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Y Rhadyr
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Dydd Mercher, 22 Mehefin 2016

Hysbysiad o Adroddiadau a Dderbyniwyd yn dilyn Cyhoeddi'r Agenda

Pwyllgor Archwilio

Dydd Iau, 30ain Mehefin, 2016 at 2.00 yf,
Neuadd Y Sir, Y Rhadyr, Brynbuga, NP15 1GA

Ynghlwm adroddiadau y bydd y pwyllgor yn ystyried fel rhan o'r agenda gwreiddiol ond cawsant eu cyflwyno i wasanaethau democrataidd yn dilyn cyhoeddi'r rhaglen.

Eitem Ddim	Eitem	Tudallennau
6.	Adroddiad Alldro'r Trysorlys 2015/16.	1 - 18

Paul Matthews
Prif Weithredwr

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REPORT

SUBJECT: TREASURY OUTTURN 2015/16

MEETING: Audit Committee

DATE: 30th June 2016

DIVISION/WARDS AFFECTED: Countywide

1. PURPOSE:

- 1.1 The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to annually produce Prudential Indicators and a Treasury Management Strategy Statement on their likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year. The Head of Finance, as S151 Officer, reports twice a year (mid-year and after the year-end) on Treasury activity to the Audit Committee who provide scrutiny of treasury policy, strategy and activity on behalf of the Council.

2. RECOMMENDATIONS:

- 2.1 That Members note the results of treasury management activities and the performance achieved in 2015/16.

3. KEY ISSUES:

- 3.1 The detailed Annual Treasury Outturn report for 2015/16 is attached as Appendix 1.

3.2 In summary the key aspects at outturn were as follows,

<u>Capital Financing Requirement</u>	£114.1 million	
<u>Funded by External Loans</u>		
Short Term	£23.0 million	Avg rate 0.57%
Long Term	£69.4 million	Avg rate 4.30%
Sub Total	£92.4 million	Reduction of £6.9 million on 2014-15 outturn Average interest rate of 3.45%, with no change from the previous year profile
<u>Other Long term Liabilities</u>	£3.8 million	PFI and finance lease obligations, plus contractor bonds and deposits
Total Debt	96.2 million	
<u>Investments</u>		
Short Term	(£11.4 million)	Reduction of £0.8 million on 2014-15 outturn Avg rate 0.44% Avg investment period 8 days
Long Term	0	
Net Investments @ outturn	(£11.4 million)	

3.3 Market Conditions

- 3.3.1 Monmouthshire continues to minimise the amount of external borrowing by taking advantage of reserves and capital receipts balances (internal borrowing). This does result in lower investment balances (£11.4m as at 31st March 2016) of more of a short term nature but is a very cost effective treasury strategy given cost of borrowing that is avoided.
- 3.3.2 The Welsh Government's Guidance on Investments, effective from 1st April 2010, reiterated security and liquidity as the primary objectives of a prudent investment policy before yield. The Authority's strategy has always adopted a risk averse approach which compliments this guidance.
- 3.3.3 The UK Bank Rate has remained at 0.5% since 2009 and money market rates remain at historic lows. Combined with a trend in deterioration in counterparty credit quality, this has had a significant impact on investment income, but low bank base rates also serves to keep short term borrowing costs depressed, to the extent that our cost of carry is negligible concerning short term cashflows..

3.4 Prudential Indicators and Treasury Management Indicators

- 3.4.1 The Authority has operated within the set prudential indicators, as outlined in the Treasury Management Strategy approved by Council for the year.
- 3.4.2 All investments made during the year complied with the Council's agreed Treasury Management Strategy. Maturing investments were repaid to the Council in full and in a timely manner. Counterparty credit quality has been maintained through the period, despite declining credit ratings, and the need to mitigate the risks associated with potential bank "bail ins".

4. REASONS:

- 4.1 The Authority's Treasury Management Strategy has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011.
- 4.2 The code includes the requirement for determining a treasury strategy on the likely financing and investment activity for each financial year.
- 4.3 The Code also recommends that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.

5. RESOURCE IMPLICATIONS:

The outturn position is explained in the report, there are no other resource implications arising directly from this report.

