Annex A

London Borough of Tower Hamlets

Annual Treasury Management Review
2015/16

Contents

Introduction and Background..... 3
1. The Council's Capital Expenditure and Financing 3
2. The Council's Overall Borrowing Need..... 4
3. Treasury Position as at 31 March 2016 7
4. The Strategy for 2015/16..... 8
5. The Economy and Interest Rates 8
6. Borrowing Rates in 2015/16 10
7. Borrowing Outturn for 2015/16 10
8. Investment Rates in 2015/16..... 10
9. Investment Outturn for 2015/16..... 12
10. Benchmarking Club for 2015/16 15
Appendix 1: Prudential and treasury indicators 17
Appendix 2: Investments Outstanding at 31/03/2016…….... 18
Appendix 3: Counterparty List for Lending……. 19
Appendix 4: Glossary……. 22

Introduction and Background

This report summarises the following:-

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity; and
- Detailed investment activity.

1. The Council's Capital Expenditure and Financing 2015/16

1.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

1.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

£m General Fund	**2014/15 Actual**	**2015/16 Estimate**	**2015/16 Actual**
Capital expenditure	**59.835**	**50.408**	**26.621**
Financed in year	56.238	39.373	26.476
Unfinanced capital expenditure	**3.597**	**11.035**	**0.145**

£m HRA *(where relevant)*	**2014/15 Actual**	**2015/16 Estimate**	**2015/16 Actual**
Capital expenditure	**76.852**	**121.564**	**72.349**
Financed in year	76.852	99.760	66.358
Unfinanced capital expenditure	**0.000**	**21.804**	**5.991**

2. The Council's Overall Borrowing Need

2.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2015/16 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

2.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.

2.3 **Reducing the CFR** – the Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

2.4 The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

2.5 The Council's 2015/16 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2015/16 on 25/02/2015.

2.6 The Council's CFR for the year is shown below, and represents a key prudential indicator. It includes PFI and leasing schemes on the balance sheet, which increase the Council's theoretical borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract.

CFR (£m): General Fund	31 March 2015 Actual	31 March 2016 Budget	31 March 2016 Actual
Opening balance	151.045	157.842	157.698
Add Schools PFI schemes previously shown outside CFR in Statement of Accounts			36.101
Add unfinanced capital expenditure (as above)	12.939	15.860	0.145
Less MRP/VRP	(6.142)	(7.618)	(7.022)
Less PFI & finance lease repayments		(1.770)	(0.766)
Add Land Appropriations			0.975
Closing balance	157.842	164.314	**187.897**

CFR (£m): HRA	31 March 2015 Actual	31 March 2016 Budget	31 March 2016 Actual
Opening balance	69.675	69.819	69.675
Add unfinanced capital expenditure (as above)		32.695	5.991
Less VRP			0
Less Land Appropriations			(0.975)
Closing balance	69.675	102.514	**74.691**

2.7 **Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council ensured that its gross external borrowing does not exceed the total of the capital financing requirement in the preceding year (2015/16) plus the estimates of any additional capital financing requirement for the current (2016/17) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2015/16. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31 March 2015 Actual	31 March 2016 Budget	31 March 2016 Actual
Gross borrowing position	£136.833m	£162.789m	£125.901m
CFR	£227.517m	£253.506m	£262.588m

2.8 **The authorised limit** - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2015/16 the Council has maintained gross borrowing within its authorised limit.

2.9 **The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached. **For the reporting financial year the boundaries were not breached.**

2.10 **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2015/16
Authorised limit	£271.488m
Maximum gross borrowing position	£125.901m
Operational boundary	£251.488m
Financing costs as a proportion of net revenue stream	1.306%

3. Treasury Position as at 31 March 2016

3.1 The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the end of 2015/16 the Council's treasury (excluding borrowing by PFI and finance leases) position was as follows:

Loans

	31 March 2015 Principal	Rate/ Return	31 March 2016 Principal	Rate/ Return
Fixed rate Funding				
-PWLB	£11.393m	7.33%	£10.325m	7.10%
-Market	£13.000m	4.37%	£13.000m	4.37%
Total Fixed	£24.393m	5.75%	£23.325m	5.58%
Variable rate Funding				
-PWLB	-	-	-	-
-Market	£64.500m	4.32%	£64.500m	4.32%
Total Variable	£64.500m	4.32%	£64.500m	4.32%
Total debt	***£89.893m***	***4.71%***	***£87.825m***	***4.65%***

	31 March 2015 Principal	Rate/ Return	31 March 2016 Principal	Rate/ Return
Total debt	*£89.893m*	*4.71%*	***£88.825m***	***4.65%***
CFR*	*£227.517m*		***£226.488m***	
Over / (under) borrowing	*(£137.624m)*		***(£137.663m)***	

* excluding historic school PFI schemes

The maturity structure of the debt portfolio was as follows:

	31 March 2015 Actual	2015/16 original limits %	31 March 2016 Actual	31 March 2016 Actual
Under 12 months	£0.365m	10%	£1.889m	2.15%
12 months and	£1.889m	30%	£1.639m	1.86%

within 24 months				
24 months and within 5 years	£4.770m	40%	£2.763m	3.15%
5 years and within 10 years	£3.205m	80%	£2.825m	3.22%
Over 10 years	£78.663m	100%	£78.709m	89.62%

Investments:

In house	£385.9m	0.73%	£379.8m	0.78%
External managers	£0.000m		£0.000m	
Total investments	***£385.9m***	***0.73%***	***£379.8m***	***0.78%***

The maturity structure of the investment portfolio was as follows:

	2014/15 Actual £000	**2015/16 Original £000**	**31 March 2016 Actual £000**
Investments			
Longer than 1 year	£20,000	£50,000	£25,000
Under 1 year	£365,900	£300,000	£354,800
Total	£385,900	£350,000	£379,800

4. The Strategy for 2015/16

4.1 The expectation for interest rates within the treasury management strategy for 2015/16 anticipated low but rising Bank Rate, (starting in quarter 1 of 2016), and gradual rises in medium and longer term fixed borrowing rates during 2016/17. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

4.2 In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.

4.3 The actual movement in gilt yields meant that the general trend in PWLB rates during 2015/16 was an increase in rates during the first quarter followed by marked bouts of sharp volatility since July 2015 but with an overall dominant trend for rates to fall to historically low levels by the end of the year.

