


<b>Non-Executive Report of the: 20 September 2016 Audit Committee and 21 September 2016 Full Council</b>		 <b>TOWER HAMLETS</b>
<b>Report of: Zena Cooke, Corporate Director of Resources</b>		Classification: Unrestricted
<b>Treasury Management Quarterly Update Report for Quarter Ended June 2016</b>		
<b>Originating Officer(s)</b>	Bola Tobun - Investment & Treasury Manager	
<b>Wards affected</b>	All wards	

### **Reasons for Urgency**

The report was unavailable for public inspection within the standard timescales set out in the Authority's Constitution, because new investment options requiring a change to the Council's Treasury strategy only arose after the first draft of the report had been prepared and required officers to agree to the change.

As Audit Committee monitor the Council's investment strategy, it is appropriate that Audit Committee is aware of the proposed investment strategy changes before full Council on 21<sup>st</sup> September consider the amendments.

### **Summary**

This report advises the Committee of the Council's borrowing and investment activities from the start of financial year 2016/17 to 30 June 2016. The Treasury Management Strategy Statement and the Treasury Prudential Indicators, for 2016/17 were approved by the Council on 24 February 2016 as required by the Local Government Act 2003.

The report also provides information on the economic conditions prevailing in the first quarter of 2016/17. The report 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 0.78% on its lending activities.

No long-term or short-term borrowing has been raised since the commencement of this financial year 2016/17 to reporting period.

### **Recommendations**

Members are recommended to:

- Note the contents of the treasury management activities and performance against targets for quarter ending 30 June 2016;
- Note the Council's investments which are outstanding as at 30 June 2016 as set out in Appendix 1. The balance outstanding at that time was £452.95m which includes £73m, pension fund cash awaiting investment in early July.

- To recommend to the full council to agree increasing investments over a year monetary limit from £50m to £100m as set out in section 3.12.3
- To recommend to the full council to approve increasing monetary limit and duration of part nationalised banks from £25m and 3 years to £50m and 5 years as set out in section 3.12.4

## **REASONS FOR DECISIONS**

- 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.
- 1.2 Treasury management is defined as “the management of the council’s investments and cash flows; its banking, money market and capital market transactions; 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 (In Tower Hamlets the Audit Committee has been identified as the relevant 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 a 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. BACKGROUND**

- 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 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 Full Council midway through the financial year and at year end respectively.

### **TREASURY MANAGEMENT STRATEGY 2016/17**

- 3.3.1 The Council's Treasury Management Strategy was approved on 24 February 2016 by Full Council. The Strategy comprehensively outlines how the treasury function would operate throughout the financial year 2016/17 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 has complied with the strategy to the reporting period; to 30 June 2016. All investments were made to counterparties within the Council's approved lending list.
- 3.3.3 In addition to the surplus cash of the Council from its General Fund activities any surplus Pension Fund cash awaiting investment has also been invested in accordance with Council's Treasury Management Strategy agreed by Full council on the 24 February 2016, 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.

### **ECONOMIC COMMENTARY**

- 3.4.1 On 4<sup>th</sup> August the Bank of England (BoE) cut the bank base rate for the first time since 2009 to 0.25%, as the Monetary Policy Committee (MPC) voted unanimously in favour of a cut. It also expanded its Quantitative Easing (QE) programme by £60bn to £435bn.
- 3.4.2 The August 2016 Inflation Report showed the BoE left its growth forecasts unchanged at 2% for 2016 but lowered its forecast for 2017 significantly to 0.8% from the previous estimate of 2.3%. Inflation forecasts were revised up sharply due to the fall in sterling and are now forecasted to hit the 2% target in 2017 and rise further to 2.4% in 2018 and 2019.
- 3.4.3 The headline inflation figure increased to 0.5% year-on-year in June, whilst the monthly rate remained at 0.2%.
- 3.4.4 The UK unemployment rate fell to 4.9% in the three months to May, its lowest level since 2005, lowering the unemployment figure to 1.646m. British wage growth, including bonuses, rose by 2.3% on an annual basis. Excluding bonuses, growth in average weekly earnings in May rose by 2.2% year-on-year from 2.3% in the previous month.

