Non-Executive Report of the: **Audit Committee** **23 September 2015**	TOWER HAMLETS
Report of: Zena Cooke, Corporate Director of Resources	**Classification:** Unrestricted
Treasury Management Activity Report for Year to 31 August 2015	

Originating Officer(s)	Bola Tobun, Investment & Treasury Manager
Wards affected	All wards

Summary

This report advises the Committee of the Council's borrowing and investment activities during 2015/16 to 31 August 2015. The Treasury Management Strategy Statement and the Treasury Prudential Indicators, for 2015/16 were approved by the Council on 26 February 2015 as required by the Local Government Act 2003.

The report also provides information on the economic conditions prevailing in the third quarter of 2015/16. The report also provides a summary of the prudential indicators, treasury management indicators and a summary of the credit criteria adopted by the Corporate Director of Resources for the reporting year and the projected investment returns.

The Council earned an average return of 0.76% on its lending, outperforming the actual rolling average 7 day LIBID rate of 0.35%.

No long-term or short-term borrowing has been raised since the commencement of this financial year 2015/16 to reporting period.

Over the reporting period, all treasury management activities have been carried out in accordance with the approved limits and the prudential indicators set out in the Council's Treasury Management Strategy statement. The outturn report of the Treasury Management Strategy will be presented to the Council at its meeting of the 16 September 2015.

Recommendations:

Members are recommended to:

- note the contents of the treasury management activities and performance against targets for year to period ending 31 August 2015
- note the Council's outstanding investments as set out in Appendix 1. The balance outstanding as at 31 August 2015 was £415.7m which includes £48.5m, pension fund cash awaiting investment.

1. <u>REASONS FOR THE DECISIONS</u>

1.1 This report updates on both the borrowing and investment decisions made by the Director of Resources under delegated authority in the context of prevailing economic conditions and considers Treasury Management performance measured against the benchmark 7 day LIBID rate.

1.2 Treasury management is defined as “the management of the council’s investments and cash flows; its banking, money market and capital market transaction; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

1.3 Legislation requires that regular reports be submitted to Council/Committee detailing the council’s treasury management activities.

1.4 The regular reporting of treasury management activities should assist in ensuring that Members are able to scrutinise officer decisions and monitor progress on implementation of investment strategy as approved by Full Council.

2. ALTERNATIVE OPTIONS

2.1 The Council is bound by legislation to have regard to the Treasury Management (TM) Code. The Code requires that the Council or a sub-committee of the Council (Audit Committee) should receive regular monitoring reports on treasury management activities.

2.2 If the Council were to deviate from those requirements, there would need to be some good reason for doing so. It is not considered that there is any such reason, having regard to the need to ensure that Members are kept informed about treasury management activities and to ensure that these activities are in line with the investment strategy approved by the Council.

2.3 Within reason, the Council can vary its treasury management strategy having regard to its own views about its appetite for risk in relation to the financial returns required.

3. DETAILS OF REPORT

3.1 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require local authorities to have regard to the Treasury Management Code. The Treasury Management code requires that the Council or a sub-committee of the Council (Audit Committee) should receive regular monitoring reports on treasury management activities and risks.

3.2 These reports are in addition to mid-year and annual treasury management outturn reports that should be presented to the Council midway through the financial year and at year end respectively.

3.3 TREASURY MANAGEMENT STRATEGY 2015/16

3.3.1 The Council's Treasury Management Strategy was approved on 26 February 2015 by Full Council. The Strategy comprehensively outlines how the treasury function would operate throughout the financial year 2015/16 including the limits and criteria for selecting institutions to be used for the investment of surplus cash and the council's policy on long-term borrowing and limits on debt.

3.3.2 The Council complied with the strategy from the onset to reporting period, 31 August 2015. And all investments were made to counterparties within the Council's approved lending list.

3.3.3 The Pension Fund cash awaiting investment has been invested in accordance with Council's Treasury Management Strategy agreed by Full council on the 26 February 2015, under the delegated authority of the Corporate Director of Resources and is being managed in-line with the agreed parameters. The Pensions Committee is updated on Pension Fund investment activity on a quarterly basis.

3.4 ECONOMIC COMMENTARY

3.4.1 The August Bank of England (BoE) Inflation Report highlighted that the Monetary Policy Committee (MPC) intends to focus policy on ensuring that growth is robust enough to absorb the remaining slack in the economy and return inflation to its target of 2% within two years. The foreseeable outlook for inflation is muted as the falls in energy and commodity prices will weigh on inflation until mid-2016. The UK will remain reliant on domestic demand as households are supported by the boost to real incomes from lower food, clothing and energy prices. Businesses continue to invest to expand capacity and surveys suggest healthy investment growth ahead. This will help push productivity growth rates towards the previous rates.

3.4.2 The MPC voted to keep interest rates at their record low of 0.5% in August. For the first time since late 2014, the vote was not unanimous as one member voted in favour of raising the Bank Rate. The MPC minutes for the August meeting revealed that some policymakers saw a risk that inflation could pick up more strongly than the central forecast. However, the central bank suggested that they were more focused on the potential for the surge in sterling to suppress inflation.

