ITEM NO: 34.00

TITLE	**Treasury Management Mid Year Report 2012/13**
FOR CONSIDERATION BY	The Audit Committee on 28th November 2012
WARD	None specific
STRATEGIC DIRECTOR	Graham Ebers, Strategic Director Resources
LEAD MEMBER	Anthony Pollock, Executive Member for Finance

Please note that this section is for Members' information only and will not be included in the published version of the report:

Key Decision	Yes
Politically Sensitive	No
Policy change	No
PR Implications	No
Call-in likely	No
If yes, implications of delay	
Key Risks surrounding the decision None	

OUTCOME / BENEFITS TO THE COMMUNITY

Effective and safe use of our resources to deliver service investment priorities.

RECOMMENDATION

The audit committee are asked to:

1) Note the mid year Treasury Management report for 2012/13.
2) Note the actual 2012/13 prudential indicators within the report.
3) Recommend the report to Council for approval
4) Note the technical adjustment to the Capital Financing Requirement (CFR) and that this will be reported to Executive with in the year end statement

SUMMARY OF REPORT

The Treasury Management Mid Year Report 2012/13 is a requirement of the Council's reporting procedures. It covers the treasury activity during the first half of 2012/13 and the actual Prudential Indicators for this period.

The report highlights the Council's treasury position as at 30 September 2012, sets out the treasury decisions taken so far during 2012/13 and shows that we have complied with our strategy and the prudential indicators that were set prior to the financial year. There is however a Technical Adjustment required to the Capital Financing Requirement (CFR).

Background

The full Treasury Mid Year report for 2012/13 is shown in Appendix A.

The Councils Current Investments at the 30th September are shown in Appendix B

The Councils Counter party Limits at the 30th September are shown in Appendix C

The Councils Prudential indicators are shown in Appendix D

Glossary of Terms in Appendix E

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	£0	Yes	Revenue and Capital
Next Financial Year (Year 2)	£0	Yes	Revenue and Capital
Following Financial Year (Year 3)	£0	Yes	Revenue and Capital

Other financial information relevant to the Recommendation/Decision

Cross-Council Implications (how does this decision impact on other Council services and priorities?)

Reasons for considering the report in Part 2

List of Background Papers

Contact Claire Williams Morris	**Service** Resources
Telephone No 0118 974 6560	**Email** Claire-williams.morris @wokingham.gov.uk
Date 07-09-2012	**Version No.** 2

WOKINGHAM BOROUGH COUNCIL

WOKINGHAM
BOROUGH COUNCIL

TREASURY MANAGEMENT

MID YEAR REPORT 2012/13

Wokingham Borough Council
Mid Year Report on the Treasury Management Service 2012/13

1 Introduction

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011 was adopted by this Council on 23rd February 2012.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full council of 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 covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions. For this Council, the delegated body is the executive committee.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this the Council's delegated body is the Audit Committee

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, 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.

Key Changes to the Treasury and Capital Strategies

As part of the annual report for 2011/12 an amendment to the 2012/13 treasury management strategy was made this amendment was approved by the Executive in June 2012.

2 Economic update

2.1 Economic performance to date

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

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

In the UK, consumer confidence remains very depressed with unemployment concerns, indebtedness and a squeeze on real incomes from high inflation and low pay rises, all taking a toll. Whilst inflation has fallen considerably (CPI was 2.2% in September), UK Gross Domestic Product (GDP) grew by 1.0%, in the quarter to 30 September, emerging the UK from recession in the three months from July to September, helped by the Olympic Games. It is the slowest recovery from a recession of any of the five UK recessions since 1930 and total GDP is still 4.5% below its peak in 2008.

This weak recovery has caused social security payments to remain elevated and tax receipts to be depressed. Consequently, the Chancellor's plan to eliminate the annual public sector borrowing deficit has been pushed back further into the future. The Bank of England Monetary Policy Committee has kept the base rate at 0.5% throughout the period while quantitative easing was increased by £50bn to £375bn in July. In addition, in June, the Bank of England and the Government announced schemes to free up banking funds for business and consumers.

