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To: City Executive Board

Date: 5th December 2012

Report of: Head of Finance

Title of Report: Treasury Management Mid Year Review

Summary and Recommendations

Purpose of report: To report performance of the treasury management function for the period April to September 2012 and to outline the investment strategy for the remainder of the financial year.

Key decision? No

Executive lead member: Councillor Ed Turner

Policy Framework: Sustaining Financial Stability

Recommendations: The City Executive Board are asked to:

1) Note the performance of the treasury management function for the first six months of 2012/13; and

2) Agree the Investment Strategy for the remainder of 2012/13 and the continuation of the operational strategy as highlighted in para 37

Appendices

1. Appendices to the report are listed below:
   - Appendix 1 – Current list of investments
   - Appendix 2 – Prudential indicators
   - Appendix 3 – Risk register

Introduction

2. The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management 2009 requires that elected members should be provided with regular monitoring reports on treasury management activities at least twice in each financial year. In addition to the Annual Strategy Report and Annual Out-turn Report, the Council is undertaking further regular reporting on a quarterly basis. This ensures the Council is embracing Best Practice in

accordance with CIPFA's Code of Practice. The CIPFA Revised Code of Practice on Treasury Management was adopted by the Council on 3rd February 2010.

3. This mid year report has been prepared in compliance with the Code of Practice, and covers the following:
    - An economic update including an interest rate forecast
    - A review of the Treasury Management Strategy Statement and Annual Investment Strategy
    - A review of the Council's investment portfolio for 2012/13
    - A review of the Council's borrowing strategy for 2012/13
    - A review of compliance with Treasury and Prudential Limits for 2012/13

A. Economic Update

The following overview provides information on the Global Economy for the last 6 months together with an outlook on the Eurozone and the UK for the next 6 months and the view of the Council's Treasury advisors, Sector, going forward

Global Economy

4. During the six months ended 30 September 2012:
    - Indicators suggest that economic growth returned after three quarters of recession;
    - Retail sales held up well and spending off the high street strengthened;
    - Employment continued to rise at a strong pace;
    - Inflation failed to make further downward progress;
    - The Monetary Policy Committee (MPC) announced more asset purchases;
    - UK equity and government bond prices rose;
    - The US economy continued to recover, but at a disappointingly slow pace.

Outlook for the next six months of 2012/13
Eurozone

5. Greece is still failing to meet the demands of the austerity programme in cutting government expenditure, increasing tax revenue and selling off public sector assets. This is creating further anxiety for the Eurozone members. If Germany were to withdraw its financial support, then Greece will run out of cash within the next couple of months. Markets are currently predicting that Greece will eventually be forced to exit (dubbed "Grexit") the Eurozone and return to the drachma.

6. Sovereign bond yields for both Spain and Italy have risen sharply to levels previously deemed unsustainable. Spain is now actively seeking acceptable terms for a bailout and surrendering national sovereignty to external oversight by the IMF.

7. One possible, but very unlikely, solution to the Eurozone debt crisis would be the issue of Eurobonds. These would collectivise all debt in the Eurozone and reduce the Greek element in total Eurozone debt to an almost insignificant percentage.

8. Austerity programmes in various European countries are reducing gross domestic product (GDP) growth rates.

UK

9. The UK has suffered its worst and slowest recovery from recession since 1930.

10. The Bank of England August 2012 Inflation Report again pushed back the timing of a return to trend growth and the rate at which inflation will fall back towards the target rate of 2%.

11. 40% of UK GDP is dependent on overseas trade; high correlation of UK growth to US and EU GDP growth means that the UK economy is likely to register weak growth in the next two years.

12. Consumers are likely to remain focused on paying down debt and weak consumer sentiment and job fears will all act to keep consumer expenditure suppressed. Consequently, it is likely to take a lot longer to eliminate the structural budget deficit than the current plans of the Coalition government suggest. These plans need to be updated to incorporate the impact of weak growth in the Eurozone and US which are depressing growth in UK GDP and resulting in lower tax revenues than anticipated.

13. The Coalition Government and the Bank of England have put in place a programme of action to improve the availability of credit in the economy. However, it will take time for this to feed through and have significant positive impact on GDP.

14. There is little sign of a coordinated strategy for the private sector to finance a major expansion of infrastructure investment to boost UK growth.

