COMMITTEE:	DATE:	CLASSIFICATION:	REPORT NO.	AGENDA NO.
Audit Committee **Council**	**12 December 2011** **25 January 2012**	**Unrestricted**		5.6
REPORT OF: **Corporate Director of Resources** ORIGINATING OFFICER(S): **Peter Hayday , interim Head of Finance, Risk and Accountability** **Oladapo Shonola, Chief Financial Strategy Officer**		TITLE: **Mid Year Review Report on 2011/12 Treasury Management and Investment Strategy** Ward(s) affected: All		

1. SUMMARY

1.1 This report reviews the Treasury Management and Investment Strategy that was approved by Full Council on 8 March as prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (Revised 2009).

1.2 The report reviews how the Treasury Management team has managed the Council's cash balances, investments and treasury related risks. The report also sets out the economic environment and how this has impacted on investment returns.

2. DECISIONS REQUIRED

2.1 Members are recommended to note the contents of this report

3 REASONS FOR DECISIONS

3.1 The Local Government Act 2003 and the Local Authorities (Capital Financing and Accounting) Regulations 2003 requires that regular reports be submitted to Council/Committee detailing the council's treasury management activities.

3.2 Furthermore, the CIPFA Treasury Management Code of Practice requires that Full Council/Committee should receive a Mid-year Report reviewing Treasury Management/Investment.

4 ALTERNATIVE OPTIONS

4.1 The Council is bound by legislation to have regard to the CIPFA Treasury Management (TM) Code. The Code requires that the Council should receive a mid-year report reviewing treasury management and investment.

4.2 If the Council were to deviate from those requirements, there would need to be some good reason for doing so. It is not considered that there is any such reason, having regard to the need to ensure that Members are kept informed about treasury management activities and to ensure that these activities are in line with the investment strategy approved by the Council

5 BACKGROUND

5.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2009) has been adopted by the Council.

5.2 One the requirements of the Code is that Full Council/Committee should receive an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.

5.3 The Treasury Management Strategy, Investment Strategy and Minimum Revenue Provision reports were included in the Budget Pack that was presented to Full Council on 8 March. The Outturn report was included in the Treasury Management Activity Report to 28 June Cabinet.

5.4 This mid year report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:

- An economic update for the first six months of 2011/12.
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy.
- The Council's capital expenditure (prudential indicators).
- A review of the Council's investment portfolio for 2011/12.
- A review of the Council's borrowing strategy for 2011/12.
- A review of any debt rescheduling undertaken during 2011/12.
- A review of compliance with Treasury and Prudential Limits for 2011/12.

6. AN ECONOMIC UPDATE FOR THE FIRST SIX MONTHS OF 2011/12

6.1 GLOBAL ECONOMY

6.1.1 The Euro zone sovereign debt crisis continued with Spain, and particularly 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 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 sheer magnitude of the potential needs of other countries for support. Although the crisis in Italy is easing and heading toward a resolution, it is yet to fully play out.

6.1.2 There are also 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.

6.1.3 Growth prospects in the US, UK and the Euro zone have been lower than expected, with future prospects similarly cut and concerns of a double dip recession in some Western countries have been increasing. World stock markets fell in the second quarter of 2011/12 as a consequence.

6.2 UK ECONOMY

6.2.1 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.

6.2.2 Inflation remains higher than expected, 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 Monetary Policy Committee (MPC) from raising the Bank Rate for some considerable time to come. An indicator of the worsening position arose from the Monetary Policy Committee minutes recently signalling a greater willingness to expand the quantitative easing programme.

6.2.3 Although still high, CPI and RPI have started to fall in line with expectation and currently stand at 5.0% and 5.4% respectively in October 2011 – falling from 5.2% and 5.6% respectively in September 2011. The MPC is confident inflation will fall back under target of 2% in the long term.