On a positive note, despite all the bad news on the economic front, the UK's sovereign debt remains one of the first ports of call for surplus cash to be invested in and gilt yields, prior to The European Central Bank (ECB) bond buying announcement in early September, were close to zero for periods out to five years and not that much higher out to ten years.

2.2 Outlook for the next six months of 2012/13

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

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

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

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

- Expectations are that low growth in the UK to continue, with Bank Rate *unlikely to rise in the next 24 months, coupled with a possible further* extension of quantitative easing. This will keep investment returns depressed.
- The expected longer run trend for the Public Works Loan Board (PWLB) borrowing rates is for them to eventually rise, primarily due to the need for a high volume of gilt issuance in the UK and the high volume of debt issuance in other major western countries. However, the current safe haven status of the UK may continue for some time, tempering any increases in yield.
- The interest rate forecast in the table below is based on an assumption that growth starts to recover in the next three years to a near trend rate (2.5%). *However, if the Eurozone debt crisis worsens as a result of* one or more countries having to leave the Euro, or low growth in the UK continues longer, then Bank Rate is likely to be depressed for even longer than in this forecast.

2.3 Interest rate forecast

	17.9.12 actual	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
BANK RATE	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.75	1
3m LIBID	0.55	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.9	1.1	1.4
6m LIBID	0.85	0.85	0.85	0.85	0.85	0.85	1	1.1	1.3	1.5	1.8
12m LIBID	1.3	1.3	1.3	1.3	1.4	1.5	1.7	1.9	2.1	2.3	2.6
5yr PWLB	1.89	1.5	1.5	1.5	1.6	1.7	1.8	1.9	2	2.1	2.3
10yr PWLB	2.91	2.5	2.5	2.5	2.6	2.7	2.8	2.9	3	3.2	3.3
25yr PWLB	4.15	3.7	3.7	3.7	3.8	3.8	3.9	4	4.1	4.2	4.3
50yr PWLB	4.32	3.9	3.9	3.9	4	4	4.1	4.2	4.3	4.4	4.5

The above table shows the interest rate and PWLB forecasts for our Treasury advisers, Sector.

PWLB rates incorporate the introduction of the **PWLB certainty rate** in November 2012 which will reduce PWLB borrowing rates by 0.20% for most local authorities. The actual PWLB rates on 17th September 2012 ought therefore to be reduced by 20base points to provide a true comparison to the forecasts.

PWLB certainty rate is a reduced rate from PWLB to principal local authorities who provided required information to government on their plans for long-term borrowing and associated capital spending.

3 Treasury Management Strategy Statement and Annual Investment Strategy update

The Treasury Management Strategy for 2012/13 was approved by this Council on 23rd February 2012 and was amended in June 2012 as part of the annual treasury management report for 2011/12 there were no further updates to the strategy arising from this report.

4 The Council's Capital Position (Prudential Indicators)

4.1 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed in February 2012.

Capital Expenditure by Service Including Carry Forwards	2012/13			
	Revised Budget	Forecast Expenditure @ 31-03-12	C/Fwd 12/13	Under/Over Spend
	£'000	£'000	£'000	£'000
Resources	3,936	2,520	1,416	0
Children	31,931	15,541	16,389	-1
Health and Wellbeing	7,859	6,417	1,442	0
Neighbourhood	10,108	9,071	1,049	12
Development and Regeneration	4,679	4,440	239	0
Transformation	3,447	2,513	934	0
Total	**61,960**	**40,502**	**21,469**	**11**

The Table below shows a breakdown of the Children's schemes to be carried forward into 2013/14

Summary Scheme	2012/13 £'000	Comments
Basic needs - Additional places across the Borough	11553	A programme of build to meet increase in the need for school places
Basic Needs - Extensions to existing Primary Schools	332	
Bulmershe School Improvement Scheme	2440	To support a programme of curriculum development by providing new enhanced teaching and learning facilities
Schools Devolved Formula	1404	Ring fenced grant allocated direct to Schools
Early Years (SEN)	280	Provision of centre of excellence for Special Education need within Early Years (0-5yrs)
Waingels College Waingels - One School Path Finder	190	To complete final phase of rebuild
Various small schemes	190	
Total	**16389**	

