ITEM NO: 36.00

TITLE	**Treasury Management Mid Year Report 2013-14**
FOR CONSIDERATION BY	Audit Committee on 27th November 2013
WARD	None specific
STRATEGIC DIRECTOR	Graham Ebers, Strategic Director Resources

OUTCOME / BENEFITS TO THE COMMUNITY

Effective and safe use of our resources to deliver service improvements and service continuity through capital investments.

RECOMMENDATION

That the Audit Committee are asked to:

1) Note the mid-year Treasury Management report for 2013/14.
2) Note the actual 2013/14 prudential indicators within the report.
3) Recommend the report to Council for approval

SUMMARY OF REPORT

The Treasury Management Mid Year Report 2013/14 is a requirement prudential code and the Council's reporting procedures. It covers the treasury activity during the first half of 2013/14 and the actual Prudential Indicators for this period.

Background

The report highlights the Council's treasury position as at 30 September 2013, sets out the treasury decisions taken so far during 2013/14 and shows that the Council has complied with our strategy and the prudential indicators that were set prior to the financial year.

Analysis of Issues

The first six months of the financial year have continued with the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk.

As at 30th September 2013 the Non- HRA external debt was £46,464m which has not changed during the first six months of the financial year 2013-14.

The HRA External Debt as at 30th September 2013 was £87.7m which has not changed during the first six months of the financial year 2013-14. The HRA has an internal loan of £8.8m from the council general fund. The HRA are repaying £2.7m principle (Self financing PWLB loan) in march 2014

In the first six months external debt did not increase as the council took the opportunity to use internal funds to fund the capital programme.

During the first six months capital expenditure was £23.9m and the forecast year end figure £60.6m

As at 30th September 2013 there have been no breaches of the treasury strategy 2013-14.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	Investment £ 81.3m Debt £141.2M	Yes	Revenue and Capital
Next Financial Year (Year 2)	N/A	N/A	Capital
Following Financial Year (Year 3)	N/A	N/A	Capital

Other financial information relevant to the Recommendation/Decision
N/A

Cross-Council Implications
N/A

List of Background Papers
The full Treasury Mid Year report for 2013/14 is shown in Appendix A. The Councils Prudential indicators are shown in Appendix B The Councils Current Loan Portfolio Appendix C The Councils Counter party Limits at the 30th September 2013 are shown in Appendix D The Councils Current Investments at the 30th September 2013 are shown in Appendix E Glossary of Terms in Appendix F

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Date 18 November 2013	**Version No.** 1

WOKINGHAM BOROUGH COUNCIL

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BOROUGH COUNCIL

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Treasury Management Strategy

Mid-year Review Report 2013/14

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Appendices

1) Introduction and Background

a) The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously borrowed may be restructured to meet Council risk or cost objectives.

b) The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management has been adopted by Wokingham Borough Council

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.

5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this the Counci's delegated body is the Audit Committee:

2) This report summarises the following:-

- **a.** An economic update for the 2013/14 financial year to 30 September 2013;
- **b.** A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- **c.** The Council's capital expenditure (prudential indicators);
- **d.** A review of the Council's investment portfolio for 2013/14;
- **e.** A review of the Council's borrowing strategy for 2013/14;
- **f.** A review of any debt rescheduling undertaken during 2013/14;
- **g.** A review of compliance with Treasury and Prudential Limits for 2013/14.

3) Economic update

3.1 Economic performance to date

During 2013/14 economic indicators suggested that the economy is recovering, albeit from a low level. After avoiding recession in the first quarter of 2013, with a 0.3% quarterly expansion the economy grew 0.7% in Q2. There have been signs of renewed vigour in household spending in the summer, with a further pick-up in retail sales, mortgages, house prices and new car registrations.

The strengthening in economic growth appears to have supported the labour market, with employment rising at a modest pace and strong enough to reduce the level of unemployment further. Pay growth also rebounded strongly in April, though this was mostly driven by high earners delaying bonuses until after April's cut in the top rate of income tax. Excluding bonuses, earnings rose by just 1.0% year on year, well below the rate of inflation at 2.7% in August, causing continuing pressure on household's disposable income.

