**Wiltshire Council**

**Council**

**12 July 2016**

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# Annual Report on Treasury Management 2015-16

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**Executive Summary**

In accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) (the accountancy body for the public services) Prudential Code for Capital Finance in Local Authorities 2003 (The Prudential Code), the Council adopted a Treasury Management Strategy (TMS) for 2015-16, including a set of Prudential and Treasury Indicators (Prls/Trls) and an Annual Investment Strategy (AIS) at its meeting on 24 February 2015. The Strategy report can be found in the Council agenda reports pack at the following Link, Item 9, Pages 167 to 190. This report shows how the Council has performed against the strategy.

The Treasury Strategy was adhered to in 2015-16; the average long term borrowing rate was 3.769%; and the return on short term investments was 0.56%.


**Proposals**

Following consideration by Cabinet at its meeting on 14 June 2016, the Council is asked to consider and note:

a) Prudential Indicators, Treasury Indicators and other treasury management strategies set for 2015-16 against actual positions resulting from actions within the year as detailed in Appendix A; and

c) investments during the year in the context of the Annual Investment Strategy as detailed in Appendix B.

**Reasons for Proposals**

To give members an opportunity to consider the performance of the Council against the parameters set out in the approved Treasury Management Strategy for 2015-16.

This report is required by the Prudential Code for Capital Finance in Local Authorities and the CIPFA Code of Practice for Treasury Management in the Public Services.


**Michael Hudson**
**Associate Director, Finance**

**Wiltshire Council**

**Council**

**12 July 2016**

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**Annual Report on Treasury Management 2015-16**

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## 1. Background & Purpose of Report

1.1 In accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) (the accountancy body for the public services) Prudential Code for Capital Finance in Local Authorities 2003 (The Prudential Code), the Council adopted a Treasury Management Strategy (TMS) for 2015-16, including a set of Prudential and Treasury Indicators (PrIs/TrIs) and an Annual Investment Strategy (AIS) at its meeting on 24 February 2015. The Strategy report can be found in the Council agenda reports pack at the following Link, Item 9, Pages 167 to 190.

1.2 A quarterly report for the period from 1 April to 31 December 2015 was submitted to Cabinet on 15 March 2016. This report covers the whole financial year ended 31 March 2016.

## 2. Main Considerations for the Council

2.1 This report reviews:

a) PrIs, TrIs and other treasury management strategies set for 2015-16 against actual positions resulting from actions within the year (see Appendix A); and

b) investments during the year in the context of the Annual Investment Strategy (see Appendix B).

2.2 There were no opportunities to restructure Public Works Loan Board (PWLB) loans in 2015-16, mainly because of the continuing high level of premiums payable for early repayment. However, the Council did refinance a £10 million PWLB loan that matured in March 2016 with a PWLB loan at a lower interest rate.

**Lender Option Borrower Option (LOBO) Loans**

2.3 During the beginning/middle of March 2016 there were comments in the press relating to local authority LOBO loans. As members will be aware, Wiltshire Council has LOBO loans in its loan portfolio, however, they currently total less than 20% of the loan portfolio.

2.4 All this Council's LOBO loans are the 'plain vanilla' type and not the exotic version and we adhere to a Treasury Strategy of paying off any LOBO loan where the lender exercises their option to increase the interest rate on any contracted call date.

**Review of Prudential and Treasury Indicators and Treasury Management Strategy for 2015-16**

2.5 The detail of the review is given in Appendix A. The Council is asked to note that:

a) all action has been within the approved PrIs and TrIs;

b) the average interest rate for long term debt has decreased (from 3.823%) to 3.769%, the decrease being due to the maturity of two PWLB loans and the refinancing of one of them at a lower rate (albeit for a shorter period) during the year. The amount of loans outstanding has reduced by £2 million between 1 April 2015 and 31 March 2016 as a result of an earlier maturity, which was not refinanced; and

c) short term cash deficits and surpluses were managed through temporary loans and deposits with a return on short term investments of 0.56% (a decrease from 0.60% in 2014-15, reflecting decreases in the market during the year). This compares with the average market rate, based on the Average 3 Month LIBID Rate for 2015-16 (London Interbank Bid Rate, i.e. the rate at which banks are prepared to borrow from other banks) of 0.46% (0.43% for 2014-15).

