Appendix A

CBC Borrowing Requirement and Debt Management 2011/12

The Council's capital expenditure is financed by external funding, revenue contributions or capital receipts. The Council is allowed to borrow to fund any shortfall in financing, provided the level of borrowing is prudent and sustainable. The Council increases its borrowing requirement when incurring any capital expenditure which is not financed by grants, contributions, capital receipts or revenue contributions. In addition to paying interest on debt, local authorities are required to set cash aside annually to repay the principal General Fund debt balance by means of a Minimum Revenue Provision (MRP). The borrowing requirement is reduced by the amount of any in year MRP.

	Balance on 01/04/2011 £m	Debt Maturing / Paid £m	Debt Prematurely Repaid £m	New Borrowing £m	Balance on 31/03/2012 £m
CFR	**201.4**				**374.6**
Short Term Borrowing	0.6	0.6	0	0	0
Long Term Borrowing	155.6	0	0	165	320.6
TOTAL BORROWING	156.2	0.6	0	165	320.6
Other Long Term Liabilities	19.0	0.2	0	0	18.8
TOTAL EXTERNAL DEBT	175.2	0.8	0	165	339.4

The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) as at 31/3/2012 was estimated at £374.6m.

The Council did not fund any of its capital expenditure through new borrowing. The PWLB remained the Council's preferred source of borrowing given the transparency and control that its facilities continue to provide. In total all of the new loans £165m were raised in respect of national changes in HRA funding. Maturing debt was not replaced with new loans.

Loans Borrowed during 2011-12	**Principal £m**	**Average Rate %**	**Average Maturity (years)**
PWLB Fixed Rate Maturity Loans	120.0	3.1	17
PWLB Variable Rate Maturity Loans	45.0	0.6	10
Total	165.0	2.4	16

Given the large differential between short and longer term interest rates, which is likely to remain a feature for some time in the future, as well as the pressure on Council finances, the debt management strategy sought to lower debt costs within an acceptable level of volatility (interest rate risk).

Loans at Variable Rates

The extent of variable rate borrowing the Council can potentially undertake is influenced by the level of Reserves and Balances. £35.6m of the Council's variable rate loans borrowed before 20/10/2010 are not subject to the higher post-CSR margin; the interest rate on these loans averaged 0.73%.

The uncertain interest rate outlook further supported the case for maintaining variable rate debt. As the economy still appeared susceptible to economic shocks, growth remained insipid and official interest rates were forecast to remain low for much longer, the Council determined that exposure to variable rates was warranted. It also made sense from an affordability and budgetary perspective in the short-to-medium term.

The interest rate risk associated with the Council's strategic exposure is regularly reviewed with the treasury advisor against clear reference points, this being a narrowing in the gap between short and longer term interest rates by 0.5%. When appropriate this exposure will be reduced by replacing the variable rate loans with fixed rate loans.

Internal Borrowing

Given the significant reductions to local government funding putting pressure on Council finances, the strategy followed was to minimise debt interest payments without compromising the longer-term stability of the portfolio. The differential between the cost of new longer-term debt and the return generated on the Council's temporary investment returns was significant (between 2% - 3%). The use of internal resources in lieu of borrowing was judged to be the most cost effective means of funding the Council's capital expenditure. This has, for the time being, lowered overall treasury risk by reducing both external debt and temporary investments. Whilst this position is expected to continue in 2012/13, it will not be sustainable over the medium term. The Council expects it will need to borrow for capital purposes by the first half of 2014.

Lender's Option Borrower's Option Loans (LOBOs)

No options were exercised by the lender during 2011/12. The 2011 revision to the CIPFA Treasury Management Code now requires the prudential indicator relating to Maturity of Fixed Rate Borrowing to reference the maturity of LOBO loans to the earliest date on which the lender can require payment, i.e. the next call date. This change is reflected in Maturity Structure of Fixed Rate Borrowing table.

Debt Rescheduling

No debt was rescheduled in 2011/12.

Appendix B

CBC Investment Activity 2011/12

The CLG's Investment Guidance requires local authorities to focus on security and liquidity, rather than yield.

