COMMITTEE:	DATE:	CLASSIFICATION:	REPORT NO.	AGENDA NO.
Audit Committee **Council**	**14 January 2013** **23 January 2013**	**Unrestricted**		
REPORT OF: **Acting Chief Finance Officer** ORIGINATING OFFICER(S): **Alan Finch , Head of Finance, Risk and Accountability** **Oladapo Shonola, Chief Financial Strategy Officer**		TITLE: **Mid - Year Review Report on 2012/13 Treasury Management and Investment Strategy** Ward(s) affected: All		

Lead Member	**Cllr Alibor Choudhury - Resources**
Community Plan Theme	**All**
Strategic Priority	**One Tower Hamlets**

1. SUMMARY

1.1 This report reviews the Treasury Management and Investment Strategy that was approved by Full Council on 22 February 2012 as prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (Revised 2011).

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

1.3 The Council has not breached any of the Prudential and Treasury Indicators as agreed by Cabinet on 22 February 2012. 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.

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 The Council also agreed as part of the Treasury Management Strategy Statement to receive a number of reports. 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 2011) 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 Outturn 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 22 February 2012. The Outturn report went to Audit Committee on 25 September 2012 and approved by Council on 28 November 2012.

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 2012/13.
- 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 2012/13.
- A review of the Council's borrowing strategy for 2012/13.
- A review of compliance with Treasury and Prudential Limits for 2012/13.

6. AN ECONOMIC UPDATE FOR THE FIRST SIX MONTHS OF 2012/13

6.1 GLOBAL ECONOMY

6.1.1 Investor confidence remains weak in the Eurozone. The uncertainty created by the continuing Eurozone debt crisis is having a major effect on business and consumer confidence across the world. The United States Federal Reserve Bank announced a fresh stimulus programme for the economy with a third round of quantitative easing focused on boosting the economy and creating jobs. The Bank also announced that it was unlikely that there would be any interest rates increase until at least mid-2015.

6.1.2 Greece continues to grapple with its deficit reduction targets and may require a bailout. Although, the financial crisis in Spain has recently escalated, the announcement in early September by the European Central Bank that it would purchase unlimited amounts of shorter term bonds of Eurozone countries which have formally agreed the terms for a bailout has eased the situation. However, the underlying problem in most Eurozone economies persists.

6.2 UK ECONOMY

6.2.1 The Bank of England substantially lowered its expectations for the speed of economic recovery and rate of growth over the coming months and materially amended its forecasts for 2012 and 2013, further confirming the lingering market scepticism about the pace of recovery. The biggest issue for the UK economy is that it is heavily reliant on worldwide economic development, especially the Eurozone, so that on-going global economic slowdown continues to impact on the UK recover.

6.2.2 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. Consumer confidence in the UK remains depressed with unemployment concerns, indebtedness, and a squeeze on real incomes from high inflation and low pay rises. Whilst Inflation has fallen considerably with CPI at 2.6% in July and 2.5% in August, UK GDP fell by 0.5% in the quarter to 30 June (the third quarterly fall in succession). Inflation rate is expected to fall in the next couple of years, averaging below the 2% target from Q4 2013 onwards.

6.2.3 The lack of economic growth has kept tax receipts depressed impacting on the Chancellor’s plan to eliminate annual public sector borrowing. The Bank of England’s Monetary Policy Committee has kept Bank Rate at 0.5% throughout the period whilst quantitative easing was increased by £50bn to £375bn in July 2012. In addition, in June 2012, the Bank of England and the Government announced schemes to free up banking funds for businesses and consumers.

6.3 COUNCILS TREASURY ADVISOR’S VIEW (SECTOR)

6.3.1 Economic forecasting remains difficult with so many external influences weighing on the UK. Key areas of uncertainty include:

- the impact of the Eurozone crisis on financial markets and the banking sector;
- the impact of the UK Government’s austerity plan on confidence and growth;
- monetary policy action failing to stimulate growth in western economies;
- the potential for weak growth or recession in the UK’s main trading partners – the EU and US;

6.3.2 The overall balance of risks remains weighted to the downside. Low and modest growth in the UK is expected to continue, with Bank Rate unlikely to rise in the next 24 months, coupled with a further extension of quantitative easing. This coupled with the continued downgrading of financial institutions 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, tempering any increases in yield.

