**EXECUTIVE BOARD – 21 JULY 2015**

| | |
|---|---|
| **Subject:** | **TREASURY MANAGEMENT 2014/15 ANNUAL REPORT** |
| **Corporate Director(s)/ Director(s):** | Glen O'Connell, Corporate Director for Resources |
| **Portfolio Holder(s):** | Councillor Graham Chapman, Deputy Leader/Portfolio Holder for Resources and Neighbourhood Regeneration |
| **Report author and contact details:** | Glyn Daykin, Finance Analyst, Treasury Management<br>0115 8763724<br>glyn.daykin@nottinghamcity.gov.uk |
| **Key Decision** ☐ Yes ☒ No | **Subject to call-in** ☒ Yes ☐ No |
| **Reasons:** ☐ Expenditure ☐ Income ☐ Savings of £1,000,000 or more taking account of the overall impact of the decision | ☐ Revenue ☐ Capital |
| Significant impact on communities living or working in two or more wards in the City | ☐ Yes ☐ No |
| **Total value of the decision:** Nil | |
| **Wards affected:** All | **Date of consultation with Portfolio Holder(s):** 10 June 2015 |

| **Relevant Council Plan Strategic Priority:** | |
|---|---|
| Cutting unemployment by a quarter | ☒ |
| Cut crime and anti-social behaviour | ☒ |
| Ensure more school leavers get a job, training or further education than any other City | ☒ |
| Your neighbourhood as clean as the City Centre | ☒ |
| Help keep your energy bills down | ☒ |
| Good access to public transport | ☒ |
| Nottingham has a good mix of housing | ☒ |
| Nottingham is a good place to do business, invest and create jobs | ☒ |
| Nottingham offers a wide range of leisure activities, parks and sporting events | ☒ |
| Support early intervention activities | ☒ |
| Deliver effective, value for money services to our citizens | ☒ |

**Summary of issues (including benefits to citizens/service users):**

This report sets out the 2014/15 performance in respect of the management of the Council's external debt and investments (i.e. treasury management). The key issues are:

- the average rate of interest payable on external debt increased from 3.795% at 1 April 2014 to 3.865% at 31 March 2015 (see section 4.4);
- the average rate of interest earned on short-term investments in 2014/15 was 0.669%. This is benchmarked against the 7 day London Inter-bank (LIBID) rate provided by the Bank of England, which averaged 0.44% for the same period (see section 4.5);
- the latest estimate for 2014/15 was £58.779 against an actual General Fund Treasury Management expenditure of £56.179m (see section 5.1).

**Exempt information:**

None

**Recommendation(s):**

**1** To note the performance information in relation to Treasury Management for 2014/15.

## 1 REASONS FOR RECOMMENDATIONS

1.1 The Council adopted the Chartered Institute of Public Finance and Accountancy (CIPFA)'s revised Code of Practice on Treasury Management in Local Authorities (the Code) on 5 March 2012. Part of the Code requires that authorities report on the performance of the treasury management function at least twice a year (mid-year and at year end).

1.2 The Council's Treasury Management Strategy for 2014/15 was approved by full Council on 3 March 2014.

1.3 The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

## 2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

2.1 Treasury Management entails the management of the Council's cash flows, its borrowings and investments, the management of the associated risks and the pursuit of the optimum performance or return consistent with those risks. To assist in this process the Council retains external financial advisors.

## 3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

3.1 Options for management of the Council's debt and investment portfolio are continually reviewed. The overall aim is to minimise the net revenue costs of our debt whilst maintaining an even debt profile in future years, and to maximise investment returns within stated security and liquidity guidelines.

## 4 TREASURY MANAGEMENT ACTIVITY IN 2014/15

4.1 2014/15 Strategy

The overall Treasury Management strategy for 2014/15 was approved at a meeting of the Council on 3 March 2014. Table 1 summarises the actions taken in 2014/15 against each of the main three elements of that strategy:

| TABLE 1: TREASURY MANAGEMENT ACTIONS | |
|---|---|
| **Strategy 2014/15** | **Actions to 31 March 2015** |
| **New borrowing** – to raise up to £24.6m to finance new capital expenditure in the year and replace maturing long-term debt. | No new long-term borrowing had taken place (see 4.4*)*. |
| **Debt rescheduling** – to consider any debt rescheduling or repayment opportunities which enable revenue savings to be generated in the year. | No debt rescheduling had taken place (see 4.4). |
| **Investments** – to ensure the security of funds invested through the application of a restricted counterparty list and the imposition of limits on the period and levels of individual investments. Within those | The average return on investments was 0.669%. The benchmark average 7-day London Inter-Bank Bid (LIBID) rate for the same period was |

| | |
|---|---|
| confines, to maximise the return on investments. | 0.44%. The 2014/15 budget was an average return of 0.70% (see 4.5). |

4.2 Economic background

- Growth and Inflation:

The robust pace of the UK Gross Domestic Product (GDP) growth of 3% in 2014 was underpinned by a buoyant services sector, supplemented by positive contributions from the production and construction sectors. Resurgent house prices, improved consumer confidence and healthy retail sales added to the positive outlook for the UK economy given the important role of the consumer in economic activity.

