7. REVIEW OF TREASURY MANAGEMENT ACTIVITY 1 APRIL - 30 SEPTEMBER 2016

REPORT OF: Peter Stuart, Head of Corporate Resources
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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 2016. It also proposes amendments to the Prudential Indicators to allow for borrowing to finance the purchase of an asset, recently agreed by Full Council.

SUMMARY

2. All transactions are in order and there are no exceptional events upon which to report. The amendments to the Prudential Indicators allow for increased external borrowing which is expected to reduce upon maturity of some existing loans presently with counterparties.

RECOMMENDATIONS

3. The Committee is recommended to note the Half Year Annual Report for 2016/17, in particular:

   i) the increase in net investments from £32.364m to £45.397m in the period 1 April to 30 September 2016. (Para 3.1)

   ii) that no new long term borrowing has been necessary in the 6 months to 30th September 2016. However, the Council has approved a property purchase amounting to approximately £25m, which will take place by the end of November and will require new borrowing of £22m. (Para 4.3)

   iii) that interest costs will exceed budgetary estimates due to new borrowing (Para 4.4), while interest from investments will be £35k below the annual budgetary target due to the reduction in interest rates available in the market.

   iv) that the counterparty limits with other local authorities (see appendix 4) will be temporarily suspended from 14th November 2016 until the completion of the agreed property purchase of up to £25m. Adur & Worthing Councils will invest these funds in line with their own counterparty limits.

   v) and that the changes to the Prudential Indicators are agreed by Council at the next opportunity.

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. The Council's performance during the half year exceeded the benchmark rates but is below the budgeted returns for investment income due to reduced market rates. Investments were within the counterparty lending limits and Prudential Limits approved at the start of the year.

7. The Principal 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 2016/17 to 2018/19 (March 2016)

APPENDIX 1

TREASURY MANAGEMENT OPERATIONS REPORT FOR HALF YEAR 1 APRIL – 30 SEPTEMBER 2016

1. SUMMARY

1.1 This report summarises the treasury management transactions and portfolio position for the first six months of the 2016/17 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 March 2016, at which the Treasury Management Strategy Statement and Annual Investment Strategy 2016/17-2018/19 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 2016 of the Treasury Management Annual Report for 2015/16, 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 2016/17 was as follows:-

	Balance at 01.04.16 £m	Raised in Year £m	Repaid in Year £m	Balance at 30.09.16 £m
Borrowing				
Public Works Loan Board (PWLB)	(0.936)	-	0.058	(0.878)
Temporary Borrowing	-	-	-	-
TOTAL BORROWING	(0.936)	-	0.058	(0.878)
Investments:				
Local Auth Property Fund (CCLA)	4.000	2.000	-	6.000
In-house:				
Long Term	3.000	2.000	-	5.000
Short Term	26.300	100.515	(91.540)	35.275
With Fund Managers	-	-	-	-
TOTAL INVESTMENTS	33.300	104.515	(91.540)	46.275
NET INVESTMENTS	32.364	104.515	(91.482)	45.397

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 2016

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 30.09.2016*
494369	06/03/2008	01/03/2023	1,700,000	4.55%	881,485
TOTAL LOANS			1,700,000		881,485
(* includes accrued interest to 30 September)					

4. BORROWING STRATEGY AND OUTTURN 1 April – 30 September 2016

4.2 A total of £58k has been repaid in the first six months of 2016/17 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 for the 6 months to 30th September 2016, but during the next half year, there will be a large investment in property, which will require funding from borrowing. The amount required to be borrowed is £22m. Arrangements have been made to structure this as £5m borrowing for 6 months, £5m borrowing for 9 months, £5m borrowing for 2 years and £7m for 5 years.

4.4 The total cost of interest payable on all borrowing for the half year to 30 September 2016 was £21,290 while the full year cost is expected to be £91,767, due to the planned new borrowing of £22m in respect of a property purchase.

5. THE ECONOMY AND INTEREST RATES 2016/17 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 hat net labour unit costs are still only rising by about 1% y/y.

5. THE ECONOMY AND INTEREST RATES 2016/17 ONWARDS

Economic Update

U.K.

UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were strong but 2015 was disappointing at 1.8%, though it still remained one of the leading rates among the G7 countries. Growth improved in quarter 4 of 2015 from +0.4% to 0.7% but fell back to +0.4% (2.0% y/y) in quarter 1 of 2016 before bouncing back again to +0.7% (2.1% y/y) in quarter 2. During most of 2015, the economy had faced headwinds for exporters from the appreciation during the year of sterling against the Euro, and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme. The referendum vote for Brexit in June this year delivered an immediate shock fall in confidence indicators and business surveys, pointing to an impending sharp slowdown in the economy. However, subsequent surveys have shown a sharp recovery in confidence and business surveys, though it is generally expected that although the economy will now avoid flat lining, growth will be weak through the second half of 2016 and in 2017.

The Bank of England meeting on August 4th addressed this expected slowdown in growth by a package of measures including a cut in Bank Rate from 0.50% to 0.25%. The Inflation Report included an unchanged forecast for growth for 2016 of 2.0% but cut the forecast for 2017 from 2.3% to just 0.8%. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. He also warned that the Bank could not do all the heavy lifting and suggested that the Government will need to help growth by increasing investment expenditure and possibly by using fiscal policy tools (taxation). The new Chancellor Phillip Hammond announced after the referendum result, that the target of achieving a budget surplus in 2020 will be eased in the Autumn Statement on November 23.

The Inflation Report also included a sharp rise in the forecast for inflation to around 2.4% in 2018 and 2019. CPI has started rising during 2016 as the falls in the price of oil and food twelve months ago fall out of the calculation during the year and, in addition, the post referendum 10% fall in the value of sterling on a trade weighted basis is likely to result in a 3% increase in CPI over a time period of 3-4 years. However, the MPC is expected to look thorough a one off upward blip from this devaluation of sterling in order to support economic growth, especially if pay increases continue to remain subdued and therefore pose little danger of stoking core inflationary price pressures within the UK economy

U.S.

The American economy had a patchy 2015 with sharp swings in the growth rate leaving the overall growth for the year at 2.4%. Quarter 1 of 2016 disappointed at +0.8% on an annualised basis while quarter 2 improved, but only to a lacklustre +1.4%.

APPENDIX 1

5. THE ECONOMY AND INTEREST RATES 2016/17 ONWARDS

Economic Update

U.S

However, forward indicators are pointing towards a pickup in growth in the rest of 2016. The Fed. embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene and then the Brexit vote, have caused a delay in the timing of the second increase which is now strongly expected in December this year.

EUROZONE

In the Eurozone, the ECB commenced in March 2015 its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month; this was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise from around zero towards the target of 2%. GDP growth rose by 0.6% in quarter 1 2016 (1.7% y/y) but slowed to +0.3% (+1.6% y/y) in quarter 2. This has added to comments from many forecasters that central banks around the world are running out of ammunition to stimulate economic growth and to boost inflation. They stress that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand in the their economies and economic growth.

CHINA AND JAPAN

Japan is still bogged down in anaemic growth and making little progress on fundamental reform of the economy while Chinese economic growth has been weakening and medium term risks have been increasing..

INTEREST RATE FORECASTS

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

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Bank rate	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.25%	0.25%	0.25%	0.25%	0.50%
5yr PWLB rate	1.00%	1.00%	1.10%	1.10%	1.10%	1.10%	1.20%	1.20%	1.20%	1.20%	1.30%
10yr PWLB rate	1.50%	1.50%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.70%	1.80%
25yr PWLB rate	2.30%	2.30%	2.40%	2.40%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%	2.60%
50yr PWLB rate	2.10%	2.10%	2.20%	2.20%	2.20%	2.20%	2.30%	2.30%	2.30%	2.30%	2.40%

5. THE ECONOMY AND INTEREST RATES 2016/17 ONWARDS

Economic Update

INTEREST RATE FORECASTS

Capita Asset Services undertook a quarterly review of its interest rate forecasts after the MPC meeting of 4th August cut Bank Rate to 0.25% and gave forward guidance that it expected to cut Bank Rate again to near zero before the year end. The above forecast therefore includes a further cut to 0.10% in November this year and a first increase in May 2018, to 0.25%, but no further increase to 0.50% until a year later. Mark Carney, has repeatedly stated that increases in Bank Rate will be slow and gradual after they do start. The MPC is concerned about the impact of increases on many heavily indebted consumers, especially when the growth in average disposable income is still weak and could well turn negative when inflation rises during the next two years to exceed average pay increases.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. An eventual world economic recovery may also see investors switching from the safe haven of bonds to equities. However, we have been experiencing exceptional levels of volatility in financial markets which have caused significant swings in PWLB rates. Our PWLB rate forecasts are based on the Certainty Rate (minus 20 bps) which has been accessible to most authorities since 1st November 2012.

