



Northumberland County Council

COUNTY COUNCIL

22 February 2017

TREASURY MANAGEMENT MID YEAR REPORT FOR PERIOD 1 APRIL 2016 to 30 SEPTEMBER 2016

Report of the Chief Executive

Cabinet Member: Councillor Dave Ledger, Deputy Leader of the County Council

Purpose of report

This report presents the Authority's Treasury Management performance to members in compliance with CIPFA's Treasury Management in the Public Services: Code of Practice, (Revised 2011) and the Prudential Code for Capital Finance in Local Authorities 2003, revised 2011. The report advises members of Treasury Management activity and performance against prudential indicators during the period 1 April 2016 to 30 September 2016.

Recommendations

- 1. Members receive the report and note the performance of the Treasury Management function.**
- 2. Members approve the Treasury Management Practices changes detailed in the report.**

Link to Corporate Plan

This report supports the Developing the Organisation (Innovation and Partnership) priority included in NCC's Corporate Plan 2013-2017.

Key issues

This report covers the:

1. Strategy followed in 2016-17;
2. Economy and interest rates;
3. Investment strategy and activity;
4. Borrowing strategy and activity;
5. Prudential Indicators position;
6. Performance measurement;

7. Implementation and changes of the Treasury Management Strategy, scheme of delegation, reporting and training.

TREASURY MANAGEMENT MID YEAR REPORT **1 APRIL 2016 to 30 SEPTEMBER 2016**

PURPOSE

It is a requirement of the Local Government Act 2003, the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) to produce a mid year treasury management review of activities and actual performance against prudential and treasury indicators.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report provides details of treasury activities for the six month period 1 April 2016 to 30 September 2016 and highlights compliance with Northumberland County Council's (the Council's) policies previously approved by members.

The Council confirms that it has complied with the requirement under the Code to give prior scrutiny of treasury management policy and practices to the Audit Committee before they are reported to full Council.

1. 2016-17 TREASURY MANAGEMENT STRATEGY

Background

The Council defines its treasury management activities as:

“The management of the Council’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

The Council will have regard to the CLG’s Guidance on Local Government Investments (“the Guidance”) issued in March 2004 and revised in 2010 and 2012 and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Guidance Notes (“the CIPFA TM Code”).

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Any surplus monies are then invested in a range of low to medium risk instruments, ensuring adequate liquidity initially before considering maximising investment return.

Transactions were executed in line with the approved policies and practices and were based upon the treasury management officers’ views on interest rates, supplemented with leading market forecasts provided by the Council’s treasury management advisors, Capita Asset Services - Treasury Solutions.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management within the context of effective risk management, and to employing suitable performance measurement techniques; for example, comparison with other members of the Capita benchmarking club.

The Council's Treasury Management Policy and Strategy Statement for 2016-17 were approved by Council on 24 February 2016.

2. ECONOMIC OUTLOOK INTEREST RATES

The 2016-17 strategy was set based on market analysis at the time with the anticipation the Bank of England Base Interest Rate would remain at 0.5% until September 2016, increasing to 0.75% thereafter, and that longer term borrowing rates would gradually increase throughout the year.

The following table gives Capita's (the Council's treasury advisors) forecast, as provided in January 2016, compared to actual rates for the respective periods:

	<i>Capita's Forecast Mar-16 %</i>	Actual 31 Mar 16 %	<i>Capita's Forecast Sept-16 %</i>	Actual 30 Sep-16 %
Base rate	0.50	0.50	0.75	0.25
Money rates (LIBID)				
3 months	0.50	0.46	0.60	0.26
6 months	0.70	0.61	0.80	0.41
12 months	1.00	0.88	1.10	0.63
PWLB certainty rate				
5 years	2.40	1.61	2.70	1.01
10 years	3.00	2.28	3.20	1.52
25 years	3.70	3.11	3.90	2.27
50 years	3.60	2.92	3.0	2.10

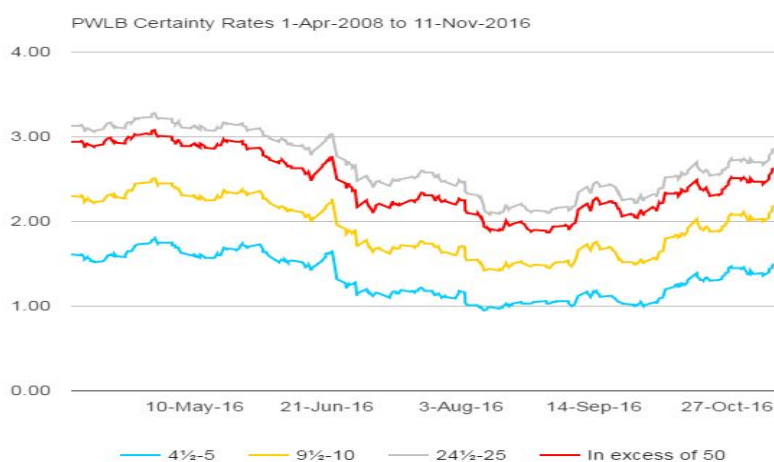
The Economy and Interest Rates in 2016-17

Economic forecasting remained difficult throughout the year with so many external influences weighing on the UK. Treasury management staff utilise many sources of information to gain a perspective and understanding of the market, including information from Capita, CIPFA Treasury Management Network and many other sources of information, as well as attendance at seminars and training events.

Change in Growth Domestic Product (GDP) is the main indicator of economic growth. Growth improved in quarter 4 of 2015 from +0.40% to 0.70% but fell back to +0.40% (2.0% y/y) in quarter 1 of 2016 before bouncing back again to +0.7% (2.1% y/y) in quarter 2. In its November 2016 quarterly Inflation Report, the Bank of England forecast GDP growth of 2.2% for 2016, followed by 1.4% for 2017 and then 1.50% for 2018.

Following the EU Referendum in June, the Bank of England's Monetary Policy Committee (MPC) meeting on 4 August 2016 addressed the expected slow down in growth by a package of measures including a cut in Bank Rate from 0.50% to 0.25%. The MPC meeting on 3 November 2016 left the Bank Base Rate unchanged and other monetary policies unaltered. The forward view is that Bank Rate could go either up or down depending on how economic data evolves in the coming months.