5. The Economy and Interest Rates

5.1 Market expectations for the first increase in Bank Rate moved considerably during 2015/16, starting at quarter 3 of 2015 but soon moving back to quarter 1of 2016. However, by the end of the year, market expectations had moved back radically

to quarter 2 of 2018 due to many fears including concerns that China's economic growth could be heading towards a hard landing; the potential destabilisation of some emerging market countries particularly exposed to the Chinese economic slowdown; and the continuation of the collapse in oil prices during 2015 together with continuing Eurozone growth uncertainties.

5.2 These concerns have caused sharp market volatility in equity prices during the year with corresponding impacts on bond prices and bond yields due to safe haven flows. Bank Rate, therefore, remained unchanged at 0.5% for the seventh successive year. Economic growth (GDP) in the UK surged strongly during both 2013/14 and 2014/15 to make the UK the top performing advanced economy in 2014. However, 2015 has been disappointing with growth falling steadily from an annual rate of 2.9% in quarter 1 2015 to 2.1% in quarter 4.

5.3 The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling materially. These rates continued at very low levels during 2015/16.

5.4 The sharp volatility in equity markets during the year was reflected in sharp volatility in bond yields. However, the overall dominant trend in bond yields since July 2015 has been for yields to fall to historically low levels as forecasts for inflation have repeatedly been revised downwards and expectations of increases in central rates have been pushed back. In addition, a notable trend in the year was that several central banks introduced negative interest rates as a measure to stimulate the creation of credit and hence economic growth.

5.5 The ECB had announced in January 2015 that it would undertake a full blown quantitative easing programme of purchases of Eurozone government and other bonds starting in March at €60bn per month. This put downward pressure on Eurozone bond yields. There was a further increase in this programme of QE in December 2015. The anti-austerity government in Greece, elected in January 2015 eventually agreed to implement an acceptable programme of cuts to meet EU demands after causing major fears of a breakup of the Eurozone. Nevertheless, there are continuing concerns that a Greek exit has only been delayed.

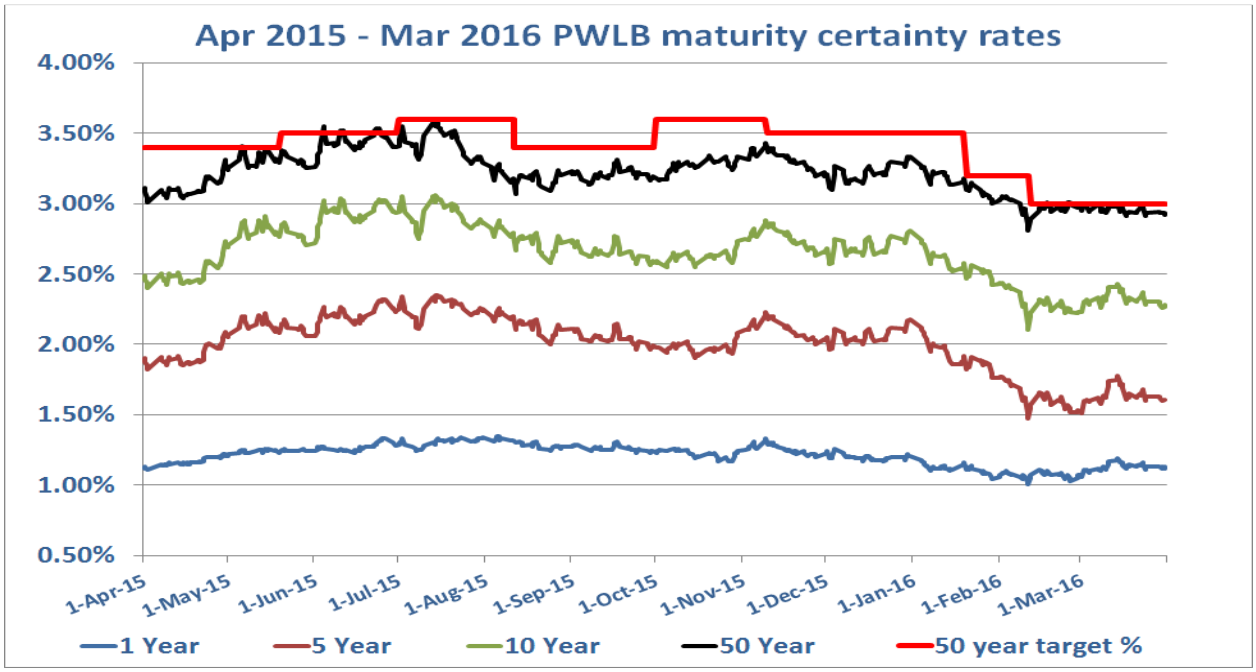
5.6 As for America, the economy has continued to grow healthily on the back of resilient consumer demand. The first increase in the central rate occurred in December 2015 since when there has been a return to caution as to the speed of further increases due to concerns around the risks to world growth.

5.7 On the international scene, concerns have increased about the slowing of the Chinese economy and also its potential vulnerability to both the bursting of a property bubble and major exposure of its banking system to bad debts. The Japanese economy has also suffered disappointing growth in this financial year despite a huge programme of quantitative easing, while two of the major emerging market economies, Russia and Brazil, are in recession. The situations in Ukraine, and in the Middle East with ISIS, have also contributed to volatility.

5.8 The UK elected a majority Conservative Government in May 2015, removing one potential concern but introducing another due to the promise of a referendum on the UK remaining part of the EU. The government maintained its tight fiscal policy stance but the more recent downturn in expectations for economic growth has made it more difficult to return the public sector net borrowing to a balanced annual position within the period of this parliament.

6. Borrowing Rates in 2015/16

6.1 **PWLB certainty maturity borrowing rates -** the graphs and table for PWLB rates below, show a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year.



7. Borrowing Outturn for 2015/16

7.1 **Treasury Borrowing** - Due to investment concerns, both counterparty risk and low investment returns, no borrowing was undertaken during the year.