Funding for Lending Scheme (FLS)

Funding for Lending Scheme (FLS) was launched by the Bank of England and HM Treasury on 13 July 2012. The FLS is designed to incentivise banks and building societies to boost their lending to the UK real economy.

The Bank of England extended the FLS into 2015 and sharpened the incentives for banks to extend more business funding, particularly to small and medium size enterprises. To date, the mortgage market still appears to have been the biggest beneficiary from the scheme, with mortgage interest rates falling further to new lows. Together with the Government's Help to Buy scheme, which provides equity loans to credit-constrained borrowers, this is helping to boost demand in the housing market. Mortgage approvals by high street banks have risen as have house prices, although they are still well down from the boom year's pre 2008.

The public borrowing figures continued to be distorted by a number of one-off factors. On an underlying basis, borrowing in Q2 started to come down, but only slowly, as Government expenditure cuts took effect and economic growth started to show through in a small increase in tax receipts. The 2013 Spending Review, covering only 2015/16, made no changes to the headline Government spending plan, and monetary policy was unchanged in advance of the new Bank of England Governor, Mark Carney, arriving. The Bank Rate remained at 0.5% and quantitative easing also stayed at £375bn. In August, the Monetary Policy Committee (MPC) provided forward guidance that Bank Rate is unlikely to change until unemployment first falls to 7%, which was not expected until mid 2016. However, 7% is only a point at which the MPC will review Bank Rate, not necessarily take action to change it. The three month to July average rate was 7.7%.

CPI inflation (MPC target of 2.0%), fell marginally from a peak of 2.9% in June to 2.7% in August. The Bank of England expects inflation to fall back to 2.0% in 2015.

Tensions in the Eurozone eased over the second quarter, but there remained a number of triggers for a renewed flare-up. Economic survey data improved consistently over the first half of the year, pointing to a return to growth in Q2, so ending six quarters of Eurozone recession.

3.2 Outlook for the next six months of 2013/14

Economic forecasting remains difficult with so many external influences weighing on the UK. Volatility in bond yields is likely during 2013/14 as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds.

Downside risks to UK gilt yields and PWLB rates include:

- A return to weak economic growth in the US, UK and China causing major disappointment to investor and market expectations
- The potential for a significant increase in negative reactions of populaces in Eurozone countries against austerity programmes
- The Italian political situation is frail and unstable: the coalition government fell on 29 September.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Weak growth or recession in the UK's main trading partners - the EU and US, depressing economic recovery in the UK.

Upside risks to UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.
- Increased investor confidence that sustainable robust world economic growth is firmly expected, together with a reduction or end of QE operations in the US, causing a further flow of funds out of bonds into equities.
- In the longer term - a reversal of QE in the UK; this could initially be implemented by allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held.

The overall balance of risks to economic recovery in the UK is now weighted to the upside after five months of robust good news on the economy. However, only time will tell just how long this period of strong economic growth will last, and it remains exposed to vulnerabilities in a number of key areas. The longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Near-term, there is some residual risk of further QE if there is a dip in strong growth or if the MPC were to decide to take action to combat the market's expectations of an early first increase in Bank Rate. If the MPC does takes action to do more QE in order to reverse the rapid increase in market rates, especially in gilt yields and interest rates up to 10 years, such action could cause gilt yields and PWLB rates over the next year or two to significantly undershoot the forecasts in the table below.