Gilt yields and consequently PWLB rates have risen sharply since hitting a low point in mid-August. There has also been a lot of volatility during 2016 as a whole. The increase since August reflects the combination of the yield-depressing effect of the new round of quantitative easing together with change in expectations on growth and inflation. Inflation expectations also rose as a result of the continuing fall in the value of sterling.



The Country is experiencing exceptional levels of volatility connected to the geo-political and sovereign debt crisis developments.

Capita's latest forecasts (as at 14 November 2016) are outlined in the following table:

	NOW	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
BANK RATE	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.75	0.75
3 month LIBID	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.40	0.50	0.60	0.70	0.80	0.90
6 month LIBID	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.50	0.60	0.70	0.80	0.90	1.00
12 month LIBID	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.80	0.80	0.90	1.00	1.10	1.20	1.30	1.40
5 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.90	1.90	2.00	2.00
10 yr PWLB	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.70
25 yr PWLB	3.00	2.90	2.90	2.90	2.90	3.00	3.00	3.00	3.10	3.10	3.20	3.20	3.30	3.30	3.40
50 yr PWLB	2.70	2.70	2.70	2.70	2.70	2.80	2.80	2.80	2.90	2.90	3.00	3.00	3.10	3.10	3.20

3. INVESTMENT STRATEGY AND ACTIVITY

Investment Strategy 2016-17

The Council's approved investment strategy for 2016-17 aimed to achieve the optimum return on its investments whilst remaining within the authorised levels of security and liquidity.

Following consideration from Risk Appraisal Panel on 7 January 2016, it was agreed by County Council at its meeting on 24 February 2016, that wherever possible investment balances will be used to repay maturing debt and fund capital expenditure.

Based on Government Guidance, investments are categorised into Specified and Non-Specified investments. Specified investments are defined as those that;

- are in pounds sterling;
- are due to be repaid within 12 months or may be required to be repaid within 12 months;
- are not capital expenditure;
- are made with high credit quality organisations - for the purpose of this strategy high credit ratings are "A-" and above for long term and "F2/P-2" and above for short term investments;
- are to the United Kingdom Government or local authority (including the North East Combined Authority), parish council or community council.

The 2016-17 strategy expected that the majority of investments would be Specified Investments, however it retained the risk appetite of the Council as low to medium and allowed 25% of investments to be placed with non-specified instruments and counterparties. This allowed for security of investments to remain the priority while meeting budgeted targets for receipt of investment income.

Non-Specified Investments are those which do not meet the criteria for specified investments and give greater potential risk. They are used to diversify the investment portfolio so that funds are not split between too few counterparties.

The Credit and Counterparty Criteria List clearly sets out the minimum acceptable credit criteria for organisations with which the Council will place funds. To ensure liquidity a minimum of 20% of its overall investments or £5 million whichever is lower will be held in call accounts. For cash flow generated balances, the Council

will seek to utilise its money market funds, call accounts and short-dated deposits (overnight to six months).

Treasury Management staff must agree all investments with the Chief Executive or in his absence the Director of Corporate Resources or Finance Managers.

Investment Activity 1 April 2016 to 30 September 2016.

The following figures, which do not include accrued interest, show the position at 31 March 2016 compared to 30 September 2016.

	31 March 2016 Principal £m	Weighted Average Rate %	30 Sept 2016 Principal £m	Weighted Average Rate %
Money Market Funds and Call Accounts	29.0	0.65	24.6	0.38
Short Term Investments placed up to 12 months	60.0	0.79	15.0	0.65
Long Term Investments (excluding Impaired Deposits) for periods of over 12 months	103.3	2.62	103.3	2.62
Total Investments	192.3	1.72	142.9	2.02

Investments reduced over the period by £49.4 million as short term investments matured and were utilised to reduce new external borrowing. This approach is consistent with the 2016-17 Treasury Management Strategy approved by Council on 24 February 2016.

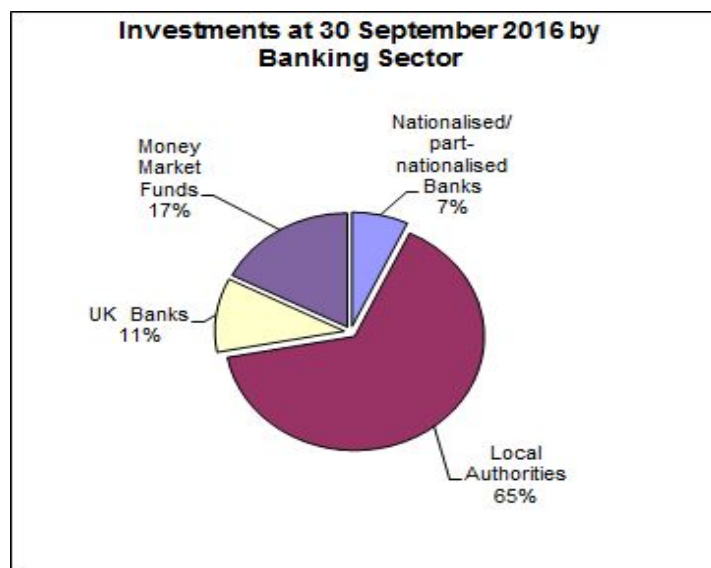
The weighted average rate of interest increased by 0.3 per cent to September 2016 as short term investments with lower rates of return matured.

£93 million of cash backed reserves were held with other local authorities to ensure the security of funds. These were placed in 2011-12 and are mainly callable annually by mutual consent.

A further £15 million was also placed with Royal Bank of Scotland for 6 months in September 2016.

A number of triple A rated money market funds (MMFs) were used throughout the period for day to day liquidity.

The split of balances by banking sector invested at 30 September 2016 is shown in the following graph.



Security

During the period all investments made were specified and all investments were made in full compliance with the Council's Treasury Management Policies and Practices (TMPPs). Investments were monitored very closely and none of the institutions used to date by the Council during 2016-17 had any difficulty in repaying principal and interest in full. No Treasury Management Policy investment limits were exceeded during the 6 month period.