### **INTEREST RATE FORECAST**

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

Capita Asset Services' Interest Rate View												
	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Bank Rate Forecast	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.50%	0.50%	0.50%
3 month LIBID Forecast	0.30%	0.30%	0.30%	0.30%	0.30%	0.40%	0.50%	0.50%	0.60%	0.60%	0.60%	0.60%
6 month LIBID Forecast	0.50%	0.50%	0.50%	0.50%	0.60%	0.60%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%
12 month LIBID Forecast	0.60%	0.60%	0.60%	0.60%	0.70%	0.80%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%

	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.50%	0.50%	0.50%
5yr PWLB rate	1.00%	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%	1.20%	1.20%	1.20%	1.30%	1.30%
10yr PWLB rate	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.70%	1.80%	1.80%	1.80%	1.80%	1.90%
25yr PWLB rate	2.40%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%	2.50%	2.60%	2.60%	2.70%	2.70%
50yr PWLB rate	2.20%	2.20%	2.20%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%

3.5.2 Capita Asset Services undertook a quarterly review of its interest rate forecasts on 4 July 2016 after letting markets settle down somewhat after the result of the referendum on 23 June to leave the EU. It was generally agreed that this outcome will result in a slowing in growth in the second half of 2016 at a time when the Bank of England has only limited ammunition in its armoury to promote growth by using monetary policy. They therefore expect that Bank Rate to be cut over this period. Thereafter, they do not expect the MPC to take any further action on Bank Rate in 2016 or 2017 as they expect the pace of recovery of growth to be weak during a period of uncertainty leading up to the final agreement between the UK and the EU on arrangements for leaving and the immediate period after 'Brexit'.

3.5.3 However, they also considered the possibility that the MPC may also consider renewing the programme of quantitative easing; the prospect of further purchases of gilts in this way has already resulted in 10 year gilt yields falling below 1% for the first time ever. Capita do not expect the Bank Base Rate to start rising until quarter 2 2018 and for further increases then to be at a slower pace than before as previously stated by the Governor of the Bank of England.

### 3.6 **Annual Investment Strategy**

3.6.1 The Treasury Management Strategy Statement (TMSS) for 2016/17, which includes the Annual Investment Strategy, outlines, in order of importance, 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 for the reporting period, quarter ending 30th June 2016.

## **Investment performance for quarter ended 30 June 2016**

<b>Benchmark</b>	<b>Benchmark Return</b>	<b>LBTH Performance</b>	<b>Over/(Under) Performance</b>
<b>Full Year 2015/2016</b>	0.35%	0.82%	0.47%
<b>April 2016</b>	0.36%	0.76%	0.40%
<b>May 2016</b>	0.36%	0.78%	0.42%
<b>June 2016</b>	0.36%	0.78%	0.42%
<b>2016/17 Year to Period</b>	0.36%	0.77%	0.41%

3.6.4 As illustrated above, the Council outperformed the 7 day London Interbank Bid rate (LIBID) benchmark for the financial year to date. However, the Council's weighted annual maturity was significantly longer than this (see paragraph 3.7.4 below). Further benchmark performance information is set out in section 3.8 below.

3.6.5 The Council's budgeted investment return is set at £2.7m for 2016/17 which is based on achieving average returns of at 0.9% for a £300m average balance. The performance to date is 0.77% with average balance of £425m.

3.6.6 Investment rates available in the market were low but broadly stable during the first half of the quarter but then took a slight downward path in the second half concluding with a significant drop after the referendum on expectations of an imminent cut in the Bank Base Rate and lower for longer expectations thereafter.

