Key Decision Required:	Yes	In the Forward Plan:	Yes

CABINET

14 MARCH 2012

REPORT OF FINANCE AND ASSET MANAGEMENT PORTFOLIO HOLDER

A.3 <u>ANNUAL TREASURY STRATEGY for 2012/13 (INCLUDING PRUDENTIAL AND TREASURY INDICATORS)</u>

(Report prepared by Richard Barrett)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT
To agree the Annual Treasury Strategy for 2012/13 (including Prudential And Treasury Indicators) for submission to Council.

EXECUTIVE SUMMARY
The Annual Treasury Strategy for 2012/13 including Prudential and Treasury Indicators was initially considered and agreed by Cabinet on 15 February 2012 for submission to the Corporate Management Committee for review. Corporate Management Committee considered the Strategy at its meeting on 27 February 2012 and resolved: *That the Cabinet be informed that this Committee supports and endorses the contents of the Annual Treasury Strategy for 2012/13.* Cabinet are now asked to agree the Annual Treasury Strategy for 2012/13 (including Prudential And Treasury Indicators) that is attached as **Appendix A** for submission to Council.

RECOMMENDATION
That Cabinet notes the comment of the Corporate Management Committee and agrees that the Annual Treasury Strategy for 2012/13 (including Prudential And Treasury Indicators) attached at Appendix A be submitted to Council for approval.

APPENDICES
Appendix A – Annual Treasury Strategy for 2012/13 (including Prudential And Treasury Indicators)

Tendring District Council

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ANNUAL TREASURY STRATEGY FOR 2012/13

March 2012

Annual Treasury Strategy for 2012/13

The Annual Treasury Strategy has been prepared in accordance with the CIPFA Code and includes the following sections.

1. Background
2. Treasury Limits for 2012/13 to 2014/15
3. Prudential and Treasury Indicators for 2012/13 to 2014/15
4. Current Portfolio Position
5. Borrowing Requirement
6. Economic Position
7. Interest Rates
8. Borrowing strategy
    - 8.1 External v internal borrowing
    - 8.2 Net Debt Position
    - 8.3 Policy on borrowing in advance of need
9. Debt Rescheduling
10. Annual Investment Strategy
    - 10.1 Investment Policy
    - 10.2 Creditworthiness Policy
    - 10.3 Credit Limits
    - 10.4 Country Limits
    - 10.5 Investment Strategy
    - 10.6 Allocation of Investment returns between GF and HRA.
    - 10.7 End of year investment report

1. Background

The Local Government Act 2003 (the Act) and supporting regulations require the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act) which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The Council's risk appetite is low and it has taken, historically, a risk adverse approach to Treasury Management, with the security and liquidity of the investment the prime concern, and the budget for income from investments being formulated on this basis. The Annual Strategy for 2012/13 is based on this risk adverse approach continuing.

For a number of years the Council has engaged the services of treasury advisors to provide its officers with advice on treasury management issues. The current advisors are Sector Treasury Services (Sector). However the final decision and responsibility for the actions taken sits with the Council's own officers after considering that advice.

The details of the delegations and responsibilities for treasury management are contained within the Council's Constitution as follows:-

- Part 3 – delegated powers - Responsibilities of Cabinet
- Part 3 – delegated powers – Finance and Asset Management Portfolio and delegation to officers
- Part 5 – Financial Procedure Rules. (Section 14)

The Localism Act brings about the implementation of self financing reforms of the Housing Revenue Account (HRA) from 1 April 2012. This strategy therefore reflects the additional borrowing that is required as part of the implementation process. Not withstanding the above this Strategy will continue to cover investment and borrowing decisions for both the General Fund and HRA.

2. Treasury Limits for 2012/13 to 2014/15

It is a statutory duty under Section 3 of the Act and supporting regulations for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England and Wales the Authorised Limit represents the legislative limit specified in the Act.

The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is ‘acceptable’.

Whilst termed an “Affordable Borrowing Limit”, the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years. Details of the Authorised Limit can be found in Annex 1 of this report.

