7. REVIEW OF TREASURY MANAGEMENT ACTIVITY 1 APRIL - 30 SEPTEMBER 2015

REPORT OF:	Peter Stuart, Head of Finance Email: pamela.coppelman@adur-worthing.gov.uk Tel: 01903 221236
Wards Affected:	All
Key Decision	No

PURPOSE OF REPORT

1. The report attached as Appendix 1 sets out the Council's treasury management activity for the half year to 30 September 2015.

SUMMARY

2. All transactions are in order and there are no exceptional events upon which to report.

RECOMMENDATIONS

3. The Committee is recommended to note the Half Year Annual Report for 2015/16, in particular:

   i) the increase in net investments from £23.953m to £36.908m in the period 1 April to 30 September 2015 (Para 3.1)

   ii) that no new long term borrowing has been necessary (Para 4.3)

   iii) that interest costs are below budgetary estimates (Para 4.4) while interest from investments are £13k above the annual budgetary target due to an increase in the expected amount available for investment.

BACKGROUND

4. The Treasury Management function of this Council has been delivered by Adur & Worthing Councils as a shared service since 2010. This enables the cost of the service to be reduced whilst giving access to specialist advice and the administration skills of a larger authority.

5. The report of the Strategic Finance Group Accountant is attached at Appendix 1. Members should note that this report format and level of detail is similar to that presented to the other authorities in the shared service and whilst it may appear to contain much in the way of specialist treasury management knowledge, it would reward careful reading by those with an interest.

6. For those Members seeking a summary of the half year performance, paragraph 10.2 sets out the report in one sentence:

   "The Council's performance during the half year exceeded the budgeted returns for investment income and was within the counterparty lending limits and Prudential Limits approved at the start of the year".

7. The Group Accountant would welcome questions and queries from Members using the contact details above.

POLICY CONTEXT

8. The presentation of this report fulfils the requirements under the Council's treasury management policy delivered as part of the shared services arrangements. The regulatory environment puts onus on members for the review and scrutiny of treasury management policy and activities, and therefore this report is important in that respect.

OTHER OPTIONS CONSIDERED

9. None.

FINANCIAL IMPLICATIONS

10. None

OTHER MATERIAL IMPLICATIONS

11. None.

Background Papers

Treasury Management Strategy Statement and Annual Investment Strategy 2015/16 to 2017/18 (March 2015)

APPENDIX 1

TREASURY MANAGEMENT OPERATIONS REPORT FOR HALF YEAR 1 APRIL – 30 SEPTEMBER 2015

1. SUMMARY

1.1 This report summarises the treasury management transactions and portfolio position for the first six months of 2015/16 financial year. The presentation of this report fulfils the requirements under the Council's treasury management policy.

2. INTRODUCTION AND BACKGROUND

2.1 Treasury management is defined as:

"the management of the organisation'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."

2.2 The Council has adopted and complies with the Code of Practice on Treasury Management recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). Part of the requirements of the code is to have formalised arrangements for regularly reporting treasury management activity to Members.

2.3 The reporting arrangements were last updated and adopted at the meeting of the Council in July 2015, at which the Treasury Management Strategy Statement and Annual Investment Strategy 2015/16-2017/18 was presented.

2.4 The Strategy requires the production of an annual outturn report no later than 30 September after the financial year end, and also for a report of treasury management performance at the half way point of the current year. The first reporting requirement was fulfilled by the submission in September 2015 of the Treasury Management Annual Report for 2014/15, the second requirement is fulfilled by the presentation of this report, which covers :

- ♦ the treasury portfolio position (Section 3)
- ♦ the borrowing strategy and outturn (Section 4)
- ♦ the economic position and the future outlook (Section 5)
- ♦ the investment strategy and outturn (Section 6)
- ♦ compliance with treasury limits and Prudential Indicators (Section 7)
- ♦ performance measures (Section 8)
- ♦ other issues – approved investment list (Section 9)

