



To: The Executive Councillor for Finance & Resources:  
Councillor George Owers  
Report by: Caroline Ryba – Head of Finance & S151 Officer  
Relevant scrutiny committee: Strategy & Resources  
19/01/2015  
Scrutiny Committee  
Wards affected: All Wards

## **ANNUAL TREASURY MANAGEMENT STRATEGY STATEMENT REPORT 2015/16 TO 2017/18**

### **Key Decision**

#### **1. Executive summary**

- 1.1 The Council is required by regulations issued under the Local Government Act 2003, to produce an Annual Treasury Management Strategy Report.
- 1.2 This report complies with the CIPFA Code of Practice on Treasury Management (February 2011) and the CIPFA Prudential Code for Capital Finance in Local Authorities (May 2013 edition).
- 1.3 This report includes any changes to the prudential & treasury indicators, since they were last reported within the Mid-Year Financial Review (MFR), to Council, on 6<sup>th</sup> November 2014.

#### **2. Recommendations**

- 2.1 The Executive Councillor is asked to recommend to Council the Annual Borrowing Statement at paragraph 3.2, the Council's Minimum Revenue Provision (MRP) Policy at paragraph 3.3 and the Council's Annual Investment Strategy as contained within paragraph 6.
- 2.2 Following a recent review, the Executive Councillor is asked to recommend to Council an amendment to counterparty limits, which puts these financial instruments in line with the other products in use. A revised limit of £15m each is recommended and has been updated within Appendix A, as follows:-

<b>Name</b>	<b>Recommended Limit (£)</b>
Supranational Bonds - AAA	15m
UK Government Treasury Bills	15m
UK Government Gilts	15m

2.3 The Executive Councillor is also asked to recommend to Council changes to the estimated Prudential & Treasury Indicators for 2014/15 to 2017/18, inclusive, as set out in Appendix D.

### **3. Background**

#### **3.1 Treasury Management Activities**

The Council is required to comply with CIPFA Prudential Code (May 2013 edition) and the CIPFA Treasury Management Code of Practice (Revised November 2011). The Council is required to set prudential and treasury indicators, including an authorised limit for borrowing, for a three year period and should ensure that its capital plans are affordable, prudent and sustainable. The Council also follows DCLG Investment Guidance as issued on 11<sup>th</sup> March 2010.

The Council is currently supported in its treasury management functions by specialist advisors who are Capita Asset Services. Capita's services include the provision of advice to the Council on developments and best practice in this area and provide information on the creditworthiness of potential counterparties, deposit and borrowing interest rates and the economy.

#### **3.2 Borrowing Policy**

##### **Borrowing Policy Statement**

The Council is permitted to borrow under the Prudential Framework, introduced with effect from 1<sup>st</sup> April 2004.

The borrowing requirement as highlighted in the paragraph below may be met through internal borrowing (for example utilising 'earmarked reserves' set aside for future use) as an alternative to using external borrowing.

The Council anticipates borrowing £2.804m within the General Fund during 2015/16 and £10.821m for the HRA (£6.446m during 2016/17 and £4.375m during 2017/18). This anticipated borrowing is for the Clay Farm Community Centre and the Affordable Housing Projects,

respectively. These schemes are contained within the Council's Capital Programme.

### Current Debt as at 31<sup>st</sup> March 2014

The table below shows the Council's current outstanding debt and headroom (the amount of additional borrowing that is possible without breaching the Authorised Borrowing Limit):-

	Principal (£)
Authorised Borrowing Limit (A) (Agreed by Council on 20 <sup>th</sup> October 2011)	250,000,000
HRA Debt Limit (B)	230,839,000
2011/12 Borrowing (for HRA Self-Financing, C)	213,572,000
General Fund Headroom (A minus B)	19,161,000
HRA Headroom (B minus C)	17,267,000
2012/13 Borrowing	NIL
2013/14 Borrowing	NIL
2014/15 Borrowing	NIL
Total Current Headroom (A minus C)	36,428,000