7.2 **Rescheduling -** No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

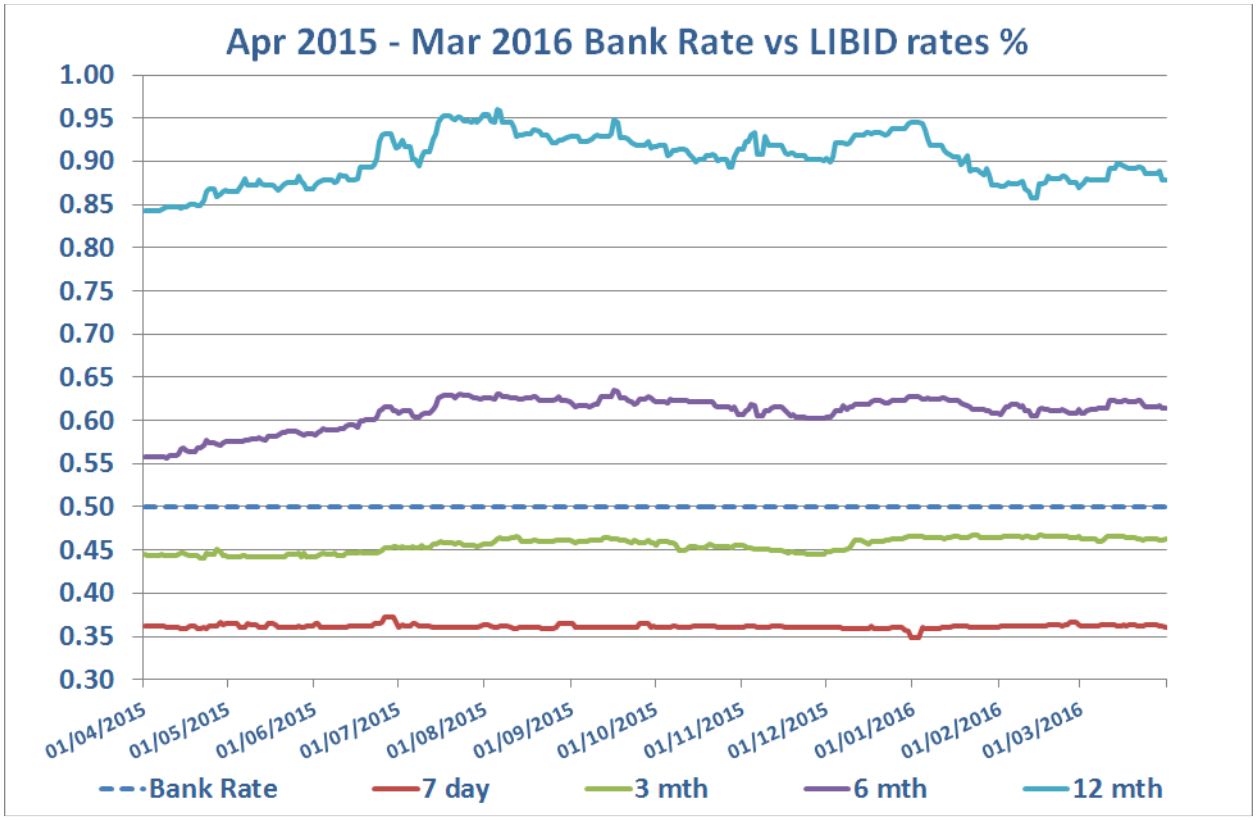
7.3 **Summary of debt transactions** – management of the debt portfolio resulted in a fall in the average interest rate of 0.06%, representing net reduced charges to the General Fund of £80,000 p.a.

8. Investment Rates in 2015/2016

8.1 Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for seven years. Market expectations as to the timing of the start of monetary tightening started the year at quarter 1, 2016 but then moved

back to around quarter 2, 2018 by the end of the year. Deposit rates remained depressed during the whole of the year, primarily due to the effects of the Funding for Lending Scheme and due to the continuing weak expectations as to when Bank Rate would start rising.

Money market investment rates 2015/16					
	7 day	1 month	3 month	6 month	1 year
1/4/15	0.361	0.381	0.445	0.559	0.843
31/3/16	0.361	0.386	0.463	0.615	0.878
High	0.372	0.389	0.468	0.635	0.959
Low	0.349	0.377	0.441	0.557	0.842
Average	0.361	0.383	0.456	0.609	0.902
Spread	0.023	0.012	0.027	0.078	0.117
High date	26/6/15	3/11/15	15/2/16	16/9/15	5/8/15
Low date	31/12/15	16/4/15	22/4/15	9/4/15	2/4/15



9. Investment Outturn for 2015/16

9.1 **Investment Policy** – the Council's investment policy is governed by CLG investment guidance, which has been implemented in the annual investment strategy approved by the Council on 25/02/2015. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps.

9.2 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

9.3 **Investments held by the Council** - the Council held an outstanding balance of £518.5m including pension fund balance of some £138m and maintained an average balance of £456.4m of internally managed funds. The internally managed funds earned an average rate of return of 0.78%. The comparable performance indicator is the average 7-day LIBID rate, which was 0.36%. This compares with a budget assumption of £2.8m on cash balances earning an average rate of 0.70%.

9.4 **Pension Fund - Internal Cash Management** - Cash is held by the managers at their discretion in accordance with limits set in their investment guidelines, and internally by LBTH to meet working cash flows requirements, although transfers can be made to Fund managers to top up or rebalance the Fund.

9.5 The Pension Fund cash balance is invests in accordance with the Council's Treasury Management strategy agreed by Full Council in February 2015, which is delegated to the Corporate Director of Resources to manage on a day to day basis within set parameters.

9.6 The cash balance as at 31 March 2016, was £148.3m. This constitutes working cash inflow and outflow of £9.6m, £98.7m redemption proceeds from Investec mandate and £40m of cash awaiting investment for funding new fixed income mandates. Goldman Sachs asset management is one of the new fund managers and £75m was transferred in April 2016 to fund the portfolio with this manager.

9.7 Members will continue to be updated quarterly of the Pension Fund in house cash investment strategy. Security of the Fund's cash remains the overriding priority, ahead of yield.

Investment performance for 2015/16

Period	LBTH Performance	Benchmark Return	Over/(Under) Performance
Full Year 2014/15	**0.73%**	**0.35%**	**0.38%**

Quarter 1 2015/16	0.76%	0.36%	0.40%
Quarter 2 2015/16	0.78%	0.36%	0.42%
Quarter 3 2015/16	0.79%	0.36%	0.43%
Quarter 4 2015/16	0.81%	0.36%	0.45%
Full Year 2015/16	**0.78%**	**0.36%**	**0.42%**