APPENDIX 1

3. PORTFOLIO POSITION

3.1 The Council's position at the start and half year points for 2015/16 was as follows:-

	Balance at 01.04.15 £m	Raised in Year £m	Repaid in Year £m	Balance at 30.09.15 £m
Borrowing				
Public Works Loan Board (PWLB)	(1.047)	-	0.055	(0.992)
Temporary Borrowing	-	(2.320)	2.320	-
TOTAL BORROWING	(1.047)	(2.320)	2.375	(0.992)
Investments:				
In-house:				
Long Term	8.000	4.000	(2.000)	10.000
Short Term	17.000	96.895	(85.995)	27.900
With Fund Managers	-	-	-	-
TOTAL INVESTMENTS	25.000	100.895	(87.995)	37.900
NET INVESTMENTS	23.953	98.575	(85.620)	36.908

3.2 The borrowing position is explained further in Section 4 below, while the investments transacted in the half year are summarised by type of institution in Section 6.

4. BORROWING STRATEGY AND OUTTURN 1 April – 30 September 2015

4.1 The borrowing position summarised in Para.3.1 above relates entirely to long term fixed borrowing from the Public Works Loan Board as follows:

Loan Number	Start Date	End Date	Original Loan Amount £	Interest Rate	Balance at 30. 09. 2015*
494369	06/03/2008	01/03/2023	1,700,000	4.55%	995,647
TOTAL LOANS			1,700,000		995,647
(* includes accrued interest to 30 September)					

APPENDIX 1

4. **BORROWING STRATEGY AND OUTTURN 1 April – 30 September 2015**

4.2 A total of £55k has been repaid in the first six months of 2015/16 in respect of loan 494369. This loan is repaid by fixed annuities over the life of the loan.

4.3 There has been no new long term borrowing during the year.

4.4 The total cost of interest payable on all borrowing for the half year to 30 September 2015 was £23,609 while the full year cost is expected to be £46,240 if no further borrowing is incurred. The interest on borrowing is below the budgetary estimates for 2015/16.

5. **THE ECONOMY AND INTEREST RATES 2015/16 ONWARDS**

The following section comprises an extract of the key points of a commentary provided by the Council's shared service provider's professional Treasury Management consultants Capita Treasury Solutions Ltd.

Economic Update

U.K.

UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, possibly being equal to that of the US. However, quarter 1 of 2015 was weak at +0.4% though there has been a rebound in quarter 2 to +0.7%. The Bank of England is forecasting growth to remain around 2.4 – 2.8% over the next three years. The most recent forward looking surveys in August for the services and manufacturing sectors showed a marked slowdown in the rate of growth; this is not too surprising given the appreciation of Sterling against the Euro and weak growth in the EU, China and emerging markets creating headwinds for UK exporters. For this recovery to become more balanced and sustainable in the longer term, the recovery still needs to move away from dependence on consumer expenditure and the housing market to manufacturing and investment expenditure. This overall strong growth has resulted in unemployment falling quickly over the last few years although it has now ticked up recently after the Chancellor announced in July significant increases planned in the minimum (living) wage over the course of this Parliament.

The MPC has been particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of inflation in order to ensure that the recovery will be sustainable. It has therefore been encouraging in 2015 to see wage inflation rising significantly above CPI inflation which slipped back to zero in June and again in August However, with the price of oil taking a fresh downward direction and Iran expected to soon rejoin the world oil market after the impending lifting of sanctions, there could be several more months of low inflation still to come, especially as world commodity prices have generally been depressed by the Chinese economic downturn. The August Bank of England Inflation Report forecast was notably subdued with inflation barely getting back up to the 2% target within the 2-3 year time horizon. Despite average weekly earnings ticking up to 2.9% y/y in the three months ending in July, (as announced in mid-September), this is unlikely to provide ammunition for the MPC to take action to raise Bank Rate soon as labour productivity growth meant that net labour unit costs are still only rising by about 1% y/y.

5. THE ECONOMY AND INTEREST RATES 2015/16 ONWARDS

Economic Update

U.K.

There are therefore considerable risks around whether inflation will rise in the near future as strongly as previously expected; this will make it more difficult for the central banks of both the US and the UK to raise rates as soon as had previously been expected, especially given the recent major concerns around the slowdown in Chinese growth, the knock on impact on the earnings of emerging countries from falling oil and commodity prices, and the volatility we have seen in equity and bond markets in 2015 so far, which could potentially spill over to impact the real economies rather than just financial markets. On the other hand, there are also concerns around the fact that the central banks of the UK and US have few monetary policy options left to them given that central rates are near to zero and huge QE is already in place. There are therefore arguments that they need to raise rates sooner, rather than later, so as to have ammunition to use if there was a sudden second major financial crisis. But it is hardly likely that they would raise rates until they are sure that growth was securely embedded and 'noflation' was not a significant threat.