The table below shows the 2012-13 budget updated with the carry forward from 2011-12

Capital Expenditure by Service	MTFP Approved Budget 12/13 £'000	C/Fwd from 11/12 £'000	Total Original Estimate 2012/13 £'000	Movements in 2012-13 £'000	Revised Budget £'000
Resources	4,016	692	4,708	-772	3,936
Children	12,793	18,736	31,528	403	31,931
Health and Wellbeing	5,825	1,411	7,236	623	7,859
Neighbourhood	6,073	3,000	9,073	1,035	10,108
Development and Regeneration	3,659	304	3,963	716	4,679
Transformation	832	1,844	2,676	771	3,447
Total	**33,198**	**25,986**	**59,184**	**2,776**	**61,960**

The 2012-13 Movements in budget shown in the table above are due to the following:

	£'000	
Revenue Contribution	48	Increase in contribution from Revenue in year
Grant/Contribution	373	Increase in Grants and Contributions in year
School Funded	290	Increase in Funding from schools in year
WBC	921	Allocation from Reserves in year
S106	1,144	Increase in available S106 developers contributions in year
Total	**2,776**	

4.2 Changes to the Financing of the Capital Programme

The following table 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	2012/13			
	Revised Budget	**Forecast Expenditure @ 31-03-12**	**C/Fwd 12/13**	**Under/Over Spend**
	£'000	**£'000**	**£'000**	**£'000**
Financed by:				
Contribution	203	9	194	0
Grant	38,170	21,000	17,193	23
HRA Funding	5,000	5,000	0	0
Revenue Contribution	399	370	29	0
School Funded	502	405	98	1
Section 106	1,928	1,872	59	4
WBC Receipts and reserves	6,029	4,040	1,914	-74
Borrowing	9,730	7,806	1,981	57
Total	**61,960**	**40,502**	**21,469**	**11**

The WBC Receipts and reserves cfwd of £1,981,000 shown in the above table is due to three major schemes being delayed into 2013/14.The major schemes are as follows:

Replacement for Day services for adults with physical disabilities due to a delay in finding a suitable site, feasibility on a preferred site are in progress.

Technology Futures Programme (hardware and software) this scheme has now been re-profiled and the expenditure will now take place in 2013/14

4.3 Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary

The table shows the Capital Financing Requirement (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 (CFR)

	2012/13 Original Estimate £'000	Current Position £'000	2012/13 Revised Estimate £'000
CFR – non housing	80,074	87,460	87,460
CFR – housing	96,912	96,592	96,592
Total CFR	**176,986**	**184,052**	**184,052**
Net movement in CFR		7,066	7,066

(Please refer to the Net borrowing & Capital Financing Requirement in Appendix D)

The CFR movement to the original estimate is due to a technical adjustment. This was as a result of incorrect treatment of MRP in calculation of the CFR for the Treasury Strategy and this has no impact on the agreed borrowing levels.

Prudential Indicator – External Debt

	2012/13 Original Estimate £'000	Current Position £'000	2012/13 Revised Estimate £'000
Borrowing	142,788	134,182	134,182
Other long term liabilities*	2,000	9,669	9,669
Total debt @ 31 March 13	**144,788**	**143,851**	**143,851**

** On balance sheet PFI schemes and finance leases etc.*

4.4 Limits to Borrowing Activity

The first key control over 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. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2012/13 Original Estimate £'000	Current Position @ September 2012 £'000	Position @ 31-03-12 Estimate £m
Gross borrowing	200,000	134,182	134,182
Plus other long term liabilities*	2,000	9,669	9,669
Less investments	-111,212	-68,311	-40,661
Net borrowing	**90,788**	**75,540**	**103,190**
CFR* (year end position)	176,986	184,053	184,053
		Headroom	80,863