6. EQUALITY AND SUSTAINABLE DEVELOPMENT IMPLICATIONS: None

7. **CONSULTEES:** Technical performance report on matters of fact. No consultation necessary
8. **BACKGROUND PAPERS:** Appendix 1 – 2015/16 Treasury Outturn report
9. **AUTHOR:**

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1. Introduction

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice a year (mid-year and at year end).

The Authority's Treasury Management Strategy for 2015/16 was approved by full Council on 26th February 2015 and can be accessed at:

<http://democracy.monmouthshire.gov.uk/Data/County%20Council/20150226/Agenda/Agenda%20Council%2026th%20February%202015.pdf>

The Authority 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. External Context

Growth, Inflation, Employment: The UK economy slowed in 2015 with GDP growth falling to 2.3% from a robust 3.0% the year before. CPI inflation hovered around 0.0% through 2015 with deflationary spells in April, September and October. The prolonged spell of low inflation was attributed to the continued collapse in the price of oil from \$67 a barrel in May 2015 to just under \$28 a barrel in January 2016, the appreciation of sterling since 2013 pushing down import prices and weaker than anticipated wage growth resulting in subdued unit labour costs. CPI picked up to 0.3% year/year in February, but this was still well below the Bank of England's 2% inflation target. The labour market continued to improve through 2015 and in Q1 2016, the latest figures (Jan 2016) showing the employment rate at 74.1% (the highest rate since comparable records began in 1971) and the unemployment rate at a 12 year low of 5.1%. Wage growth has however remained modest at around 2.2% excluding bonuses, but after a long period of negative real wage growth (i.e. after inflation) real earnings were positive and growing at their fastest rate in eight years, boosting consumers' spending power.

Global influences: The slowdown in the Chinese economy became the largest threat to the South East Asian region, particularly on economies with a large trade dependency on China and also to prospects for global growth as a whole. The effect of the Chinese authorities' intervention in their currency and equity markets was temporary and led to high market volatility as a consequence. There were falls in prices of equities and risky assets and a widening in corporate credit spreads. As the global economy entered 2016 there was high uncertainty about growth, the outcome of the US presidential election and the consequences of June's referendum on whether the UK is to remain in the EU. Between February and March 2016 sterling had depreciated by around 3%, a significant proportion of the decline reflecting the uncertainty surrounding the referendum result.

UK Monetary Policy: The Bank of England's MPC (Monetary Policy Committee) made no change to policy, maintaining the Bank Rate at 0.5% (in March it entered its eighth year at 0.5%) and asset purchases (Quantitative Easing) at £375bn. In its *Inflation Reports* and monthly monetary policy meeting minutes, the Bank was at pains to stress and reiterate that when interest rates do begin to rise they were expected to do so more gradually and to a lower level than in recent cycles.

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Improvement in household spending, business fixed investment, a strong housing sector and solid employment gains in the US allowed the Federal Reserve to raise rates in December 2015 for the first time in nine years to take the new Federal funds range to 0.25%-0.50%. Despite signalling four further rate hikes in 2016, the Fed chose not to increase rates further in Q1 and markets pared back expectations to no more than two further hikes this year.

However central bankers in the Eurozone, Switzerland, Sweden and Japan were forced to take policy rates into negative territory. The European Central Bank also announced a range of measures to inject sustained economic recovery and boost domestic inflation which included an increase in asset purchases (Quantitative Easing).

Market reaction: From June 2015 gilt yields were driven lower by a weakening in Chinese growth, the knock-on effects of the fall in its stock market, the continuing fall in the price of oil and commodities and acceptance of diminishing effectiveness of central bankers' unconventional policy actions. Added to this was the heightened uncertainty surrounding the outcome of the UK referendum on its continued membership of the EU as well as the US presidential elections which culminated in a significant volatility and in equities and corporate bond yields.

10-year gilt yields moved from 1.58% on 31/03/2015 to a high of 2.19% in June before falling back and ending the financial year at 1.42%. The pattern for 20-year gilts was similar, the yield rose from 2.15% in March 2015 to a high of 2.71% in June before falling back to 2.14% in March 2016. The FTSE All Share Index fell 7.3% from 3664 to 3395 and the MSCI World Index fell 5.3% from 1741 to 1648 over the 12 months to 31 March 2016.

Local Context

At 31st March 2016 the Authority's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £114.0m (£122.8 at March 15), while usable reserves and working capital which are the underlying resources available for investment were £23.3m at 31st March 2016 (£37.1m at March 15).

