

TITLE	Treasury Management Mid-Year Report 2014-15
FOR CONSIDERATION BY	Audit Committee on 9 th December 2014
WARD	None specific
DIRECTOR	Graham Ebers, Director Finance and 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:

- 1) Note the mid-year Treasury Management report for 2014/15.
- 2) Note the actual 2014/15 prudential indicators within the report.
- 3) Recommend the report to Council for approval.

SUMMARY OF REPORT

The Treasury Management Mid-Year Report 2014/15 is a requirement of the Prudential Code and the Council's reporting procedures. It covers the treasury activity during the first half of 2014/15 and the actual Prudential Indicators for this period. All Prudential indicators are being adhered to and external debt continues to be contained by using internal balances in a way that minimises capital financing costs for the Council's taxpayers.

Background

The report highlights the Council's treasury position as at 30th September 2014, sets out the treasury decisions taken so far during 2014/15 and shows that the Council has complied with the strategy and the prudential indicators that were set prior to the financial year.

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.

Analysis of Issues

In the first six months external debt did not increase as the council took the opportunity to use internal funds and other sources to fund the capital programme. As at 30th September 2014 the Non- Housing Revenue Account (HRA) external debt was £46.5m and the HRA External Debt as at 30th September 2014 was £85.0m.

The budget for capital in 2014/15 is £92.7m. The profile of expenditure on this budget has been spread over two years.

2014-15 - £56.0m
2015-16 - £36.7m

The anticipated expenditure as at 31st March 2015 is £57.4m. During the first 6 months of 2014-15 there has been the opportunity to bring forward a scheme in the town centre regeneration (profiled 15-16) into 2014-15 of £1.4m.

The Director of Finance and Resources confirms that as at 30th September 2014 there have been no breaches of the treasury strategy 2014-15.

List of Background Papers

The full Treasury Mid-Year report for 2014/15 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 2014 are shown in Appendix D

The Councils Current Investments at the 30th September 2014 are shown in Appendix E

A Glossary of Terms is shown in Appendix 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)	£57.4m Expenditure £0.7m Return on Investments	Yes	Capital Revenue
Next Financial Year (Year 2)	To determined through the Medium term financial plan		Capital Revenue
Following Financial Year (Year 3)	N/A		

Other financial information relevant to the Recommendation/Decision

N/A

Cross-Council Implications

NA

Reasons for considering the report in Part 2

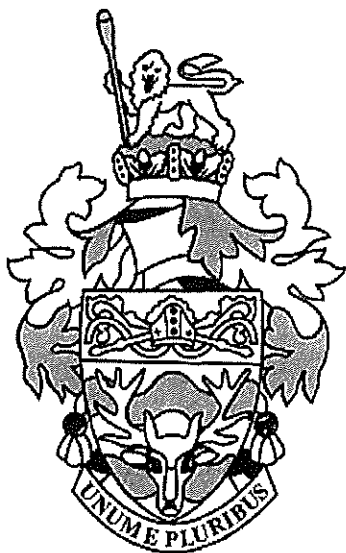
NA

List of Background Papers

NA

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Date 21st November 2014	Version No. 2

WOKINGHAM BOROUGH COUNCIL



WOKINGHAM BOROUGH COUNCIL

Treasury Management Strategy Mid-year Review Report 2014/15

Contents

(1) Introduction and Background	3
(2) Summary of Report	4
(3) Economic update.....	4
(4) Treasury Management Strategy Statement update	6
(5) The Council's Capital Position (Prudential Indicator)	6
(6) Investment Portfolio.....	11
(7) Borrowing 2014/15	13
(8) Debt Rescheduling 2014/15	13

Appendices

Prudential and Treasury indicators.....	Appendix B
Loan Portfolio.....	Appendix C
Counterparty List	Appendix D
Current Investments.....	Appendix E
Glossary of Terms	Appendix F

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 of 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 Council's delegated body is the Audit Committee.

2) This report summarises the following:-

- a. An economic update for the 2014/15 financial year to 30 September 2014;
- 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 2014/15;
- e. A review of the Council's borrowing strategy for 2014/15;
- f. A review of any debt rescheduling undertaken during 2014/15;
- g. A review of compliance with Treasury and Prudential Limits for 2014/15.