* *Includes on balance sheet PFI schemes and finance leases etc.*

The Strategic Director of Resources reports that 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 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 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 £'000	Current Position £'000
Borrowing	189,000	134,182
Other long term liabilities*	1,000	9,669
Total	**190,000**	**143,851**

* *Includes on balance sheet PFI schemes and finance leases etc.*

Prudential Indicator – Operational Boundary

Operational boundary for external debt	2012/13 Original Indicator £'000	Current Position £'000	2012/13 Revised Indicator £'000
Borrowing	200,000	134,182	200,000
Other long term liabilities*	2,000	9,669	2,000
Total	**202,000**	**143,851**	**202,000**

* *Includes on balance sheet PFI schemes and finance leases etc.*

The operational boundary for external debt is based on the same estimates as the authorised limit but reflects an estimate of the most likely, prudent, but not worse case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements.

5 Investment Portfolio 2012/13

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. As set out in Section 3, it is a very difficult investment 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, investment returns are likely to remain low.

The Council held £24,467,945 of in-house investments as at 30 September 2012 (£18,081,000 at 31 March 2012) and the investment portfolio yield for the first six months of the year was 0.55% against a benchmark *(3 month Libor rate) of 0.35%.*
The council also has investment with fund managers of £43,842,000 This gives a total of investments of £68,310,00.

A full list of investments held as at 30th September 2012 is shown in appendix B:

The Strategic Director of Resources confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2012/13.

1. The Council's budgeted investment return for 2012/13 is £820,000, The estimated performance for the 2012-13 is £1,359,000. This would create a forecast surplus of £539,000 at year end. This does include interest received from loans to Wokingham Enterprise Limited and the Housing Revenue Account (HRA).

Investment Counterparty Criteria

The current investment counterparty criteria selection approved in the treasury management strategy is meeting the requirement of the treasury management function.
For our Counterparty list as at September 2012 refer to Appendix C.

6 Borrowing

The Council's capital financing requirement (CFR) for 2012/13 is £184,053,000 The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. However it would be prudent not to exceed an internal borrowing level of 25-30% of our CFR to minimise our net debt interest exposure level. The table in section 5.4 shows the Council has borrowings of £134,182,000 and has utilised £40,202,000 of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate.

	2012/13 £'000
CFR* (year end position)	184,053
Less External Borrowing	-134,182
Less Other long term liabilities	-9,669
Internal Borrowing	**40,202**
% of internal borrowing to CFR	**22%**

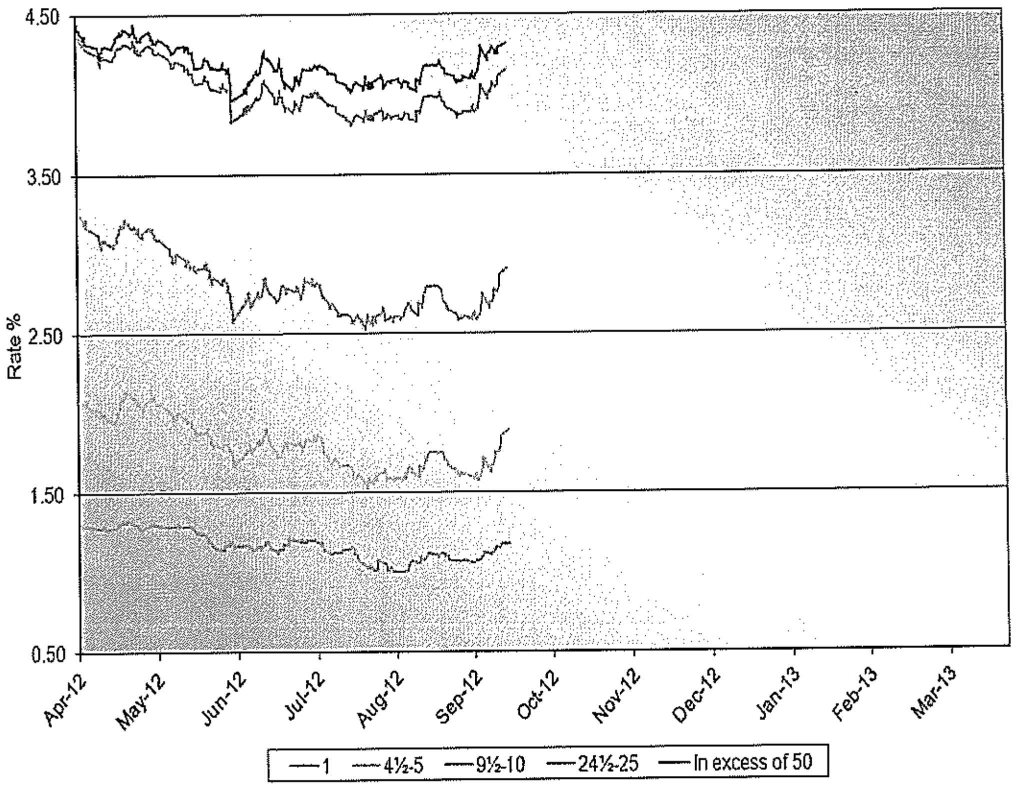
** On balance sheet PFI schemes and finance leases etc.*

