

MID YEAR TREASURY MANAGEMENT MONITORING REPORT

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

The CFR and Operational Boundary estimates are shown below:

Prudential Indicator	2013/14 Original Estimate	Current Borrowing Position	2013/14 Revised Estimate
Capital Financing Requirement	£3.0m	£6.0m	£8.5m
External Debt and Operational Boundary			
Long Term Borrowing	£10.0m	£6.0m	£10.0m
Short Term Borrowing	£3.0m	£0.0m	£3.0m

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. The Council is meeting this control.

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	2013/14 Original Indicator	Current Borrowing Position	2013/14 Revised Indicator
Long & Short Term Borrowing	£13.0m	£6.0m	£13.0m

3 Interest Rate Movements and Expectations

The information relating to the interest rate movements and future expectations is shown within Sector's Treasury Management Update Quarter Ended 30 June 2013 at Appendix 2.

4 Current Investment Position

This information is reported in the Members Information Bulletins.

The Council held £43.210m of investments at 31 August 2013 and the list of investments and counterparties is shown below:

Sector	Country	Up to One Year
Banks	UK	£29.210m
Building Societies	UK	£2.000m
Debt Management Office	UK	£12.000m

List of Investments as at 31 August 2013:

Institution	Principal £
Clydesdale Bank	3,000,000
Co-Operative Bank	3,210,000
Deutsche Bank	3,000,000
Lloyds TSB Bank	2,000,000
Lloyds TSB Bank	1,000,000
Lloyds TSB Bank	2,000,000
Nat West Bank	5,000,000
Nat West Bank	2,000,000
Nat West Bank	3,000,000
Santander Bank	5,000,000
Nationwide Building Society	2,000,000
Debt Management Office	3,000,000
Debt Management Office	3,000,000
Debt Management Office	3,000,000
Debt Management Office	3,000,000
Total	43,210,000

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

Investment risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, which include the Fitch, Moody's and Standard & Poors Credit Ratings Services and special criteria for the council's own bank. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. One long-standing investment for £3m with Clydesdale Bank, which met the criteria when placed, does not meet the Council's current criteria. However, because it was placed to support local businesses, its continuing use as counterparty has been approved by Leadership Team. Details of the Investment Strategy for 2012/13, which was approved by the Audit Committee on 14 March 2012, can be found on the Council's website.

Bank Tender – the provision of banking services is currently subject to a bank tender exercise with any new provider due to be in place on 1 April 2014.

The Revised cash flow model for the current financial year (giving interest earned, on a cash basis) is within the Treasury Management Strategy Statement 2013/14 – 2015/16. Using this model, the revised budget position for investment income, on an accruals basis, is:

	2013/14 Original Estimate	2013/14 Latest Estimate	2013/14 Revised Estimate
Interest Receivable	£270,000	£270,000	£270,000

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 Shared Services 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 0.5 years, with a maximum of 10 years.

The 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 Shared Services Finance can report that return up to 31 August 2013 averaged 0.60%, against a benchmark rate of 0.62%. The actual investment interest rate is therefore -0.02% (-3.23%) below the benchmark rate.