

Appendices:

3



NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

| | |
|---------------------|---|
| Report Title | TREASURY MANAGEMENT MID YEAR REPORT 2015-16 |
|---------------------|---|

AGENDA STATUS:

PUBLIC

| | |
|------------------------------------|-----------------|
| Cabinet Meeting Date: | 9 December 2015 |
| Key Decision: | NO |
| Within Policy: | YES |
| Policy Document: | NO |
| Directorate: | LGSS |
| Accountable Cabinet Member: | Mike Hallam |
| Ward(s) | Not Applicable |

1. Purpose

1.1 To provide a mid-year update on the Treasury Management Strategy 2015-16, approved by Council in February 2015.

2. Recommendations

2.1 Cabinet is recommended to:

- a) Note the Treasury Management Mid-Year Report 2015-16
- b) Recommend the report to full Council

3. Issues and Choices

Report Background

3.1 Treasury Management is governed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (the Code). The Code has been developed to meet the needs of Local Authorities and its recommendations provide a basis to form clear treasury management objectives and to structure and maintain sound

treasury management policies and practices.

3.1.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (“the Treasury Management Code of Practice”).

3.1.2 The Treasury Management Code of Practice and the associated guidance notes for local authorities include recommendations on reporting requirements, including the requirement for an annual mid-year report on treasury activities.

3.1.3 Unless otherwise stated the figures and commentary in the report cover the period from 1 April 2015 to 30 September 2015.

3.2 Issues and Choices

Summary of Key Headlines

3.2.1 The main highlights for the mid-year report are:

- The average rate of investments to the end of September was 0.73%, which is 0.37% above the benchmark average 7 day Libid of 0.36%.
- The debt financing budget is currently reporting a saving of £439k in 2015-16, due to the postponement of external borrowing and to higher than anticipated cash balances being available for investment.
- A loan of £300k has been made to Unity Leisure to facilitate the purchase a soft play facility in the town.
- Legal steps are under way to recover outstanding monies due to the Council on third party loans to the football club.
- Compliance with agreed policies and practices has been monitored during the year to date. There have been no reported breaches.

Economic Environment and Interest Rates

3.2.2 A detailed economic commentary is provided in Appendix 1. This information has been provided by Capita Asset Services (CAS), the Council’s treasury management advisors.

3.2.3 The key UK headlines from this analysis are:

- UK GDP growth rates in 2013 and 2014 were the strongest growth rates of any G7 country, and the 2015 growth rate is likely to be a leading rate in the G7 again, possibly being equal to that of the US. The Bank of England August Inflation Report had included a forecast for growth to remain around 2.4% to 2.8% over the next three years, driven mainly by strong consumer demand. However worldwide economic statistics and UK consumer and business confidence have distinctly weakened since then, and it is anticipated that the next Inflation Report in November may cut those forecasts.
- CPI inflation has fallen to, or near to, zero over the last quarter.
- There are considerable risks around whether inflation will rise in the near future as strongly as had previously been expected; this will make

it more difficult for the central banks of both the US and the UK to raise rates as soon as was being forecast until recently.

Summary Portfolio Position

3.2.4 A snapshot of the Council's debt and investment position is shown in the table below. The figures exclude borrowing to fund loans to third parties, and finance leases.

| | TMSS Forecast for March 2016 (As agreed by Council Feb 2015) | | Actual as at 31 March 2015 | | Actual as at 30 September 2015 | | Revised Forecast to March 2016 | |
|-----------------------------------|---|----------------|----------------------------|----------------|--------------------------------|----------------|--------------------------------|----------------|
| | £m | Average Rate % | £m | Average Rate % | £m | Average Rate % | £m | Average Rate % |
| Long term borrowing | | | | | | | | |
| PWLB | 196 | | 190 | | 190 | | 193 | |
| Market | 9 | | 9 | | 9 | | 9 | |
| Other | 9 | | 9 | | 9 | | 9 | |
| Total long term | 214 | | 208 | 3.28 | 208 | 3.28 | 211 | 3.27 |
| Short term borrowing | 0 | | 0 | | 0 | | 0 | |
| Total borrowing | 214 | 3.34 | 208 | 3.28 | 208 | 3.28 | 211 | 3.27 |
| | | | | | | | | |
| Investments | 27 | 0.70 | 64 | 0.66 | 84 | 0.75 | 75 | 0.75 |
| | | | | | | | | |
| Total Net Debt / Borrowing | 187 | | 144 | | 124 | | 136 | |

