**BARNSLEY METROPOLITAN BOROUGH COUNCIL**

**This matter is not a Key Decision within the Council's definition and has not been included in the relevant Forward Plan**

**Report of the Director of**
**Finance, Assets and**
**Information Services**

# TREASURY MANAGEMENT ACTIVITIES & INVESTMENT PERFORMANCE - QUARTER ENDING 30 SEPTEMBER 2016

## 1. Purpose of the Report

1.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (TMSS, annual and mid-year reports). This report, therefore, ensures that the Council is implementing best practice in accordance with the Code.

## 2. Recommendations

2.1 It is recommended that Members note:-

- **the Treasury Management activities undertaken for the period and compliance with the Prudential Indicators;**
- **the Authority's Capital Programme Funding Position; and**
- **the performance of the Authority's investments for the reported quarter.**

## 3. Economic Summary

3.1 On 23 June 2016, the UK electorate voted to leave the European Union. Prime Minister Theresa May confirmed in subsequent weeks that "Brexit means Brexit", even if the timing and nature of the exit remain unclear. As a result, many forecasters are predicting that UK economic activity will lose momentum going into 2017.

3.2 The Bank of England meeting on 4 August 2016 addressed this expected slowdown in growth by a package of measures including a cut in the Bank Rate from 0.50% to 0.25%. 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 and suggested that the Government would need to introduce measures to stimulate the economy. 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 23 November 2016.

3.3 Events during the first half of the year have had massive implications for sterling. The value of the GBP/USD foreign exchange market has been at its weakest since February 1984, with lows of $1.27 to £1.00. Record lows against the Euro have also been reached as traders sell the currency amid fears that the UK will not secure a favourable deal out of impending Brexit negotiations. British holidaymakers found they could not even exchange £1 for €1 in some airports, and the price of food and drinks in Europe are typically at least 22% more expensive than a year ago. There has, however, been a benefit for the British economy. Retail sales leapt 1.4% in July, helped by an influx of big-spending overseas tourists from the likes of the United States, China and Hong Kong.

3.4 In terms of interest rates, the Federal Reserve in the United States increased rates in December 2015, and it was anticipated that further increases would follow. Since then, more downbeat news on the international scene, including the Brexit vote, have caused a delay in the timing of the second increase which is now strongly expected in December this year.

3.5 Economic growth in the Euro area is expected to remain resilient. Data has suggested little, if any, impact of the UK's referendum on economic activity in continental Europe. More importantly are upcoming political challenges, including referendums in Italy and Hungary, a presidential election re-run in Austria, and French primaries, all adding to mounting concerns over European political uncertainty. The UK economy is also vulnerable should negotiations over Britain's new relationship with the EU turn sour.

3.6 A detailed economic commentary on developments during quarter ended 30th September 2016 is provided at Appendix 1.

## 4. Interest Rate Forecast

4.1 The Council's treasury advisor, Capita Asset Services, undertook a quarterly review of its interest rate forecasts following the Monetary Policy Committee (MPC) decision to cut the Bank Rate to 0.25%

4.2 The latest forecast from Capita is as follows:

| | 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% |

4.3 The above forecast includes a 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, continues to state that increases in the 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 for some consumers, who have had no increases in pay, could be non-existent.

4.4 A detailed commentary on interest rate forecasts is provided at Appendix 2.

## 5. Annual Investment Strategy

5.1 The Treasury Management Strategy Statement (TMSS) for 2016/17, which includes the Annual Investment Strategy, was approved by the Council in February 2016. It sets out the Council's investment priorities as being:

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

5.2 As at 30th September 2016, the Authority has £39.45M of investments, broken down as follows:

| Counterparty | Rating | Principal £m | Status |
|---|---|---|---|
| Lloyds | A | 5.00 | Fixed deposit to 07.10.16 |
| Goldman Sachs International Bank | A | 5.00 | Fixed deposit to 02.12.16 |
| Landesbank Hessen Thuringen | A | 3.00 | Fixed deposit to 07.03.17 |
| Barclays | A- | 3.35 | Instant Access |
| Money Market Funds | AAAmmf | 14.10 | Instant Access |
| Enhanced Money Market Funds | AAAmmf | 9.00 | Accessible within 3 days |
| **TOTAL INVESTMENTS** | | **39.45** | |

5.3 All of the above investments are in-line with the 2016-17 Treasury Management Strategy. Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30th September 2016.