The forecast for the first increase in Bank Rate has therefore been pushed back from Q1 to Q2 2016; increases after that will be at a much slower pace and to much lower levels than prevailed before 2008, as increases in Bank Rate will have a much bigger effect on heavily indebted consumers than they did before 2008.

The Government's revised Budget in July eased the pace of cut backs from achieving a budget surplus in 2018/19 to achieving that in 2019/20.

U.S.

GDP growth in 2014 of 2.4% was followed by first quarter 2015 growth depressed by exceptionally bad winter weather at only +0.6% (annualised). However, growth rebounded very strongly in Q2 to 3.9% (annualised) and strong growth is expected going forward. Until the turmoil in financial markets in August caused by fears about the slowdown in Chinese growth, it had been strongly expected that the Fed. would start to increase rates in September. However, the Fed pulled back from a first increase due to global risks which might depress growth and put downward pressure on inflation, and due to a 20% appreciation of the dollar which has caused the Fed to lower its growth forecasts. However, despite inflation being subdued at the current time, a combination of ongoing strong economic growth and a return to full employment would tend to indicate that inflation must be due to make a return. The longer the Fed holds out against raising rates, the sharper is likely to be the subsequent pace of increases. While an increase in rates cannot be ruled out at the October or December meetings, market expectations have moved back to January 2016.

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5. THE ECONOMY AND INTEREST RATES 2015/16 ONWARDS

Economic Update

EUROZONE

The ECB fired its big bazooka by announcing a massive €1.1 trillion programme of quantitative easing in January 2015 to buy up high credit quality government debt of selected EZ countries. This programme started in March and will run to September 2016. This seems to have already had a beneficial impact in improving confidence and sentiment. There has also been a continuing trend of marginal increases in the GDP growth rate which hit 0.4% in quarter 1 2015 (1.0% y/y) and +0.4%, (1.5% y/y) in Q2 GDP. The ECB has also stated it would extend its QE programme if inflation failed to return to its target of 2% within this initial time period.

Greece: During July, Greece finally capitulated to EU demands to implement a major programme of austerity and is now cooperating fully with EU demands. An €86bn third bailout package has since been agreed though it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures.

However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so Greek exit from the euro may only have been delayed by this latest bailout.

CHINA AND JAPAN

Japan is causing considerable concern as the increase in sales tax in April 2014 has suppressed consumer expenditure and growth. In Q2 2015 growth was -1.6% (annualised) after a short burst of strong growth of 4.5% in Q1. During 2015, Japan has been hit hard by the downturn in China. This does not bode well for Japan as the Abe government has already fired its first two arrows to try to stimulate recovery and a rise in inflation from near zero, but has dithered about firing the third, deregulation of protected and inefficient areas of the economy, due to political lobbies which have traditionally been supporters of Abe's party.

As for China, the Government has been very active during 2015 in implementing several stimulus measures to try to ensure the economy hits the growth target of 7% for the current year and to bring some stability after the major fall in the onshore Chinese stock market. Many commentators are concerned that recent growth figures around that figure, could have been massaged to hide a downturn to a lower growth figure. There are also major concerns as to the creditworthiness of much bank lending to corporates and local government during the post 2008 credit expansion period and whether the bursting of a bubble in housing prices is drawing nearer. Overall, China is still expected to achieve a growth figure that the EU would be envious of. However, concerns about whether the Chinese cooling of the economy could be heading for a hard landing, and the volatility of the Chinese stock market, have caused major volatility in financial markets in August and September such that confidence is, at best, fragile.