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

	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%	0.50%	0.75%	1.00%
5yr PWLB rate	1.89%	1.50%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.30%
10yr PWLB rate	2.91%	2.50%	2.50%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.20%	3.30%
25yr PWLB rate	4.15%	3.70%	3.70%	3.70%	3.80%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%
50yr PWLB rate	4.32%	3.90%	3.90%	3.90%	4.00%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%

7. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY UPDATE

7.1 The Treasury Management Strategy Statement (TMSS) for 2012/13 was approved by the Council on 22 February 2012. 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 was asked to approve a revised investment strategy at its November 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 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.

7.4 The Council's minimum credit criteria is detailed in the tables below:

Specified Investments:

The current strategy is that 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	£15m

Definitions of credit ratings (which now incorporate Fitch's viability ratings) are attached at **Appendix 2**.

* Although limit has been set at £100m for the DMO, in reality there is no restriction on placement with the UK government.

** The group limit for local authorities has been set at £100m.

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

7.5 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 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 and new grant allocation from central government

Capital Expenditure by Service	2012/13 Original Estimate £m	2012/13 Revised Estimate £m
Adults, Health and Wellbeing	0.345	0.402
Children , Schools and Families	29.394	16.705
Building Schools for the Future	68.777	65.244
Communities, Localities and Culture	6.195	12.748
Development & Renewal (Excluding HRA)	10.279	21.109
Chief Executive & Resources	10.000	0.128
HRA	60.376	66.432
Total	**185.366**	**192.768**

8.2 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. 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).

Capital Expenditure	2012/13 Original Estimate £m	2012/13 Revised Estimate £m
Total Spend	**185.366**	**192.768**
Financed By:		
Capital receipts	18.463	21.354
Capital Grants	126.844	115.244
Capital Reserves	17.798	23.572
Schools Contribution	1.900	0.000
S106 - Developers Contribution	1.336	15.579
Revenue	7.001	6.028
Total Financing	**173.342**	**181.777**
Supported	2.024	0.800
Unsupported	10.000	10.189
Total Borrowing Need	**12.024**	**10.989**

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 2012/13 approved capital programme.

	2012/13 Original Estimate £m	**2012/13 Revised Estimate £m**
Prudential Indicator – Capital Financing Requirement		
CFR – Non-HRA	168.399	165.917
CFR – HRA	72.333	69.864
Total CFR	240.732	235.781
Net movement in CFR	**5.082**	**4.046**
Prudential Indicator – External Debt / the Operational Boundary		
Borrowing	265.732	265.732
Other long term liabilities		
Total debt 31 March	**265.732**	**265.732**

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 2012/13 and next two financial years. This allows some flexibility for limited early borrowing for future years.

	2012/13 Original Estimate £m	**2012/13 Revised Estimate £m**
Gross borrowing	92.437	90.406
Less investments	201.136	205.500
Net borrowing	(108.699)	(115.094)
CFR (year - end position)	240.732	235.781

8.5.2 The Service Head Financial Service, Risk and Accountability 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 can only be set and revised by Members. It reflects the level of borrowing which though not needed, could be afforded in the short term but unsustainable long 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 Original Indicator	2012/13 Revised Indicator
Borrowing	265.732	265.732
Headroom	20.000	20.000
Other long term liabilities*	0.000	0.000
Total	**285.732**	**285.732**

* Excludes PFI schemes and finance leases etc.

8.5.4 The Council has not exceeded this Limit.

9. INVESTMENT PORTFOLIO 2012/13

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 impact on banks has kept rates low and led to a reduction in counterparties. Although rates are expected to be low in the medium term, the revised strategy aims to increase returns whilst broadly maintaining the same level of risk as before.

9.2 The council held £237m of investments as at 30 September 2012 (£207.6m at 31 March 2012) and the investment portfolio yield for the first six months of the year is 1.37% against a benchmark of 1.25%.