3) Economic update**3.1 Economic performance to date and outlook**

After strong growth in 2013 and continued growth in 2014, it appears very likely that strong growth will continue through 2014 and into 2015 as forward surveys for the services and construction sectors are very encouraging and business investment is also strongly recovering. The manufacturing sector has also been encouraging though the latest figures indicate a weakening in the future trend rate of growth. However, for this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, particularly of manufactured goods, both of which need to substantially improve on their recent poor performance. This overall strong growth has resulted in unemployment falling much faster through the initial threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it said it would consider any increases in Bank Rate. The MPC has, therefore, subsequently broadened its forward guidance by adopting five qualitative principles and looking at a much wider range of about eighteen indicators in order to form a view on how much room there is in the economy and how quickly this can be used up. The MPC is particularly concerned that the current squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of inflation in order to ensure that the recovery will be sustainable. Most economic forecasters are expecting growth to peak in 2014 and then to ease off a little, though still remaining strong, in 2015 and 2016. Unemployment is therefore expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in pay rates at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.

Also encouraging has been the sharp fall in inflation (CPI), reaching 1.2% in September, and the lowest rate since 2009. Forward indications are that inflation

is likely to fall further in 2014 to possibly 1%. Overall, markets are expecting that the MPC will be cautious in raising Bank Rate as it will want to protect heavily indebted consumers from too early an increase in Bank Rate at a time when inflationary pressures are also weak. A first increase in Bank Rate is therefore expected in Q2 2015 and they expect increases after that to be at a slow pace to lower levels than prevailed before 2008 as increases in Bank Rate will have a much bigger effect on heavily indebted consumers than they did before 2008.

The return to strong growth has also helped lower forecasts for the increase in Government debt by £73bn over the next five years, as announced in the 2013 Autumn Statement, and a further reduction of £24bn, as announced in the March 2014 Budget - which also forecast a return to a significant budget surplus, (of £5bn), in 2018-19. However, monthly public sector deficit figures have disappointed so far in 2014/15 compared to forecast figures.

3.2 Interest rate forecasts

Wokingham Borough Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	2.00%	2.25%	2.50%
5yr PWLB rate	2.50%	2.70%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.50%	3.50%	3.50%
10yr PWLB rate	3.20%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.20%	4.30%	4.30%
25yr PWLB rate	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	5.00%
50yr PWLB rate	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.80%	4.90%	4.90%	5.00%

Capita Asset Services undertook a review of its interest rate forecasts on 24th October 2014. During September and October, a further rise in geopolitical concerns, principally over Ukraine but also over the Middle East, plus fears around Ebola and an accumulation of dismal growth news in most of the ten largest economies of the world and also on the growing risk of deflation in the Eurozone, had sparked a flight from equities into safe havens like gilts and depressed PWLB rates. However, there is much volatility in rates as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2015.

Given the anticipated rise in the interest rate the treasury function will review WBC position on longer term external borrowing as opposed to a dependence on internal funds.

Treasury Management Strategy Statement and Annual Investment Strategy update

The Treasury Management Strategy Statement (TMSS) for 2014/15 was approved by the Council on 20th of February 2014

- 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.

4) 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)

The Table below shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Service	Budget @ 30/09/2014 £'000	Profile spend in 2014-15 £'000	Profile spend in 2015-16 £'000	Forecast Outturn 2014/15 £'000	Acceleration / Slippage against profiled spend 2014/15	Estimated (Under)/ Overspend £'000	Total Works Complete £'000
Children's Services	19,987	14,392	5,595	14,412	(20)	0	4,953
Health and Wellbeing	13,004	7,252	5,752	7,244	8	0	1,270
Environment	25,789	20,130	5,659	20,114	16	0	4,106
Finance and Resources	4,758	3,373	1,385	3,302	70	0	534
Chief Executive	21,194	2,890	18,304	4,379	(1,489)	0	2,868
Subtotal (Non HRA)	84,732	48,037	36,695	49,451	(1,415)	0	13,731
Housing revenue Account (HRA)	7,976	7,976	0	7,976	0	0	1,680
Subtotal (HRA)	7,976	7,976	0	7,976	0	0	1,680
Grand Total	92,708	56,013	36,695	57,427	(1,415)	0	15,411

The budget of £92.7m is an increase of £12.3m from the original budget agreed in the TMSS. The movement is due to £2.9m of additional no WBC resources (section 106 etc.) and the actual 13/14 carry forward being £9.4m higher than estimated in TMSS.