The authorised limit now reflects the additional borrowing requirement as part of the HRA self financing reforms. The Housing self financing reforms also set an overall ‘debt cap’ for the HRA which in itself reflects an affordability level based on the Governments model of how much debt can be supported by the HRA after considering the forecast of income from rents and management and maintenance costs over a 30 year period.

3. Prudential and Treasury Indicators for 2012/13 to 2014/15

Prudential and Treasury Indicators (as set out in Annex 1) are relevant for the purposes of setting an integrated Treasury Management Strategy. The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The revised Code published in November 2009 was adopted by the Council on 30 March 2010.

4. Current Portfolio Position

The Council’s treasury position at the end of December 2011 comprised:

- Borrowing from The Public Works Loan Board (PWLB) of £22.035m at fixed rates at an average rate of interest of 8.3%
- Investments of cash flow surpluses, which include reserves and capital receipts, on a short-term basis (less than 1 year) totalling £34.392m at an average rate of interest of 0.62%.

5. Borrowing Requirement

The Council’s current forecasted borrowing requirement is as follows:

	2010/11	**2011/12**	**2012/13**	**2013/14**	**2014/15**
	£’000	**£’000**	**£’000**	**£’000**	**£’000**
	actual	actual	estimate	estimate	estimate
New borrowing	0	35,979	0	0	0
Alternative financing arrangements	Nil	Nil	Nil	Nil	Nil
Replacement borrowing	Nil	Nil	Nil	1,000	Nil
Total new borrowing requirement	**0**	**35,979**	**0**	**1,000**	**0**

This position excludes any assumptions on additional borrowing (over and above the debt settlement amount) undertaken as part of the HRA business plan which will be subject to further consideration as the self financing reforms become embedded.

6. Economic Position

The outlook for the global economy remains clouded with uncertainty with the UK economy struggling to generate sustained recovery that offers any optimistim for the outlooks for 2012, or possibly even into 2013. Consumer and business confidence levels are low and with little to boost sentiment it is not easy to see potential for a significant increase in the growth rate in the short term.

At the centre of much of the uncertainty is the ongoing Eurozone sovereign debt crisis which has intensified rather than dissipated throughout 2011 and still remains the major factor that influences the economic outlook. The US economy offers little to improve this outlook. Hopes for broad based recovery have focussed on the emerging markets but these areas have been struggling with inflationary pressures in their previously fast growth economies. China for example has maintained its growth pattern, despite tightening monetary policy to suppress inflationary pressures, but some forward looking indicators are causing concern that there may not be a soft landing ahead, which would then be a further dampener on world economic growth.

UK economy

The Government's austerity measures, aimed at getting the public sector deficit into order over the next four years, have yet to fully impact on the economy. However, coming at a time when economic growth has virtually flatlined and concerns about the risk of a technical recession (two quarters of negative growth) in 2012, it looks likely that the private sector will not make up for the negative impact of these austerity measures given the lack of an export led recovery. The housing market, a gauge of consumer confidence, remains weak and the outlook is for house prices to be little changed for a prolonged period.

The economic forcecasts for 2011 and 2012 have been revised lower on a near quarterly basis as the UK recovery has, effectively, stalled. With fears of a potential return to recession the Bank of England embarked on a second round of Quantitive Easing to stimulate ecomnomic activity.

Inflation and Bank Rate. For the last two years the MPC's contention has been that high inflation was the outcome of temporary external factors and other one offs (e.g. changes in VAT); that view remains in place with CPI inflation standing at 5.2% at the start of quarter 4 2011. They remain of the view that the rate will fall back to, or below, the 2% target level within the two year horizon.

AAA rating. The ratings agencies have recently reaffirmed the UK's AAA sovereign rating and have expressed satisfaction with Government policy at deficit reduction. They have, though, warned that this could be reviewed if the policy were to change, or was seen to be failing to achieve its desired outcome. This credit position has ensured that the UK government is able to fund itself at historically low levels and with the safe haven status from Eurozone debt also drawing in external investment the pressure on rates has been down, and looks set to remain so for some time.

Economic forecasting remains troublesome with so many extermal influences weighing on the UK. There does, however, appear to be consensus among analysts that the economy remains weak and whilst there is still a broad range of views as to potential performance, they have all been downgraded throughout 2011.