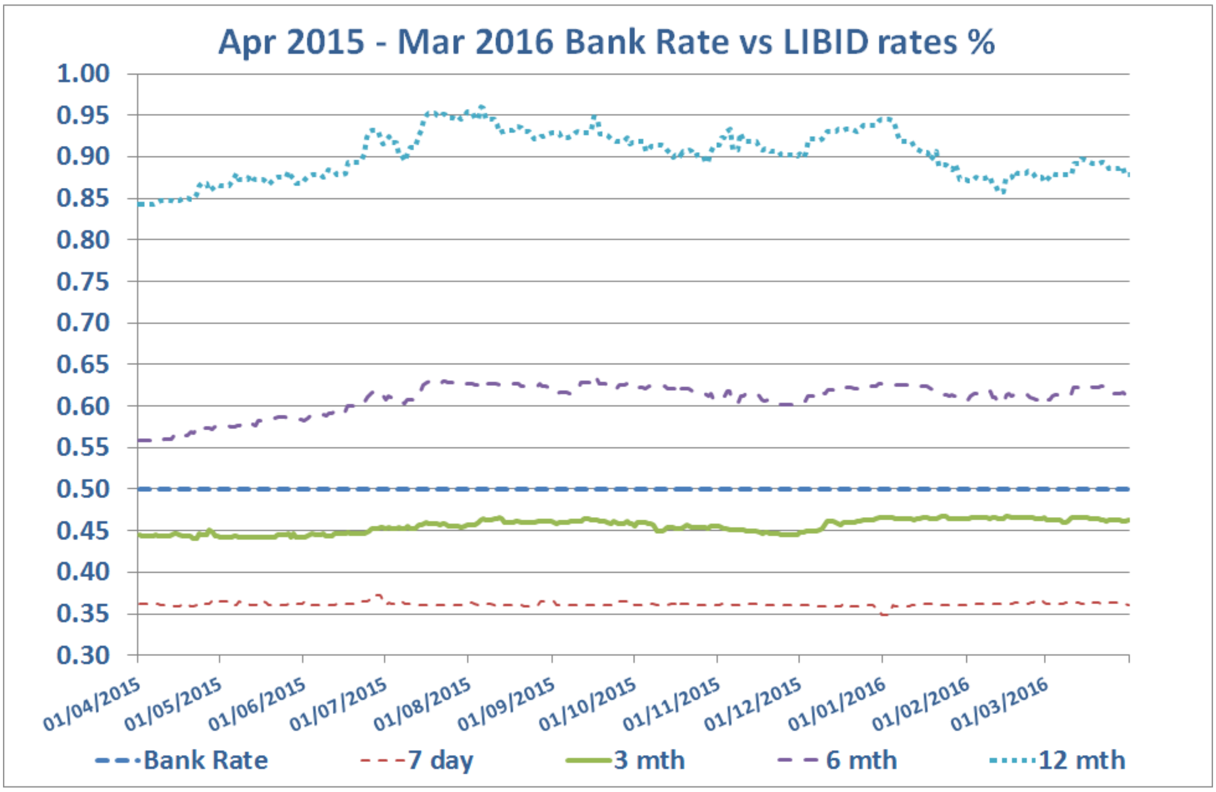
**Review of Investment Strategy**

2.6 This review is detailed in Appendix B. The Council is asked to note that:

a) the financial year 2015-16 continued the challenging investment environment of previous years, namely low investment returns.

b) Bank Rate remained at its historic low of 0.50% throughout the year; it has now remained unchanged for seven years. Capita are currently projecting that the start of monetary tightening (when the Bank of England is expected to start raising interest rates) will occur around the first quarter of 2017. However, under current market this is difficult to predict. Deposit rates remained depressed during the whole of the year.

c) as can be seen from the chart below, interest (investment) rates remained relatively low/flat during the financial year, as measured by the London Interbank Bid (LIBID) rate (i.e. the bid rate banks are willing to pay other banks for deposits in the London interbank market).