5.2 Changes to the Financing of the Capital Programme

The table on the following page summarises how the above capital budget are being financed by capital or revenue resources and the movement since the TMSS was agreed. Any shortfall of resources results in a funding need.

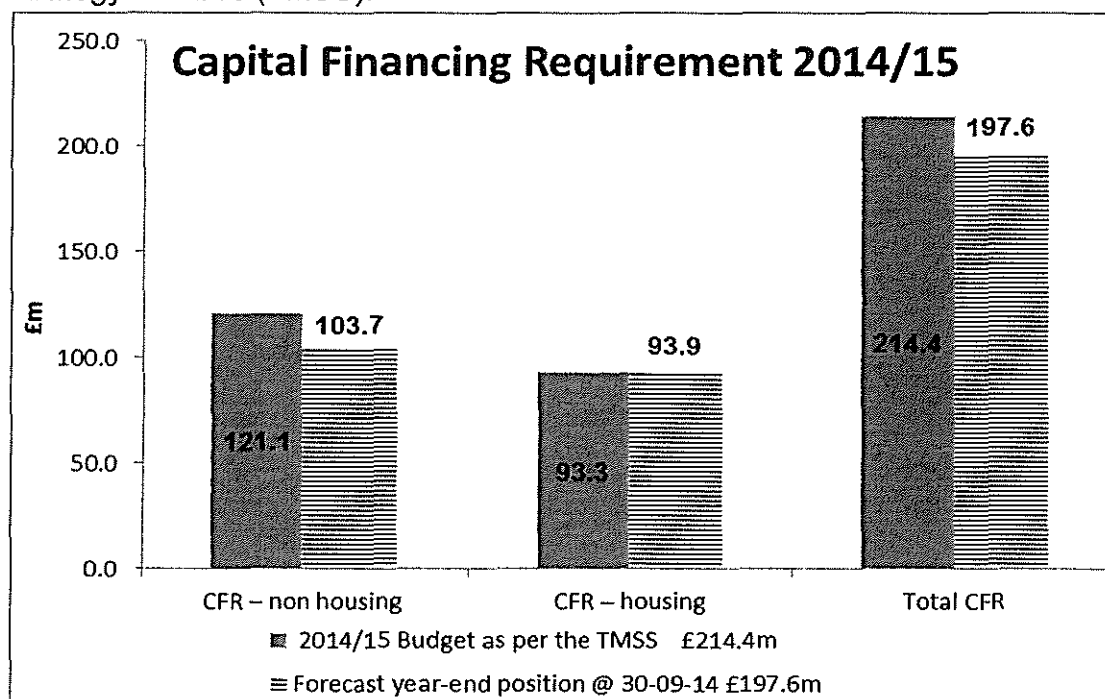
Funding Source	2014/15 Budget As per the TMSS £'000	Budget As per Capital Programme @ 30/09/2014 £'000
HRA - major repairs reserve	7,000	5,177
Capital Grants		2,459
Capital Receipts/Reserves		340
Sub total (HRA)	7,000	7,976
NON -HRA		
Capital Receipts/Reserves	8,270	8,535
Section 106	5,745	6,716
Revenue	1,770	2,248
Capital Grants	32,562	34,108
Community infrastructure Levy	0	0
School funded	74	249
Sub total (Non HRA)	48,421	51,857
Borrowing need for the year *	24,950	32,875
Grand Total	80,371	92,708

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

This is not an increase in cumulative borrowing; it is as a result of expenditure movement between 2013/14 and 2014/15.