Annual Consumer Price Index (CPI) inflation fell to zero for the year to March 2015, down from 1.6% a year earlier. The key driver was the fall in the oil price

- Labour Market:

The UK labour market continued to improve and remains resilient across a broad base of measures including real rates of wage growth. January 2015 showed a headline employment rate of 73.3%, while the rate of unemployment fell to 5.7% from 7.2% a year earlier.

- UK Monetary Policy:

The Bank of England's Monetary Policy Committee (MPC) maintained interest rates at 0.5% and asset purchases (QE) at £375bn. The MPC Committee's stance is that any future increases in the Bank Rate would be gradual and limited, and below average historical levels.

- Market reaction:

From July, gilt yields were driven lower by a combination of factors: geo-political risks emanating from the Middle East and Ukraine, the slide towards deflation within the Eurozone and the big slide in the price of oil and its transmission though into lower prices globally. 5-, 10- and 20-year gilt yields fell to their lows in January (0.88%, 1.33% and 1.86% respectively) before ending the year higher at 1.19%, 1.57% and 2.14% respectively.

4.3 Local Context

At 31/03/2015 the Authority's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £960.7m.

At 31/03/2015, the Authority had £791.2m of borrowing including £103.2m of Private Finance Initiative (PFI) Debt and £213.8m of investments. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, subject to holding a minimum investment balance of £30m.

The Authority has an increasing CFR over the next 3 years due to the capital programme, investments are forecast to fall and further new long term borrowing is expected to be required. Investment balances will reduce by c.£100m in the summer of 2015 due to a required payment on the completion of the NET phase two project.

4.4 Borrowing

Total outstanding debt during 2014/15 decreased by £22.3m to £688.0m at 31 March 2015. The average rate of interest on that debt increased slightly, from 3.795% at 31 March 2014 to 3.866% at 31 March 2015. The majority of long-term borrowing is raised from the Government's Public Works Loan Board (PWLB). Table 2 analyses the debt portfolio:

| **TABLE 2: DEBT PORTFOLIO** | | | | |
|---|---|---|---|---|
| | **1 APR 2014** | | **31 MAR 2015** | |
| **DEBT** | **£m** | **%** | **£m** | **%** |
| PWLB borrowing | 648.8 | 3.814 | 635.0 | 3.847 |
| Market loans | 49.9 | 4.324 | 49.6 | 4.324 |
| Local bonds | 0.4 | 1.962 | 0.2 | 1.574 |
| Temporary borrowing | 11.2 | 0.393 | 3.2 | 0.471 |
| **TOTAL DEBT** | **710.3** | **3.795** | **688.0** | **3.866** |

The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. Affordability and the "cost of carry" remained important influences on the Authority's borrowing strategy. As short-term interest rates have remained, and are likely to remain at least over the forthcoming two years, lower than long-term rates, the Authority determined it was more cost effective in the short-term to use internal resources than to take any new long term borrowing in 2014/15.

The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose assists the Authority with this 'cost of carry' and breakeven analysis.

- LOBOs

The Authority holds £49m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £34m of these LOBOS had options during the year, none of which were exercised by the lender.

- Debt Rescheduling:

The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

- Housing Revenue Account (HRA) Borrowing

From 1 April 2002, the Council's HRA was allocated a separate debt portfolio based on the appropriate proportion of the Councils existing debt at that time. As a result of existing debt maturing and not being replaced the HRA accumulates a variable rate internal borrowing position. On 1 April £19.161m of internal borrowing was fixed on a maturity loan basis for 30 years with reference to the 4.31% PWLB interest rate quoted on the day. On 1 October a further £18.0m was fixed on a maturity loan basis for 30 years with reference to the 3.88% PWLB interest rate quoted on the day.

- Changes to the PWLB

In January 2015 the Department of Communities and Local Government (CLG) confirmed that HM Treasury (HMT) would be taking the necessary steps to abolish the PWLB. HMT has confirmed however that its lending function will continue unaffected and local authorities will retain access to borrowing rates which offer good value for money. The authority intends to use the PWLB's replacement as a potential source of borrowing if required.

4.5 Investments

The Authority has held significant invested funds, representing income received in advance of expenditure plus balances and reserves held. The Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.

The average sum formally invested during the year was £226m, earning total interest of £1.513m at an average rate of 0.669%. The effect of the continued low short-term interest rates (see table 4 in appendix 3), meant that the average return for 2014/15 was slightly below the original budget estimate of 0.70%. The Council benchmarks its average return against the 7-day London Interbank (LIBID) rate provided by the Bank of England. For 2014/15, the average 7-day LIBID rate was 0.44%.

| **Table 3 - Movement in Investments** | Balance on 01/04/2014 £m | Balance on 30/03/2015 £m |
|---|---|---|
| Short term Investments (call accounts, deposits)<br>- Banks and Building Societies with ratings of A- or higher<br>- Local Authorities | 155.0<br><br>8.0 | 90.0<br><br>45.0 |
| Long term Investments<br>- Banks and Building Societies with ratings of A+ or higher<br>- Local Authorities | -<br><br>15.0 | -<br><br>10.0 |
| Money Market Funds | 24.6 | 47.2 |
| **TOTAL INVESTMENTS *** | 202.6 | 192.2 |
| Increase/ (Decrease) in Investments £m | | (10.4) |

Note: * excludes remaining balance held in Icelandic ISK Escrow account and Growth Fund monies held on behalf of the LEP

Table 3 above shows the movement in investments by type during 2014/15. The council reduced its exposure to banks by lending to local authorities deemed to be of high credit quality. As at 31 March 2015 the Council had £55m investments with local authorities with £10m having over 365 days to maturity with the aim of maintaining a high level of security whilst achieving an improved return. As the banks have continued to reduce the interest rate payable on its call accounts the council has increased its use of instant access money market funds with the dual benefit of increased diversity and a AAAm credit rating.

Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2014/15.

Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating is A- across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

Appendix 2 provides details of the Council's external investments at 31 March 2015, analysed between investment type and individual counterparties showing the Fitch long-term credit rating.

The administrators for the recovery of Glitnir Bank deposits (£11m) have made repayment to all priority creditors, including the City Council, in full settlement of the accepted claims. However, approximately 21% (£2.3m) of this sum has been paid in ISK. Because of ongoing currency restrictions in Iceland, this sum is currently retained in an interest-bearing account with the Central Bank of Iceland, pending resolution of the currency release issues.

Accounting regulations require notional accrued interest in respect of the outstanding principal sums to be credited to the revenue account each year, together with any changes in the value due to the ISK exchange rate changes, until the recovery process is complete.

The accrued notional interest and changes in value due to exchange rate movements in respect of the Icelandic recoveries held in ISK escrow account produced a debit to the revenue account of £0.111m in 2014/15 which was neutralised by a transfer from the Treasury Management Reserve.

4.6 <u>Counterparty update</u>
The European Parliament approved the EU Bank Recovery and Resolution Directive (BRRD) on 15 April 2014. This outlawing of bail-outs, the introduction of bail-ins, and the preference being given to large numbers of depositors other than local authorities means that the risks of making unsecured deposits rose relative to other investment options. The Authority therefore increasingly favouring secured investment options or diversified alternatives such as non-bank deposits, covered bonds and pooled funds over unsecured bank and building society deposits.

The Bank of England published its approach to bank resolution which gave an indication of how the reduction of a failing bank's liabilities might work in practice. The Bank of England will act if, in its opinion, a bank is failing, or is likely to fail, and there is not likely to be a successful private sector solution such as a takeover or share issue; a bank does not need to be technically insolvent (with liabilities exceeding assets) before regulatory intervention such as a bail-in takes place.

4.7 External advisors

External advisors (Arlingclose) are retained to provide additional input on treasury management matters. The service comprises economic and interest rate forecasting, advice on strategy, portfolio structure, debt restructuring, investment policy and credit ratings and technical assistance on other matters, as required.

4.8 Prudential Indicators

Following the Local Government Act 2003, the Council is required to approve a series of treasury management prudential indicators. These were approved on 3 March 2014 by Council as part of the 2014/15 Treasury Management Strategy.

In compliance with the requirements of the CIPFA Code of Practice this report provides a summary of the treasury management activity during 2014/15. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield. Appendix 1 shows actual performance against these indicators for 2014/15 together with comparative figures for 2013/14.

The prudence indicators reflect the management of the capital programme and associated debt, within existing resource limitations. The affordability and treasury management indicators, indicate whether the 2014/15 actual figures were within the set limits.

The 'PFI and leasing debt' figures within the indicators reflect the notional debt element of those schemes financed through PFI funding or finance leases.

The Council also confirms that during 2014/15 it complied with its Treasury Management Policy Statement and Treasury Management Practices.

4.9 Other Issues

During 2014/15 the Council completed the change of banking services provider from The Co-operative Bank to Lloyds Bank.

## 5 FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY/VAT)

5.1 General Fund Revenue Implications

Revenue costs associated with borrowing and lending can be volatile, being affected by a number of factors including movements in interest rates, the timing of capital spending, the extent of reserves held and actual cash flows during the year.

The latest budget estimate in 2014/15 for treasury management costs was £58.779m. The total treasury management-related costs in 2014/15, comprising interest charges less receipts, plus provisions for repayment of debt, were £68.233m. A proportion of the Council's debt relates to capital expenditure on council housing and £12.054m of these costs was charged to the HRA. The remaining General Fund costs of £56.179m gave a favourable variance of £2.6m which is included within the treasury management section of the General Fund corporate budget outturn report on the 16 June 2015 Executive Board agenda.

The prime reason for the favourable variance is slippage in the capital program which has resulted in a £1m saving on interest payable on new long term debt and a further £1m reduction in the repayment of debt referred to as minimum revenue provision (MRP). These savings are one-off in nature as the proposed capital program expenditure materialises in 2015/16.

5.2 Treasury Management Reserve

The Treasury Management Reserve is maintained to smooth the impact of any volatility in treasury management revenue charges in any one year. The balance on the Reserve at 31 March 2015 is £9.202m.

5.3 Value for Money

Management of borrowing and investments is undertaken in conjunction with our appointed advisors, with the aim of minimising net revenue costs, maintaining an even debt maturity profile and ensuring the security and liquidity of investments.