Investments	Balance on 01/04/2011 £m	Investments made £m*	Maturities/ Investments sold £m*	Balance on 31/03/2012 £m
Short Term Investments	45.5	677.5	676.0	47
Long Term Investments (365 days plus)	0	0	0	0
Investments in Pooled Funds	4.6			4.7**
TOTAL INVESTMENTS	50.1	677.5	676.0	51.7

*the figures for investments made and repaid reflect the strategy of making deposits or investments with short durations.
**Movement in valuation of units

Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2011/12. Investments during the year included

- Deposits with the Debt Management Office
- Investments in AAA-rated Stable Net Asset Value Money Market Funds
- Call accounts and deposits with Banks and Building Societies

Credit Risk
Counterparty credit quality was assessed and monitored with reference to credit ratings; credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; any potential support mechanisms and share price. The minimum long-term counterparty credit rating determined for the 2011/12 treasury strategy was A+/A1 across rating agencies Fitch, S&P and Moody's.

This particular criterion was amended in the revised Treasury Management Strategy approved by Council on 19th January 2012 to A-/A3 in response to downgrades in credit ratings below A+ of many institutions considered to be systemically important to the financial system. The downgrades were driven principally by the agencies' view the extent of future government support (flowing from the recommendations to the government from the Independent Commission on Banking) rather than deterioration in the institutions' creditworthiness.

Liquidity

In keeping with the CLG's Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds / overnight deposits/ the use of call accounts.

Yield

The Council sought to optimise returns commensurate with its objectives of security and liquidity. The UK Bank Rate was maintained at 0.5% through the year.

The Council considered an appropriate risk management response to uncertain and deteriorating credit conditions in Europe was to shorten maturities for new investments. Short term money market rates also remained at very low levels which had a significant impact on investment income.

The Council's budgeted investment income for the year had been estimated at £1.29m. The average cash balances were £70.5m during the period and interest earned was £1.14m.

Externally Managed Funds

The Council did not employ external fund managers during 2011/12.

Appendix C

Prudential Indicators 2011/12 (Approved 20th January 2011 with revisions 19th January 2012)

The objectives of the Prudential Code for capital finance are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. The indicators are designed to support and record local decision making and are not designed to be comparative performance indicators. The capital finance indicators should be considered in parallel with the treasury management indicators required by the Treasury Management Code of practice.

The Council is required to report on compliance on all prudential indicators at the end of the financial year.

Following the reforms associated with the Housing Revenue Account (HRA) the required adjustment to the Council's housing-related debt necessitated revisions to a number of 2011/12 prudential indicators previously approved by Council on 20th January 2011. The revised prudential indicators were approved by Council on 19th January 2012.

Capital Financing Requirement (CFR)

Estimates of the Council's cumulative maximum external borrowing requirement for 2011/12 to 2013/14 are shown in the table below:

	31/3/2012 Estimate £m	31/3/2012 Actual £m	31/3/2013 Estimate £m	31/3/2014 Estimate £m
Gross CFR	376.9	374.6	388.5	393.7
Less: Other Long Term Liabilities	23.1	18.8	21.7	20.3
Borrowing CFR	**353.8**	**356.0**	**366.8**	**373.4**

The general fund balance at 31st March 2012 was £10.9m.

<u>Prudential Indicator Compliance</u>

(a) **Authorised Limit and Operational Boundary for External Debt**

- The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached.
- The Council's Affordable Borrowing Limit was set at £435m for 2011/12.
- The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit.
- The Operational Boundary for 2011/12 was set at £414m.
- The Chief Finance Officer confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the year; borrowing at its peak was £320.6m.