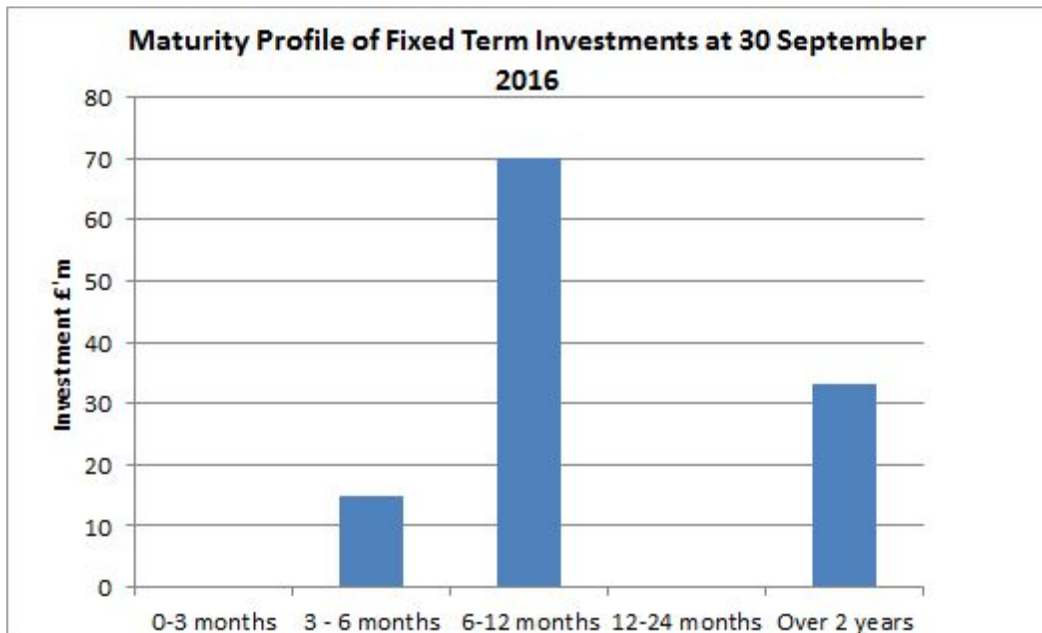
Liquidity

The Council manages its liquidity position to ensure that cash is available when needed and that balances are held securely earning interest until required. The Council has ready access to borrowings from the money markets and PWLB.

There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

17.5% of investments (£24.6 million) were kept in money market funds at 30 September 2016. This offers sufficient liquidity, while ensuring the majority of funds were placed on deposit earning higher rates of interest.

The following graph shows the maturity profile of fixed term investments held at 30 September 2016.



Yield

The interest receivable budget on Treasury Management activity for 2016-17 is £3.4 million. The forecast of income receivable is £3.1 million. The shortfall is due to market conditions; interest rates across all investment instruments remain low.

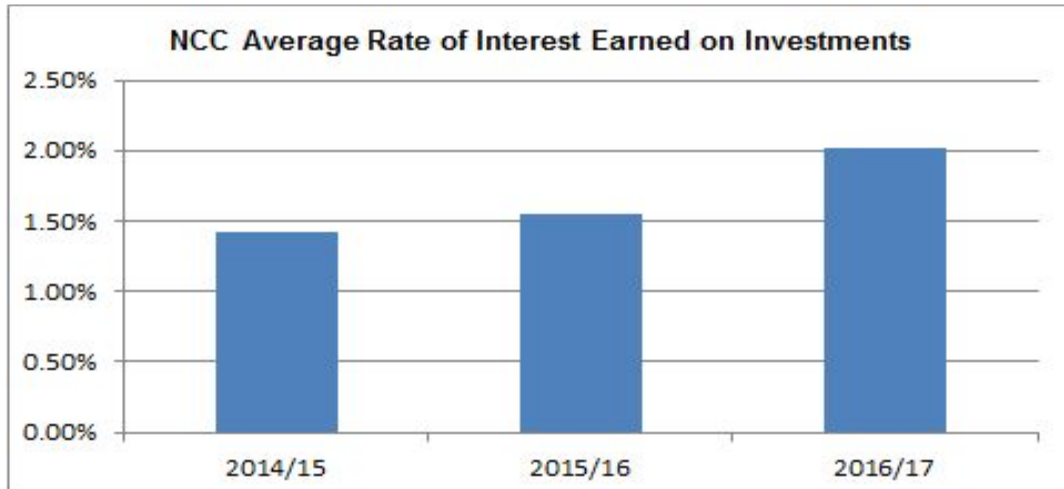
However, the most favourable rate of return possible has been pursued within low to medium risk parameters. By careful monitoring of available products, rates achieved on Council investments in the period are higher than the benchmark average London Interbank Bid Rate (LIBID), as shown in the following table:

	2014/15 NCC %	2014/1 5 LIBID %	2015/1 6 NCC %	2015/16 LIBID %	2016/1 7 NCC %	2016/1 7 LIBID %
7 Day	0.45	0.35	0.58	0.36	0.38	0.12
3 months	0.51	0.43	0.48	0.45	N/A	0.26
6 months	0.70	0.55	0.67	0.60	0.65	0.41
12 months	1.00	0.87	1.00	0.90	N/A	0.63

No investments were made in the period to 30 September 2016 for 3,12 or over 12 months.

The weighted average return rate achieved across all investments at 30 September 2016 was 2.02%, compared with the 31 March 2016 rate of 1.72%.

The rate achieved has increased due to lower rate short terms investments maturing which have not been replaced. The following table shows the average rate achieved by the Council on its investments compared to previous years.



The Council has performed well and compares favourably with other authorities as shown in section 6 - Benchmarking Performance.

Non Treasury Management Investments defined as capital expenditure and Service Investments for policy reasons

In addition to the above standard treasury management derived interest, the Council also receives interest from a number non-treasury management activities, such as loans to third parties and investments defined as capital expenditure.

The following 'service investments for policy reasons' are defined as capital expenditure rather than treasury management investments, and are therefore outside the scope of the specified / non-specified categories:

- Investment shares in NIAL Holdings (Newcastle Airport) of a fair value of £13.4 million;
- £3.3 million in shares in ARCH, a subsidiary of the Council.

Similarly, the Council has made a number of loans (or grants) for service policy reasons to third parties for capital expenditure by that body, which are again deemed by regulations to be capital expenditure and outside of the scope of Treasury Management. This includes the loans to other organisations such as Newcastle Airport, Northumbria Healthcare NHS Foundation Trust and ARCH.