At present the only debt held by the authority relates to the twenty loans from PWLB for self-financing the HRA. These are shown in the table, below:-

Loan Ref:	Start Date	Principal (£)	Interest	Maturity Date	Term (Years)
1	28-Mar-12	10,678,600	3.46%	28-Mar-38	26
2	28-Mar-12	10,678,600	3.47%	28-Mar-39	27
3	28-Mar-12	10,678,600	3.48%	28-Mar-40	28
4	28-Mar-12	10,678,600	3.49%	28-Mar-41	29
5	28-Mar-12	10,678,600	3.50%	28-Mar-42	30
6	28-Mar-12	10,678,600	3.51%	28-Mar-43	31
7	28-Mar-12	10,678,600	3.52%	28-Mar-44	32
8	28-Mar-12	10,678,600	3.52%	28-Mar-45	33
9	28-Mar-12	10,678,600	3.52%	28-Mar-46	34
10	28-Mar-12	10,678,600	3.52%	28-Mar-47	35
11	28-Mar-12	10,678,600	3.53%	28-Mar-48	36
12	28-Mar-12	10,678,600	3.53%	28-Mar-49	37
13	28-Mar-12	10,678,600	3.53%	28-Mar-50	38

<b>Loan Ref:</b>	<b>Start Date</b>	<b>Principal (£)</b>	<b>Interest</b>	<b>Maturity Date</b>	<b>Term (Years)</b>
14	28-Mar-12	10,678,600	3.53%	28-Mar-51	39
15	28-Mar-12	10,678,600	3.52%	28-Mar-52	40
16	28-Mar-12	10,678,600	3.52%	28-Mar-53	41
17	28-Mar-12	10,678,600	3.51%	28-Mar-54	42
18	28-Mar-12	10,678,600	3.51%	28-Mar-55	43
19	28-Mar-12	10,678,600	3.51%	28-Mar-56	44
20	28-Mar-12	10,678,600	3.50%	28-Mar-57	45
	<b>Total:-</b>	<b>213,572,000</b>	-	-	

This debt was financed entirely by fixed rate maturity loans which were in line with the assumptions made within the HRA's 30 year Business Plan.

There are plans to utilise HRA reserves to repay debt, around the first maturity (on 28<sup>th</sup> March 2038), the detail of which has been previously highlighted as part of the HRA's Budget Setting Reports and 30 year Business Plan.

### 3.3 Minimum Revenue Provision Policy

This provision for the repayment of debt is known as the Minimum Revenue Provision (MRP). The Council has not assigned any MRP for its un-financed capital expenditure for the Clay Farm Community Centre, as it is expecting Developer Contributions and anticipated Capital Receipts, that will off-set this sum i.e. £2.804m. The Council will 'internally borrow' (as described in paragraph 3.2) in the preceding period, until these receipts have been received. Additionally, there is no requirement to allow for MRP until this asset becomes operational. This will be continually reviewed with any future Treasury Strategy Reports updated.

A MRP does not extend to housing assets. However, the Council anticipates borrowing £6.446m during 2016/17 & £4.375m during 2017/18 for the HRA (the Affordable Housing Projects) and is required to charge depreciation instead (due to Housing Reform from April 2012) on its housing assets. This will have a revenue impact. Any adverse impacts will be addressed through regulations that will allow the Major Repairs Allowance (MRA) to be used as a proxy for depreciation, for the first five years.

### 3.4 The Council's Capital Expenditure and Financing 2014/15 to 2017/18

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, developer contributions, revenue contributions, reserves etc.), which has no resultant impact on the Council's borrowing need; or;
- If insufficient financing is available, or a decision is taken not to apply other resources, the funding of capital expenditure will give rise to a borrowing need.

Details on capital expenditure forms one of the required prudential indicators. The table below shows the proposed capital expenditure and how it will be financed. It also includes any re-phasing during 2014/15 and conforms to the agreed Capital Plan.