15. Eurozone concerns and the potential for further quantitative easing (QE) to stimulate GDP growth are likely to keep gilt yields depressed during the next twelve months.

16. However, there are improvements in the prospects for the UK economy, though there is still a long way to go.

    - UK banks have made huge progress since 2008 in correcting their over-extended balance sheets.

    - Consumers have also made progress in correcting their personal over-borrowed balance sheets so that personal debt relative to incomes is now down to the lowest level since 2004. However, at 146%, it still remains the highest of any G7 nation.

    - The car industry is well on track to increase production. This is expected to see an increase from about 1m cars per annum in 2009 to 2.25m by 2016, much of which will be exported. In addition, car component firms are moving production to the UK in order to cost effectively meet the consequent increase in demand for their products. The car industry has also made steady progress in reducing its labour costs to be below those of Germany, France, Italy and Spain.

- The fall in price inflation relative to increases in pay inflation meant that household disposable income was less affected in quarter ended June, the biggest improvement in three years. Recent increases in employment also strengthen consumer expenditure, tax receipts and reduce Government expenditure on benefits.

- The UK has a competitive currency.

Sector's forward view

17. Economic forecasting remains difficult with so many external influences weighing on the UK. Key areas of uncertainty include:

    - The impact of the Eurozone crisis on financial markets and the banking sector;
    - The impact of the UK Government's austerity plan on confidence and growth;
    - Monetary policy action failing to stimulate growth in western economies;
    - The potential for weak growth or recession in the UK's main trading partners - the EU and US;

18. Economic growth is more likely to be below current forecasts. Sector believes that in the long term gilt yields and Public Work Loans Board (PWLB) rates will rise due to the high volume of gilts issued in the UK, and the high volume of debt in other major western countries. However, in the short term, quantitative easing is likely to depress yields and further quantitative easing thereafter may lead to a reassessment of Sector's central forecast.

19. Given the weak outlook for economic growth, Sector sees the prospects for interest rate changes before early 2014 as very limited. There is potential for the start of Bank Rate increases to be even further delayed if growth disappoints.

Interest Rate Forecasts

20. The table below shows Sector's (the Council's treasury advisor) current interest rate forecasts:

	Now	**Dec 2012**	**March 2013**	**June 2013**	**Sept 2013**	**Dec 2013**	**March 2014**	**June 2014**	**Sept 2014**	**Dec 2014**
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%
5 year PWLB rate	1.74%	1.50%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%
10 year PWLB rate	2.73%	2.50%	2.50%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.20%
25 year PWLB rate	4.04%	3.70%	3.70%	3.70%	3.80%	3.80%	3.90%	4.00%	4.10%	4.20%
50 year PWLB rate	4.22%	3.90%	3.90%	3.90%	4.00%	4.00%	4.10%	4.20%	4.30%	4.40%

21. Sector undertook a review of its interest rate forecasts following the issue of the Bank of England Inflation Report for August 2012. Consequently, it pushed back the first rise in Bank Rate from Q1 2014 to Q4 2014, as well as lowering the pace of rises in gilt yields.

22. The Bank of England forecasts of the speed and strength of recovery and rate of reduction of CPI inflation over the last four years had been attracting increasing criticism for being consistently over optimistic. In this latest Inflation Report, the Bank changed its position significantly as it markedly downgraded its forecasts for the strength and speed of recovery in GDP growth. Whereas previously it had consistently been forecasting a strong recovery to over 3% p.a., it was now only forecasting growth to recover to around 2% during the period from early 2013 to the end of 2015.

B. Current year performance to date

23. Although the rate of investment returns have decreased as forecast over the first six months of 2012/13, the Council is predicted to exceed its budgeted investment income target for the financial year and is currently achieving cumulative investment returns that are significantly above its benchmark London Interbank Bid Rate (LIBID) rates and the Bank of England's Base Rate (0.50%). However, the cumulative average rate of return has recently dropped to 0.99%, which is below the Council's performance indicator target of 1.00% (50 basis points above the Bank of England's Base Rate). The cumulative rate of return has dropped by approximately eight basis points during the second quarter.