3.3 Interest rate forecasts

Interest rate forecasts (PWLB certainty rates)

	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%
5yr PWLB rate	2.50%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%
10yr PWLB rate	3.70%	3.70%	3.70%	3.70%	3.80%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
25yr PWLB rate	4.40%	4.40%	4.40%	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.20%
50yr PWLB rate	4.50%	4.40%	4.40%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.20%	5.20%	5.30%

The table above comes from Wokingham Borough Council's Treasury advisers (Capita Assets Services-formerly known as Sector)

Expectations for the first change in Bank Rate in the UK are now dependent on how to forecast when unemployment is likely to fall to 7%. Financial markets have taken a very contrary view to the MPC (Monetary Policy Committee) and have aggressively raised short term interest rates and gilt yields due to their view that the strength of economic recovery is now so rapid that unemployment will fall much faster than the Bank of England forecasts. They therefore expect the first increase in Bank Rate to be in quarter 4 of 2014.
Capita Asset Services take the view that the unemployment rate is not likely to come down as quickly as the financial markets are currently expecting and that the MPC view is more realistic. The prospects for any increase in Bank Rate before 2016 are therefore seen as being limited. However, some forecasters suggest that even the Bank of England forecast is too optimistic as to when the 7% level will be reached and so do not expect the first increase in Bank Rate until spring 2017.

4) Treasury Management Strategy Statement and Annual Investment Strategy update

The Treasury Management Strategy Statement (TMSS) for 2013/14 was approved by the Council on 21st of February 2013

- There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

5) The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

5.1 The Council's Capital Position (Prudential Indicators)

These tables show the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Table 1

Capital Expenditure by Service	Budget As per the TMSS	Budget As per Capital Programme @ 30-09-2013	Movement	Value of Work @ 30-09-13	Forecast year-end position @ 30-09-13
	£'000	£'000	£'000	£'000	£'000
Children's Services	25,317	28,808	3,491	15,756	24,381
Neighbourhoods	13,628	16,184	2,556	2,591	14,831
Development and Regeneration	16,932	16,496	(436)	1,091	6,583
Health and wellbeing	6,067	7,598	1,531	855	4,097
Resources	4,159	4,641	482	939	4,060
Non-HRA	**66,103**	**73,727**	**7,624**	**21,232**	**53,952**
HRA	7,150	7,621	471	2,701	6,696
Total	**73,253**	**81,348**	**8,095**	**23,933**	**60,648**

Table 2

Budget Movements 2013/14	Movement £'000	Comments
Children's Services	3,491	Additional funding from non wbc resources £0.5m and 12/13 cfwd of £2.9m higher than estimated.
Neighbourhoods	2,556	Additional funding from non wbc resources £0.6m and 12/13 cfwd of £1.9m higher than estimated.
Development and Regeneration	(436)	12/13 cfwd of £.4m lower than estimated.
Health and wellbeing	1,531	Additional funding from non wbc resources £0.5m and 12/13 cfwd of £1.m higher than estimated.
Resources	482	12/13 cfwd of £.5m higher than estimated.
Non-HRA	**7,624**	
HRA	471	12/13 cfwd of £.5m higher than estimated.
Total	**8,095**	

5.2 Changes to the Financing of the Capital Programme

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need.

Capital Expenditure	Budget As per the TMSS	Budget As per Capital Programme @ 30-09-13
	£'000	£'000
Non-HRA	66,103	73,727
HRA	7,150	7,621
Total	**73,253**	**81,348**

Financed by:		
Capital receipts / reserves	1,616	5,573
Capital grants	44,412	43,890
School funded	208	770
Revenue contribution	817	1,314
Other contribution	1,030	271
Section 106	2,426	4,704
HRA-MRR	4,160	4,616
HRA - Revenue Contribution	261	500
Subtotal	**54,930**	**61,637**
Net financing(borrowing)**	18,324	19,711
Total	**73,254**	**81,348**

** **Net financing (borrowing) is funded by either external borrowing (PWLB loans etc) or internal borrowing (use of cash flow funds).**

5.3 Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt

The following tables show the CFR, which is the underlying external need to incur borrowing for a capital purpose and the expected debt position over the period.

	Budget As per the TMSS	Forecast year-end position @ 30-09-13
	£'000	**£'000**
Prudential Indicator – Capital Financing Requirement		
CFR – non housing	101,259	100,432
CFR – housing	93,892	93,252
Total CFR	**195,151**	**193,684**
Annual change in CFR*		
CFR – non housing		7,298
CFR – housing		(2,700)
Total		**4,598**

Prudential Indicator – External Debt	Budget As per the TMSS	Forecast year-end position @ 30-09-13
	£'000	**£'000**
Borrowing (including other liabilities)		
Non housing	56,133	56,133
(HRA) housing	85,018	85,018
Total debt	**141,151**	**141,151**

5.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross 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 2013/14 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.