(b) **Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure**

- These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.
- The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2011/12 %	**Maximum during 2011/12 %**
Upper Limit for Fixed Rate Exposure	100	78
Compliance with Limits:	Yes	Yes
Upper Limit for Variable Rate Exposure	35	25
Compliance with Limits:	Yes	Yes

(c) **Maturity Structure of Fixed Rate Borrowing**

- This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	**Upper Limit %**	**Lower Limit %**	**% Fixed Rate Borrowing as at 31/03/2012**	**Compliance with Set Limits?**
under 12 months	20	0	7.7	Yes
12 months and within 24 months	20	0	1.8	Yes
24 months and within 5 years	60	0	0.0	Yes
5 years and within 10 years	100	0	0.0	Yes
10 years and within 20 years	100	0	56.1	Yes
20 years and within 30 years	100	0	8.3	Yes
30 years and within 40 years	100	0	10.5	Yes
40 years and within 50 years	100	0	15.5	Yes
50 years and above	100	0	0.00	Yes

(The 2011 revision to the CIPFA Treasury Management Code requires the prudential indicator relating to Maturity of Fixed Rate Borrowing to reference the maturity of LOBO loans to the earliest date on which the lender can require payment, i.e. the next call date)

(d) **Actual External Debt**

- This indicator is obtained directly from the Authority's balance sheet. It is the closing balance for actual gross borrowing (short and long-term) plus other deferred liabilities.
- The indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/03/2012	**£m**
Borrowing (nominal value)	320.6
Other Long-term Liabilities	18.8
Total	**339.4**

(e) **Total principal sums invested for periods longer than 364 days**

- This indicator allows the Council to manage the risk inherent in investments longer than 364 days.
- The limit for 2011/12 was set at £25m - see (k) below. No funds were placed over 364 days.

(f) **Capital Expenditure**

- This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits, and, in particular, to consider the impact on Council tax and in the case of the HRA, housing rent levels.

Capital Expenditure	**2011/12 Estimate £m**	**2011/12 Actual £m**	**2012/13 Estimate £m**	**2013/14 Estimate £m**
Non-HRA	78.2	60.1	78.7	61.3
HRA	5.1	4.8	6.1	10.5
Total	**83.2**	**64.9**	**84.9**	**71.8**

Capital expenditure has been and will be financed or funded as follows:

Capital Financing	**2011/12 Estimate £m**	**2011/12 Actual £m**	**2012/13 Estimate £m**	**2013/14 Estimate £m**
Capital receipts	8.9	3.8	**11.2**	10.2
Government Grants	52.5	41.8	**46.4**	38.9
Major Repairs Allowance	4.0	3.8	0.0	0.0
Revenue contributions	0.9	6.8	**5.9**	10.3
Total Financing	66.1	56.2	**63.5**	59.4
Supported borrowing	0.0	0.0	**0.0**	0.0
Unsupported borrowing	17.1	8.7*	**18.4**	12.4
Total Funding	17.1	**8.7**	**18.4**	12.4
Total Financing and Funding	**83.2**	**64.9**	**84.9**	**71.8**

*internal borrowing

The table shows that the capital expenditure plans of the Authority could not be funded entirely from sources other than external/internal borrowing.

(g) **Ratio of Financing Costs to Net Revenue Stream**

- This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs.
- The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2011/12 Estimate %	2011/12 Actual %	2012/13 Estimate %	2013/14 Estimate %
Non-HRA	6.37	6.06	7.39	7.84
HRA*	0.01	0	0.19	16.85
Total	**5.61**	**6.06**	**6.47**	**9.02**

(h) **Incremental Impact of Capital Investment Decisions**

- This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Incremental Impact of Capital Investment Decisions	2011/12 Approved £	2012/13 Estimate £	2013/14 Estimate £
Increase in Band D Council Tax	10.4	16.45	20.48
Increase in Average Weekly Housing Rents	0.12	0.21	0.53

(i) **Adoption of the CIPFA Treasury Management Code**

- This indicator demonstrates that the Authority adopted the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management
The Council approved the adoption of the CIPFA Treasury Management Code at its Shadow Executive meeting on the17th Feb 2009. The updated 2011 Code is to be adopted as part of this report.

(j) **Gross and Net Debt**

§ The purpose of this treasury indicator is to highlight a situation where the Authority is planning to borrow in advance of need.