3.4.3 The headline inflation figure fell to 0% in June from 0.1% in May. UK inflation neared its lowest rate as both food and summer clothing fell in price. UK economic growth for Q2 2015 showed that GDP grew by 0.7% compared to the previous quarter, with annual growth also 2.6% higher than a year before. This was driven by a pick up in the services sector and a surge in oil production.

3.4.4 The UK unemployment rate held steady at 5.6%, in June. British wage growth fell to 2.4% in June, the lowest rate in 3 months. However, excluding bonuses, average weekly earnings held steady at 2.8%. Rising earnings combined with stifled inflation is boosting the spending power of households.

3.4.5 There is little sign of a coordinated strategy for the private sector to finance a major expansion of infrastructure investment to boost UK growth. House prices continue to register positive readings however there are some disparities between mortgage lenders Halifax and Nationwide. According to Halifax in the three months to July house prices slowed to 7.9% from 9.6% in June whilst Nationwide reported house prices in July recording an increase of 3.5% from 3.3% in June.

3.4.6 Also encouraging has been the sharp fall in inflation (CPI), reaching 1.0% in November, the lowest rate since September 2002. Forward indications are that inflation is likely to remain around or under 1% for the best part of a year. The return to strong growth has helped lower forecasts for the increase in Government debt over the last year but monthly public sector deficit figures during 2014 have disappointed until November. The autumn statement, therefore, had to revise the speed with which the deficit is forecast to be eliminated.

3.4.4 US economic growth sped up due to a pickup in consumer spending offsetting weak business spending, which may cause the Federal Reserve to increase rates soon. Q2 GDP grew at an annual rate of 2.3% whilst Q1 GDP was revised up to 0.6% after previously showing a contraction of 0.2%.

3.4.5 In October 2014, the Fed announced that it had ended its Quantitative Easing (QE) programme, showing confidence in the US economy. The Fed will, nonetheless, continue to reinvest the maturing securities each month to maintain a balance sheet of over $4trn. Non-farm payrolls continued to grow in July, by 215,000, as a pickup in construction and manufacturing employment offset further declines in the manufacturing sector. The unemployment rate held at a seven-year low of 5.3%.

3.4.6 Growth in Eurozone GDP was confirmed at 0.4% in its second estimate for Q1 2015, unchanged from the revised 0.4% in Q4 2014. Growth in the first quarter was driven by exports and private consumption.

3.4.7 Austerity programmes in various countries have had a significant effect in reducing growth rates. Following the European Central Bank's (ECB) meeting in June, its interest rate was held at 0.05%. The ECB also maintained a negative deposit rate at -0.20%. The ECB announced their Quantitative Easing (QE) programme in January and began the programme in March. They will purchase €60bn of public and private sector assets per month between now and September 2016.

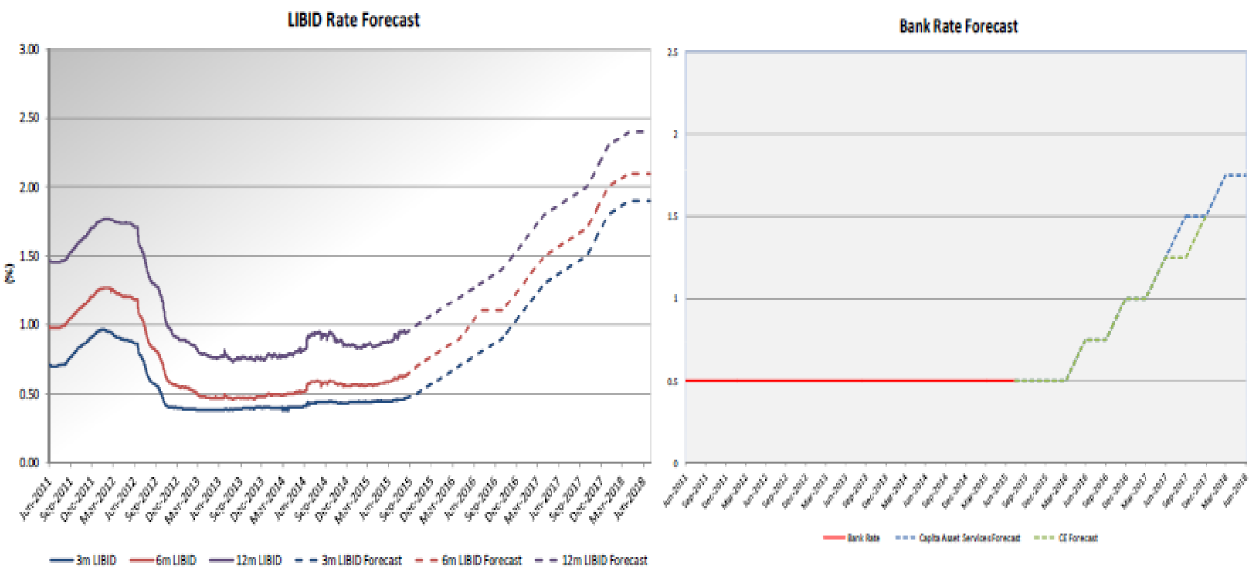
3.4.8 The decision to cut interest rates and embark on a QE programme was made in order to spur economic growth and stave off the threat of deflation.