6.2.4 International investors continue to view UK government gilts as being a safe haven from the EU sovereign debt crisis, although we are yet to see the impact the Chancellor's autumn budget statement will have on investor confidence. The consequent increase in demand for gilts has helped to add downward pressure on gilt yields and sent PWLB borrowing rates to low levels.

6.3 COUNCILS TREASURY ADVISOR'S VIEW (SECTOR)

6.3.1 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;
- the speed of recovery of banks' profitability and balance sheet imbalances

6.3.2 The overall balance of risks is weighted to the downside:

- We expect low and modest growth in the UK 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 investment returns depressed.

6.3.3 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.

6.4 Sector's interest rate forecast is detailed in the below table.

	Sep-11	Dec 11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.25%	2.50%
5yr PWLB rate	2.50%	2.70%	2.90%	3.00%	3.10%	3.20%	3.40%	3.60%	3.80%	4.00%	4.10%	4.20%
10yr PWLB rate	3.80%	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%
25yr PWLB rate	5.00%	5.00%	5.10%	5.10%	5.10%	5.20%	5.20%	5.30%	5.40%	5.40%	5.50%	5.50%
50yr PWLB rate	5.00%	5.00%	5.10%	5.10%	5.10%	5.20%	5.20%	5.30%	5.40%	5.40%	5.50%	5.50%

7. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY UPDATE

7.1 The Treasury Management Strategy Statement (TMSS) for 2011/12 was approved by the Council on 08 March 2011. The Council's Annual Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as follows:

- Security of capital
- Liquidity

7.2 Full Council will be recommended to approve a revised investment strategy at its January meeting. The revised strategy broadly maintains the same risk criteria whilst providing further flexibility that should result in higher returns on cash balances. The council will also aim to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity.

7.3 In the current economic climate it is considered appropriate to keep investments short-term (maximum loan period of 12 months) unless where investing with UK Government partly owned banks, and only directly invest with highly (AA-) credit rated financial institutions, the UK government or AAA rated money market funds (a definition of the various credit ratings is attached at Appendix 1).

7.4 The Council uses Fitch ratings (or equivalent from other agencies if Fitch does not provide a rating) to derive its counterparty criteria, but will take into consideration ratings from all three main credit ratings providers when compiling its counterparty list. The Council will take an overall view on its counterparties so that an organisation could be removed from the list if the predominant view of the organisation is pessimistic. Where the overall view of the three main ratings agency is pessimistic, the Council is likely to adopt the most pessimistic of the available ratings.

7.5 The revised credit criteria is detailed in the tables below:

Specified Investments:

(All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high credit' quality criteria where applicable). The council will continue its policy of lending surplus cash to counterparties that have high credit ratings, defining 'high credit rating' as being F1+ Fitch short-term and AA- long-term credit rating.

Institution	Minimum High Credit Criteria	Use	Limit
Debt Management Office (DMO) Deposit Facility	Not applicable	In-house	£100m*
Term deposits – Other Local Authorities	Not applicable	In-house	£10m**
Term deposits – banks and building societies	Short-term F1+, Long-term AA-	In-house	£30m
Institutions with Government guarantee on ALL deposits by high credit rated (sovereign rating) countries.	Sovereign rating	In-house	£30m
UK Government Gilts	Long Term AAA	In-house	£20m
Institutions with UK Government support.	Sovereign rating	In-house	£30m
Institutions that are owned/part owned by the UK Government	Sovereign rating	In-house	£45m
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)			
Money Market Funds	AAA rated	In-house	£10m

Non-Specified Investments:

All investments that do not qualify as specified investment are termed non-specified investments. The credit criteria for non-specified investments are detailed in the below table.

Institution	Minimum High Credit Criteria	Use	Limit
Term deposits – Banks and Building Societies	Sovereign rating AAA Short-term F1+, Long-term AA-	In-house	£25m
Structured Deposits: Fixed term deposits with variable rate and variable maturities	Sovereign rating AAA Short-term rating F1+ Long-term rating AA-	In-house	£25m
UK Government Gilts	Long Term AAA	In-house	£25m

7.6 A breakdown of the Council's investment portfolio is shown in Section 9 of this report. Investments and borrowing during the first six months of the year have been in line with the Strategy, and there have been no deviations from the Strategy.