24. The reduction in the average rate of monthly investment return over the last six months has been due to worsening market conditions, which has led to a reduction in lending options and a significant decrease in LIBID rates offered by the remaining counterparties on the Council's Treasury Management Lending List. There has also been a steady increase in average investment balances, which has led to new deposits placed in the last few months being invested at lower interest rates than they would have been at the beginning of the financial year. The decline in the rate of investment return was predicted and taken into account when setting the investment income budget target of £252,550, which the Council is forecast to achieve, as it has already accrued approximately £222,000 of interest from investments held during the first half of the year (see paragraph 29 for interest breakdown). The decline in the rate of investment return is forecast to continue for the remainder of 2012/13.

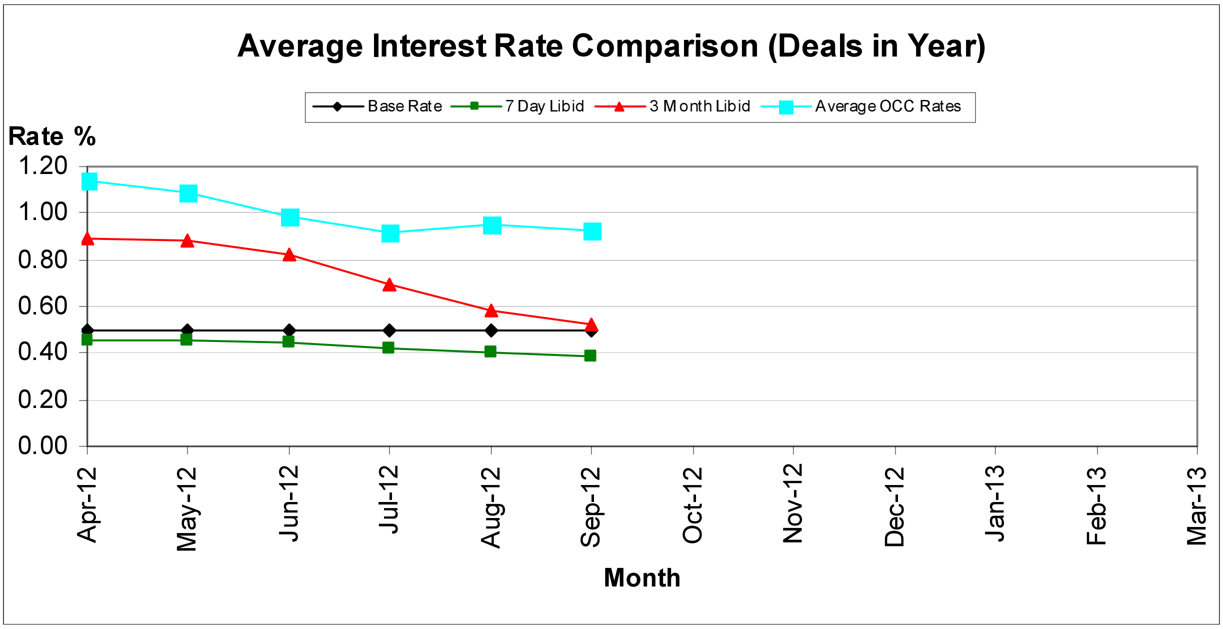
25. 2012/13 first half year investment balances and average returns are set out below:

Month	Average Balances	Average Return	Interest
April 2012	£36.28 million	1.14%	£34,000
May 2012	£40.90 million	1.09%	£38,000
June 2012	£41.36 million	0.98%	£33,000
July 2012	£48.54 million	0.92%	£36,000
August 2012	£48.36 million	0.91%	£35,000
September 2012	£47.14 million	0.93%	£36,000
Period Averages	**£44.55 million**	**0.99%**	**£222,000**

* Table above excludes Icelandic Investments

Average Interest Rate Comparison graph

26. The graph below compares our in-house average rate of return to the Bank of England's Base Rate and our benchmark interest rates:



Icelandic Investments

27. In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority had £4.5 million deposited across 2 of these institutions, with varying maturity dates and interest rates.