3.4.9 China's annual GDP growth slowed to a six-year low of 7% in Q1 2015, amidst a housing slump and a downturn in investment and manufacturing The People's Bank of China cut the reserve requirement ratio by 100bps to 18.5%. In an attempt to boost its slowing economy, China surprised markets and devalued the Yuan after a run of poor economic data. It is intended to help combat the large falls seen in exports.

3.5 INTEREST RATE FORECAST

3.5.1 The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

UK Bank Rate Forecast



Capita Asset Services' Interest Rate View	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Bank Rate Forecast	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%
3 month LIBID Forecast	0.50%	0.60%	0.70%	0.80%	0.90%	1.10%	1.30%	1.40%	1.50%	1.80%	1.90%	1.90%
6 month LIBID Forecast	0.70%	0.80%	0.90%	1.00%	1.10%	1.30%	1.50%	1.60%	1.70%	2.00%	2.10%	2.10%
12 month LIBID Forecast	1.00%	1.10%	1.20%	1.30%	1.40%	1.60%	1.80%	1.90%	2.00%	2.30%	2.40%	2.40%

3.5.2 Capita Asset Services undertook a review of its interest rate forecasts on 11 August 2015. There has been very little change in their forecasts since their previous forecasts in February and May. This time, they have left unchanged the start of the increases in Bank Rate at quarter 2 of 2016 which is in line with comments from the Bank of England.

3.5.3 The so called 'Super Thursday' in August (06 August) had the market expectations for the first increase in Bank Rate being pushed back to quarter 2 2016 after the flurry of excitement caused by Governor Carney's comments in July where he said that an interest rate rise would come "into sharper relief around the turn of the year". However, as he has subsequently clarified, he did NOT say that this was meant to infer that rates would rise in 2015!

UK Interest Rate Forecast

Bank Rate	NOW	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-1
Capita Asset Services	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%
Capital Economics	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	-	-
5yr PWLB Rate	NOW	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-1
Capita Asset Services	2.19%	2.30%	2.40%	2.50%	2.60%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%
Capital Economics	2.19%	2.30%	2.55%	2.60%	2.70%	2.80%	3.00%	3.10%	3.20%	3.30%	3.50%	-	-
10yr PWLB Rate	NOW	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-1
Capita Asset Services	2.77%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
Capital Economics	2.77%	2.80%	3.05%	3.05%	3.05%	3.05%	3.30%	3.30%	3.55%	3.55%	3.80%	-	-
25yr PWLB Rate	NOW	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-1
Capita Asset Services	3.31%	3.40%	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
Capital Economics	3.31%	3.25%	3.35%	3.35%	3.45%	3.45%	3.55%	3.65%	3.75%	3.85%	3.95%	-	-
50yr PWLB Rate	NOW	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-1
Capita Asset Services	3.17%	3.40%	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
Capital Economics	3.17%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	-	-

- Please note – The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reductio effective as of the 1st November 2012

3.5.4 What did stand out in the Monetary Policy Committee (MPC) vote on 10 September 2015 was that one member started to vote for an immediate increase in Bank Rate while the minutes showed that "some members" were concerned about upside risks to inflation, (but not to downside risks).They concluded that their Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data transpires over 2015.

3.5.5 Forecasts for average earnings beyond the three year time horizon will be heavily dependent on economic and political developments. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or the safe haven of bonds.

3.5.6 The overall longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

3.6 INVESTMENT STRATEGY

3.6.1 The Treasury Management Strategy Statement (TMSS) for 2015/16, which includes the Annual Investment Strategy, it outlines the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield.

3.6.2 The Council aims to achieve the optimum return (yield) on investments equivalent with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with highly credit rated financial institutions.

3.6.3 The approved limits within the Annual Investment Strategy were not breached during the period ended 31st August 2015.

Investment performance for financial year to date @ 31st August 2015

Benchmark	Benchmark Return	LBTH Performance	Over/(Under) Performance
Full Year 2014/2015	0.35%	0.73%	0.38%
April 2015	0.36%	0.70%	0.34%
May 2015	0.36%	0.78%	0.42%
June 2015	0.36%	0.79%	0.43%
July 2015	0.36%	0.78%	0.42%
August 2015	0.36%	0.78%	0.42%
Year to Period	0.36%	0.76%	0.40%

3.6.4 As illustrated above, the Council outperformed the benchmark by **40bps** for financial year to date. The Council's budgeted investment return for 2015/16 is **£2.5m,** and performance for the year to date is in line with the budget.

3.6.5 Investment rates available in the market have been broadly stable during the period and have continued at historically low levels as a result of continuous ultra-low Bank Rate.

3.6.6 The average level of funds available for investment purposes during the reporting period was **£445.2m**. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.