## 6 RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS AND CRIME AND DISORDER ACT IMPLICATIONS)

6.1 Risk management plays a fundamental role in treasury activities, due to the value and nature of transactions involved. The management of specific treasury management risks is set out in the Manual of Treasury Management Practices and Procedures and a risk register is maintained for the treasury function.

6.2 The key Strategic Risk relating to treasury management is SR17 ‘Failure to protect the Council’s investments’. The rating for this risk at 31 March 2015 was Likelihood = unlikely, Impact = moderate which represents the same risk assessment as at 1 April 2014.

## 7 SOCIAL VALUE CONSIDERATIONS

7.1 None.

## 8 REGARD TO THE NHS CONSTITUTION

8.1 Not applicable

## 9 EQUALITY IMPACT ASSESSMENT (EIA)

Has the equality impact been assessed?

| | | |
|---|---|---|
| (a) | not needed (report does not contain proposals for new or changing policies, services or functions, financial decisions or decisions about implementation of policies development outside the Council) | ☒ |
| (b) | No | ☐ |
| (c) | Yes – Equality Impact Assessment attached | ☐ |

## 10 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)

10.1 None.

## 11 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT

11.1 CIPFA statistics, Bloomberg sourced Money Market rates and PWLB loan rates 2014/15.

## 12 OTHER COLLEAGUES WHO HAVE PROVIDED INPUT

12.1 Treasury Management Panel colleagues.

## PRUDENTIAL INDICATORS

**Appendix 1**

| INDICATORS | 2013/14 Actual | 2014/15 Estimate | 2014/15 Actual | Within Limits? |
|---|---|---|---|---|
| **1) Prudence indicators**<br>**i) Capital Expenditure** | | | | |
| General Fund | £69.8m | £191.5m | £123.5m | YES |
| HRA | £52.4m | £77.1m | £60.0m | YES |
| | **£122.2** | **£268.6m** | **£183.5m** | |
| **ii) CFR at 31 March**<br>General Fund | £542.9m | £675.5m | £576.2m | YES |
| HRA | £282.3m | £281.3m | £281.3m | YES |
| PFI notional 'debt' | £91.8m | £237.3m | £103.2m | N/A |
| | **£917.0m** | **£1,194.1m** | **£960.7m** | |
| **iii) External Debt at 31 March**<br>Borrowing | £710.2m | £754.3m | £688.0m | YES |
| PFI & leasing notional 'debt' | £93.7m | £237.3m | £103.2m | N/A |
| **Gross debt** | **£803.9m** | **£991.6m** | **£791.2m** | |
| Less investments | £(227.2)m | £(134.0)m | £(213.8)m | N/A |
| **Net Debt** | **£576.8m** | **£857.6m** | **£577.4m** | |
| | | | | |
| **2) Affordability indicators**<br>**i) Financing costs ratio** | | | | |
| General Fund | 14.11% | 14.19% | 13.32% | YES |
| HRA | 12.23% | 11.81% | 12.70% | YES |
| | | | | |
| Council Tax Band D (per annum) | - | - | - | YES |
| HRA rent (per week) | - | - | - | YES |
| | **Max in year** | | **Max in year** | |
| **iii) Authorised limit for external debt** | £842.7m | £1091.6m | £803.9m | YES |
| | | | | |
| **iv) Operational limit for ext. debt** | £842.7m | £1041.6m | £803.9m | YES |
| | | | | |
| **3) Treasury Management indicators** | **@ 31/3/14** | % | **@ 31/3/15** | |
| **ii) Limit on variable interest rates** | 7.64% | 0-50% | 7.89% | YES |
| | | | | |
| **iii) Limit on fixed interest rates** | 92.36% | 50-100% | 92.11% | YES |
| **iv) Fixed Debt maturity structure** | | | | |
| - Under 12 months | 3.56% | 0-25% | 2.68% | YES |
| - 12 months to 2 years | 2.13% | 0-25% | 2.25% | YES |
| - 2 to 5 years | 12.46% | 0-25% | 15.01% | YES |
| - 5 to 10 years | 19.23% | 0-25% | 17.79% | YES |
| - 10 to 25 years | 33.10% | 0-50% | 31.84% | YES |
| - 25 to 40 years | 20.50% | 0-25% | 21.16% | YES |
| - 40 years and above | 9.02% | 0-75% | 9.27% | YES |
| | **Max in year** | | **Max in year** | |
| **v) Max sum invested for >364 days** | £15.0m | £50.0m | £15.0m | YES |

***NOTES TO THE SCHEDULE OF PRUDENTIAL INDICATORS***

1) **Prudence Indicators**

i) *'Estimate of total capital expenditure'* – a "reasonable" estimate of total capital expenditure to be incurred, split between the General Fund and the HRA.

- This estimate takes into account the current approved asset management and capital investment strategies.

ii) *'Capital financing requirement' (CFR)* – this figure constitutes the aggregate amount of capital spending which has not yet been financed by capital receipts, capital grants or contributions from revenue, and represents the underlying need to borrow money long-term. An actual figure at 31 March each year is required.

