ITEM NO: 7.00

TITLE	**Treasury Management Outturn Report 2013/14**
FOR CONSIDERATION BY	Audit Committee on 1 July 2014
WARD	None specific
DIRECTOR	Graham Ebers, Director of Finance and Resources

OUTCOME / BENEFITS TO THE COMMUNITY

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

RECOMMENDATION

The Audit Committee is asked to note:

1) The treasury management annual report for 2013/14; and

2) The actual 2013/14 prudential indicators within the report.

SUMMARY OF REPORT

Treasury Management is the management of the Council's investments and cash flows, its banking, money market and debt transactions together with the effective Control of the risks associated with those activities.

The 'Treasury Management Annual Report' is a requirement of the Council's reporting procedures. It covers the treasury activity during 2013/14 and the actual Prudential Indicators for 2013/14.

The report highlights the Council's treasury position as at 31 March 2014, sets out the treasury management decisions taken during 2013/14 and shows that the council has complied with its strategy and the prudential indicators that were set in February 2013. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are found in Appendix B.

Other prudential and treasury indicators are to be found in the main body of this report (Appendix A). The Director of Finance and Resources confirms that borrowing has been undertaken only for a capital purpose and the statutory borrowing limit (the authorised limit), was not breached during the year.

The financial year 2013/14 continued the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk.

As at 31st March 2014 the Non- HRA external debt was £46.6m This was a small increase of £120k as the council was able to secure an interest free loan from the local enterprise partnership (LEP) Contributing towards the car park at the south of Wokingham town centre.

The HRA External Debt as at 31st March 2014 was £85.0m which has reduced by £2.7m since 31st March 2013. This was due to the repayment of a self-financing loan. The HRA has an internal loan of £8.9m from the council general fund.

During a fair valuation (completed by Capita Asset Services) our debt portfolio was valued at £137.0m compared to the actual principal of £131.6m. This means that in keeping borrowing interest cost the same we can take on £5.5m more at actual rates versus current market rates.

In 2013-14 debt increased slightly due the above mentioned LEP Loan. The council also took the opportunity to use internal funds for capital expenditure in recognition of the unfavourable gap between investment returns and borrowing costs (See below).

Investment rate	0.91% 1 year	libor rate	@ 31st March 2014
Borrowing rate	1.45% 1 year	PWLB loan rate	@ 31st March 2014

Icelandic Investments as of 31st March 2014 - The final loan repayments have now been received following the sale of the remaining Landsbanki loan to a third party.

Heritable Bank	Investment	£3,000m
	Received	£2,923m
Landsbanki	investment	£2,000m
	Received	£1,856m

Background

The full Treasury Annual report for 2013/14	Appendix A
Prudential and Treasury indicators	Appendix B
Loan Portfolio	Appendix C
Counterparty List	Appendix D
Investments Portfolio	Appendix E
Glossary of Terms	Appendix F

Analysis of Issues

Please refer to the main report (Appendix A) and attached Appendices B-F

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 £ 57.2m Debt £131.6M	YES	Both
Next Financial Year (Year 2)	N/A	N/A	N/A
Following Financial Year (Year 3)	N/A	N/A	N/A

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

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Date 03-06-14	**Version No.** 2

Appendix A

WOKINGHAM BOROUGH COUNCIL

WOKINGHAM
BOROUGH COUNCIL

Treasury Management Strategy

Annual Treasury Management Review 2013-14

Contents

Appendices

1) Introduction and Background

a) The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2013/14. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

b) During 2013/14 the Executive has received the following reports:

- The annual treasury strategy at its meeting on the 21st February 2013.
- A mid-year treasury update report at its meeting on the 30th January 2014.
- This report provides the annual review following the end of the year describing the activity compared to the strategy.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

The Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee before they were reported to the full Council. Member training on treasury management issues was undertaken on 27th November 2013 in order to support members' scrutiny role.

This report summarises the following:-

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity;

  Detailed investment activity

2) The Council's Capital Expenditure and Financing 2013/14

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need or:
- Funded by borrowing (Internal or External).

The actual capital expenditure forms one of the required prudential indicators. The tables below show the actual capital expenditure.

General Fund	2012/13 Actual £'000	2013/14 Budget £'000	2013/14 Actual £'000
Capital expenditure	37,045	79,185	39,374
Financed in year	23,500	60,861	33,822
Unfinanced Capital Expenditure	**13,545**	**18,324**	**5,552**

Note: The variance between actual and budget was due to in the main, slippage in the town centre regeneration, adjustment to the profile of Bulmershe School improvement, re-profiling of a major highway project and Schools managed programmes re-phasing during year.

HRA	2012/13 Actual £'000	2013/14 Budget £'000	2013/14 Actual £'000
Capital expenditure	4,574	6,722	4,736
Financed in year	4,574	6,722	4,736
Unfinanced Capital Expenditure	**0**	**0**	**0**

Note: The variance between actual and budget was due to a major contractor on the decent homes scheme failing during the year and a delay in awarding contracts for HRA projects

3) The Council's Overall Borrowing Need

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2013/14 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.

The Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – (MRP), to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- The application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2013/14 MRP Policy (as required by Communities and Local Government (CLG) Guidance) was approved as part of the Treasury Management Strategy Report for 2013/14 on 21st February 2013.

The Council's CFR for the year is shown below, and represents a key prudential indicator. It includes PFI and leasing schemes on the balance sheet, which increase the Council's borrowing need. However no borrowing is actually required against these schemes as a borrowing facility is included in the contract.

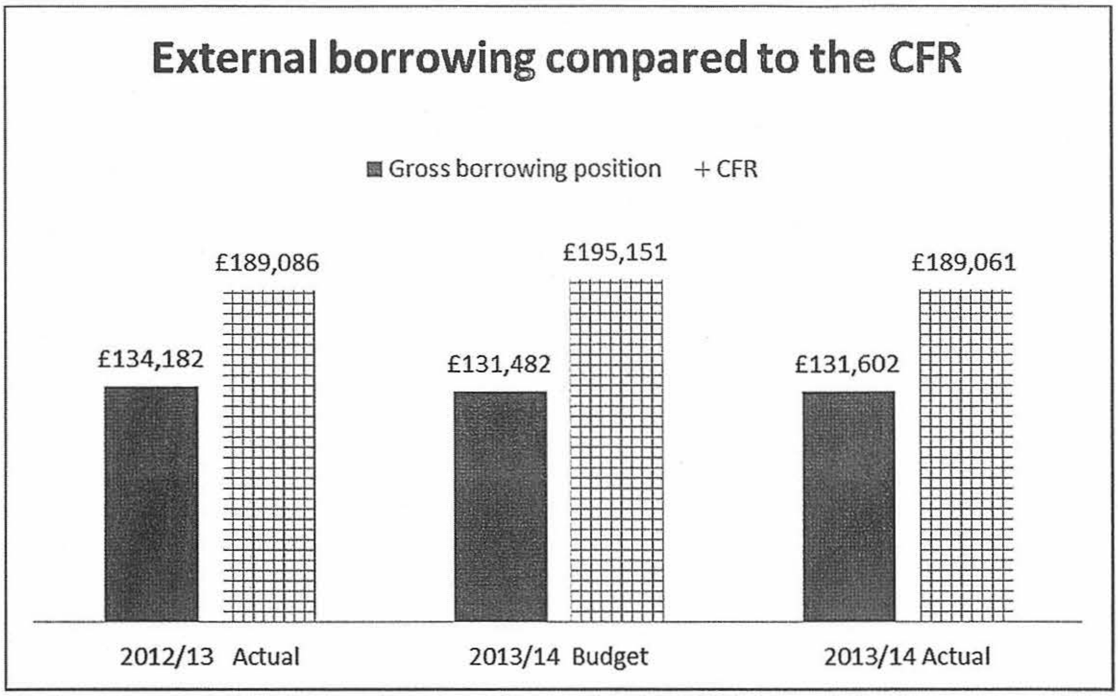
CFR : General Fund	2012/13 Actual £'000	2013/14 Budget £'000	2013/14 Actual £'000
Opening balance	83,005	86,328	93,134
Add unfinanced capital expenditure (as above)	13,545	18,324	5,552
Less MRP	(3,201)	(3,178)	(3,271)
Less PFI & finance lease repayments	(215)	(215)	(230)
Closing balance	**93,134**	**101,259**	**95,185**

Note: The variance between actual and budget was due to good financial management with schemes which were originally planned to be funded by borrowing and have been funded by other sources of funding (S106, New grants) and Slippage in Town centre regeneration

CFR : HRA	2012/13 Actual £'000	2013/14 Budget £'000	2013/14 Actual £'000
Opening balance	96,592	96,592	95,952
Add unfinanced capital expenditure (as above)	0	0	0
Less VRP/ Principle repayment	(640)	(2,700)	(2,076)
Less PFI & finance lease repayments			
Closing balance	**95,952**	**93,892**	**93,876**

Borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (plus the estimates of any additional capital financing requirement for the current and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs. The bar chart below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.



