 months. Santander UK is no longer on our counterparty list, also, in line with Sector’s advice.

14. Icelandic Bank Deposits

Heritable

14.1 At 30 September 2012 the Council had received distributions totalling £3,036,436, which represented 74.54 pence in the pound of the total claim of £4,072,361.

14.2 The above claim is being dealt with as part of the UK legal process.

Landsbanki

14.3 At 30 September 2012 the Council had received two distributions for a total of £2,156,842 from the winding-up board in respect of Landsbanki Islands Hf. This equates to approximately 40% of the claim.

14.4 However, a further distribution of £301,899 has been received, and combined with the value within paragraph 14.3 above (totalling £2,458,741) represents approximately 48% of the total claim.

15. Other Implications

(a) Staffing Implications – None identified
(b) Equal Opportunities Implications – None identified
(c) Environmental Implications – None identified
(d) Procurement – None required
(e) Consultation & Communication– None required
(f) Community Safety – None identified

16. Background papers

No background papers were used in the preparation of this report.

17. Appendices

Appendix 1 – Glossary of Terms and Abbreviations (included as an additional aid for information);
Appendix 2 – Sector's opinion on global economies - as at 30th September 2012;
Appendix 3 – List of current deposits as at 30th September 2012; and;
Appendix 4 – Treasury Management Performance and Prudential Indicators.

18. Inspection of papers

If you have any queries on this report please contact:

Author's Name:	Steve Bevis
Author's Phone Number:	01223 458153
Author's Email:	Stephen.bevis@cambridge.gov.uk

Appendix 1

Treasury Management – Glossary of Terms and Abbreviations

Term	Definition
Authorised Limit for External Borrowing	Represents a control on the maximum level of external borrowing
Bank Call Accounts	Bank accounts from which deposits can be withdrawn without notice
Bank Notice Accounts	Bank accounts from which deposits can be withdrawn with notice but bearing a higher rate of interest
Capital Expenditure	Expenditure capitalised in accordance with regulations i.e. material expenditure either by Government Directive or on capital assets, such as land and buildings, owned by the Council (as opposed to revenue expenditure which is on day to day items including employees' pay, premises costs and supplies and services)
Capital Financing Requirement	A measure of the Council's underlying borrowing need i.e. it represents the total historical outstanding capital expenditure which has not been paid for from either revenue or capital resources
CIPFA	Chartered Institute of Public Finance and Accountancy
Consumer Price Index (CPI)	Measures changes in the price level of consumer goods and services purchased by households.
Counterparties	Financial Institutions with which funds may be placed
DCLG	Department for Communities & Local Government
ECB	European Central Bank
Gross Domestic Product (GDP)	The value of all goods and services of a country less any value of goods or services used in their creation in a given period of time (it measures the wealth of a country per head of population)
Headroom	Difference between the Authorised Limit for External Borrowing minus total current loans outstanding i.e. the amount available for further approved borrowing
HRA	Housing Revenue Account - a 'ring-fenced' account for local authority housing account where a council acts as landlord
HRA Self-Financing	A new funding regime for the HRA introduced in place of the previous annual subsidy system
Liquidity	A measure of how assets or investments are converted to cash quickly
MCP	Monetary Policy Committee - The Bank of England Committee responsible for setting the UK's bank base rate
Money Market Funds	Investment funds which provide depositors with a spread of risk over a number of financial institutions, on a short or longer term basis
MRP	Minimum Revenue Provision - the amount set aside to repay debt in the future
MRA	Major Repairs Allowance – the HRA budget provision to pay for repairs and maintenance of dwellings
Net Borrowing Requirement	External borrowing less deposits
Operational Boundary	Limit which external borrowing is not normally expected to exceed
PWLB	Public Works Loans Board - an Executive Government Agency of HM Treasury from which local authorities & other prescribed bodies may borrow at favourable interest rates
Retail Price Index (RPI)	As per definition of the Consumer Price Index above, but in addition includes social housing rent increases
Security	A measure of the creditworthiness of a counterparty
Yield	Interest, or rate of return, on an investment

Sector's opinion on global economies - as at 30th September 2012

Economic sentiment, in respect of the prospects for the UK economy to recover swiftly from recession, suffered a major blow in August when the Bank of England substantially lowered its expectations for the speed of recovery and rate of growth over the coming months and materially amended its forecasts for 2012 and 2013. It was noted that the UK economy is heavily influenced by worldwide economic developments, particularly in the Eurozone, and that on-going negative sentiment in that area would inevitably permeate into the UK's economic performance.

