Cambridge City Council

To:	The Leader and Executive Councillor for Strategy and Climate Change: Councillor Sian Reid
Report by:	Director of Resources
Relevant scrutiny committee:	Strategy & Resources Scrutiny Committee 16/1/2012
Wards affected:	All Wards

MID-YEAR TREASURY MANAGEMENT REPORT 2011/12

1. Executive summary

1.1 The purpose of this report is to update the Council on the Authority's treasury management activities and performance in the first half of 2011/12 in accordance with the 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 changes to the Prudential and Treasury Management Indicators as set out in Appendix 2. These will be used to update the annual Budget Setting Report.

3. Treasury Statement - Background

Treasury Management Strategy Statement 2011/12

3.1 This Council approved the annual Treasury Management Strategy Statement for 2011/12 on 17th February 2011 and updated it as part of its Medium Term Strategy on 20th October 2011. 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 2011/12. 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.

3.2 The latest government guidance issued by the Department for Communities and Local Government (CLG) 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

3.3 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 the careful monitoring of cash flows, by 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 During the first half of 2011/12 (to 30th September 2011), cash balances have remained at appropriate levels sufficient to effectively manage the payments that this Council was required to make.

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

4.4 The list was based on advice received from the Council's treasury management advisors and includes only those institutions that have been assessed as having a high credit rating, and combining the use of Credit Default Swaps spreads (CDS), 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 Officers have maintained liquidity throughout this year. This has been achieved through effective cash management, extensive use of the Council's HSBC deposit account, as it provides the Council with instant access and a reasonable return under the adverse economic conditions (currently 0.30%).

5.3 Appendix 1 shows the Council's deposits as at 30th September 2011, of £83.230m.

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 0.5% throughout the financial year to date and our treasury advisor's (Sector) forecast is that it will remain at this rate until at least the second quarter of 2013, when it will start to rise slowly. There have been no changes to the base interest rate, particularly as two supporters of a rate rise, have now resigned from the Monetary Policy Committee (MPC).

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 1.73%, depending on the time funds are deposited for.

6.3 Interest of £260,000 has been earned on the Council's deposits during the first half year at an average rate of 0.75%. This return compares favourably with the average 7 day LIBOR rate of 0.59% as at 30th September 2011. The original budget for interest earned in 2011/12 is £312,000. 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. The Code of Practice also requires that the document is subject to scrutiny and so it will be taken to Strategy & Resources Scrutiny Committee during February 2012 for this purpose.

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 Activity since Original Forecast

8.1 Global economy

The Euro zone sovereign debt crisis continued with Spain and Italy being the focus of renewed market concerns that they may soon join with Greece, Ireland and Portugal in needing assistance. This uncertainty and the lack of a co-ordinated or credible Euro zone response left commentators concerned over the potential impact of sovereign default and resulting effect on the Euro zone banking sector. The approval by various countries of the £440bn bail-out fund in September 2011 has brought temporary relief to financial markets but this does not provide a credible remedy to the scale of the Greek debt problem or the magnitude of the potential needs of other countries for support.

This, coupled with political difficulties in the US over their plans to address the budget deficit, the size and control over the US sovereign debt, and the subsequent loss of the AAA credit rating from Standard and Poor's, has led to a much more difficult and uncertain outlook for the world economy.

Growth prospects in the US, UK and the Euro zone have been lower than expected, with future prospects similarly cut. Whilst not a central view, concerns of a double dip recession in some western countries have increased. World stock markets fell in the second quarter of 2011/12 as a consequence.

8.2 The UK economy

Following zero growth in the final half of 2010/11 the UK economy grew by a weaker than expected 0.2% in the first quarter of 2011/12, providing a knock on effect to future growth prospects. Growth prospects will be governed by UK consumer sentiment, which is currently subdued due to falling disposable income. Higher VAT, overhanging debt, high inflation and concerns over employment are likely to weigh heavily on consumers into the future.

Inflation remains stubbornly high, although the expectation of future falls, the external nature of the price increases (energy, oil, food etc.), and the negative impact a rate rise would have on the UK economy, is likely to stop the Bank of England Monetary Policy Committee (MPC) from raising the Bank Rate for some considerable time to come. An indicator of the worsening position arose from the MPC minutes recently signalling a greater willingness to expand the quantitative easing programme.

International depositors continue to view UK government gilts as being a safe haven from the EU sovereign debt crisis. The consequent increase in demand for gilts has helped to add downward pressure on gilt yields and sent PWLB borrowing rates to low levels.