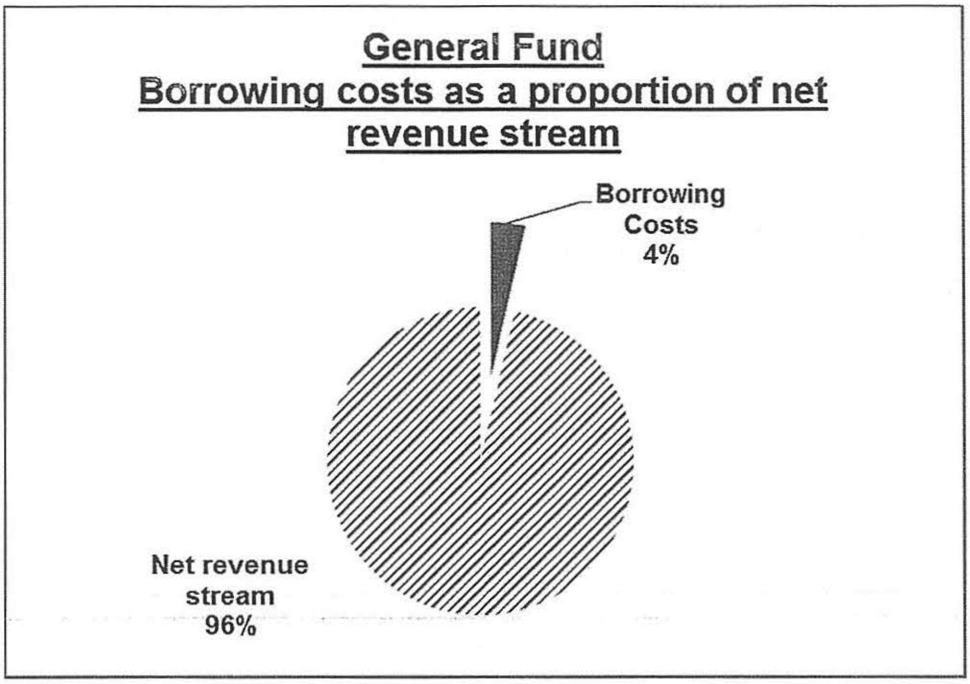
The authorised limit is the "affordable borrowing limit" required by section 3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2013/14 the Council has maintained gross borrowing within its authorised limit.

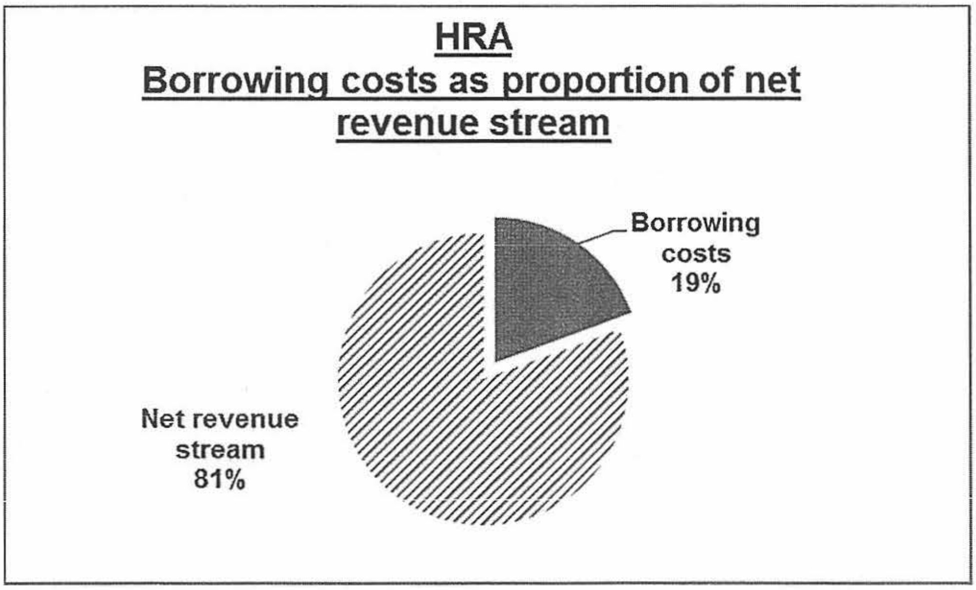
	2013/14 £'000	2013/14 Actual £'000
Authorised limit	223,000	£131,602

The operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

	2013/14 £'000	2013/14 Actual £'000
Operational boundary	212,000	£131,602

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.





4) Treasury Position as at 31st March 2014

The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the beginning and the end of 2013/14 the Council's treasury (excluding borrowing by PFI and finance leases) position was as follows:

General fund	31 March 2013 Principal £'000	Rate/ Return %	31 March 2014 Principal £'000	Rate/ Return %
Fixed rate funding:	23,031		23,151	
-PWLB	23,031	4.49%	23,031	4.49%
-Market				
-Local Enterprise Partnership (interest free)			120	0.00%
Variable rate funding:	23,433		23,433	
-PWLB	0			
-Market	23,433	4.28%	23,433	4.28%
Total debt	**46,464**	**4.38%**	**46,584**	**4.37%**

HRA	31 March 2013 Principal £'000	Rate/ Return %	31 March 2014 Principal £'000	Rate/ Return %
Fixed rate funding:	87,151		84,451	
-PWLB	87,151	2.79%	84,451	2.85%
-Market	0			
Variable rate funding:	567		567	0
-PWLB	0		0	0.00%
-Market	567	4.28%	567	4.28%
Total debt	**87,718**	**2.80%**	**85,018**	**2.84%**

Average return on Investments (Cumulative)	1st Qtr %	2nd Qtr %	3rd Qtr %	4th Qtr %
Scottish Widows Investment Partnership	0.10%	0.28%	0.48%	0.69%
Royal London Asset Management	-0.02%	0.12%	0.29%	0.48%
In-house*	0.98%	1.96%	3.27%	4.02%
Total (Weighted Average)	**0.35%**	**0.79%**	**1.35%**	**1.73%**