7. Interest Rates

A variety of forecasts published by a number of institutions has been provided to the Council. The following table gives Sector's view on Bank Rate movements and their forecast for the PWLB new borrowing rate based on that view.

Annual Average %	Bank Rate	Money Rates		PWLB Borrowing Rates		
		3 month	1 year	5 year	25 year	50 year
March 2012	0.50	0.70	1.50	2.30	4.20	4.30
June 2012	0.50	0.70	1.50	2.30	4.20	4.30
Sept 2012	0.50	0.70	1.50	2.30	4.30	4.40
Dec2012	0.50	0.70	1.60	2.40	4.30	4.40
March 2013	0.50	0.75	1.70	2.50	4.40	4.50
June 2013	0.50	0.80	1.80	2.60	4.50	4.60
Sept 2013	0.75	0.90	1.90	2.70	4.60	4.70
Dec 2013	1.00	1.20	2.20	2.80	4.70	4.80
March 2014	1.25	1.40	2.40	2.90	4.80	4.90
June 2014	1.50	1.60	2.60	3.10	4.90	5.00

Growth in the UK economy is expected to be weak in the next two years and there is a risk of a technical recession (i.e. two quarters of negative growth). Bank Rate, currently 0.5%, underpins investment returns and is not expected to start increasing until quarter 3 of 2013 despite inflation currently being well above the Monetary Policy Committee inflation target. The Comprehensive Spending Review, which seeks to reduce the UK's annual fiscal deficit, will also depress growth during the next few years.

Fixed interest borrowing rates are based on UK gilt yields. The outlook for borrowing rates is currently much more difficult to predict. The UK total national debt is forecast to continue rising until 2015/16; the consequent increase in gilt issuance is therefore expected to be reflected in an increase in gilt yields over this period. However, gilt yields are currently at historically low levels due to investor concerns over Eurozone sovereign debt and have been subject to exceptionally high levels of volatility as events in the Eurozone debt crisis have evolved.

8. Borrowing Strategy

8.1 External v Internal Borrowing

The main Prudential Indicator relevant to capital investment is the Capital Financing Requirement (CFR). This is the total outstanding capital expenditure that has not yet been funded from either revenue or capital resources and is therefore a measure of the Council's underlying borrowing need after taking into account the provision included in the revenue budgets for the repayment of outstanding debt.

The borrowing to finance the capital expenditure can be either from external sources or the Council can use its own internal resources.

The planned external debt compared to the CFR over the next 5 years is shown in the following table, together with the amount funded from internal resources. This is now set out separately for the GF and the HRA as part of the housing self financing reforms.

General Fund

	Revised 2011/12	Estimate 2012/13	Forecast 2013/14	Forecast 2014/15	Forecast 2015/16	Forecast 2016/17
	£000's	£000's	£000's	£000's	£000's	£000's
CFR as at 31 March	**7,552**	**7,250**	**6,960**	**6,682**	**6,415**	**6,158**
External debt as at 1 April	22,137	2,986	2,781	2,558	2,316	2,054
Less: estimated repayment of debt	210	205	1,223	242	262	284
Less: debt transferred to HRA re self financing	18,941	-	-	-	-	-
Total estimated external debt as at 31 March	2,986	2,781	1,558	2,316	2,054	1,770
Forecast of internal financing	4,566	4,469	5,402	4,366	4,361	4,388
Forecast of external borrowing required to						

meet long term internal financing target	-	-	1,000	-	-	-
Revised forecast of Internal borrowing	4,566	4,469	4,402	4,366	4,361	4,388

HRA

	Revised 2011/12	Estimate 2012/13	Forecast 2013/14	Forecast 2014/15	Forecast 2015/16	Forecast 2016/17
	£000's	£000's	£000's	£000's	£000's	£000's
CFR as at 31 March	**54,920**	**53,008**	**51,096**	**49,184**	**47,272**	**45,360**
External debt as at 1 April	-	54,920	-	-	-	-
Add: debt transferred to HRA re self financing	18,941	-	-	-	-	-
Add: New borrowing re self financing	35,979	-	-	-	-	-
Less: estimated repayment of debt	0	1,912	1,912	1,912	1,912	1,912
Total estimated external debt as at 31 March	54,920	53,008	51,096	49,184	47,272	45,360
Forecast of internal financing	0	0	0	0	0	0

In respect of the General Fund, the Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with external loans as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy remains prudent as investment returns are low and counterparty risk is high and will be maintained for the borrowing excluding the HRA reform settlement.