The 2016-17 budget for interest on loans to other bodies is £11.5 million. The actual interest earned on loans to partners is now forecast to be £15.0 million, an increase of £3.5 million. This increase is as a direct result of additional loans provided to partners, including the purchase of the Manor Walks shopping centre by Arch.

A summary of loans and investment activity is shown in Appendix 1.

4. BORROWING STRATEGY AND ACTIVITY

The Treasury Management borrowing strategy and Prudential Indicators for 2016-17 identified an estimated increase in the Council's Capital financing requirement (CFR), or need to borrow, of £301 million over the next three financial years; plus a further £151 million for the replacement of maturing existing loans.

However, the CFR need not always be funded externally by physical loans. At least in the short-term investments balances can be used in lieu of borrowing externally - by withdrawing investments (in turn foregoing investment income) and instead using the cash to fund some of the borrowing requirement. This practise is often referred to as internal or under borrowing and provides net overall savings on interest costs because of the differential between investment and borrowing rates.

The Strategy for 2016-17 proposed maximising the use of the internal borrowing by wherever possible using investments balances to fund new capital expenditure or repay maturing debt. As a result, it assumed an increase in the external borrowing requirement over the next three years of around £262 million (including around £69 million for 2016-17), which it was envisaged would be met by a mixture of short term and long term loans.

The Chief Executive, under delegated powers, undertakes the most appropriate form of borrowing to fund the Council's capital programme and day to day cash flow depending on the prevailing interest rates at the time, taking into account the associated risks.

As shown in the following table, total external borrowing has increased by £68.7 million over the last 6 months, from £638.2 million to £706.9 million. This is as a result of repayments of £41.3 million and new borrowing of £110 million. It should also be noted that Barclays Capital waived their right to alter the interest rate on their LOBO loans (totalling £69.1 million) in the future. As a result these loans effectively became fixed rate loans.

Type of Borrowing	Principal 01 Apr 2016 £m	Weighted Ave Rate 01 Apr 2016 (%)	Principal 30 Sep 2016 £m	Weighted Ave Rate 30 Sep 2016 (%)
PWLB	287.4	3.39%	273.2	3.42%
LOBOs	260.6	4.10%	189.5	4.06%
Market / Local Authority (>1yr)*	55.0	1.46%	184.1	2.21%
Salix	0.2	0.00%	0.1	0.00%
Short Term (<1yr)*	35.0	0.56%	60.0	0.46%

TOTAL	638.2	3.36%	706.9	3.02%
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(*Note: above figures are based on term at inception of loan)

During the same period, the overall average rate payable on external borrowing fell from 3.36% to 3.02%. This is due to the majority of new borrowing being taken out over shorter periods in order to minimise interest costs. Whilst interest rates are anticipated to rise in the long-term, any increase is expected to be slow and gradual, and current forecasts indicate rates will remain around existing levels for the next couple of years.

Further borrowing of around £30 million is anticipated to be required between now and the year end.

It is anticipated there will be an overall saving of around £1.5 million on the original interest payable budget for 2016-17 of £23.0 million. This is because the original budget included a provision to cover the risk of increased interest rates, as well as an assumption more of the borrowing would be taken longer-term (and therefore at higher interest rates).

A full analysis of borrowing as at 30 September 2016 is attached at Appendix 2.

1. PRUDENTIAL INDICATORS POSITION

The Local Government Act 2003 requires all local authorities to have regard to the Prudential Code for Capital Finance. The Code states that a soundly formulated capital programme must be driven by the desire to provide high quality, value for money public services.

The key objectives of the Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent, and sustainable. To demonstrate that local authorities have fulfilled these objectives, the Code sets out the indicators that must be used and the factors that must be taken into account.

Appendix 3 show performance against approved prudential indicators set in the 2016-17 Treasury Management Policy Statement. None of the indicators have been exceeded during the year to 30 September 2016.

1. PERFORMANCE MEASUREMENT

The Council is a member of the Capita Investment Benchmarking Club. They show the Council's investment activity performing well. In summary the weighted average rate of return achieved on all investments at 30 September 2016 was 2.02 per cent. This exceeded the Other English Unitary Authorities return of 0.76 per cent and all participants in the Capita benchmarking club return of 0.62 per cent.

Details are shown in Appendix 4.

1. SCHEME OF DELEGATION, REPORTING, TRAINING AND CHANGES TO POLICY

This section identifies the proposed changes in the scheme of delegation, reporting, training and changes to policy which were approved as part of the Treasury Management Policy and Strategy Statement for 2016-17 by Council at its meeting on 24 February 2016.

7.1 Responsible Officers

Section 9.3 of the Treasury Management Policy and Strategy Statement for 2016-17 current reads;

Treasury management activities will be undertaken by the Senior Accountant responsible for treasury management within the Business Support section of Corporate Services, as set out in TMP5. If absent, another Senior or Principal Accountant within Business Support section will undertake these activities. The Finance Manager will ensure all treasury management activities are made in accordance with agreed policies and practices.

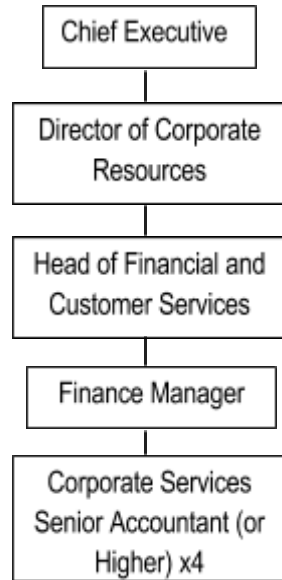
Update with;

Daily treasury management activities will be undertaken by a Senior Accountant responsible for treasury management within the Corporate Finance section of Corporate Services, as set out in TMP5. If they are absent a Principal Accountant within Corporate Finance will undertake these activities.