'*This includes internal loan of £8.9m to the HRA

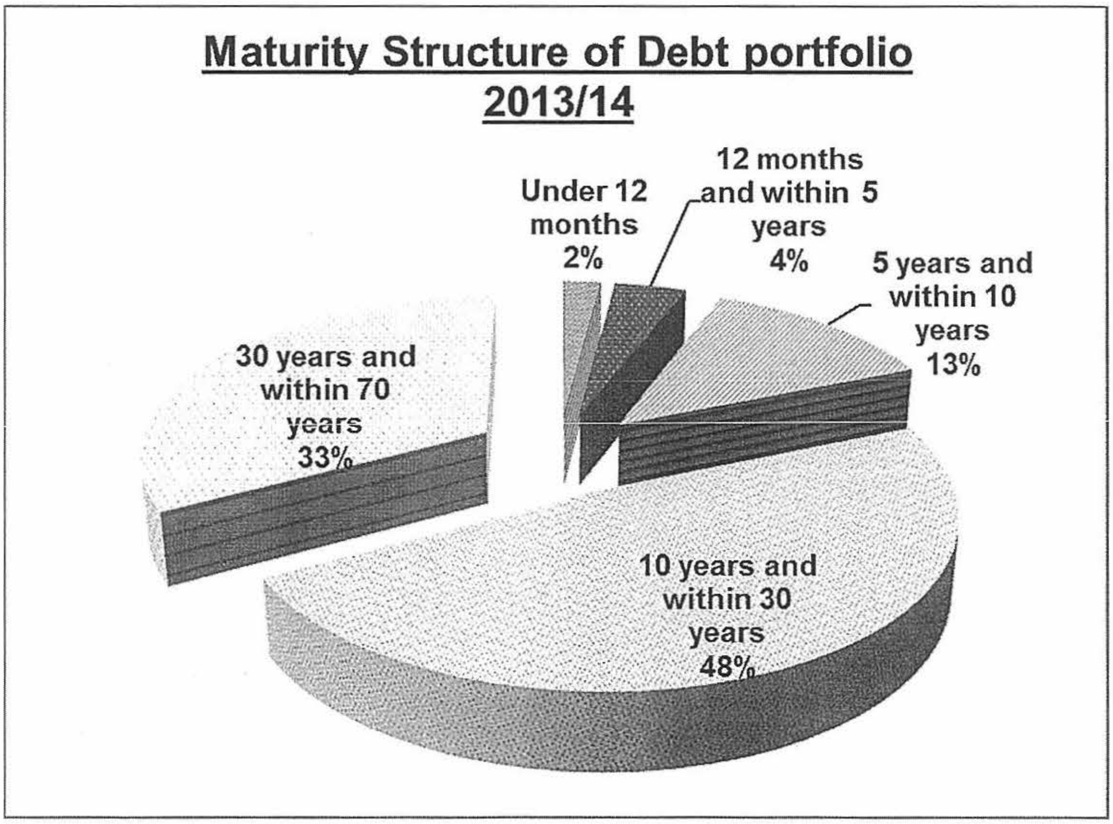
Portfolio Valuation as at 31 March 2014

Portfolio Valuation as at 31 March 2014 (completed by Capita Asset Services)	Actual £'000	Fair Value * £'000
Investments		
Fixed Term Deposits (In House only)	(26,000)	(26,050)
Investment Total	**131,602**	**137,151**
External Debt		
LOBO loan - Fixed rate	24,000	23,658
PWLB loan - Maturity	107,482	113,373
Local Enterprise Partnership loan	120	120
External Debt Total	**131,602**	**137,151**

* Fair value is a rational and unbiased estimate of the potential market price of goods/services.

The purpose of the valuation is to evaluate quantitatively the authority's financial position and performance with regard to each class of financial instrument, and also to indicate the extent of the authority's risk exposure arising as a result of these transactions.

The maturity structure of the debt portfolio was as follows:



The maturity structure of the investment portfolio was as follows:

External Investments	2012/13 Actual £'000	2013/14 Budget £'000	2013/14 Actual £'000
Longer than 1 year	1,553	10,000	0
Under 1 year	60,189	40,000	57,244
Total	61,742	50,000	57,244

Note: The variance between actual and budget was due to fluctuation of Income being received (including section 106) and fluctuation of payments. (The re-profiling of the capital programme).

The exposure to fixed and variable rates was as follows:

Interest rate exposures: Debt	31/03/2013 Actual £'000	2013/14 Budget £'000	2013/14 Actual £'000
fixed rate exposures - Net Position	110,182	180,000	107,602
variable rate exposures - net position	24,000	40,000	24,000

Note: The variance between actual and budget was due to in the main the Town centre slippage (Anticipated loan not required)

Interest rate exposures: Investment	31/03/2013 Actual £'000	2013/14 Budget £'000	2013/14 Actual £'000
fixed rate exposures - Net Position	(25,340)	(80,000)	(42,800)
variable rate exposures - net position	(20,133)	(40,000)	(14,444)

Note: The actuals fluctuate during the year depending of the cash flow available for investment.