8.3 Outlook for the next 6 months of 2011/12

There remain huge uncertainties in economic forecasts due to the following major difficulties:

- the speed of economic recovery in the UK, US and EU;
- the likely political gridlock in the US preventing significant government fiscal action to boost growth ahead of the Presidential elections in November 2012;
- the potential for a major EU sovereign debt crisis which could have a significant impact on financial markets and the global and UK economy;
- the degree to which government austerity programmes will dampen economic growth;
- the potential for more quantitative easing, and the timing of this in both the UK and US; and;
- the speed of recovery of banks' profitability and balance sheet im-balances.

The overall balance of risks is unfavourable:

- low and modest growth in the UK is expected to continue, with a low Bank Rate to continue for at least 12 months, coupled with a possible extension of quantitative easing. This will keep deposit returns depressed; and;
- the expected longer run trend for PWLB borrowing rates is for them to 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, postponing any increases until 2012.

9. Interest Rate Forecasts

9.1 Below is a table that represents our treasury management advisor's (Sector) view on interest rate predictions:

	NOW	Dec-11	**Mar-12**	Jun-12	Sep-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	0.75	1.00	**1.25**	1.50	2.00	2.25	**2.50**
3 month LIBID	0.75	0.70	**0.70**	0.70	0.70	0.70	**0.75**	0.80	0.90	1.20	**1.40**	1.60	2.10	2.40	**2.60**
6 month LIBID	1.00	1.00	**1.00**	1.00	1.00	1.00	**1.10**	1.20	1.40	1.60	**1.80**	2.00	2.50	2.70	**2.90**
12 month LIBID	1.50	1.50	**1.50**	1.50	1.50	1.60	**1.70**	1.80	1.90	2.20	**2.40**	2.60	3.10	3.20	**3.30**
5 yr PWLB	2.30	2.30	**2.30**	2.30	2.30	2.40	**2.50**	2.60	2.70	2.80	**2.90**	3.10	3.30	3.50	**3.70**
10 yr PWLB	3.30	3.30	**3.30**	3.30	3.40	3.40	**3.50**	3.60	3.70	3.80	**4.00**	4.20	4.40	4.60	**4.80**
25 yr PWLB	4.20	4.20	**4.20**	4.20	4.30	4.30	**4.40**	4.50	4.60	4.70	**4.80**	4.90	5.00	5.10	**5.20**
50 yr PWLB	4.30	4.30	**4.30**	4.30	4.40	4.40	**4.50**	4.60	4.70	4.80	**4.90**	5.00	5.10	5.20	**5.30**

9.2 Sector predicts that base interest rates will not rise until the end of September 2013, at the earliest.

10. Treasury Management Strategy Statement (TMSS) and Annual Deposit Strategy update

- *The underlying TMSS approved previously requires revision in the light of economic and operational movements during the year. The proposed changes and supporting detail for the changes are set out below:*

Subject to statutory powers, the Council will be required to make a one-off payment to the CLG to remove the Housing Revenue Account (HRA) from the current housing subsidy system. Based on the latest HRA Self-Financing Determination, issued for consultation on 21 November 2011, the payment is expected to be £214.384m. The Executive Member is therefore requested to approve the revision of the operational boundary prudential indicator as set out in the table below:

Prudential Indicator 2011/12	Original £000	Revised in the MTS £000	Revised Prudential Indicator £000
Authorised Limit	10,000	250,000	250,000
Operational Boundary	3,000	219,600	214,384
Capital Financing Requirement	(1)	(1)	(1)

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

11.1 This part 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.

11.2 **Housing Revenue Account Reform**

The proposed reform of the HRA subsidy arrangements is expected to take place on 28 March 2012. This will involve the Council *paying* funds to the Department for Communities Local Government that will remove the Council from the HRA subsidy system. The expected *payment* is £214.384 m. This will impact on both the capital structure of the Council (as the HRA Capital Financing Requirement will rise by the size of the payment to CLG), and the treasury management service will need to consider the funding implications for the *borrowing*. The Council's prudential indicators shown below highlight the position in relation to the original position, the expected impact of the HRA reform payment is incorporated in the recommended prudential indicator changes in section 10. The new HRA Capital Financing Requirement will form a cap on any future HRA capital expenditure.

11.3 **Prudential Indicator for Capital Expenditure**

This table shows the revised estimates for capital expenditure and the changes to the capital programme as agreed as part of the Medium Term Strategy on 20th October 2011(excluding HRA Reform).