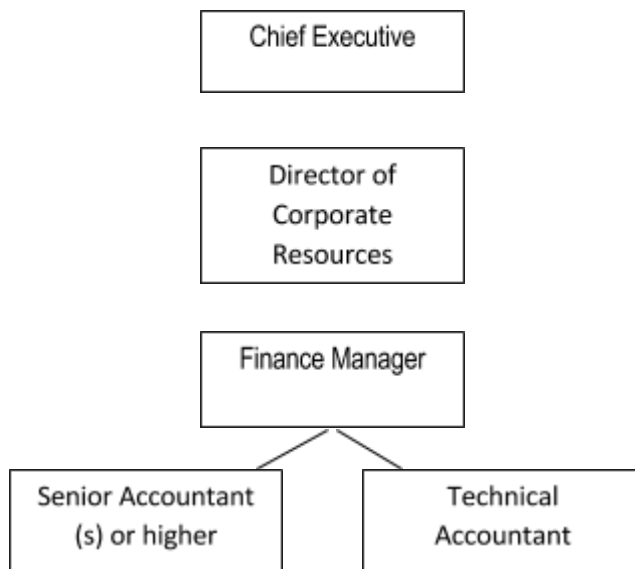
The three annual Treasury Management reports submitted to Cabinet and Council will be produced by the Technical Accountant. The Finance Manager will ensure all treasury management activities are made in accordance with agreed policies and practices.

7.2 Treasury Management Practice 5. Organisation, Clarity and segregation of responsibilities, and dealing arrangements.

7.2.1 Treasury Management Practices 5. Section 5.3 - The existing Treasury Management Organisation structure is as follows.



The chart has been updated to reflect the restructure within Corporate Finance which was implemented on 1 October 2016. The revised Treasury Management Organisational Structure is as follows:



7.2.2 Treasury Management Practices 5. Section 5.4.4 - Statement of Duties/Responsibilities of each Treasury Post. Section - Finance Manager.

The responsibilities of this post are currently as follows;

- a) Line management of Senior Accountant responsible for treasury management;
- b) Review and recommend investments and borrowing transactions;
- c) Authorise CHAPS payments;
- d) Adherence to agreed policies and practices on a day-to-day basis;
- e) Maintaining relationships with third parties and external service providers;
- f) Monitoring performance on a day-to-day basis;
- g) Identifying and recommending opportunities for improved practices.

Following the implementation of the revised Treasury Management structure on 1 October 2016 the responsibilities have been changed to reflect the new structure;

- a) Line management of the Technical Accountant and Senior Accountant(s) responsible for treasury management;
- b) Review and recommend investments and borrowing transactions;
- c) Authorise CHAPS payments;
- d) Adherence to agreed policies and practices on a day-to-day basis;
- e) Maintaining relationships with third parties and external service providers;
- f) Monitoring performance on a day-to-day basis;
- g) Identifying and recommending opportunities for improved practices;
- h) Reviewing the annual Treasury Management Strategy, Outturn and Mid year review reports

In addition following the implementation of the new structure the following responsibilities are to be added to Treasury Management Practice 5.4 to reflect the new processes;

Technical Accountant - The responsibilities of this post will be;

- a) Review and recommend investments and borrowing transactions;
- b) Maintaining relationships with third parties and external service providers;
- c) Identifying and recommending opportunities for improved practices;
- d) Produce the annual Treasury Management Strategy, Outturn and Mid year review reports.

7.3 Treasury Management Practice 5 Section 5.5 - Absence Cover Arrangements

The existing wording of this section is as follows;

In the absence of the Senior Accountant responsible for treasury management, another accountant in the Corporate Services section with treasury management training / experience will perform the daily cash flow tasks.

Following the implementation of the new structure on 1 October 2016 it is proposed to change the wording to the following;

In the absence of the Senior Accountant(s) responsible for treasury management, another accountant in the Corporate Finance section with treasury management training / experience will perform the daily cash flow tasks.

Implications

Policy:	The report sets out performance against the Treasury Management Policy Statement for 2016-17, and is consistent with the priorities in the Corporate Plan 2013-2017: Developing the Organisation (Innovation and Partnership).
Finance and value for money:	The financial implications of the 2016-17 investment and borrowing transactions have been taken into account within the budget and budget monitoring for 2016-17. Northumberland County Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management within the context of effective risk management, and to employing suitable performance measurement techniques, for example comparison with other members of the Capita benchmarking club.
Legal:	The Local Government Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice (which were adopted by Northumberland County Council in February 2010).
Procurement:	There are no direct procurement implications for the County Council.
Human Resources:	There are no direct staffing implications for the County Council.
Property:	There are no direct property implications for the County Council.
Equalities: (Impact Assessment attached)	Not applicable for the County Council.

Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	
Risk Assessment:	The report highlights the principal financial risks within the Treasury Management function. The identification, monitoring and control of risk are the prime criteria by which the effectiveness of the County Council's Treasury Management activities will be measured. Accordingly, the analysis and reporting of Treasury Management activities will focus on their risk implications for the Council. The investment priority is security and liquidity rather than yield, which is a secondary aim.
Crime & Disorder:	There are no Crime and Disorder implications for the County Council.
Customer Consideration :	There are no Customer Considerations for the County Council.
Carbon Reduction:	None.
Wards:	All divisions.

Consultation:

Deputy Leader of the County Council

Background Papers:

Treasury Management Policy Statement 2016-17 and CIPFA's Treasury Management in the Public Services: Code of Practice.

Report sign off:-

Chief Executive	Steven Mason
Portfolio Holder(s)	Dave Ledger

Author and Contact Details

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APPENDIX 1

ALL FIXED TERM INVESTMENTS ACTIVITY 1 APRIL TO 30 SEPTEMBER 2016

Counterparty	Amount invested	Date invested	Maturity Date	Interest rate %
The Royal Bank of Scotland - bonds	£5,000,000	7/5/2015	5/5/2017	1.45
The Royal Bank of Scotland - bonds	£5,000,000	8/5/2015	8/5/2017	1.48
Newcastle City Council	£10,000,000	31/10/2011	28/4/2017	2.43
Newcastle City Council	£10,000,000	30/11/2011	30/5/2017	2.43
Newcastle City Council	£10,000,000	5/9/2011	5/9/2017	2.50
Newcastle City Council	£10,000,000	29/3/2012	29/9/2017	2.43
Sheffield	£10,000,000	28/12/2011	23/6/2017	2.43
Sheffield City Council	£10,000,000	7/2/2012	7/8/2017	2.43
Fife Council	£3,250,000	28/11/2011	26/11/2021	3.10
Middlesbrough	£5,000,000	30/3/2012	31/3/2022	3.37
Doncaster	£15,000,000	1/3/2012	5/10/2022	3.30
Lancashire County Council	£5,000,000	3/10/2011	20/12/2022	3.15
Lancashire County Council	£5,000,000	3/1/2012	30/12/2022	3.10
Bank of Scotland Community Fund	£15,000,000	7/9/2016	7/3/2017	0.65