5) The Treasury Strategy for 2013/14

The expectation for interest rates within the strategy for 2013/14 anticipated low but rising Bank Rate (starting in quarter 1 of 2015), and gradual rises in medium and longer term fixed borrowing rates during 2013/14. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

In this scenario, the treasury strategy was to postpone external borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk. This is demonstrated by increased internal borrowing of 1.41% from 2012-13.

6) The Economy and Interest Rates

The original expectation for 2013/14 was that the Bank Rate would not rise during the year and for it only to start gently rising from quarter 1of 2015. This forecast rise has now been pushed back to a start in quarter 3 of 2015. Economic growth (GDP) in the UK was virtually flat during 2012/13 but surged strongly during the year. Consequently there was no additional quantitative easing during 2013/14 and the Bank Rate ended the year unchanged at 0.5% for the fifth successive year. While CPI inflation had remained stubbornly high and substantially above the 2% target during 2012, by January 2014 it had, at last, fallen below the target rate to 1.9% and then fell further to 1.7% in February. It is also expected to remain slightly below the target rate for most of the two years ahead.

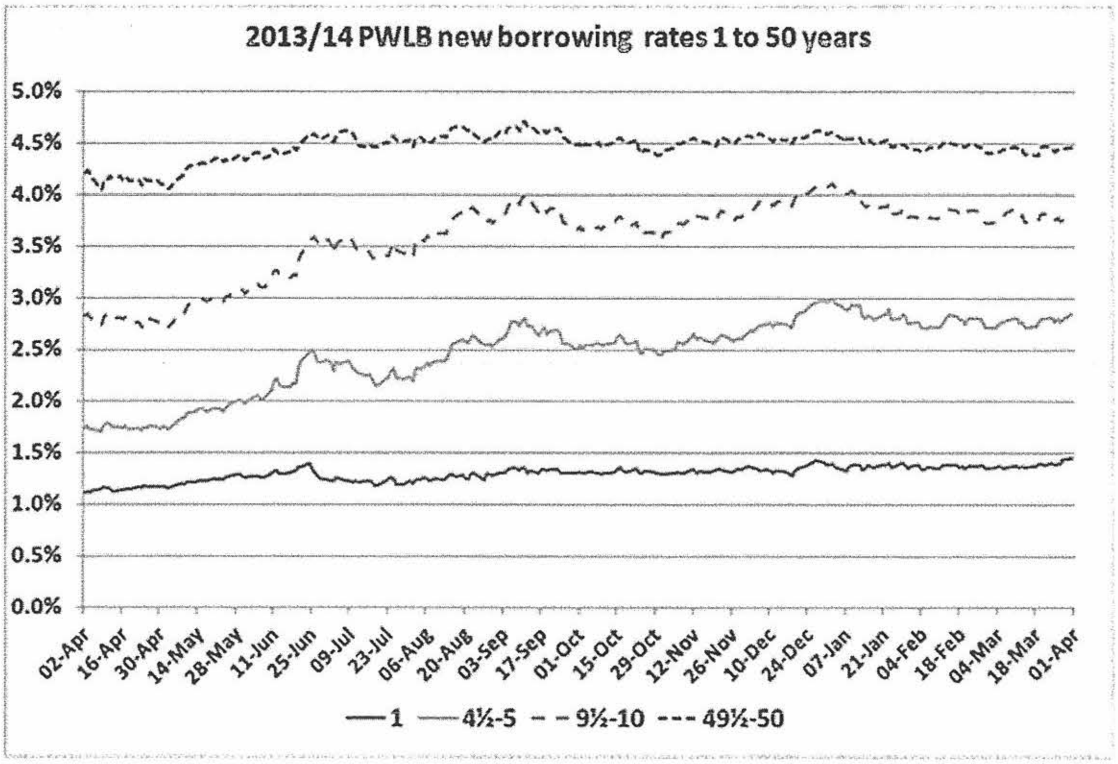
Gilt yields were on a sharply rising trend during 2013 but volatility returned in the first quarter of 2014. The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing into 2013/14. That part of the Scheme which supported the provision of credit for mortgages was terminated in the first quarter of 2014 as concerns rose over resurging house prices.

The UK coalition Government maintained its tight fiscal policy stance but recent strong economic growth has led to a cumulative (in the Autumn Statement and the March Budget) reduction in the forecasts for total borrowing of £97bn over the next five years culminating in a £5bn surplus in 2018-19.

The EU sovereign debt crisis subsided during the year and confidence in the ability of the Eurozone to remain intact increased substantially. Perceptions of counterparty risk improved after the European Central Bank (ECB) statement in July 2012 that it would do "whatever it takes" to support struggling Eurozone countries; this led to a return of confidence in its banking system which has continued into 2013/14 and led to a move away from only very short term investing. However, this is not to say that the problems of the Eurozone, or its banks, have ended as the zone faces the likelihood of weak growth over the next few years at a time when the total size of government debt for some nations is likely to continue rising. Upcoming stress tests of Eurozone banks could also reveal some areas of concern.

7) Borrowing Rates in 2013/14

The graphs for PWLB certainty maturity rates below, show, for a selection of maturity periods, the high and low points in rates, the average rates, spreads and individual rates at the start and the end of the financial year.