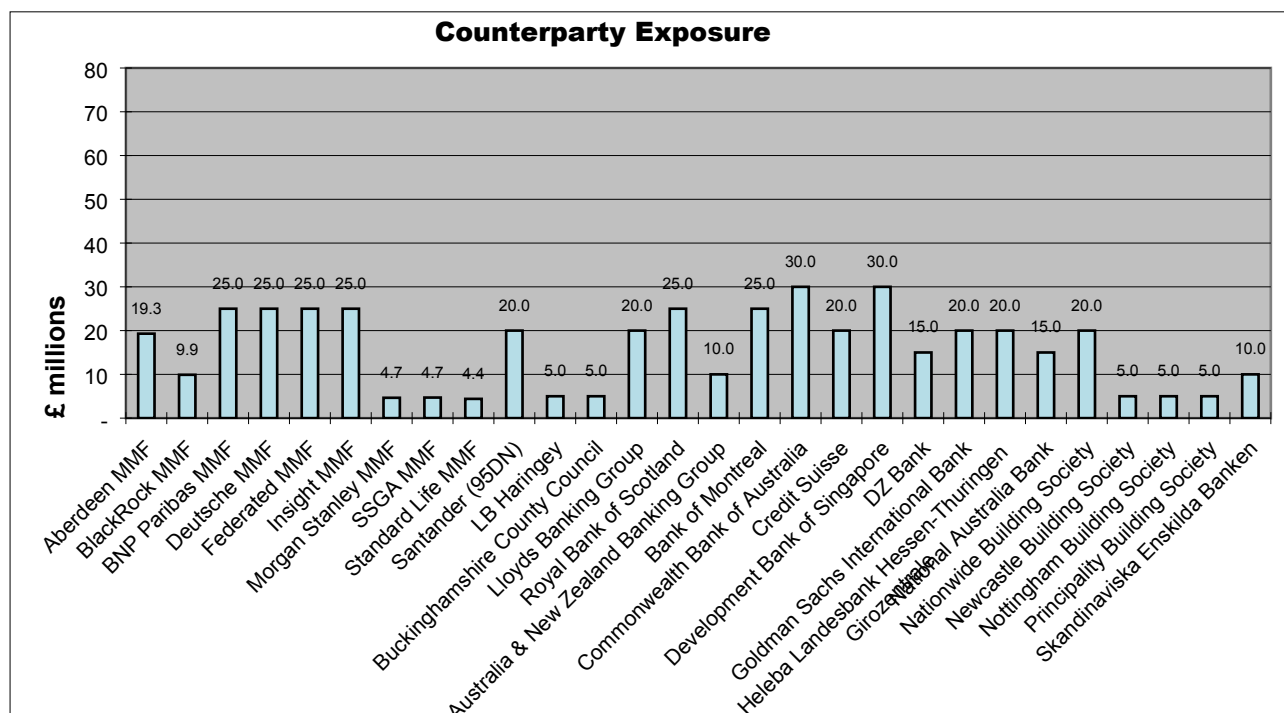
3.6.7 The level of funds available for investment purposes at the end of the reporting period was £452.95m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on reserves, the timing of precept payments, receipt of grants, progress against the Capital Programme and impending pension fund investment.

### **3.7 Investments Outstanding & Maturity Structure**

3.7.1 The table below shows the amount of investments outstanding at the end of June 2016, split according to the financial sector.

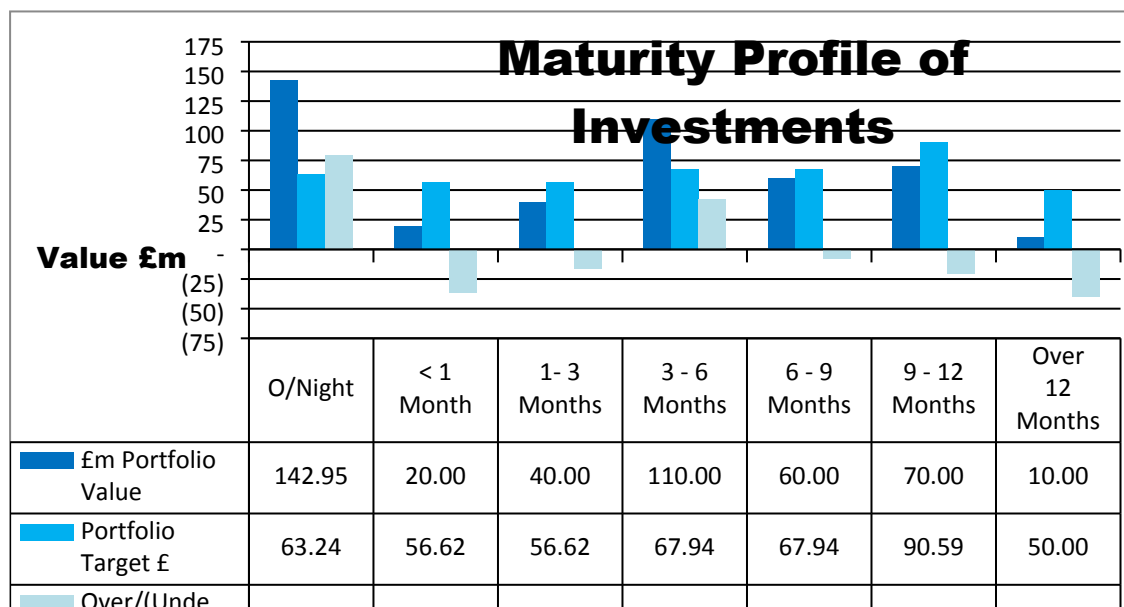
<b>FINANCIAL SECTOR</b>	<b>£m</b>	<b>%</b>
Banks in the UK	65.00	14.35
Building Societies in the UK	40.00	8.83
Government UK (Local Authorities)	10.00	2.21
Banks in the Rest of the World	195.00	43.05
Money Market Funds	142.95	31.56
<b>Investments Outstanding as at 30/06/2016</b>	<b>452.95</b>	<b>100.00</b>

**Chart 1 – Counterparty Exposure**



3.7.2 The Chart 1 above shows the deposits outstanding with authorised counterparties as at 30th June 2016, of which 5.5% were with part-nationalised banks (RBS Groups).