Call & Notice Accounts Amount varies daily

Money Market Funds (MMF) used during period	Amount invested as at 30/09/16	Avg Interest rate % at 30/09/16
Aberdeen	£24,580,000	0.3781

Loans for Policy Reasons	Amount loaned as at 30/09/16
Local Authority Mortgage Scheme	£2,000,000
ARCH Loans	£171,245,917
College Loans	£6,337,500
Newcastle Airport Loan	£11,915,854
NHCFT Loans	£138,184,800
NAMHA	£2,167,724
Parish and Town Councils	£432,670
Leisure and Culture loans	£1,000,102
Broadband Loans	£15,968
HFN	£1,355,182
	£334,655,718

OUTSTANDING BORROWING AT 30 SEPTEMBER 2016

Lender	Type	Rate	Start Date	End Date	O/S Principal 30 SEP
Bayerische Landesbank - (aln2)	LOBO	4.58%	08/05/2001	08/04/2031	2,000,000
Dexia Municipal Agency	LOBO	4.50%	11/02/2004	11/02/2054	10,000,000
Dexia Municipal Agency	LOBO	4.50%	30/07/2004	30/07/2054	5,000,000
Dexia Municipall Agency	LOBO	3.50%	09/03/2006	09/03/2066	6,500,000
KBC Bank N.V -	LOBO	3.79%	01/08/2006	02/08/2066	4,000,000
Hypothekbanken Euro hypo	LOBO	4.20%	15/06/2007	15/06/2077	40,000,000
Commerz (Dresdner) Bank -	LOBO	4.25%	18/06/2007	18/06/2077	4,000,000
Dexia Municipal Agency	LOBO	4.25%	18/06/2007	18/06/2077	13,000,000
Bayerische Landesbank (Aln1)	LOBO	4.30%	15/08/2007	16/08/2077	22,000,000
Dexia Municipal Agency	LOBO	4.30%	21/08/2007	23/08/2077	25,000,000
Royal bank of Scotland	LOBO	4.26%	17/07/2008	17/07/2078	15,000,000
BAE Systems Pension Funds	LOBO	3.75%	28/04/2016	28/04/2061	7,000,000
BAE Systems Pension Funds	LOBO	3.75%	28/04/2016	28/04/2061	18,000,000
Siemens Capital	LOBO	3.03%	08/09/2016	08/09/2031	18,000,000
Barclays Capital	Market	4.29%	05/08/2005	05/08/2065	1,100,000
Barclays Capital	Market	3.91%	29/09/2005	29/09/2065	5,000,000
Barclays Capital	Market	3.62%	29/03/2006	29/03/2066	6,000,000
Barclays Capital	Market	4.40%	25/09/2006	25/09/2071	13,000,000
Barclays Capital	Market	3.97%	21/12/2007	21/12/2077	2,000,000
Barclays Capital	Market	4.20%	05/12/2011	05/03/2078	10,000,000
Barclays Capital	Market	4.20%	19/01/2012	19/01/2066	5,000,000
Barclays Capital	Market	3.99%	03/04/2012	03/02/2062	27,000,000

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Epping Forest	Market	1.30%	14/12/2012	14/12/2016	5,000,000
London Borough of Newham	Market	2.50%	31/01/2014	17/01/2019	10,000,000
Nottingham City Council	Market	1.40%	20/06/2014	20/03/2017	10,000,000
London Borough of Bromley	Market	1.50%	15/08/2014	15/08/2017	5,000,000
London Borough of Slough	Market	1.50%	15/08/2014	15/08/2017	5,000,000
West Midlands Police & CC	Market	1.00%	08/10/2014	10/10/2016	5,000,000
West Midlands Police & CC	Market	1.00%	09/01/2015	09/01/2017	5,000,000
London Borough of Hounslow	Market	0.89%	15/04/2016	16/04/2018	10,000,000
London Borough of Hillingdon	Market	0.79%	11/07/2016	11/01/2018	5,000,000
North Yorkshire CC	Market	0.79%	12/07/2016	12/01/2018	5,000,000
Police & CC North Yorkshire	Market	0.79%	13/07/2016	15/01/2018	5,000,000
Combined Authority Sheffield	Market	0.79%	13/07/2016	15/01/2018	10,000,000
Hampshire County Council	Market	0.75%	13/07/2016	01/12/2017	10,000,000
Wandsworth	Market	0.79%	13/07/2016	15/01/2018	5,000,000
London Borough Islington	Market	0.75%	14/07/2016	15/01/2018	15,000,000
Combined Authority Sheffield	Market	0.65%	29/07/2016	31/01/2018	5,000,000
PWLB 479668	PWLB Maturity	7.13%	15/07/1997	02/08/2022	500,000
PWLB 479669	PWLB Maturity	7.13%	15/07/1997	02/08/2023	500,000
PWLB 479670	PWLB Maturity	7.13%	15/07/1997	02/08/2024	500,000
PWLB 481557	PWLB Maturity	5.00%	01/10/1998	02/08/2024	750,000
PWLB 491005	PWLB Maturity	3.90%	11/01/2006	16/07/2051	2,700,000
PWLB 491006	PWLB Maturity	3.90%	11/01/2006	16/07/2052	3,000,000
PWLB 491007	PWLB Maturity	3.90%	11/01/2006	16/07/2053	3,000,000
PWLB 491008	PWLB Maturity	3.90%	11/01/2006	16/07/2054	3,000,000

