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 31st Dec. 2014**
	£'000	£'000
Borrowing	215,000	98,000
Other long term liabilities	2,000	0
Cumulative Total	**217,000**	**98,000**

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 31st Dec. 2014**
	£'000	£'000
Borrowing	177,000	98,000
Other long term liabilities	2,000	0
Cumulative Total	**179,000**	**98,000**

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 31st Dec. 2014**
	£'000	£'000
Fixed interest rate exposure	**177,000**	**78,000***

* 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 31st Dec. 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 31st Dec. 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 31st Dec. 2015**
	%	%	%
Under 12 months	50	Nil	31*
12 months and within 24 months	50	Nil	0
24 months and within 5 years	75	Nil	8
5 years and within 10 years	100	Nil	10
10 years and above	100	Nil	51

* 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**. The Council agreed a reduction to the minimum portfolio average credit rating from A to A- at its meeting on 13th November in order to be able to respond to any changes to UK banks credit ratings resulting from implementation of the bail-in provisions of the EU Bank Recovery and Resolution Directive.

	2014/15 Prudential Indicator	**2014/15 Actual as at 31st Dec. 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 31st Dec. 2014**
Total cash available within 3 months	**£15m**	**£22.15m**

APPENDIX 2

The Council's Investment position at 31st December 2014
The term of investments, from the original date of the deal, are as follows:

	Balance at 31st Dec. 2014
	£'000's
Notice (instant access funds)	12,150
Up to 1 month	0
1 month to 3 months	0
Over 3 months	10,000
Total	**22,150**

The investment figure of £22.150 million is made up as follows:

	Balance at 31st Dec. 2014
	£'000's
B&NES Council	5,200
B&NES CHC	8,256
West Of England Growth Points	688
Schools	8,006
Total	**22,150**

The Council had an average net positive balance of £32.5m (including Growth Points & B&NES CHC Funding) during the period April 2014 to December 2014.

