APPENDIX 1

Performance against Treasury Management Indicators agreed in Treasury Management Strategy Statement

1. Authorised limit for external debt

These limits include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over & above the operational limit for unusual cash movements.

	2014/15 Prudential Indicator	**2014/15 Actual as at 30th Jun. 2014**
	£'000	£'000
Borrowing	215,000	70,000
Other long term liabilities	2,000	0
Cumulative Total	**217,000**	**70,000**

2. Operational limit for external debt

The operational boundary for external debt is based on the same estimates as the authorised limit but without the additional headroom for unusual cash movements.

	2014/15 Prudential Indicator	**2014/15 Actual as at 30th Jun. 2014**
	£'000	£'000
Borrowing	177,000	70,000
Other long term liabilities	2,000	0
Cumulative Total	**179,000**	**70,000**

3. Upper limit for fixed interest rate exposure

This is the maximum amount of total borrowing which can be at fixed interest rate, less any investments for a period greater than 12 months which has a fixed interest rate.

	2014/15 Prudential Indicator	**2014/15 Actual as at 30th Jun. 2014**
	£'000	£'000
Fixed interest rate exposure	**177,000**	**50,000***

* The £20m of LOBO's are quoted as variable rate in this analysis as the Lender has the option to change the rate at 6 monthly intervals (the Council has the option to repay the loan should the rate increase).

4. Upper limit for variable interest rate exposure

While fixed rate borrowing contributes significantly to reducing uncertainty surrounding interest rate changes, the pursuit of optimum performance levels may justify keeping flexibility through the use of variable interest rates. This is the maximum amount of total borrowing which can be at variable interest rates.

	2014/15 Prudential Indicator	2014/15 Actual as at 30th Jun. 2014
	£'000	£'000
Variable interest rate exposure	**127,000**	**20,000**

5. Upper limit for total principal sums invested for over 364 days
This is the maximum amount of total investments which can be over 364 days. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments.

	2014/15 Prudential Indicator	2014/15 Actual as at 30th Jun. 2014
	£'000	£'000
Investments over 364 days	**50,000**	**0**

6. Maturity Structure of borrowing
This indicator is set to control the Council's exposure to refinancing risk.

	Upper Limit	Lower Limit	2014/15 Actual as at 30th Jun. 2015
	%	%	%
Under 12 months	50	Nil	29*
12 months and within 24 months	50	Nil	0
24 months and within 5 years	75	Nil	0
5 years and within 10 years	100	Nil	0
10 years and above	100	Nil	71

* The CIPFA Treasury management Code now requires the prudential indicator relating to Maturity of Fixed Rate Borrowing to reference the maturity of LOBO loans to the earliest date on which the lender can require payment, i.e. the next call date (which are at 6 monthly intervals for the £20m of LOBO's). However, the Council would only consider repaying these loans if the Lenders exercised their options to alter the interest rate.

7. Average Credit Rating
The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the weighted average credit rating of its investment portfolio. A summary guide to credit ratings is set out at **Appendix 7**.

	2014/15 Prudential Indicator	2014/15 Actual as at 30th Jun. 2014
	Rating	Rating
Minimum Portfolio Average Credit Rating	**A**	**AA**

8. Liquidity

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	2014/15 Prudential Indicator	2014/15 Actual as at 30th Jun. 2014
Total cash available within 3 months	**£15m**	**£37m**

APPENDIX 2

The Council's Investment position at 30th June 2014

The term of investments, from the original date of the deal, are as follows:

	Balance at 30th June 2014
	£'000's
Notice (instant access funds)	21,990
Up to 1 month	0
1 month to 3 months	10,000
Over 3 months	5,000
Total	**36,990**

The investment figure of £36.990 million is made up as follows:

	Balance at 30th June 2014
	£'000's
B&NES Council	16,030
B&NES PCT	12,492
West Of England Growth Points	688
Schools	7,780
Total	**36,990**

The Council had an average net positive balance of £43.3m (including Growth Points & B&NES PCT Funding) during the period April 2014 to June 2014.