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

8.1 HRA Reform - The proposed reform of the HRA subsidy arrangements are expected to take place on 28 March 2012. This will involve the Council receiving funds from CLG which will remove the Council from the HRA subsidy system. The expected receipt is £238m. This will impact on both the capital structure of the Council (as the HRA Capital Financing Requirement will fall by the size of the CLG receipt), and the treasury management service will need to consider the funding implications for the borrowing. The Council's prudential indicators shown in Appendix 3 highlight the position in relation to the original position, and may have to be reviewed in advance of the 28 March 2012. The new HRA Capital Financing Requirement will form a cap on any future HRA capital expenditure.

8.2 Prudential Indicator for Capital Expenditure - This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget. The programme has been revised to take account of new schemes approved in-year, new grant allocation from central government, and also the inclusion of the site improvement programme which was approved by the Mayor of London after the initial budget was approved.

Capital Expenditure by Service	**2011/12 Original Estimate £m**	**2011/12 Revised Estimate £m**
Adults, Health and Wellbeing	0.060	0.295
Children , Schools and Families	24.823	21.931
Building Schools for the Future	91.601	77.858
Communities, Localities and Culture	10.959	21.097
Development & Renewal (Excluding HRA)	4.693	15.329
Chief Executive & Resources	0.220	1.951
HRA	17.400	38.251
Total	**149.756**	**176.712**

8.3 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 element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	**2011/12 Original**	**2011/12 Revised**

	Estimate £m	Estimate £m
Total Spend	**149.756**	**176.712**
Financed By		
Capital receipts	8.410	12.740
Capital Grants	117.659	110.549
Capital Reserves	12.500	17.680
Schools Contribution	0.000	0.420
S106 - Developers Contribution	1.383	12.963
Revenue	0.038	2.176
Total Financing	**139.991**	**156.528**
Supported	8.977	19.336
Unsupported	0.788	0.849
Total Borrowing Need	**9.765**	**20.185**

8.4 Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary are detailed in the below table. The Capital Financing Requirement has been amended in line with the borrowing requirement to support the 2011/12 approved capital programme.

	2011/12 Original Estimate £m	2011/12 Revised Estimate £m
Prudential Indicator – Capital Financing Requirement		
CFR – non housing	152.599	163.223
CFR – housing	298.480	306.332
Total CFR	451.079	469.555
Net movement in CFR	**-4.941**	**18.523**
Prudential Indicator – External Debt / the Operational Boundary		
Borrowing	476.079	476.079
Other long term liabilities	0.000	0.000
Total debt 31 March	**476.079**	**476.079**

8.5 **Limits to Borrowing Activity**

8.5.1 The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) 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.

	2011/12 Original Estimate £m	2011/12 Revised Estimate £m
Gross borrowing	353.475	327.735
Less investments	201.136	188.572
Net borrowing	152.339	139.163
CFR (year end position)	451.079	469.602

8.5.2 The Corporate Director, Resources reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

8.5.3 A further prudential indicator limits the overall level of borrowing. This is the Authorised Limit which 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	2011/12 Revised Indicator
Borrowing	476.079	476.079
Other long term liabilities*	0.000	0.000
Total	**476.079**	**476.079**

* Excludes PFI schemes and finance leases etc.

9. INVESTMENT PORTFOLIO 2011/12

9.1 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 which is consistent with the Council's risk appetite. 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, investment returns are likely to remain low. The revised strategy aims to increase returns whilst broadly maintaining the same level of risk as before.

9.2 The council held £189M of investments as at 30 September 2011 (£201M at 31 March 2011) and the investment portfolio yield for the first six months of the year is 1.41% against a benchmark of 1.25%.