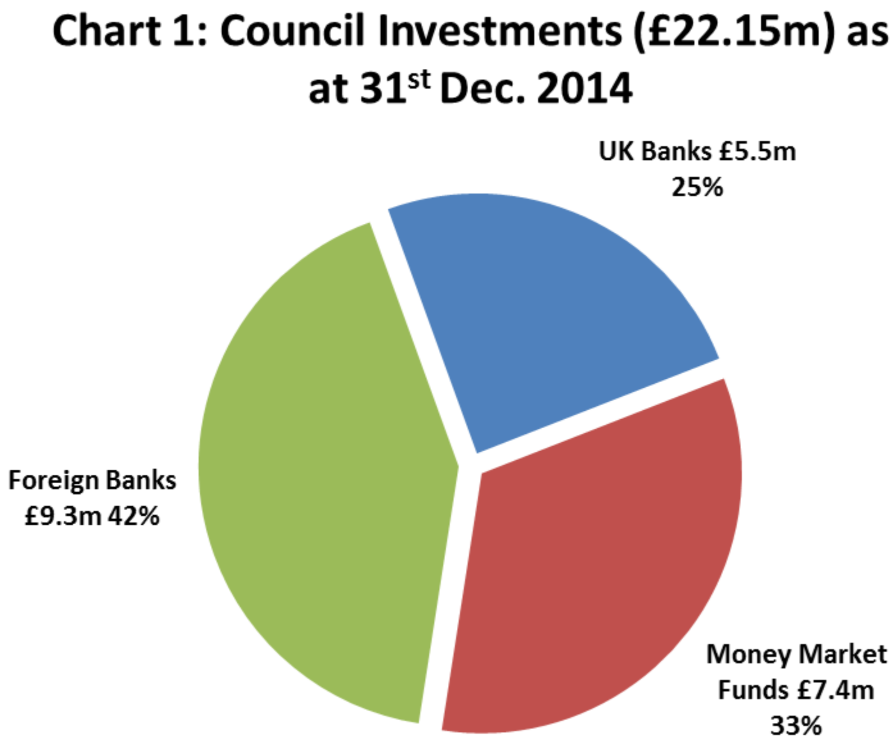


Chart 2: Council Investments (£9.85m) as at 30th Sep. 2014

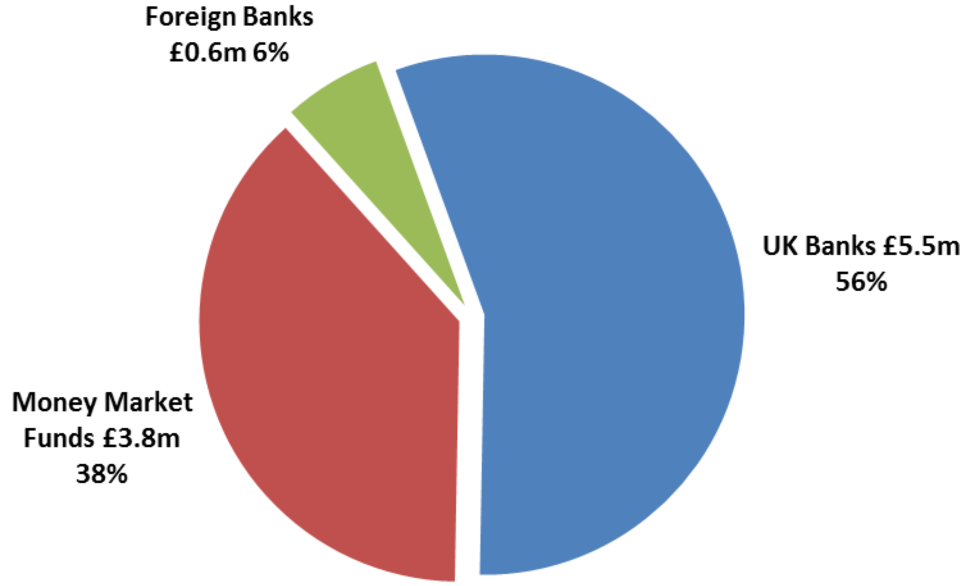


Chart 3: Council Investments per Lowest Equivalent Long-term Credit Ratings (£22.15m) 31st Dec. 2014

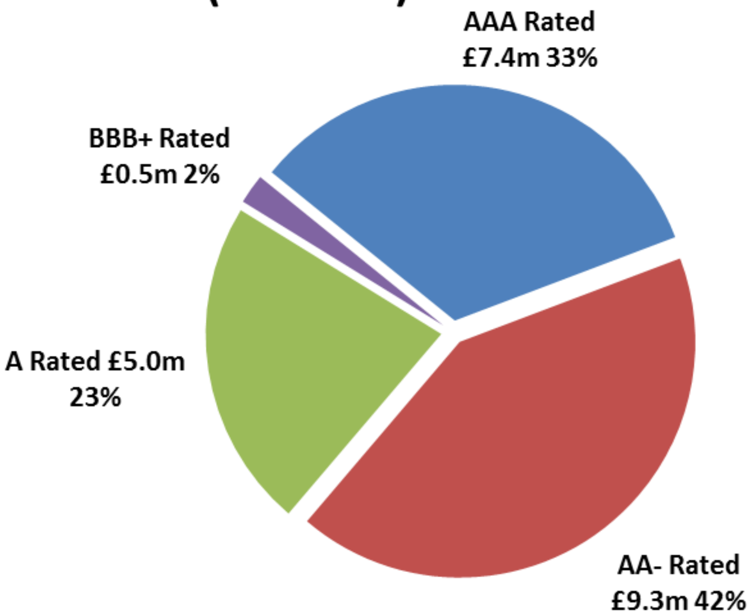
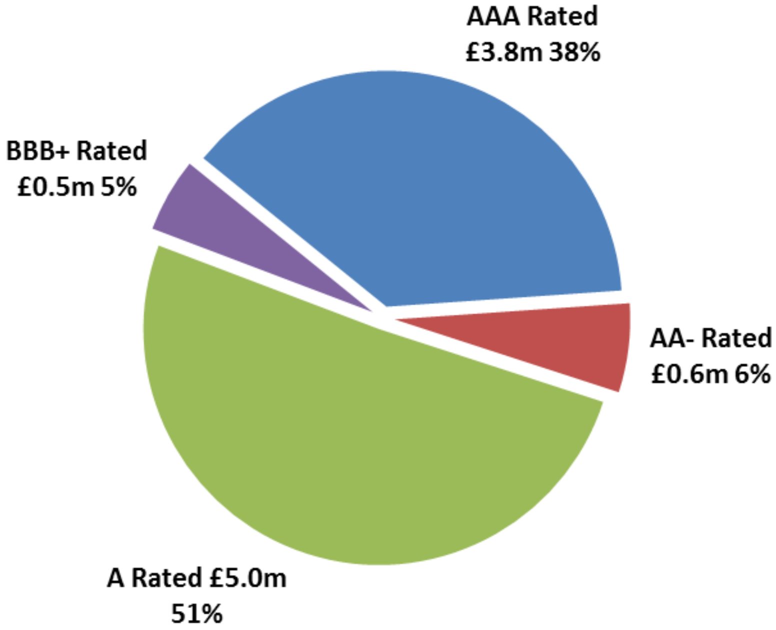