Chart 1: Council Investments (£37.0m) as at 30th June 2014

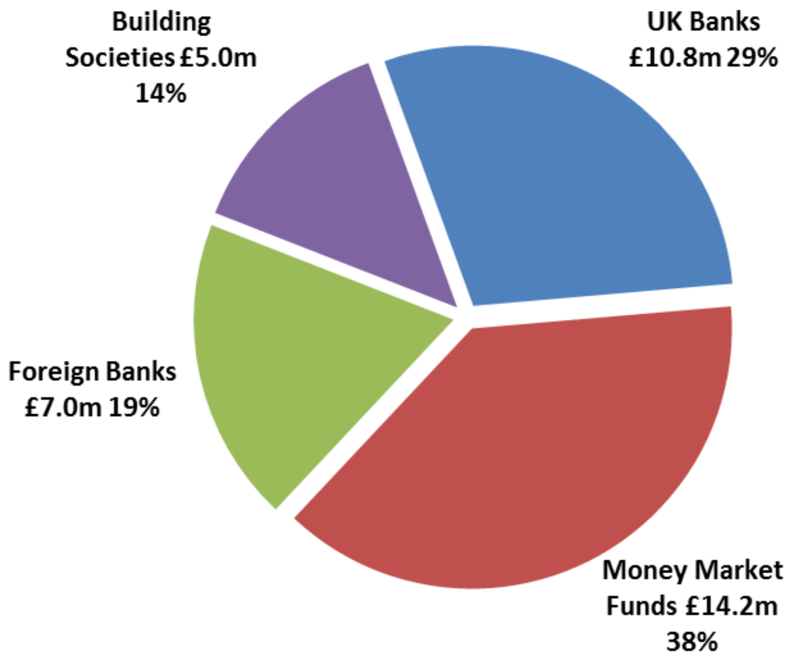


Chart 2: Council Investments (£16.0m) as at 31st March 2014

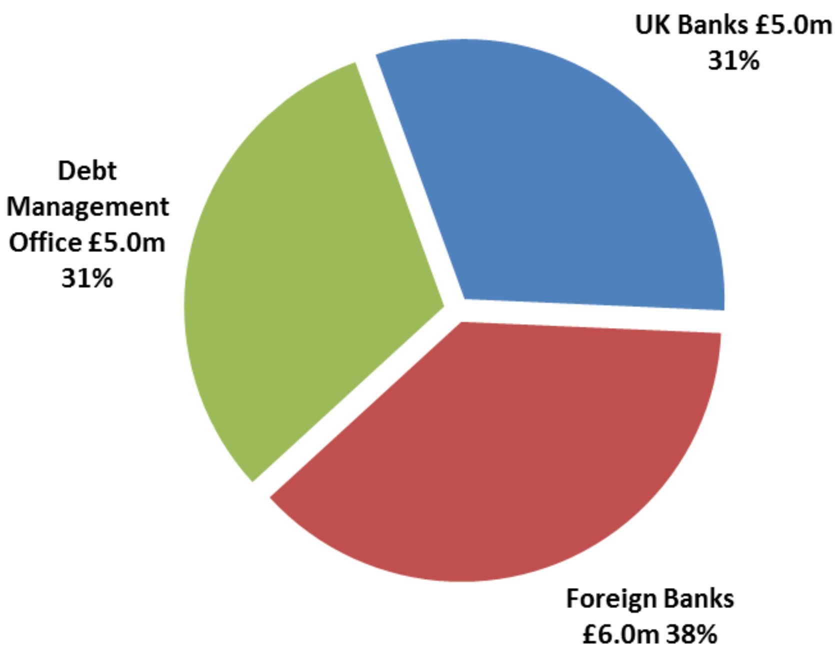


Chart 3: Council Investments per Lowest Equivalent Long-term Credit Ratings (£37.0m) 30th June 2014