- This approximates to the previous Credit Ceiling calculation and provides an indication of the total long-term debt requirement.
- The figure includes an estimation of the total debt brought 'on-balance sheet' in respect of PFI schemes and finance leases.

iii) *'External debt'* - the actual level of gross borrowing (plus other long-term liabilities, including the notional debt relating to on-balance sheet PFI schemes and leases) calculated from the balance sheet.

2) **Affordability Indicators**

i) '*Ratio of financing costs to net revenue stream'* – expresses the revenue costs of the Council's borrowing (interest payments and provision for repayment) as a percentage of the total sum to be raised from government grants, business rates, council and other taxes (General Fund) and rent income (HRA). From 1 April 2012, the General fund income figure includes revenue raised from the Workplace Parking Levy.

- These indicators show the impact of borrowing on the revenue accounts and enable a comparison between years to be made. The increase in the General Fund ratio reflects the falling grant from government and the impact of the extension of the NET capital scheme, funded from specific Government grant and the Workplace Parking Levy income streams.

ii) *'Incremental impact of capital investment decisions'* – expresses the revenue consequences of future capital spending plans to be met from unsupported borrowing and not financed from existing budget provision, on both the level of council tax and weekly housing rents.

- This is a key indicator, which provides a direct link between the capital programme and revenue budget and enables the revenue impact of additional unsupported capital investment to be understood.

iii) *‘Authorised limit for external debt’* – this represents the maximum amount that may be borrowed at any point during the year.

- This figure allows for the possibility that borrowing for capital purposes may be undertaken early in the year, with a further sum to reflect any temporary borrowing as a result of adverse cash flow. This represents a ‘worst case’ scenario.

iv) *‘Operating boundary for external debt’* – this indicator is a working limit and represents the highest level of borrowing is expected to be reached at any time during the year - It is recognised that this operational boundary may be breached in exceptional circumstances.

v) *‘HRA limit on indebtedness’* – from 1 April 2012, a separate debt portfolio has been established for the HRA. The CLG have imposed a ‘cap’ on the maximum level of debt for individual authorities and the difference between this limit and the actual HRA CFR represents the headroom available for future new borrowing.

3) **<u>Treasury Management Indicators</u>**

i) *‘The amount of net borrowing which is at a variable rate of interest’* - expressed either as an absolute amount or a percentage. Upper and lower limits for the financial year are required.

- A high level of variable rate debt presents a risk from increases in interest rates. This figure represents the maximum permitted exposure to such debt.

ii) *‘The amount of net borrowing which is at fixed rate of interest’* - expressed either as an absolute amount or a percentage. Upper and lower limits are required.

- Fixed rate borrowing provides certainty for future interest costs, regardless of movements in interest rates. The lower limit is effectively the counterpart to the upper limit for variable rate borrowing.

iii) *‘Upper and lower limits with respect to the maturity structure of the authority’s borrowing’* – this shows the amount of fixed rate borrowing maturing in each period, expressed as a percentage of total fixed rate borrowing.

- This indicator is designed to be a control over having large amounts of fixed rate debt falling to be replaced at the same time.

iv) *‘Total sums invested for periods of greater than 364 days* – a limit on investments for periods longer than 1 year.

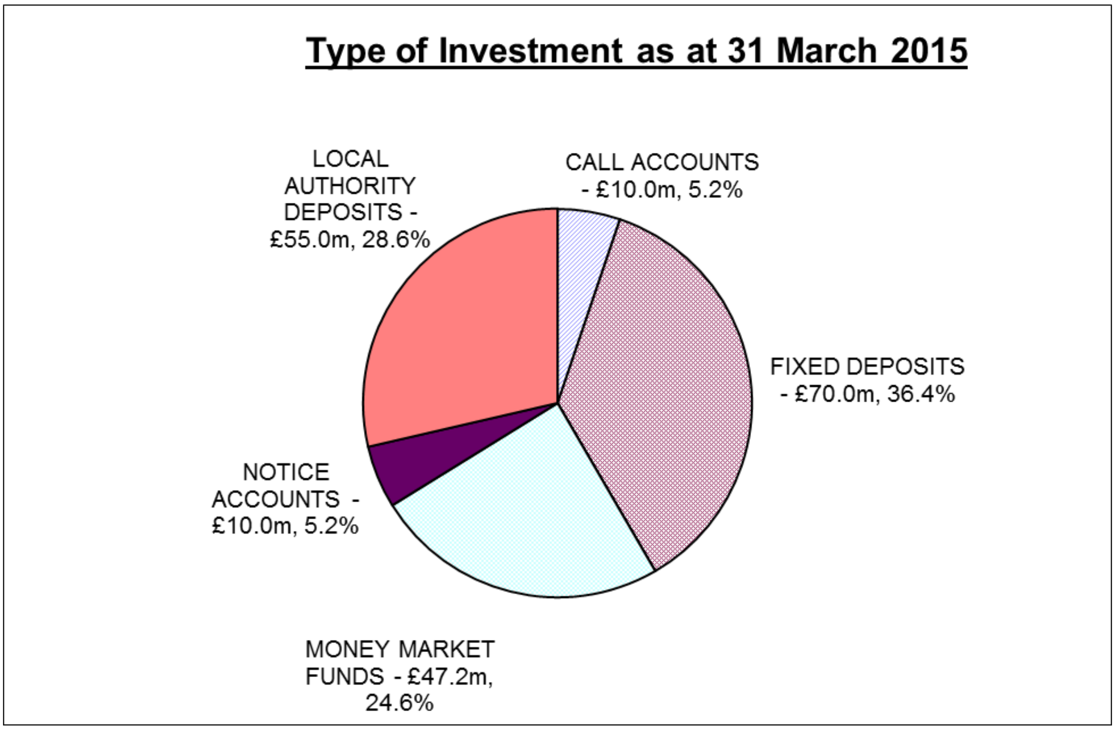
- This indicator is designed to protect the liquidity of investments, ensuring that large proportions of the cash reserves are not invested for long periods.