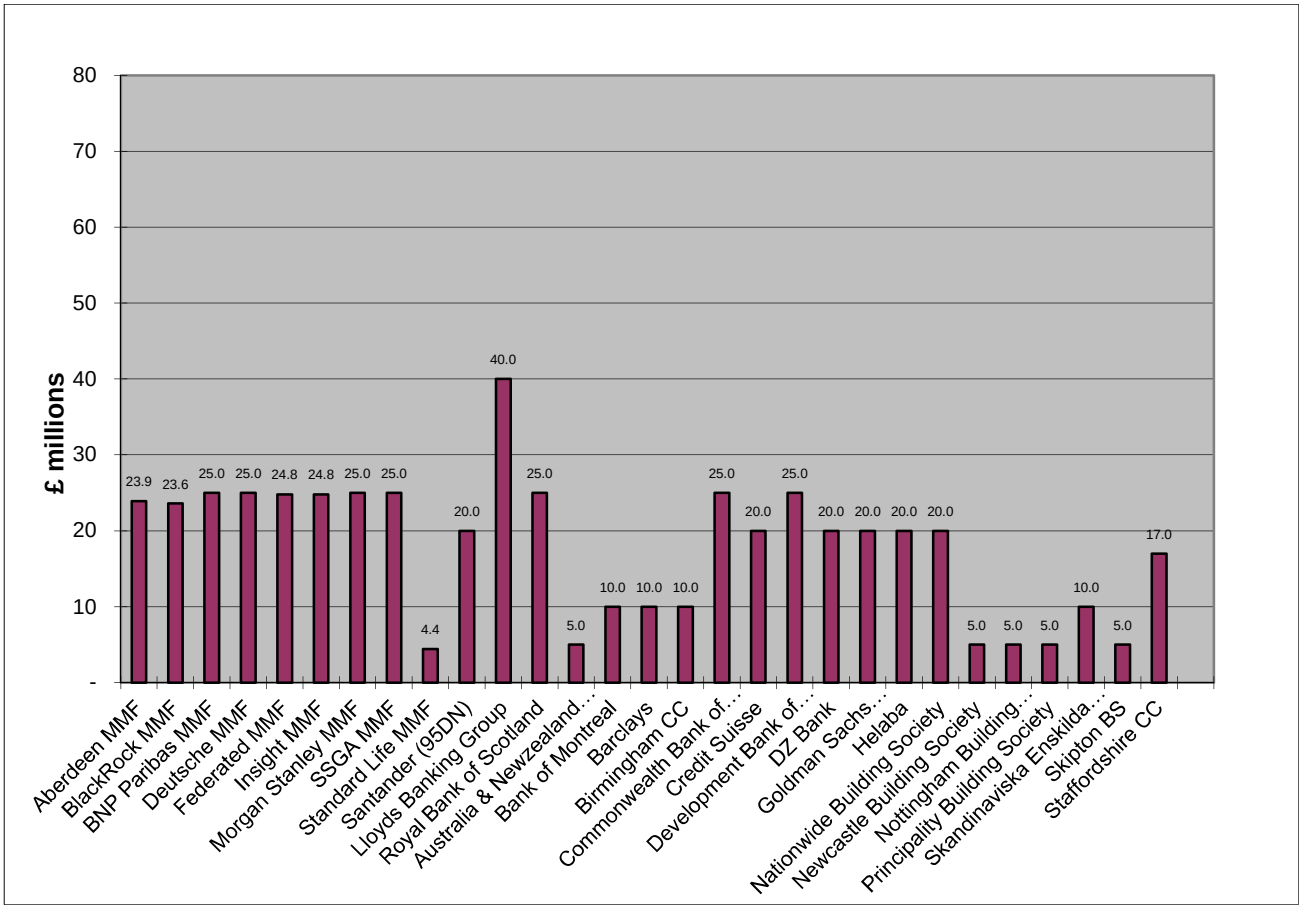
9.8 As illustrated above, the Council outperformed the benchmark by 42bps for this financial year. The Council's budgeted investment return for 2015/16 was £2.8m, and investment return for the year was some £1.2m above budget, mainly due to massive increase of average cash balance for investment.

9.9 The below Chart 1 shows the deposits outstanding with authorised counterparties as at 31st March 2016, of which 7.35% were with part-nationalised banks (RBS Groups). The council's treasury adviser has removed Lloyds banking group as part nationalised bank as the government stake with the group is less than 10%. Consequently the council revised the monetary and duration limits for this group to be in line with its credit worthiness policy. Based on the group credit ratings and the council credit worthiness policy, the current monetary limit is £20m for a maximum duration of 6 months.

9.10 The council has £40m of investment outstanding with the group as at 31st March 2016. The investments were undertaken prior to the change, that is, they were transacted when the bank met the council's treasury adviser classification criteria of a part nationalised bank, with monetary limit of £70m and duration of 2 years.

9.11 No more transactions are being carried out with the group. All outstanding deposits are less than one year to maturity; the outstanding investments would be run down to the council's monetary and time limits for the group, which is currently £20m and 6 months duration. As of today, the outstanding investment with the group is £5m to mature 12th August 2016.

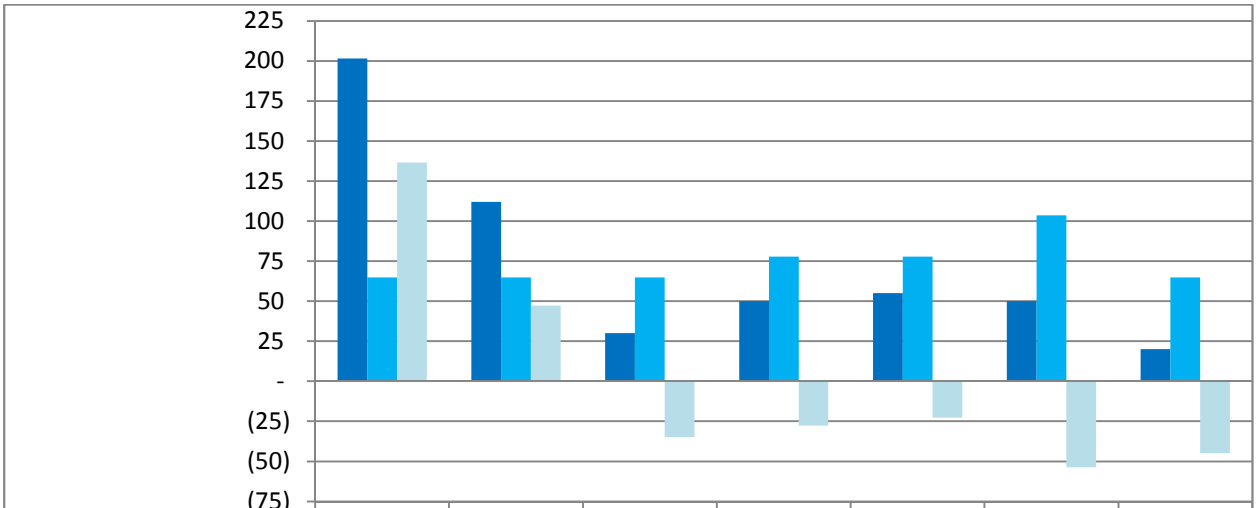
Chart 1 – Counterparty Exposure



9.12 Chart 2 below illustrates the maturity structure of deposits as at 31 March 2016; we have £201.5m (includes £138m pension fund cash balance) as overnight deposits, and this is basically all Money Market Funds.