At 31st March 2016, the Authority had £92.4m of borrowing and £11.4m 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 to allow for daily cash movements.

The Authority has an increasing CFR over the next 2 years due to the capital programme, mainly the 21st century schools program, but minimal investments and will therefore be required to borrow up to £26m, a mix of short and long term, over those 2 years in order to complete the programme.

Borrowing Strategy

At 31st March 2016 the Authority held £92.4m of borrowing, a decrease of £6.8m on 31st March 2015 as part of its strategy for funding previous years' capital programmes.

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

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which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

Affordability and the "cost of carry" remained important influences on the Authority's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. 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 in 2015/16 to use internal resources as far as possible and then to borrow short-term loans instead.

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.

The Authority funded £3.0m of its capital expenditure from borrowing, mainly supported borrowing. This was funded by temporary and short-dated loans borrowed from the markets, predominantly from other local authorities as they remained affordable and attractive. £34m of such loans were taken out during the year. The average interest rate incurred on all such loans held during the year was 0.59% and they had an average life of 353 days.

Borrowing Activity in 2015/16

	Balance on 01/04/2015 £m	Maturing Debt £m	Debt Prematurely Repaid £m	New Borrowing £m	Balance on 31/03/2016 £m	Avg Rate % and Avg Life (yrs)
Capital Financing Requirement (CFR)	122.9				114.1	
Short Term Borrowing ¹	31.0	39.0	0	31.0	23.0	0.57% / 0.9y
Long Term Borrowing	68.1	1.7	0	3.0	69.4	
- Maturity loans	0.0	0	0	0	0.0	4.30% /
- EIP loans	0.0	0	0	0	0.0	14.3y
- Annuity Loans	0.0	0	0	0	0.0	
TOTAL BORROWING	99.1	40.7	0	34.0	92.4	3.45% / 12.6y
Other Long Term Liabilities	2.7	0	0	1.1	3.8	NA
TOTAL EXTERNAL DEBT	101.8	40.7	0	35.1	96.2	NA
Increase/ (Decrease) in Borrowing £m					(5.6)	

¹ Loans with maturities less than 1 year.

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LOBOs: The Authority holds £13.6m 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. £13.6m of these LOBOs had options during the year, none of which were exercised by the lender.

Debt Rescheduling:

The PWLB continued to operate a spread of approximately 1% between “premature repayment rate” and “new loan” rates so 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.

Investment Activity

The Authority has held invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2015/16 the Authority’s investment balances have ranged between £10 and £40 million.

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.

Investment Activity in 2015/16

Investments	Balance on 01/04/2015 £m	Balance on 31/03/2016 £m	Avg Rate/Yield (%) and Avg Life days)
Short term Investments (call accounts, deposits)			
- Banks and Building Societies with ratings of [A-] or higher	3.8	3.2	0.54% / 103
- Local Authorities	0.0	0.0	
Long term Investments	0.0	0.0	NA
UK Government:			
- DMADF	2.5	3.0	0.25% / 2
- Treasury Bills	2.5	0.0	0.40% / 28
Money Market Funds	3.4	5.2	0.41% / 1
TOTAL INVESTMENTS	12.2	11.4	0.44% / 8
Increase/ (Decrease) in Investments £m		(0.8)	

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 2015/16.

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); For financial institutions analysis of funding structure and susceptibility to bail-in,

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credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

The authority has also considered the use of secured investment products that provide collateral in the event that the counterparty cannot meet its obligations for repayment.

Credit Risk

Counterparty credit quality as measured by credit ratings is summarised below:

Date	Value Weighted Average - Credit Risk Score	Value Weighted Average - Credit Rating	Time Weighted Average - Credit Risk Score	Time Weighted Average - Credit Rating
31/03/2015	AA	3.44	AA-	4.29
30/06/2015	AA-	4.50	A+	4.78
30/09/2015	A+	4.50	A+	5.23
31/12/2015	AA-	3.88	AAA	1.12
31/03/2016	AA-	3.88	AA	2.91

Scoring:

-Value weighted average reflects the credit quality of investments according to the size of the deposit

-Time weighted average reflects the credit quality of investments according to the maturity of the deposit

-AAA = highest credit quality = 1

- D = lowest credit quality = 26

-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

Counterparty Update

The transposition of two European Union directives into UK legislation placed the burden of rescuing failing EU banks disproportionately onto unsecured institutional investors which include local authorities and pension funds. During the year, all three credit ratings agencies reviewed their ratings to reflect the loss of government support for most financial institutions and the potential for loss given default as a result of new bail-in regimes in many countries. Despite reductions in government support many institutions saw upgrades due to an improvement in their underlying strength and an assessment that the level of loss given default is low.