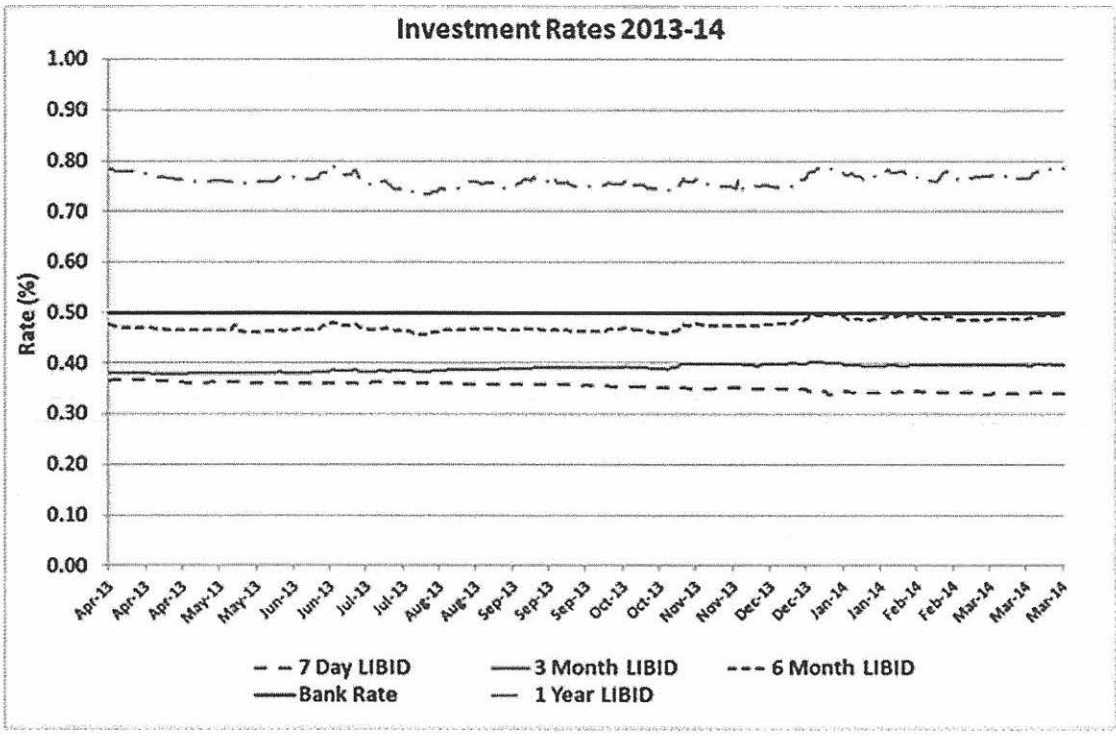
8) Borrowing Outturn for 2013/14

Borrowing - There was a small new interest free external loan of £120,000 from the Local Enterprise Partnership taken in 13/14.

Repayments - On 28/03/14 the Council repaid £2,700,000 the first of the HRA self-financing loans.

9) Investment Rates in 2013/14

The bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for five years. Market expectations as to the timing of the start of monetary tightening ended up almost unchanged at around the end of 2014 and the start of 2015. The Funding for Lending Scheme resulted in deposit rates remaining depressed during the whole of the year, although the part of the scheme supporting provision of credit for mortgages came to an end in the first quarter of 2014.



10) Investment Outturn for 2013/14

The Council's investment policy is governed by CLG guidance, which was been implemented in the annual investment strategy approved by the Council on 21st February 2013. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties

Resources – the Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows:

Balance Sheet Resources (£m)	31 March 2013	31 March 2014
Balances	17,115	
Earmarked reserves	45,487	
Provisions	4,618	
Usable capital receipts	5,280	
Total	72,500	

Interest received from Investments held by the Council

Interest on investments	2013-14 Budget As per the TMSS £'000	2013/14 Actual £'000	%
RLAM		41	7%
SWIP		121	20%
In House		452	74%
Total	645	614	100%

Note: The table above shows actuals lower than budgeted, However internal balances have been used to reduce borrowing which more than offset this shortfall.

11) Performance Measurement

One of the key requirements in the Code is the formal introduction of performance measurement relating to investments, debt and capital financing activities. Whilst investment performance criteria have been well developed and universally accepted, debt performance indicators continue to be a more problematic area with the traditional average portfolio rate of interest acting as the main guide. The Council's performance indicators were set out in the Annual Treasury Management Strategy.

12) Icelandic Bank Defaults

The Council deposited a total of £5m with the UK subsidiaries of two Icelandic banks, Heritable (£3m) and Landsbanki (£2m), between 2006 and early 2008. These banks, together with other Icelandic banks, collapsed in 2008, and the UK subsidiaries were placed into administration.

The Council has worked closely since 2008 with the large number of other local authorities which also lent money to Icelandic banks, and with the appointed administrators, plus the LGA and professional advisors, to recover as much of the investments as possible.