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5. THE ECONOMY AND INTEREST RATES 2015/16 ONWARDS

Economic Update

EMERGING COUNTRIES

There are considerable concerns about the vulnerability of some emerging countries and their corporates which are getting caught in a perfect storm. Having borrowed massively in western currency denominated debt since the financial crisis, caused by western investors searching for yield by channelling investment cash away from western economies with dismal growth, depressed bond yields (due to QE), and near zero interest rates, into emerging countries, there is now a strong current flowing to reverse that flow back to those western economies with strong growth and an imminent rise in interest rates and bond yields. This change in investors' strategy and the massive reverse cash flow has depressed emerging country currencies and caused the US dollar and sterling to appreciate. In turn, this has made it much more costly for emerging countries to service their western currency denominated debt at a time when their earnings from commodities are depressed. There are also going to be major issues when previously borrowed debt comes to maturity and requires refinancing at much more expensive rates, if available at all.

Corporates (worldwide), heavily involved in mineral extraction and / or the commodities market may also be at risk and this could also cause volatility in equities and safe haven flows to bonds. Financial markets may also be buffeted by sovereign wealth funds of countries highly exposed to falls in commodity prices which, therefore, may have to liquidate investments in order to cover national budget deficits.

INTEREST RATE FORECASTS

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

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%
5yr PWLB rate	2.40%	2.50%	2.60%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%
10yr PWLB rate	3.00%	3.20%	3.30%	3.40%	3.50%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PWLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
50yr PWLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%

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5. THE ECONOMY AND INTEREST RATES 2015/16 ONWARDS

Economic Update

INTEREST RATE FORECASTS

Capita Asset Services undertook a review of its interest rate forecasts on 11 August. Later in August, fears around the slowdown in China and Japan caused major volatility in equities and bonds and sparked a flight from equities into safe havens like gilts and so caused PWLB rates to fall. However, there is much volatility in rates as news ebbs and flows in negative or positive ways and news in September in respect of Volkswagen, and other corporates, has compounded downward pressure on equity prices. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.

Despite market turbulence in late August, and then September, causing a sharp downturn in PWLB rates, the overall trend in the longer term will be 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.

The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth turns significantly weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Monetary policy action failing to stimulate sustainable growth and to combat the threat of deflation in western economies, especially the Eurozone and Japan.
- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or the start of Fed. rate increases, causing a flight to safe havens

APPENDIX 1

5. THE ECONOMY AND INTEREST RATES 2015/16 ONWARDS

Economic Update

INTEREST RATE FORECASTS

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include:-

- Uncertainty around the risk of a UK exit from the EU.
- The ECB severely disappointing financial markets with a programme of asset purchases which proves insufficient to significantly stimulate growth in the EZ.
- The commencement by the US Federal Reserve of increases in the Fed. funds rate in 2015, causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

6. INVESTMENT STRATEGY AND OUTTURN FOR 2015/16

Investment Strategy

6.1 The Council's investment strategy aimed to secure investment interest for 2015/16 of £344,440, as contained in the budgetary estimates included in the Budget Report. This equates to expected average returns on all investments of 1.022%. This target was set against the overriding criteria of security of principal sums invested, and liquidity of funds to service the Council's operational cash flow requirements.

6.2 The actual performance for the first half of 2015/16 achieved returns on investment totaling £186k (0.88%). Forward projections at 30 September anticipate the full year returns on investment to be close to £358k, some £13k higher than predicted at the start of the year. The reason for this is that cash balances have been £0.495 above the expected average for the year.

6.3 However, investments have nevertheless increased by £12.9m since 1st April 2015, reflecting the timings of cash flow in the year.

APPENDIX 1

6. INVESTMENT STRATEGY AND OUTTURN FOR 2015/16

Investment Strategy

6.4 The movement and composition of investment transactions during the period were:

2015/16 Movement	Balance 01.04.15 £m	Raised in Year £m	Repaid in Year £m	Balance 30.09.15 £m	% of Funds at 30.09.15
Investments					
Long-term > 1 year	8.000	4.000	(2.000)	10.000	26.4%
Short-term < 1 year	17.000	96.895	(85.995)	27.900	73.6%
TOTAL	25.000	100.895	(87.995)	37.900	100.0%

6.5 The investment transactions during the year are further analysed by volume (i.e. turnover in the half-year), financial institution and deal size as follows:

	No. of Transa-ctions	Amount Invested £m	Average Deal Size £m	Minimum Deal Size £m	Maximum Deal Size £m
Short-term < 1 year or less)					
Council's own Bank	1	1.000	1.000	1.000	1.000
Other Banks	5	7.000	1.400	1.000	2.000
Building Societies	13	14.000	1.077	1.000	2.000
Local Authorities	-	-	-	-	-
Money Market Funds	45	74.895	1.664	0.300	3.000
Total Short-term	64	96.895	1.514	-	-
OVERALL TOTAL	64	96.895	1.514	-	-

6.6 The Council's treasury management policy currently restricts exposure to banks to a maximum of £4m. For building societies the limit is £3m.