28. The original terms plus the amounts currently outstanding are shown in the table below:

Counterparty	Original Principal	Interest Rate	Maturity Date	Interest Received	Principal Repaid	Exchange Rate Loss	Total Repaid	Total Outstanding as at 30.09.12
Glitnir	£1.5m	5.51%	28/01 2009	£81,172.63	£1,213,800	(£45,238.57)	£1,249,734.06	£305,339.56
Heritable	£1.0m	5.83%	09/12 2008	£3,811.04	£745,621		£749,432.04	£255,679.19
Heritable	£1.0m	6.04%	05/01 2009	£14,860.49	£745,621		£760,481.49	£260,037.96
Heritable	£1.0m	6.18%	30/04 2009	£9,130.65	£745,621		£754,751.65	£257,777.66
Total				**£108,974.82**	**£3,450,663**	**(£45,238.57)**	**£3,514,399.25**	**£1,078,834.38**

29. Heritable Bank have repaid approximately 75% of the initial deposit plus interest. The last repayment was made in July 2012. It is still expected that we will receive up to 90% of the original deposit.

30. On 15th March, we received four of the five foreign currency repayments due from Glitnir Bank totalling £1,249,734.06. The repayment date of the fifth currency (in Icelandic Krona (ISK)) is still to be confirmed. We are awaiting the resolution of changes to Icelandic law which may allow ISK to be transferred out of Iceland. Once this has been resolved, it is expected that we will receive close to 100% of our initial deposit.

The Treasury Management Counterparty List

31. The Council's approved Treasury Management Counterparty List is based upon Sector's recommended counterparty lending list. This list is determined by current counterparty credit ratings provided by the three main credit rating agencies and by changes to their credit default swap spreads. The credit default swap spread gives an indication of the market's perception of the likelihood of an institution defaulting on the repayment of its loans. Officers review the lending list on a weekly basis, or more frequently if additional information is released. There have been no breaches to the approved limits within the Annual Investment Strategy during the first half of 2012/13.

32. In July, Council agreed to increase its money market fund total investment limit from £15 million to £20 million. This has assisted the Council to secure increased investment return and reduce its need to utilise the Debt Management Account Deposit Facility. At the same meeting, the Council also agreed to amend the Treasury Investment Strategy to add other public bodies, such as police authorities, to the approved Treasury Management Counterparty List with the same lending limits as applied to other local authorities. Since their addition, there have been no opportunities to lend to other public bodies (other than other local authorities).

33. There have been no other changes to the Council's approved Treasury Management Counterparty List during the first half of 2012/13.