5.4 The table below summarises the investment transactions undertaken during the first quarter. There was a slight decrease in the overall investment position of the Authority by £4.25M during the period. The relatively stable position is reflected in the total borrowing position which remained virtually unchanged during the quarter. An analysis of the Authority's investment portfolio as at 30th September 2016 is provided at Appendix 3.

| | Balance on 01/07/2016 £m | Investments Made £m | Investments Repaid £m | Balance on 30/09/2016 £m | Increase/ (Decrease) in Investments for Q2 £m |
|---|---|---|---|---|---|
| Long-Term Investments | 9.000 | - | - | 9.000 | 0.000 |
| Short-Term Investments | 13.000 | 5.000 | 5.000 | 13.000 | 0.000 |
| Money Market Funds / Instant Access | 21.700 | 95.050 | 99.300 | 17.450 | (4.250) |
| **TOTAL INVESTMENTS** | **43.700** | **100.050** | **104.300** | **39.450** | **(4.250)** |

5.5 Investment rates available in the market were 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. Following the announcement in August of the cut in the base rate from 0.50% to 0.25%, the Authority has seen interest rate reductions across its instant access accounts and money market funds. Officers are undertaking an assessment of daily cash flows and liquidity requirements to ensure the Authority's investments are the most suitable within the current environment.

5.6 The 7 day London Interbank Bid Rate (LIBID) is used as a performance indicator for measuring the return on investments. The average 7 day LIBID for the 2nd Quarter was 0.13%. The average rate of return on the Authority's total investments for the quarter exceeded the benchmark and was 0.48%.

## 6. The Authority's Capital Programme Funding Position

6.1 Borrowing transactions during the quarter are summarised in the table below:

| | **Balance on 01/07/2016 £m** | **Debt Repaid £m** | **New Borrowing £m** | **Balance on 30/09/2016 £m** | **Increase/ (Decrease) in Borrowing £m** |
|---|---|---|---|---|---|
| Short Term Borrowing | 40.003 | 15.500 | 17.300 | 41.803 | 1.800 |
| PWLB Borrowing | 422.741 | 1.250 | - | 421.491 | (1.250) |
| Other Long Term Loans | 63.000 | - | - | 63.000 | 0.000 |
| Long Term Local Authority | 1.757 | - | - | 1.757 | 0.000 |
| **TOTAL BORROWING** | **527.501** | **16.750** | **17.300** | **528.051** | **0.550** |

6.2 The Authority's debt position remained stable during the quarter with a marginal increase in external debt of £0.55M consisting of short-term temporary borrowing from other Local Authorities. This represents an inexpensive method of financing and will continue to form an integral part of the borrowing strategy for 2016-17.

6.3 There has been significant volatility in PWLB rates during the quarter, with the 50 year rate for new long-term borrowing starting off at 3.00% at the beginning of July and falling to 2.10% by the end of September. Whilst this volatility makes it extremely difficult to make long term borrowing decisions, it may also present an opportunity to fix debt out at historically low costs. The borrowing requirements of the Authority, together with the borrowing rates available are being closely monitored and further information is provided at Section 9.

6.4 Affordability and the 'cost of carry' (the difference between long-term borrowing rates and short-term investment rates) remain important influences on the borrowing strategy and the Authority determines it cost effective in the short-term to use internal resources. The Authority's internally borrowed position is a good insulator against volatile "post-Brexit" rates.

New Borrowing

6.5 As mentioned at 6.3, during the quarter ended 30th September 2016, the 50 year PWLB target (certainty) rate for new long-term borrowing started at 3.00% and ended at 2.10%.

