

1. Capital Financing Requirement (CFR), External Debt and Operational Boundary

The CFR and Operational Boundary estimates are shown below:

| Prudential Indicator £m | 2011/12 Original Estimate | Current Borrowing Position | 2011/12 Revised Estimate |
|---|---------------------------------|----------------------------------|--------------------------------|
| Capital Financing Requirement | 3 | 3 | 3 |
| External Debt / the Operational Boundary | | | |
| Long Term Borrowing | 0 | 0 | 0 |
| Short Term Borrowing* | 3 | 3 | 3 |

Limits to Borrowing Activity

The first key control over the treasury activity is a PI to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. As the Council is debt free, this control will always be met.

2. The Authorised Limit

This PI, which is required to be set and revised by Members, controls the overall level of borrowing and represents the limit beyond which borrowing is prohibited. 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. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

| Authorised limit for external debt £m | 2011/12 Original Indicator | Current Borrowing Position | 2011/12 Revised Indicator |
|--|----------------------------------|----------------------------------|---------------------------------|
| Short Term Borrowing | 7 | 0 | 7 |

3. Interest Rate Movements and Expectations

The information relating to the interest rate movements and future expectations is shown within the Treasury Management Strategy Statement 2012/13 – 2014/15.

4. Current Investment Position

This information is reported in the Members Information Bulletins.

The Council's held £30.7m of investments at 30 September 2011 and the list of investments and counterparties is shown below:

| Sector | Country | Up to One Year |
|---------------------------|----------------|-----------------------|
| Banks | UK | £22.7m |
| Building Societies | UK | £8.0m |

List of Investments as at 30 September 2011

| Counterparty | Principal |
|---------------------|------------------|
| Clydesdale BS | £3.0m |
| Natwest | £7.0m |
| Co-Operative Bank | £3.7m |
| Nationwide BS | £2.0m |
| Barclays Bank | £3.0m |
| Skipton BS | £2.0m |
| Santander UK Ltd | £3.0m |
| Yorkshire BS | £2.0m |
| Lloyds Bank | £3.0m |
| Coventry BS | £2.0m |
| | £30.7m |

The Council has no sums invested for greater than 364 days.

The revised budget position for investment income, on an accruals basis, is:

| | 2011/12 Original Estimate | 2011/12 Half Year Estimate | 2011/12 Full Year Estimate |
|---------------------|--|---|---|
| Interest Receivable | £0.346m | £0.346m | £0.346m |

The following reports the current position against the benchmarks originally approved.

5. Security

The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, was set as follows:

0.01% historic risk of default when compared to the whole portfolio.

Note: The benchmarks are an average risk of default measure, and would not constitute an expectation of loss against a particular investment. The benchmarks are embodied in the

criteria for selecting cash investment counterparties and these will be monitored and reported to Members. As this data is collated, trends and analysis will be collected and reported. Where counterparty is not credit rated a proxy rating will be applied.

The Head of Strategic Finance can report that the investment portfolio was maintained within this overall benchmark during this year to date.

6. Liquidity

The Council set liquidity facilities/benchmarks to maintain:

- Bank overdraft - £0.5m
- Liquid short term deposits of at least £2m available with a week's notice.
- Weighted Average Life benchmark is expected to be 0.5years, with a maximum of 10 years.

The Head of Strategic Finance can report that liquidity arrangements were adequate during the year to date.

7. Yield

Local measures of yield benchmarks are:

- Investments – returns 0.12% above average bank rate

The Head of Strategic Finance can report that return up to 30 September 2011 averaged 1.24%, against a benchmark rate of 0.62%. The actual investment interest rate is therefore 0.62% (100%) above the benchmark rate.