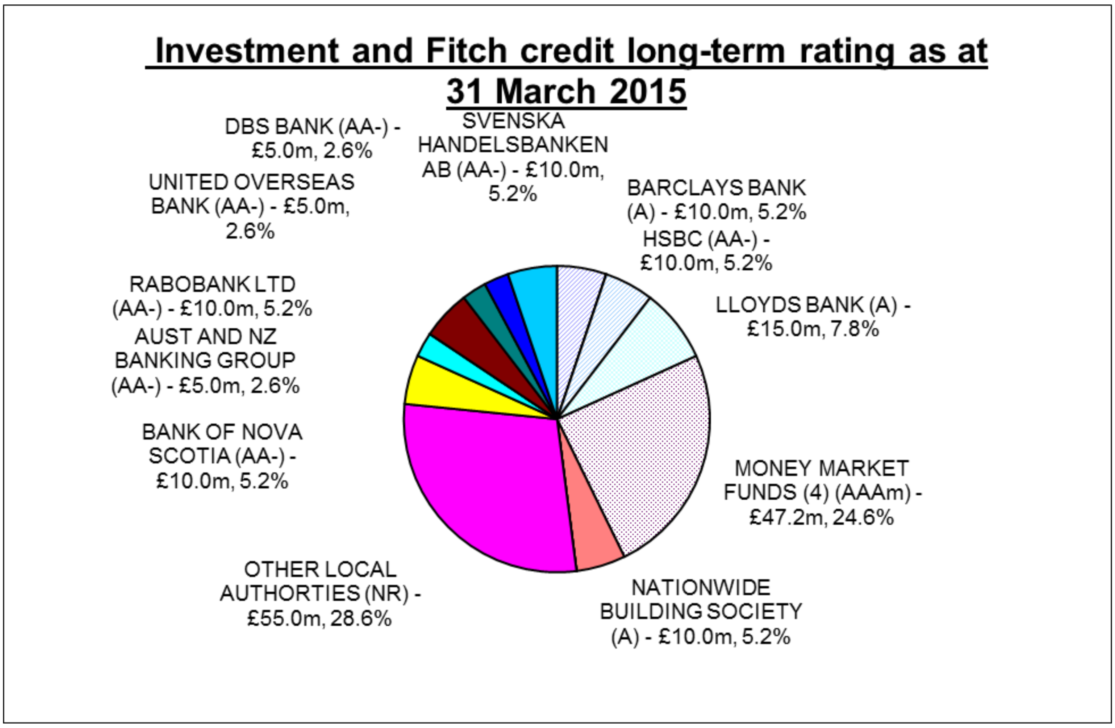
v) *The adoption of the CIPFA Code of Practice for Treasury Management in the Public Services'.* This is not a numerical indicator, but a statement of good practice.

- The Council adopted the Code on 18 February 2002. Revised Codes, issued in 2009 and 2011, have subsequently been incorporated within the Council's strategy and procedures.

vi) *Credit risk* – The Council monitors a range of factors to manage credit risk, detailed in its annual Treasury Management Strategy (section 7).

**Appendix 2**


Type of Investment as at 31 March 2015
LOCAL AUTHORITY DEPOSITS - £55.0m, 28.6%
CALL ACCOUNTS - £10.0m, 5.2%
FIXED DEPOSITS - £70.0m, 36.4%
NOTICE ACCOUNTS - £10.0m, 5.2%
MONEY MARKET FUNDS - £47.2m, 24.6%


Investment and Fitch credit long-term rating as at 31 March 2015
DBS BANK (AA-) - £5.0m, 2.6%
SVENSKA HANDELSBANKEN AB (AA-) - £10.0m, 5.2%
UNITED OVERSEAS BANK (AA-) - £5.0m, 2.6%
BARCLAYS BANK (A) - £10.0m, 5.2%
HSBC (AA-) - £10.0m, 5.2%
RABOBANK LTD (AA-) - £10.0m, 5.2%
LLOYDS BANK (A) - £15.0m, 7.8%
AUST AND NZ BANKING GROUP (AA-) - £5.0m, 2.6%
BANK OF NOVA SCOTIA (AA-) - £10.0m, 5.2%
MONEY MARKET FUNDS (4) (AAAm) - £47.2m, 24.6%
OTHER LOCAL AUTHORTIES (NR) - £55.0m, 28.6%
NATIONWIDE BUILDING SOCIETY (A) - £10.0m, 5.2%