The Council's officers have made an assessment, based on advice from previous treasury advisors, of the amount of internal resources that it is prudent to use to finance capital expenditure and it is felt taking into account the Council's financial position, that £4m-£5m would, at the present time, and over the medium term, be an appropriate level of internal borrowing.

The use of internal resources is only a temporary solution as, in time, these reserves and capital receipts will be utilised to finance service initiatives and capital investment and at that point will not be available. This will need to be balanced against the replacement external borrowing which will be required at some point in the future which may attract higher rates of interest so timing of such borrowing will need to consider forecasted rates of interest against the various types of borrowing structure to determine the most advantageous approach. Against this approach consideration may be required to borrow in advance of need, as set out in section 8.3 below, so as to reduce the need to borrow when interest rates may be higher.

The requirement for the HRA self financing reform settlement means that the Council will need to have the debt settlement amount of £35.979m available by the 28th March 2012, so separate borrowing solely for this purpose is required. The PWLB are providing loans at interest rates potentially 0.85% lower than the usual PWLB interest rates solely for the settlement requirements which makes the case for utilising this borrowing availability rather than exploring alternative approaches. The exact structure of debt to be drawn will be considered by officers in consultation with Sector to ensure it meets the requirements of the HRA business plan and optimises the benefit to the HRA.

8.2 Net Debt Position

The Prudential Code requires the Council to consider the risks and benefits where there is a significant difference between the gross and net borrowing position. This comparison will help to assess the Council's credit risk which would apply if the council has surplus resources invested at a low interest rate which could be used long term to repay existing debt or to negate the need for additional new debt both at higher interest rates. The table below sets out the Council's probable position taking account of both the individual GF and HRA debt figures, which reflects the new requirement emerging from the HRA self financing reforms.

Comparison of gross and net debt positions at year end	2010/11	2011/12	2012/13	2013/14	2014/15
	actual	probable out-turn	estimate	estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
General Fund external debt (gross)	22,138	2,986	2,781	2,558	2,316
HRA external debt (gross)	0	54,920	53,008	51,096	49,184
Investments	24,298	25,000	15,000	15,000	15,000
Net debt	**(2,160)**	**32,906**	**40,789**	**38,654**	**36,500**

a) The Code defines investments as long and short term investments plus cash and bank equivalent and from this total should be deducted any investments held clearly and explicitly in the course of the provision and for the purposes of operational services.
b) In this context the Council's various Earmarked Reserves and the Uncommitted Reserve all support the operational objectives of the Council.
c) Differences between reserves and investments is accounted for by internal funding of capital investments and the net position regarding current assets and liabilities.
d) The net debt positions show that the Council does not have excess resources which could be used to repay debt long term.

Given the severe reductions in Local Government funding and capital receipts along with earmarked reserves being applied in the short term, the overall strategy is to keep external borrowing to the minimum. This both restricts the additional cost falling to the revenue account and ensures repayments can be made. If opportunity arises external debt will be repaid early, although this is difficult under current arrangements as set out in section 9. If borrowing is required then any requirement will be considered balancing internal resources and forecasted interest rates within the parameters previously set out.

Against this background caution will be adopted with the 2012/13 treasury operations. The Head of Resource Management will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, and take the appropriate action in accordance with the Council's Financial Procedure Rules.

8.3 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

In determining whether borrowing will be undertaken in advance of need the Council will;

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- consider the merits and demerits of alternative forms of funding
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use
- consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them.

9. Debt Rescheduling

Officers together with the treasury advisors examine on a regular basis the potential for undertaking early repayment of some external debt to the PWLB in order to reduce the difference between its gross and net debt positions. However, the introduction by PWLB of significantly lower repayment rates than new borrowing rates in November 2007, compounded since 20 October 2010 by a considerable further widening of the difference between new borrowing and repayment rates, has meant that large premiums would be incurred by such action and cannot be justified on value for money grounds. This situation will be monitored in case the differential is narrowed by the PWLB or repayment rates rise substantially.