9.3 A summary of investments held as at 30th September 2012, compared to investments at the start of the year (1 April 2012) is shown below with a detailed list of investments attached as Appendix 2 of this report:

Investments as at 01 April 2012		
	Amount £m	**Average Interest Rate**
Total Investments	**207.600**	**1.52%**
Investments as at 30 September 2012		
	Amount	**Average Interest Rate**
Total Investments	**237.000**	**1.37%**

9.4 The average rate of return has fallen by 15 basis points to 1.37%. This is attributable to the fact that as investments matured it has not been possible to re-invest at preferential rates due to the low interest rate environment and the reducing list of counterparties.

9.5 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 2012/13 was £227.73m. 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 as at 30 Sept 2012
1.25%	1.37%	£1.71m

9.6 The Authority outperformed the benchmark by 12 basis points as illustrated in the table above. The Council's performance year to date is £1.709m.This is due to higher than budgeted cash balances resulting in the main, from an underspend in capital expenditure.

10. BORROWING

10.1 There has been no new borrowing during the period 01 April 2012 to 30 September 2012.

11. DEBT RESCHEDULING

11.1 No debt rescheduling was undertaken during the first six months of 2012/13

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 Acting Chief Finance Officer 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 Acting Chief Finance Officer under delegated powers.

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

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 2012			
Counterparty	**Amount**	**Maturity**	**Interest**
Bank of Scotland	5,000,000		**0.75**
Deutsche (Money Market Fund)	10,000,000		0.69%
SWIP (Money Market Fund)	10,000,000		0.61%
Goldman Sachs (Money Market Fund)	10,000,000		0.68%
IGNIS (Money Market Fund)	10,000,000		0.78%
Insight (Money Market Fund)	10,000,000		0.68%
DMO	2,600,000	02/04/2012	0.25%
OCBC	20,000,000	02/04/2012	0.35%
OCBC	10,000,000	04/04/2012	0.75%
Bank of Scotland	10,000,000	05/04/2012	2.10%
RBS	10,000,000	11/04/2012	1.23%
Cater Allen	5,000,000	12/04/2012	2.50%
Bank of Scotland	5,000,000	27/04/2012	2.10%
Barclays	5,000,000	04/05/2012	1.55%
Barclays	5,000,000	10/05/2012	1.23%
Cater Allen	5,000,000	14/05/2012	2.50%
RBS	10,000,000	12/06/2012	1.31%
Cater Allen	5,000,000	19/07/2012	2.50%
Bank of Scotland	5,000,000	27/07/2012	2.65%
Bank of Scotland	5,000,000	27/07/2012	2.65%
Barclays	5,000,000	10/08/2012	1.50%
Nationwide	10,000,000	10/08/2012	1.44%
Nationwide	5,000,000	07/09/2012	1.55%
Bank of Scotland	5,000,000	27/10/2012	2.00%
Bank of Scotland	5,000,000	13/02/2013	3.10%
Bank of Scotland	5,000,000	13/02/2013	3.10%
RBS	10,000,000	03/01/2014	4.00%
RBS	5,000,000	27/01/2015	3.35%
Total Investments	**207,600,000**		**1.52%**
Investments as at 30 September 2012			
Counterparty	**Amount**	**Maturity**	**Interest**
Deutsche (Money Market Fund)	15,000,000		**0.45%**
SWIP (Money Market Fund)	15,000,000		**0.36%**
Goldman Sachs (Money Market Fund)	15,000,000		**0.45%**
IGNIS (Money Market Fund)	15,000,000		**0.60%**
Insight (Money Market Fund)	15,000,000		**0.47%**
DMO	42,000,000	01/10/2012	**0.25%**
Bank of Scotland	5,000,000	27/10/2012	**2.00%**
OCBC	30,000,000	18/12/2012	**0.35%**
RBS	5,000,000	11/01/2013	**1.50%**
Bank of Scotland	5,000,000	13/02/2013	**3.10%**
Bank of Scotland	5,000,000	13/02/2013	**3.10%**
RBS	10,000,000	11/04/2013	**0.85%**
Bank of Scotland	10,000,000	11/04/2013	**3.00%**
Bank of Scotland	10,000,000	11/04/2013	**3.00%**
RBS	5,000,000	12/06/2013	**1.69%**
Bank of Scotland	10,000,000	07/07/2013	**3.00%**
RBS	5,000,000	11/10/2013	**2.00%**
RBS	5,000,000	12/12/2013	**2.00%**
RBS	10,000,000	03/01/2014	**4.00%**
RBS	5,000,000	27/01/2015	**3.35%**
Total Investments	**237,000,000**		**1.22%**