3.2.5 Further analysis of the Council's borrowing and investments is covered in the following two sections.

Borrowing

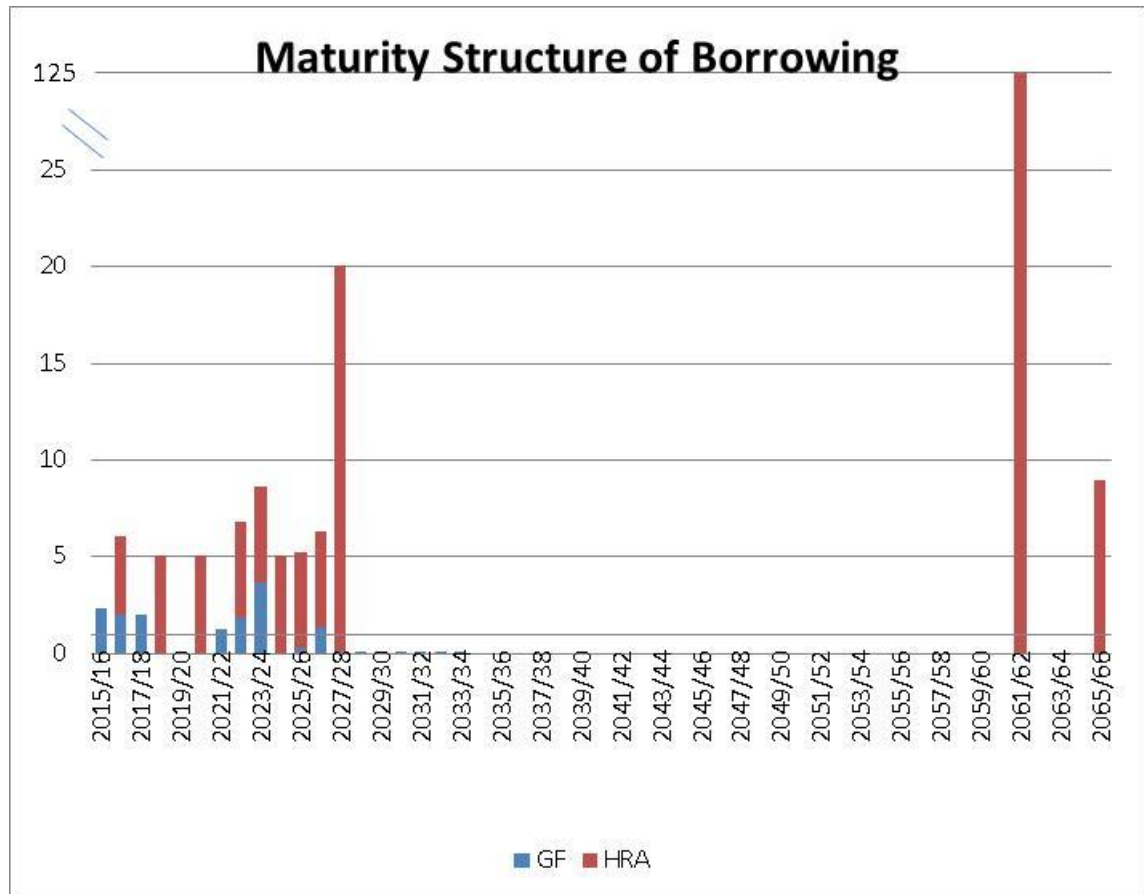
3.2.6 The Council can take out loans in order to fund spending for its Capital Programme. The amount of new borrowing needed each year is determined by capital expenditure plans and projections of the Capital Financing Requirement, forecast reserves and current and projected economic conditions.

New loans and repayment of loans

3.2.7 No new borrowing has been undertaken so far this financial year. Repayments of loan principal under annuity and EIP (Equal Instalment Payments) loan arrangements, mainly but not exclusively relating to borrowing to fund third party loans, have totalled £150k in the year to date.

Maturity profile of borrowing

3.2.8 The following graph shows the maturity profile of the Council's mainstream loans (excluding borrowing for third party loans) split by HRA and GF. All the loans are at a fixed interest rate, which limits the Council's exposure to interest rate fluctuations. The weighted average years to maturity of the portfolio is 33.2 years.



3.2.9 The maturity structure presented above differs from that in the treasury indicators in Appendix 2 in that LOBO loans are included at their final maturity rather than their next call date. In the current low interest rate environment the likelihood of the interest rates on these loans being raised and the loans requiring repayment at the break period is extremely low

Loan restructuring

3.2.10 When market conditions are favourable long term loans can be restructured to generate cash savings, reduce the average interest rate and/or enhance the balance of the portfolio by amending the maturity profile and/or the level of volatility (determined by the fixed/variable interest rate mix.)

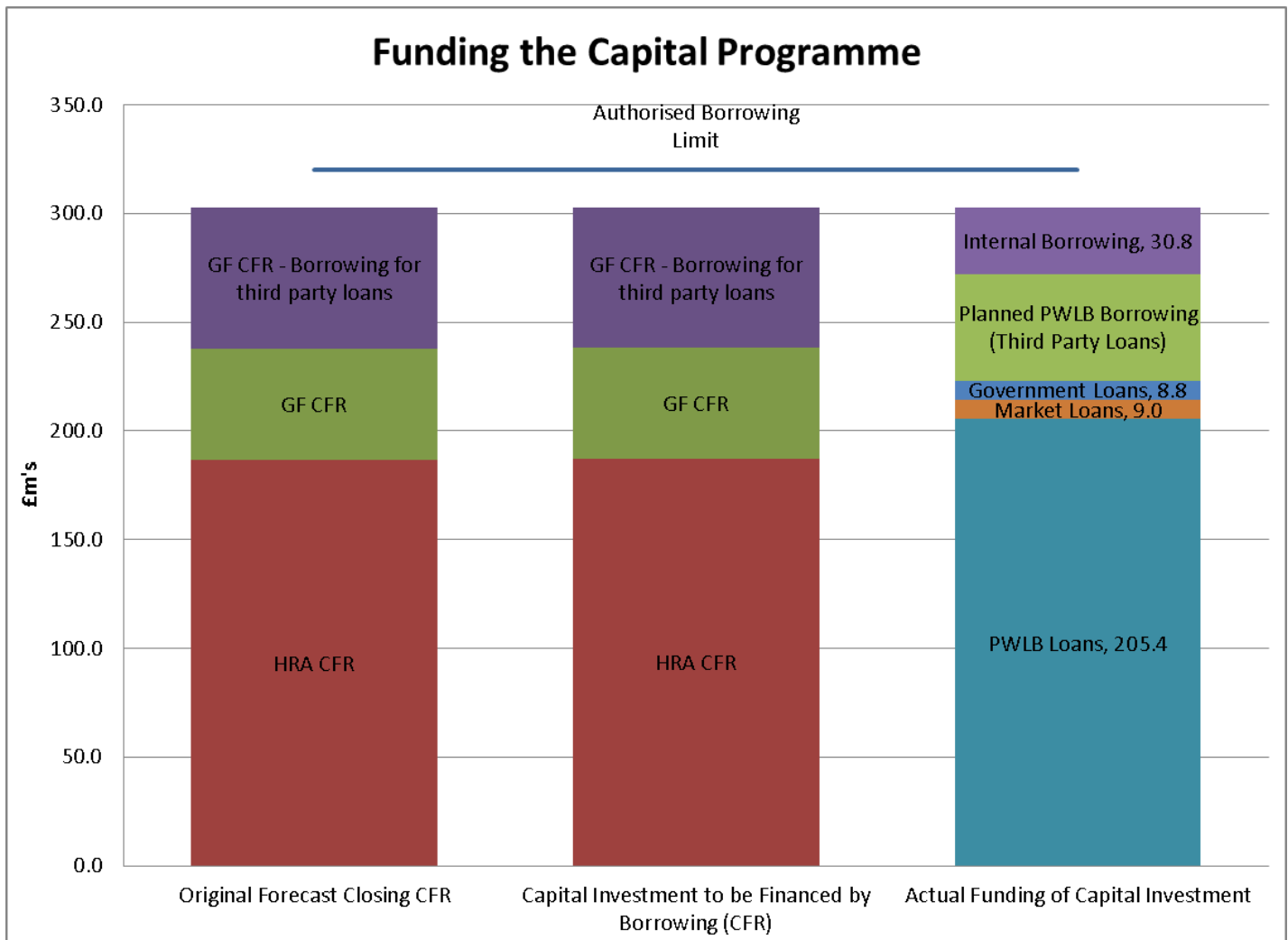
3.2.11 During the first six months of 2015-16 there were no opportunities for the Council to restructure its borrowing, due to the position of the Council's borrowing portfolio compared to market conditions. Further debt rescheduling will be considered subject to conditions being favourable but it is unlikely that opportunities will present themselves during this year. The position will be kept under review, and when opportunities for savings do arise, debt rescheduling