As short term borrowing rates will be considerably cheaper than longer term rates there may be some potential for some residual opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the size of premiums incurred, their short term nature, and the likely cost of refinancing these short term loans once they mature compared to the current rates of longer term debt in the existing portfolio.

Any opportunities for debt rescheduling will be considered if such action would be advantageous to the council. The reasons for any rescheduling to take place will include:

- the generation of cash savings and/or discounted cash flow savings
- helping to fulfil the strategy outlined above
- enhance the balance of the portfolio

Consideration will also be given to identifying if there is any residual potential left for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

10. Annual Investment Strategy

10.1 Investment Policy

The Council will have regard to the Department of Communities and Local Government's (CLG) Guidance on Local Government Investments, the 2009 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (the Code) along with any relevant revisions or updates. The Council's investment priorities when investing are: -

- The security of capital and
- The liquidity of its investments.

The Council will also aim to achieve the optimum return on its investments commensurate with these main priorities.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

Investment instruments identified for use in the financial year are listed in Annex 2 under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices – Schedules.

The majority of the Council's investments will be in Specified Investments although limited investments may be made in Non- Specified investments.

10.2 Creditworthiness Policy

This Council uses credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors. In determining the appropriate credit rating the Council will use the lowest rating available to determine the investment limits both in terms of amount and period for a particular counterparty. This is in accordance with the recommendations of The Code. Counterparties rated by only one agency will not be used. Counterparties will not meet the minimum rating criteria set out in the TMPs if their long term rating is B or below.

One of the credit rating agencies may be more aggressive in giving lower ratings than the other two agencies and this could result in the Council's counterparty list becoming too restrictive. If this happens the position will be discussed with the Council's treasury advisors and the Annual Treasury Strategy may need to be revised and approved by Council.

- All credit ratings will be monitored weekly**.** The Council is alerted to changes to ratings of all three agencies through its use of the Creditworthiness Service provided by Sector

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use for a new investment will be withdrawn immediately.

The Code also recommends that credit ratings are not the sole determinant of creditworthiness and therefore the Council will also use available market information from a variety of sources including

1. The Creditworthiness Service utilises movements in Credit Default Swaps against the iTraxx benchmark and other market data on a weekly basis. This creditworthiness service information will be used to confirm the assessed creditworthiness derived from the three ratings agencies. Where the information from this service indicates a lower standing for a particular counterparty than that derived via the credit ratings then the investment limits and length of investments applicable to that counterparty will be adjusted accordingly or the counterparty removed from the list.
2. Market data and information,
3. Information on government support for banks and the credit ratings of that government support

10.3 Credit Limits

Through its approved Treasury Management Practices the Council will set maximum limits for the amount that can be invested with any counterparty. This limit will be determined by reference to the counterparty's credit rating and other criteria. In addition the amount invested in building societies and Certificates of Deposit is also limited to 50% of the total investment portfolio.

100% of the Council's investments may be in Treasury Bills or Gilts or invested with the Government's Debt Management Office (DMO). Although these sums are very secure the rate of interest is usually lower than the market rate, however Treasury Bills are a valuable tool in providing security and liquidity whilst the DMO offers a variety of investment terms and is a valuable source of investment should credit ratings of other financial institutions result in a reduction in the number of counterparties that meet the Council's minimum credit rating criteria.

10.4 Country Limits

The Council has determined that it will only use approved counterparties from the UK and those countries with a minimum sovereign credit rating of AA from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list will be amended by officers should ratings change in accordance with this policy.

In a similar way that individual counterparties have a maximum investment limit, countries other than the UK will also have a limit.

10.5 Investment Strategy

The Council's funds are managed in-house and are mainly cash flow based but there is a core balance that could be available for investment for longer periods (2-3 years). Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

The bank rate is forecast to commence rising in 2013 and then rise steadily from thereon (see Section 7). The Council will avoid locking into longer term deals while investment rates are down at historically low levels unless exceptionally attractive rates are available which make longer term deals worthwhile without compromising the Council's priority of security of the investments.