6.6 Due to the overall financial position no new long-term borrowing was undertaken during the quarter. The latest PWLB certainty rate forecasts are shown within Appendix 2.

Borrowing in Advance of Need

6.7 The Council has not borrowed in advance of need during the quarter ended 30th September 2016.

## 7. Debt Rescheduling

7.1 During the quarter ended 30th September 2016, no debt rescheduling was undertaken. Various borrowing opportunities are currently being explored with an ongoing review of the Council's treasury management position.

## 8. Compliance with Treasury and Prudential Limits

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

8.2 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 4.

## 9. Review of TM Activities

9.1 Financial Services continue to closely monitor the Council's borrowing position together with a potential further change in interest rates that is currently forecast to take place in November 2016.

9.2 Affordability and the 'cost of carry' (the difference between long-term borrowing rates and short-term investment rates) remain important influences on the borrowing strategy and the Authority determines it cost effective in the short-term to use internal resources. However, the Council will not be able to sustain a temporary / internally borrowed position and will need to fix out more borrowing in the near future to fund the town centre and other previously approved commitments. In addition to this, the Council has a number of loans that will mature over the next 2-3 years at relatively high rates. Financial Services will again seek to replace these loans at lower rates as part of the process to optimise the Council's longer term borrowing position.

9.3 High internal borrowing and variable rate debt creates a high level of risk. However, the strategy continues to pay dividends and support budget savings in the current economic environment. By postponing borrowing the Council has greatly benefitted from an unexpected fall in fixed borrowing rates, which mitigates this risk to some degree. There are several options available which are currently being considered:

1) **Borrow on need** - Borrow fixed, longer dated debt as loans mature. As the outlook for rates is to remain low this is a cheap option which matches cash flow and reduces counterparty exposure and cost of carry. There are plenty of offers of temporary borrowing (less than 12mths) still in the market which will be available until the point at which loans mature.

2) **Restructure variable rate debt** - Consider switching some of the variable rate debt to fixed longer term PWLB. The variable rate debt will be cheap to repay, will reduce variable rate risk, but clearly will introduce additional costs. Each £10M rescheduled will cost roughly £200K p.a.

3) **Risk spreading** - Borrow in small tranches to cover the fixed rate maturities over the next 3 years. This will spread the refinancing risk and address the borrowing need. Borrowing in smaller tranches may be beneficial due to uncertainty and volatility of rates and to hedge against rates moving even lower.

4) **Forward borrow** – Options available to fix the rate now for a period of up to 5 or 6 years in advance. This would allow the Authority to maintain a short term, cheap position, with the comfort of fixed rate loans being delivered in the future. The risks are, once committed the funds must be taken and the market rates could potentially be cheaper in 3 years' time. Arranging the loans could be quite a lengthy process involving a great deal of due diligence with commercial lenders.

5) **MBA** – The agency were originally claiming to undercut the price offered by the PWLB by 0.10% but confirmation of this would be required as markets have been very volatile over recent months. The amount borrowed could be limited as this is the Agency's first issue. On the downside, there is a credit assessment involved which may delay the bond issue and this would be a 'collective' process rather than being tailored to BMBC's individual requirements.

9.4 In addition to the above, ongoing work is being undertaken to review other areas in the Council's debt portfolio to create further savings. For example the Barnsley Local Education Partnership (of which the Council is a 10% shareholder) is looking to review the lenders terms on the BSF programme after being pressed by Council officers to do so.

9.5 By way of an update, the LEP has already appointed advisers to review Phase 2 of the programme by the end of January 2017. Phase 1 and 3 will be reviewed subsequently but Phase 2 has been chosen initially as it is more straightforward in relation to the type of funders involved. The Council need to sign off the refinancing proposals from a VFM perspective so Council officers will be heavily involved in the final decision making. It is intended to submit a report into Cabinet in late December/ early January that outlines and asks for approval to implement the conclusions of the review including any savings realised.