Chart 4: Council Investments per Lowest Equivalent Long-term Credit Ratings (£9.85m) 30th Sep 2014



APPENDIX 3

Average rate of return on investments for 2014/15

	April %	May %	June %	July %	Aug %	Sep %	Oct %	Nov %	Dec %	Average for Period
Average rate of interest earned	0.40	0.43	0.44	0.47	0.42	0.42	0.44	0.45	0.44	**0.44%**
Benchmark = Average 7 Day LIBID rate +0.05% (source: Arlingclose)	0.39	0.39	0.40	0.39	0.40	0.40	0.40	0.40	0.40	**0.40%**
Performance against Benchmark %	0.01	0.04	0.04	0.08	0.02	0.02	0.04	0.05	0.04	**0.04%**

APPENDIX 4

Councils External Borrowing at 31st December 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%
West Midland Police Authority	5,000,000	08/10/14	10/10/16	1.10%
Portsmouth City Council	3,000,000	15/10/14	17/10/16	1.08%
Wirral Metropolitan Borough Council	5,000,000	07/11/14	06/11/15	0.65%
Gloucestershire County Council	5,000,000	25/11/14	25/11/19	2.05%
Derbyshire County Council	5,000,000	28/11/14	27/11/15	0.65%
Gloucestershire County Council	5,000,000	19/12/14	19/12/19	2.05%
TOTAL	**98,000,000**			
TEMPORARY	**Nil**			
TOTAL	**98,000,000**			**3.73%**

*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 October to December 2014 (provided by Arlingclose)

Growth and Inflation: The UK economy slowed a little in Q3 following stronger performance in Q2. Output grew by 0.7%, following 0.6% in Q1 2014 and at 0.8% in Q2. The services sector drove the expansion once again, with marginal contributions from industrial production and construction. In spending terms, growth was led by household consumption. Political uncertainty (Scottish independence referendum/UK General Election/UK referendum on EU membership?) looks to have had a negative impact on business investment, while weakness in the UK's main export markets is limiting the contribution from net trade.

Concerns about the strength of global GDP growth became more widespread, with data showing that the Eurozone was stagnating and Chinese growth easing. Other emerging market economies were also experiencing softer economic activity. The main consequence of the weaker global outlook was a significant decline in oil prices, which had already been under pressure due to increased supply. This fed into domestic fuel prices and placed downward pressure on inflation rates. The annual UK CPI inflation rate fell to 1.0% year-on-year in November, with expectations of further falls in the coming months.

Unemployment: The labour market continued to improve, although employment gains slowed a little compared to earlier in the year; the headline unemployment rate fell to 6.0%. Earnings growth strengthened, rising 1.4% for the three months August to October 2014 when compared to the same period a year earlier. The pickup in nominal earnings growth combined with the fall in inflation suggests a sustained pickup in real wage growth, the first since 2007.

UK Monetary Policy: The MPC made no change to the Bank Rate of 0.5% and maintained asset purchases at £375bn. MPC members Ian McCafferty and Martin Weale continued to vote for an increase Bank Rate by 0.25%, arguing economic circumstances were sufficient to justify an immediate rise. However, the softening outlook for CPI inflation appears to have given the more dovish members of the Committee a strong argument for maintaining Bank Rate at 0.5%. The MPC continued to emphasise that when Bank Rate did begin to rise, it was expected to do so only gradually and would likely remain below average historical levels for some time to come.

The Eurozone inflation rate dipped below zero in December (HICP inflation registered -0.2% in December). With regional growth continuing to struggle and deflation appearing more likely, pressure has grown on the ECB to implement outright quantitative easing (QE) beyond the current asset purchase programme focused on securities secured on property. The MPC continues to see Eurozone economic weakness and potential deflation as a significant risk to the UK's economic prospects.

The US Federal Reserve concluded monthly asset purchases under its QE programme as expected in October. After a weather-hit Q1, the US economy expanded strongly in Q2 and Q3, prompting analysts to bring forward expectations of a rise in the official policy rate.

Market reaction: Gilt yields have continued to decline on the back of softening inflation expectations and increasing concerns about global growth, the Eurozone and the political situation regarding Russia/Ukraine. The 10 year gilt yield closed 2014 at 1.76%, down from 2.43% at the end of September. Short term market interest rates have also declined as the expectation of a near term rise in UK Bank Rate diminished.

APPENDIX 6

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

April to December 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.