# Appendix 3

**Money Market Data and PWLB Rates**

*The average, low and high rates correspond to the rates during the financial year rather than those in the tables below.*

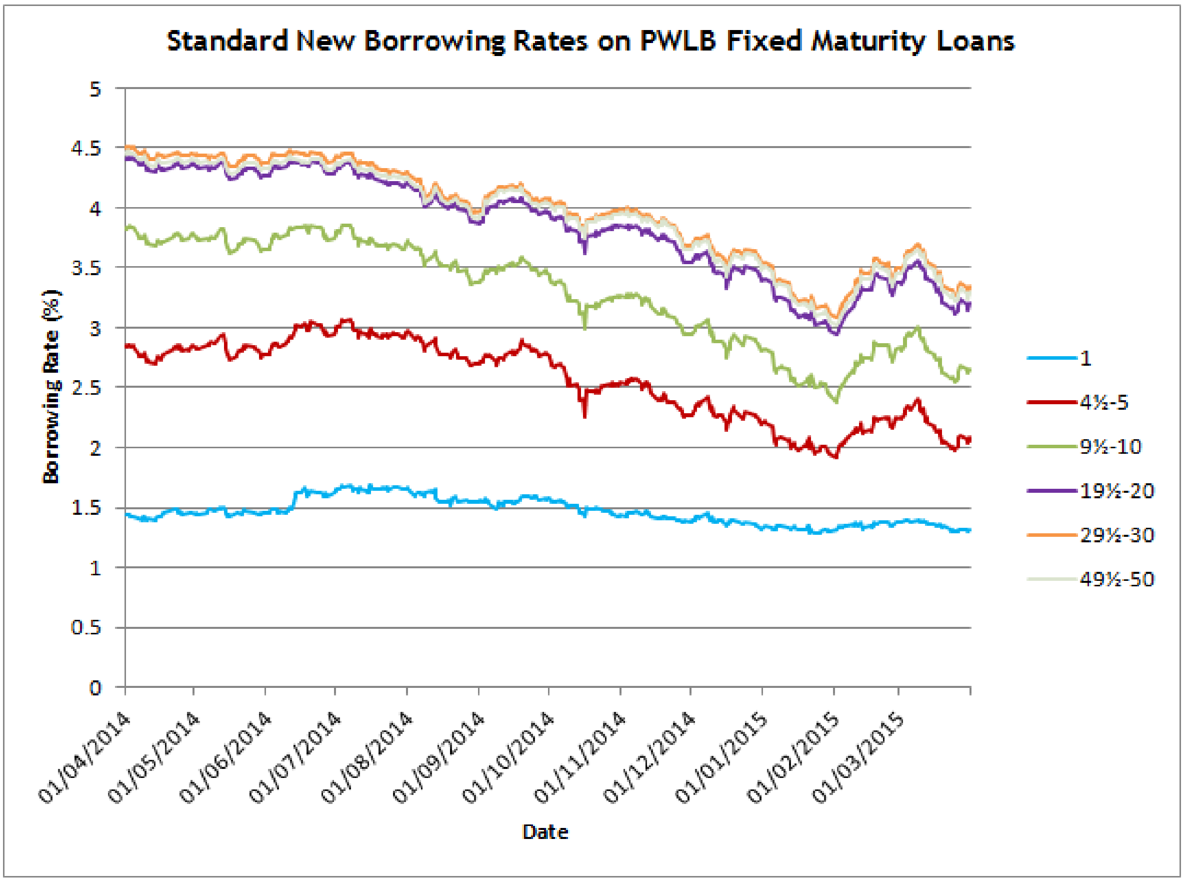
*Please note that the PWLB rates below are Standard Rates. Authorities eligible for the Certainty Rate can borrow at a 0.20% reduction.*