will be undertaken to meet business needs.

Funding the Capital Programme

3.2.12 The Treasury Management Strategy Statement (TMSS) sets out the plan for treasury management activities over the next year. It identifies where the authority expects to be in terms of borrowing and investment levels. When the 2015-16 TMSS was set, it was anticipated that the Capital Financing Requirement (CFR), the Council's liability for financing the agreed Capital Programme, at year end would be £303m (including borrowing to fund third party loans). This figure is naturally subject to change as a result of changes to the approved capital programme and the optimisation of financing.

3.2.13 The graph below compares the maximum the Council could borrow in 2015-16 (the affordable borrowing limit) with the forecast CFR at 31 March 2016 and the forecast of how this will be financed. The figures in the graph include both HRA and GF borrowing, including borrowing to fund third party loans. The majority (£193m) of external borrowing relates to the HRA, arising from the HRA self-financing reforms in March 2012, whereby the Council was required by central government to take on the debt associated with its housing stock.

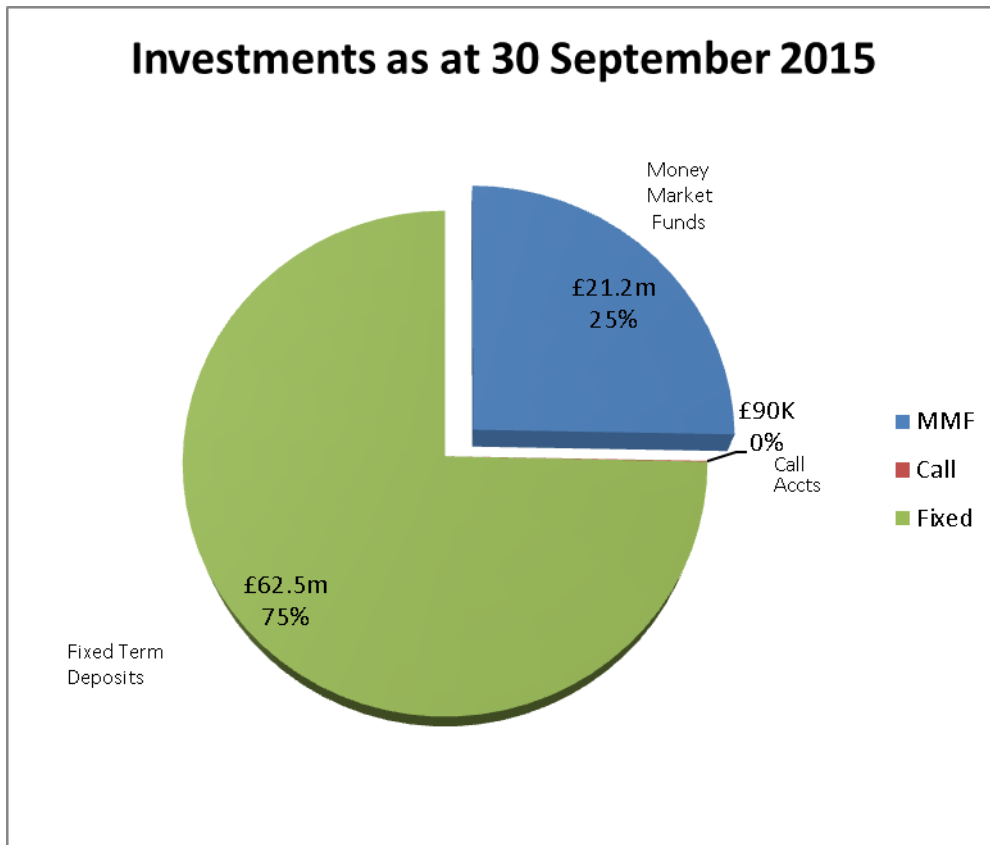


- 3.2.14 The graph shows that the Council's planned capital investment funded by borrowing is £17m below the Authorised Borrowing Limit set for the Council at the start of the year.
- 3.2.15 The graph also shows how the Council is planning to fund its 31 March 2016 borrowing requirement. £49m of external borrowing from the PWLB is expected to be undertaken to fund loans to third parties (primarily the University of Northampton); and £31m of internal borrowing is forecast by the end of the year, to finance capital investment. Internal borrowing is the use of the Council's surplus cash to finance the borrowing liability instead of borrowing externally.