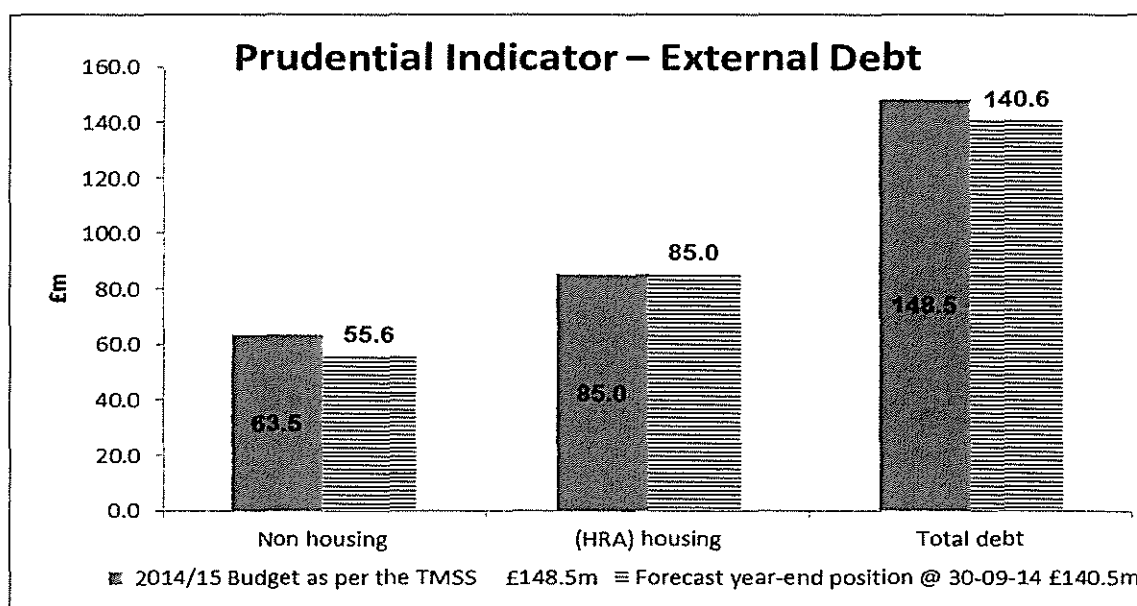
5.3.1 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR)

The following graphs and tables show the CFR, which is the underlying external need to incur borrowing for a capital purpose up until 31st March 2015 as estimated at 30th September 2014 compared to the Treasury Management Strategy 2014/15 (TMSS).



5.3.2 Changes to the Prudential Indicators External Debt

The following graph shows the changes to external debt position 2014/15 up until 31st March 2015 estimated at the 30th September 2014 compared to the Treasury Management Strategy 2014/15 (TMSS).



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 2014/15 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.

Prudential Indicator – External Debt	2014/15 Budget As per the TMSS £'000	Forecast year- end position @ 30-09-14 £'000
External borrowing	131,602	131,602
Plus other long term liabilities*	9,000	9,000
Gross borrowing	140,602	140,602
CFR* (year end position)	214,353	197,584
Does gross borrowing exceed CFR ?	NO	NO

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

The movement between TMSS and forecast end of year position is due to the delay in progression of the Town Centre Regeneration scheme, this delay was to enable enhancement from feedback and consultation.

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	2014/15 As per the TMSS £'000*	External borrowing position @ 30-09-14 £'000	Forecast year- end borrowing @ 30-09-14 £'000
Debt	202,000	131,602	131,602
Other long term liabilities	10,000	9,000	9,000
Total	212,000	140,602	140,602

* Note: This is a boundary not the budget set in the accounts.

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 desirable, could be afforded in the short term, but is not sustainable in the longer term.

Authorised limit £'000	2014/15 As per the TMSS £'000*	External borrowing position @ 30-09-14 £'000	Forecast year- end borrowing @ 30-09-14 £'000
Debt	210,000	131,602	131,602
Other long term liabilities	12,000	9,000	9,000
Total	222,000	140,602	140,602

* Note: This is a boundary not the budget set in the accounts.