Capital Expenditure (Excluding HRA Reform)	2011/12 Original Estimate £000	Changes at MTS stage £000	2011/12 Current Estimate £000
General Fund	7,177	11,640	18,817
HRA	10,953	6,159	17,112
Total	18,130	17,799	35,929

Source: Medium Term Strategy Report – 20th October 2011

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

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, 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 (Including HRA Reform)	2011/12 Current Estimate £'000	Current Position (Incl. HRA Reform) £000	2011/12 Revised Estimate £000
Externally funded expenditure	10,243	214,384	224,627
Internally funded expenditure	25,686		25,686
Total spend	**35,929**	**214,384**	**250,313**
Financed by:			
Capital receipts	(1,209)		(1,209)
Capital grants	(4,729)		(4,729)
Capital reserves	(26,957)		(26,957)
Revenue	(3,034)		(3,034)
Total financing	**(35,929)**		**(35,929)**
Borrowing need	**NIL**	**(214,384)**	**(214,384)**

11.5 **Changes to the Prudential Indicators for the Capital Financing Requirement, 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.

Prudential Indicator – Capital Financing Requirement

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

Prudential Indicator – External Debt / the Operational Boundary

Operational Boundary	**2011/12 Original Estimate £000**	**2011/12 Current Position £000**
Prudential Indicator – Capital Financing Requirement		
CFR – non housing	3,633	(894)
CFR – housing	(3,634)	893
Total CFR	**(1)**	**(1)**
Net movement in CFR	(1)	(1)
Prudential Indicator – External Debt		
Borrowing		(214,384)
Total debt 31 March 2012		**(214,384)**

11.6 **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 2011/12 and 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 Borrowing Requirement	2011/12 Original Estimate £000	2011/12 Current Position £000	2011/12 Revised Estimate £000
Gross borrowing	NIL	(214,383)	(214,383)
Less: deposits	34,953	NIL	34,953
Net borrowing	34,953	(214,385)	(179,430)

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

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	2011/12 Original Indicator £000	2011/12 Current Position £000
Borrowing	10,000	250,000
Total	10,000	250,000

Source: Medium Term Strategy Report – 20th October 2011

11.7 Deposit Portfolio 2011/12

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 0.5% Bank Rate. The continuing Euro zone sovereign debt crisis, and its potential impact on banks, prompts a low risk and short-term strategy. Given this risk adverse environment, deposit returns are likely to remain low.

The Council held £83.230m of deposits as at 30th September 2011 (£59.750m at 31st March 2011) and the deposit portfolio yield for the first six months of the year is 0.75%.

The approved limits within the Annual Deposit Strategy were not breached during the first six months of 2011/12. No new deposits will be made beyond 28th March 2012 pending decision on of the strategy for borrowing in light of the requirement under the HRA Reform.

11.8 Deposit Counterparty Criteria

There have been no changes to the counterparty list since the MTS.

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

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).

On 7th October 2011 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.

The overall effect of these revisions does not impact on the Council’s ability to make deposits with the UK banks currently on our counterparty list, but in order to minimize risks even further, our current practice is that all deposits with these institutions will be limited to a maximum of 3 months duration.

12. Icelandic Bank Deposits

Heritable

12.1 At 30 September 2011 the Council had received dividends totalling £2,460,371.00, which represented 60.40 pence in the pound of the total claim of £4,072,360.55. A further dividend was received during October 2011 bringing the total dividend to 64.6 pence in the pound.

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

Landsbanki

12.3 On 28 October the Icelandic Supreme Court ruled that the deposits placed by the test case UK local authorities and other wholesale depositors in Landsbanki hf have priority status over other creditors in the winding up of the bank. We await confirmation from the winding up board that they will apply the Supreme Court decision to the non-test cases.

13. Background papers

These background papers were used in the preparation of this report:

Treasury Management Strategy Statement, Annual Deposit Strategy & Minimum Revenue Provision Policy Statement: 2011/12 – Report to Council, 17th February 2011,

Medium Term Strategy 2011 – Report to Council, 20th October 2011

Sector Treasury Services Ltd – Communication dated 7th October 2011.

14. Appendices

Appendix 1 – List of current deposits as at 30th September 2011.