	2013-14 Budget As per the TMSS	2013-14 Forecast year-end position @ 30-09-13	2014-15 Budget Estimated
	£'000	£'000	£'000
Gross borrowing (including other liabilities)	141,151	141,151	156,631
CFR* (year end position)	195,151	193,684	205,809

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

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational boundary £'000	2013-14 Budget As per the TMSS	2013-14 Forecast year-end position @ 30-09-13	2014-15 Budget Estimated
	£'000	£'000	£'000
Debt	202,000	202,000	218,000
Other long term liabilities	10,000	10,000	10,000
Total	**212,000**	**212,000**	**228,000**

The authorised limit for external debt. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

Authorised limit	2013-14 Budget As per the TMSS	2013-14 Forecast year-end position @ 30-09-13	2014-15 Budget Estimated
	£'000	£'000	£'000
Debt	212,000	212,000	230,000
Other long term liabilities	11,000	11,000	11,000
Total	**223,000**	**223,000**	**241,000**

Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently:

	2013-14 Budget As per the TMSS	2013-14 Forecast year-end position @ 30-09-13	2014-15 Budget Estimated
	£'000	£'000	£'000
HRA Debt Limit	102,000	93,892	93,892
Total	**102,000**	**93,892**	**93,892**

The Strategic Director of Resources reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator

6. Investment Portfolio 2013/14

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. Indeed, the introduction of the Funding for Lending scheme has reduced market investment rates even further. The potential for a prolonging of the Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment, investment returns are likely to remain low.

The Council Level of investments as at 30 September 2013

Level of investment	2013-14 Budget As per the TMSS	2013-14 Actuals @ 30-09-13
RLAM	12,500	22,755
SWIP	12,500	14,357
In House	25,000	45,880
Total	**50,000**	**82,992**

During the financial year the total investments is higher than budgeted due to receiving grants in advance of expenditure and the levels of investments are expected to reduce in by the 31st March 2014. A full list of investments held as at 30th September 2013 is in appendix C:

The Council's investment return for 2013/14

Interest of investments	2013-14 Budget As per the TMSS	2013-14 Forecast year-end position @ 30-09-13 £'000	%
RLAM		59	10%
SWIP		111	19%
In House		416	71%
Total	**645**	**586**	**100%**

The Strategic Director of Resources confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2013/14.

7. Borrowing 2013/14

The Council's capital financing requirement (CFR) for 2013/14 is £ 193.6m. 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) .

The following table shows the Council has borrowings of £143.8m (external borrowing and Other long term liabilities) and has utilised £49.8m of cash flow funds in lieu of borrowing (Internal Borrowing) This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevails.