Upper Limit on Net Debt compared to Gross Debt	**2011/12 Actual £m**	**2012/13 Estimate £m**	**2013/14 Estimate £m**
Outstanding Borrowing (at nominal value)	320.6	351.7	356.6
Other Long-term Liabilities (at nominal value)	18.8	20.3	18.9
Gross Debt	339.4	372	375.5
Less: Investments	47	52.2	52.3
Net Debt	**-292.4**	**-319.8**	**-323.2**

(k) **Upper Limit for Total Principal Sums Invested Over 364 Days**

§ The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Authority having to seek early repayment of the sums invested.

Upper Limit for total principal sums invested over 364 days	**2011/12 Approved £m**	**2011/12 Revised £m**	**2012/13 Estimate £m**	**2013/14 Estimate £m**	**2014/15 Estimate £m**
	25	**25**	**25**	**25**	**25**

(l) **Limit on Indebtedness**

HRA CFR	**2011/12 Approved £m**	**2011/12 actual £m**	**2012/13 Estimate £m**	**2013/14 Estimate £m**	**2014/15 Estimate £m**
HRA Debt Cap (as prescribed by CLG) *	**165.7**	**165.0**	**165.7**	**165.7**	**165.7**

* CLG revised debt cap after the Treasury Strategy was approved in January 2012.

Appendix D

Debt Management activities from 1 April 2012 to 30 September 2012

	Balance on 1/4/2012 £ms	Debt Repaid £ms	New Borrowing £ms	Balance on 30/09/2012 £ms
Short Term Borrowing (GF)	5.0	5.0	0	0
Short Term Borrowing (HRA)	0	0	0	0
Long Term Borrowing (GF)	150.6	0	0	150.6
Long Term Borrowing (HRA)	165.0	0	0	165.0
TOTAL BORROWING	**320.6**	**5.0**	**0**	**315.6**

PWLB Borrowing: The PWLB remains an attractive source of borrowing for the Council as it offers flexibility and control. The large downward move in gilt yields in the second quarter of 2012 resulted in PWLB rates falling across all maturities.

In August HM Treasury announced details of the "Certainty Rate" which will enable "eligible authorities" to access cheaper PWLB funding, with a 20 basis point reduction on the standard PWLB borrowing rate. HM Treasury have introduced this initiative to incentivise local authorities to provide robust forecasts on borrowing plans. The Council's eligibility for the certainty rate has been confirmed.

Alternative borrowing sources: The Council will continue to adopt a cautious and considered approach to funding from the capital markets.

For the Council the use of internal resources in lieu of borrowing has continued to be the most cost effective means of funding capital expenditure. This has lowered overall treasury risk by reducing both external debt and temporary investments. However, this position will not be sustainable over the medium term and the Council expects it will need to begin to borrow for capital purposes from the first half of 2014. No debt rescheduling has been undertaken although the portfolio is continually monitored to identify suitable opportunities to reschedule should they arise.

Appendix E

Investment Activities from 1 April 2012 to 30 September 2012

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

Investments

	Balance on 01/04/2012 £ms a	Investments Made £ms b	Investments Repaid £ms c	Balance on 30/09/2012 £ms (a+b-c) d	Increase/ (Decrease) in Investments (d-a)
Short Term Investments	47.0	339.4	317.0	69.4	22.4
Long Term Investments	0	0	0	0	0
Investments in Pooled Funds Lime Fund	4.7	0	0	4.7	0
TOTAL INVESTMENTS	**51.7**	**339.4**	**317.0**	**74.1**	**22.4**

Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2012/13. New investments were made with the following institutions

- Other Local Authorities;
- AAA-rated Money Market Funds;
- Term Deposits with UK Banks and Building Societies systemically important to the UK banking system and with select non-UK Banks;

.

Counterparty credit quality was assessed and monitored with reference to Credit Ratings (the Council's minimum long-term counterparty rating of A- (or equivalent) across rating agencies Fitch, S&P and Moody's); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; sovereign support mechanisms /potential support from a well-resourced parent institution; share price.