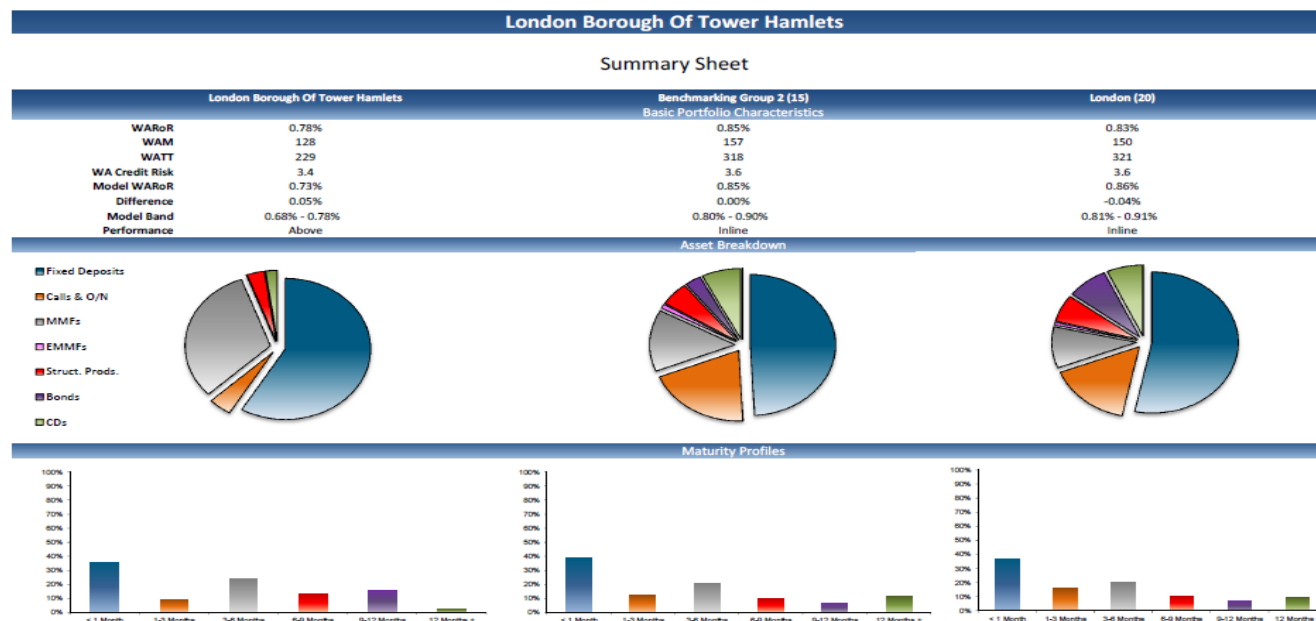
3.7.3 Chart 2 below illustrates the maturity structure of deposits as at 30 June 2016; we have £142.95m as overnight deposits, and this is all Money Market Funds.



3.7.4 The Weighted Average Maturity (WAM) for outstanding investment (excluding MMF) is 229 days for the month of June and including MMF is 128 days. This is the average number of outstanding days to maturity of each deal from 30 June 2016. The average maturity of investments would have subsequently increased in July following the Insight pension investment.

### 3.8 INVESTMENT BENCHMARKING CLUB

3.8.1 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 30 June 2016. The Performance of Tower Hamlets is above the Model Weighted Average Rate of Return (WARoR) but below the performance of our benchmark comparators and the London benchmark.



3.8.2 The return on LBTH investment is commensurate with the Council’s risk appetite as set out in the Investment Strategy which is reflected in the above data. The holding of instant access deposits until the impending Insight pension investment in July resulted in the Council holding more short-term deposits than usual.

### 3.10 DEBT PORTFOLIO

3.10.1 The Council’s Treasury Management Strategy Report approved in February 2016 outlined the Council’s long term borrowing strategy for the year.