6.7 The use of Money Market Funds (MMF's) indirectly exposes the Council to non-UK investments. To regulate the risk from foreign investments, the Council's maximum exposure is £3m per counterparty and no more than 25% of total funds for more than one week at any time. The underlying assets are analysed through a web-based dealing portal to review the creditworthiness of the counterparties which are obligated to the funds. Total MMF fund investments amounted to £5.90m at 30 September 2015, representing just 15.6% of total funds.

6. INVESTMENT STRATEGY AND OUTTURN FOR 2015/16

Investment Strategy

6.8 The composition of investments at 30 September and the maximum counterparty exposures during the half-year are shown at Appendix 3. All investments were conducted within the specified permissible limits, and no revisions to the investment strategy or counterparty limits are proposed.

7. COMPLIANCE WITH TREASURY MANAGEMENT LIMITS AND PRUDENTIAL INDICATORS

7.1 The Council operates to approved Prudential Indicators for treasury management as contained in the Treasury Management Strategy Statement. The approved limits exist to regulate short-term borrowing for operational cash flow fluctuations, as well as long-term borrowing for financing capital expenditure. Additionally, the limits aim to mitigate risk against fluctuations in interest rates.

7.2 The Council's performance against its treasury management limits and prudential indicators for 2015/16 (up to 30 September) is compared against the actual performance for 2014/15, and the 2015/16 full year estimates, in Appendix 2. Actual performance is within the target limits.

8. PERFORMANCE MEASURES

8.1 The Council's borrowing outturn performance for the half year has been compared to the rate for equivalent new loans taken from the PWLB with the following results:

	Mid Sussex District Council			
Debt Measures for half year to 30 Sept. 2015	**Average Interest Rate % for 2015/16**	**Debt (£m) at 30.09.15**	**% of Debt at 30.09.15**	**Equivalent New Loan Rate of Interest at 30.09.15**
Short term Fixed (1 yr)	-	-	-	-
Long Term Fixed (15 yrs)	4.55%	(0.992)	100.0%	2.64%

8.2 The Council's long term debt is at a rate higher than the interest rate for new long term loans of equivalent duration, but this reflects the position that long term interest rates are generally lower than when the Council's original debt was incurred. The Council had no short term debt at the half-year point.

8. **PERFORMANCE MEASURES**

8.3 For the reasons stated in Para.6.2 above, the council's short term investment returns are broadly comparable with the benchmark's average rate of returns, as shown in the table below. The overnight rate relates to investments in MMF's which as stated in Para 6.7 above account for 15.6% of the portfolio as at 30th September 2015 but constituted 70% of all transactions in the half year. The actual rate of return for September is above the benchmark average.

INVESTMENTS	Mid Sussex Actual % Rate of Return	Benchmark Average % Rate of Return
1 day	0.44%	0.36%
Up to 1 year	1.06%	0.90%

8.4 The long term average rate of return for all investments of 1 year or more was 2.21%. There is no benchmark figure available for comparison.

8.5 The average balances held in the half year for short term and long term balances were £27.57m and £6.42m respectively.

9. OTHER ISSUES

. **Approved Counterparty List for Investments**

9.1 No amendments to the Approved Counterparty List for Investments have been made since the Treasury Management Strategy was approved in July 2015. Security of principal sums invested is foremost, and your officers remain vigilant to the volatility of the financial markets, including sensitivities around Eurozone Sovereign debt in view of Capita Treasury Solutions Limited commentary at Section 5.

9.2 The List of Approved Counterparties for Investment purposes categorised by Banks, Building Societies, Money Market Funds, Local Authorities, Nationalised Industries and other Public Bodies is shown in Appendix 4.

10. **CONCLUSION**

10.1 This report fulfils the requirements under the CIPFA Code of Practice for Treasury Management, as well as the Council's own treasury management practices, to present a half year outturn report on treasury management activity for the period 1 April to 30 September 2015.