Credit Risk

Counterparty Update

In June Moody's completed its review of banks with global capital market operations, downgrading the long-term ratings of all of them by between one to three notches. The banks on the Council's lending list which were affected by the ratings downgrades were Barclays, HSBC, Royal Bank of Scotland, as well as Royal Bank of Canada, JP Morgan Chase, BNP Paribas, Societe Générale, Credit Agricole/Credit Agricole CIB, Credit Suisse and Deutsche Bank. Separately, the agency also downgraded the ratings of Lloyds Bank, Bank of Scotland, National Westminster Bank and Santander UK plc.

None of the long-term ratings of the banks on the Council's UK lending list were downgraded to below the Council's minimum A-/A3 credit rating threshold.

Following the decision to shorten deposit durations with investment counterparties back in May this year, the Council has since extended duration (decision made in late July). The move to extend duration was as a result of monitoring economic and political developments in the UK, Europe and globally. The various risk metrics used to assess the creditworthiness of financial institutions had shown continued signs of stabilisation, and in some cases, considerable improvement.

At this time of extending duration limits with UK, Australian, Canadian and American banks, the Council also reintroduced the strongest banks in the stronger European sovereigns onto its approved lending list.

Maturities for new investments with financial institutions on the Council's list are currently as follows:

UK Institutions

§ Santander UK, Royal Bank of Scotland and National Westminster for a maximum period of 35 days;
§ Barclays Bank, Lloyds TSB, Bank of Scotland and Nationwide Building Society for a maximum period of 100 days;
§ HSBC Bank and Standard Chartered for a maximum period of 12 months.

Non-UK Institutions

§ Approved Australian and Canadian banks for a maximum period of 12 months;
§ JP Morgan Chase Bank for a maximum period of 6 months;
§ Bank Nederlandse Gemeenten N.V., Deutsche Bank AG, Nordea Bank, Rabobank and Svenska Handelsbanken for a maximum period of 100 days.

§ All other European banks are temporarily suspended for new investments.

§ Money Market Funds: we remain comfortable with clients continuing to use AAA-rated Money Market Funds. We recommend a maximum exposure limit of 10% of your total investments per

Safe Custody Arrangements

The Council is currently assessing the risks and benefits of setting up custody accounts with regulated institutions to allow the Council to use a number of approved investment instruments as outlined in the 2012/13 Treasury Strategy and diversify the investment portfolio. Investment instruments requiring a custodian facility include Treasury Bills, Certificates of Deposit, Gilts, Corporate Bonds and Supranational Bonds.

By establishing custody arrangements, the Council will be better-placed to consider the use of alternative investment instruments in response to evolving credit conditions.

Budgeted Income and Outturn

The Council's budgeted investment income for the year has been estimated at £0.9m. The average cash balances were £70m during the period.

The UK Bank Rate has been maintained at 0.5% since March 2009 and is not expected to rise until 2015/2016. Short-term money market rates have remained at very low levels. New investments were made between 0.4% and 1.4%. The Council anticipates an investment outturn of £0.85m for the whole year.

Externally Managed Funds:

The Council has no externally managed funds.

Appendix F

Prudential Indicators 1 April 2012 to 30 September 2012)

The following prudential indicators are in place for 2012/13 as approved by Council on 19th January 2012.

Capital Financing Requirement

Estimates of the Council's cumulative maximum external borrowing requirement for 2012/13 to 2014/15 are shown in the table below and reflect forecasts in the Treasury Management Strategy (TMS) approved by Council on 19th January 2012.

	31/03/2012 Actual £ms	31/03/2013 Estimate £ms	31/03/2014 Estimate £ms	31/03/2015 Estimate £ms
Capital Financing Requirement	374.6	388.5	393.7	386.3
Less: Existing Profile of Borrowing	320.6	315.6	308.0	291.6
Less: Other Long Term Liabilities	18.7	20.3	18.9	17.8
Cumulative Maximum External Borrowing Requirement	**35.3**	**52.6**	**66.8**	**76.8**

Usable Reserves

Estimates of the Council's level of Usable Reserves for 2012/13 to 2014/15 are as follows:

	31/03/2012 Actual £ms	31/03/2013 Estimate £ms	31/03/2014 Estimate £ms	31/03/2015 Estimate £ms
Usable General Reserves	10.9	9.8	11.2	11.2

<u>Prudential Indicator Compliance</u>

(a) Authorised Limit and Operational Boundary for External Debt

§ The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached.
§ The Council's Affordable Borrowing Limit was set at £455m for 2012/13.
§ The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit.
§ The Operational Boundary for 2012/13 was set at £434m.