3.10.2 The table below sets out the Council’s debt as at the beginning of the financial year and as at 30 June 2016. During the financial year Barclays Bank waived their options in relation to the two LOBO loans and these can now be both classified as fixed rate funding. Total debt outstanding, stands at £87.825m, against estimated CFR of £226.225m for 2016/17, this implies internal borrowing of £138.4m.

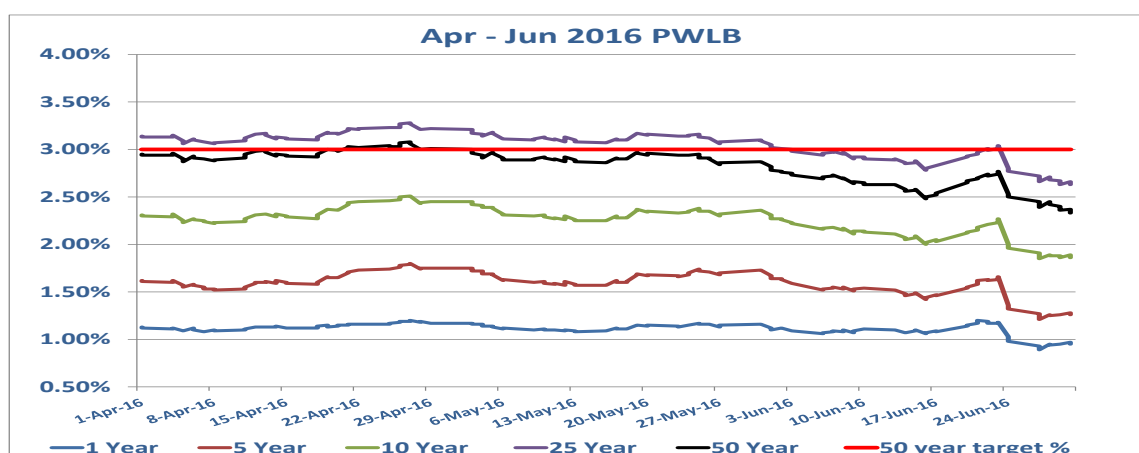
3.10.3 No debt rescheduling opportunities have arisen during this financial year to reporting period as the cost of premiums outweighs savings that could be made from the lower PWLB borrowing rates.

	31 March 2016 Principal	Loans raised	Loans repaid	30 June 2016 Principal
	£'000	£'000	£'000	£'000
<b>Fixed Rate Funding:</b>				
-PWLB	10,325	-	0.000	10,325
-Market	13,000	4,500	-	17,500
<b>Total Fixed Rate Funding</b>	<b>23,325</b>	<b>4,500</b>	<b>0.000</b>	<b>27,825</b>
<b>Variable Rate Funding:</b>				
-PWLB	-	-	-	-
-Market	64,500	-	4,500	60,000
<b>Total Variable Rate Funding</b>	<b>64,500</b>	<b>-</b>	<b>4,500</b>	<b>60,000</b>
<b>Total Debt</b>	<b>87,825</b>	<b>4,500</b>	<b>4,500</b>	<b>87,825</b>
<b>CFR</b>	<b>226,488</b>	<b>-</b>	<b>-</b>	<b>226,225</b>
<b>Over/ (under) borrowing</b>	<b>(138,663)</b>	<b>-</b>	<b>-</b>	<b>(138,400)</b>

3.10.4 New Borrowing - As shown in the graph below, there has been significant volatility in PWLB rates during quarter 1 culminating in a progressive fall in rates during the first three weeks in June as confidence rose that the polls were indicating an 'IN' result for the referendum, followed by a sharp rise in the run up to the referendum day as the polls swung the other way, followed by a sharp fall to the end of the month in anticipation that there is likely to be further quantitative easing purchases of gilts in the coming months.

#### PWLB certainty rates quarter ended 30 June 2016

	1 Year	5 Year	10 Year	25 Year	50 Year
<b>Low</b>	0.89%	1.21%	1.85%	2.63%	2.33%
<b>Date</b>	27/6/16	27/6/16	27/6/16	29/6/16	30/6/16
<b>High</b>	1.20%	1.80%	2.51%	3.28%	3.08%
<b>Date</b>	27/4/16	27/4/16	27/4/16	27/4/16	27/4/16
<b>Average</b>	1.11%	1.59%	2.25%	3.05%	2.83%





3.10.5 During the quarter ended 30 June 2016, the 50 year PWLB target (certainty) rate for new long term borrowing remained at 3%. (However, the target rate was cut to 2.20% on 4 July 2016 due to the sharp fall in gilt yields after the referendum.)