Fitch reviewed the credit ratings of multiple institutions in May. Most UK banks had their support rating revised from 1 (denoting an extremely high probability of support) to 5 (denoting external support cannot be relied upon). This resulted in the downgrade of the long-term ratings of Royal Bank of Scotland (RBS), Deutsche Bank, Bank Nederlandse Gemeeten and ING. JP Morgan Chase and the Lloyds Banking Group however both received one notch upgrades.

Moody's concluded its review in June and upgraded the long-term ratings of Close Brothers, Standard Chartered Bank, ING Bank, Goldman Sachs International, HSBC, RBS, Coventry Building Society, Leeds Building Society, Nationwide Building Society, Svenska Handelsbanken and Landesbank Hessen-Thuringen.

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S&P reviewed UK and German banks in June, downgrading the long-term ratings of Barclays, RBS and Deutsche Bank. As a result of this the Authority made the decision to suspend Deutsche Bank as a counterparty for new unsecured investments. S&P also revised the outlook of the UK as a whole to negative from stable, citing concerns around the referendum on EU membership and its effect on the economy.

At the end of July 2015, Arlingclose advised an extension of recommended durations for unsecured investments in certain UK and European institutions following improvements in the global economic situation and the receding threat of another Eurozone crisis. A similar extension was advised for some non-European banks in September, with the Danish Danske Bank being added as a new recommended counterparty and certain non-rated UK building societies also being extended.

In December the Bank of England released the results of its latest stress tests on the seven largest UK banks and building societies which showed that the Royal Bank of Scotland and Standard Chartered Bank were the weakest performers. However, the regulator did not require either bank to submit revised capital plans, since both firms had already improved their ratios over the year.

In January 2016, Arlingclose supplemented its existing investment advice with a counterparty list of high quality bond issuers, including recommended cash and duration limits. Interest rates are likely to stay low for longer making long-term bonds an increasingly attractive option for some, but as the Council is budgeting to hold only low levels of cash, it did not use this long-term investment options during 2015/16.

The first quarter of 2016 was characterised by financial market volatility and a weakening outlook for global economic growth. In March 2016, following the publication of many banks' 2015 full-year results, Arlingclose advised the suspension of Deutsche Bank and Standard Chartered Bank from the counterparty list for unsecured investments. Both banks recorded large losses and despite improving capital adequacy this will call 2016 performance into question, especially if market volatility continues. Standard Chartered had seen various rating actions taken against it by the rating agencies and a rising CDS level throughout the year. Arlingclose will continue to monitor both banks.

The end of bank bail-outs and the introduction of bail-ins means the risk of default by any one counterparty has increased. One option is to diversify across a larger number of counterparties (other than local authorities & WG). An alternative is to use secured investments. Due to low investment balances, which in turn limit maturity, the Authority did not undertake alternatives such as covered bonds, repos or non-bank investments in 2015/16, but has continued to use money market funds which provide diversification and also provide liquidity.

Through 2015/16, the Authority has invested its cash in a mix of money market funds, call accounts & the DMO to provide liquidity; And also t-bills and short term bank and building society deposits, where the forecast cash profile has allowed, in order to improve investment returns.

Budgeted Income and Outturn

The average cash balances were £24m during the year. The UK Bank Rate has been maintained at 0.5% since March 2009. Short-term money market rates have remained at relatively low levels (see Table 1 in Appendix 2). In year deposits were made at an average rate of 0.44%.

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The Authority's budgeted investment income for the year was £48,000 (£7.7m x 0.625%). The Authority's investment outturn for the year was £99,000.

Externally Managed Funds:

The Authority does not hold any investments with externally managed funds.

Update on Investments with Icelandic Banks

The Authority received a further payment of £48,000 from the Heritable administrators in September 2015. The Authority has now recovered 98% of its investment in Heritable Bank, an increase from 94% as at the 31st March 2015. This has resulted in an impairment reversal of £48,000 which has impacted the I&E. There is no evidence to suggest that there will be any further dividends.