With regard to the Eurozone, investor confidence remains weak because successive "rescue packages" have first raised, and then disappointed, market expectations. However, the uncertainty created by the continuing Eurozone debt crisis is having a major effect in undermining business and consumer confidence not only in Europe and the UK, but also in America and the Far East including China.

In the UK, consumer confidence remains very depressed with unemployment concerns, indebtedness and a squeeze on real incomes from high inflation and low pay rises, all taking a toll. Whilst inflation has fallen considerably (Consumer Price Index, or CPI, @ 2.6% in July), UK Gross Domestic Product, or GDP, fell by 0.50% in the quarter to 30 June, the third quarterly fall in succession. This means that the UK's recovery from the initial 2008 recession has been the worst and slowest of any G7 country apart from Italy (G7 = US, Japan, Germany, France, Canada, Italy and UK). It is also the slowest recovery from a recession of any of the five UK recessions since 1930 and total GDP is still 4.50% below its peak in 2008.

This weak recovery has caused social security payments to remain elevated and tax receipts to be depressed. Consequently, the Chancellor's plan to eliminate the annual public sector borrowing deficit has been pushed back further into the future. The Monetary Policy Committee has kept Bank Rate at 0.50% throughout the period while quantitative easing was increased by £50bn to £375bn in July. In addition, in June, the Bank of England and the Government announced schemes to free up banking funds for business and consumers.

On a positive note, despite all the bad news on the economic front, the UK's sovereign debt remains one of the first ports of call for surplus cash to be invested in and gilt yields, prior to the European Central Bank

(ECB) bond buying announcement in early September, were close to zero for periods of five years and not that much higher for ten years.

The outlook for the next six months of 2012/13

The risks in economic forecasts continue unabated from the previous treasury strategy. Concern has been escalating that the Chinese economy is heading for a hard landing, rather than a gentle slowdown, while America is hamstrung by political deadlock that prevents a positive approach to countering weak growth. Whether the presidential election in November (with Barack Obama now under a new presidential term) will remedy this deadlock is up for debate, but urgent action will be required early in 2013 to address the US debt position. However, on 13 September the US Federal Reserve (Central Bank of US) announced an aggressive stimulus programme for the economy with a third round of quantitative easing focused on boosting the stubbornly weak growth in job creation, and this time with no time limit. They also announced that it was unlikely that there would be any increase in interest rates until at least mid 2015.

Eurozone growth will remain weak as austerity programmes in various countries curtail economic recovery. A crunch situation is rapidly developing in Greece as it has failed yet again to achieve deficit reduction targets and so may require yet another (third) bail out. There is the distinct possibility that some of the northern European countries could push for the ejection of Greece from the Eurozone unless its financial prospects improve, which does not seem likely at this juncture. A financial crisis was also rapidly escalating over the situation in Spain. However, in early September the ECB announced that it would purchase unlimited amounts of shorter-term bonds of Eurozone countries that have formally agreed the terms for a bailout. Importantly, this support would be subject to conditions (which have yet to be set) and include supervision from the International Monetary Fund. This resulted in a surge in confidence that the Eurozone has at last put in place the framework for adequate defences to protect the Euro. However, it remains to be seen whether the politicians in charge of Spain and Italy will accept such loss of sovereignty in the light of the verdicts that voters have delivered to the politicians in other peripheral countries that have accepted such supervision and austerity programmes. The Eurozone crisis is therefore far from being resolved as yet. The immediate aftermath of this announcement was a rise in bond yields in safe haven countries, including the UK. Nevertheless, this could prove to be as short lived as previous “solutions” to the Eurozone crisis.

The Bank of England Quarterly Inflation Report in August pushed back the timing of the return to trend growth and also lowered its inflation expectations. Nevertheless, concern remains that the Bank's forecasts of a weaker and delayed robust recovery may still prove to be over optimistic given the world headwinds the UK economy faces. Weak export markets will have negative effects on the economy and consumer expenditure will continue to be depressed due to a focus on paying down debt, negative economic sentiment and job fears. The Coalition Government, meanwhile, is likely to be hampered in promoting growth by the requirement of maintaining austerity measures to tackle the budget deficit.