Heritable - The final loan repayment was made by 31 March 2014.
Landsbanki - The sale of the remaining loans to a third party in February 2014, in place of the current agreement to receive the remaining funds on a phased basis to December 2019, has avoided any potential unknown future risks, currency and otherwise, which could have negatively impacted on a phased repayment. This enabled the council to receive all remaining funds in the 2013/14 financial year.

Heritable Bank	Original investment	£3,000m
	Repayment	£2,822m
	Interest Received	£ 101k
	Short fall	£ 77k
Landsbanki	Original investment	£2,000m
	Repayment	£1,844m
	Interest Received	£ 12k
	Short fall	£ 144k

Prudential and Treasury Indicators

2013-14

TREASURY MANAGEMENT INDICATORS	2012/13 Actual £'000	2013/14 Budget £'000	2013/14 Actual £'000
Authorised Limit for external debt -			
borrowing	134,182	212,000	131,482
other long term liabilities	9,454	11,000	9,223
TOTAL	£143,636	£223,000	£140,705

Operational Boundary for external debt -			
borrowing	134,182	202,000	131,482
other long term liabilities	9,454	10,000	9,223
TOTAL	£143,636	£212,000	£140,705

Note: The variance between actual and budget was due to slippage in Town centre regeneration and a 30-35% Margin for unforeseen circumstances

Maturity structure of fixed rate borrowing	31/03/2013 Actual £'000	2013/14 Budget £'000	31/03/2014 Actual £'000
Under 12 months	2,700	-	120
12 months and within 24 months	-	-	-
24 months and within 5 years	5,226	8,324	8,324
5 years and within 10 years	17,251	14,153	14,153
10 years and within 20 years	52,141	63,817	63,817
20 years and within 30 years	12,676	1,000	1,000
30 years and within 40 years	10,188	10,188	10,188
40 years and within 50 years	10,000	10,000	10,000
50 years and within 70 years	24,000	24,000	24,000
Total debt	134,182	131,482	131,602

Upper limit -Debt Only	2013/14 Budget £'000	2013/14 Actual £'000
On fixed rate exposures	180,000	107,602
On variable rate exposures	40,000	24,000

Upper limit -Investments Only	2013/14 Budget £'000	2013/14 Actual £'000
On fixed rate exposures	(80,000)	(42,800)
On variable rate exposures	(40,000)	(14,443)

Estimate of capital expenditure to be incurred: (Non HRA)	2013/14 Budget £'000	2013/14 Actual £'000
Capital expenditure	66,103	39,374
Capital Financing Requirement (CFR)	101,259	95,188
Annual change in CFR		**2,054**

Note: The variance between actual and budget was due to on expenditure, a major contactor on the decent homes scheme failed during the year and A delay in awarding contract for HRA projects and on the CFR, a principle repayment on a self-financing loan.

Estimate of capital expenditure to be incurred: (Non HRA)	2013/14 Budget £'000	2013/14 Actual £'000
Capital expenditure	66,103	39,374
Capital Financing Requirement (CFR)	101,259	95,188
Annual change in CFR		**2,054**

Note: The variance between actual and budget was due to on expenditure, slippage on the Town centre regeneration, Adjustment to original profile of Bulmershe School, Re-profiling of a major highway project and Schools managed programmes re-phasing during year. On the CFR, capital expenditure funded by borrowing offset by a minimum revenue provision (MRP) contribution.

Ratio of financing costs to net revenue stream (HRA)	19.0%	19.5%

Incremental impact of capital investment decisions:-	2013/14 Budget £,p	2013/14 Actual £,p
Addition or (Reduction) to Council Tax	29.4	26.3

Level of investment	2013/14 Budget £'000	2013/14 Actual £'000
RLAM	12,500	16,803
SWIP	12,500	14,441
In House	25,000	26,000
Total	50,000	57,244

Ave rate of interest on debt (Long term)	2013/14 Budget %	2013/14 Actual %
Non HRA	4.3%	4.4%
HRA including GF internal loan	2.9%	2.8%
Total	3.4%	3.4%

Short term borrowing limit	2013/14 Budget £'000	2013/14 Actual £'000
	20,000	5,000

Internal Borrowing	2013/14 Budget £'000	2013/14 Actual £'000
CFR (year end position)	195,151	189,065
Less External Borrowing	(134,182)	(131,602)
Less Other long term liabilities	(9,669)	(9,223)
Internal Borrowing	51,300	48,240
% of internal borrowing to CFR	26.3%	25.5%

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

Internal investments: interest Received	2013/14 Budget £'000	2013/14 Actual £'000
HRA Internal loan from The General fund	318	318

Internal investments:	2013/14 Budget £'000	2013/14 Actual £'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	-
Total	9,927	10,824

Loan portfolio as at 31st March 2013/14

General fund

General Fund (PWLB/Market)	TWO POOL Loan Balance £'000	Interest Rate %
PWLB	976	4.9
PWLB	2,343	5
PWLB	2,929	3.9
PWLB	1,431	4.4
PWLB	5,587	4.4
PWLB	9,764	4.6
Market – Barclays	4,882	4.4
Market – Barclays	4,882	4.6
Market - KA Finanz	4,882	4.9
Market – Barclays	1,953	3.7
Market – Barclays	4,882	3.7
Market – Barclays	1,953	3.8
Total	46,464	