## 3. Safeguarding Implications

3.1 None have been identified as arising directly from this report.

## 4. Public Health Implications

4.1 None have been identified as arising directly from this report.

## 5. Corporate Procurement Implications

5.1 None have been identified as arising directly from this report.

## 6. Equalities Impact of the Proposal

6.1 None have been identified as arising directly from this report.

## 7. Environmental and Climate Change Considerations

7.1 None have been identified as arising directly from this report.

## 8. Risks Assessment and Financial Implications

8.1 The primary treasury management risks to which the Council is exposed are adverse movements in interest rates and the credit risk of counterparties.

8.2 Investment counterparty[1] risk is controlled by assessing and monitoring the credit risk of borrowers as authorised by the Annual Investment Strategy. Appendix B of this report details action taken in 2015-16.

8.3 At 31 March 2016, the Council's average interest rate in respect of long term debt was 3.769%.

8.4 It is also considered important to ensure that there is an even spread of loans to avoid the prospect of a number of high value loans maturing in any one year, which may need to be re-financed at a time when interest rates are high. A summary of the present loan maturity profile is shown in Appendix C (i).

8.5 Returns on short term investments have not moved significantly, mainly as a result of the volatility of the market following the 'credit crunch' starting in October 2008 and are likely to continue at near current levels for some time. The costs of borrowing for this Council have remained at similar levels because the loan profile is almost entirely at fixed maturity rates (despite the unexpected change of policy on PWLB lending arrangements in October 2010, when new borrowing rates increased by 0.75% to 0.85%, without an associated increase in early redemption rates). The investment rate of return for the year was 0.56%, against the average borrowing rate of 3.769%.

8.6 Market expectations for the first increase in Bank Rate moved considerably during 2015/16, starting at quarter 3 2015 but soon moving back to quarter 1 2016. However, by the end of the year, market expectations had moved back radically to quarter 2 2018 due to many fears including concerns that China's economic growth could be heading towards a hard landing; the potential destabilisation of some emerging market countries particularly exposed to the Chinese economic slowdown; and the continuation of the collapse in oil prices during 2015 together with continuing Eurozone growth uncertainties.

8.7 These concerns have caused sharp market volatility in equity prices during the year with corresponding impacts on bond prices and bond yields due to safe haven flows. Bank Rate, therefore, remained unchanged at 0.5% for the seventh successive year. Economic growth (GDP) in 2015/16 has been disappointing with growth falling steadily from an annual rate of 2.9% in quarter 1 2015 to 2.1% in quarter 4.

8.8 PWLB rates have fallen during the year, however, they are expected to rise steadily over the next three years as the Bank Rate rises and the UK economy continues to improve.

[1] A Counterparty is a term most commonly used in the financial services industry to describe a legal entity, unincorporated entity or collection of entities (e.g. lender/borrower) to which an exposure to financial risk might exist.

## 9. Legal Implications

9.1 None have been identified as arising directly from this report.

## 10. Options Considered

10.1 The availability of any longer term investment opportunities, such as those offered by "special tranche rates", is continually monitored.

10.2 Also any options available to provide savings from rescheduling long term borrowing are continually assessed in liaison with our treasury advisers.