9.6 In conjunction with its advisers, the Council has also been looking at reviewing the terms of its Lender Options Borrower Options (LOBO) loans. This has not progressed as hoped because the German lenders, FMS, do not appear to want to engage in discussions to re-negotiate the deal despite initially encouraging dialogue. We are currently looking at other areas within the Council's portfolio to produce savings.

## 10. Benchmarking

10.1 The Council receives benchmarking information from Capita which compares investment performance against that of their other clients. This information has the added advantage of including risk weightings and allows comparison with other counterparties who are receiving the same investment advice. Quarterly information for September 2016 was not available at the time of writing this report but will be provided in due course.

10.2 Officers will continue to measure and manage its exposure to treasury management risks by using benchmarking data and other performance indicators.

# APPENDICES

1. Detailed Economic Commentary on Developments During Quarter Ended 30th September 2016
2. Detailed Commentary on Interest Rate Forecasts and Capita Asset Services' Forward View
3. Analysis of Investment Portfolio as at 30th September 2016
4. Prudential and Treasury Indicators as at 30th September 2016

**Appendix 1**

**Detailed Economic Commentary on Developments during Quarter Ended 30th September 2016**

- During the quarter ended 30 September 2016:
    - The economy remained surprisingly robust since Brexit;
    - Households and firms shrugged off referendum uncertainty;
    - The labour market began to soften;
    - CPI inflation started to pick up;
    - The Bank of England cut interest rates and expanded their asset purchases;
    - The ECB and the US Fed kept policy unchanged;
- The economic recovery regained some momentum in Q2 2016, with real GDP growth accelerating and both households and firms appeared to shrug off pre-referendum uncertainty. However, growth remained unbalanced, with net trade making a big negative contribution to GDP growth for the third quarter out of the last four.
- The limited official output data so far supports the view of slowing growth, but no outright recession. Meanwhile, the drop in the pound appears to be having a positive impact on exports, with goods volumes up by 2% on the month.
- The strong trend in household spending suggests that consumers are coping well post-referendum. Despite August's slight dip, retail sales volumes have generally been rising robustly and annual growth stands at a robust 6.2%. Admittedly, consumer confidence slumped immediately after the referendum, but this was not too surprising given the political upheaval at the time. Confidence has since bounced back to pre-referendum levels; this is unsurprising given that the fundamentals – such as low interest rates and inflation – remain supportive. However, spending growth is unlikely to maintain its pace for much longer as the labour market softens and rising inflation begins to squeeze on household spending power.
- The labour market performed strongly prior to the referendum and is yet to show signs of damage from the leave vote. Employment growth rose by 174,000 in the three months to July, up from 172,000 in June. What's more, the unemployment rate has remained at its post-crisis low of 4.9% for the past three months and the employment rate stands at its highest since records began in 1971.
- Nonetheless, the leave vote is likely to cause some firms to start putting hiring decisions on hold and cut back on headcounts altogether. Indeed, employment surveys suggest that the worst is yet to come. Pay growth has also showed some signs of slowing, with the headline average weekly earnings growth (including bonuses) falling from 2.5% y/y in June to 2.2% in July.
- Meanwhile, after months of subdued price growth, inflation picked up in Q3. Headline CPI stood at 0.6% in July and August, driven by a rise in food and fuel inflation. Inflation is expected to break through the Monetary Policy Committee's (MPC) 2% target by mid-2017.
- In August, the MPC implemented a package of policy measures to cushion the economy from the adverse effects of the Brexit vote: -
    - a cut in Bank Rate from 0.50% to 0.25%
    - new gilt purchases of £60bn
    - corporate bond purchases of £10bn
    - a new Term Funding Scheme (TFS) to provide cheap funds to banks