34. Below is the Counterparty List as at 30th September 2012 (this is further restricted with operational limits):

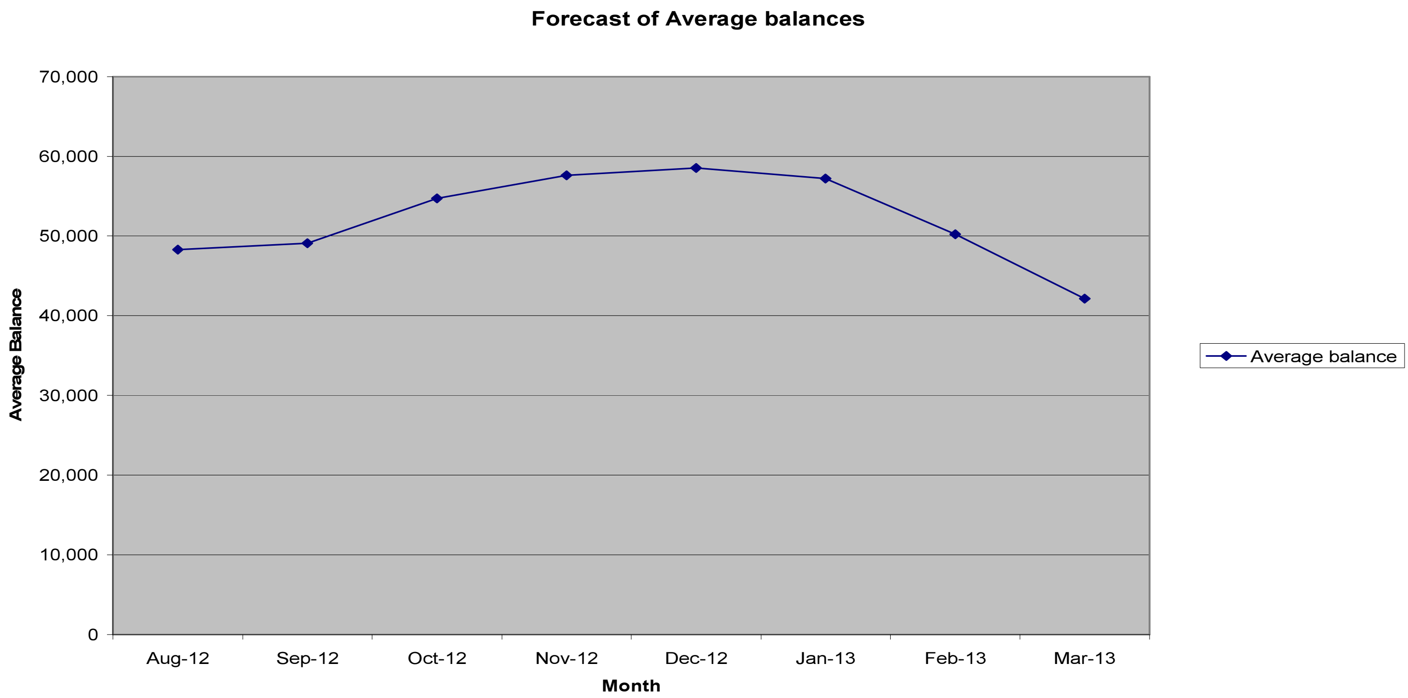
Counterparty Name	Group	Maximum Limit £M's	Maximum Period Days
SPECIFIED			
Barclays Bank plc		10.0	180
Co-operative		0.5	Call
HSBC Bank plc	HSBC Group	10.0	90
Standard Chartered Bank		10.0	90
Sumitomo Mitsui Banking Corporation Europe Ltd		10.0	90
Nationwide BS		10.0	180
Bank of Scotland Plc	Lloyds Banking Group plc	10.0	364
Lloyds TSB Bank Plc	Lloyds Banking Group plc	10.0	364
National Westminster Bank Plc	Royal Bank of Scotland Group Plc	10.0	364
The Royal Bank of Scotland Plc	Royal Bank of Scotland Group Plc	10.0	364
Ulster Bank Ltd	Royal Bank of Scotland Group Plc	10.0	364
NON SPECIFIED			
Yorkshire Building Society		3.0	90
Coventry Building Society		3.0	90
Skipton Building Society		3.0	90
Leeds Building Society		3.0	90
OTHERS			
Debt Management Office		Unlimited	364
Local Authorities and other public bodies (such as, Police Authorities)		10.0	364
Money Market Funds		20.0	

This is subject to change in line with credit rating changes, credit rating and outlook watches, and changes to CDS spreads. Specified investments are Sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. Non-specified investments are any other type of investment which cannot be categorised as specified. They are potentially higher risk investments; although the loss of principal or investment income is still minimal with the institutions listed above.

Investment Balances as at 30th September 2012

35. A full list of investments held as at 30th September 2012 is shown in Appendix 1 to this report. These investments comply with the Council's lending list criteria and are held in highly credit rated Government backed banks, building societies, call accounts and money market funds. The list excludes the Icelandic bank investments.

36. The chart below shows the forecast increase and later decline of our investment balances. The forecast increase is largely increasing housing revenue account balances and the later decline is due to the cyclical drop in Council tax revenue and grants at year end and is due to pick up again at the beginning of 2013/14:



Investment Strategy

37. It is recommend that we continue the operational investment strategy instigated during the first quarter of the year, with the majority of deposits being kept short (up to 3 months) with highly credit rated institutions through the money markets and on money market funds, instant access and notice accounts. To safely improve the maturity profile and investment return, it is recommended that the Council continues to place further deposits for six months to 364 day periods with either highly rated semi-nationalised banks or other public sector bodies. This should help protect the Council against interest rate risk and slow the reduction in investment return. This will enable us to effectively manage the fluctuations in the Council's balances.

38. This operational strategy is in line with the 2012/13 Overall Treasury Management Strategy approved by Council in February and subsequently amended in July 2012.

Debt and Borrowing

39. The Council's capital financing requirement (CFR) as at 1st April 2012 was £221.21 million. 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) or from internal balances on a temporary basis (internal borrowing). The balance between external and internal borrowing is largely driven by market conditions.

40. The Council's external debt as at 30th September 2012 was approximately £201.8 million and therefore internal cash reserves of approximately £20k are being utilised. This external debt includes approximately £198.5 million borrowed from the Public Work Loans Board (PWLB) to buy out the Housing Revenue Account (HRA) from the subsidy system. The debt is held at fixed rates, with varying lengths of time before maturity. The debt is wholly related to Housing with the interest being met by the Housing Revenue Account. Restructuring and premature repayment of the old debt has been considered and ruled out because the Council would incur a large premium as these debts are at very high interest rates.