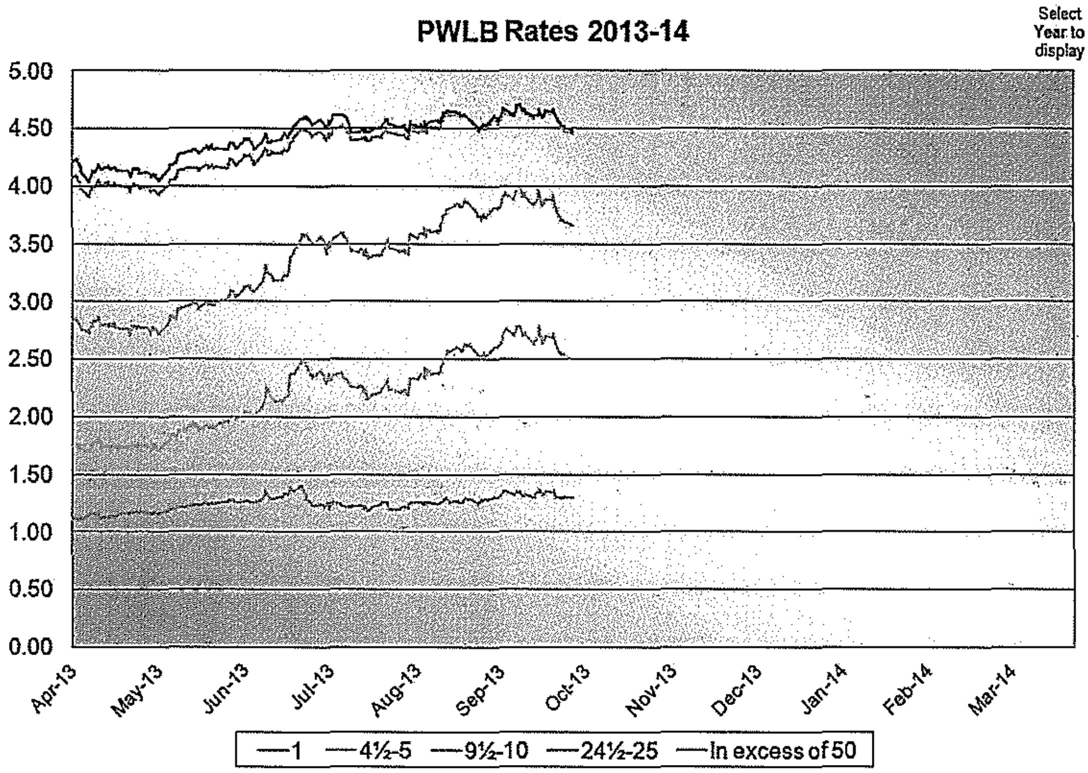
Internal Borrowing	2013/14 Budget	Quarter 2 13/14 Year end forecast
	£'000	£'000
CFR* (year end position)	195,151	193,684
Less External Borrowing	(134,182)	(131,482)
Less Other long term liabilities	(9,669)	(9,669)
Internal Borrowing	**51,300**	**52,533**
% of internal borrowing to CFR	**26.29%**	**27.12%**

Capita Asset Services (Wokingham Borough Council's treasury advisors) suggests it is prudent not to exceed an internal borrowing level of 25-30% of the CFR to minimise our net debt interest exposure level

It is anticipated that no new external borrowing will be undertaken during this financial year.

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

The graph and table below show the movement in PWLB rates for the first six months of the year to 30.9.13:



8. Debt Rescheduling 2013/14

No debt rescheduling was undertaken during the first six months of 2013/14

Prudential and Treasury Indicators as at 30th September 2013

Treasury Indicators	2013/14 Budget	Quarter 2 13/14 @ 30-09-13
	£'000	£'000
Authorised limit for external debt	223,000	134,182
Operational boundary for external debt	212,000	134,182
Gross external debt	141,151	134,182
Investments	(33,100)	(82,992)
Net borrowing	**108,051**	**51,190**

Maturity structure of fixed rate borrowing	2013/14 Budget	Quarter 2 13/14 @ 30-09-13
upper and lower limits	£'000	£'000
Under 12 months	17,700	17,700
12 months to 2 years	0	0
2 years to 5 years	12,476	12,476
5 years to 10 years	18,001	18,001
10 years and above	86,005	86,005

Upper limit -Debt Only	2013/14 Budget	Quarter 2 13/14 @ 30-09-13
	£'000	£'000
On fixed rate exposures	180,000	110,182
On variable rate exposures	40,000	24,000

Upper limit -Investments Only	2013/14 Budget	Quarter 2 13/14 @ 30-09-13
	£'000	£'000
On fixed rate exposures	(80,000)	(60,874)
On variable rate exposures	(40,000)	(22,118)

Estimate of capital expenditure to be incurred: (Non HRA)	2013/14 Budget	Quarter 2 13/14 Year end forecast
	£'000	£'000
Capital expenditure	66,103	60,644
Capital Financing Requirement (CFR)	101,259	100,432
Annual change in CFR*		**7,298**