Compliance with Prudential Indicators

The Authority confirms compliance with its Prudential Indicators for 2015/16, which were set on 26th February 2015.

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal borrowed were set in the 2015/16 treasury strategy at:

	2015/16	2016/17	2017/18
Upper limit on fixed interest rate exposure	£100m	£100m	£100m
Actual	£50m		
Upper limit on variable interest rate exposure	£45m	£45m	£45m
Actual	£8m		

Fixed rate investments and borrowings are those where the rate of interest is fixed for 12 months. Instruments that mature in the following 12 months are classed as variable rate.

Maturity Structure of Borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing set in the 2015/16 treasury strategy were:

	Upper	Lower	Actual
Under 12 months - LOBOs	50%	0%	£13.6m 24.4%
Under 12 months - Other			£6.0m 10.8%
12 months and within 24 months	40%	0%	£3.0m 5.4%
24 months and within 5 years	45%	0%	£3.3m 5.9%
5 years and within 10 years	30%	0%	£7.8m 14.0%

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10 years and above	100%	0%	£22.1m 39.6%
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Outstanding maturity periods are measured from the 31/3/16. The maturity date of borrowing is the earliest date on which the lender can demand repayment so LOBO loans are classed as Under 12 months.

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2015/16	2016/17	2017/18
Limit on principal invested beyond year end	£5m	£5m	£5m
Actual	£0m		

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

	Target	Actual
Portfolio average credit score	5.0 or below [A-]	4.5 max

Investment Training

Staff involved with the daily treasury management process have attended course and workshops provided by Arlingclose during the year

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Appendix 1

Prudential Indicators 2015/16

The Local Government Act 2003 requires the Authority to have regard to CIPFA's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure: The Authority's planned capital expenditure and financing may be summarised as follows. Further detail is provided in the 2016/20 Capital MTFP.

Capital Expenditure and Financing	2015/16 Actual £m	2016/17 Estimate £m	2017/18 Estimate £m
Total Expenditure	18.8	51.6	29.6
Capital Receipts	7.8	8.1	18.2
Grants & contributions	7.2	19.2	8.1
Reserves & Revenue	0.9	1.1	0.0
Borrowing	2.9	23.2	3.3
Leasing and PFI	0.0	0.0	0.0
Total Financing	18.8	51.6	29.6

Estimates of Capital Financing Requirement: The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.16 Actual £m	31.03.17 Estimate £m	31.03.18 Estimate £m
Total CFR	114.0	126.7	123.1

The CFR is forecast to rise £12.7m over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

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Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.16 Actual £m	31.03.17 Estimate £m	31.03.18 Estimate £m
Borrowing	94.8	101.0	112.3
Finance leases	0.1	0.1	0.1
PFI liabilities	0.8	0.8	0.7
Total Debt	95.7	101.9	113.1

Total debt is expected to remain below the CFR during the forecast period.

The actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt, below.

Operational Boundary for External Debt: The operational boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. The Limits set in the 2015/16 treasury strategy were as follows:

Operational Boundary	2015/16 £m	2016/17 £m	2017/18 £m
Borrowing	120.2	120.4	116.2
Other long-term liabilities	1.1	1.1	1.1
Total Debt	121.3	121.5	117.3

The maximum amount of debt held during 2015/16 was £99.1m for borrowing and £101.8 total debt.

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements and was set in the 2015/16 treasury strategy as follows:

Authorised Limit	2015/16 £m	2016/17 £m	2017/18 £m
Borrowing	137.1	151.9	147.7
Other long-term liabilities	2.6	2.6	2.6

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Total Debt	139.8	154.5	150.3
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Ratio of Financing Costs to Net Revenue Stream: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income. The forecasts set in the 2015/16 treasury strategy is shown below:

Ratio of Financing Costs to Net Revenue Stream	2015/16 Forecast %	2015/16 Actual %	2016/17 Revised Forecast %	2017/18 Revised Forecast %
General Fund	6.33%	6.1%	4.8%	6.3%

Incremental Impact of Capital Investment Decisions: This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the revenue budget requirement of the current approved capital programme funded from Unsupported borrowing.