The overall balance of risks is, therefore, weighted to the downside:

- This Council, therefore, expects low growth in the UK to continue, with Bank Rate unlikely to rise in the next 24 months, coupled with a possible further extension of quantitative easing. This will keep deposit returns depressed. However, this Council did achieve good returns in the first half of this year on its deposits, despite these adverse economic circumstances.
- The expected longer run trend for Public Works Loans Board (PWLB) borrowing rates is for them to eventually rise, primarily due to the need for a high volume of gilt issuance in the UK and the high volume of debt issuance in other major western countries. However, the current safe haven status of the UK may continue for some time, tempering any increases in yield.
- This interest rate forecast is based on an assumption that growth starts to recover in the next three years to a near trend rate of 2.50%. However, if the Eurozone debt crisis worsens as a result of one or more countries having to leave the Euro, or low growth in the UK continues longer, then Bank Rate is likely to be depressed for even longer than in this forecast.

Appendix 3

Deposits as at 30 September 2012

Counterparty	Principal	% Rate	Maturity Date	Broker	Deposit Date	
Heritable Bank Limited	1,000,000	5.65000%	Overdue	(Prebons)	09-Jan-08	United Kingdom
Heritable Bank Limited	1,000,000	6.21000%	Overdue	(Martins)	13-Jun-08	United Kingdom
Landsbanki Islands hf	2,000,000	6.22000%	Overdue	(Martins)	30-Jun-08	Iceland
Heritable Bank Limited	2,000,000	6.00000%	Overdue	(Martins)	05-Sep-08	United Kingdom
Landsbanki Islands hf	1,000,000	6.35000%	Overdue	(Martins)	01-Jul-08	Iceland
Landsbanki Islands hf	2,000,000	6.42000%	Overdue	(Martins)	01-Jul-08	Iceland
Deposits in 2008/09	**9,000,000**					
Birmingham City Council	1,000,000	0.32000%	04-Oct-12	Martins	04-Jul-12	Local Authority
Barclays Bank plc	3,000,000	0.78000%	12-Oct-12	Direct	12-Jul-12	United Kingdom
Nationwide BS	3,000,000	0.60000%	19-Oct-12	Direct	19-Jul-12	UK-Building Society
Cornwall County Council	3,000,000	0.31000%	22-Oct-12	Martins	03-Aug-12	Local Authority
Bank of Scotland Plc	3,000,000	1.75000%	23-Oct-12	Direct	23-Apr-12	Lloyds Banking Group
Barclays Bank plc	2,000,000	0.67000%	05-Nov-12	Direct	03-Aug-12	United Kingdom
Nationwide BS	1,000,000	0.58000%	05-Nov-12	Direct	03-Aug-12	UK-Building Society
Salford City Council	1,400,000	0.31000%	21-Nov-12	Tradition	31-Jul-12	Local Authority
Barclays Bank plc	1,000,000	0.63000%	21-Nov-12	Direct	21-Aug-12	United Kingdom
Barclays Bank plc	4,000,000	0.63000%	22-Nov-12	Direct	22-Aug-12	United Kingdom
Leeds City Council	2,000,000	0.31000%	22-Nov-12	Tradition	27-Sep-12	Local Authority
Salford City Council	2,000,000	0.31000%	22-Nov-12	Tradition	28-Sep-12	Local Authority
Nationwide BS	1,000,000	0.54000%	23-Nov-12	Direct	24-Aug-12	UK-Building Society
Birmingham City Council	2,000,000	0.31000%	23-Nov-12	Tradition	30-Aug-12	Local Authority