Estimate of capital expenditure to be incurred: (HRA)	2013/14 Budget	Quarter 2 13/14 Year end forecast
	£'000	£'000
Capital expenditure	7,607	7,640
Capital Financing Requirement (CFR)	93,892	93,252
Annual change in CFR*		**-2,700**

Ratio of financing costs to net revenue stream (HRA)	18.99%	19.11%

Incremental impact of capital investment decisions:-	2013/14 Budget	Quarter 2 13/14 Year end forecast
	£'000	£'000
Addition or (Reduction) to Council Tax	29.35	28.67

Level of investment	2013/14 Budget	Quarter 2 13/14 @ 30-09-13
	£'000	£'000
RLAM	12,500	22,755
SWIP	12,500	14,357
In House	25,000	45,880
Total	**50,000**	**82,992**

Ave rate of interest on debt (Long term)	2013/14 Budget	Quarter 2 13/14 Year end forecast
	%	%
Non HRA	4.31%	4.31%
HRA including GF internal loan	2.87%	2.87%
Total	**3.35%**	**3.35%**

Short term borrowing limit	2013/14 Budget	Quarter 2 13/14 @ Sept 2013
	£'000	£'000
	20,000	2,700

Internal Borrowing	2013/14 Budget	Quarter 2 13/14 Year end forecast
	£'000	£'000
CFR* (year end position)	195,151	193,684
Less External Borrowing	(134,182)	(131,482)
Less Other long term liabilities	(9,669)	(9,669)
Internal Borrowing	**51,300**	**52,533**
% of internal borrowing to CFR	**26.29%**	**27.12%**

Internal investments: interest Received	2013/14 Budget £'000	Quarter 2 Actual £'000	Quarter 2 13/14 Year end forecast £'000
HRA Internal loan from The General fund	318	159	318

Internal investments:	2013/14 Actual	Quarter 2 13/14 Year end forecast
	£'000	£'000
HRA Internal loan from The General fund	8,874	8,874
Wokingham Housing	1,000	1,900
Optalis	50	50
Wokingham Enterprise Ltd	3	0
Total	**9,927**	**10,824**

Loan portfolio

PWLB/Market	Loan no	TWO POOL Loan Balance 30-09-13 £'000	Interest Rate %
PWLB – GF	485805	976	4.9
PWLB – GF	488876	2,343	5
PWLB – GF	491320	2,929	3.9
PWLB – GF	491456	1,431	4.4
PWLB – GF	491474	5,587	4.4
PWLB – GF	493309	9,764	4.6
Market – GF	3b	4,882	4.4
Market – GF	2c	4,882	4.6
Market - GF - KA Finanz	1c	4,882	4.9
Market – GF	4	1,953	3.7
Market – GF	5	4,882	3.7
Market – GF	6	1,953	3.8
Total Non HRA		**46,464**	

PWLB/Market	Loan no	TWO POOL Loan Balance 30-09-13 £'000	Interest Rate %
PWLB – HRA	485805	24	4.9
PWLB – HRA	488876	57	5
PWLB – HRA	491320	71	3.9
PWLB – HRA	491456	35	4.4
PWLB – HRA	491474	135	4.4
PWLB – HRA	493309	236	4.6
PWLB – HRA	501033	1,750	1.5
PWLB – HRA	501034	3,482	2.2
PWLB – HRA	501035	8,516	3.3
PWLB – HRA	501036	1,988	2
PWLB – HRA	501037	7,231	3.3
PWLB – HRA	501038	4,199	2.4
PWLB – HRA	501039	6,378	3.2
PWLB – HRA	501040	5,415	3
PWLB – HRA	501041	3,476	1.2
PWLB – HRA	501042	2,700	0.6
PWLB – HRA	501043	9,276	3.3
PWLB – HRA	501044	1,000	3.4
PWLB – HRA	501045	3,744	2.8
PWLB – HRA	501046	5,981	3.1
PWLB – HRA	501047	6,789	3.2
PWLB – HRA	501048	3,971	2.9
PWLB – HRA	501049	4,116	2.7
PWLB – HRA	501050	3,484	2.6
PWLB – HRA	501051	3,098	1.8
Market – HRA	3b	118	4.4
Market – HRA	2c	118	4.6
Market - HRA - KA Finanz	1c	118	4.9
Market – HRA	4	47	3.7
Market – HRA	5	118	3.7
Market – HRA	6	47	3.8
Internal loan from General Fund		8,874	3.6
Total HRA		**96,592**	