As outlined below, the general trend has been a reduction in interest rates during the six months, across all maturity bands.

It is anticipated that further borrowing will not be undertaken during this financial year.

The graph and table below show the movement in PWLB rates for the first six months of the year (to 10.9.12):

PWLB Rates 2012-13



APPENDIX B

CURRENT INVESTMENTS @ 30/09/12

Institution	Amount	Rate	Maturity Date	Trade Date	Broker
	£'000	%			
Heritable Bank	847	5.45	FROZEN	01-Nov-06	Tradition
	(0)	6.20	FROZEN	28-Aug-08	Tullett Prebone
Landsbanki	1,000	5.50	FROZEN	01-Sep-08	Tullett Prebone
Landsbanki	171	6.05	FROZEN	01-Aug-08	0
Lancashire County Council	3,000	0.8	16-Apr-13	01-May-12	Tradition
Nottingham City Council	3,000	0.7	21-Dec-12	30-Jan-12	Tradition
Newcastle City Council	2,000	1.7	05-Nov-12	03-May-11	Tradition
Nationwide BS	2,000	0.53	19-Dec-12	19-Sep-12	Tradition
Invesco Global MMF (AIM Global)	4,000	Variable	Call		
Deutsche Bank (Henderson)	5,000	Variable	Call		0
Natwest SIB	0	0.90	Call		
RBS Global Treasury Fund MMF	3,000	Variable	Call	01-May-06	
RBS Govt Backed MMF	450	Variable	Call	05-Aug-09	
Total	**24,468**				

Investments	2012/13 £'000 Actual
Royal London Asset Management (Rlam)	19,679
Scottish Widows Investment Partnership (SWIP).	24,163
Total	**43,843**