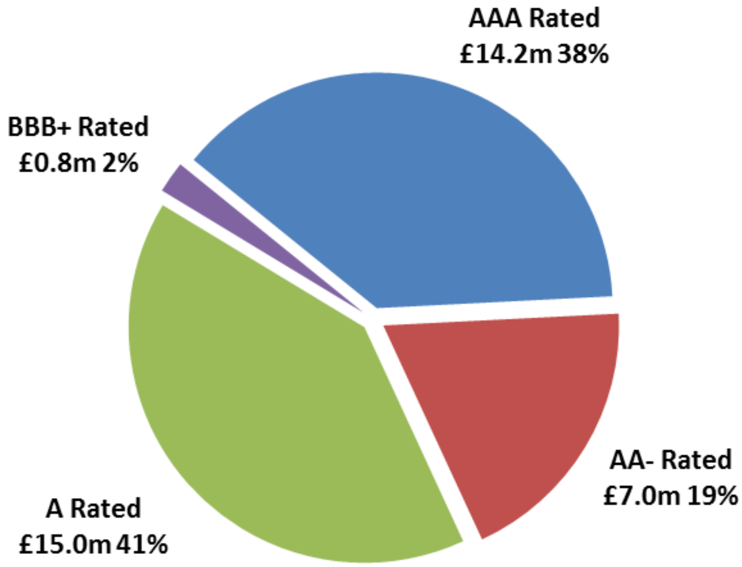
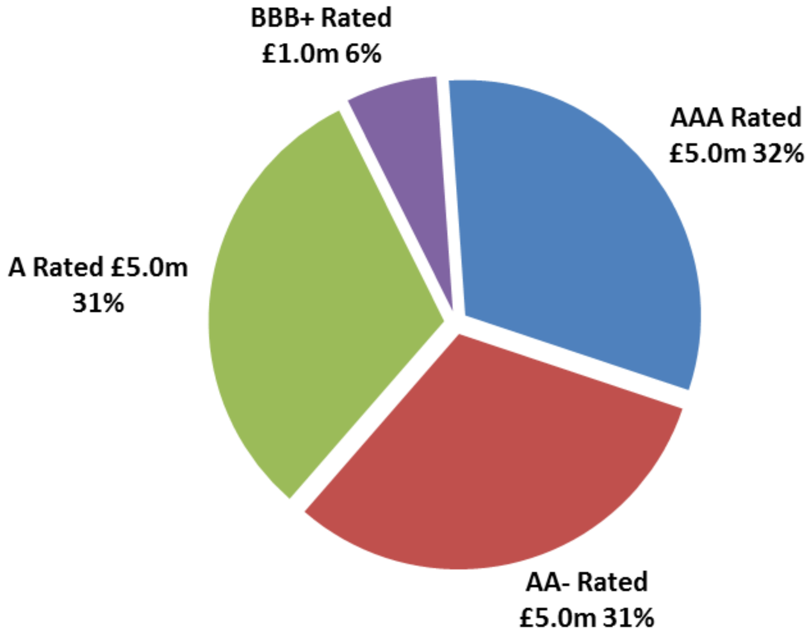


Chart 4: Council Investments per Lowest Equivalent Long-term Credit Ratings (£16.0m) 31st March 2014



APPENDIX 3

Average rate of return on investments for 2014/15

	April %	**May %**	**June %**	**Average for Period**
Average rate of interest earned	0.40%	0.43%	0.44%	**0.43%**
Benchmark = Average 7 Day LIBID rate +0.05% (source: Arlingclose)	0.39%	0.39%	0.40%	**0.39%**
Performance against Benchmark %	+0.01%	+0.04%	+0.04%	**+0.04%**

APPENDIX 4

Councils External Borrowing at 30th June 2014

LONG TERM	**Amount**	**Start Date**	**Maturity Date**	**Interest Rate**
PWLB	10,000,000	15/10/04	15/10/35	4.75%
PWLB	5,000,000	12/05/10	15/08/35	4.55%
PWLB	5,000,000	12/05/10	15/08/60	4.53%
PWLB	5,000,000	05/08/11	15/02/31	4.86%
PWLB	10,000,000	05/08/11	15/08/29	4.80%
PWLB	15,000,000	05/08/11	15/02/61	4.96%
KBC Bank N.V*	5,000,000	08/10/04	08/10/54	4.50%
KBC Bank N.V*	5,000,000	08/10/04	08/10/54	4.50%
Eurohypo Bank*	10,000,000	27/04/05	27/04/55	4.50%
TOTAL	**70,000,000**			
TEMPORARY	**NIL**			
TOTAL	**70,000,000**			**4.71%**

*All LOBO's (Lender Option / Borrower Option) have reached the end of their fixed interest period and have reverted to the variable rate of 4.50%. The lender has the option to change the interest rate at 6 monthly intervals, however at this point the borrower also has the option to repay the loan without penalty.

APPENDIX 5

Economic and market review for April to June 2014 (provided by Arlingclose)

Growth: The recent strong performance of the UK economy continued with output growing at 0.8% in Q1 2014. Although confirming that the UK has one of the fastest rates of economic growth in the western world, the breakdown did not provide any support towards the rebalancing of the economy, which remains a key plank of the government's economic strategy. House prices continued on their upward trend but there were some signs of cooling in the housing market evident from the fall in the number of housing transactions and new mortgage lending due to tighter lending standards following the introduction of the Mortgage Market Review in March.