## 11. Conclusion

11.1 Council is asked to note the report.

Michael Hudson
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**Background Papers**

The following unpublished documents have been relied on in the preparation of this Report: NONE

**Appendices**

Appendix A Review of Prudential and Treasury Indicators for 2015-16
Appendix B Review of Investment Strategy for 2015-16
Appendix C Summary of Long Term Loans, Temporary Loans and Deposits for 2015-16

**APPENDIX A**

**REVIEW OF PRUDENTIAL AND TREASURY INDICATORS FOR 2015-16**

1. Where appropriate the figures shown in this report are consistent with the PrI and TrI estimates in the Strategy for the next three years, as reviewed and reported as part of the 2015-16 budget process.

**Prudential Indicators**

PrI 1 - Capital Expenditure

2. The table below shows the original and revised estimate of capital expenditure against the actual for the year 2015-16:

| | **2015-16 Original Estimate £ million** | **2015-16 Revised Estimate £ million** | **2015-16 Actual Outturn £ million** |
|---|---|---|---|
| General Fund | 131.7 | 110.5 | 101.6 |
| Housing Revenue Account | 15.3 | 12.2 | 13.3 |

3. The actual capital spends have increased from those reported in the December quarterly report because of additional capital expenditure incurred between the end of December 2015 and the end of March 2016.

4. The Capital Programme has been actively managed throughout the year and the revised capital budget (capital outturn position for 2015-16) is £131.4 million. Further breakdown of these figures was presented to Cabinet at its meeting on 14 June 2016.

PrI 2 – Ratio of Financing Costs to Net Revenue Stream

5. PrI 2 expresses the net costs of financing as a percentage of the funding receivable from the Government and council tax payers (General Fund) and rents receivable (HRA). The net cost of financing includes interest and principal repayments for long and short term borrowing, as well as other credit-like arrangements, netted off by interest receivable from cash investments.

| | **2015-16 Original Estimate** | **2015-16 Revised Estimate** | **2015-16 Actual** |
|---|---|---|---|
| General Fund | 7.3% | 7.1% | 7.0% |
| Housing Revenue Account | 14.6% | 14.7% | 14.9% |

6. In terms of the General Fund slight differences between budgeted and actual costs led to a minor decrease in actual ratio when compared with the revised estimate. The actual ratio is also slightly lower than the revised estimate and the figure reported in the December 2014 quarterly report, reflecting a higher level of investment income than anticipated.

PrI 3 – Estimate of Incremental Impact of Capital Investment Decisions on the Council Tax

7. This indicator is only relevant during budget setting, as it reflects the impact on the Band D Council Tax, or average weekly housing rents in respect of the HRA, caused by any agreed changes in the capital budget.

PrI 4 – Gross Borrowing and the Capital Financing Requirement

8. PrI 4 measures the so called "Golden Rule" which ensures that borrowing is only for capital purposes. The table below shows the original and revised estimate for 2015-16 compared with the actual position at the year end.

| | **2015-16 Original Estimate £ million** | **2015-16 Revised Estimate £ million** | **2015-16 Actual £ million** |
|---|---|---|---|
| CFR – General Fund | 416.2 | 413.8 | 394.7 |
| CFR – HRA | 122.6 | 122.6 | 122.6 |
| Gross Borrowing – Gen Fund | 289.1 | 280.1 | 231.1 |
| Gross Borrowing – HRA | 118.8 | 118.8 | 118.8 |
| **CFR not funded by gross borrowing – Gen Fund** | **127.1** | **133.7** | **163.6** |
| **CFR not funded by gross borrowing – HRA** | **3.8** | **3.8** | **3.8** |

9. The Capital Financing Requirement (CFR) increases whenever capital expenditure is incurred. If resourced immediately (from capital receipts, direct revenue contributions or capital grant/contributions) the CFR will reduce at the same time that the capital expenditure is incurred, with no net increase in CFR.

10. Where capital expenditure is not resourced immediately, there is a net increase in CFR, represented by an underlying need to borrow for capital purposes, whether or not external borrowing actually occurs. The CFR may then reduce over time by future applications of capital receipts, capital grants/contributions or further charges to revenue.