- The Chief Finance Officer confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the year; borrowing at its peak was £320.586m.

(b) Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.
- The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on the portfolio of investments.

	Limits for 2012/13 %
Upper Limit for Fixed Rate Exposure	100
Compliance with Limits:	Yes
Upper Limit for Variable Rate Exposure	35
Compliance with Limits:	Yes

(c) Maturity Structure of Fixed Rate Borrowing

- This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	**Upper Limit %**	**Lower Limit %**	**% Fixed Rate Borrowing as at 30/09/12**	**Compliance with Set Limits?**
under 12 months	20	0	5.76	Yes
12 months and within 24 months	20	0	1.88	Yes
24 months and within 5 years	60	0	0.00	Yes
5 years and within 10 years	100	0	0.00	Yes
10 years and within 20 years	100	0	57.3	Yes
20 years and within 30 years	100	0	8.51	Yes
30 years and within 40 years	100	0	10.73	Yes
40 years and within 50 years	100	0	15.81	Yes
50 years and above	100	0	0.00	Yes

(d) **Gross and Net Debt**

- The purpose of this treasury indicator is to highlight a situation where the Authority is planning to borrow in advance of need.

Upper Limit on Net Debt compared to Gross Debt	**2011/12 Actual £m's**	**2012/13 Estimate £m's**	**Compliance with Set Limits?**
Outstanding Borrowing (at nominal value)	320.6	351.7	
Other Long-term Liabilities (at nominal value)	18.7	20.3	
Gross Debt	339.3	372.0	**YES**
Less: Investments	47.0	52.2	
Net Debt	**-292.3**	**-319.8**	**YES**

(e) **Net Debt and the Capital Financing Requirement**

- This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Authority should ensure that the net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.
- The Authority had no difficulty meeting this requirement so far in 2012/13, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

(f) **Total principal sums invested for periods longer than 364 days**

- This indicator allows the Council to manage the risk inherent in investments longer than 364 days.
- The limit for 2012/13 was set at £25m. No investments were made in the period for longer than 364 days.

(g) **Credit Risk**

- This indicator has been incorporated to review the Council's approach to credit risk.
- The Council confirms it considers security, liquidity and yield, in that order, when making investment decisions.

- Credit ratings remain an important element of assessing credit risk, but they are not the sole feature in the Authority's assessment of counterparty credit risk. The authority considers the following tools to assess credit risk:
  - Published credit ratings of the financial institution and its sovereign;
  - Sovereign support mechanisms;
  - Credit default swaps (where quoted);
  - Share prices (where available);
  - Economic fundamentals, such as a country's net debt as a percentage of its GDP);
  - Corporate developments, news, articles, markets sentiment and momentum.

- The Council can confirm that all investments were made in line with minimum credit rating criteria set in the 2012/13 TMSS:
  - long-term ratings of A- or equivalent;
  - long-term ratings of AA+ or equivalent for non-UK sovereigns.

(h) **HRA Limit on Indebtedness**

- This purpose of this indicator is for the Council to report on the level of the limit imposed at the time of implementation of self-financing by the Department for Communities and Local Government.

HRA Limit on Indebtedness	**31/03/2012 Actual £ms**	**31/03/2013 Estimate* £ms**	**31/03/2014 Estimate* £ms**	**31/03/2015 Estimate* £ms**
HRA CFR	157.3	157.3	157.3	157.3
HRA Debt Cap (as prescribed by CLG)	165.0	165.0	165.0	165.0
Difference	7.7	7.7	7.7	7.7
HRA Limit on Indebtedness	165	165.0	165.0	165.0

* CLG revised debt cap to £165m after TMS report was approved the estimate reflects this revision.