3.10.6 Given these recent movements it is likely that the Council will be considering its position in relation to borrowing.

### 3.11 **Compliance with Treasury and Prudential Limits**

3.11.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.

3.11.2 During the financial year to date the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The prudential and treasury Indicators are shown in Appendix 3.

### 3.12 **Other**

3.12.1 **UK Sovereign Rating** - Standard & Poor have downgraded the UK Sovereign rating to AA from AAA with outlook remains negative, Fitch downgraded to AA from AA+ with outlook, changed to negative from stable, Moody's affirmed the rating at Aa1 with outlook changed to negative from stable. This is due to weaker economic and fiscal outlook.

3.12.2 In the light of the recent changes in the UK sovereign rating, officers continue to propose that the UK should still be excluded from its sovereign rating criteria overlay and that we will still invest in UK banks and building societies regardless of current UK sovereign rating. Although this has created an unexpected increase in risk and measures for treasury management, especially with the Council's large cash balance of some £400m. Therefore, at the individual/entity level, investment counterparties will still need to meet stringent criteria as laid out in the current investment strategy.

3.12.3 Officers are proposing a change to the council treasury management strategy for 2016/17, section 7.27 of TMSS annex A, by revising the maximum nominal value of overall investments that the council should hold for more than 1 year and less than 5 years from £50m to £100m (Investments with maturity over a year) The prudential indicator figure of £100m is therefore recommended.

3.12.4 Officers are also proposing a change to the money limit and duration of investments more than one year for part nationalised bank from current £25m and 3 years to £50m and 5 years duration. This is to enable the council the flexibility of placing more deposits with an institution part owned by the government and still received decent return from the transaction.

#### 4 **COMMENTS OF THE CHIEF FINANCIAL OFFICER (s151 Officer)**

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

#### 5. **LEGAL COMMENTS**

5.1 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 It is a key principle of the Treasury Management Code that an authority should put in place "comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities". 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. It is consistent with the key principles expressed in the Treasury Management Code for the council to adopt the strategies and policies proposed in the report.

5.4 The report proposes that the treasury management strategy will incorporate prudential indicators. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 also requires the council to have regard to the CIPFA publication "Prudential Code for Capital Finance in Local Authorities" ("the Prudential Code") when carrying out its duty under the Act to determine an affordable borrowing limit. The Prudential Code specifies a minimum level of prudential indicators required to ensure affordability, sustainability and prudence. The report properly brings forward these matters for determination by the council. If after having regard to the Prudential Code the council wished not to follow it, there would need to be some good reason for such deviation.

5.5 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.

- 5.6 The Local Government Act 2003 and regulations made under the Act provide that adoption of a plan or strategy for control of a local authority's borrowing, investments or capital expenditure, or for determining the authority's minimum revenue provision, is a matter that should not be the sole responsibility of the authority's executive and, accordingly, it is appropriate for the Cabinet to agree these matters and for them to then be considered by Full Council.
- 5.7 The report sets out the recommendations of the Corporate Director Resources in relation to the council's minimum revenue provision, treasury management strategy and its annual investment strategy. The Corporate Director Resources has responsibility for overseeing the proper administration of the council's financial affairs, as required by section 151 of the Local Government Act 1972 and is the appropriate officer to advise in relation to these matters.
- 5.8 When considering its approach to the treasury management matters set out in the report, the council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector equality duty). A proportionate level of equality analysis is required and there is information relevant to this in section 17 of the report.

## **6 ONE TOWER HAMLETS CONSIDERATIONS**

- 6.1 Investment contributes to the achievement of the corporate objectives, including all those relating to equalities and achieving One Tower Hamlets. Establishing the statutory policy statements required facilitates the investments and ensures that it is prudent.

## **7. BEST VALUE (BV) IMPLICATIONS**

- 7.1 The Treasury Management Strategy and Investment Strategy and the arrangements put in place to monitor them should ensure that the council optimises the use of its monetary resources within the constraints placed on the council by statute, appropriate management of risk and operational requirements.
- 7.2 Assessment of value for money is achieved through:
- Monitoring against benchmarks
  - Operating within budget

## **8 SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

- 8.1 There are no sustainable actions for a greener environment implication.