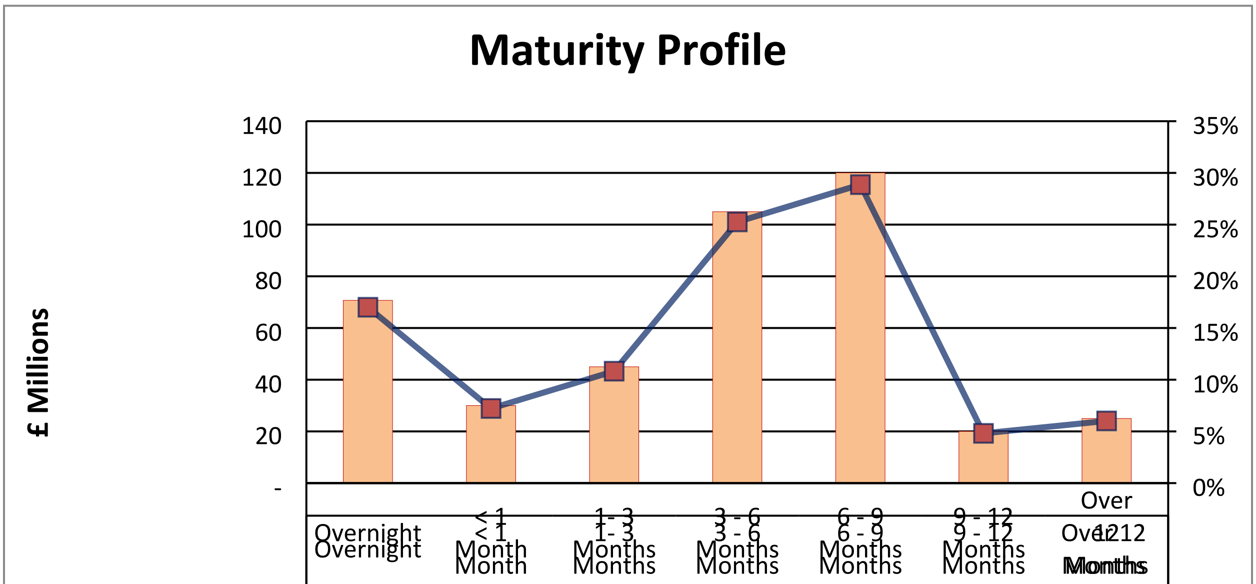
3.7 Investments Outstanding & Maturity Structure

- At the end of August, we have 17% of outstanding investments of £415.7m as overnight money and 18% maturing within 3months, 25% maturing within 3-6 months, 29% maturing within 6-9 months, about 5% maturing within 9-12 months and 6% to mature after 12months.

- The chart below illustrates the maturity structure of deposits as at 31 August

2015, we had £70.7m as overnight deposits, and this is predominantly Money Market Funds.

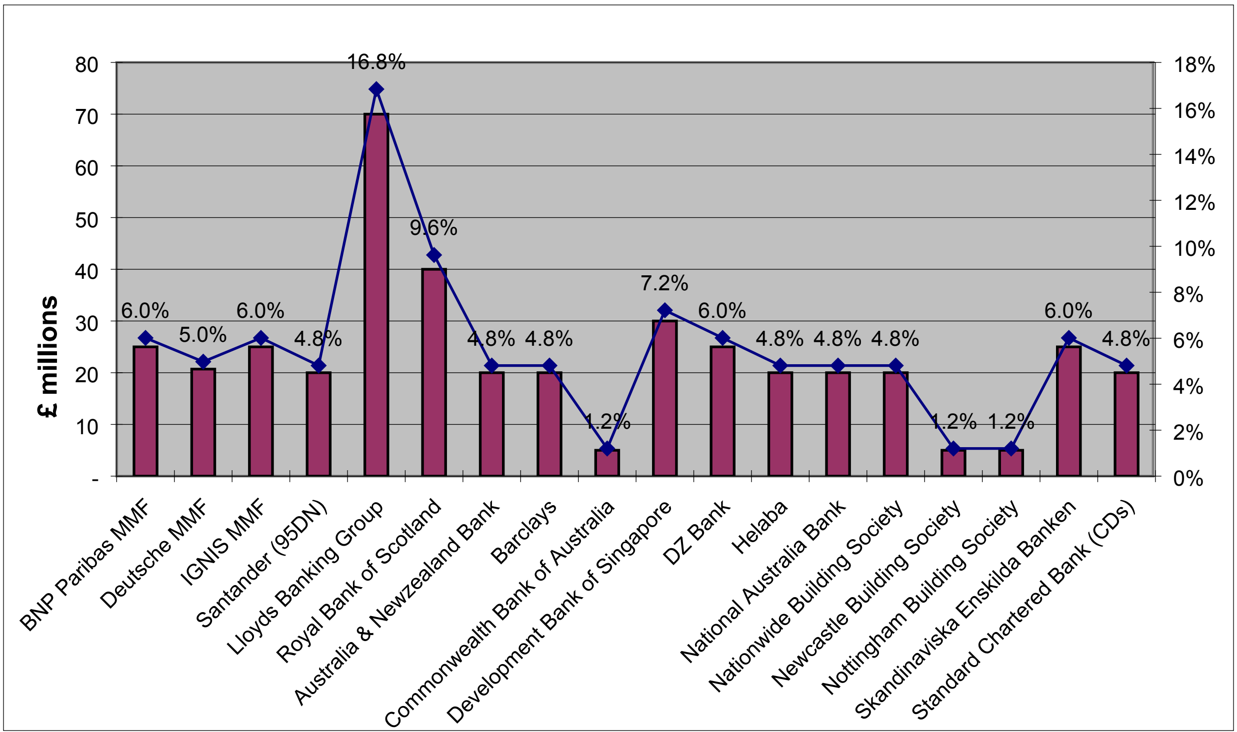
Maturity of Investment Portfolio as at 31 August 2015