41. The table below shows the structure of all external loans:

£m	Period	Years	Maturity Date	Interest Rate
1.2	7 years	7	26/09/2015	11.25%
2.1	7 years	7	27/10/2015	11.38%
20.0	9 years	9	28/03/2021	2.21%
20.0	14 years	14	28/03/2026	2.92%
40.0	20 years	20	28/03/2032	3.30%
40.0	25 years	25	28/03/2037	3.44%
40.0	30 years	30	28/03/2042	3.50%
38.5	45 years	45	28/09/2057	3.50%
201.8	**Weighted Average Interest Rate**			**3.39%**

42. The Council also has a long-term liability/ outstanding debt with South Oxfordshire District Council (£1.2m) which is held at a variable interest rate.

43. The Council continues to monitor borrowing interest rates and forecasts on a regular basis to ensure we are in a position to take on new external debt to fund the current Capital Programme commitments.

44. There was no new borrowing undertaken by the Council during the first six months of the financial year 2012/13.

Prudential Indicators

45. In accordance with the CIPFA code of Practice on Treasury Management and the CIPFA Prudential Code the Council's Treasury Management Strategy sets out how the Council's treasury service supports capital decisions taken, the day to day treasury function and the limitations on activity, i.e the prudential indicators. The key prudential indicator is the Authorised Limit, i.e. the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. The Affordable Borrowing limit required by S3 of the Local Government Act 2003 is the sustainable borrowing limit.

46. In the year to date the Council has complied with its Treasury Management Practices and operated within and in accordance with the prudential indicators set out in the Council's Treasury Management Strategy Statement. The Council's Prudential and Treasury Indicators are shown in Appendix 2.

47. Note to table 2 of appendix 2: The reduction in this year's planned capital expenditure is mainly due to the slippage of the competition pool expenditure (£6.3 million) from the current year into 2013/14. Furthermore, this capital expenditure will now be financed through the use of capital receipts rather than by prudential borrowing.

Risk

48. The attached risk register at Appendix 3 considers the risks associated with this report.

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Appendix 1

Investment Balances as at 30th September 2012 (excluding Icelandic Investments)

Counterparty Name	Group Name	Principal Amount	Interest Rate	Start Date	Maturity Date	Days to Maturity	Broker / Non Broker
		£	%				
Building Societies							
Nationwide Building Society		1,000,000	0.45%	14-Aug-12	12-Oct-12	12	Tradition
Nationwide Building Society		2,000,000	0.54%	12-Sep-12	11-Dec-12	72	Tradition
Nationwide Building Society		2,000,000	0.48%	19-Sep-12	04-Dec-12	65	Sterling
Coventry Building Society		1,500,000	0.72%	16-Jul-12	16-Oct-12	16	Tradition
Coventry Building Society		1,500,000	0.67%	23-Jul-12	23-Oct-12	23	Tradition
Skipton Building Society		1,500,000	0.43%	14-Sep-12	22-Nov-12	53	Sterling
Leeds Building Society		1,500,000	0.49%	06-Aug-12	08-Oct-12	8	RP Martin
Leeds Building Society		1,500,000	0.52%	31-Aug-12	30-Nov-12	61	Tradition
Banks							
Barclays Bank		2,000,000	0.76%	16-Jul-12	16-Oct-12	16	Non Broker
Barclays Bank		1,800,000	0.65%	14-Aug-12	12-Oct-12	12	Non Broker
Barclays Bank		3,000,000	0.59%	17-Sep-12	17-Dec-12	78	Non Broker
Lloyds TSB Bank Plc	Lloyds Banking Group Plc	2,000,000	2.65%	18-May-12	17-May-13	229	Non Broker
Bank of Scotland Plc	Lloyds Banking Group Plc	3,500,000	3.00%	12-Jul-12	04-Jul-13	277	Non Broker
Bank of Scotland Plc	Lloyds Banking Group Plc	1,300,000	1.35%	14-Aug-12	13-Nov-12	44	Non Broker
Co-op Bank PSR Account		0	0.18%		Instant Access	0	Non Broker
Santander UK 95 Day Notice A/c - suspended		0	1.25%		95 Days Notice	0	Non Broker
Santander UK BR A/c - suspended		0	0.60%		Instant Access		Non Broker
SMBCE - suspended		0				0	Non Broker
Natwest Liquidity Select A/c	Royal bank of Scotland Group	6,800,000	0.91%		Instant Access	1	Non Broker
Clydesdale Notice A/c - Suspended		0	0.85%		30 Days Notice	0	
Money Market Funds							
Ignis MMF		6,800,000	0.65%		Instant Access	1	Non Broker
Prime Rate MMF		5,760,000	0.56%		Instant Access	1	Non Broker
DB Advisors MMF		0	0.51%		Instant Access	1	Non Broker
Goldman Sachs MMF		0	0.48%		Instant Access	1	Non Broker
Debt Management Office							
DMADF		0	0.25%				
Local Authorities							
Other Local Authorities		0					
Investments Total		**45,460,000**					