Counterparty list as at 30th September 2013

COUNTERPARTY LIMITS @ 30th September 2013 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	12	0	5,000	
Blackpool Borough Council	UK	AAA	5,000	12	3,000	2,000	
Barnsley Borough Council	UK	AAA	5,000	12	3,000	2,000	
London Borough of Enfield	UK	AAA	5,000	12	3,000	2,000	
Leeds City Council	UK	AAA	5,000	12	5,000	0	
Salford City Council	UK	AAA	5,000	12	5,000	0	
Newcastle City Council	UK	AAA	5,000	12	2,000	3,000	
Dundee City Council	Uk	AAA	5,000	12	3,000	2,000	
Birmingham City Council	UK	AAA	5,000	12	5,000	0	
Lancashire County Council	UK	AAA	5,000	12	5,000	0	
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	0	5,000	Y
Deutsche Bank Sterling Fund (was Henderson)	Ireland	AAA	5,000	36	0	5,000	Y
Royal Bank of Scotland MMF -Sterling Fund	UK	AAA	5,000	36	0	5,000	Y
RBS Govt Back MMF	UK	AAA	5,000	36	950	4,050	
BANKING GROUPS							
Lloyds Banking Group							
Bank of Scotland	UK	A	3,000	**6**	**0**	3,000	
Lloyds TSB	UK	A	3,000	**6**	**0**	3,000	
Group Limit			**3,000**			**3,000**	
HSBC Group							
HSBC Bank plc	UK	AA-	3,000	6	0	3,000	

	Country	Fitch Long Term Rating *	Individual Limit per LCD £000	Max Duration Months	Current Investment £000	Available Balance £000	Active
INDIVIDUAL BANKS							
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	
Kfw	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
United Overseas Bank LTD	Singapore	AA-	3,000	12	0	3,000	
Barclays Bank	UK	A	3,000	6	0	3,000	
Close Brothers	UK	A	3,000	6	0	3,000	
Sumitomo Mitsui Corperation Grp	UK	A-	3,000	6	0	3,000	
Santander UK PLC	UK	A	3,000	6	3,000	0	
Building Societies							
Nationwide Building Society	UK	A+	2,000	3	2,000	0	N
Coventry Building Society	UK	A	2,000	3	2,000	0	N
Leeds Building Society	UK	A-	2,000	3	2,000	0	N
Frozen Investments							
Heritable Bank			0		179	(179)	
Landsbanki			0		951	(951)	
TOTAL INVESTMENTS					**45,080**		

The figures in the table above are Principal values only; the amounts in the body of the report include accrued interest accounted for on the authority's balance sheet at year end.

Investments held by the external fund managers follow the criteria set out in the treasury management strategy over counterparty selection.