	Overnight	< 1 Month	1 - 3 Months	3 - 6 Months	6 - 9 Months	9 - 12 Months	Over 12 Months
£ millions	70.70	30.00	45.00	105.00	120.00	20.00	25.00
% of Portfolio	17.01%	7.22%	10.83%	25.26%	28.87%	4.81%	6.01%

- The Weighted Average Maturity (WAM) for outstanding investment is 167.5 days from 163 days for the month of July. This is the average number of outstanding days to maturity of each deal from 31st August 2015.

<u>Counterparty Exposure as at 31 August 2015</u>



- The above chart shows the deposits outstanding with authorised counterparties as at 31 August 2015, of which 26.4% were with part-nationalised banks (Lloyds and RBS Groups).

3.8 DEBT PORTFOLIO

3.8.1 The Council's Treasury Management Strategy Report approved in February 2015 outlined the Council's long term borrowing strategy for the year.

3.8.2 The table below sets out the Council's debt as at the beginning of the financial year and as at 31 August 2015. The overall debt fell by £0.216m from £88.893m at the start of the year. Total debt outstanding, stands at £88.677m, against estimated CFR of £305.356m for 2015/16, resulting in an under-borrowing of £216.679m.

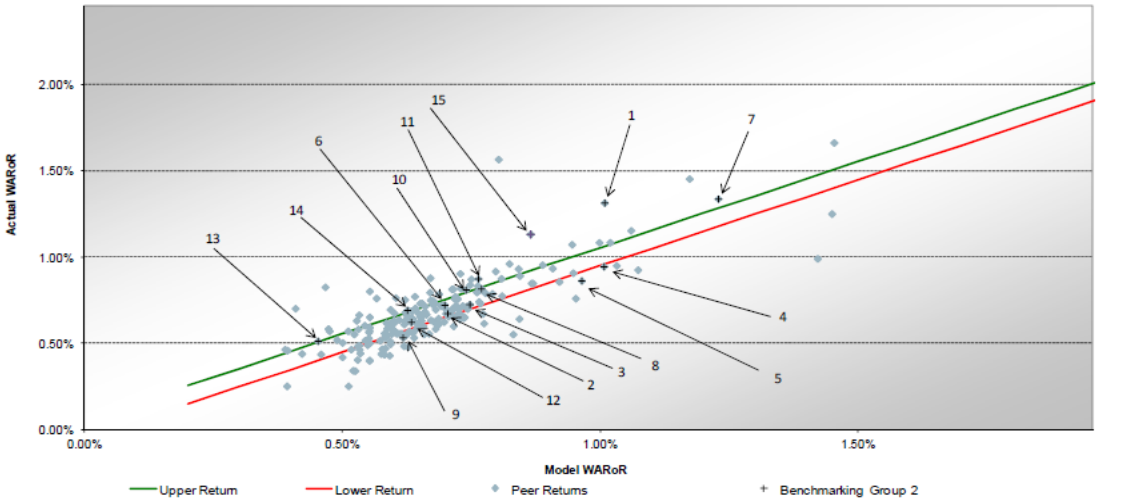
	31 March 2015 Principal	Loans raised	Loans repaid	31 August 2015 Principal
	£'000	£'000	£'000	£'000
Fixed Rate Funding:				
-PWLB	11,393	-	0.216	11,177
-Market	13,000	-	-	13,000
Total Fixed Rate Funding	24,393		0.216	24,177
Variable Rate Funding:				
-PWLB	-	-		-
-Market	64,500	-	-	64,500
Total Variable Rate Funding	64,500	-	-	64,500
Total Debt	***88,893***	***-***	***0.216***	***88,677***
CFR	***227,517***	***-***	***-***	***305,356***
Over/ (under) borrowing	***(138,624)***	***-***	***-***	***(216,679)***

3.8.3 No borrowing has been undertaken in this financial year to date. Also no debt rescheduling opportunities have arisen during this financial year to reporting period as the cost of premiums outweighs savings that could be made from the lower PWLB borrowing rates.

3.9 <u>INVESTMENT BENCHMARKING CLUB</u>

3.9.1 LBTH participates in a benchmarking club to enable officers to compare the Council's treasury management /investment returns against those of similar authorities. The model below shows the performance of benchmark club members given the various levels of risks taken as at 31 August 2015. The model takes into account a combination of credit, duration and returns achieved over the duration, and it includes data from 20 local authorities. Tower Hamlets lies close to the expected return given the council's portfolio risk profile, which is placing deposits with institutions with the sovereign rate of AAA.