9.13 The Weighted Average Maturity (WAM) for outstanding investment (excluding MMF) is 147 days for the month of March and 146 days for last month. This is the average number of outstanding days to maturity of each deal from 31 March 2016.

Chart 2 – Maturity Profile of Investments



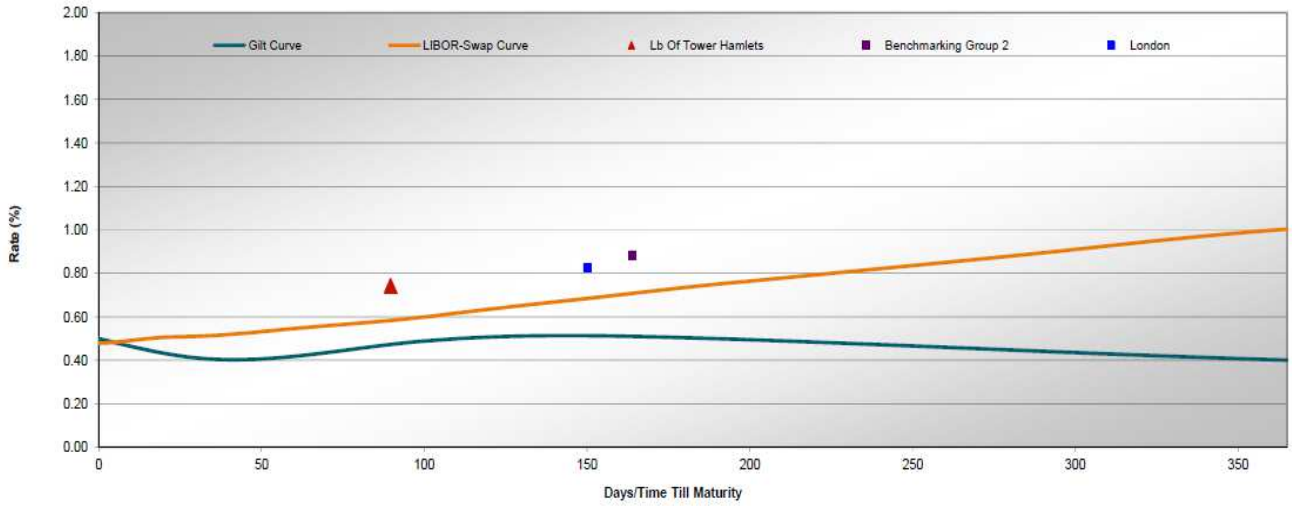
	O/Night	< 1 Month	1- 3 Months	3 - 6 Months	6 - 9 Months	9 - 12 Months	Over 12 Months
£m Portfolio Value	201.50	112.00	30.00	50.00	55.00	50.00	20.00
Portfolio Target £	64.81	64.81	64.81	77.78	77.78	103.70	64.81
Over/(Under) Target £	136.69	47.19	(34.81)	(27.78)	(22.78)	(53.70)	(44.81)
Portfolio Position %	38.86%	21.60%	5.79%	9.64%	10.61%	9.64%	3.86%

10. Investment Benchmarking Club

10.1 The Council 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 March 2016. 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.

10.2 The below graph compared benchmarking club member' returns against the risk-free return and LIBOR curve. It can be seen that the weighted average rate of return (WARoR) for the council investments is 0.74% compared to 0.83% for the group. The return on LBTH investment is commensurate with the Council's risk appetite as set out in the Investment Strategy.

Returns Comparable Against the Risk-Free Rate and LIBOR Curve



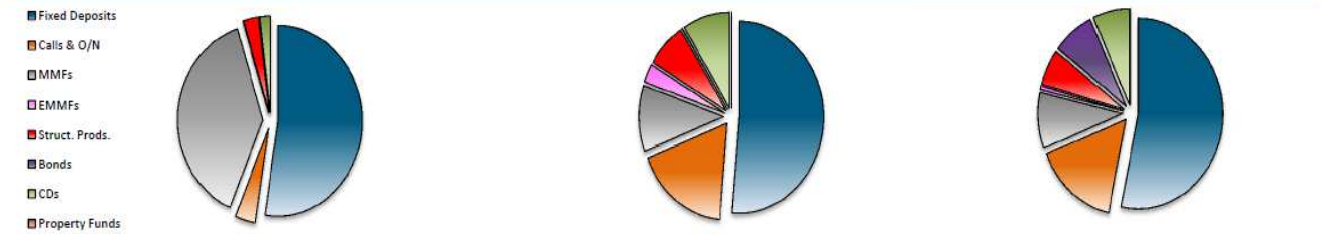
							Difference		Model	
	WARoR	WAM	WATT	WARisk	Gilt	LIBOR-Swap	Gilt	LIBOR-Swap	Bands	Performance
Lb Of Tower Hamlets	0.74%	90	199	3.3	0.47%	0.58%	0.27%	0.16%	0.68% - 0.80%	Inline
Benchmarking Group 2	0.88%	164	350	3.8	0.51%	0.71%	0.37%	0.18%	0.83% - 0.95%	Inline
London	0.83%	150	321	3.6	0.51%	0.68%	0.31%	0.14%	0.79% - 0.91%	Inline

The below summary chart is comparing the council's investments portfolio with other London Boroughs. Basic portfolio characteristics (such as returns and risks), asset allocations and maturity profiles were compared.