Investment portfolio

CURRENT INVESTMENTS					
Institution	**Amount £'000**	**Rate %**	**Maturity Date**	**Trade Date**	**Broker**
Heritable Bank	178	5.45	FROZEN	01 November 2006	Tradition
	0	6.20	FROZEN	28 August 2008	Tullett Prebone
Landsbanki	951	5.50	FROZEN	01 September 2008	Tullett Prebone
Landsbanki	0	6.05	FROZEN	01 August 2008	0
Blackpool BC	3,000	0.40	20 March 2014	20 September 2013	Tradition
Newcastle CC	2,000	0.40	29 May 2014	03 June 2013	Tradition
Salford CC	3,000	0.40	03 April 2014	19 April 2013	Tradition
Dundee CC	3,000	0.35	03 March 2014	02 September 2013	Tradition
Leeds CC	3,000	0.30	31 January 2014	01 July 2013	Tradition
Salford CC	2,000	0.40	13 January 2014	12 April 2013	Tradition
Leeds CC	2,000	0.40	02 January 2014	02 April 2013	Tradition
Nationwide BS	2,000	0.44	05 December 2013	05 September 2013	Tradition
Lancashire CC	3,000	0.35	28 November 2013	29 May 2013	Tradition
Lancashire CC	2,000	0.40	25 October 2013	28 January 2013	Tradition
Birmingham CC	3,000	0.40	22 October 2013	22 January 2013	Tradition
Santander UK	3,000	0.51	16 October 2013	16 April 2013	Tradition
Leeds BS	2,000	0.40	15 October 2013	12 July 2013	Tradition
Coventry BS	2,000	0.43	11 October 2013	11 July 2013	Tradition
Birmingham CC	2,000	0.45	28 August 2013	28 November 2012	Tradition
Invesco Global MMF (AIM Global)	0	Variable	Call		
Deutsche Bank (Henderson)	0	Variable	Call		
Natwest SIB	0	0.90	Call		
RBS Global Treasury Fund MMF	5,000	Variable	Call	01 May 2006	
RBS Govt Backed MMF	2,750	Variable	Call	05 August 2009	
Total	**45,880**				

Fund Managers 30-Sep-13			
	Mkt Value	Interest Received	%
	£'000	£'000	
Royal London Asset Management (Rlam)	22,755	7	0.03
Scottish Widows Investment Partnership (SWIP).	14,357	51	0.17

Glossary of terms

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 worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements.

CFR - Capital Financing Requirement- reflects the Council's underlying need to borrow for a capital purpose. It shows the total estimated capital expenditure that has not been resourced from capital or revenue sources. This requirement will eventually be met by revenue resources through the Minimum Revenue Provision mechanism.

CIPFA Prudential code - is a professional code of practice to support local authorities in taking capital investment decisions. Local authorities determine their own programmes for capital investment in fixed assets that are central to the delivery of quality local public services in accordance with the Prudential Code.

Communities and Local Government (CLG) - Is a ministerial department, supported by 12 agencies and public bodies. They are working to move decision-making power from central government to local councils. This helps put communities in charge of planning, increases accountability and helps citizens to see how their money is being spent.

Consumer price index (CPI) - measures changes in the price level of a market basket of consumer goods and services purchased by households.

ECB - European Central Bank.

FED - The Federal Reserve System (also known as the Federal Reserve, and informally as the Fed) is the central banking system of the United States.

Financing Cost to Net Revenue Stream-The percentage of the revenue budget set aside each year to service debt financing costs.

FLS - Funding for Lending Scheme (FLS) was launched by the Bank and HM Treasury on 13 July 2012. The FLS is designed to incentivise banks and building societies to boost their lending to the UK real economy.

Gilt - is a UK Government liability in sterling, issued by HM Treasury and listed on the London Stock exchange.

Gross domestic product (GDP) - is the market value of all officially recognized final goods and services produced within a country in a given period of time.

London Interbank Bid Rate - the rate at which banks will bid to take deposits in Eurocurrency from each other. The deposits are for terms from overnight up to five years.

MPC - Monetary Policy Committee Interest rates are set by the Bank's Monetary Policy Committee. The MPC sets an interest rate it judges will enable the inflation target.

MRP - Minimum Revenue Provision- Is a provision the council has set-aside from revenue to reduce borrowing arising from unfinanced capital expenditure (Borrowing).

Private Finance Initiative (PFI) - This is funding public infrastructure projects with private capital.

PWLB - Public Works Loan Board - is a statutory body operating within the Debt Management Office, an Executive Agency of HM Treasury.

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

Quantitative easing (QE) -A government monetary policy occasionally used to increase the money supply by buying government securities or other securities from the market. Quantitative easing increases the money supply by flooding financial institutions with capital, in an effort to promote increased lending and liquidity.

Voluntary Revenue Provision (VRP) – This a discretionary provision to reduce the unfinanced capital expenditure (Borrowing) funded by revenue.