11. This PrI is necessary, because under an integrated treasury management strategy (in accordance with best practice under the CIPFA Code of Practice on Treasury Management in the Public Services), borrowing is not associated with particular items or types of expenditure, whether revenue or capital

12. The difference between actual external (gross) borrowing (£231.1 million) and the CFR (CFR not funded by gross borrowing above) is capital expenditure met by internal borrowing, i.e. funded from the Council's own funds, such as reserves and balances and working capital (an accounting term for the difference, at a point in time, between what the Council owes and what is owed to it).

13. Internal borrowing is cheaper than external borrowing (see paragraph 8.5 of the main report), however, the ability to borrow internally will depend upon the sufficiency of reserves, balances and working capital. The sufficiency needs to be monitored and projections carried out to indicate where any adverse movements are expected, that could jeopardise the Council's cash flow position, making it necessary to replace internal with external borrowing.

PrI 5 – Compliance with CIPFA Code of Practice for Treasury Management in the Public Services ("The Code")

**In the past year the Council was fully compliant with the CIPFA Code of Practice for Treasury Management in the Public Services.**

14. This Code of Practice has been complied with during 2015-16.

**Treasury Management Indicators within the Prudential Code**

TrI 1 – Authorised Limit for External Debt

| Authorised Limit | 2015-16 £ million | 2016-17 £ million | 2017-18 £ million | 2018-19 £ million |
|---|---|---|---|---|
| Borrowing – General Fund | 448.2 | 471.7 | 483.0 | 466.6 |
| Borrowing – HRA | 123.2 | 123.2 | 123.2 | 123.2 |
| **Total Borrowing** | **571.4** | **594.9** | **606.2** | **589.8** |
| Other Long Term Liabilities | 0.2 | 0.2 | 0.2 | 0.2 |
| **TOTAL** | **571.6** | **595.1** | **606.4** | **590.0** |

15. This Authorised Limit was not exceeded at any time during the year, as maximum borrowing was below the (lower) Operational Boundary.

TrI 2 – Operational Boundary for External Debt

| Operational Boundary | 2015-16 £ million | 2016-17 £ million | 2017-18 £ million | 2018-19 £ million |
|---|---|---|---|---|
| Borrowing – General Fund | 437.2 | 460.2 | 471.2 | 455.2 |
| Borrowing – HRA | 123.2 | 123.2 | 123.2 | 123.2 |
| **Total Borrowing** | **560.4** | **583.4** | **594.4** | **578.4** |
| Other Long Term Liabilities | 0.2 | 0.2 | 0.2 | 0.2 |
| **TOTAL** | **560.6** | **583.6** | **594.6** | **578.6** |

16. This TrI is for gross borrowing and was set at a limit that would allow the Council to take its entire financing requirement as loans if this was the most cost effective alternative. The limit on HRA borrowing is capped in 2015-16 at £123.2 million. The limits, which have not been exceeded during the period covered by this report, are set to anticipate expected expenditure. The maximum gross borrowing during the year being £351.9 million (£233.1 million on General Fund and £118.8 on HRA) at the beginning of the financial year up to 31 May 2015. In June 2015 a fixed rate PWLB loan (for £2 million) matured and was not refinanced.

TrI 3 – External debt

| | 31/3/15 Actual £ million | 31/3/16 Expected £ million | 31/3/16 Actual £ million |
|---|---|---|---|
| Borrowing – General Fund | 233.1 | 251.1 | 231.1 |
| Borrowing – HRA | 118.8 | 118.8 | 118.8 |
| **Total Borrowing** | **351.9** | **369.9** | **349.9** |
| Other Long Term Liabilities | £0.2 | 0.2 | £0.2 |
| **TOTAL** | **352.1** | **370.1** | **350.1** |

17. This TrI shows the gross External Debt outstanding at year end. The actual borrowing figure is outstanding long term borrowing as shown in Appendix C (i). Actual borrowing was less than expected at the end of 2015-16, partially due to the reduced borrowing position as a result of not refinancing one of the maturing loans, together with the actual underlying borrowing requirement for capital projects being lower than anticipated.