Investments

- 3.2.16 Investment activity is carried out within the Council's counterparty policies and criteria, and with a clear strategy of risk management in line with the Council's treasury strategy for 2015-16. This ensures that the principle of considering security, liquidity and yield, in that order (SLY), is consistently applied. The Council will therefore aim to achieve the optimum return on investments commensurate with proper levels of security and liquidity. Any variations to agreed policies and practices are reported to Cabinet and Council.
- 3.2.17 The strategy currently employed by the Council of internal borrowing also has the effect of limiting the Council's investment exposure to the financial markets, thereby reducing credit risk.
- 3.2.18 As at 30 September the level of investments totalled £83.7m. The level of cash available for investment is as a result of reserves, balances and working capital the Council holds. These funds can be invested in money market deposits, placed in funds or used to reduce external borrowings.
- 3.2.19 All investments are made according to the requirements of the Council's Investment Strategy and agreed credit worthiness criteria. A breakdown of investments by type (Fixed Term, Money Market Funds, Call Accounts) are shown in the pie chart below.

Investments as at 30 September 2015



3.2.20 The table below compares the investment returns achieved over the six month period with 7 day Libid rate, which is used to benchmark performance.

| Investment Returns | | | |
|------------------------------------|-------------|--------------|----------------------------|
| | 7 day Libid | Average rate | Uplift to 7 day Libid Rate |
| | % | % | % |
| Apr-15 | 0.36 | 0.69 | 0.33 |
| May-15 | 0.36 | 0.72 | 0.36 |
| Jun-15 | 0.36 | 0.73 | 0.37 |
| Jul-15 | 0.36 | 0.75 | 0.39 |
| Aug-15 | 0.36 | 0.74 | 0.38 |
| Sep-15 | 0.36 | 0.73 | 0.37 |
| Average to end of September | 0.36 | 0.73 | 0.37 |

3.2.21 From the table, it can be seen that average rate of investments over the period was 0.73%, which is 0.37% above the average 7 day Libid of 0.36%.

3.2.22 Where appropriate, investments have been locked out for periods of up to one year with suitable counterparties, including the UK part nationalised banks, at higher rates of interest. In a rising interest rate environment it is appropriate to keep investments fairly short in duration so as to take advantage of interest rate rises as soon as they occur. The weighted average time to maturity of investments at 30 September is 138 days, and 191 days when excluding Call

Accounts and Money Market Fund investments.

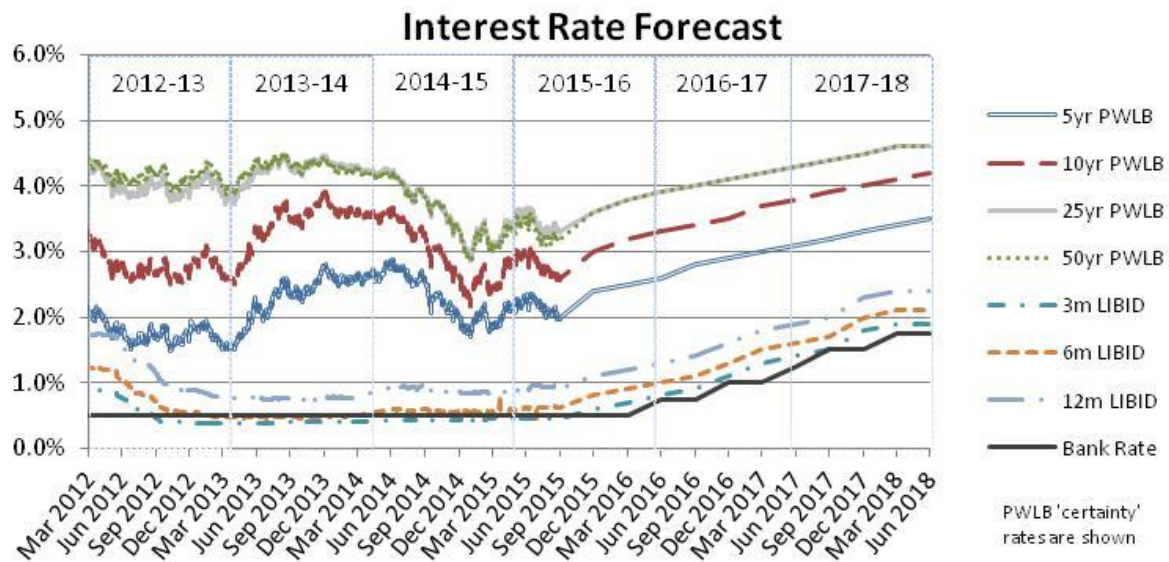
3.2.23 Leaving market conditions to one side, the Council's return on investment is influenced by a number of factors, the largest contributors being the duration of investments and the credit quality of the institution or instrument. Credit risk is a measure of the likelihood of default and is controlled through the creditworthiness policy approved by Council. The duration of an investment introduces liquidity risk; the risk that funds can't be accessed when required, and interest rate risk; the risk that arises from fluctuating market interest rates. These factors and associated risks are actively managed by the LGSS Treasury team together with the Council's Treasury Advisors.

3.2.24 During the six month period, two of the Council's counterparties with live investments have been affected by changes that have resulted in downgrades by Capita to the recommended investment period.