Incremental Impact of Capital Investment Decisions	2015/16 Forecast £	2015/16 Actual £	2016/17 Revised Forecast £	2017/18 Revised Forecast £
General Fund - increase in annual Band D Council Tax	35.6	2.0	38.1	1.7

Adoption of the CIPFA Treasury Management Code: The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice (Revised in 2011)* in March 2005.

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Appendix 2

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 1: 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
01/04/2015	0.50	0.35	0.46	0.43	0.51	0.76	0.97	0.87	1.05	1.32
30/04/2015	0.50	0.35	0.48	0.43	0.52	0.74	0.98	1.00	1.21	1.51
31/05/2015	0.50	0.43	0.50	0.43	0.52	0.75	0.98	0.97	1.18	1.49
30/06/2015	0.50	0.35	0.45	0.43	0.52	0.79	0.99	1.09	1.35	1.68
31/07/2015	0.50	0.32	0.43	0.43	0.53	0.79	1.01	1.10	1.33	1.66
31/08/2015	0.50	0.42	0.40	0.43	0.54	0.82	1.02	1.03	1.24	1.61
30/09/2015	0.50	0.37	0.41	0.43	0.54	0.74	1.00	0.93	1.11	1.41
31/10/2015	0.50	0.36	0.41	0.43	0.54	0.77	1.00	0.97	1.16	1.49
30/11/2015	0.50	0.30	0.42	0.43	0.54	0.88	1.00	0.93	1.10	1.39
31/12/2015	0.50	0.43	0.35	0.43	0.54	0.76	1.01	1.09	1.30	1.58
31/01/2016	0.50	0.43	0.42	0.43	0.54	0.71	0.99	0.77	0.89	1.14
29/02/2016	0.50	0.25	0.43	0.43	0.54	0.73	0.99	0.71	0.74	0.85
31/03/2016	0.50	0.30	0.44	0.52	0.62	0.71	0.93	0.79	0.84	1.00
Average	0.50	0.38	0.45	0.43	0.54	0.76	0.99	0.96	1.14	1.43
Maximum	0.50	0.48	0.58	0.57	0.66	0.92	1.02	1.17	1.44	1.81
Minimum	0.50	0.17	0.35	0.43	0.51	0.55	0.84	0.68	0.73	0.85
Spread	--	0.31	0.23	0.14	0.15	0.37	0.18	0.49	0.71	0.96

Table 2: 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
01/04/2015	127/15	1.33	2.10	2.69	3.24	3.37	3.32	3.31
30/04/2015	166/15	1.41	2.27	2.90	3.44	3.55	3.50	3.48
31/05/2015	204/15	1.44	2.26	2.90	3.44	3.54	3.48	3.45
30/06/2015	248/15	1.48	2.44	3.13	3.65	3.72	3.64	3.60
31/07/2015	294/15	1.54	2.45	3.07	3.56	3.62	3.54	3.49
31/08/2015	334/15	1.47	2.30	2.92	3.47	3.54	3.44	3.40
30/09/2015	379/15	1.44	2.19	2.79	3.42	3.50	3.42	3.39
31/10/2015	423/15	1.44	2.38	2.93	3.56	3.65	3.56	3.53
30/11/2015	465/15	1.42	2.23	2.85	3.48	3.54	3.42	3.39
31/12/2015	505/15	1.41	2.38	3.01	3.61	3.68	3.56	3.53
31/01/2016	040/16	1.24	1.96	2.62	3.28	3.37	3.23	3.20

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29/02/2016	082/16	1.27	1.73	2.43	3.23	3.36	3.24	3.19
31/03/2016	124/16	1.33	1.81	2.48	3.21	3.30	3.16	3.12
	Low	1.21	1.67	2.30	3.06	3.17	3.05	3.01
	Average	1.41	2.20	2.85	3.46	3.54	3.45	3.42
	High	1.55	2.55	3.26	3.79	3.87	3.80	3.78