18. As can be seen in the above table, actual General Fund Borrowing has decreased by £2 million (net), between 31st March 2015 and 31st March 2016. Two PWLB loans matured during 2015-16, a £2 million loan in June 2015 and a £10 million loan in March 2016, which was refinanced for a further three years, at a lower interest rate, to strengthen the Council's cash position and maintain a manageable gap between actual borrowing and the underlying borrowing requirement (per the CFR).

**Treasury Management Indicators within the Treasury Management Code**

TrI 4a and 4b – Upper Limit on Fixed Interest Rate Exposures and Interest Rate Exposures, respectively

**The Council's upper limit for fixed interest rate exposure for the period 2015-16 to 2018-19 is 100% of net outstanding principal sums.**

**The Council's upper limit for variable interest rate exposure is 47% for 2015-16, 52% for 2016-17, 54% for 2017-18 and 56% for 2018-19 of net outstanding principal sums.**

19. All loans and investments are at fixed rates of interest.

TrI 5 – Maturity Structure of Borrowing

| **Limits on the Maturity Structure of Borrowing** | **Upper Limit** | **Lower Limit** | **Actuals 31/3/16**<br><br>**Next Call Date** | **Actuals 31/3/16**<br><br>**Contracted Maturity** |
|---|---|---|---|---|
| Maturing Period: | | | | |
| - under 12 months | 15% | 0% | 16.6% | 3.4% |
| - 12 months and within 24 months | 15% | 0% | 4.0% | 2.9% |
| - 2 years and within 5 years | 45% | 0% | 6.5% | 6.5% |
| - 5 years and within 10 years | 75% | 0% | 13.7% | 12.0% |
| - 10 years and above | 100% | 0% | 59.2% | 75.2% |

20. In addition to the main maturity indicators it is considered prudent that no more than 15% of long term loans should fall due for repayment within any one financial year. Using CIPFAs guidance notes, it is recommended that treasury reports show LOBOs at the next call date, however, the Code states that LOBOs should be shown in the accounts disclosure notes when “the counterparty could first require payment”. This would ordinarily be the maturity date (further details are shown in Appendix C(i)).

21. Applying the CIPFA recommendation, for the treasury report, the actual maximum percentage falling due for repayment in any one year is currently 16.6% (£58 million) in 2016-17. This takes it, temporarily, (marginally) over the 15% and in excess of the upper limit on the maturity structure of borrowing. However, this is not the case if the alternative (contracted maturity date) is applied. 79% of the £58 million shown as maturing in 2016-17, by the recommended method, relates to LOBO loans. Through call options, the lender has the right to change the interest rate at various points, in which case the Council will repay the loans and consider whether it needs to refinance them. In the current interest rate climate (where interest rates are expected to remain low for some time – Bank Rate is not anticipated to rise until at least quarter 1 2017 and the Bank of England has stated that it expects to raise rates slowly) they are extremely unlikely to be called. The average interest rate on present long-term debt is 3.769%, which continues to be relatively low when compared with other local authority borrowing rates.

TrI 6 – Total Principal Sums invested for periods longer than 364 days

22. This TrI is covered by the Annual Investment Strategy, which is detailed in Appendix B.

**Other Treasury Management issues**

***Short Term Cash Deficits and Surpluses***

23. It was agreed, as per the approved Strategy, that temporary loans and deposits would be used to cover short term cash surpluses and deficits that arise during the year. Such borrowing or investments would be made to specific dates at fixed

rates, with reference to cash flow requirements. Investments have also been placed in Money Market Funds during the year.