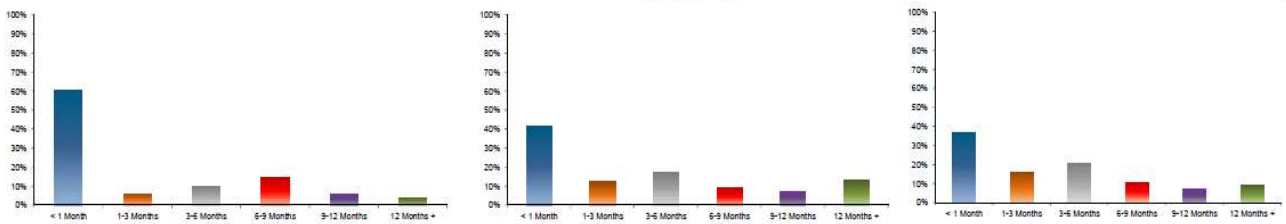
Summary Sheet

	Lb Of Tower Hamlets	Benchmarking Group 2 (14)	London (20)
		Basic Portfolio Characteristics	
WARoR	0.74%	0.88%	0.83%
WAM	90	164	150
WATT	199	350	321
WA Credit Risk	3.3	3.8	3.6
Model WARoR	0.74%	0.89%	0.85%
Difference	0.00%	-0.01%	-0.03%
Model Band	0.68% - 0.80%	0.83% - 0.95%	0.79% - 0.91%
Performance	Inline	Inline	Inline

Asset Breakdown



Maturity Profiles



Appendix 1: Prudential and Treasury Indicators

Prudential Indicators	2014/15	2015/16	2015/16	2016/17	2017/18
Extract from Estimate and rent setting reports	**Actual**	**Original Estimate**	**Actual**	**Estimate**	**Estimate**
	£m	£m	£m	£m	£m
Capital Expenditure					
Non – HRA	56.238	50.408	26.621	53.442	10.876
HRA	76.852	121.564	72.349	115.914	22.864
TOTAL	**133.090**	**171.972**	**98.970**	**169.356**	**33.740**
Ratio of Financing Costs To Net Revenue Stream					
Non – HRA	0.30%	0.52%	0.00%	0.00%	0.00%
HRA	3.70%	3.69%	3.94%	4.38%	4.38%
	£m	£m	£m	£m	£m
Gross Debt and Capital Financing Requirement					
Gross Debt	136.833	162.789	125.901	133.362	128.501
Capital Financing Requirement*	227.517	253.506	226.488	226.486	219.192
Over/(Under) Borrowing	(90.685)	(90.717)	(100.587)	(93.124)	(90.691)
In Year Capital Financing Requirement					
Non – HRA	0.000		0.145	0.150	0.000
HRA	0.000	21.804	5.016	8.360	0.000
TOTAL	**0.000**	**21.804**	**5.161**	**8.510**	**0.000**
Capital Financing Requirement as at 31 March					
Non - HRA	157.842	164.314	151.797	148.070	143.090
HRA	69.675	89.192	74.691	78.416	76.101
TOTAL	**227.517**	**253.506**	**226.488**	**226.486**	**219.192**
Incremental Impact of Financing Costs (£)					
Increase in Council Tax (band D) per annum	67.317	65.245	72.601	79.357	83.374
Increase in average housing rent per week	5.176	5.261	5.745	6.485	6.489
*excluding schools PFI schemes					

Treasury Management Indicators	2014/15	2015/16	2015/16	2016/17	2017/18
	Actual	**Original Estimate**	**Actual**	**Estimate**	**Estimate**
	£m	£m	£m	£m	£m
Authorised Limit For External Debt -					
Borrowing & Other long term liabilities	245.720	278.506	251.488	251.486	244.192
Headroom	20.000	20.000	20.000	20.000	20.000
TOTAL	**265.720**	**298.506**	**271.488**	**271.486**	**264.192**
Operational Boundary For External Debt -					
Borrowing	213.107	240.034	213.016	213.978	207.889
Other long term liabilities	39.410	38.472	38.472	37.508	36.303
TOTAL	**252.517**	**278.506**	**251.488**	**251.486**	**244.192**
Gross Borrowing	**136.833**	**162.789**	**125.901**	**133.362**	**128.501**
HRA Debt Limit*	**184.381**	**192.000**	**192.000**	**192.000**	**192.000**
Upper Limit For Fixed Interest Rate Exposure					
Net principal re fixed rate borrowing / investments	**100%**	**100%**	**100%**	**100%**	**100%**
Upper Limit For Variable Rate Exposure					
Net interest payable on variable rate borrowing / investments	**20%**	**20%**	**20%**	**20%**	**20%**
Upper limit for total principal sums invested for over 364 days (per maturity date)	**£50m**	**£50m**	**£50m**	**£50m**	**£50m**

Maturity structure of new fixed rate borrowing during 2015/16	Upper Limit	Lower Limit
under 12 months	10%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	80%	0%
10 years and above	100%	0%

Appendix 2 - Investments Outstanding as at 31 March 2016

Time to Maturity	Counterparty	From	Maturity	Amount £m	Rate
Overnight	Aberdeen MMF		MMF	23.90	
	BNP Paribas MMF		MMF	25.00	
	Blackrock MMF		MMF	23.60	
	Deutsche MMF		MMF	25.00	
	Federated MMF		MMF	24.80	
	Insight MMF		MMF	24.80	
	Morgan Stanley MMF		MMF	25.00	
	State Street MMF		MMF	25.00	
	Standard Life MMF		MMF	4.40	
	SUB TOTAL			**201.50**	
< 1 Month	Development Bank of Singapore	04/01/2016	04/04/2016	10.00	0.60%
	Development Bank of Singapore	06/01/2016	06/04/2016	5.00	0.60%
	Staffordshire CC	30/03/2016	06/04/2016	17.00	0.55%
	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%
	Australia & New Zealand Bank	13/01/2016	13/04/2016	5.00	0.52%
	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%
	SUB TOTAL			**112.00**	
1 - 3 Months	Helaba	01/05/2015	03/05/2016	10.00	0.94%
	DZ Bank	04/01/2016	04/05/2016	10.00	0.60%
	Birmingham CC	30/03/2016	03/05/2016	10.00	0.55%
	SUB TOTAL			**30.00**	
3 - 6 Months	Santander (95DN)		Call - 95N	20.00	1.10%
	DZ Bank	04/01/2016	04/07/2016	10.00	0.69%
	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%
	Development Bank of Singapore	10/02/2016	10/08/2016	10.00	0.65%
	SUB TOTAL			**50.00**	
6 - 9 Months	Skandinaviska Enskilda Banken	05/10/2015	05/10/2016	5.00	0.92%
	Goldman Sachs International Bank	23/10/2015	24/10/2016	10.00	1.00%
	Helaba	12/11/2015	11/11/2016	5.00	1.04%
	Principality Building Society	11/11/2015	11/11/2016	5.00	1.08%
	Goldman Sachs International Bank	12/11/2015	14/11/2016	10.00	0.95%
	Credit Suisse	20/11/2015	18/11/2016	10.00	1.03%
	Credit Suisse	25/11/2015	25/11/2016	10.00	1.00%
	SUB TOTAL			**55.00**	
9 - 12 Months	Skandinaviska Enskilda Banken	07/12/2015	07/12/2016	5.00	0.85%
	Bank of Montreal	15/03/2016	15/12/2016	10.00	0.72%
	Commonwealth Bank of Australia	15/12/2015	15/12/2016	5.00	0.91%
	Royal Bank of Scotland	10/01/2014	09/01/2017	5.00	1.74%
	Commonwealth Bank of Australia	23/02/2016	21/02/2017	5.00	0.90%
	Helaba	26/02/2016	27/02/2017	5.00	0.92%
	Commonwealth Bank of Australia	14/03/2016	14/03/2017	10.00	0.92%
	Skipton BS	23/03/2016	23/03/2017	5.00	1.02%
	SUB TOTAL			**50.00**	
> 12 Months	Royal Bank of Scotland**	05/05/2015	05/05/2017	5.00	1.42%
	Royal Bank of Scotland**	08/05/2015	08/05/2017	5.00	1.42%
	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			**20.00**	
	GRAND TOTAL			**518.50**	