Investment Benchmarking – Regression Model



Key							
1	[redacted]	5	[redacted]	9	[redacted]	13	[redacted]
2	[redacted]	6	[redacted]	10	LBTH	14	[redacted]
3	[redacted]	7	[redacted]	11	[redacted]	15	[redacted]
4	[redacted]	8	[redacted]	12	[redacted]		

3.9.2 The weighted average rate of return (WARoR) for Tower Hamlets is 0.82%, which is in line with the benchmarking group. The return on LBTH investment is commensurate with the Council's risk appetite as set out in the Investment Strategy.

3.10 INVESTMENT STRATEGY UPDATE

3.10.1 Full Council approved the Investment Strategy on 26 February 2015. Officers continue to look for ways to maximise returns on cash balances within the constraints of the Investment Strategy. The Investment Strategy was developed based on prudent consideration and approach to the outlook in the money markets.

3.10.2 Wholly or partly owned government banks offer significantly higher rates than the DMO, but have similar levels of security based on government guarantee of their credit quality. The Council already relies on this guarantee and invests with these banks, and the current strategy is to have £70m money limit for each group with an aggregate of 40% of the overall investment portfolio. This should ensure that the Council continues to receive good returns on its cash balances and that the investment strategy is optimised to support the Council's efficiency programme.

3.10.3 The Government has started divesting from these banks. The current Government stake in Lloyds/Bank of Scotland is now reduced to 14.9%, further sales of 1% tranches expected before end of 2015. Therefore the group is no longer viewed by the Council's Treasury Adviser as a part-nationalised institution and the current suggested duration for this group is now 6 months based on credit data. The Councils currently have £70m in total with this group with maturity profile up to 11 months. The Council therefore are not placing any funds beyond 6 months from 01 September 2015, but still maintain the monetary limit of £70m.

3.10.4 In August, the Government sold 5.4% stake in RBS/NatWest leaving the Government shareholding at around 73%. The Council maintains the monetary and time limits set for this group. Officers will continue to work with the Council treasury adviser to get future or further developments on this front and any related updates to their views on both Lloyds Banking Group and Royal Bank of Scotland Group and the Investment Strategy would be reflected as deemed appropriate.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

4.1 The comments of the Corporate Director Resources are incorporated in the report.

5. LEGAL COMMENTS

5.1 Treasury management activities cover the management of the Council's investments and cash flows, its banking, money market and capital market transactions, the effective control of risks associated with those activities and the pursuit of optimum performance consistent with those risks. The Local Government Act 2003 provides a framework for the capital finance of local authorities. It provides a power to borrow and imposes a duty on local authorities to determine an affordable borrowing limit. It provides a power to invest. Fundamental to the operation of the scheme is an understanding that authorities will have regard to proper accounting practices recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) in carrying out capital finance functions.

5.2 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require the Council to have regard to the CIPFA publication "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes" ("the Treasury Management Code") in carrying out capital finance functions under the Local Government Act 2003. If after having regard to the Treasury Management Code the Council wished not to follow it, there would need to be some good reason for such deviation.

5.3 The Treasury Management Code requires as a minimum that there be a practice of regular reporting on treasury management activities and risks to the responsible committee and that these should be scrutinised by that committee. Under the Council's Constitution, the audit committee has the functions of monitoring the Council's risk management arrangements and making arrangements for the proper administration of the Council's affairs.

6. ONE TOWER HAMLETS CONSIDERATIONS

6.1 Interest on the Council's cash flow has historically contributed significantly towards the budget.

7. BEST VALUE (BV) IMPLICATIONS

7.1 Assessment of value for money is achieved through:

- Monitoring against benchmarks
- Operating within budget

7.2 For example, investment returns exceeded the LIBID benchmark up to August 2015 and the treasury function operated within budget to date.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

8.1 There are no Sustainable Actions for A Greener Environment implications.

9. RISK MANAGEMENT IMPLICATIONS

9.1 Any form of investment inevitably involves a degree of risk. To minimise risk the investment strategy has restricted exposure of council cash balances to UK backed banks or institutions with the highest short term rating or strong long term rating.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

10.1 There are no crime and disorder reduction implications arising from this report.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Appendix 1 - Investments Outstanding as at 31st August 15.
- Appendix 2 – Lending List as at 31st August 2015.
- Appendix 3 – Prudential & Treasury Management Indicators for 2015/16

Local Government Act, 1972 Section 100D (As amended)
List of "Background Papers" used in the preparation of this report
List any background documents not already in the public domain including officer contact information.

- Capita August 2015 Investment Portfolio Analysis Report

Officer contact details for documents:

- Bola Tobun Ext. 4733
- Mulberry Place, 3rd Floor.