9.3 A summary of investments held as at 30th September 2011, compared to investments at the start of the year (1 April 2011) is shown below with a detailed list of investments attached at Appendix 2 of this report:

Investments as at 01 April 2011		
	Amount	**Average Interest Rate**
Total Investments	**201,136,000**	**0.94%**
Investments as at 30 September 2011		
	Amount	**Average Interest Rate**
Total Investments	**188,572,000**	**1.41%**

9.4 As illustrated in the economic background section above, rates are very low and in line with the 0.5% Bank Rate. The average level of funds available for investment purposes in the first six months of 2011/12 was £194M. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme.

Benchmark	Council Performance	Investment Interest Earned at 30 Sept
1.25%	1.41%	£909.5k

9.5 As illustrated, the authority out performed the benchmark by 16 bps. The Council's budgeted investment return for 2011/12 is £1.950m, and performance for the year to date is in line with the budget.

10. BORROWING

10.1 There has been no new borrowing during the period April to September 2011.

11. DEBT RESCHEDULING

11.1 No debt rescheduling was undertaken during the first six months of 2011/12

12. COMPLIANCE WITH TREASURY AND PRUDENTIAL LIMITS

12.1 It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". Council's approved Treasury and Prudential Indicators (affordability limits) are outlined in the approved TMSS.

12.2 During the financial year to date the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators are shown in Appendix 3 at the end of this report.

13. COMMENTS OF THE CHIEF FINANCIAL OFFICER

13.1 The comments of the Corporate Director Resources have been incorporated into the report.

14 CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)

14.1 The Committee is asked to note the information in the report concerning the Councils treasury transactions undertaken by the Corporate Director of resources under delegated powers.

14.2 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require the Council to have regard to the CIPFA publication "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes" ("the Treasury Management Code") in carrying out capital finance functions under the Local Government Act 2003. If after having regard to the Treasury Management Code the Council wished not to follow it, there would need to be some good reason for such deviation.

14.3 The Treasury Management Code requires as a minimum that there be a practice of regular reporting on treasury management activities and risks to the responsible committee and that these should be scrutinised by that committee. Under the Council's Constitution, the audit committee has the functions of monitoring the Council's risk management arrangements and making arrangements for the proper administration of the Council's affairs.

15 ONE TOWER HAMLETS CONSIDERATIONS

15.1 Interest on the Council's cash flow has historically contributed significantly towards the budget.

16 SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

16.1 There are no Sustainable Actions for A Greener Environment implications.

17 RISK MANAGEMENT IMPLICATIONS

17.1 Any form of investment inevitably involves a degree of risk. To minimise risk the investment strategy has restricted exposure of council cash balances to UK backed banks or institutions with the highest short term rating or strong long term rating.

18 CRIME AND DISORDER REDUCTION IMPLICATIONS

18.1 There are no crime and disorder reduction implications arising from this report.

19 EFFICIENCY STATEMENT

19.1 Monitoring and reporting of treasury management activities ensures the Council optimises the use of its monetary resources within the constraints placed on the Council by statute, appropriate management of risk and operational requirements.

LOCAL GOVERNMENT ACT 1972 (AS AMENDED) SECTION 100D

LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

Brief description of "background papers"	***Name and telephone number of holder And address where open to inspection***
Investment Reports; Sector Treasury Advisory Services	*Oladapo Shonola Ext. 4733* *Mulberry Place, 4th Floor.*

Appendix 1: Definition of Credit Ratings

Support Ratings

Rating	
1	A bank for which there is an extremely high probability of external support. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question. This probability of support indicates a minimum Long-term rating floor of 'A-'.
2	A bank for which there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to provide support to the bank in question. This probability of support indicates a minimum Long-term rating floor of 'BBB-'.
3	A bank for which there is a moderate probability of support because of uncertainties about the ability or propensity of the potential provider of support to do so. This probability of support indicates a minimum Long-term rating floor of 'BB-'.
4	A bank for which there is a limited probability of support because of significant uncertainties about the ability or propensity of any possible provider of support to do so. This probability of support indicates a minimum Long-term rating floor of 'B'.
5	A bank for which external support, although possible, cannot be relied upon. This may be due to a lack of propensity to provide support or to very weak financial ability to do so. This probability of support indicates a Long-term rating floor no higher than 'B-' and in many cases no floor at all.