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.

The overall balance of risks to economic recovery in the UK remains to the downside. Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Monetary policy action reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some major developed economies, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.

- Weak capitalisation of some European banks.

- A resurgence of the Eurozone sovereign debt crisis.

- Geopolitical risks in Europe, the Middle East and Asia, increasing safe haven flows.

- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or Fed. rate increases, causing a further flight to safe havens (bonds).
- UK economic growth and increases in inflation are weaker than we currently anticipate.

5. THE ECONOMY AND INTEREST RATES 2016/17 ONWARDS

Economic Update

INTEREST RATE FORECASTS

- Weak growth or recession in the UK's main trading partners - the EU and US.

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

- The pace and timing of increases in the Fed. funds rate 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 2016/17

Investment Strategy

6.1 The Council's investment strategy aimed to secure investment interest for 2016/17 (excluding returns from the LAPF) of £346,250 as contained in the budgetary estimates included in the Budget Report. This equates to expected average returns on all investments of 0.994%. 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 2016/17 (excluding returns from the LAPF) achieved returns on investment totaling £168k (0.822%). Forward projections at 30 September anticipate the full year returns on investment to be close to £311k, some £34.7k lower than predicted at the start of the year. The reason for this is that interest rates have been lower than the projections used in the forecast.

6.3 However, investments on deposit have nevertheless increased by £11m since 1st April 2016, and an additional £2m has been placed with the LAPF, reflecting the timings of cash flow in the year.

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

2016/17 Movement	Balance 01.04.16 £m	Raised in Year £m	Repaid in Year £m	Balance 30.09.16 £m	% of Funds at 30.09.16
Investments					
CCLA	4.000	2.000	-	6.000	N/A
Long-term > 1 year	3.000	2.000	-	5.000	12.41%
Short-term < 1 year	26.300	100.515	(91.540)	35.275	87.59%

6. INVESTMENT STRATEGY AND OUTTURN FOR 2016/17

Investment Strategy

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	10	13.500	1.350	1.000	1.800
Building Societies	22	28.000	1.273	1.000	3.000
Local Authorities	2	4.000	2.000	2.000	2.000
Money Market Funds	31	56.015	1.807	0.400	3.000
Total Short-term	66	102.515	1.553	-	-
OVERALL TOTAL	66	102.515		-	-

6.6 The Council's treasury management policy currently restricts exposure to banks to a maximum of £4m. For building societies the limit is £4m for the top 3 by asset size and £3m for the others.

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 9m or 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 £2.225m at 30 September 2016, representing just 5.5% of total funds on deposit.

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 except for a temporary suspension (from the 14th November 2016 to the completion date of the planned property purchase) of the limit on lending to District Councils. This is to facilitate the borrowing required to fund the property purchase.

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 2016/17 (up to 30 September) is compared against the actual performance for 2015/16, and the 2016/17 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. 2016	**Average Interest Rate % for 2016/17**	**Debt (£m) at 30.09.16**	**% of Debt at 30.09.16**	**Equivalent New Loan Rate of Interest at 30.09.16**
Short term Fixed (1 yr)	-	-	-	-
Long Term Fixed (15 yrs)	4.55%	-0.878	100.00%	1.52%

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.

8.3 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 actual rate of return for 12 months is above the benchmark average.

INVESTMENTS	Mid Sussex Actual % Rate of Return	Benchmark Average % Rate of Return
1 month	0.42%	0.30%
3 months	0.42%	0.38%
6 months	0.50%	0.52%
12 months	0.95%	0.76%

8.4 The long term average rate of return for all investments of 1 year or more was 1.98%. There is no benchmark figure available for comparison.

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 March 2016. 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 2016.

10.2 The Council's performance during the half year was below 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:		Marie Maskell – Extension 1237
Background Papers:	(1)	Report to Council - "Treasury Management Strategy Statement and Annual Investment Strategy 2016/17 – 2018/19 (March 2016).
	(2)	Half Year Treasury Management Report 2016/17 Template (Capita Treasury Solutions Ltd)