Appendix 3 – List of Approved Counterparties for Lending

as at 31/05/2016

Counterparty		Moody's Ratings				S&P Ratings	
		Long Term	Short Term	Long Term	Short Term	Long Term	Short Term
Australia		AAA		Aaa		AAA	
Banks	Australia and New Zealand Banking Group Ltd.	AA-	F1+	Aa2	P-1	AA-	A-1+
	Commonwealth Bank of Australia	AA-	F1+	Aa2	P-1	AA-	A-1+
	Macquarie Bank Ltd.	A	F1	A2	P-1	A	A-1
	National Australia Bank Ltd.	AA-	F1+	Aa2	P-1	AA-	A-1+
	Westpac Banking Corp.	AA-	F1+	Aa2	P-1	AA-	A-1+
Canada		AAA		Aaa		AAA	
Banks	Bank of Montreal	AA-	F1+	Aa3	P-1	A+	A-1
	Bank of Nova Scotia	AA-	F1+	Aa3	P-1	A+	A-1
	Canadian Imperial Bank of Commerce	AA-	F1+	Aa3	P-1	A+	A-1
	National Bank of Canada	A+	F1	Aa3	P-1	A	A-1
	Royal Bank of Canada	AA	F1+	Aa3	P-1	AA-	A-1+
	Toronto-Dominion Bank	AA-	F1+	Aa1	P-1	AA-	A-1+
Denmark		AAA		Aaa		AAA	
Banks	Danske A/S	A	F1	A2	P-1	A	A-1
Germany		AAA		Aaa		AAA	
Banks	BayernLB	A-	F1	A1	P-1	NR	NR
	DZ BANK AG Deutsche Zentral-Genossenschaftsbank	AA-	F1+	Aa1	P-1	AA-	A-1+
	Landesbank Baden-Wuerttemberg	A-	F1	Aa3	P-1	NR	NR
	Landesbank Berlin AG			Aa3	P-1		
	Landesbank Hessen-Thueringen Girozentrale	A+	F1+	Aa3	P-1	A	A-1
	Landwirtschaftliche Rentenbank	AAA	F1+	Aaa	P-1	AAA	A-1+
	Norddeutsche Landesbank Girozentrale	A-	F1	A2	P-1	NR	NR
	NRW.BANK	AAA	F1+	Aa1	P-1	AA-	A-1+
Netherlands		AAA		Aaa		AAA	
Banks	ABN AMRO Bank N.V.	A	F1	A2	P-1	A	A-1
	Bank Nederlandse Gemeenten N.V.	AA+	F1+	Aaa	P-1	AAA	A-1+
	Cooperatieve Rabobank U.A.	AA-	F1+	Aa2	P-1	A+	A-1
	ING Bank N.V.	A	F1	A1	P-1	A	A-1
	Nederlandse Waterschapsbank N.V.			Aaa	P-1	AAA	A-1+

Singapore			AAA				Aaa				AAA		
Banks	DBS Bank Ltd.		AA-		F1+		Aa1		P-1		AA-		A-1+
	Oversea-Chinese Banking Corp. Ltd.		AA-		F1+		Aa1		P-1		AA-		A-1+
	United Overseas Bank Ltd.		AA-		F1+		Aa1		P-1		AA-		A-1+
Sweden			AAA				Aaa				AAA		
Banks	Nordea Bank AB		AA-		F1+		Aa3		P-1		AA-		A-1+
	Skandinaviska Enskilda Banken AB		A+		F1		Aa3		P-1		A+		A-1
	Svenska Handelsbanken AB		AA-		F1+		Aa2		P-1		AA-		A-1+
	Swedbank AB		A+		F1		Aa3		P-1		AA-		A-1+
Switzerland			AAA				Aaa				AAA		
Banks	Credit Suisse AG		A		F1		A1		P-1		A		A-1
	UBS AG		A		F1		Aa3		P-1		A		A-1
United Kingdom			AA+				Aa1				AAA		
AAA rated and Government backed securities	Debt Management Office												
Banks	Abbey National Treasury Services PLC		A		F1		A1		P-1				
	Bank of Scotland PLC		A+		F1		A1		P-1		A		A-1
	Close Brothers Ltd		A		F1		Aa3		P-1				
	Goldman Sachs International Bank		A		F1		A1		P-1		A		A-1
	HSBC Bank PLC		AA-		F1+		Aa2		P-1		AA-		A-1+
	Lloyds Bank Plc		A+		F1		A1		P-1		A		A-1
	Santander UK PLC		A		F1		A1		P-1		A		A-1
	Standard Chartered Bank		A+		F1		Aa3		P-1		A		A-1
	Sumitomo Mitsui Banking Corporation Europe Ltd		A		F1		A1		P-1		A		A-1
	UBS Ltd.		A		F1		A1		P-1		A		A-1
Building Society	Coventry Building Society		A		F1		A2		P-1				
	Cumberland Building Society												
	Leeds Building Society		A-		F1		A2		P-1				
	Nationwide Building Society		A		F1		A1		P-1		A		A-1
	Newcastle Building Society		BB+		B								
	Nottingham Building Society						Baa 1		P-2				
	Principality Building Society		BBB+		F2		Baa 3		P-3				
	Progressive Building Society												