Appendix 1
Investments Outstanding as at 31st August 2015

Time to Maturity	Counterparty	From	Maturity	Amount £m	Rate
Overnight	BNP Paribas MMF		**MMF**	25.00	0.48%
	Deutsche MMF		**MMF**	20.70	0.46%
	IGNIS MMF		**MMF**	25.00	0.45%
	SUB TOTAL			**70.70**	
< 1 Month	Skandinaviska Enskilda Banken	12/05/2015	14/09/2015	5.00	0.55%
	Barclays	17/03/2015	17/09/2015	10.00	0.63%
	Skandinaviska Enskilda Banken	26/03/2015	25/09/2015	5.00	0.60%
	Standard Chartered Bank (CDs)	01/04/2015	01/10/2015	10.00	0.68%
1 - 3 Months	Development Bank of Singapore	29/06/2015	29/10/2015	10.00	55.00%
	Helaba	12/05/2015	12/11/2015	5.00	0.74%
	Australia & New Zealand Bank	12/08/2015	12/11/2015	10.00	0.54%
	Lloyds Banking Group	13/11/2014	13/11/2015	5.00	1.00%
	DZ Bank	26/08/2015	26/11/2015	5.00	0.55%
	DZ Bank	28/05/2015	30/11/2015	5.00	0.64%
	DZ Bank	29/05/2015	30/11/2015	5.00	0.64%
3 - 6 Months	Santander (95DN)		Call - 95N	20.00	1.10%
	DZ Bank	01/06/2015	01/12/2015	5.00	0.64%
	Skandinaviska Enskilda Banken	03/06/2015	03/12/2015	10.00	0.61%
	Lloyds Banking Group	04/12/2014	04/12/2015	5.00	1.00%
	Australia & New Zealand Bank	12/08/2015	14/12/2015	10.00	0.55%
	Skandinaviska Enskilda Banken	03/07/2015	03/01/2016	5.00	0.64%
	Development Bank of Singapore	07/07/2015	07/01/2016	5.00	0.62%
	Lloyds Banking Group	04/02/2015	04/02/2016	5.00	1.00%
	Development Bank of Singapore	10/08/2015	10/02/2016	10.00	0.61%
	National Australia Bank	16/02/2015	16/02/2016	10.00	0.61% *
	Development Bank of Singapore	17/08/2015	17/02/2016	5.00	0.61%
	Royal Bank of Scotland	27/02/2013	26/02/2016	10.00	1.15%
	Helaba	26/05/2015	26/02/2016	5.00	0.86%
6 - 9 Months	DZ Bank	26/08/2015	26/02/2015	5.00	0.66%
	Lloyds Banking Group	04/03/2015	04/03/2016	5.00	1.00%
	Lloyds Banking Group	05/03/2015	07/03/2016	10.00	1.00%
	Royal Bank of Scotland	20/03/2014	20/03/2016	5.00	1.25%
	Standard Chartered Bank (CDs)	01/04/2015	30/03/2016	10.00	0.86%
	Lloyds Banking Group	07/04/2015	07/04/2016	5.00	1.00%
	Lloyds Banking Group	10/04/2015	08/04/2016	5.00	1.00%
	Lloyds Banking Group	13/04/2015	12/04/2016	5.00	1.00%
	Nationwide Building Society	13/04/2015	12/04/2016	10.00	0.90%
	Lloyds Banking Group	15/04/2015	14/04/2016	5.00	1.00%
	Nationwide Building Society	16/04/2015	15/04/2016	5.00	0.90%
	Barclays	16/04/2015	15/04/2016	10.00	0.92%
	Lloyds Banking Group	17/04/2015	15/04/2016	10.00	1.00%
	Nationwide Building Society	24/04/2015	22/04/2016	5.00	0.90%
	Nottingham Building Society	29/04/2015	28/04/2016	5.00	1.00%
	Newcastle Building Society	29/04/2015	28/04/2016	5.00	1.10%
	Lloyds Banking Group	29/04/2015	29/04/2016	5.00	1.00%
	Helaba	01/05/2015	03/05/2016	10.00	0.94%
9 - 12 Months	National Australia Bank	25/06/2015	24/06/2016	10.00	0.75%
	Commonwealth Bank of Australia	05/08/2015	05/08/2016	5.00	0.84%
	Lloyds Banking Group	13/08/2015	12/08/2016	5.00	1.00%

> 12 Months	Royal Bank of Scotland	10/01/2014	09/01/2017	5.00	1.74% *
	Royal Bank of Scotland	05/05/2015	05/05/2017	5.00	1.420% **
	Royal Bank of Scotland	08/05/2015	08/05/2017	5.00	1.420% **
	Royal Bank of Scotland	30/01/2015	30/01/2018	5.00	1.20% *
	Royal Bank of Scotland	30/04/2015	30/04/2018	5.00	0.90% *
	SUB TOTAL			**345.00**	
	TOTAL			**415.70**	

* This is a structured deal, the terms of which could change during its tenor. ** This is certificate of Deposits