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

	2014/15 As per the TMSS £'000*	External borrowing position @ 30-09-14 £'000	Forecast year- end borrowing @ 30-09-14 £'000
HRA Debt limit	102,000	93,892	93,892
HRA Headroom		8,108	8,108

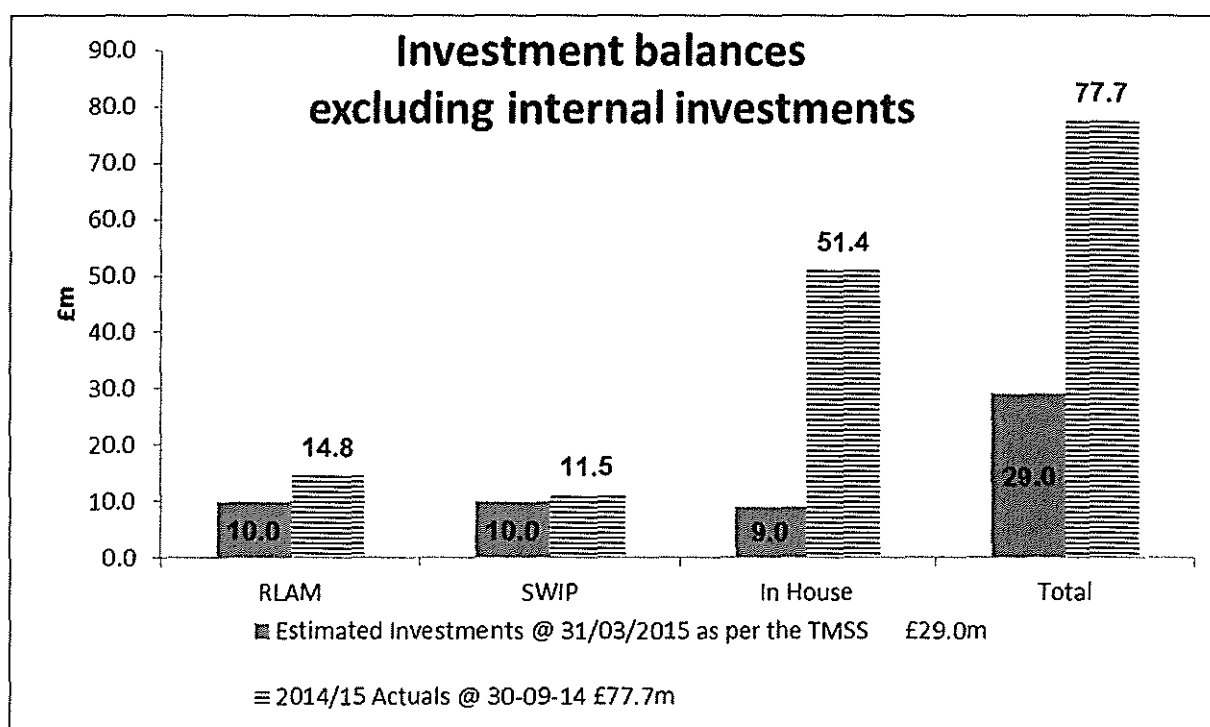
* Note: This is a boundary not the budget set in the accounts.

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

6. Investment Portfolio 2014/15

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's Level of investments as at 30 September 2014



As at 30th September the Investment balances are £48.7m higher than the estimated 31st March balance. This due to the following:

- Grant/Receipts are received in advance of the anticipated expenditure.
- The capital expenditure for 2013/14 was £9.4m lower than anticipated.
- The delay in progressing the Town Centre Regeneration scheme

The levels of investments are expected to reduce by the 31st March 2015, as the council expenditure plans are met. A full list of investments held as at 30th September 2014 is shown in appendix C:

The Council's investment return for 2014/15

Interest on investments	2014/15 Budget As per the TMSS £'000	2014/15 Forecast year end @ 30-09-14 £'000	Average interest rate @ 30 sept
RLAM		41	0.18%
SWIP		83	0.50%
In House *		611	2.48%
Total	726	735	

* In house includes internal loan to the HRA of £8.9m at a rate of 4.5%.
The average of In house investments excluding the internal loan is 0.45%

The Director of Finance and Resources confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2014/15.