Appendix 3 – 2012-13 Prudential and Treasury Management Indicators

Prudential indicators	2010/11	2011/12	2012/13	2013/14	2014/15
Extract from budget and rent setting reports	**Actual**	**Actual**	**Revised Estimate**	**Estimate**	**Estimate**
	£m	£m	£m	£m	£m
Capital Expenditure					
Non – HRA	111.348	130.717	126.336	98.855	47.888
HRA (applies only to housing authorities)	37.227	31.615	66.432	69.707	76.590
TOTAL	**148.575**	**162.332**	**192.768**	**168.562**	**124.478**
Ratio of Financing Costs To Net Revenue Stream					
Non – HRA	2.25%	2.12%	2.35%	2.87%	3.41%
HRA (applies only to housing authorities)	18.75%	17.93%	2.29%	2.22%	2.17%
	£m	£m	£m	£m	£m
Net Borrowing Requirement					
brought forward 1 April	353.93	255.29	24.14	65.78	111.27
carried forward 31 March	255.29	24.14	65.78	111.27	126.90
In Year Borrowing Requirement	(98.645)	(231.150)	45.49	45.49	15.64
In Year Capital Financing Requirement					
Non – HRA	1.80	(0.986)	3.86	3.10	3.11
HRA	16.90	12.50	0.19	7.54	7.53
TOTAL	**18.69**	**11.51**	**4.05**	**10.64**	**10.64**
Capital Financing Requirement as at 31 March					
Non - HRA	163.05	162.06	165.92	171.49	174.60
HRA	293.38	305.88	69.86	79.87	87.40
HRA Settlement	0.00	(236.200)	0.00	0.00	0.00
TOTAL	**456.421**	**231.735**	**235.781**	**251.367**	**262.004**
Incremental Impact of Financing Costs					
Increase in Council Tax (band D) per annum	5.31	3.58	2.94	0.98	0.95
Increase in average housing rent per week	2.07	1.78	0.27	0.27	0.27
(housing authorities only)					

Treasury Management Indicators	2010/11	2011/12	2012/13	2013/14	2014/15
	Actual	Actual	Revised Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Authorised Limit For External Debt -					
Borrowing	481.421	476.079	265.732	276.367	287.004
Headroom	20.000	20.000	20.000	20.000	20.000
Other long term liabilities	0.000	0.000	0.000	0.000	0.000
TOTAL	**501.421**	**496.079**	**285.732**	**296.367**	**307.004**
Operational Boundary For External Debt -					
Borrowing	481.421	476.079	265.732	276.367	287.004
Other long term liabilities	0.000	0.000	0.000	0.000	0.000
TOTAL	**481.421**	**476.079**	**265.732**	**276.367**	**287.004**
Actual External Debt	**353.475**	**91.351**	**90.406**	**89.561**	**88.890**
HRA Debt Limit*	**0.000**	**0.000**	**184.381**	**184.381**	**184.381**
Upper Limit For Fixed Interest Rate Exposure					
Net principal re fixed rate borrowing / investments	**100%**	**100%**	**100%**	**100%**	**100%**
Upper Limit For Variable Rate Exposure					
Net interest payable on variable rate borrowing / inves	**20%**	**20%**	**20%**	**20%**	**20%**
Upper limit for total principal sums invested for over 364 days					
(per maturity date)	**£25m**	**£25m**	**£25m**	**£25m**	**£25m**

Maturity structure of new fixed rate borrowing during 2012/13	Upper Limit	Lower Limit
under 12 months	10%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	80%	0%
10 years and above	100%	0%