- Lloyds/ Bank of Scotland – The government announced its intention to continue to reduce its stake in the Lloyds banking group, and this resulted in a reduction in the Capita approved investment period from 12 months to 6 months, and a reduction in the NBC total approved exposure from £20m to £15m. NBC has reduced its exposure since May 2015 from £20m to £12m as at 30 September; of which £2m still remains outside the 6 month limit (maturing 26 April)
- Standard Chartered Bank – In late September, due to an upward trend in its CDS (Credit Default Swap) price this counterparty was removed from the Capita recommended counterparty list. The bank still currently has a relatively strong credit rating, but the CDS overlay in the credit rating methodology provided by Capita provides more current market intelligence around credit worthiness. NBC has a total of £7m invested with Standard Chartered Bank in the form of CDs (certificates of deposit), with maturity dates of 2 Nov 2015, 10 March 2015 and 4 May 2016. Currently there are no plans to sell these CDs before maturity, but treasury staff are monitoring the position and will take action if required. The Council will no longer place deposits with this bank unless or until the Credit Default Swap improves.

Outlook

3.2.25 The current interest rate forecast from Capita Asset Services is shown in the graph below.



3.2.26 The forecast for the first increase in Bank Rate remains in quarter 2 of 2016. However there are risks to this central forecast as the economic recovery in the UK is currently finely balanced.

3.2.27 Recent demands for the safe haven of gilts have depressed gilts yields and PWLB rates recently. Geopolitical events make forecasting PWLB rates highly unpredictable in the shorter term. It is assumed that these fears will subside and that safe haven flows into UK Gilts will unwind and rates will rise back again over the coming quarters.

3.2.28 The overall longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

3.2.29 From a strategic perspective, the Council is continually reviewing options as to the timing of any potential borrowing and also the alternative approaches around further utilising cash balances and undertaking shorter term borrowing which could potentially generate savings subject to an assessment of the interest rate risks involved. Cash flows in the last couple of years have been sufficiently robust for the Council to use its balance sheet strength and avoid taking on new borrowing. New external borrowing will be required at some point in the near to medium term to support the Councils capital programme.

Third Party Loans

3.2.30 As at 30 September a total of £17.1m of third party loans to local organisations were in place, of which £15.4m were funded by PWLB borrowing.

3.2.31 Unity Leisure – A loan of £300k was made Northampton Leisure Trust (NLT) in July 2015 to facilitate purchase a soft play facility, based in Northampton. The loan is repayable over 5 years on an EIP basis.

3.2.32 University of Northampton –The Council has worked with the South East Midlands Local Enterprise Partnership (SEMLEP) to secure the LEP project rate from PWLB for a loan facility of £46 million to support the creation of a waterside campus. The loan is expected to be drawn down during the last quarter of 2015-16. Alongside this Northamptonshire Enterprise Partnership (NEP) has worked with Northamptonshire County Council to secure a further £14m at the LEP project rate from PWLB for the same project.

3.2.33 The Cabinet received a report at its meeting on 24th November about the future of the loan to Northampton Town Football Club. Legal steps are under way to recover outstanding monies due to the Council on £10.2m of third party loans to the football club. The loans were granted to support stadia expansion and associated development.

3.2.34 Interest and principal repayments for all other loans have been paid in accordance with the loan agreements.

Regular monitoring

3.2.35 An investment register is maintained, and updated on a daily basis, showing current investments and deposit account balances with counterparties used, investment durations and interest rates achieved.

3.2.36 Monthly reconciliations are completed for outstanding investment principal, interest received, outstanding borrowing principal and interest paid to ensure all transactions have been made and recorded accurately.

3.2.37 The debt financing budget has been monitored monthly since the start of the year, with any significant variances reported as part of the corporate financial performance reports.

3.2.38 Prudential and treasury indicators are monitored on a regular basis, and any variances or breaches of the indicators are reported to Cabinet and Council on a timely basis.

Debt Financing Budget

3.2.39 The debt financing budget is currently forecast to underspend by £439k, as set out in the table below.

| DEBT FINANCING BUDGET 2015-16 | As at 30 September 2015 | | |
|---|-------------------------|--------------|--------------------|
| | Budget | Forecast | Variance to Budget |
| | £000 | £000 | £000 |
| Debt Financing & Interest | | | |
| Interest Payable | 1,119 | 885 | (234) |
| Interest Receivable | (670) | (1,116) | (445) |
| Soft Loan Adjustments | 0 | 0 | 0 |
| Minimum Revenue Provision | 1,229 | 1,204 | (26) |
| Recharges from/(to) HRA - Interest on cash balances | 102 | 367 | 266 |
| Total Debt Financing & Interest | 1,780 | 1,341 | (439) |

3.2.40 The forecast underspend is primarily due to the following:

- **Interest on borrowing (£242k)** – The anticipated timing of new and replacement borrowing has been postponed from the budgeted assumption of 1 April, due to the availability of cash resource to fund internal borrowing.
- **Investment interest (net of HRA recharge) (£173k)** - Investment balances are significantly higher than budgeted. Work is being carried out to scrutinise and verify the cash balances position.
- **MRP (£26k)** – There was a lower level of funding by borrowing in 2014-15 due to carry forwards in the capital programme.

Compliance with Treasury Limits and Prudential Indicators

3.2.41 With effect from 1st April 2004 The Prudential Code became statute as part of the Local Government Act 2003 and was revised in 2011.

3.2.42 The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable. To ensure compliance with this the Council is required to set and monitor a number of Prudential Indicators.

3.2.43 During the financial year to date the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement (TMSS) and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators are shown in Appendix 2. There have been no breaches of any indicators during the first half of the financial year.

Variations (if any) from or to agreed policies and practices

3.2.44 Compliance with agreed policies and practices has been monitored during the year to date. There have been no reported breaches in the first six months of this year.