7. Borrowing 2014/15

The Council's capital financing requirement (CFR) forecast outturn 2014/15 as at 30th September is £193.7m. 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 £142.5m (external borrowing and other long term liabilities) and has utilised £53.2m 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	2014/15 Budget As per the TMSS £'000	2014/15 Forecast year end @ 30-09-14 £'000
CFR (year end position)	214,353	197,584
Less External Borrowing	(148,541)	(131,602)
Less Other long term liabilities	(9,000)	(9,000)
Internal Borrowing	56,812	56,982
% of internal borrowing to CFR	26.5%	28.8%
	2013/14 @31/03/14	2014/15 Forecast year end @ 30-09-14 £'000
Internal borrowing	48,240	56,982
Movement from 2013/14		8,742

As mentioned in section 3.2 the treasury function will review WBC position on longer term external borrowing as opposed to a dependence on internal funds., reflecting in part the expected rise in the Bank rate.

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

8. Debt Rescheduling 2014/15

No debt rescheduling was undertaken during the first six months of 2014/15 or is proposed for the remainder of the financial year.

Prudential and treasury indicators as at 30th September 2014
(Not previously reported in Appendix A)

Maturity structure of fixed rate borrowing	2014/15 Budget £'000	Quarter 1 14/15 Year end forecast £'000	Quarter 2 14/15 Year end forecast £'000
upper and lower limits			
Under 12 months	120	120	120
12 months to 2 years	0	0	0
2 years to 5 years	8,324	8,324	8,324
5 years to 10 years	14,153	14,153	14,153
10 years and above	109,005	109,005	109,005

Upper limit -Debt Only	2014/15 Budget £'000	Quarter 1 14/15 Year end	Quarter 2 14/15 Year end
On fixed rate exposures	180,000	107,602	107,602
On variable rate exposures	40,000	24,000	24,000

Upper limit -Investments Only	2014/15 Budget £'000	Quarter 1 14/15 Year end	Quarter 2 14/15 Year end
On fixed rate exposures	(80,000)	(57,803)	(65,831)
On variable rate exposures	(40,000)	(15,578)	(11,851)

Ratio of financing costs to net revenue stream (Non HRA)	4.72%	4.02%	4.02%
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The percentage of the revenue budget set aside each year to service debt financing costs.

This is calculated as follows: Financing cost Divide by Net revenue stream

As per budget 2014/15: £6,093 / £129,086 = 4.72%

Ratio of financing costs to net revenue stream (HRA)	18.71%	18.66%	18.66%
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The percentage of the revenue budget set aside each year to service debt financing costs.

This is calculated as follows: Financing cost Divide by Total income received

As per budget 2014/15: £2,852 / £15238 = 18.71%

Incremental impact of capital investment decisions	2014/15 Budget £'000	Quarter 1 14/15 Year end forecast £'000	Quarter 2 14/15 Year end forecast £'000
Addition or (Reduction) to Council Tax	33.88	29.02	29.02

This is the incremental impact on council tax (D equivalent) of the recommended capital investment plans and funding proposals.

Ave rate of interest on debt (Longterm)	2014/15 Budget	Quarter 1 14/15 Year end forecast	Quarter 2 14/15 Year end forecast
	%	%	%
Non HRA	4.38%	4.38%	4.38%
HRA including GF internal loan	2.87%	2.87%	2.87%
Total	3.35%	3.35%	3.35%

Short term borrowing limit	2014/15 Budget £'000	Quarter 1 14/15 Year end forecast £'000	Quarter 2 14/15 Year end forecast £'000
	20,000	0	5,000

Internal investments: interest Received	2014/15 Budget £'000	Quarter 1 Actual £'000	Quarter 2 Actual £'000
HRA Internal loan from The General fund	399	100	100

Short Term Loans	Loan Amount	Interest Rate	Term
	£'000	%	Days
Leeds City Council	5,000	0.45	7