	<b>2014/15 Probable Outturn £'000</b>	<b>2015/16 Estimate £'000</b>	<b>2016/17 Estimate £'000</b>	<b>2017/18 Estimate £'000</b>
General Fund Capital Expenditure	19,792	22,221	2,353	3,170
HRA Capital Expenditure	37,955	27,876	32,065	28,398
<b>Total Capital Expenditure</b>	<b>57,747</b>	<b>50,097</b>	<b>34,418</b>	<b>31,568</b>
Resourced by:				
• Capital receipts	8,431	7,760	5,605	5,207
• Other contributions (i.e. grants, developer contributions and revenue contributions)	49,316	39,533	22,367	21,986
<b>Total available resources for financing capital expenditure</b>	<b>57,747</b>	<b>47,293</b>	<b>27,972</b>	<b>27,193</b>
<b>Un-financed capital expenditure</b>	<b>0</b>	<b>2,804*</b>	<b>6,446*</b>	<b>4,375*</b>

\*£2.804m (Clay Farm Community Centre, 2015/16), £10.821m in total (for Affordable Housing Projects, with £6.446m in 2016/17 & £4.375m in 2017/18)

#### 4. The Public Works Loans Board (PWLB) Certainty Rate

The Government announced in 2012 that a 0.20% discount on loans from the PWLB would apply to eligible local authorities.

Eligibility for 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 1<sup>st</sup> November 2012 until 31<sup>st</sup> October 2015 on 'new' borrowing.

Further to this Council's application, the Department for Communities and Local Government (DCLG) has approved our eligibility, and therefore we can use the preferential PWLB interest rate during the dates as highlighted, above.

#### 5. The Council's Prudential and Treasury Management Indicators

The Council's Prudential and Treasury Management Indicators are as follows:-

<b>Capital Financing Requirement &amp; Cumulative External Borrowing</b>	<b>2014/15 Probable Outturn £'000</b>	<b>2015/16 Estimate £'000</b>	<b>2016/17 Estimate £'000</b>	<b>2017/18 Estimate £'000</b>
General Fund Capital Financing Requirement	1,161	3,965	3,965	3,965
HRA Capital Financing Requirement	214,748	214,748	221,194	225,569
<b>Total Capital Financing Requirement</b>	<b>215,909</b>	<b>218,713</b>	<b>225,159</b>	<b>229,534</b>
<b>Movement in the Capital Financing Requirement</b>	<b>0</b>	<b>2,804*</b>	<b>6,446*</b>	<b>4,375*</b>
Estimated External Gross Debt/Borrowing (Including HRA Reform)	213,572	216,376	222,822	227,197
Authorised Limit for External Debt	250,000	250,000	250,000	250,000
Operational Boundary for External Debt	215,909	218,713	225,159	229,534

\*£2.804m (Clay Farm Community Centre, 2015/16) & £10.821m (Affordable Housing Project, with £6.446m in 2016/17 & £4.375m in 2017/18)

## **6. Annual Investment Strategy**

### **6.1 Introduction**

The Council manages its deposits in-house and uses Capita as its independent Treasury Adviser.

The Council's deposit priorities are (and in this order):-

1. The **S**ecurity of capital;
2. The **L**iquidity of deposits; and;
3. The **Y**ield or return on its deposits.

The Council also takes a cautious approach within its Treasury Management Strategy. However, due to the worsening market conditions, counterparty limits and the extension of financial instruments have been increased at Council on 24<sup>th</sup> July 2014, to maintain yield levels with no compromise to risk. The increases which were agreed by Council on the above date are summarised below:-

- Increased Counterparty limits to £20m (£30m for a Banking Group);
- Increased the limits for longer term deposits to £30m;
- Included Other Building Societies on Counterparty list;
- Included the Municipal Bonds Agency on Counterparty list;
- Included suggested foreign banks on Counterparty list; and;
- Included deposits in the CCLA Local Authorities' Property Fund

The detailed counterparty list with limits is shown within Appendix A.