For 2012/13 the Council has budgeted for an investment return of 0.35% on investments placed during the financial year, but this is dependent upon any earlier than forecast upward movement of interest rates.

For its cash flow generated balances the Council will seek to utilise its business reserve accounts and short dated deposits (overnight to three months) in order to benefit from the compounding of interest. At the present time these short dated deposits are paying interest rates at or above base rate and provide a good level of liquidity to help manage the Council's cash flow.

10.6 Allocation of Investment returns between GF and HRA

With the introduction of the housing self financing reforms a policy on the allocation of investments returns across the GF and HRA is required as they are no longer prescribed by the outgoing subsidy arrangements.

The HRA holds balances and would benefit from cash flow advantages, which are amalgamated for the purposes of the overall investment activity of the Council. At the end of each year the transfer to the HRA of its share of the authorities overall investment returns will be agreed by the Head of Resource Management in consultation with the Head of Life Opportunities based on the following principles:

- Equity
- Risk Sharing
- Minimising volatility between years

10.7 End of year investment report

At the end of the financial year the Cabinet will receive a report on its investment activity.

Prudential Indicators

Indicator Title		2010/11 Actual	2011/12 Revised	2012/13	2013/14 Forecast	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast	2011/12 Actual Position to December 2011
Capital Expenditure			**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**
	Non -HRA	5,388	7,093	1,345	1,889	1,082	1,244	1,207	2,457
	HRA	3,094	3,835	3,242	3,242	3,242	3,242	3,263	1,914
	TOTAL	**8,482**	**10,928**	**4,587**	**5,131**	**4,324**	**4,486**	**4,470**	**4,371**
Ratio of Financing Costs to Net Revenue Stream									This indicator is a yearly position and will change if the revenue stream or financing costs are different to that estimated. The revised figures are the latest estimate based on the draft budget proposals
	Non –HRA	2.18%	2.68%	2.71%	2.57%	1.90%	1.71%	1.52%	
	HRA	28.33%	25.99%	30.49%	29.62%	28.77%	27.95%	27.29%	
	TOTAL	**30.51%**	**28.67%**	**33.20%**	**32.18%**	**30.67%**	**29.66%**	**28.80%**	
If the Council had funded the proposed capital investment and associated ongoing costs by a direct charge on Council Tax alone the **estimate of the incremental impact of capital investment decisions on the Council Tax** would have been as follows.				**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	Not a measurable indicator during year as it is intended to be a measure of the impact of investment proposals when the capital programme is agreed.

Prudential Indicators (cont.)

Indicator Title		2010/11 Actual	2011/12 Revised	2012/13	2013/14 Forecast	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast	2011/12 Actual Position to December 2011
Estimate of the Incremental Impact of Capital Investment Decisions on Housing Rents				**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	Not a measurable indicator during year as it is intended to be a measure of the impact of investment proposals when the capital programme is agreed
Estimates of Capital Financing Requirement									Not a measurable indicator during the year until the actual financing of the capital programme is determined, but the external debt should not exceed this figure. See indicator 12
	Non -HRA	7,867	7,552	7,250	6,960	6,682	6,415	6,158	
	HRA	18,941	54,920	53,008	51,096	49,184	47,272	45,360	
	TOTAL	**26,808**	**62,472**	**60,258**	**58,056**	**55,866**	**53,687**	**51,518**	
			error	error	error	error	error	error	
Net Debt and the Capital Financing Requirement									
Capital Financing Requirement		26,808	62,472	60,258	58,056	55,866	53,687	51,518	The significant increase in 2011/12 onwards is due to the debt settlement amount under the new housing self financing arrangements
External Debt		22,138	57,907	55,789	53,654	51,500	49,326	47,130	22,035
Internal borrowing		4,670	4,565	4,469	4,403	4,366	4,361	4,388	
Debt Cap (Housing Revenue Account)									
Debt cap amount as determined by CLG		-	-	60,285	60,285	60,285	60,285	60,285	