Lending List for London Borough of Tower Hamlets

Counterparty			Fitch Ratings			Moodys Ratings			S&P Ratings			
			Long Term	Short Term		Long Term	Short Term		Long Term	Short Term	Monetary Limit	Duration
Australia		SB	AAA		SB	Aaa		SB	AAA			
Banks	Australia and New Zealand Banking Group Ltd.	SB	AA-	F1+	SB	Aa2	P-1	SB	AA-	A-1+	30 Million	3 Years
	Commonwealth Bank of Australia	SB	AA-	F1+	SB	Aa2	P-1	SB	AA-	A-1+	30 Million	3 Years
	National Australia Bank Ltd.	SB	AA-	F1+	SB	Aa2	P-1	SB	AA-	A-1+	30 Million	3 Years
		SB	AAA		SB	Aaa		SB	AAA			
Banks	DZ BANK AG Deutsche Zentral-Genossenschaftsbank	SB	AA-	F1+	PO	Aa2	P-1	SB	AA-	A-1+	30 Million	3 Years
	Landesbank Hessen-Thueringen Girozentrale	SB	A+	F1+	PO	A1	P-1	SB	A	A-1	20 Million	1 Years
		SB	AAA		SB	Aaa		SB	AAA			
Banks	DBS Bank Ltd.	SB	AA-	F1+	SB	Aa1	P-1	SB	AA-	A-1+	30 Million	3 Years
	Oversea-Chinese Banking Corp. Ltd.	SB	AA-	F1+	SB	Aa1	P-1	SB	AA-	A-1+	30 Million	3 Years
Sweden		SB	AAA		SB	Aaa		SB	AAA			
	Skandinaviska Enskilda Banken AB	PO	A+	F1	SB	Aa3	P-1	NO	A+	A-1	30 Million	2 Years
	Svenska Handelsbanken AB	SB	AA-	F1+	SB	Aa2	P-1	NO	AA-	A-1+	30 Million	3 Years
		SB	AA+		SB	Aa1		NO	AAA			
AAA rated and Government backed securities	Debt Management Office											6 Months
Banks	Bank of Scotland PLC	SB	A+	F1	PO	A1	P-1	SB	A	A-1	Group (£70 Million - 6 months)	
	Co-operative Bank PLC (The)	NO	B	B	PO	Caa2	NP				30 Million	1 Days
	HSBC Bank PLC	SB	AA-	F1+	SB	Aa2	P-1	SB	AA-	A-1+	30 Million	3 Years
	Lloyds Bank Plc	SB	A+	F1	PO	A1	P-1	SB	A	A-1	Group (£70 Million - 6 months)	
	Santander UK PLC	PO	A	F1	PW	A1	P-1	NO	A	A-1	20 Million	1 Years
	Standard Chartered Bank	NO	AA-	F1+	NO	Aa2	P-1	SB	A+	A-1	30 Million	2 Years
Building Societies	Nationwide Building Society	SB	A	F1	SB	A1	P-1	SB	A	A-1	20 Million	1 Years
	Newcastle Building Society	SB	BB+	B							5 Million	12 Months
	Nottingham Building Society				SB	Baa1	P-2				5 Million	12 Months
	West Bromwich Building Society				SB	B1	NP				5 Million	12 Months
Nationalised and Part Nationalised Banks	National Westminster Bank PLC	SB	BBB+	F2	SB	A3	P-2	SB	BBB+	A-2	Group (£70 Million - 3 Years)	

The Royal Bank of Scotland Plc	SB	BBB+	F2	SB	A3	P-2	SB	BBB+	A-2	Group (£70MIllion - 3 Years)

APPENDIX 3

PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS FOR 2015/16

Prudential Indicators	2013/14	2014/15	2014/15	2015/16	2016/17	2017/18
Extract from Estimate and rent setting reports	**Actual**	**Original Estimate**	**Revised Estimate**	**Estimate**	**Estimate**	**Estimate**
	£m	£m	£m	£m	£m	£m
Capital Expenditure						
Non – HRA	80.113	67.153	75.378	44.417	22.449	14.465
HRA	50.255	99.760	115.866	127.555	94.794	1.594
TOTAL	**130.368**	**166.913**	**191.244**	**171.972**	**117.243**	**16.059**
Ratio of Financing Costs To Net Revenue Stream						
Non – HRA	2.29%	3.51%	2.63%	2.74%	2.92%	3.04%
HRA	3.70%	3.69%	4.01%	5.40%	8.24%	8.28%
	£m	£m	£m	£m	£m	£m
Gross Debt and Capital Financing Requirement						
Gross Debt	129.990	141.060	136.788	171.395	226.238	219.192
Capital Financing Requirement	260.130	317.600	267.727	305.356	362.910	355.915
Over/(Under) Borrowing	(130.140)	(176.540)	(130.939)	(133.961)	(136.672)	(136.723)
In Year Capital Financing Requirement						
Non – HRA	0.000	57.470	7.597	4.790	1.033	(7.779)
HRA	0.000	0.000	0.000	32.838	56.521	0.784
TOTAL	**0.000**	**57.470**	**7.597**	**37.628**	**57.554**	**(6.995)**
Capital Financing Requirement as at 31 March						
Non - HRA	190.455	247.925	198.052	202.842	203.875	196.096
HRA	69.675	69.675	69.675	102.514	159.035	159.819
TOTAL	**260.130**	**317.600**	**267.727**	**305.356**	**362.910**	**355.915**
Incremental Impact of Financing Costs (£)						
Increase in Council Tax (band D) per annum	0.000	0.908	1.325	2.520	2.446	2.375
Increase in average housing rent per week	0.000	0.000	0.000	7.804	4.404	0.060