Investment Balances Classified by Financial Intermediary

Broker / Non Broker	Principal Outstanding	Percentage split	Number of Loans / Facilities
	£	%	
Non Broker	32,960,000	72.50%	9
Tradition	7,500,000	16.50%	4
Prebon	0	0.00%	0
RP Martin	1,500,000	3.30%	1
Sterling	3,500,000	7.70%	2
Investments Total	**45,460,000**	**100.00%**	**16**

Investment Maturity Profile

Period from 30th September 2012 to Maturity	Fixed Deposits	Call Accounts	Money Market Funds	Total	Percentage split
	£	£	£	£	%
Overnight	0	6,800,000	12,560,000	**19,360,000**	42.59%
2 Days - 1 Month	9,300,000	0	0	**9,300,000**	20.46%
1 month - 2 months	4,300,000	0	0	**4,300,000**	9.46%
2 months - 3 months	7,000,000	0	0	**7,000,000**	15.40%
3 months - 4 months	0	0	0	**0**	0.00%
4 months - 6 months	0	0	0	**0**	0.00%
6 months - 9 months	2,000,000	0	0	**2,000,000**	4.40%
9 months - 364 days	3,500,000	0	0	**3,500,000**	7.70%
Total	26,100,000	6,800,000	12,560,000	**45,460,000**	**100.00%**

Appendix 2

Prudential Indicators – 2012/13

Table 1		Principal	Average Rate
		£'000	%
Fixed Rate Funding	PWLB	201,769	3.39%
Variable Rate Funding	PWLB	0	
Other Long Term Liabilities		1,158	0.82%
Gross Debt		202,927	
Total Investments		45,460	0.99%
Net Debt		157,467	

Table 2: Prudential Indicators	2011/12	2012/13	2012/13
Extract from budget and rent setting report	Actual	Original Estimate	Probable Outturn
	£'000	£'000	£'000
Capital Expenditure			
General Fund	12,435.0	19,473.0	10,895.0
HRA	8,577.0	8,395.0	8,343.0
TOTAL	21,012.0	27,868.0	19,238.0
Ratio of financing costs to net revenue stream			
General	-1.3%	2.1%	27.3%
HRA	1.6%	19.3%	15.5%
Net borrowing requirement			
brought forward 1 April	26,044.0	221,206.0	221,206.0
carried forward 31 March	221,206.0	228,951.0	222,756.0
in year borrowing requirment	195,162.0	7,745.0	1,550.0
In year Capital Financing Requirement			
General Fund	-3,366.0	7,745.0	1,550.0
HRA	198,528.0	0.0	0.0
TOTAL	195,162.0	7,745.0	1,550.0
Increment impact of capital investment decisions	£ p	£ p	£ p
Increase in Council Tax (band D) per annum*	16.26	17.92	11.56
Increase in average housing rent per week	22.66	20.98	20.51