PWLB 491109	PWLB Maturity	3.70%	23/01/2006	15/05/204 6	2,500,000
PWLB 491077	PWLB Maturity	3.70%	23/01/2006	01/12/205 0	10,000,000
PWLB 491261	PWLB Maturity	3.70%	27/01/2006	01/12/205 4	10,000,000
PWLB 491262	PWLB Maturity	3.70%	27/01/2006	01/12/205 5	10,000,000
PWLB 491325	PWLB Maturity	3.85%	15/02/2006	16/07/205 5	3,000,000
PWLB 492283	PWLB Maturity	4.05%	29/09/2006	19/11/205 1	2,000,000
PWLB 492528	PWLB Maturity	4.10%	27/11/2006	15/06/205 6	9,000,000
PWLB 497060	PWLB Maturity	3.84%	27/04/2010	27/04/201 8	10,000,000
PWLB 497147	PWLB Maturity	3.95%	06/05/2010	06/11/201 9	10,000,000
PWLB 497370	PWLB Maturity	3.03%	28/05/2010	28/05/201 7	15,000,000
PWLB 497369	PWLB Maturity	3.51%	28/05/2010	28/05/201 9	5,260,789
PWLB 497369	PWLB Maturity	3.51%	28/05/2010	28/05/201 9	9,739,211
PWLB 500369	PWLB Maturity	3.50%	28/03/2012	28/03/204 2	10,254,000
PWLB	PWLB Maturity	3.80%	07/10/2014	06/10/206 4	40,000,000
PWLB	PWLB Maturity	3.45%	02/12/2014	02/12/206 4	60,000,000
PWLB 129452	PWLB Annuity	3.00%	30/04/1948	02/02/202 8	3,200
PWLB 129465	PWLB Annuity	3.00%	17/03/1950	02/02/203 0	2,221
PWLB 129481	PWLB Annuity	4.25%	29/02/1952	02/02/203 2	155
PWLB 400906	PWLB Annuity	9.63%	27/06/1969	02/02/202 9	1,412
PWLB 401255	PWLB Annuity	9.38%	25/07/1969	02/02/202 9	20,139
PWLB 401488	PWLB Annuity	9.25%	08/08/1969	02/08/202 9	49,785
PWLB 403184	PWLB Annuity	9.00%	21/11/1969	02/08/202 9	5,102
PWLB 407573	PWLB Annuity	9.25%	28/07/1970	02/02/203 0	1,096
PWLB 408506	PWLB Annuity	9.25%	15/09/1970	02/08/203 0	23,322

PWLB 409609	PWLB Annuity	9.50%	20/11/1970	02/08/2030	12,119
PWLB 410666	PWLB Annuity	9.63%	05/01/1971	02/08/2030	2,936
PWLB 410925	PWLB Annuity	9.75%	26/01/1971	02/08/2030	18,471
PWLB 411002	PWLB Annuity	9.38%	02/02/1971	02/02/2031	36,905
PWLB 412283	PWLB Annuity	9.00%	30/03/1971	02/02/2031	31,468
PWLB 414383	PWLB Annuity	8.75%	17/08/1971	02/08/2031	42,641
PWLB 421233	PWLB Annuity	9.00%	08/08/1972	02/08/2032	53,154
PWLB 421840	PWLB Annuity	9.25%	15/09/1972	02/08/2032	47,904
PWLB 421986	PWLB Annuity	9.38%	26/09/1972	02/08/2032	46,337
PWLB 425121	PWLB Annuity	9.25%	16/02/1973	02/02/2033	116,775
PWLB 426241	PWLB Annuity	9.88%	20/03/1973	02/02/2033	7,983
PWLB 428470	PWLB Annuity	10.13%	27/07/1973	02/02/2033	8,058
PWLB 428796	PWLB Annuity	11.13%	21/08/1973	02/08/2033	109,528
PWLB 429797	PWLB Annuity	11.38%	26/10/1973	02/08/2033	38,187
PWLB 430891	PWLB Annuity	12.00%	30/11/1973	02/08/2033	17,252
PWLB 432369	PWLB Annuity	13.50%	15/02/1974	02/02/2034	26,960
PWLB 404318	PWLB EIP	9.13%	06/01/1970	02/08/2029	2,918
PWLB 499169	PWLB EIP	2.26%	24/11/2011	24/11/2021	5,500,000
PWLB 499170	PWLB EIP	2.86%	24/11/2011	24/11/2026	10,500,000
PWLB 499263	PWLB EIP	2.12%	20/12/2011	20/12/2021	35,750,000
Salix	Salix	0.00%			138,153
Hampshire County Council	Temporary	0.60%	24/11/2015	22/11/2016	10,000,000
London Borough of Ealing	Temporary	0.60%	27/11/2015	25/11/2016	10,000,000
Greater Manchester Combined Authority	Temporary	0.35%	20/07/2016	18/10/2016	5,000,000
Greater Manchester Combined Authority	Temporary	0.34%	21/07/2016	19/10/2016	10,000,000

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London Borough of Brent	Temporary	0.34%	21/07/2016	21/10/2016	5,000,000
Police & Crime Comm West Midlands	Temporary	0.45%	05/09/2016	04/09/2017	5,000,000
Cornwall Council	Temporary	0.45%	16/09/2016	15/09/2017	10,000,000
Combined Authority Sheffield	Temporary	0.45%	23/09/2016	22/09/2017	5,000,000
TOTAL (30 Sep 2016)					706,918,184

PERFORMANCE AGAINST CAPITAL PRUDENTIAL INDICATORS

Authorised Limit and Operational Boundary for External Debt

These are important indicators, and are part of the Local Government Act 2003 requirements.

The Authorised Limit is the maximum amount the Council could afford to borrow in the short term but would not be sustainable in the long term. External debt remained within the limit.

The Operational Boundary is where the Council would expect its borrowings to be. It is only a guide and may be breached or undershot without significant concern, as borrowings will be driven by economics and interest rates. The table below shows total actual external debt, Authorised Limit and Operational Boundary at 30 September 2016.

	Authorised Limit for external debt £m	Operational Boundary for external debt £m	Actual 30/09/15 £m
Borrowing	898	748	707
Other long term liabilities	86	72	77
Total External Debt	984	819	784

Treasury Management Limits on Activity

The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates.

Lender option, borrower option loans (LOBOs) callable within 12 months are classed as variable; if the rate is fixed for a longer period they are classed as fixed. At 30 September 2016 the total of variable rate loans was £107 million and is within the set limit.