#### **Other UK Building Societies**

Additionally, Appendix B has been updated showing the following asset values and deposit limits for Building Societies. These values were deemed to be the most prudent minimum levels to use for this sector. The limits below clarify how our intended deposits with Other UK Building Societies will apply in practice:-

1. Asset value greater than (>) £5,000m – £2m limit;
2. Asset value > £50,000m - £5m limit; and;
3. Asset value > £100,000m - £20m limit.

## **6.2 Other Authorised Financial Instruments Currently Available**

### **Custodian of Funds**

Customers can purchase gilts, treasury bills and certificates of deposit from them, and obtain a better interest return, and not compromising the risk of using these financial products. This Council would only deal with Custodian's that are AAA rated.

### **Certificates of Deposit (CDs)**

These are certificates issued by a bank to raise funds. They offer a higher rate of return at low risk, particularly if deposits are longer term.

### **Money Market Funds (MMF)**

These are funds managed by Fund Managers for a range of counterparties, which spread the risk for the Council. The resources available to the MMF are pooled (thus increasing cash available for deposit), which means the Council will obtain a higher rate of interest return than other deposits. The Council only deposits in MMFs that are rated AAA. The Council has commenced using a MMF portal which further diversifies our ability to use these funds.

### **Municipal Bonds Agency (MBA)**

On 24<sup>th</sup> July 2014, the full Council agreed to place an initial deposit of £50,000 with the MBA. The Council is awaiting confirmation from the MBA when this payment is to be made. Furthermore, this will entitle the Council to obtain favourable borrowing rates in the future.

### **Charities, Churches and Local Authorities' Property Fund (CCLAPF)**

Also, on 24<sup>th</sup> July 2014, the full Council agreed to deposit £10 million with the CCLA Local Authorities' Property Fund. The Council has now had confirmation that our account is open to use and it is expected that the deposit will be made by 29<sup>th</sup> January 2015.

## **6.3 Creditworthiness Policy**

This Council uses the creditworthiness service provided by Capita (which is highlighted within Appendix A – Current Counterparty List). This service uses a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies – Fitch, Moody's



and Standard & Poor's. However, the Council does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:-

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings i.e. akin to an insurance policy whereby counterparties enter into a contractual agreement; and;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

## **7. Deposits**

The Council's balances, both earmarked and un-earmarked, have generally increased during the last year mainly as a result of Housing Reform. It is anticipated, however, that these reserves will be utilised to fund the Council's strategic plans. Also, changes to the regulations means the Council does not pay a subsidy into the National Pool, allowing its rents to be kept. An analysis of the sources of the Council's deposits is shown at Appendix B.

## **8. Interest Receipts**

- 8.1 Counterparty limits being increased and a deposit in the CCLA Local Authorities' Property Fund, as discussed in paragraph 6.1, will increase the Council's interest receipts (estimated at around £389,000 pa, with approximately £250,000 contributing towards the General Fund and £139,000 going towards the HRA). This will contribute significantly to the Council's savings targets.

## **9. Interest Rates and Treasury Limits**

### **9.1 Interest Rate Update provided by Capita**

Capita Asset Services is the Council's independent treasury advisor. In support of effective forecasting the Council needs to be aware of the potential influence of interest rates on treasury management issues for the Council. Capita's opinion on interest rates is presented at Appendix C, and confirms those currently predicted by the Bank of England's Monetary Policy Committee.

## **10. Implications**

### **(a) Financial Implications**

The prudential and treasury indicators have been amended to take account of known financial activities. Higher interest receipts have been achieved due to the revisions to the Council's Counterparty list agreed by Council on 24<sup>th</sup> July 2014.

- (b) **Staffing Implications**  
None.
- (c) **Equal & Poverty Implications**  
No negative impacts identified.
- (d) **Environmental Implications**  
None.
- (e) **Procurement**  
None.
- (f) **Consultation and communication**  
None required.
- (g) **Community Safety**  
No community safety implications.