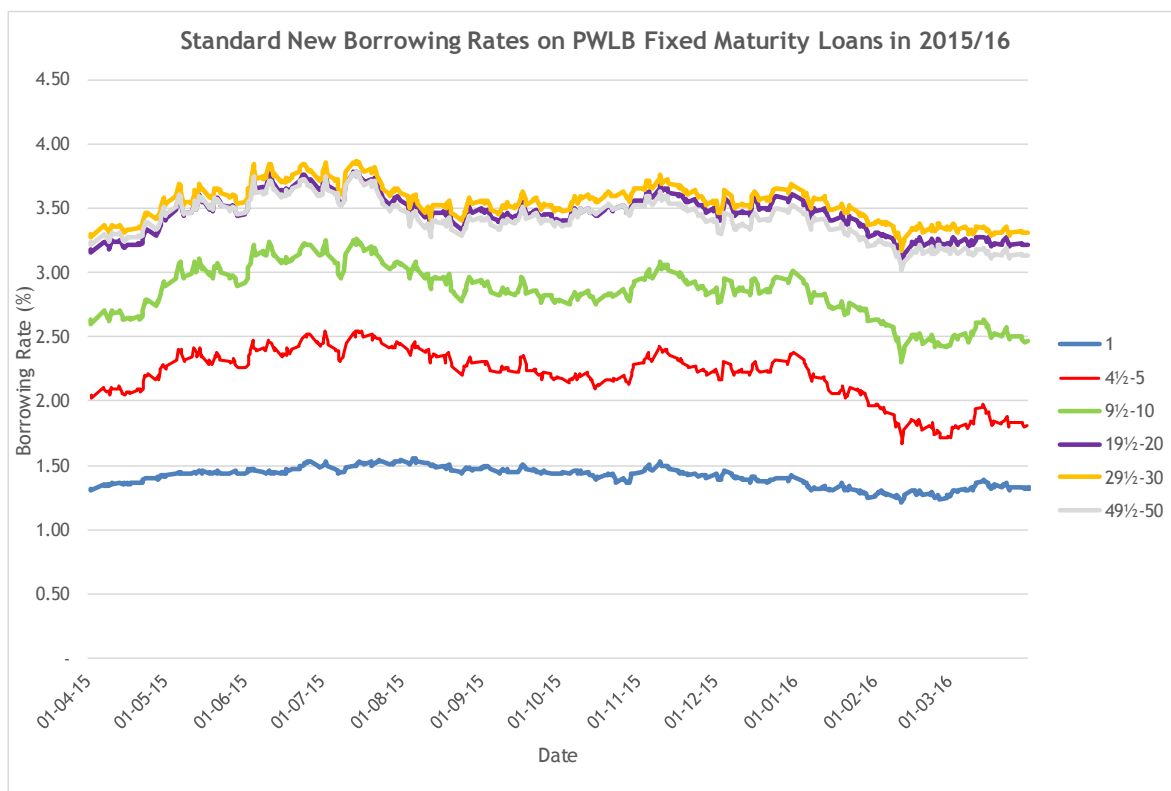


Table 3: PWLB Borrowing Rates - Fixed Rate, Equal Instalment of Principal (EIP) Loans

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2015	127/15	1.66	2.14	2.71	3.03	3.24	3.35
30/04/2015	166/15	1.79	2.31	2.92	3.24	3.45	3.54
31/05/2015	204/15	1.78	2.30	2.93	3.26	3.45	3.53
30/06/2015	248/15	1.90	2.49	3.15	3.47	3.65	3.72
31/07/2015	294/15	1.96	2.50	3.09	3.39	3.57	3.63
31/08/2015	334/15	1.83	2.34	2.94	3.27	3.48	3.55
30/09/2015	379/15	1.76	2.23	2.82	3.19	3.43	3.51
31/10/2015	423/15	1.81	2.32	2.96	3.33	3.57	3.66
30/11/2015	465/15	1.79	2.27	2.87	3.25	3.49	3.56
31/12/2015	505/15	1.89	2.42	3.03	3.39	3.62	3.70
31/01/2016	040/15	1.54	2.00	2.65	3.04	3.29	3.38
29/02/2016	082/16	1.42	1.77	2.46	2.95	3.24	3.36
31/03/2016	124/16	1.50	1.85	2.51	2.96	3.22	3.31

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	Low	1.36	1.70	2.33	2.78	3.07	3.18
	Average	1.76	2.25	2.88	3.24	3.47	3.55
	High	1.99	2.60	3.28	3.61	3.79	3.87