Bank Overdraft Facilities

3.2.45 A cost-benefit exercise was undertaken in late 2014-15 to determine what level of overdraft facility represented best value for money for the Council, based on a risk assessment of possible overdrawn scenarios. As the Council maintains very tight control of its cash balances, it was determined that the most cost effective approach was not to renew the overdraft facility when it came up for renewal in April 2015. This change to the Council's Treasury Strategy was approved by the Chief Finance Officer.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The Council is required to adopt the latest CIPFA Treasury Management Code of Practice, and to set and agree a number of policy and strategy documents. These policy documents are reported to Cabinet and Council as part of the budget setting process. The Council's Treasury Strategy for 2015-16 was approved by Council on 23 February 2015.

4.1.2 This report complies with the requirement to submit a mid-year treasury management review report to Council.

4.2 Resources and Risk

4.2.1 The resources required for the Council's debt management and debt financing budgets are agreed annually through the Council's budget setting process. The latest debt financing budget position is shown in the body of the report.

4.2.2 The risk management of the treasury function is specifically covered in the Council's Treasury Management Practices (TMPs), which are reviewed annually. Treasury risk management forms an integral part of day-to-day treasury activities.

4.3 Legal

4.3.1 The Council is obliged to carry out its treasury management activities in line with statutory requirements and associated regulations and professional guidance.

4.4 Equality

4.4.1 An Equalities Impact Assessment was carried out on the Council's Treasury Strategy for 2015-16, and the associated Treasury Management Practices (TMPs) and the Schedules to the TMPs. The EIA assessment is that a full impact assessment is not necessary, as no direct or indirect relevance to equality and diversity duties has been identified

4.5 Consultees (Internal and External)

4.5.1 Consultation on treasury management matters is undertaken as appropriate with the Council's treasury advisors, Capita Asset Services, and with the Portfolio holder for Finance.

4.5.2 Under the regulatory requirements, the Audit Committee has been nominated by Council as the body responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices. This role includes the review of all treasury management policies and procedures, the review of all treasury management reports to Cabinet and Council, and the making of recommendations to Council. This report will be presented to Audit Committee at their meeting of 18 January 2016.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Management of performance in relation to treasury management activities supports the Council's priority of making every £ go further.

4.7 Other Implications

4.7.1 No other implications have been identified.

5. Background Papers

None

Glenn Hammons, Chief Finance Officer 0300 330 7000

**Economic Update provided by Capita Asset Services for the period to 30
September 2015**

UK

UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, possibly being equal to that of the US. However, quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a rebound in quarter 2 to +0.7% (+2.4% y/y). Growth is expected to weaken to about +0.5% in quarter 3 as the economy faces headwinds for exporters from the appreciation of Sterling against the Euro and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme, although the pace of reductions was eased in the May Budget. Despite these headwinds, the Bank of England August Inflation Report had included a forecast for growth to remain around 2.4 – 2.8% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero over the last quarter. Investment expenditure is also expected to support growth. However, since the report was issued, the Purchasing Manager's Index, (PMI), for services on 5 October would indicate a further decline in the growth rate to only +0.3% in Q4, which would be the lowest rate since the end of 2012. In addition, worldwide economic statistics and UK consumer and business confidence have distinctly weakened so it would therefore not be a surprise if the next Inflation Report in November were to cut those forecasts in August.

The August Bank of England Inflation Report forecast was notably subdued in respect of inflation which was forecast to barely get back up to the 2% target within the 2-3 year time horizon. However, with the price of oil taking a fresh downward direction and Iran expected to soon re-join the world oil market after the impending lifting of sanctions, there could be several more months of low inflation still to come, especially as world commodity prices have generally been depressed by the Chinese economic downturn.

There are therefore considerable risks around whether inflation will rise in the near future as strongly as had previously been expected; this will make it more difficult for the central banks of both the US and the UK to raise rates as soon as was being forecast until recently, especially given the recent major concerns around the slowdown in Chinese growth, the knock on impact on the earnings of emerging countries from falling oil and commodity prices, and the volatility we have seen in equity and bond markets in 2015 so far, which could potentially spill over to impact the real economies rather than just financial markets.

USA

The American economy made a strong comeback after a weak first quarter's growth at +0.6% (annualised), to grow by no less than 3.9% in quarter 2 of 2015. While there had been confident expectations during the summer that the Fed. could start increasing rates at its meeting on 17 September, or if not by the end of 2015, the

recent downbeat news about Chinese and Japanese growth and the knock on impact on emerging countries that are major suppliers of commodities, was cited as the main reason for the Fed's decision to pull back from making that start. The nonfarm payrolls figures for September and revised August, issued on 2 October, were disappointingly weak and confirmed concerns that US growth is likely to weaken. This has pushed back expectations of a first rate increase from 2015 into 2016.

EZ

In the Eurozone, the ECB fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This already appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.0% y/y) but came in at +0.4% (+1.5% y/y) in quarter 2 and looks as if it may maintain this pace in quarter 3. However, the recent downbeat Chinese and Japanese news has raised questions as to whether the ECB will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

Prudential and Treasury Indicators as at 30 November 2014

Prudential Indicators

Affordability

a) Estimate of the ratio of financing costs to net revenue stream

| Ratio of financing costs to net revenue stream | | |
|--|---------------|---|
| | 2015-16 | 2015-16 |
| | Estimate % | Forecast as at 30 September 2015 |
| General Fund | 7.04% | 5.30% |
| HRA | 35.94% | 35.45% |

b) Estimate of the incremental impact of capital investment decisions on the council tax

| Estimates of incremental impact of new capital investment decisions on the Council Tax | |
|--|-----------------|
| | 2015-16 |
| | Estimate £.p |
| General Fund | 0.47 |

This indicator is set before the start of the financial year, in the context of the budget setting process, which feeds into the setting of Council Tax and Housing Rents. As these are set and fixed for the financial year ahead, any capital investment decisions made during the year cannot impact on the existing Council Tax and Housing rent levels. This means that new capital investment plans approved during the year must be funded externally or from within existing resources.

c) Estimate of the incremental impact of capital investment decisions on the housing rents

| Estimates of incremental impact of new capital investment decisions on weekly housing rents | |
|---|-----------------|
| | 2015-16 |
| | Estimate £.p |
| HRA | 20.10 |

This indicator is set before the start of the financial year, in the context of the budget setting process, which feeds into the setting of Council Tax and Housing Rents. As these are set and fixed for the financial year ahead, any capital investment decisions made during the year cannot impact on the existing Council Tax and Housing rent levels. This means that new capital investment plans approved during the year must be funded externally or from within existing resources.