Table 3: Treasury Management Indicators	2011/12	2012/13	2012/13
Extract from budget and rent setting report	**Actual**	**Original Estimate**	**Probable Outturn**
	£'000	£'000	£'000
Authorised Limit for External Debt -			
Borrowing	2,000	2,000	2,000
HRA	243,000	243,000	243,000
other long term liabilities	1,500	1,500	1,500
TOTAL	246,500	246,500	246,500
Operational Boundary for external debt -			
Borrowing	2,000	8,000	8,000
HRA	234,000	234,000	234,000
other long term liabilities	1,500	1,500	1,500
TOTAL	237,500	243,500	243,500
Actual External Debt			£202,927,023
Upper limit for fixed interest rate exposure			
Net principal re fixed rate borrowing and investments	100%	100%	100%
Upper limit for variable interest rate exposure			
Net principal re variable rate borrowing and investments	100%	100%	100%
Upper limit for total principal sums invested for over 364 days (per maturity date)	0	0	0

Table 4: Maturity structure of new fixed rate borrowing during 2011/12	Upper Limit	Lower Limit
	%	%
Under 12 months	30	0
12 months and within 24 months	30	0
24 months and within 5 years	80	0
5 years and within 10 years	100	0
10 years and above	100	0

Table 5: Comparison of Gross and Net Debt Positions at Year End	2011/12	2012/13
	Actual	**Probable Outturn**
	£'000	£'000
Actual External Debt (gross)	203,324	201,350
Cash Balances	32,000	45,000
Net Debt	**171,324**	**156,350**

Appendix 3

Risk ID	Risk						Corporate Objective	Gross Risk		Residual Risk		Current Risk		Owner	Date Risk Reviewed
Category-000-Service Area Code	Risk Title	Opportunity/ Threat	Risk Description	Risk Cause	Consequence	Date raised	1 to 6	I	P	I	P	I	P		
TMS-001	Loss of capital investment	T	Loss of capital investment – if counterparty invested in collapses and is unable to repay the original investment	Collapse of counterparty, counterparty unable to repay investments	The Council will lose money which could potentially have an adverse effect on operational funding	1-Oct-12	6	3	2	3	1	3	1	Anna Winship	31-Dec-12
TMS-002	Interest Rates	O/T	Interest Rates – Although interest rates are currently at an all time low, the period of time that they remain at this level is to be considered. A prolonged period will affect the long term returns for the organisation.	No change to base rate and associated market investment rates, or rates that only move upwards slowly over a prolonged period of time	The Council will not be able to realise the returns on investment as previously projected in the budget	1-Oct-12	6	2	2	2	1	2	1	Anna Winship	31-Dec-12
TMS-003	Fraudulent activity	T	Potential fraud by staff	Fraudulent activity	Loss of money	1-Oct-12	6	2	2	2	1	2	1	Anna Winship	31-Dec-12
TMS-004	Money Laundering	T	Money laundering by external parties	Pay cash for transactions into council, claims refund	Fine/imprisonment	1-Oct-12	6	4	2	4	1	4	1	Nigel Kennedy	31-Dec-12

Risk ID	Risk Title	Action Owner	Accept, Contingency, Transfer, Reduce or Avoid	Details of Action	Key Milestones	Milestone Delivery Date	%Action Complete	Date Reviewed
TMS-001	Loss of capital investment	Anna Winship	A	Reducing risk by limiting the use of high risk counterparties Limiting the value of investment with those counterparties on our investment list Controls and procedures are in place to ensure those counterparties on the list are kept within their limits, and that any further changes to counterparties are monitored.	All investments are repaid in full with relevant interest paid.Quarterly Treasury report to the Finance Scrutiny Panel	Further Review of counterparty list as part of Annual Treasury Strategy Report. Feb 2013.	100%	28-Sep-12
TMS-002	Interest Rates	Anna Winship	R	Making investments with larger and more secure counterparties, over a longer period of time. Increase the counterparty list to include those eligible institutions Monitor the base rate and rates achieved against budget to ensure that best value is being achieved	Budget will be reforecast as part of the quarter 3 Treasury Management Review. Review of Investment interest earned that meets Revised budget requirement	Annual Treasury Strategy Report. Feb 2013.	100%	28-Sep-12
TMS-003	Fraudulent activity	Anna Winship	A	Division of duties and internal controls including audit. Ensure insurance is updated	Audit checks carried to ensure procedures are being carried out correctly and that insurance cover is sufficient	Nov-12	50%	28-Sep-12
TMS-004	Money Laundering	Nigel Kennedy	T	Money laundering policy reviewed. Refunds back to source. Raise awareness. Review financial regs	Posters printed to raise awareness - June 2012. Financial regs reviwed and updated April 2012	April - June 2012	85%	28-Sep-12

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