Unemployment: The labour market continued to improve, with job growth strong and the headline unemployment rate falling to 6.6%. However, earnings growth weakened with total pay slowing to just 0.7% yearly growth in the three months to April and employment growth was masked by a large number on zero-hour contracts and working part-time involuntarily.

Inflation: CPI inflation for May fell to 1.5% year-on-year from 1.8% which was lower than market expectations. Even though inflation was expected to tick marginally higher in coming months, it was still expected to remain just below the Bank's 2% target.

UK Monetary Policy: The MPC made no change to the Bank Rate of 0.5% and maintained asset purchases at £375bn. However, there was a marked shift in tone from the Bank of England's Governor and other MPC members. In his Mansion House speech in June Governor Mark Carney warned that interest rates might rise sooner than financial markets were expecting. The minutes of the MPC's June meeting outlined the Bank's central view that whilst wage growth and inflation had been weak, economic activity had been stronger than expected and the policy decision had therefore become more 'balanced' for some members on the Committee than earlier in the year.

The Bank's Financial Policy Committee also announced a range of measures to cool the UK's housing market to avert the potential of spiralling house prices derailing a sustainable economic recovery. Key recommendations included lenders stress-testing mortgage applicants can cope with a 3% rise in interest rates; putting a 15% cap on the number of mortgages at more than 4.5 times the borrower's income; and a separate Treasury pledge banning anyone applying for a loan through the Help to Buy scheme borrowing more than 4.5 times their income. The Prudential Regulation Authority also announced that it intends to consult on capital requirements for mortgages.

In June the European Central Bank announced interest rate cuts along with a raft of non-conventional measures to head off the growing threat of deflation in the Eurozone. The ECB cut main policy rates (refinancing rate) from 0.25% to 0.15% and, to encourage banks to lend to businesses and generate economic growth, it also cut the deposit rate to 0.10% which in effect means that commercial banks must pay for the privilege of depositing their funds at the central bank.

There was no change from the US Federal Reserve as the central bank kept policy on its current track with a reduction in asset purchases by $10 billion to $35 billion per month. The sharp downward revision to US GDP in Q1 to -2.9% annualised was strongly influenced by severe weather deterring consumers from going out and spending. GDP in Q2 of 2014 is expected to rebound, taking the annual average rate of growth over the last four quarters ending in Q2 to a more sustainable level of 2%.

Market reaction: 2- and 3-year gilt yields rose by 0.15% over the quarter to 0.86% and 1.25% respectively, 5-year yields rose by a more muted 0.06% to 2.03%, 10- year and 20-year yields fell by 0.06% to 2.67% and 2.28% respectively whilst the 20-year gilt yield was down 0.1% to 3.35%.

APPENDIX 6

Interest & Capital Financing Costs – Budget Monitoring 2014/15 (April to June)

April to June 2014	YEAR END FORECAST Budgeted Spend or (Income) £'000	Forecast Spend or (Income) £'000	Forecast over or (under) spend £'000	ADV/FAV
Interest & Capital Financing				
- Debt Costs	3,862	3,862	0	
- Internal Repayment of Loan Charges	(8,182)	(8,182)	0	
- Ex Avon Debt Costs	1,388	1,388	0	
- Minimum Revenue Provision (MRP)	6,120	6,120	0	
- Interest on Balances	(110)	(110)	0	
Sub Total - Capital Financing	**3,078**	**3,078**	**0**	

APPENDIX 7

Summary Guide to Credit Ratings

Rating	Details
AAA	Highest credit quality – lowest expectation of default, which is unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality - expectation of very low default risk, which is not likely to be significantly vulnerable to foreseeable events.
A	High credit quality - expectations of low default risk which may be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	Good credit quality - expectations of default risk are currently low but adverse business or economic conditions are more likely to impair this capacity.
BB	Speculative - indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.
B	Highly speculative - indicates that material default risk is present, but a limited margin of safety remains. Capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	Substantial credit risk - default is a real possibility.
CC	Very high levels of credit risk - default of some kind appears probable.
C	Exceptionally high levels of credit risk - default is imminent or inevitable.

RD	Restricted default - indicates an issuer that has experienced payment default on a bond, loan or other material financial obligation but which has not entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, and which has not otherwise ceased operating.
D	Default - indicate san issuer that has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, or which has otherwise ceased business.