Prudence

d) Gross debt and the capital financing requirement (CFR)

| Gross external debt less than CFR | | | | |
|---|-----------------------------|---------------------------------------|-----------------------------|---------------------------------------|
| | Excluding third party loans | | Including third party loans | |
| | 2015-16 Budgeted | 2015-16 Forecast at 30 Sep 2015 | 2015-16 Budgeted | 2015-16 Forecast at 30 Sep 2015 |
| | £000 | £000 | £000 | £000 |
| Gross external debt at 30 Sep 2015 | 206,850 | 207,366 | 222,396 | 220,508 |
| 2014-15 Closing CFR | 236,473 | 235,714 | 253,738 | 251,229 |
| Changes to CFR: | | | | |
| 2015-16 | 1,533 | 2,433 | 49,082 | 51,732 |
| 2016-17 | 910 | 8,760 | 657 | 8,508 |
| 2017-18 | 7,379 | 7,230 | 7,125 | 6,976 |
| Adjusted CFR | 246,295 | 254,137 | 310,602 | 318,445 |
| Gross external debt less than adjusted CFR | Yes | Yes | Yes | Yes |

Capital Expenditure

e) Estimate of capital expenditure

| Capital Expenditure | | |
|----------------------------|------------------|--|
| | 2015-16 | 2015-16 |
| | Estimate £000 | Outturn Forecast at 30 Sep 2015 £000 |
| General Fund | 13,187 | 21,203 |
| HRA | 26,593 | 36,148 |
| Total | 39,780 | 57,351 |
| Loan to Third Parties | 47,800 | 49,550 |
| Total | 87,580 | 106,901 |

f) Estimates of capital financing requirement (CFR)

| Capital Financing Requirement (Closing CFR) | | |
|--|------------------|----------------------------------|
| | 2015-16 | 2015-16 |
| | Estimate £000 | Forecast at 30 Sep 15 £000 |
| General Fund | 51,203 | 50,744 |
| HRA | 186,803 | 187,403 |
| Total | 238,006 | 238,147 |
| Loan to Third Parties | 64,814 | 64,814 |
| Total | 302,820 | 302,961 |

External Debt

g) Authorised limit for external debt

| Authorised Limit for external debt | | |
|---|------------------|--|
| | 2015-16 | 2015-16 |
| | Boundary £000 | Actual as at 30 Sep 2015 £000 |
| Borrowing | 315,000 | 223,404 |
| Other long-term liabilities | 5,000 | 496 |
| TOTAL | 320,000 | 223,900 |

h) Operational boundary for external debt

| Operational boundary for external debt | | |
|--|------------------|--|
| | 2015-16 | 2015-16 |
| | Boundary £000 | Actual as at 30 Sep 2015 £000 |
| Borrowing | 305,000 | 223,404 |
| Other long-term liabilities | 5,000 | 496 |
| TOTAL | 310,000 | 223,900 |
| | | |

i) HRA Limit on Indebtedness

| HRA Limit on Indebtedness | |
|---------------------------|---|
| 2015-16 | 2015-16 |
| £000 | Forecast Closing HRA CFR 31 March 2015 as at 30 Sep 2015 £000 |
| 290,001 | 187,403 |

i) Adoption of the CIPFA code of Practice for Treasury Management in the Public Services

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (the Treasury Code). The adoption is included in the Council's Constitution (Feb 2013) at paragraph 6.10 of the Financial Regulations.

Treasury Indicators

1a. Upper Limits on interest rate exposures – investments

| Upper limits on interest rate exposures - Investments | | |
|---|---------|----------------------------------|
| | 2015-16 | 2015-16 |
| | Limit % | Actual as at 30 September 2015 % |
| Fixed Interest Rate Exposures | 100% | 75% |
| Variable Interest Rate Exposures | 100% | 25% |

1b. Upper limits on interest rate exposures – Borrowing

| Upper limits on interest rate exposures - Borrowing | | |
|---|---------|----------------------------------|
| | 2015-16 | 2015-16 |
| | Limit % | Actual as at 30 September 2015 % |
| Fixed Interest Rate Exposures | 100% | 96% |
| Variable Interest Rate Exposures | 100% | 4% |

Figures exclude borrowing for third party loans

1c. Upper limits on interest rate exposures - Net borrowing

| Upper limits on interest rate exposures - Investments and Borrowing | | |
|---|---------|----------------------------------|
| | 2015-16 | 2015-16 |
| | Limit % | Actual as at 30 September 2015 % |
| Fixed Interest Rate Exposures | 150% | 110% |
| Variable Interest Rate Exposures | 150% | -10% |

Figures exclude borrowing for third party loans

2. Total principal sums invested for periods longer than 364 days

| Upper limit on investments for periods longer than 364 days | | |
|---|---------------------|----------------------------------|
| | 2015-16 | 2015-16 |
| | Upper Limit £000 | Actual at 30 Sep 2015 £000 |
| Investments longer than 364 days | 4,000 | 2,500 |

3. Maturity Structure of Borrowing

| Maturity structure of borrowing | | | |
|---------------------------------|------------------|------------------|-------------------------------|
| | 2015-16 | 2015-16 | 2015-16 |
| | Lower Limit % | Upper Limit % | Actual at 30 Sep 2015 % |
| Under 12 months | 0% | 20% | 5% |
| 1-2 years | 0% | 20% | 3% |
| 2-5 years | 0% | 20% | 3% |
| 5-10 years | 0% | 20% | 13% |
| 10 -20 years | 0% | 40% | 15% |
| 20-30 years | 0% | 60% | 0% |
| 30-40 years | 0% | 80% | 0% |
| Over 40 years | 0% | 100% | 60% |

The table shows the maturity structure of Council's mainstream loans (excluding borrowing to fund third party loans).