Appendix 2 – Treasury Management Performance and Prudential Indicators

15. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

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Appendix 1

Deposits as at 30 September 2011

Counterparty	Principal	% Rate	Maturity Date	Broker	Investment 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**	**6.14041%**				
Nationwide BS	1,000,000	1.12000%	07-Mar-12	(Direct)	07-Sep-11	UK-Building Society
Nationwide BS	1,000,000	1.07000%	24-Feb-12	(Direct)	24-Aug-11	UK-Building Society
National Westminster Bank Plc	2,000,000	1.07000%	20-Feb-12	(Direct)	19-Aug-11	Royal Bank of Scot Grp
Nationwide BS	1,000,000	1.02000%	03-Feb-12	(Direct)	03-Aug-11	UK-Building Society
Bank of Scotland Plc	1,000,000	1.42000%	26-Jan-12	(Direct)	26-Jul-11	Lloyds Banking Group
Tayside Fire & Rescue	1,000,000	0.45000%	24-Jan-12	(Tradition)	26-Sep-11	Fire Authority
Conwy County Borough Council	1,000,000	0.60000%	11-Jan-12	(Martins)	11-Jul-11	Local Authority
National Westminster Bank Plc	2,000,000	1.00000%	22-Dec-11	(Direct)	22-Jun-11	Royal Bank of Scot Grp
National Westminster Bank Plc	2,000,000	1.00000%	15-Dec-11	(Direct)	15-Jun-11	Royal Bank of Scot Grp
Aberdeen City Council	2,000,000	0.45000%	06-Dec-11	(Sterling)	06-Sep-11	Local Authority
Midlothian Council	2,000,000	0.40000%	05-Dec-11	(Tradition)	05-Sep-11	Local Authority
Lancashire County Council	1,000,000	0.80000%	02-Dec-11	(Tradition)	04-May-11	Local Authority
Nationwide BS	2,000,000	1.02000%	02-Dec-11	(Direct)	03-Jun-11	UK-Building Society
Birmingham City Council	1,000,000	0.42000%	01-Dec-11	(Prebons)	01-Sep-11	Local Authority

Counterparty	Principal	% Rate	Maturity Date	Broker	Investment Date	
Lancashire County Council	2,000,000	0.80000%	28-Nov-11	(Tradition)	28-Apr-11	Local Authority
Plymouth City Council	2,000,000	0.35000%	22-Nov-11	(Martins)	31-Aug-11	Local Authority
Barclays Bank plc	1,000,000	1.04000%	18-Nov-11	(Direct)	18-May-11	United Kingdom
Bank of Scotland Plc	2,000,000	1.42000%	17-Nov-11	(Direct)	17-May-11	Lloyds Banking Group
Midlothian Council	1,000,000	0.35000%	15-Nov-11	(Tradition)	15-Aug-11	Local Authority
Royal Borough of Kingston upon Thames	2,000,000	1.12000%	08-Nov-11	(Prebons)	08-Dec-10	Local Authority
Midlothian Council	2,000,000	0.35000%	08-Nov-11	(Tradition)	08-Aug-11	Local Authority
Northamptonshire County Council	1,000,000	1.20000%	07-Nov-11	(Prebons)	08-Nov-10	Local Authority
Barclays Bank plc	2,000,000	1.06000%	03-Nov-11	(Direct)	03-May-11	United Kingdom
Salford City Council	1,000,000	0.35000%	03-Nov-11	(Tradition)	03-Aug-11	Local Authority
Northamptonshire County Council	3,000,000	1.10000%	01-Nov-11	(Prebons)	01-Dec-10	Local Authority
Newcastle-upon-Tyne City Council	2,000,000	0.35000%	28-Oct-11	(Martins)	28-Jul-11	Local Authority
Highland Council	1,000,000	0.35000%	26-Oct-11	(Tradition)	13-Sep-11	Local Authority
Fife Council	4,000,000	0.75000%	24-Oct-11	(Tradition)	01-Apr-11	Local Authority
Thurrock Borough Council	1,000,000	0.80000%	21-Oct-11	(Martins)	01-Apr-11	Local Authority
Thurrock Borough Council	2,000,000	0.80000%	21-Oct-11	(Martins)	15-Apr-11	Local Authority
Conwy County Borough Council	2,000,000	0.40000%	21-Oct-11	(Martins)	05-Jul-11	Local Authority
Nottingham City Council	1,000,000	0.40000%	20-Oct-11	(Tradition)	26-Sep-11	Local Authority
Thurrock Borough Council	2,000,000	0.80000%	19-Oct-11	(Martins)	15-Apr-11	Local Authority
Thurrock Borough Council	1,000,000	0.78000%	19-Oct-11	(Martins)	03-May-11	Local Authority
Nationwide BS	1,000,000	0.78000%	19-Oct-11	(Direct)	04-Jul-11	UK-Building Society
Plymouth City Council	1,000,000	0.35000%	19-Oct-11	(Martins)	31-Aug-11	Local Authority
Barclays Bank plc	3,000,000	1.07000%	17-Oct-11	(Direct)	15-Apr-11	United Kingdom
Bank of Scotland Plc	3,000,000	1.40000%	17-Oct-11	(Direct)	15-Apr-11	Lloyds Banking Group