Short-term Ratings

Rating	
F1	**Highest credit quality.** Indicates the strongest capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.
F2	**Good credit quality.** A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.
F3	**Fair credit quality.** The capacity for timely payment of financial commitments is adequate; however, near-term adverse changes could result in a reduction to non-investment grade.

Long-term Ratings

Rating	Current Definition (August 2003)
AAA	**Highest credit quality.** 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA	**Very high credit quality.** 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	**High credit quality.** 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.
BBB	**Good credit quality.** 'BBB' ratings indicate that there is currently a low expectation of credit risk. The capacities for timely payment of financial commitments are considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity. This is the lowest investment-grade category

Individual Ratings

Rating	
A	A very strong bank. Characteristics may include outstanding profitability and balance sheet integrity, franchise, management, operating environment or prospects.
B	A strong bank. There are no major concerns regarding the bank. Characteristics may include strong profitability and balance sheet integrity, franchise, management, operating environment or prospects
C	An adequate bank, which, however, possesses one or more troublesome aspects. There may be some concerns regarding its profitability and balance sheet integrity, franchise, management, operating environment or prospects.
D	A bank, which has weaknesses of internal and/or external origin. There are concerns regarding its profitability, substance and resilience, balance sheet integrity, franchise, management, operating environment or prospects. Banks in emerging markets are necessarily faced with a greater number of potential deficiencies of external origin.
E	A bank with very serious problems, which either requires or is likely to require external support.

Appendix 2 – Investment Portfolio

Investments as at 01 April 2011			
Bank or Building Society	**Amount**	**Maturity**	**Interest**
Bank of Scotland (Call Account)	15,000,000		0.75%
Abbey (Call Account)	5,000,000		0.80%
Goldman Sachs Sterling Reserve Fund	10,000,000		0.54%
Insight (Money Market Fund)	10,000,000		0.64%
DMO	37,600,000	01/04/11	0.25%
Cater Allen	5,000,000	11/04/11	2.20%
Clydesdale (Call Account)	23,536,000		0.75%
Bank of Scotland	5,000,000	26/04/11	1.17%
Cater Allen	3,000,000	13/05/11	1.50%
Cater Allen	2,000,000	13/05/11	2.10%
Nationwide	5,000,000	03/06/11	1.35%
Barclays	10,000,000	03/06/11	1.40%
RBS	10,000,000	10/06/11	0.70%
RBS	10,000,000	11/07/11	0.81%
Cater Allen	5,000,000	18/07/11	2.50%
Bank of Scotland	5,000,000	25/07/11	1.30%
Barclays	5,000,000	10/08/11	1.05%
Nationwide	10,000,000	10/08/11	0.95%
Nationwide	5,000,000	14/10/11	1.37%
Barclays	5,000,000	10/11/11	1.30%
Nationwide	5,000,000	17/01/12	1.43%
Cater Allen	5,000,000	17/01/12	2.50%
North Tyneside Council	5,000,000	20/01/12	1.30%
Total Investments	**201,136,000**		**0.94%**
Investments as at 30 September 2011			
Bank or Building Society	**Amount**	**Maturity**	**Interest**
Santander UK (Call Account)	5,000,000		**0.80%**
Ignis (Money Market Fund)	9,900,000		**0.70%**
Insight (Money Market Fund)	9,400,000		**0.64%**
Clydesdale (Call Account)	24,272,000		**0.75%**
Nationwide	5,000,000	14/10/11	**1.37%**
Santander UK	5,000,000	17/10/11	**1.42%**
Barclays	5,000,000	10/11/11	**1.30%**
Nationwide	5,000,000	10/11/11	**1.03%**
Barclays	5,000,000	02/12/11	**1.03%**
RBS	10,000,000	10/12/11	**0.98%**
Nationwide	5,000,000	17/01/12	**1.43%**
Cater Allen	5,000,000	17/01/12	**2.50%**
North Tyneside Council	5,000,000	20/01/12	**1.20%**
Bank of Scotland	5,000,000	25/01/12	**1.45%**
Barclays	10,000,000	05/03/12	**1.29%**
Bank of Scotland	10,000,000	05/04/12	**2.10%**
RBS	10,000,000	11/04/12	**1.23%**
Cater Allen	5,000,000	12/04/12	**2.50%**
Bank of Scotland	5,000,000	27/04/12	**2.10%**
Barclays	5,000,000	04/05/12	**1.55%**
Cater Allen	5,000,000	14/05/12	**2.50%**
Cater Allen	5,000,000	19/07/12	**2.50%**
Bank of Scotland	5,000,000	27/07/12	**2.65%**
Bank of Scotland	5,000,000	27/07/12	**2.65%**
Barclays	5,000,000	10/08/12	**1.50%**
Nationwide	10,000,000	10/08/12	**1.44%**
Nationwide	5,000,000	07/09/12	**1.55%**
Total Investments	**188,572,000**		**1.41%**