## **11. Background Papers**

11.1 None were used in preparing this report.

## **12. Appendices**

12.1 Appendix A – The Council's current Counterparty list  
Appendix B – Sources of the Council's Deposits  
Appendix C – Capita's opinion on UK Forecast Interest Rates  
Appendix D – Prudential and Treasury Management Indicators  
Appendix E – Glossary of Terms and Abbreviations

## **13. Inspection of Papers**

13.1 If you have any queries about this report please contact:

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## Treasury Management Annual Investment Strategy

### Current Counterparty List

The full listing of approved counterparties is shown below, showing the category under which the counterparty has been approved, the appropriate deposit limit and current duration limits. These counterparties have also been shown under Specified and Non-Specified Investments (in line with DCLG Guidance). Recommended changes shown in bold:-

Name	Council's Current Deposit Period	Category	Limit (£)
<b>Specified Investments:-</b>			
All UK Local Authorities	N/A	Local Authority	20m
All UK Passenger Transport Authorities	N/A	Passenger Transport Authority	20m
All UK Police Authorities	N/A	Police Authority	20m
All UK Fire Authorities	N/A	Fire Authority	20m
All UK Nationalised Industries	N/A	Nationalised Industry	20m
Debt Management Account Deposit Facility	N/A	DMADF	Unlimited
Barclays Bank Plc	Using Capita's Credit Criteria	UK Bank	20m
HSBC Bank Plc	Using Capita's Credit Criteria	UK Bank	25m
Standard Chartered Bank	Using Capita's Credit Criteria	UK Bank	20m
Bank of Scotland Plc (BoS)	Using Capita's Credit Criteria	UK Nationalised Bank	20m
Lloyds TSB Bank Plc	Using Capita's Credit Criteria	UK Nationalised Bank	20m
National Westminster Bank Plc (NWB)	Using Capita's Credit Criteria	UK Nationalised Bank	20m
Santander UK Plc	Using Capita's Credit Criteria	UK Bank	5m
The Royal Bank of Scotland Plc (RBS)	Using Capita's Credit Criteria	UK Nationalised Bank	20m
Members of a Banking Group (BoS Group includes Lloyds, RBS Group includes NWB)	Using Capita's Credit Criteria	UK Nationalised Bank	30m

Name	Council's Current Deposit Period	Category	Limit (£)
Deutsche Bank	Using Capita's Credit Criteria	Non-UK Bank	5m
Svenska Handelsbanken	Using Capita's Credit Criteria	Non-UK Bank	5m
Money Market Funds	Liquid Rolling Balance	Financial Instrument	15m (in total, per fund)
Custodian of Funds	Requirement for Undertaking Financial Instruments	Fund Managers	Up to 15m (per single counterparty)
UK Government Treasury Bills	Up to 6 months	Financial Instrument	<b>15m</b>
<b>Non-Specified Investments:-</b>			
All UK Local Authorities – longer term limit	Over 1 year and up to 5 years	Local Authority	Up to 30m
CCLA Local Authorities' Property Fund*	Minimum of 5 years	Pooled UK Property Fund	Up to 10m
Certificates of Deposit (with UK Banking Institutions)	Liquid Rolling Balance	Financial Instrument	15m (per single counterparty)
Certificates of Deposit (with UK Building Societies)	Liquid Rolling Balance	Financial Instrument	2m (per single counterparty)
Certificates of Deposit (with Foreign Banking Institutions)	Liquid Rolling Balance	Financial Instrument	2m (per single counterparty)
Municipal Bonds Agency*	N/A	Pooled Financial Instrument Facility	50,000
Supranational Bonds – AAA	Using Capita's Credit Criteria	Multi-lateral Development Bank Bond	<b>15m</b>
UK Government Gilts	Over 1 year & up to 30 Years	Financial Instrument	<b>15m</b>
<b>Other Specified Investments - UK Building Societies:-</b>			
Name	Council's Current Deposit Period	Asset Value (£'m)	Limit (£)
Nationwide Building Society	1 month or in line with Capita's Credit Criteria, if longer	188,889	Assets greater than £100,000m - £20m
Yorkshire Building Society		34,853	
Coventry Building Society		27,843	
Skipton Building Society		14,054	Assets between £50,000m and
Leeds Building Society		11,231	

Name	Council's Current Deposit Period	Category	Limit (£)
Principality Building Society		6,933	£99,999m - £5m
West Bromwich Building Society		5,630	Assets between £5,000m and £49,999m - £2m

\*These have been included within the Non-Specified Investments category and also shown within the detailed Treasury Management Practices (TMPs) document (to represent recent counterparty changes as agreed by Council on 06/11/2014.)