Counterparty	Principal	% Rate	Maturity Date	Broker	Investment Date	
HSBC Bank Plc [**Deposit A/c]**	6,230,000	0.30000%	03-Oct-11	(HSBC)	30-Sep-11	United Kingdom
Current Deposits (post 1st Apr 2009)	**69,230,000**	**0.77718%**				
Salford City Council	2,000,000	0.45000%	19-Jan-12	(Prebons)	04-Oct-11	Local Authority
Salford City Council	1,000,000	0.45000%	19-Dec-11	(Prebons)	04-Oct-11	Local Authority
Salford City Council	2,000,000	0.45000%	24-Nov-11	(Prebons)	04-Oct-11	Local Authority
Forward-Dated Deposits	5,000,000	0.45000%				
TOTAL CURRENT DEPOSITS	**83,230,000**					

Appendix 2

Prudential Indicators and Treasury Management Indicators

Prudential Indicators	2010/11 Actual £000	2011/12 Probable out-turn £000	2012/13 Estimate £000	2013/14 Estimate £000
Extract from Budget Setting Reports (MTS, 20th October 2011)				
Capital Expenditure (excluding HRA Return)				
General Fund	5,032	18,817	5,756	3,278
HRA	9,514	17,112	7,031	7,167
TOTAL	**14,546**	**35,929**	**12,787**	**10,445**
Net Revenue Expenditure (Net Revenue Stream)				
General Fund	19,135	20,173	21,585	21,585
HRA	31,782	33,801	35,532	37,219
Ratio of financing costs to net revenue stream				
General Fund	(1.93%)	(1.77%)	(3.67%)	(7.44%)
HRA (applies only to housing authorities)	(0.12%)	(0.07%)	27.96%	26.52%
Estimates of Financing Costs to net revenue stream				
Financing Costs				
- General Fund	(370)	(356)	(792)	(1,606)
- HRA	(37)	(24)	9,934	9,869
TOTAL	**(407)**	**(380)**	**9,142**	**8,263**
Less: Profile of Borrowing (HRA Self Financing Debt)*	0	(214,384)	(204,384)	(194,384)
Estimates of Capital Financing Requirement as at 31st March				
- General Fund	(894)	(894)	(894)	(894)
- HRA	893	893	893	893
TOTAL	**(1)**	**(1)**	**(1)**	**(1)**
Un-earmarked balances & Reserves:-	5,000	5,000	5,000	5,000
Deposits	63,901	57,798	60,487	62,689
Cumulative Net Borrowing Requirement	**68,900**	**(151,587)**	**(138,898)**	**(126,696)**

Treasury Management Indicators	2010/11 Actual £000	2011/12 Probable out-turn £000	2012/13 Estimate £000	2013/14 Estimate £000
Authorised Limit for external debt:-				
Borrowing	10,000	250,000	250,000	250,000
Other long term liabilities	0	0	0	0
TOTAL	**10,000**	**250,000**	**250,000**	**250,000**
Operational Boundary for external debt:-				
Borrowing	3,000	214,384	204,384	194,384
Other long term liabilities	0	0	0	0
TOTAL	**3,000**	**214,384**	**204,384**	**194,384**
Upper limit for fixed interest rate exposure				
Fixed rate	(320)	(400)	721	660
Variable rate	(120)	(375)	(420)	(420)
Upper limit for total principal sums deposited for over 364 days	5,000	5,000	5,000	5,000

Upper limit (as %ge of debt at start of year	2010/11	2011/12	2012/13	2013/14
Under 12 months	0	100	95	90
12 months and within 24 months	0	100	95	90
24 months and within 10 years	0	100	95	90
5 years and within 10 years	0	100	95	90
10 years and above	0	100	95	90

*Illustrative profile only at this stage as sources of borrowing, nature of financial instruments, loan durations and repayment profiles are currently being evaluated.