	Skipton Building Society		BBB+		F2		Baa 2		P-2				
	West Bromwich Building Society						B1		NP				
	Yorkshire Building Society		A-		F1		A3		P-2				
Nationalised and Part Nationalised Banks	National Westminster Bank PLC		BBB+		F2		A3		P-2		BBB+		A-2
	Royal Bank of Scotland Group Plc		BBB+		F2		Ba1		NP		BBB-		A-3

Appendix 4 - GLOSSARY

Asset Life	How long an asset, e.g. a Council building is likely to last.
Borrowing Portfolio	A list of loans held by the council.
Borrowing Requirements	The principal amount the council requires to borrow to finance capital expenditure and loan redemptions.
Capitalisation direction or regulations	Approval from central government to fund certain specified types of revenue expenditure from capital resources.
CIPFA Code of Practice on Treasury Management	A professional code of Practice which regulates treasury management activities.
Capital Financing Requirement (CFR)	Capital Financing Requirement- a measure of the council's underlying need to borrow to fund capital expenditure.
Certificates of Deposits	A certificate of deposit (CD) is a time deposit, a financial product. CDs are similar to savings accounts in that they are insured and thus virtually risk free; they are "money in the bank." They are different from savings accounts in that the CD has a specific, fixed term (often monthly, three months, six months, or one to five years) and, usually, a fixed interest rate. It is intended that the CD be held until maturity, at which time the money may be withdrawn together with the accrued interest.
Commercial paper	Commercial paper is a money-market security issued (sold) by large corporations to obtain funds to meet short-term debt obligations (for example, payroll), and is backed only by an issuing bank or corporation's promise to pay the face amount on the maturity date specified on the note. Since it is not backed by collateral, only firms with excellent credit ratings from a recognized credit rating agency will be able to sell their commercial paper at a reasonable price. Commercial paper is usually sold at a discount from face value, and carries higher interest repayment rates than bonds
Counterparties	Organisations or Institutions the council lends money to e.g. Banks; Local Authorities and MMF.
Corporate bonds	A corporate bond is a bond issued by a corporation. It is a bond that a corporation issues to raise money effectively in order to expand its business. The term is usually applied to longer-term debt instruments, generally with a maturity date falling at least a year after their issue date.
Covered bonds	A covered bond is a corporate bond with one important enhancement: recourse to a pool of assets that secures or "covers" the bond if the originator (usually a financial institution) becomes insolvent. These assets act as additional credit cover; they do not have any bearing on the contractual cash flow to the investor, as is the case with Securitized assets.
Consumer Prices Index &	The main inflation rate used in the UK is the CPI. The

Retail Prices Index (CPI & RPI)	Chancellor of the Exchequer bases the UK inflation target on the CPI. The CPI inflation target is set at 2%. The CPI differs from the RPI in that CPI excludes housing costs. Also used is RPIX, which is a variation of RPI, one that removes mortgage interest payments.
Credit Default Swap (CDS)	A kind of protection that can be purchased by MMF companies from insurance companies (for their investment) in exchange for a payoff if the organisation they have invested in does not repay the loan i.e. they default.
Credit watch	Variety of special programs offered by credit rating agencies and financial institutions to monitor organisation/individual's (e.g. bank) credit report for any credit related changes. A credit watch allows the organisation/individuals to act on any red flags before they can have a detrimental effect on credit score/history.
Credit Arrangements	Methods of Financing such as finance leasing
Credit Ratings	A scoring system issued by credit rating agencies such as Fitch, Moody's and Standard & Poors that indicate the financial strength and other factors of a bank or similar Institution.
Creditworthiness	How highly rated an institution is according to its credit rating.
Debt Management Office (DMO)	The DMO is an agency of the HM Treasury which is responsible for carrying out the Government's Debt Management Policy.
Debt Rescheduling	The refinancing of loans at different terms and rates to the original loan.
Depreciation Method	The spread of the cost of an asset over its useful life.
Gilt	Gilt-edged securities are bonds issued by certain national governments. The term is of British origin, and originally referred to the debt securities issued by the Bank of England, which had a gilt (or gilded) edge. Hence, they are known as gilt-edged securities, or gilts for short. Today the term is used in the United Kingdom as well as some Commonwealth nations, such as South Africa and India. However, when reference is made to "gilts", what is generally meant is "UK gilts," unless otherwise specified.
Interest Rate exposures	A measure of the proportion of money invested and what impact movements in the financial markets would have on them.
The International Monetary Fund (IMF)	is an intergovernmental organisation which states its aims as to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.
Impaired investment	An investment that has had a reduction in value to reflect changes that could impact significantly on the benefits expected from it.

LIBID	The London Interbank Bid Rate – it is the interest rate at which major banks in London are willing to borrow (bid for) funds from each other.
Market Loans	Loans from banks available from the London Money Market including LOBOS (Lender Option, Borrowing Option) which enable the authority to take advantage of low fixed interest for a number of years before an agreed variable rate comes into force.
Money Market Fund (MMF)	A 'pool' of different types of investments managed by a fund manager that invests in lightly liquid short term financial instruments with high credit rating.
Monetary Policy Committee (MPC)	Committee designated by the Bank of England, whose main role is to regulate interest rates.
Minimum Revenue Provision (MRP)	This is the amount which must be set aside from the revenue budget each year to cover future repayment of loans.
Non Specified Investments	Investments deemed to have a greater element of risk such as investments for longer than one year
Premium	Cost of early repayment of loan to PWLB to compensate for any losses that they may incur
Prudential Indicators	Set of rules providing local authorities borrowing for funding capital projects under a professional code of practice developed by CIPFA and providing measures of affordability and prudence reflecting the council's Capital Expenditure, Debt and Treasury Management.
PWLB	Public Works Loan Board, a statutory body whose function is to lend money to Local Authorities (LAs) and other prescribed bodies. The PWLB normally are the cheapest source of long term borrowing for LAs.
Specified Investments	Investments that meet the council's high credit quality criteria and repayable within 12 months.
Supranational bonds	Supranational bonds are issued by institutions that represent a number of countries, not just one. Thus, organisations that issue such bonds tend to be the World Bank or the European Investment Bank. The issuance of these bonds are for the purpose of promoting economic development
Treasury bills (or T-bills)	Treasury bills (or T-bills) mature in one year or less. Like zero-coupon bonds, they do not pay interest prior to maturity; instead they are sold at a discount of the par value to create a positive yield to maturity. Many regard Treasury bills as the least risky investment available.
Unrated institution	An institution that does not possess a credit rating from one of the main credit rating agencies.
Unsupported Borrowing	Borrowing where costs are wholly financed by the council.