APPENDIX 2

COMPLIANCE WITH PRUDENTIAL INDICATORS 2016/17

1. PRUDENTIAL INDICATORS Extract from budget	2015/16 Actual	2016/17 Full year Estimate	2016/17 Revised Estimate
	£m	£m	£m
Capital Expenditure			
Non - HRA	3.629	2.344	28.180
Ratio of financing costs to net revenue stream			
Non HRA	-1.34%	-1.87%	0.39%
Borrowing Outstanding			
Brought forward 1 April	1.047	0.936	0.936
Carried forward 31 March	0.936	0.819	22.819
Net in year borrowing / (repayments)	-0.111	-0.117	21.883
Capital Financing Requirement as at 31 March			
Non – HRA	1.283	1.015	26.015
Change in Cap. Financing Requirement			
Non – HRA	-0.258	-0.268	24.732
Incremental impact of capital investment decisions			
Increase in council tax (band D) per annum	-£1.34	£0.07	£1.35
2. TREASURY MANAGEMENT INDICATORS			
Authorised Limit for external debt -	**Limit £m**	**Revised Limit £m**	**Actuals £m at 30.09.16**
Borrowing	5.000	30.000	0.878
Other long term liabilities	1.000	1.000	0.235
Total Authorised Limit for external debt -	6.000	31.000	1.113
Operational Boundary for external debt			
Borrowing	3.000	28.000	0.878
Other long term liabilities	1.000	1.000	0.235
Total Operational Boundary for external debt	4.000	29.000	1.113

APPENDIX 2

COMPLIANCE WITH PRUDENTIAL INDICATORS 2016/17

2. TREASURY MANAGEMENT INDICATORS	Actuals at 31.03.16	2016/17 Limit	Actuals at 30.09.16
Upper limit for fixed interest rate exposure			
Investments net of Borrowing	100%	100%	94.2%
Upper limit for variable rate exposure			
Investments net of Borrowing	0%	100%	5.8%
Upper limit for total principal sums invested for over 364 days	32%	50%	12.4%

The Maturity structure of fixed rate borrowing at 30 September 2016 is:	Proportion of Total Fixed rate Borrowing
under 12 months	13.55%
12 months and within 24 months	14.17%
24 months and within 5 years	46.54%
5 years and within 10 years	25.74%
10 years and above	0%

APPENDIX 3

MAXIMUM INVESTMENTS WITH EACH COUNTERPARTY
1 APRIL – 30 SEPTEMBER 2016

Name of Counterparty	Maximum Individual Investment	* Maximum Holdings At Any Time	Balance at 30th September 2016
	£m	£m	£m
Fixed Term Cash Deposits			
Banks			
Barclays Bank	1.000	4.000	3.000
Lloyds	1.000	3.000	2.000
Handlesbanken	1.800	3.850	0.050
Building Societies			
Coventry	1.000	3.000	1.000
National Counties	2.000	2.000	3.000
Nationwide	2.000	4.000	4.000
Newcastle	3.000	3.000	3.000
Nottingham	2.000	3.000	3.000
Principality	2.000	3.000	3.000
Progressive	0.000	3.000	3.000
Skipton	2.000	3.000	3.000
West Bromwich	2.000	3.000	3.000
Commercial Money Markets			
Black Rock	3.000	3.000	0.000
Federated Prime Rate	1.300	3.000	0.000
Invesco	3.000	3.000	2.125
Goldman Sachs	2.900	3.000	0.100
Local Authorities			
Cheshire West and Chester Council	0.000	2.000	2.000
Lancashire City Council	2.000	2.000	2.000
London Borough of Islington	0.000	1.000	1.000
Plymouth City Council	0.000	1.000	0.000
Salford City Council	0.000	2.000	0.000
Worthing Borough Council	2.000	2.000	2.000
Local Authority Property Fund	2.000	6.000	6.000
TOTAL INVESTMENTS AT 30th SEPTEMBER, 2016			46.275

***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 Group:**	**£5m**		
	• Lloyds 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		**£4m**	**5 years**
6	**Clydesdale Bank**		**£4m**	**5 years**
7	**Svenska Handelsbanken AB**		**£4m**	**1 year**
8	**Close Brothers Ltd**		**£4m**	**5 years**

APPROVED INVESTMENT INSTITUTIONS

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

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

Rank	Name of Counterparty	Individual	
		Sum	Period
1	Nationwide	£4m	3 years
2	Yorkshire	£4m	3 years
3	Coventry	£4m	3 years
4	Skipton	£3m	3 years
5	Leeds	£3m	3 years
6	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
13	Saffron	£3m	3 years
14	Cambridge	£3m	3 years
15	Monmouthshire	£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 £9m 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	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

*This limit will be temporarily suspended from the 14th November 2016, until the completion of an agreed property purchase of up to £25m.