## **9 RISK MANAGEMENT IMPLICATIONS**

- 9.1 There is inevitably a degree of risk inherent in all treasury activity.
- 9.2 The Investment Strategy identifies the risk associated with different classes of investment instruments and sets the parameters within which treasury activities can be undertaken and controls and processes appropriate for that risk.
- 9.3 Treasury operations are undertaken by nominated officers within the parameters prescribed by the Treasury Management Policy Statement as approved by the council.

9.4 The council is ultimately responsible for risk management in relation to its treasury activities. However, in determining the risk and appropriate controls to put in place the council has obtained independent advice from Capita Treasury Services who specialise in Council treasury issues.

10 **CRIME AND DISORDER REDUCTION IMPLICATIONS**

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

**APPENDICES**

Appendix 1 – Investments Outstanding as at 30<sup>th</sup> June 16

Appendix 2 – Approved countries for investments

Appendix 3 – The prudential and treasury Indicators

**Local Government Act, 1972 Section 100D (As amended)**

**List of “Background Papers” used in the preparation of this report**

**Brief description of “background papers”**

**Name and telephone number of holder  
and address where open to inspection.**

*Bola Tobun, x4733, Mulberry Place*

## Appendix 1

### Investments Outstanding as at 30 June 2016

Time to Maturity	Counterparty	From	Maturity	Amount £m	Rate
<b>Overnight</b>	Aberdeen MMF		<b>MMF</b>	19.30	
	Blackrock MMF		<b>MMF</b>	9.90	
	BNP Paribas MMF		<b>MMF</b>	25.00	
	Deutsche MMF		<b>MMF</b>	25.00	
	Federated MMF		<b>MMF</b>	25.00	
	Insight MMF		<b>MMF</b>	25.00	
	Morgan Stanley MMF		<b>MMF</b>	4.65	
	SSGA MMF		<b>MMF</b>	4.70	
	Standard Life MMF		<b>MMF</b>	4.40	
		<b>SUB TOTAL</b>			<b>142.95</b>
<b>&lt; 1 Month</b>	DZ Bank	04/01/2016	04/07/2016	10.00	0.69%
	Buckinghamshire County Council	23/06/2016	22/07/2016	5.00	0.50%
	LB Haringey	30/06/2016	29/07/2016	5.00	0.50%
	<b>SUB TOTAL</b>			<b>20.00</b>	
<b>1 - 3 Months</b>	Commonwealth Bank of Australia	05/08/2015	04/08/2016	5.00	0.84%
	Development Bank of Singapore	10/02/2016	10/08/2016	10.00	0.65%
	Lloyds Banking Group	13/08/2015	12/08/2016	5.00	1.00%
	Development Bank of Singapore	24/05/2016	24/08/2016	10.00	0.57%
	Australia & New Zealand Banking	30/06/2016	30/09/2016	10.00	0.52%
	<b>SUB TOTAL</b>			<b>40.00</b>	
<b>3 - 6 Months</b>	Santander (95DN)		Call - 95N	20.00	1.10%
	Skandinaviska Enskilda Banken	05/10/2015	05/10/2016	5.00	0.92%
	DZ Bank	05/04/2016	05/10/2016	5.00	0.68%
	Goldman Sachs International Bank	23/10/2015	24/10/2016	10.00	1.00%
	Principality Building Society	11/11/2015	11/11/2016	5.00	1.08%
	Helaba Landesbank	12/11/2015	11/11/2016	5.00	1.04%
	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%
	Skandinaviska Enskilda Banken	07/12/2015	07/12/2016	5.00	0.85%
	Development Bank of Singapore	08/06/2016	08/12/2016	5.00	0.62%
	Commonwealth Bank of Australia	15/12/2015	15/12/2016	5.00	0.91%
	Bank of Montreal	15/03/2016	15/12/2016	10.00	0.72%
	Development Bank of Singapore	15/06/2016	15/12/2016	5.00	0.62%
		<b>SUB TOTAL</b>			<b>110.00</b>
<b>6 - 9 Months</b>	Bank of Montreal	06/04/2016	06/01/2017	10.00	0.75%
	Royal Bank of Scotland	10/01/2014	09/01/2017	5.00	1.74%
	National Australia Bank	12/04/2016	12/01/2017	10.00	0.74%
	Bank of Montreal	19/04/2016	19/01/2017	5.00	0.74%
	National Australia Bank	19/04/2016	19/01/2017	5.00	0.75%
	Commonwealth Bank of Australia	23/02/2016	21/02/2017	5.00	0.90%
	Helaba Landesbank	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 Building Society	23/03/2016	23/03/2017	5.00	1.02%
	<b>SUB TOTAL</b>			<b>60.00</b>	
<b>9 - 12 Months</b>	Nationwide Building Society	12/04/2016	12/04/2017	5.00	0.95%
	Lloyds Banking Group	14/04/2016	13/04/2017	5.00	1.05%
	Lloyds Banking Group	15/04/2016	13/04/2017	5.00	1.05%