24. Any outstanding temporary loans and/or deposits are summarised in Appendix C (ii).

### *Icelandic Bank Deposits*

25. Nothing further to report.

### *Longer Term Cash Balances*

26. Interest rate movements in the financial year have not provided many opportunities for an increased return through longer term investment of the more permanent cash surpluses, such as reserves and balances. However, the availability of any appropriate longer term investment opportunities is continually monitored, such as "special tranche rates" that are offered by 'Government backed' banks. The rates available from these types of investments will now be reduced as Lloyds are no longer be partially Government owned and RBS will follow in the future, as the Government's programme of the sale of shares in the banks progresses. This has already led to a change in the credit rating level of Lloyds and, consequently, the recommended duration for deposits, thus affecting the interest rate available to the Council. The tight monetary conditions have continued through 2015-16 without much upward movement in the deposit rates for all types of investments (short/medium and long term). As a result opportunities for an increased return by longer term investment of the more permanent cash surpluses, such as reserves and balances have been limited.

**APPENDIX B**

## REVIEW OF INVESTMENT STRATEGY FOR 2015-16

1. All investments of surplus cash balances were placed to ensure:

    a) the security of capital, deposits only being placed with financial institutions which met the **high credit ratings** laid down in the approved Strategy;

    b) the liquidity of investments, all deposits being placed for fixed periods at fixed rates of interest; and

    c) all such investments were in sterling and in “Specified Investments”, as prescribed in the DCLG Guidance on Local Government Investments (the “Guidance”).

2. The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

3. Details of the deposits outstanding at the end of the year, totalling £27.371 million, are shown in Appendix C (ii). These deposits represent the Council’s reserves both long term, such as the PFI and Insurance funds, and short term such as creditors or payments in advance and include the small deposit that remains in Iceland, which is currently held subject to the, awaited, relaxation of currency controls.

4. Subject to the cash position, available opportunities to invest in longer term investments, up to 12 months, were taken during the year, taking advantage of higher interest rates available for the longer maturity period, where appropriate and within the minimum requirements set out in the Treasury Strategy. These are shown within general deposits in Appendix C (ii).

5. The Council contracts with a treasury adviser, regularly reviewing credit ratings of potential organisations and their respective country's ratings, together with other 'tools' used to assess the credit quality of institutions such as credit default swaps. The Council uses this information to assess institutions with which it may place deposits or from which it may borrow, including interest rate forecasts for both borrowing and investment, together with setting a 'benchmark' borrowing rate. The Council's investment policy is 'aimed' at the prudent investment of surplus cash balances to optimise returns whilst ensuring the security of capital and liquidity of investments. However, the Council, like any other organisation, can be exposed to financial risk, which is negated as far as possible by the foregoing measures.

**Appendix C(i)**

## SUMMARY OF LONG TERM BORROWING 1 APRIL - 31 MARCH 2016

### Loans Raised During the Period

| Date Raised | Lender | Amount (£m) | Type | Interest rate (%) | Maturity date | No. of years |
|---|---|---|---|---|---|---|
| March | PWLB | 10.000 | Maturity | 1.38 | Mar-19 | 3.00 |
| | **Total** | 10.000 | | | | |

**Average period to maturity (years)** **3.00**

**Average interest rate (%)** **1.38**

### Maturity Profile at 31 March 2016

| Year | PWLB | Amount (£m) Market Loans (LOBO) Next Call Date | Market Loans (LOBO) Contracted Maturity | Total Next Call Date | Total Contracted Maturity | % age Next Call Date | % age Contracted Maturity | Average rate (%) Next Call Date | Average rate (%) Contracted Maturity |
|---|---|---|---|---|---|---|---|---|---|
| | (A) | (B) | (C) | (A)+(B) | (A)+(C) | | | | |
| 1 to 5 years | 48.810 | 56.000 | - | 104.810 | 48.810 | 30.0 | 13.9 | 3.610 | 2.695 |
| 6 to 15 years | 97.123 | 5.000 | - | 102.123 | 97.123 | 29.2 | 27.8 | 3.315 | 3.280 |
| 16 to 25 years | 68.500 | - | - | 68.500 | 68.500 | 19.6 | 19.6 | 3.897 | 3.897 |
| 26 to 50 years | 74.500 | - | 51.000 | 74.500 | 125.500 | 21.3 | 35.9 | 4.497 | 4.459 |
| Over 50 years | - | - | 10.000 | - | 10.000 | - | 2.9 | - | 4.206 |
| **Totals** | 288.933 | 61.000 | 61.000 | 349.933 | 349.933 | 100.0 | 100.0 | 3.769 | 3.769 |