Appendix 3 – 2011-12 Prudential and Treasury Indicators

Prudential indicators	2010/11	2011/12	2012/13	2013/14
	actual	estimate	estimate	estimate
	£'000	£'000	£'000	£'000
Capital Expenditure				
Non - HRA	111,348	138,461	88,652	50,300
HRA (applies only to housing authorities)	37,227	38,251	39,250	30,587
TOTAL	148,575	176,712	127,902	80,887
Ratio of financing costs to net revenue stream				
Non - HRA	2.62%	2.51%	2.56%	2.48%
HRA (applies only to housing authorities)	18.75%	19.39%	19.90%	20.31%
Net borrowing requirement				
brought forward 1 April	354,250	255,284	326,602	75,623
carried forward 31 March	255,284	326,602	89,675	75,620
in year borrowing requirement	-98966	71318	-236,927	-3
In year Capital Financing Requirement				
Non - HRA	9,298	224	-4,979	0
HRA (applies only to housing authorities)	16,393	12,958	-239,948	0
TOTAL	25,691	13,182	-244,927	0
Capital Financing Requirement as at 31 March				
Non - HRA	163,046	163,270	158,291	158,291
HRA (applies only to housing authorities)	293,374	306,332	66,384	52,332
TOTAL	456,420	469,602	224,675	210,623
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p
Increase in Council Tax (band D) per annum	4.27	0	0	0
Increase in average housing rent per week	0	0	0	0
(housing authorities only)				

TABLE 4: Treasury management indicators	2010/11	2011/12	2012/13	2013/14
	actual	estimate	estimate	estimate
	£'000	£'000	£'000	£'000
Authorised Limit for external debt -				
borrowing	501,420	496,079	248,620	248,620
other long term liabilities	0	0	0	0
TOTAL	501,420	496,079	248,620	248,620
Operational Boundary for external debt -				
borrowing	481,420	476,079	228,620	228,620
other long term liabilities	0	0	0	0
TOTAL	481,420	476,079	228,620	228,620
Actual external debt	456,420	327,735	74,119	58,597
Upper limit for fixed interest rate exposure				
expressed as either:-				
Net principal re fixed rate borrowing / investments	100%	100%	100%	100%
Upper limit for variable rate exposure				
expressed as either:-				
Net principal re variable rate borrowing / investments	20%	20%	20%	20%
Upper limit for total principal sums invested for over 364 days	0	25000	25,000	25,000
(per maturity date)				

TABLE 5: Maturity structure of new fixed rate borrowing during 2010/11	upper limit
under 12 months	10%
12 months and within 24 months	30%
24 months and within 5 years	40%
5 years and within 10 years	80%
10 years and above	100%