**Sources of the Council's Deposits.**

Local authorities are free to deposit surplus funds not immediately required in order to meet the costs of providing its services. The Council deposits amounts set aside in its general reserves and earmarked reserves, for example the funds set aside for major repairs to, and the replacement of its property, vehicles and equipment.

The interest earned on these deposits is credited to the General Fund and Housing Revenue Account respectively and helps to fund the cost of providing services. This currently amounts to around £0.7m each year based on current deposit and interest rate levels.

At 1<sup>st</sup> April 2014, the Council had deposits of £82.957m. The table below provides a sources breakdown of the funds deposited at that date:-

<b>Funds Deposited as at 1 April 2014</b>	<b>£'000</b>	<b>£'000</b>
Working capital		5,405
General Fund:		
General Reserve	9,176	
Asset Renewal Reserves	14,083	
Other Earmarked Reserves	9,860	33,119
Housing Revenue Account (HRA):		
General Reserve	8,881	
Asset Renewal Reserves	2,392	
Major Repairs Reserve	4,920	
Other Earmarked Reserves	1,929	
Capital Financing Requirement (Including HRA Reform)	(215,909)	
PWLB Borrowing for HRA Reform	213,572	15,785
Capital:		
Capital Contributions Unapplied	11,056	
Usable Capital Receipts	17,592	28,648
<b>Total Deposited</b>		<b>82,957</b>

**Source:- Audited Statement of Accounts 2013/14**

The HRA accounts for around 50% of reserves deposited.

## Capita's Opinion on Forecast UK Interest Rates – As Currently Predicted

### Introduction

The paragraphs that follow reflect the views of the Council's Treasury Management advisors (Capita) on UK Interest Rates as currently predicted.

### Interest rates

Members of the Bank of England Monetary Policy Committee (MPC) kept the bank rate at 0.5% and Quantitative Easing (QE) at £375bn during 2014/15. Going-forward, the Council's treasury advisor, Capita, has provided the following interest rate forecasts issued on 24<sup>th</sup> October 2014:-

	Now	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Mar-18
<b>Bank rate</b>	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	2.50%
<b>3 month LIBID</b>	0.50%	0.50%	0.60%	0.80%	0.90%	1.10%	1.30%	1.40%	1.60%	1.90%	2.10%	2.10%	2.60%
<b>6 month LIBID</b>	0.65%	0.70%	0.80%	1.00%	1.10%	1.20%	1.40%	1.50%	1.80%	2.00%	2.20%	2.30%	2.80%
<b>12 month LIBID</b>	0.93%	0.90%	1.00%	1.20%	1.30%	1.40%	1.70%	1.80%	2.10%	2.20%	2.30%	2.40%	3.00%
<b>5yr PWLB rate</b>	2.40%	2.50%	2.70%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.50%
<b>10yr PWLB rate</b>	3.00%	3.20%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.30%
<b>25yr PWLB rate</b>	3.70%	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	5.00%
<b>50yr PWLB rate</b>	3.70%	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	5.00%

Capita's interest rate forecast is for the first increase in the bank rate to be in June 2015. With higher growth predictions and lower un-employment forecasts for the U.K, are the main reasons for this change in interest rates overall.