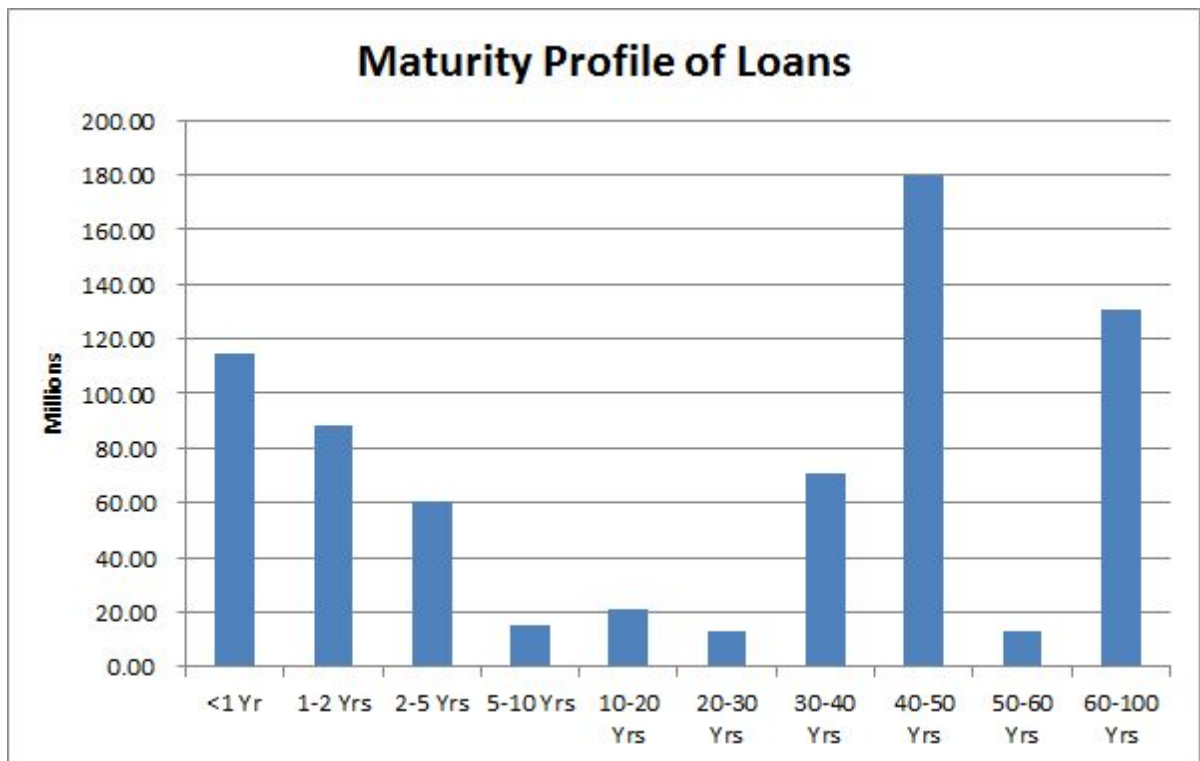
Interest Rate Exposure on Borrowing	Limits for 2016-17	Actual 30/09/16
Fixed rate exposure	0%-100%	84.46%

Variable rate exposure	0%-50%	15.14%
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Maturity Structure of Borrowing

Measuring maturity structure of borrowing ensures a reasonable spread of maturing debt as a safety mechanism to ensure significant amounts of debt do not mature at a time when interest rates for refinancing the debt may be high.

The following graph shows maturity of loans by monetary value. LOBOs are shown as held to maturity. In the current climate it is not envisaged that loans would be called for repayment within the next 12 months, as rates are so low.



Investments for periods longer than 365 days

These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

	Actual 30/09/15	2015/16 Limit
Principal sums invested > 364 days	0.43%	70%

The long term balance of £103 million is made up of £93 million, held with Local Authorities, and £10 million with RBS and are detailed in Appendix 1.

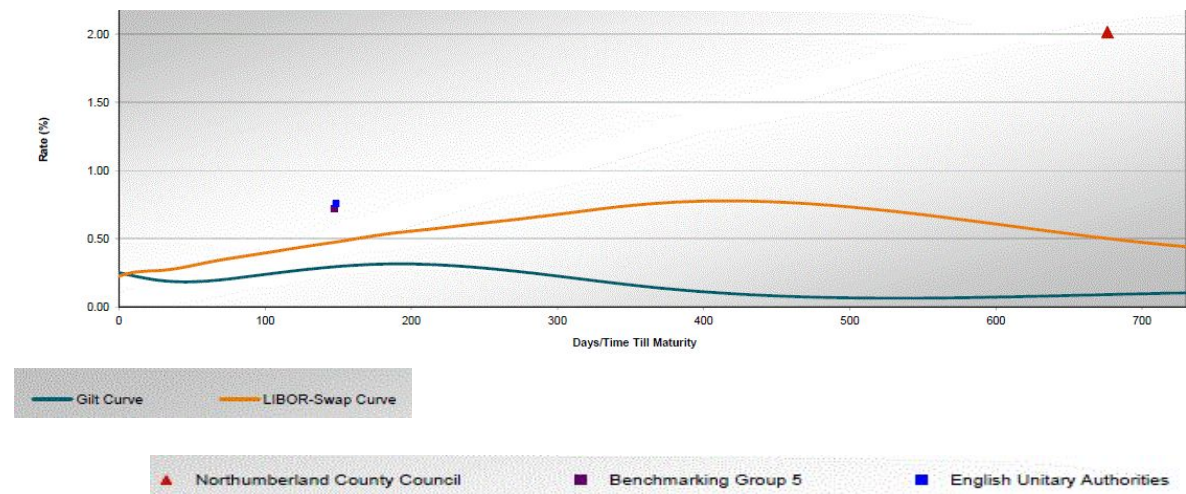
APPENDIX 4

PERFORMANCE MEASUREMENT

Capita Investment Benchmarking Club

The Capita Investment report is a quarterly report. For the quarter ending 30 September 2016 it shows the Council achieving an overall rate of return of 2.02% on investments compared to 0.76% for other participating unitary authorities and 0.62% for all 236 participants. This is mainly due to the longer term investments, made in previous years, with other local authorities, which have a weighted average rate of 2.73%.

The following Capita graph shows the Return of Northumberland County Council, the Council's CAPITA Benchmarking Group and English Unitary Authorities against the Gilt Curve and LIBOR Curve.



	WARoR	WAM	WATT	WARisk	Gilt	LIBOR-Swap	Difference	
							Gilt	LIBOR-Swap
Northumberland County Council	2.02%	676	1841	1.6	0.09%	0.50%	1.93%	1.51%
Benchmarking Group 5	0.72%	147	325	3.5	0.29%	0.47%	0.43%	0.25%
English Unitary Authorities	0.76%	148	326	3.2	0.29%	0.47%	0.46%	0.28%