Treasury indicators

Indicator Title	2010/11 Actual	2011/12 Revised	2012/13	2013/14 Forecast	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast	2011/12 Actual Position to December 2011
Has the Authority adopted the *'CIPFA Code of practice for Treasury management in the public sector'*	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Authorised Limit (of external debt)								
Borrowing		77,216	76,911	78,027	75,726	75,702	75,608	22,035
Other long Term Liabilities		-	-	-	-	-	-	
		77,216	**76,911**	**78,027**	**75,726**	**75,702**	**75,608**	
Operational Boundary (of External Debt)								
Borrowing		68,451	68,241	69,036	66,814	66,572	66,310	22,035
Other long Term Liabilities		-	-	-	-	-	-	
		68,451	**68,241**	**69,036**	**66,814**	**66,572**	**66,310**	
Interest Rate Exposures								
Upper Limit for Fixed Interest Rates		62,472	60,258	58,056	55,866	53,687	51,518	
Upper Limit for Variable Interest Rates		18,742	18,078	17,417	16,760	16,106	15,456	
Gross and Net Debt								
Upper limit on the proportion of net debt compared to gross debt	-0.98%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	-0.56%
Prudential Limits for Principal Sums Invested for Periods Longer than 364 days	Nil	3,500	3,500	3,500	3,500	3,500	3,500	Nil

Maturity Structure of Fixed rate Borrowing

Indicator Title	2010/11 Actual	2011/12 Revised	2012/13	2013/14 Forecast	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast	2011/12 Actual Position to December 2011
Upper and Lower Limits for the Maturity Structure of Borrowing								
Upper Limit for the Maturity Structure of Borrowing								
Under 12 months	0.95%	25%	25%	25%	25%	25%	25%	0.95%
12 months and within 24 months	0.93%	30%	30%	30%	30%	30%	30%	0.93%
24 months and within 5 years	7.80%	60%	60%	60%	60%	60%	60%	7.80%
5 years and within 10 years	4.08%	75%	75%	75%	75%	75%	75%	4.08%
10 years and above	86.24%	95%	95%	95%	95%	95%	95%	86.24%
Lower Limit for the Maturity Structure of Borrowing								
Under 12 months	0.95%	0%	0%	0%	0%	0%	0%	0.95%
12 months and within 24 months	0.93%	0%	0%	0%	0%	0%	0%	0.93%
24 months and within 5 years	7.80%	0%	0%	0%	0%	0%	0%	7.80%
5 years and within 10 years	4.08%	0%	0%	0%	0%	0%	0%	4.08%
10 years and above	86.24%	25%	25%	25%	25%	25%	25%	86.24%

SPECIFIED AND NON-SPECIFIED INVESTMENTS

This schedule sets out the specified and Non-Specified investments the Council may use in 2012/13.

Investments may be in the form of direct deposits, Certificates of Deposits (CDs), or the purchase of financial instruments such as Treasury Bills, Bonds and Gilts.

SPECIFIED INVESTMENTS:
An investment is a Specified Investment if all of the following apply

1. The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling
2. The investment is not a long term investment which is one that is due to be repaid within 12 months of the date on which the investment is made or one which the local authority may require to be repaid within that period.
3. The investment is not defined as capital expenditure by regulations
4. The investment is made with a body or in an investment scheme of high credit quality or the investment is made with the following public sector bodies.
    a. UK Government
    b. Local authority
    c. Parish council or community council

Where an investment is being made with a UK nationalised or part nationalised bank this will be treated for the purposes of classification as a Specified or Non-specified investment as being invested with the UK Government.

High credit quality
For a counterparty to meet the high credit quality criteria for specified investments, that counterparty must meet as a minimum the ratings of the three credit rating agencies listed below, and not be the subject of any adverse indications from the following sources.

- Credit Default Swap index
- The quality financial press
- Market data
- Information on government support for banks and
- The credit ratings of that government support

Ratings	**Fitch**	**Moodys**	**Standard & Poors**
Short term	F1	P-1	A-1
Long term	A-	A3	A

NON SPECIFIED INVESTMENTS

A maximum of £3.5m may be held, in aggregate, in Non-Specified Investments

The only Non-Specified investments that the Council will use in 2012/13 are investments for periods of longer than 12 months with any institution or investment instrument that would have been classed as a Specified Investment if the investment had been for less than 12 months.