APPENDIX C

COUNTERPARTY LIMITS @ SEPTEMBER 2012
MAXIMUM OF £5m per Group

	Country	Fitch Long Term Rating *	Individual Limit per LCD £000	Max Duration Months	Current Investment £000	Available Balance £000	Active
Others							
Other Local Authorities	UK	AAA	5,000	36	0	5,000	N
Leeds City Council	UK	AAA	5,000	36	0	5,000	N
Salford City Council	UK	AAA	5,000	36	0	5,000	
Newcastle City Council	UK	AAA	5,000	36	2,000	3,000	
Nottingham City Council	Uk	AAA	5,000	36	3,000	2,000	
Birmingham City Council	UK	AAA	5,000	36	0	5,000	
Lancashire County Council	UK	AAA	5,000	36	3,000	2,000	
Debt Management Office (DMO)	UK	AAA	20,000	3	0	20,000	Y
Money Market Funds							
Invesco Global MMF (was AIM)	UK	AAA	5,000	36	4,000	1,000	Y
Deutsche Bank Sterling Fund (was Henderson)	*Ireland*	AAA	*5,000*	*36*	*5,000*	0	Y
Royal Bank of Scotland MMF - Sterling Fund	UK	AAA	5,000	36	3,000	2,000	Y
RBS Govt Back MMF	UK	AAA	5,000	36	450	4,550	
BANKING GROUPS							
HSBC Group							
HSBC Bank plc	UK	AA	3,000	6	0	3,000	
INDIVIDUAL BANKS							
Bank of Nova Scotia	Canada	AA-	3,000	12	0	3,000	N
Royal Bank of Canada	Canada	AA	3,000	12	0	3,000	N
Toronto-Dominion Bank	Canada	AA-	3,000	12	0	3,000	N
Landwirtschaftliche Rentenbank	Germany	AAA	5,000	12	0	5,000	
Clearstream Banking	Luxembourg	AA	3,000	12	0	3,000	
Rabobank	Netherlands	AA+	3,000	12	0	3,000	N
Bank Nederlandse Gemeenten	Netherlands	AAA	5,000	12	0	5,000	
Development Bank of Singapore	Singapore	AA-	3,000	12	0	3,000	N
Oversea Chinese Banking Corp	Singapore	AA-	3,000	12	0	3,000	N
Barclays Bank	UK	A	3,000	6	0	3,000	
Close Brothers	UK	A	3,000	6	0	3,000	
Bank of New York Mellon (International) Ltd	UK	AA-	3,000	12	*0*	*3,000*	
Building Societies							
Nationwide Building Society	UK	A+	2,000	3	2,000	0	N
Coventry Building Society	UK	A	2,000	3	*0*	*2,000*	*N*
Leeds Building Society	UK	A-	2,000	3	0	2,000	N
Frozen Investments							
Heritable Bank					847	(847)	
Landsbanki			0		1,171	(1,171)	
TOTAL INVESTMENTS					**24,468**		

Note: Finch rated A organisations are included in the counterparty list as they are Government backed

APPENDIX D

PRUDENTIAL INDICATORS as at 30thSeptember 2012

AFFORDABILITY	2012/13 Budget %	2012/13 Forecast 1st Qtr %	2012/13 Forecast 2nd Qtr %
Ratio of financing costs to net revenue stream			
Non-HRA	4.58%	3.72%	3.70%
HRA	22.10%	19.68%	19.64%

Ratio of Financing Costs to Net Revenue Stream =

$$\frac{\text{Revenue cost of total borrowing}}{\text{Net Revenue Budget}}$$

Incremental Impact of Capital Investment Decisions on the Council Tax	2012/13 Budget £p	2012/13 Forecast 1st Qtr £p	2012/13 Forecast 2nd Qtr £p
Estimate of Band D equivalent Council Tax	(57.00)	(28.74)	(30.89)

Incremental Impact of Capital Investment Decisions on the Council Tax =

$$\frac{\text{Revenue costs of total borrowing- Revenue savings of Capital Investment}}{\text{Council Tax Base}}$$

Net Borrowing & Capital Financing Requirement:	2012/13 Estimate £'000	2012/13 Forecast 1st Qtr £'000	2012/13 Forecast 2nd Qtr £'000
Net Borrowing	90,788	78,188	65,871
Capital Financing Requirement (CFR)	176,986	180,826	184,053
Is Net Borrowing less than or equal to CFR?	Yes	Yes	Yes

The CFR movement to the original estimate is due to an technical adjustment. This is as a result of incorrect treatment of MRP in calculation of the CFR for the Treasury Strategy and this has no impact on the agreed borrowing levels.