10. CONCLUSION

10.2 The Council's performance during the half year exceeded the budgeted returns for investment income and was within the counterparty lending limits and Prudential Limits approved at the start of the year.

Principal Author and Contact Officer: Pamela Coppelman – Extension 1236

Background Papers:	(1)	Report to Council - "Treasury Management Strategy Statement and Annual Investment Strategy 2015/16 – 2017/18 (July 2015).
	(2)	Half Year Treasury Management Report 2015/16 Template (Capita Treasury Solutions Ltd)

COMPLIANCE WITH PRUDENTIAL INDICATORS 2015/16

1. PRUDENTIAL INDICATORS EXTRACT FROM BUDGET	2014/15 Actual	2015/16 Full year Estimate	2015/16 Revised Estimate (at 30.09.15)
	£m	£m	£m
Capital Expenditure			
Non - HRA	5.443	6.881	3.220
Ratio of financing costs to net revenue stream			
Non HRA	-0.01%	-0.19%	-0.40%
Borrowing Outstanding			
Brought forward 1 April	1.175	1.047	1.047
Carried forward 31 March/30 Sep	1.047	0.936	0.936
Net in year borrowing / (repayments)	(0.128)	(0.111)	(0.111)
Capital Financing Requirement as at 31 March			
Non – HRA	1.542	1.262	1.284
Change in Cap. Financing Requirement			
Non – HRA	-0.250	-0.280	-0.258
Incremental impact of capital investment decisions			
Increase in council tax (band D) per annum	-£0.23	£0.04	-£0.68
2. TREASURY MANAGEMENT INDICATORS			
Authorised Limit for external debt -	**Limit £m**	**Limit £m**	**Actuals £m at 30.09.14**
Borrowing	5.000	5.000	0.992
Other long term liabilities	1.000	1.000	0.310
Total Authorised Limit for external debt -	6.000	6.000	1.302
Operational Boundary for external debt			
Borrowing	3.000	3.000	0.992
Other long term liabilities	1.000	1.000	0.310
Total Operational Boundary for external debt	4.000	4.000	1.302

COMPLIANCE WITH PRUDENTIAL INDICATORS 2015/16

2. TREASURY MANAGEMENT INDICATORS	Actuals at 31.03.15	2015/16 Limit	Actuals at 30.09.15
Upper limit for fixed interest rate exposure			
Investments net of Borrowing	100%	100%	73.2%
Upper limit for variable rate exposure			
Investments net of Borrowing	0%	100%	26.8%
Upper limit for total principal sums invested for over 364 days	32%	50%	26%

The Maturity structure of fixed rate borrowing at 30 September 2015 is:	Proportion of Total Fixed rate Borrowing
under 12 months	0%
12 months and within 24 months	0%
24 months and within 5 years	0%
5 years and within 10 years	100%
10 years and above	0%

MAXIMUM INVESTMENTS WITH EACH COUNTERPARTY
1 APRIL – 30 SEPTEMBER 2015

Name of Counterparty	Maximum Individual Investment	* Maximum Holdings At Any Time	Balance at 30th September 2015
	£m	£m	£m
Fixed Term Cash Deposits			
Banks			
Barclays Bank	2.000	4.000	4.000
Lloyds TSB	1.000	1.000	1.000
Santander UK	2.000	2.000	-
Building Societies			
Coventry	2.000	3.00	-
Leeds	1.000	1.000	-
National Counties	1.000	3.000	3.000
Nationwide	2.000	3.000	2.000
Newcastle	1.000	3.000	3.000
Nottingham	1.000	3.000	3.000
Skipton	2.000	3.000	3.000
West Bromwich	1.000	3.000	3.000
Principality	1.000	3.000	3.000
Commercial Money Markets			
Black Rock	3.000	3.000	2.900
Federated Prime Rate	3.000	3.000	3.000
Invesco	2.970	3.000	-
Goldman Sachs	2.990	3.000	-
Local Authorities			
Cheshire West and Chester Council	2.000	2.000	2.000
London Borough of Islington	1.000	1.000	1.000
Local Authority Property Fund	4.000	4.000	4.000
TOTAL INVESTMENTS AT 30th SEPTEMBER, 2015			37.900

***The maximum holdings at any point were within the limits approved at the start of the year for each counterparty.**

APPENDIX 4

APPROVED INVESTMENT INSTITUTIONS

Specified Investments identified for use by the Council

New specified investments will be made within the following limits:

(a) *Banks (Approved Investment Regulation 2 (b))*

Major U.K. and European Banks and their wholly-owned subsidiaries meeting the Council's approved investment criteria.