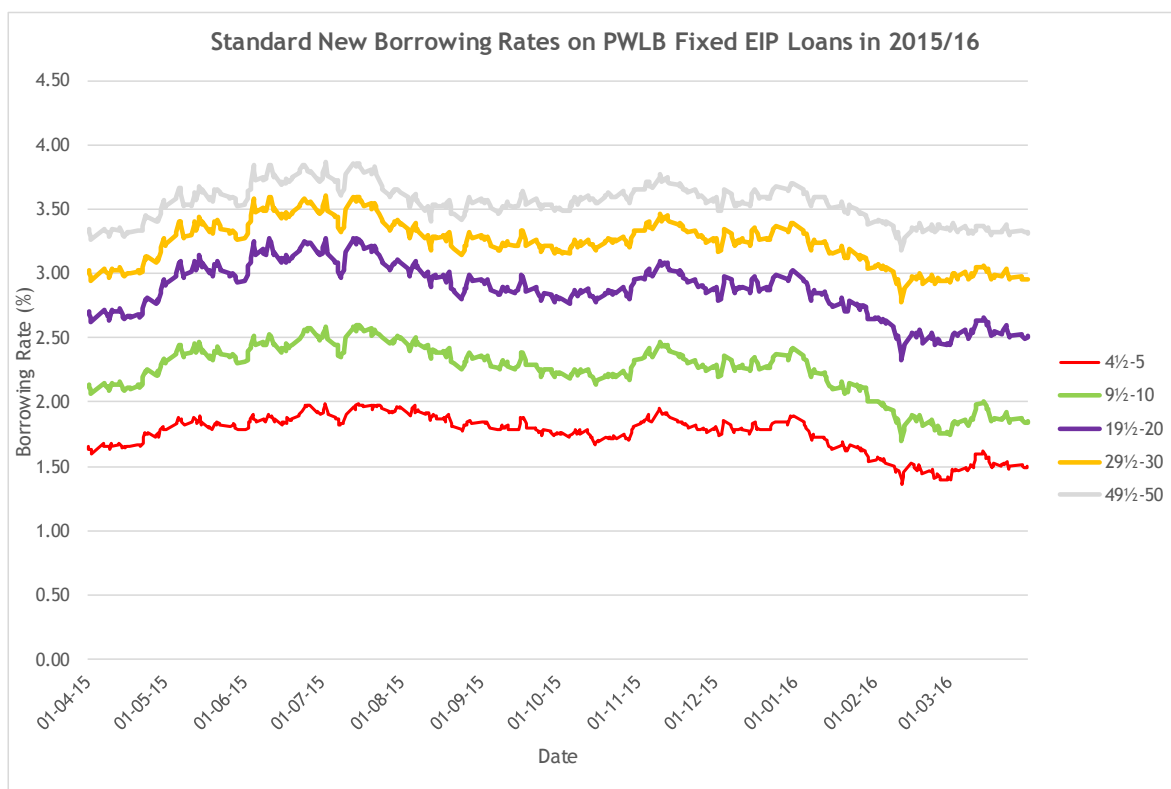


Table 4: PWLB Variable Rates

	1-M Rate	3-M Rate	6-M Rate	1-M Rate	3-M Rate	6-M Rate
	Pre-CSR	Pre-CSR	Pre-CSR	Post-CSR	Post-CSR	Post-CSR
01/04/2015	0.62	0.63	0.66	1.52	1.53	1.56
30/04/2015	0.62	0.64	0.67	1.52	1.54	1.57
31/05/2015	0.62	0.65	0.68	1.52	1.55	1.58
30/06/2015	0.62	0.66	0.70	1.52	1.56	1.60
31/07/2015	0.62	0.66	0.72	1.52	1.56	1.62
31/08/2015	0.62	0.66	0.70	1.52	1.56	1.60
30/09/2015	0.66	0.67	0.76	1.56	1.57	1.66
31/10/2015	0.66	0.67	0.76	1.46	1.56	1.57
30/11/2015	0.64	0.67	0.72	1.54	1.57	1.62
31/12/2015	0.63	0.65	0.72	1.53	1.55	1.62
31/01/2016	0.64	0.66	0.69	1.54	1.56	1.59
29/02/2016	0.63	0.65	0.68	1.53	1.55	1.58
31/03/2016	0.61	0.65	0.67	1.51	1.55	1.57
Low	0.61	0.61	0.66	1.51	1.51	1.56
Average	0.63	0.66	0.71	1.53	1.56	1.61
High	0.67	0.69	0.78	1.57	1.59	1.68