The guidance for this indicator requires that LOBO loans are shown as maturing at the next possible call date rather than at final maturity. The Council's LOBO loan is therefore included in the figure maturing in less than 12 months.

Appendix 3

NBC Investment Portfolio as at 30 September 2015

| Class | Type | Deal Ref | Start / Purchase Date | Maturity Date | Counterparty | Profile | Rate | Principal O/S (£) |
|----------------------|-------|------------|-----------------------|---------------|---|----------|---------|-----------------------|
| Deposit | Fixed | NBC/LT/77 | 16/12/14 | 16/12/16 | Blaenau Gwent County Borough Council | Maturity | 0.9300% | -2,500,000.00 |
| Deposit | Fixed | NBC/ST/79 | 07/01/15 | 06/01/16 | Bank of Scotland plc | Maturity | 1.0000% | -2,500,000.00 |
| Deposit | Fixed | NBC/ST/82 | 16/02/15 | 15/02/16 | Bank of Scotland plc | Maturity | 1.0000% | -2,500,000.00 |
| Deposit | Fixed | NBC/ST/83 | 20/02/15 | 19/02/16 | DBS Bank Ltd | Maturity | 0.7000% | -3,000,000.00 |
| Deposit | Fixed | NBC/ST/84 | 26/02/15 | 25/02/16 | Bank of Scotland plc | Maturity | 1.0000% | -3,000,000.00 |
| Deposit | Fixed | NBC/ST/93 | 26/03/15 | 24/03/16 | Bank of Scotland plc | Maturity | 1.0000% | -2,000,000.00 |
| Deposit | Fixed | NBC/ST/95 | 15/04/15 | 15/10/15 | Nationwide Building Society | Maturity | 0.6600% | -3,000,000.00 |
| Deposit | Fixed | NBC/ST/96 | 28/04/15 | 26/04/16 | Bank of Scotland plc | Maturity | 1.0000% | -2,000,000.00 |
| Deposit | Fixed | NBC/ST/97 | 01/05/15 | 02/11/15 | Standard Chartered Bank | Maturity | 0.6900% | -2,000,000.00 |
| Deposit | Fixed | NBC/ST/98 | 06/05/15 | 06/11/15 | Nationwide Building Society | Maturity | 0.6600% | -3,000,000.00 |
| Deposit | Fixed | NBC/ST/99 | 06/05/15 | 04/05/16 | Standard Chartered Bank | Maturity | 0.8700% | -2,000,000.00 |
| Deposit | Fixed | NBC/ST100 | 14/05/15 | 13/05/16 | Royal Bank of Scotland plc | Maturity | 0.8700% | -5,000,000.00 |
| Deposit | Fixed | NBC/ST/101 | 01/06/15 | 27/05/16 | Skandinaviska Enskilda Banken AB | Maturity | 0.8100% | -5,000,000.00 |
| Deposit | Fixed | NBC/ST/102 | 04/06/15 | 02/06/16 | Royal Bank of Scotland plc | Maturity | 0.8900% | -5,000,000.00 |
| Deposit | Fixed | NBC/ST/106 | 09/06/15 | 09/12/15 | DBS Bank Ltd | Maturity | 0.6000% | -4,000,000.00 |
| Deposit | Fixed | NBC/ST/107 | 10/06/15 | 10/03/16 | Standard Chartered Bank | Maturity | 0.7800% | -3,000,000.00 |
| Deposit | Fixed | NBC/ST/108 | 24/06/15 | 18/12/15 | Goldman Sachs International Bank | Maturity | 0.7650% | -2,000,000.00 |
| Deposit | Fixed | NBC/ST/109 | 04/08/15 | 02/08/16 | Skandinaviska Enskilda Banken AB | Maturity | 0.7700% | -3,000,000.00 |
| Deposit | Fixed | NBC/ST/110 | 09/09/15 | 07/09/16 | Royal Bank of Scotland plc | Maturity | 0.9400% | -5,000,000.00 |
| Deposit | Fixed | NBC/ST/111 | 10/09/15 | 10/03/16 | Landesbanken Hessen-Thuringen Girozentrale (Helaba) | Maturity | 0.7700% | -3,000,000.00 |
| Fixed Total | | | | | | | | -62,500,000.00 |
| Deposit | Call | NBC/CE/1 | 31/03/14 | | HSBC Bank plc | Maturity | 0.0500% | -90,000.00 |
| Call Total | | | | | | | | -90,000.00 |
| Deposit | MMF | NBC/CE/3 | 31/03/14 | | SLI Sterling Liquidity/CI 2 | Maturity | 0.4997% | -6,170,000.00 |
| Deposit | MMF | NBC/CE/4 | 31/03/14 | | Insight Liquidity Sterling C3 | Maturity | 0.4585% | -155,000.00 |
| Deposit | MMF | NBC/CE/63 | 01/07/14 | | LGIM Sterling Liquidity 4 | Maturity | 0.4861% | -14,850,000.00 |
| MMF Total | | | | | | | | -21,175,000.00 |
| Deposit Total | | | | | | | | -83,765,000.00 |