<b>Time to Maturity</b>	<b>Counterparty</b>	<b>From</b>	<b>Maturity</b>	<b>Amount £m</b>	<b>Rate</b>
	Nationwide Building Society	15/04/2016	13/04/2017	10.00	0.97%
	Nationwide Building Society	22/04/2016	21/04/2017	5.00	0.95%
	Newcastle Building Society	28/04/2016	28/04/2017	5.00	1.15%
	Lloyds Banking Group	29/04/2016	28/04/2017	5.00	1.05%
	Royal Bank of Scotland	05/05/2015	05/05/2017	5.00	1.45%
	Royal Bank of Scotland	08/05/2015	08/05/2017	5.00	1.45%
	Nottingham Building Society	09/05/2016	09/05/2017	5.00	1.03%
	Commonwealth Bank of Australia	12/05/2016	12/05/2017	5.00	0.99%
	Helaba Landesbank	03/05/2016	03/06/2017	10.00	1.01%
	<b>SUB TOTAL</b>			<b>70.00</b>	
<b>&gt; 12 Months</b>	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%
	<b>SUB TOTAL</b>			<b>10.00</b>	
	<b>GRAND TOTAL</b>			<b>452.95</b>	

## **APPENDIX 2: Sovereign rating of countries for investments**

*Based on lowest available rating*

### **AAA**

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

### **AA+**

- Finland
- Hong Kong
- U.S.A.

### **AA**

- Abu Dhabi (UAE)
- Qatar
- France
- U.K.

### **AA-**

- Belgium

## Appendix 3: 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
<b>Capital Expenditure</b>					
Non – HRA	56.238	50.408	26.621	53.442	10.876
HRA	76.852	121.564	72.349	115.914	22.864
<b>TOTAL</b>	<b>133.090</b>	<b>171.972</b>	<b>98.970</b>	<b>169.356</b>	<b>33.740</b>
<b>Ratio of Financing Costs To Net Revenue Stream</b>					
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
<b>Gross Debt and Capital Financing Requirement</b>					
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)
<b>In Year Capital Financing Requirement</b>					
Non – HRA	0.000		0.145	0.150	0.000
HRA	0.000	21.804	5.016	8.360	0.000
<b>TOTAL</b>	<b>0.000</b>	<b>21.804</b>	<b>5.161</b>	<b>8.510</b>	<b>0.000</b>
<b>Capital Financing Requirement as at 31 March</b>					
Non - HRA	157.842	164.314	151.797	148.070	143.090
HRA	69.675	89.192	74.691	78.416	76.101
<b>TOTAL</b>	<b>227.517</b>	<b>253.506</b>	<b>226.488</b>	<b>226.486</b>	<b>219.192</b>
<b>Incremental Impact of Financing Costs (£)</b>					
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
<b>Authorised Limit For External Debt -</b>					
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
<b>TOTAL</b>	<b>265.720</b>	<b>298.506</b>	<b>271.488</b>	<b>271.486</b>	<b>264.192</b>
<b>Operational Boundary For External Debt -</b>					
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
<b>TOTAL</b>	<b>252.517</b>	<b>278.506</b>	<b>251.488</b>	<b>251.486</b>	<b>244.192</b>
<b>Gross Borrowing</b>	<b>136.833</b>	<b>162.789</b>	<b>125.901</b>	<b>133.362</b>	<b>128.501</b>
<b>HRA Debt Limit*</b>	<b>184.381</b>	<b>192.000</b>	<b>192.000</b>	<b>192.000</b>	<b>192.000</b>
<b>Upper Limit For Fixed Interest Rate Exposure</b>					
Net principal re fixed rate borrowing / investments	100%	100%	100%	100%	100%
<b>Upper Limit For Variable Rate Exposure</b>					
Net interest payable on variable rate borrowing / investments	20%	20%	20%	20%	20%
<b>Upper limit for total principal sums invested for over 364 days</b> (per maturity date)	<b>£50m</b>	<b>£50m</b>	<b>£50m</b>	<b>£50m</b>	<b>£50m</b>
<b>Maturity structure of new fixed rate borrowing during 2016/17</b>			<b>Upper Limit</b>		<b>Lower Limit</b>
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%