**Average period to maturity (years)** **14.68** **21.49**

CIPFAs Guidance Notes on Treasury Management in the Public Services recommends that the Treasury Management Strategy Reports include LOBO (Lender Option Borrower Option) loans at the earliest date on which the lender can require payment, deemed to be the next 'call date'. At that date the lender may choose to increase the interest rate and the borrower (the Council) may accept the new rate or repay the loan (under the current approved Treasury Management Strategy, the Council would repay the loan). Whether or not the lender chooses to exercise their right to alter the interest rate will depend on market conditions (interest rates). Current market conditions, where interest rates are predicted to remain low for some time, indicate that it is highly unlikely that lenders will call the loans in the immediate furture.

The alternative method of determining the maturity profile of LOBO loans, based on contracted maturity dates, is used in the 2015-16 year end outturn.

The table above includes the maturity profiles using both the earliest date on which the lender can require payment and the contracted maturity dates.

**Appendix C(ii)**

**SUMMARY OF DEPOSITS 1 APRIL - 31 MARCH 2016**

**Deposits Outstanding at 31 March 2016**

| Borrower | Amount £m | Terms | | Interest Rate | Sector Credit Rating at 31/03/2016 |
|---|---|---|---|---|---|
| HSBC | 4.900 | No fixed maturity date | | 0.15 | Red - 6 Months |
| Landesbank Baden Wuerttbg | 8.000 | Fixed to | 12-Apr-16 | 0.80 | Red - 6 Months |
| Svenska Handelsbanken AB | 0.017 | No fixed maturity date | | 0.50 | Orange - 12 Months |
| Prime Rate Money Market Fund | 14.425 | No fixed maturity date | | 0.53 | AAA |
| Landsbanki (Escrow Account) | 0.029 | Est Recoverable Amount | | 4.36 | N/A |
| **Total** | **27.371** | | | | |

**Investments held have decreased by £24.167 million between the end of December 2015 as reported in the previous quarterly report, and the end of March 2016. This is because of changes in cash flows/reversal of timing differences (e.g. decreased receipts/increased payments, particularly those associated with the funding arrangements for Business Rates Retention), resulting in a reduction in cash available for investment. The cash position is constantly reviewed to ensure that the Council maintains an appropriate level for cash flow purposes. The timing difference reduced (as expected) as the financial year progressed as shown in the table below.**

| | Year Ended 31/03/2015 £m | Quarter Ended 30/06/2015 £m | Change £m | Quarter Ended 30/09/2015 £m | Change £m | Quarter Ended 31/12/2015 £m | Change £m | Quarter Ended 31/03/2016 £m | Change £m |
|---|---|---|---|---|---|---|---|---|---|
| **Total Deposits Outstanding** | **42.870** | **71.050** | **28.180** | **58.767** | **-12.283** | **51.538** | **-7.229** | **27.371** | **-24.167** |

**Temporary Loans Outstanding at 31 March 2016**

| Lender | Amount £m | Terms | | Interest Rate |
|---|---|---|---|---|
| Falkirk Council | 5.000 | Fixed to | 11-Apr-16 | 0.45 |
| London Borough of Havering | 5.000 | Fixed to | 15-Apr-16 | 0.50 |
| Surrey County Council | 10.000 | Fixed to | 21-Apr-16 | 0.50 |
| **Total** | **20.000** | | | |

**The three temporary loans outstanding at the end of the fnancial year, as shown in the above table, were all taken in March 2016 to cover anticipated short term cash deficits.**