General Fund Loan portfolio

PWLB/Market	Loan no	Start Date	Repayment Date	Principal Balance	Interest Rate %
PWLB	485805		01 August 2022	976,374	4.875
PWLB	488876	16 July 2004	01 February 2034	2,343,298	4.950
PWLB	491320	15 February 2006	01 August 2051	2,929,123	3.850
PWLB	491456	26 April 2006	30 September 2046	1,430,867	4.350
PWLB	491474	28 April 2006	01 August 2052	5,587,374	4.400
PWLB	493309	24 May 2007	31 March 2054	9,763,742	4.600
Market	3b	24 February 2007	24 February 2077	4,881,871	4.350
Market	2c	11 January 2007	11 January 2077	4,881,871	4.600
Market- KA Finanz	1c	06 February 2006	06 February 2066	4,881,871	4.875
Market	4	16 February 2006	16 February 2066	1,952,748	3.680
Market	5	19 October 2006	19 October 2076	4,881,871	3.730
Market	6	19 October 2006	19 October 2076	1,952,748	3.770
Local Enterprise Board		03 January 2014	03 January 2015	120,000	0.000
General Fund Total				46,583,759	

Housing Revenue Fund Loan portfolio

PWLB/Market	Loan no	Start Date	Repayment Date	Principal Balance	Interest Rate %
PWLB - HRA	485805		01 August 2022	23,626	4.875
PWLB - HRA	488876	16 July 2004	01 February 2034	56,702	4.950
PWLB - HRA	491320	15 February 2006	01 August 2051	70,877	3.850
PWLB - HRA	491456	26 April 2006	30 September 2046	34,623	4.350
PWLB - HRA	491474	28 April 2006	01 August 2052	135,200	4.400
PWLB - HRA	493309	24 May 2007	31 March 2054	236,258	4.600
PWLB - HRA	501033	28 March 2012	28 March 2018	1,750,000	1.500
PWLB - HRA	501034	28 March 2012	28 March 2021	3,482,000	2.210
PWLB - HRA	501035	28 March 2012	28 March 2032	8,516,000	3.300
PWLB - HRA	501036	28 March 2012	28 March 2020	1,988,000	1.990
PWLB - HRA	501037	28 March 2012	28 March 2031	7,231,000	3.260
PWLB - HRA	501038	28 March 2012	28 March 2022	4,199,000	2.400
PWLB - HRA	501039	28 March 2012	28 March 2029	6,378,000	3.150
PWLB - HRA	501040	28 March 2012	28 March 2027	5,415,000	3.010
PWLB - HRA	501041	28 March 2012	28 March 2017	3,476,000	1.240
PWLB - HRA	501043	28 March 2012	28 March 2033	9,276,247	3.340
PWLB - HRA	501044	28 March 2012	28 March 2034	1,000,000	3.370
PWLB - HRA	501045	28 March 2012	28 March 2025	3,744,000	2.820
PWLB - HRA	501046	28 March 2012	28 March 2028	5,981,000	3.080
PWLB - HRA	501047	28 March 2012	28 March 2030	6,789,000	3.210
PWLB - HRA	501048	28 March 2012	28 March 2026	3,971,000	2.920
PWLB - HRA	501049	28 March 2012	28 March 2024	4,116,000	2.700
PWLB - HRA	501050	28 March 2012	28 March 2023	3,483,753	2.560
PWLB - HRA	501051	28 March 2012	28 March 2019	3,098,000	1.760
Market - HRA	3b	24 February 2007	24 February 2077	118,129	4.350
Market - HRA	2c	11 January 2007	11 January 2077	118,129	4.600
Market - HRA - KA Finanz	1c	06 February 2006	08 February 2066	118,129	4.875
Market - HRA	4	16 February 2006	16 February 2066	47,252	3.680
Market - HRA	5	19 October 2006	19 October 2076	118,129	3.730
Market - HRA	6	19 October 2006	19 October 2076	47,252	3.770
				85,018,305	