		Group	Individual Sum and Maximum Period	
1	**HSBC Bank Group:**	**£5m**		
	• HSBC Bank plc		**£4m**	**5 years**
2	**The Royal Bank of Scotland Group:**	**£5m**		
	• The Royal Bank of Scotland plc		**£4m**	**5 years**
	• National Westminster Bank plc		**£4m**	**5 years**
	• Ulster Bank Belfast Limited		**£1m**	**1 year**
3	**Lloyds TSB Group:**	**£5m**		
	• Lloyds TSB Bank plc		**£4m**	**5 years**
	• Halifax plc		**£4m**	**5 years**
	• Bank of Scotland plc		**£4m**	**5 years**
	• HBOS Treasury Services plc		**£4m**	**5 years**
4	**Barclays Group:**	**£5m**		
	• Barclays Bank plc		**£4m**	**5 years**
5	**Santander Group:**	**£5m**		
	• Santander UK plc (incorporating Alliance and Leicester & Abbey National)		**£4m**	**5 years**
6	**The Co-operative Bank p.l.c.**		**£5m**	**5 years**
7	**Clydesdale Bank**		**£4m**	**5 years**

APPROVED INVESTMENT INSTITUTIONS

(b) *Building Societies (Approved Investment Regulation 2 (c))*

(i) Building Societies (Assets in excess of £1 billion):

Rank *	Counterparty	Individual	
		Sum	**Period**
1	Nationwide	£3m	3 years
2	Yorkshire	£3m	3 years
3	Coventry (incorporating Stroud & Swindon)	£3m	3 years
4	Skipton	£3m	3 years
5	Leeds	£3m	3 years
6	The Principality	£3m	3 years
7	West Bromwich	£3m	3 years
8	Newcastle	£3m	3 years
9	Nottingham	£3m	3 years
10	Cumberland	£3m	3 years
11	Progressive	£3m	3 years
12	National Counties	£3m	3 years

(c) *Money Market Funds (Approved Investment Regulation 2(2) and 2(3) (b))*

Counterparty	Sum	
Invesco Aim – Sterling	£3m	For Short Term Operational Cash Flow Purposes
Blackrock Institutional Sterling Liquidity Fund	£3m	
Ignis Sterling Liquidity Fund	£3m	
Goldman Sachs Sterling Liquidity Reserve Fund	£3m	
Henderson Liquid Assets Sterling Fund	£3m	
Fidelity Institutional Cash Fund plc – Sterling	£3m	
Federated Short Term Sterling Prime Liquidity Fund	£3m	
RBS – Global Treasury Fund - Sterling	£3m	

The limit for investing in any one Money Market Fund is £3 million. Total investments in Money Market Funds shall not exceed £5m or 25% of the total investment portfolio, whichever is the higher, for more than one week at any one time.

APPENDIX 4

APPROVED INVESTMENT INSTITUTIONS

(d) **Local Authorities (Approved Investment Regulation 2 (i) and Schedule Part II)**

(i) **All the following local authorities mentioned in the Regulations**

Schedule Part II Ref	Details	Individual Sum	Individual Period
1	County Councils (England and Wales)	£3m	5 years
2	District Councils in England and Wales (including Borough, City, Metropolitan Borough Councils and Unitary Councils)	£3m	5 years
3	London Borough Councils	£3m	5 years
4	The Common Council of the City of London	£3m	5 years
5	The Council of the Isles of Scilly	£3m	5 years
7	Combined police authorities	£3m	5 years
16	Regional, Islands, or District Councils in Scotland	£3m	5 years
17	Joint boards under s.235 (1) of LG (Scotland) Act 1973	£3m	5 years
28	District Councils in Northern Ireland	£3m	5 years
29	Police Authorities under s.3 Police Act 1964 as substituted by s.2 Police & Magistrates Courts Act 1994	£3m	5 years