CAPITAL EXPENDITURE

Estimate of capital expenditure to be incurred:	2012/13 Budget £'000	2012/13 Forecast 1st Qtr £'000	2012/13 Forecast 2nd Qtr £'000
Non-HRA	56,960	34,783	35,506
HRA	5,000	5,000	5,000
Total	61,960	39,783	40,506

The above include 11/12 cfwd

Estimate of (CFR) at year end:	2012/13 Estimate £'000	2012/13 Forecast 1st Qtr £'000	2012/13 Forecast 2nd Qtr £'000
Non-HRA	80,074	84,234	87,460
HRA	96,912	96,592	96,592
Total	176,986	180,826	184,053

EXTERNAL DEBT

Authorised limit for external debt:	2012/13 Budget £'000	2012/13 Forecast 1st Qtr £'000	2012/13 Forecast 2nd Qtr £'000
Borrowing Other long term liabilities	202,000	134,182 9,669	134,182 9,669
Total	202,000	134,182	134,182

Operational boundary for external debt:	2012/13 Budget £'000	2012/13 Forecast 1st Qtr £'000	2012/13 Forecast 2nd Qtr £'000
Borrowing Other long term liabilities	190,000	134,182 9,669	134,182 9,669
Total	190,000	143,851	143,851

TREASURY MANAGEMENT

Interest rate exposures:	2012/13 Budget £'000	2012/13 Forecast 1st Qtr £'000	2nd Qtr £'000
Upper limit on fixed rate exposures - Debt Only	180,000	110,182	110,182
Upper limit on variable rate exposures - Debt Only	40,000	24,000	24,000

Interest rate exposures:	2012/13 Budget £'000	2012/13 Forecast 1st Qtr £'000	2nd Qtr £'000
Upper limit on fixed rate exposures - Investments Only	(80,000)	(30,323)	(35,558)
Upper limit on variable rate exposures - Investments Only	(40,000)	(25,671)	(30,126)

Interest rate exposures:	2012/13 Budget £'000	2012/13 Forecast 1st Qtr £'000	2nd Qtr £'000
Upper limit on fixed rate exposures - Net Debt Position	100,000	79,859	74,624
Upper limit on variable rate exposures - net Debt Position		(1,671)	(6,126)
Net Borrowing		78,188	68,498

	£'000	£'000	£'000
Total principal sum allowed to be invested beyond 364 days	2012/13 Budget £'000	2012/13 Forecast 1st Qtr £'000	2nd Qtr £'000
In House	0	0	0
Fund Managers	10,000	2,000	4,500

OTHER KEY PERFORMANCE INDICATORS
For WBC purposes only

AFFORDABILITY	2012/13 Budget %	2012/13 Forecast 1st Qtr %	2012/13 Forecast 2nd Qtr %
Ave rate of return on investment			
RLAM		**1.63**	**0.56**
SWIP	1.70	**0.15**	**0.75**
In House		**0.79**	**0.36**
Total	**1.70**	**0.86**	**1.67**

Level of investment	2012/13 Budget £'000	2012/13 Forecast 1st Qtr £'000	2012/13 Forecast 2nd Qtr £'000
RLAM	12,500	16,137	19,679
SWIP	12,500	*9,290*	*18,337*
In House	25,000	30,568	27,668
Total	**50,000**	**55,995**	**65,684**

Ave rate of interest on debt	2012/13 Budget %	2012/13 Forecast 1st Qtr %	2012/13 Forecast 2nd Qtr %
	4.53%	4.38%	4.38%

Short term borrowing limit	2012/13 Budget £'000	2012/13 Forecast 1st Qtr £'000	2012/13 Forecast 2nd Qtr £'000
	20,000	0	0

Market loans as a proportion of overall Loan Portfolio	2012/13 Budget %	2012/13 Forecast 1st Qtr %	2012/13 Forecast 2nd Qtr %
	18%	18%	18%

Market loans as a proportion of overall Loan Portfolio =

$$\frac{\text{Market loans}}{\text{Total Loans Portfolio}}$$

APPENDIX E

Glossary of Terms

PWLB - Public Works Loan Board

ECB - European Central Bank

CFR - Capital Financing Requirement

MRP - Minimum Revenue Provision

Authorised Limit – 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

Boundary Limit – Is an estimate as the authorised limit but reflects an estimate of the most likely, prudent, but not worse case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements.

PWLB certainty rate - A reduced rate from PWLB to principal local authorities who provided required information to government on their plans for long-term borrowing and associated capital spending.