## PRUDENTIAL &amp; TREASURY MANAGEMENT INDICATORS

	Probable 2014/15 £'000	Estimate 2015/16 £'000	Estimate 2016/17 £'000	Estimate 2017/18 £'000
<b>PRUDENTIAL INDICATORS</b>				
<b>Capital expenditure</b>				
- General Fund	19,792	22,221	2,353	3,170
- HRA	37,955	27,876	32,065	28,398
<b>Total</b>	<b>57,747</b>	<b>50,097</b>	<b>34,418</b>	<b>31,568</b>
<b>Incremental impact of capital deposit decisions on:</b>				
Band D Council Tax (City element)	0.00	0.00	0.00	0.00
Average weekly housing rent	0.00	0.00	0.00	0.00
<b>Capital Financing Requirement (CFR) as at 31 March</b>				
- General Fund	1,161	3,965	3,965	3,965
- HRA	214,748	214,748	221,194	225,569
<b>Total</b>	<b>215,909</b>	<b>218,713</b>	<b>225,159</b>	<b>229,534</b>
<b>Change in the CFR</b>	0	2,804	6,446	4,375
<b>Deposits at 31 March</b>	97,600	104,000	113,400	124,500
<b>External Gross Debt</b>	213,572	216,376	222,822	227,197
<b>Ratio of financing costs to net revenue stream</b>				
-General Fund	(3.15%)	(3.66%)	(5.48%)	(6.50%)
-HRA	18.45%	18.13%	18.65%	15.91%
<b>Total</b>	<b>15.30%</b>	<b>14.47%</b>	<b>13.17%</b>	<b>9.41%</b>



## PRUDENTIAL & TREASURY MANAGEMENT INDICATORS

	Probable 2014/15 £'000	Estimate 2015/16 £'000	Estimate 2016/17 £'000	Estimate 2017/18 £'000
<b>TREASURY INDICATORS</b>				
<b>Authorised limit</b>				
for borrowing	250,000	250,000	250,000	250,000
for other long term liabilities	0	0	0	0
<b>Total</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>
HRA Debt Limit	230,839	230,839	230,839	230,839
<b>Operational boundary</b>				
for borrowing	215,909	218,713	225,159	228,307
for other long term liabilities	0	0	0	0
<b>Total</b>	<b>215,909</b>	<b>218,713</b>	<b>225,159</b>	<b>229,534</b>
<b>Upper limit for total principal sums deposited for over 364 days</b>	40,000	40,000	40,000	40,000
<b>Upper limit for fixed &amp; variable interest rate exposure</b>				
Net interest on fixed rate borrowing/deposits	7,003	6,708	7,329	7,639
Net interest on variable rate borrowing/deposits	(23)	(23)	(23)	(23)
<b>Maturity structure of new fixed rate borrowing</b>		Upper Limit	Lower Limit	
10 years and above (PWLB borrowing for HRA Reform)		100%	100%	

**Treasury Management – Glossary of Terms and Abbreviations**

Term	Definition
Authorised Limit for External Borrowing	Represents a control on the maximum level of borrowing
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
Certificates of Deposit (CDs)	Low risk certificates issued by banks which offer a higher rate of return
CIPFA	Chartered Institute of Public Finance and Accountancy
Counter-parties	Financial Institutions with which funds may be placed
Credit Risk	Risk of borrower defaulting on any type of debt by failing to make payments which it is obligated to do
DCLG	Department for Communities & Local Government
External Gross Debt	Long-term liabilities including Private Finance Initiatives and Finance Leases
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 readily available a deposit is
MPC	Monetary Policy Committee - The Bank of England Committee responsible for setting the UK's bank base rate

<b>Term</b>	<b>Definition</b>
Non-Specified Investments	These are investments that do not meet the conditions laid down for Specified Investments and potentially carry additional risk, e.g. lending for periods beyond 1 year
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
Security	A measure of the creditworthiness of a counter-party
Specified Investments	Those investments identified as offering high security and liquidity. They are also sterling denominated, with maturities up to a maximum of 1 year, meeting the minimum 'high' credit rating criteria where applicable
Supranational Bonds	Multi-lateral Development Bank Bond
UK Government Gilts	Longer-term Government securities with maturities over 6 months and up to 30 years
UK Government Treasury Bills	Short-term securities with a maximum maturity of 6 months issued by HM Treasury
Yield	Interest, or rate of return, on an investment