Counterparty	Principal	% Rate	Maturity Date	Broker	Deposit Date	
Nationwide BS	2,000,000	0.54000%	03-Dec-12	Direct	03-Sep-12	UK-Building Society
Nationwide BS	1,000,000	0.54000%	07-Dec-12	Direct	07-Sep-12	UK-Building Society
National Westminster Bank Plc	2,000,000	1.10000%	14-Dec-12	Direct	15-Jun-12	Royal Bank of Scot Grp
Salford City Council	1,000,000	0.31000%	18-Dec-12	Tradition	28-Sep-12	Local Authority
National Westminster Bank Plc	2,000,000	1.10000%	21-Dec-12	Direct	22-Jun-12	Royal Bank of Scot Grp
East Lothian Council	2,000,000	0.31000%	24-Dec-12	Sterling	24-Sep-12	Local Authority
Nationwide BS	1,000,000	0.53000%	24-Dec-12	Direct	24-Sep-12	UK-Building Society
Lloyds TSB Bank Plc	3,000,000	1.75000%	27-Dec-12	Direct	25-Jun-12	Lloyds Banking Group
Nationwide BS	1,000,000	0.51000%	28-Dec-12	Direct	28-Sep-12	UK-Building Society
Birmingham City Council	1,000,000	0.30000%	31-Dec-12	Martins	26-Sep-12	Local Authority
Lloyds TSB Bank Plc	3,000,000	1.75000%	04-Jan-13	Direct	04-Jul-12	Lloyds Banking Group
National Westminster Bank Plc	4,000,000	1.10000%	04-Jan-13	Direct	04-Jul-12	Royal Bank of Scot Grp
National Westminster Bank Plc	2,000,000	1.01000%	24-Jan-13	Direct	24-Jul-12	Royal Bank of Scot Grp
Bank of Scotland Plc	2,000,000	1.65000%	18-Feb-13	Direct	17-Aug-12	Lloyds Banking Group
Bank of Scotland Plc	3,000,000	1.65000%	18-Mar-13	Direct	17-Sep-12	Lloyds Banking Group
Bank of Scotland Plc	1,000,000	1.65000%	26-Mar-13	Direct	26-Sep-12	Lloyds Banking Group
The Royal Bank of Scotland Plc	4,000,000	0.85000%	01-Oct-12	Direct	28-Sep-12	Royal Bank of Scot Grp
HSBC Bank Plc [**Deposit A/c]**	5,560,000	0.30000%	01-Oct-12	HSBC	28-Sep-12	United Kingdom
Current Deposits (post 1st Apr 2009)	**69,960,000**					
TOTAL CURRENT DEPOSITS	**78,960,000**					

Appendix 4

Prudential Indicators and Treasury Management Indicators

Prudential Indicators	2011/12 Actual £000	2012/13 Probable out-turn £000	2013/14 Estimate £000	2014/15 Estimate £000
Updated Extract (from MTS, 25th October 2012)				
Capital Expenditure (excluding HRA Reform)				
General Fund	8,194	16,745	6,761	5,870
HRA	9,918	27,047	28,831	27,815
TOTAL	**18,112**	**43,792**	**35,592**	**33,685**
Net Revenue Expenditure (Net Revenue Stream)				
General Fund	19,857	17,035	16,814	16,901
HRA	34,599	36,669	38,538	40,381
Ratio of financing costs to net revenue stream				
General Fund	(2.15%)	(3.02%)	(3.06%)	(4.39%)
HRA (applies only to housing authorities)	0.05%	19.99%)	19.27%	18.36%
Estimates of Financing Costs to net revenue stream				
Financing Costs				
- General Fund	(428)	(515)	(515)	(743)
- HRA	18	7,329	7,428	7,412
TOTAL	**(410)**	**6,814**	**6,913**	**6,669**
External Debt – the Operational Boundary (Includes HRA Self Financing Debt)	213,572	216,377	218,479	225,708
Estimates of Capital Financing Requirement as at 31st March				
- General Fund	212,961	1,629	2,721	3,507
- HRA	893	214,748	215,758	222,201
TOTAL	**213,854**	**216,377**	**218,479**	**225,708**
Less: Deposits	63,903	63,210	59,027	53,350
Cumulative Net Borrowing Requirement	**149,951**	**153,167**	**159,452**	**172,358**

Treasury Management Indicators	2011/12 Actual £000	2012/13 Probable out-turn £000	2013/14 Estimate £000	2014/15 Estimate £000
Authorised Limit for external debt:-				
Borrowing	250,000	250,000	250,000	250,000
Other long term liabilities	0	0	0	0
TOTAL	**250,000**	**250,000**	**250,000**	**250,000**
Operational Boundary for external debt:-				
Borrowing	213,854	216,377	218,479	225,708
Other long term liabilities	0	0	0	0
TOTAL	**213,854**	**216,377**	**218,479**	**225,708**
Upper limit for fixed interest rate exposure				
Fixed rate	(378)	7,132	7,234	7,073
Variable rate	(23)	(23)	(23)	(23)
Upper limit for total principal sums deposited for over 364 days	5,000	5,000	5,000	5,000

Maturity Structure of Borrowing - Upper limit (as a %‘age of debt at start of year)	2011/12	2012/13	2013/14	2014/15
Under 12 months	0	0	0	0
12 months and within 24 months	0	0	0	0
24 months and within 10 years	0	0	0	0
5 years and within 10 years	0	0	0	0
10 years and above	100	100	100	100