- There have been some suggestions that the August loosening package was premature and unnecessary. Nonetheless, the package is probably part of the reason why the economy has bounced back. Although the MPC left policy untouched in September's meeting, it signalled a further cut of Bank Rate to around 0.10% in November, so long as the incoming data was in line with its August forecasts.
- However, unlike the Bank of England, both the Federal Reserve in the United States and the European Central Bank (ECB) kept rates on hold during Q3. Forecasts now show two rate hikes next year (previously three) in the United States, taking the rate to between 1.00% and 1.25% by year-end. Meanwhile, although the ECB left policy unchanged in Q3, President Mario Draghi stated again that the Bank was "ready, willing and able to act" if required. In particular, he stressed that asset purchases would continue until at least March 2017.
- On the fiscal policy front, new Chancellor Phillip Hammond will set out how the government will use tax and spending to bolster the UK economy at the Autumn Statement on the 23rd November. In light of the vote to leave the EU, the chancellor said there is an opportunity to "reset fiscal policy" in the Autumn Statement. Forecasts say this is likely to involve a slowdown in the pace of fiscal tightening and an increase in infrastructure spending on short and medium term projects.
- While the public finances in Q3 have improved on a year earlier, this improvement is unlikely to continue as the post-referendum economic slowdown begins to bite. So austerity will be less intense but could drag on for a few more years than previously planned.
- Finally, in regards to Brexit, there is still not much detail to the government's plans for the new UK-EU relationship. It would appear that Article 50 won't be triggered until Q1 next year at the earliest. What's more, the chance of a "hard Brexit" deal appears to have grown over recent weeks.

**Appendix 2**

## Detailed Commentary on Interest Rate Forecasts and Capita Asset Services' Forward View

### Post EU Referendum Interest Rate Review

Our treasury management advisers, Capita Asset Services have provided us with the following update to their interest rate forecasts and PWLB rate forecasts.

| | 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 |
| 3 month LIBID | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.30 | 0.30 | 0.30 | 0.40 | 0.50 | 0.60 |
| 6 month LIBID | 0.30 | 0.30 | 0.30 | 0.40 | 0.40 | 0.50 | 0.50 | 0.50 | 0.60 | 0.60 | 0.70 |
| 12 month LIBID | 0.50 | 0.50 | 0.60 | 0.60 | 0.70 | 0.70 | 0.70 | 0.80 | 0.80 | 0.80 | 0.90 |
| 5 yr PWLB | 1.00 | 1.00 | 1.10 | 1.10 | 1.10 | 1.10 | 1.20 | 1.20 | 1.20 | 1.20 | 1.30 |
| 10 yr PWLB | 1.50 | 1.50 | 1.60 | 1.60 | 1.60 | 1.60 | 1.70 | 1.70 | 1.70 | 1.70 | 1.80 |
| 25 yr PWLB | 2.30 | 2.30 | 2.40 | 2.40 | 2.40 | 2.40 | 2.50 | 2.50 | 2.50 | 2.50 | 2.60 |
| 50 yr PWLB | 2.10 | 2.10 | 2.20 | 2.20 | 2.20 | 2.20 | 2.30 | 2.30 | 2.30 | 2.30 | 2.40 |

- Economic forecasting remains difficult with so many external influences weighing on the UK. The above Bank Rate forecasts will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. A further cut to near zero (0.10%), is forecast – probably at the November quarterly inflation report meeting, if data comes in as forecast, but the Governor of the Bank of England, Mark Carney, has dismissed the ideas of negative rates.
- Considerable variety of views as to whether the latest measures, including the cut in the Bank Rate from 0.50% to 0.25%, will have much direct impact on the economy; but they are likely to have an indirect effect by impacting on perceptions and boosting confidence that the Bank is taking action and doing as much as possible - so this WILL help sentiment.
- Limited benefit of a quarter per cent cut in Bank Rate on the cost of mortgages - but also because 36% of households rent, 33% own their property outright, so only 30% own their homes by mortgages and only half of those are on variable rate mortgages.
- The Chancellor has said he will do 'whatever is needed' i.e. to promote growth. This will mean that the deficit elimination timetable will need to slip further into the future as promoting growth (and ultimately boosting tax revenues in the longer term), will be a more urgent priority.
- Capita's forecast is for increases in Bank Rate in May 2018 to 0.25% and to 0.50% May 2019; but these will very much depend on how strongly, and how soon, the UK economy makes a gradual recovery, and so start a process of very gradual increases in Bank Rate over a prolonged period.
- Most of the major developed economies of the world, apart from the US, appear to be becoming bogged down in lacklustre growth with central banks running out of ammunition to provide further support to economic growth. National governments will need to support economic growth by undertaking structural reforms, fiscal policy and direct investment expenditure.
- The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It is important to remember however, that PWLB rates are highly unpredictable. Markets are experiencing exceptional levels of volatility which are highly correlated to emerging market, geo-political and sovereign debt crisis developments.
- Apart from the uncertainties already explained above, 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.
  - 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: -