**Table 4: Bank Rate, Money Market Rates**

| Date | | Bank Rate | | O/N LIBID | 7-day LIBID | 1-month LIBID | 3-month LIBID | 6-month LIBID | 12-month LIBID | 2-yr SWAP Bid | 3-yr SWAP Bid | 5-yr SWAP Bid |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 01/04/2014 | | 0.50 | | 0.36 | 0.39 | 0.42 | 0.46 | 0.56 | 0.84 | 1.05 | 1.44 | 2.03 |
| 30/04/2014 | | 0.50 | | 0.36 | 0.40 | 0.42 | 0.47 | 0.57 | 0.85 | 1.09 | 1.47 | 2.02 |
| 31/05/2014 | | 0.50 | | 0.35 | 0.40 | 0.43 | 0.48 | 0.67 | 0.87 | 1.11 | 1.46 | 1.98 |
| 30/06/2014 | | 0.50 | | 0.36 | 0.40 | 0.43 | 0.50 | 0.71 | 0.94 | 1.33 | 1.70 | 2.17 |
| 31/07/2014 | | 0.50 | | 0.37 | 0.41 | 0.43 | 0.50 | 0.72 | 0.97 | 1.34 | 1.71 | 2.17 |
| 31/08/2014 | | 0.50 | | 0.36 | 0.42 | 0.43 | 0.50 | 0.77 | 0.98 | 1.22 | 1.53 | 1.93 |
| 30/09/2014 | | 0.50 | | 0.43 | 0.45 | 0.43 | 0.51 | 0.66 | 1.00 | 1.25 | 1.57 | 1.99 |
| 31/10/2014 | | 0.50 | | 0.40 | 0.43 | 0.43 | 0.51 | 0.66 | 0.98 | 1.10 | 1.38 | 1.78 |
| 30/11/2014 | | 0.50 | | 0.35 | 0.50 | 0.43 | 0.51 | 0.66 | 0.97 | 0.93 | 1.15 | 1.48 |
| 31/12/2014 | | 0.50 | | 0.43 | 0.48 | 0.42 | 0.51 | 0.66 | 0.97 | 0.92 | 1.12 | 1.44 |
| 31/01/2015 | | 0.50 | | 0.45 | 0.45 | 0.43 | 0.51 | 0.66 | 0.95 | 0.83 | 0.98 | 1.18 |
| 28/02/2015 | | 0.50 | | 0.43 | 0.47 | 0.43 | 0.51 | 0.66 | 0.96 | 0.99 | 1.22 | 1.53 |
| 31/03/2015 | | 0.50 | | 0.50 | 0.62 | 0.43 | 0.51 | 0.74 | 0.97 | 0.88 | 1.06 | 1.34 |
| | | | | | | | | | | | | |
| **Average** | | **0.50** | | **0.39** | **0.44** | **0.43** | **0.50** | **0.67** | **0.95** | **1.09** | **1.38** | **1.79** |
| **Maximum** | | **0.50** | | **0.50** | **0.62** | **0.43** | **0.51** | **0.81** | **1.00** | **1.38** | **1.77** | **2.26** |
| **Minimum** | | **0.50** | | **0.24** | **0.36** | **0.42** | **0.46** | **0.56** | **0.84** | **0.80** | **0.96** | **1.18** |
| **Spread** | | **--** | | **0.26** | **0.26** | **0.01** | **0.05** | **0.25** | **0.16** | **0.58** | **0.81** | **1.08** |

**Table 5: PWLB Borrowing Rates – Fixed Rate, Maturity Loans**

| Change Date | Notice No | 1 year | 4½-5 yrs | 9½-10 yrs | 19½-20 yrs | 29½-30 yrs | 39½-40 yrs | 49½-50 yrs |
|---|---|---|---|---|---|---|---|---|
| 01/04/2014 | 127/14 | 1.44 | 2.85 | 3.83 | 4.41 | 4.51 | 4.49 | 4.47 |
| 30/04/2014 | 166/14 | 1.45 | 2.86 | 3.79 | 4.37 | 4.46 | 4.43 | 4.41 |
| 31/05/2014 | 206/14 | 1.45 | 2.78 | 3.65 | 4.27 | 4.38 | 4.35 | 4.33 |
| 30/06/2014 | 248/14 | 1.63 | 2.95 | 3.74 | 4.30 | 4.40 | 4.36 | 4.34 |
| 31/07/2014 | 294/14 | 1.66 | 2.96 | 3.70 | 4.21 | 4.30 | 4.27 | 4.25 |
| 31/08/2014 | 334/14 | 1.55 | 2.70 | 3.38 | 3.88 | 3.97 | 3.94 | 3.93 |
| 30/09/2014 | 378/14 | 1.57 | 2.77 | 3.46 | 3.96 | 4.07 | 4.05 | 4.03 |
| 31/10/2014 | 424/14 | 1.44 | 2.54 | 3.27 | 3.86 | 3.99 | 3.97 | 3.96 |
| 30/11/2014 | 465/14 | 1.39 | 2.27 | 2.94 | 3.54 | 3.68 | 3.66 | 3.65 |
| 31/12/2014 | 508/14 | 1.32 | 2.19 | 2.80 | 3.39 | 3.53 | 3.50 | 3.49 |
| 31/01/2015 | 042/15 | 1.30 | 1.94 | 2.44 | 2.98 | 3.12 | 3.08 | 3.06 |
| 28/02/2015 | 082/15 | 1.37 | 2.24 | 2.83 | 3.37 | 3.50 | 3.46 | 3.45 |
| 31/03/2015 | 126/15 | 1.31 | 2.06 | 2.65 | 3.20 | 3.33 | 3.29 | 3.28 |
| | | | | | | | | |
| | **Low** | 1.28 | 1.91 | 2.38 | 2.94 | 3.08 | 3.03 | 3.02 |
| | **Average** | 1.47 | 2.56 | 3.28 | 3.85 | 3.96 | 3.93 | 3.92 |
| | **High** | 1.69 | 3.07 | 3.86 | 4.42 | 4.52 | 4.49 | 4.48 |


Standard New Borrowing Rates on PWLB Fixed Maturity Loans
Borrowing Rate (%)
5
4.5
4
3.5
3
2.5
2
1.5
1
0.5
0
01/04/2014
01/05/2014
01/06/2014
01/07/2014
01/08/2014
01/09/2014
01/10/2014
01/11/2014
01/12/2014
01/01/2015
01/02/2015
01/03/2015
Date
1
4½-5
9½-10
19½-20
29½-30
49½-50