Other	TWO POOL Loan Balance £'000	Interest Rate %
-Local Enterprise Partnership (interest free)	120	0
Total	46,584	

Housing Revenue Account

PWLB/Market	TWO POOL Loan Balance £'000	Interest Rate %
PWLB	24	4.9
PWLB	57	5
PWLB	71	3.9
PWLB	35	4.4
PWLB	135	4.4
PWLB	236	4.6
PWLB	1,750	1.5
PWLB	3,482	2.2
PWLB	8,516	3.3
PWLB	1,988	2
PWLB	7,231	3.3
PWLB	4,199	2.4
PWLB	6,378	3.2
PWLB	5,415	3
PWLB	3,476	1.2
PWLB	9,276	3.3
PWLB	1,000	3.4
PWLB	3,744	2.8
PWLB	5,981	3.1
PWLB	6,789	3.2
PWLB	3,971	2.9
PWLB	4,116	2.7
PWLB	3,484	2.6
PWLB	3,098	1.8
Market – Barclays	118	4.4
Market – Barclays	118	4.6
Market - KA Finanz	118	4.9
Market – Barclays	47	3.7
Market – Barclays	118	3.7
Market – Barclays	47	3.8
Internal loan from General Fund	8,874	3.6
Total HRA	**93,892**	

Counterparty list as at 31st March 2014

MAXIMUM OF £5m per Group	Country	Fitch Long Term Rating	Individual Limit per LCD £'000	Max Duration Months	Current Investment £'000	Available Balance £'000
Others						
Other Local Authorities	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	0	5,000
Salford City Council	UK	AAA	5,000	12	3,000	2,000
Newcastle City Council	UK	AAA	5,000	12	2,000	3,000
Birmingham City Council	UK	AAA	5,000	12	5,000	0
Stirling Council	UK	AAA	5,000	12	2,000	3,000
Lancashire County Council	UK	AAA	5,000	12	5,000	0
Debt Management Office (DMO)	UK	AAA	20,000	3	0	20,000
Money Market Funds						
Invesco Global MMF (was AIM)	UK	AAA	5,000	36	0	5,000
Deutsche Bank Sterling Fund (was Henderson)	Ireland	AAA	5,000	36	0	5,000
Royal Bank of Scotland MMF - Sterling Fund	UK	AAA	5,000	36	0	5,000
RBS Govt Back MMF	UK	AAA	5,000	36	0	5,000

MAXIMUM OF £5m per Group						
	Country	**Fitch Long Term Rating**	**Individual Limit per LCD £'000**	**Max Duration Months**	**Current Investment £'000**	**Available Balance £'000**
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
Individual Banks						
Royal Bank of Canada	Canada	AA	3,000	12	0	3,000
Toronto-Dominion Bank	Canada	AA-	3,000	12	0	3,000
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
Bank Nederlandse Gemeenten	Netherlands	AAA	5,000	12	0	5,000
Development Bank of Singapore	Singapore	AA-	3,000	12	0	3,000
Oversea Chinese Banking Corp	Singapore	AA-	3,000	12	0	3,000
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	0	3,000
Building Societies						
Nationwide Building Society	UK	A+	2,000	3	0	2,000
Coventry Building Society	UK	A	2,000	3	0	2,000
Leeds Building Society	UK	A-	2,000	3	0	2,000
Total Investments					**£26,000**	

The figures in the tables 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
@ 31st March 2014

CURRENT INVESTMENTS					
Institution	Amount £'000	Rate %	Maturity Date	Trade Date	Broker
London Borough of Enfield	3,000	0.4%	18 September2014	15 October 2013	Tradition
Barnsley Borough Council	3,000	0.5%	15 September 2014	16 October 2013	Sterling
City of Wakefield District Council	3,000	0.5%	02 September 2014	02 December 2013	Tradition
Lancashire CC	5,000	0.5%	28 August 2014	28 November 2013	Tradition
Birmingham CC	2,000	0.5%	14 August 2014	28 August 2013	Tradition
Birmingham CC	3,000	0.4%	16 June 2014	16 December 2013	Tradition
Stirling Counil	2,000	0.5%	19 May 2014	18 November 2013	Tradition
Newcastle CC	2,000	0.4%	29 May 2014	03 June 2013	Tradition
Salford CC	3,000	0.4%	03 April 2014	19 April 2013	Tradition
Invesco Global MMF (AIM Global)	0	Variable	Call		
Deutsche Bank (Henderson)	0	Variable	Call		
Natwest SIB	0	0.9%	Call		
RBS Global Treasury Fund MMF	0	Variable	Call		
RBS Govt Backed MMF	0	Variable	Call		
Total	**26,000**				

Fund Managers			
	Market Value £'000	**Interest Received £'000**	**%**
Royal London Asset Management (Rlam)	16,795	41	7%
Scottish Widows Investment Partnership (SWIP).	14,430	121	20%
Total	**64,226**	**162**	

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.