Total External Borrowing 131,602,064

COUNTERPARTY LIMITS @ 30th September 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						
Barnsley Borough Council	UK	AAA	5,000	12	3,000	2,000
Birmingham City Council	UK	AAA	5,000	12	5,000	0
Blackpool Borough Coun	UK	AAA	5,000	12	0	2,000
Debt Management Office (DMO)	UK	AAA	20,000	3	0	20,000
Eastleigh Borough Council	UK	AAA	5,000	12	3,000	2,000
Fife Council	UK	AAA	5,000	12	3,000	2,000
Lancashire County Council	UK	AAA	5,000	12	5,000	0
London Borough of Enfield	UK	AAA	5,000	12	5,000	0
Newcastle City Council	UK	AAA	5,000	12	5,000	0
Salford City Council	UK	AAA	5,000	12	5,000	0
South Lanarkshire Council	UK	AAA	5,000	12		5,000
Stirling Council	UK	AAA	5,000	12	2,000	3,000
Wakefield Council	UK	AAA	5,000	12	3,000	2,000
West Lothian Council	UK	AAA	5,000	12	3,000	2,000
Woking Borough Council	UK	AAA	5,000	12	5,000	0
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	350	4,650
Goldman Sachs	UK	AAA	5,000	36	0	5,000
Goldman Sachs - Govt	UK	AAA	5,000	36	0	5,000
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
National Australia Bank Group						
National Australia Bank	Australia	AA-	3,000	12	0	3,000
Australia & New Zealand Banking Group	Australia	AA-	3,000	12	0	3,000
Commonwealth Bank of Australia	Australia	AA-	3,000	12	0	3,000
Westpac Banking Corporation	Australia	AA-	3,000	12	0	3,000
Group Limit			3,000			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 Cooperation 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	6	2,000	0
Coventry Building Society	UK	A	2,000	6	2,000	0
Leeds Building Society	UK	A-	2,000	6	0	2,000
TOTAL INVESTMENTS					51,350	

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 @ 30th September 2014					
Institution	Amount	Rate	Maturity Date	Trade Date	Broker
Stirling Council	2,000	0.40	22-Oct-14	22-Apr-14	Sterling
Nationwide BS	2,000	0.49	02-Dec-14	02-Sep-14	Tradition
Coventry BS	2,000	0.45	03-Dec-14	03-Sep-14	Prebon
Salford CC	3,000	0.40	31-Jan-15	03-Apr-14	Tradition
Leeds CC	3,000	0.40	04-Mar-15	20-Jun-14	Tradition
Newcastle CC	3,000	0.45	16-Mar-15	31-Jul-14	Tradition
Fife Council	3,000	0.45	16-Mar-15	15-Sep-14	Tradition
Newcastle CC	2,000	0.4	31-Mar-15	01-Aug-14	Tradition
Woking Borough Council	5,000	0.48	08-Apr-15	08-May-14	Tradition
Eastleigh BC	3,000	0.45	15-Apr-15	22-Sep-14	Tradition
Birmingham CC	3,000	0.43	22-Apr-15	16-Jun-14	Tradition
West Lothian Council	3,000	0.45	19-May-15	02-Jun-14	Tradition
Salford CC	2,000	0.40	28-May-15	10-Jun-14	Tradition
Barnsley Borough Council	3,000	0.45	16-Jun-15	16-Sep-14	Sterling
London Borough of Enfield	2,000	0.44	23-Jun-15	01-Jul-14	Tradition
Birmingham CC	2,000	0.45	08-Jul-15	14-Aug-14	Tradition
Lancashire CC	5,000	0.55	29-Jul-15	28-Aug-14	Tradition
London Borough of Enfield	3,000	0.48	11-Aug-15	18-Sep-14	Tradition
Invesco Global MMF (AIM Glob	0	Variable	Call		
Deutsche Bank (Henderson)	350	Variable	Call		
Natwest SIB	0	0.90	Call		
Goldman Sachs	0	Variable	Call		
Goldman Sachs Govt	0	Variable	Call		
Total	51,350				

Fund Managers investments @ 30th September 2014			
	Mkt Value	Interest Received	Average interest rate @ 30 sept
	£'000	£'000	%
Royal London Asset Management (Rlam)	14,833	30	0.18%
Scottish Widows Investment Partnership (SWIP).	11,498	57	0.50%

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 desirable, could be afforded in the short term, but is not sustainable in the longer term.

Boundary Limit – Is an estimate of 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(usually the fiscal year).

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 to be achieved.

MRP - Minimum Revenue Provision- Is a provision the council has set-aside from revenue to repay loans arising from capital expenditure financed by 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) by additional loan repayments.

Local enterprise partnerships - Are partnerships between local authorities and businesses. They decide what the priorities should be for investment in roads, buildings and facilities in the area.

Fair value - Is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price