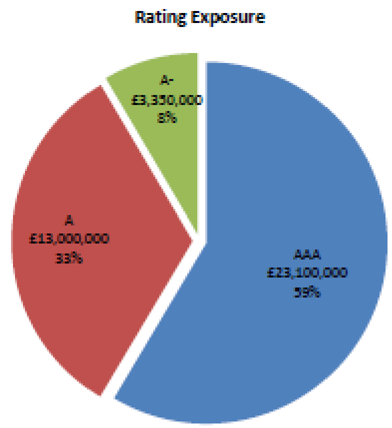
  - The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
  - UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

- As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts. The general expectation for an eventual trend of gently rising gilt yields and PWLB rates is expected to remain unchanged. Negative, (or positive), developments could significantly impact safe-haven flows of investor money into UK, US and German bonds and produce shorter term movements away from the above central forecasts. Events will be monitored and forecasts will be updated as and when appropriate.

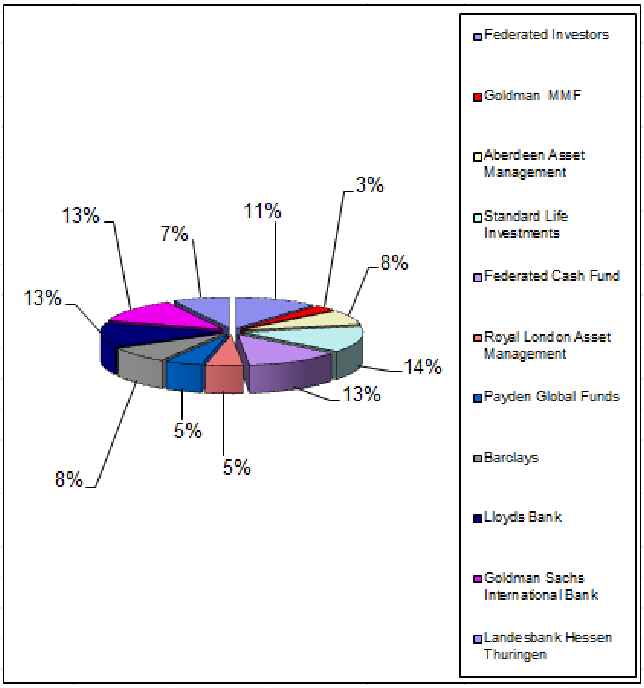
## Analysis of Investment Portfolio as at 30th September 2016

| Borrower | Principal (£) | Interest Rate | Start Date | Maturity Date | Lowest Long Term Rating | Historic Risk of Default |
|---|---|---|---|---|---|---|
| MMF Federated Investors (UK) | 4,400,000 | 0.32% | | MMF | AAA | 0.000% |
| MMF Aberdeen | 3,100,000 | 0.33% | | MMF | AAA | 0.000% |
| MMF Goldman Sachs | 1,200,000 | 0.30% | | MMF | AAA | 0.000% |
| MMF Standard Life | 5,400,000 | 0.32% | | MMF | AAA | 0.000% |
| Barclays Bank Plc | 3,350,000 | 0.20% | | Call | A- | 0.000% |
| ECF Federated Sterling Cash Plus Fund | 5,000,000 | 0.90% | | ECF | AAA | 0.000% |
| ECF Royal London Asset Management Cash Plus | 2,000,000 | 0.49% | | ECF | AAA | 0.000% |
| ECF Payden Sterling Reserve Fund | 2,000,000 | 1.50% | | ECF | AAA | 0.000% |
| Lloyds Bank Plc | 5,000,000 | 0.65% | 07/07/2016 | 07/10/2016 | A | 0.001% |
| Goldman Sachs International Bank | 5,000,000 | 0.75% | 02/06/2016 | 02/12/2016 | A | 0.012% |
| Landesbank Hessen-Thueringen Girozentrale (Helaba) | 3,000,000 | 0.80% | 07/06/2016 | 07/03/2017 | A | 0.029% |
| **Total Investments** | **£39,450,000** | **0.58%** | | | | 0.004% |

| Counterparty Rating | £ | % |
|---|---|---|
| AAAmmf | 23,100,000 | 59% |
| A | 13,000,000 | 33% |
| A- | 3,350,000 | 8% |
| **TOTAL** | **39,450,000** | **100%** |




| Investments by Counterparty | £ | Type | % |
|---|---|---|---|
| Federated Investors | 4,400,000 | MMF | 11% |
| Goldman MMF | 1,200,000 | MMF | 3% |
| Aberdeen Asset Management | 3,100,000 | MMF | 8% |
| Standard Life Investments | 5,400,000 | MMF | 14% |
| Federated Cash Fund | 5,000,000 | Short Duration | 13% |
| Royal London Asset Management | 2,000,000 | Short Duration | 5% |
| Payden Global Funds | 2,000,000 | Short Duration | 5% |
| Barclays | 3,350,000 | UK Bank | 8% |
| Lloyds Bank | 5,000,000 | UK Bank | 13% |
| Goldman Sachs International Bank | 5,000,000 | UK Bank | 13% |
| Landesbank Hessen Thuringen | 3,000,000 | Non-UK Bank | 8% |
| **TOTAL** | **39,450,000** | | **100%** |



**Appendix 4**

**Prudential and Treasury Indicators as at 30th September 2016**

| Prudential Indicators | Limit for 2016/17 £'000 | Actual at 30/09/2016 £'000 | Compliance with Indicator |
|---|---|---|---|
| Maximum debt compared to Authorised Limit | 961.000 | 787.598 | Yes |
| Average debt compared to Operational Boundary | 931.000 | 784.527 | Yes |

| Maturity structure of fixed rate borrowing - upper and lower limits | Upper Limit (%) | Lower Limit (%) | Actual Fixed Borrowing 30/09/16 £'000 | % Fixed Borrowing at 30/09/16 | Compliance with Indicator |
|---|---|---|---|---|---|
| Under 12 months | 50 | 0 | 135.885 | 30% | Yes |
| 12 months to 2 years | 25 | 0 | 4.358 | 1% | Yes |
| 2 years to 5 years | 25 | 0 | 16.281 | 4% | Yes |
| 5 years to 10 years | 25 | 0 | 54.568 | 12% | Yes |
| 10 years to 20 years | 75 | 0 | 27.125 | 6% | Yes |
| 20 years to 30 years | 75 | 0 | 38.359 | 9% | Yes |
| 30 years to 40 years | 75 | 0 | 84.541 | 19% | Yes |
| 40 years to 50 years | 75 | 0 | 86.030 | 19% | Yes |

| Prudential Indicators | Limit for 2016/17 (%) | Actual at 30/09/2016 (%) | Compliance with Indicator |
|---|---|---|---|
| **Upper limit of fixed interest rates based on net debt** | 90% | 89% | Yes |
| **Upper limit of variable interest rates based on net debt** | 25% | 11% | Yes |
| **Prudential Indicators** | **Limit for 2016/17 £'000** | **Actual at 30/09/2016 £'000** | **Compliance with Indicator** |
| **Upper limit for principal sums invested over 364 days** | 20.000 | 0 | Yes |