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.

	2016/17 Prudential Indicator	**2016/17 Actual as at 31st Mar. 2017**
	£'000	£'000
Borrowing	266,000	124,004
Other long term liabilities	2,000	0
Cumulative Total	**268,000**	**124,004**

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.

	2016/17 Prudential Indicator	**2016/17 Actual as at 31st Mar. 2017**
	£'000	£'000
Borrowing	229,000	124,004
Other long term liabilities	2,000	0
Cumulative Total	**231,000**	**124,004**

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.

	2016/17 Prudential Indicator	**2016/17 Actual as at 31st Mar. 2017**
	£'000	£'000
Fixed interest rate exposure	**229,000**	**100,004**

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.

	2016/17 Prudential Indicator	**2016/17 Actual as at 31st Mar. 2017**
	£'000	£'000
Variable interest rate exposure	**141,000**	**20,000***

* 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).

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.

	2016/17 Prudential Indicator	**2016/17 Actual as at 31st Mar. 2017**
	£'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**	**2016/17 Actual as at 31st Mar. 2016**
	%	%	%
Under 12 months	50	Nil	24*
12 months and within 24 months	50	Nil	0
24 months and within 5 years	75	Nil	10
5 years and within 10 years	100	Nil	0
10 years and above	100	Nil	90

* 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**.

	2016/17 Prudential Indicator	**2016/17 Actual as at 31st Mar. 2017**
	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.

	2016/17 Prudential Indicator	**2016/17 Actual as at 31st Mar. 2017**
Total cash available within 3 months	**£15m**	**£17.9m**

APPENDIX 2

The Council's Investment position at 31st March 2017

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

	Balance at 31st Mar. 2017
	£'000's
Notice (instant access funds)	12,856
Up to 1 month	0
1 month to 3 months	5,000
Over 3 months	21,000
Total	**38,856**

The investment figure of £38.86 million is made up as follows:

	Balance at 31st Mar. 2017
	£'000's
B&NES Council	8,826
LGF	24,856
West Of England Growth Points	134
Schools	5,039
Total	**38,856**

The following fixed term investments were undertaken during 2016/17 with a maturity date in the following financial year:

Institution	**Amount**	**Rate**	**Start Date**	**Maturity Date**	**Long Term Credit Rating**
LLOYDS	5,000	0.60%	11-Apr-16	11-May-17	A
ROTHERHAM MBC	5,000	0.32%	17-Feb-17	30-Apr-17	-
WEST DUNBARTONSHIRE COUNCIL	5,000	0.60%	28-Apr-16	28-Apr-17	-
LANCASHIRE COUNTY COUNCIL	3,000	0.60%	03-May-16	28-Apr-17	-
LANCASHIRE COUNTY COUNCIL	3,000	0.30%	11-Nov-17	11-May-17	-
LEEDS CITY COUNCIL	5,000	0.35%	13-Jul-16	12-Jul-17	-
Total	**£26.0m**				

The balance of £12.9m and was held in call accounts and money market funds as at 31st March 2017.

Chart 1: Council Investments as at 31st March 2017 (£38.9m)

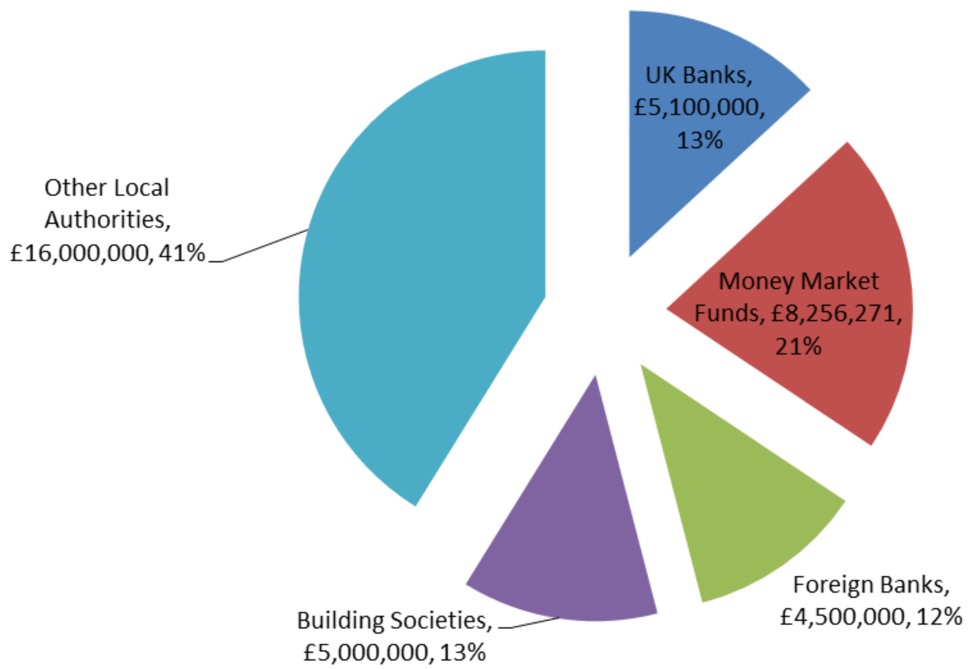
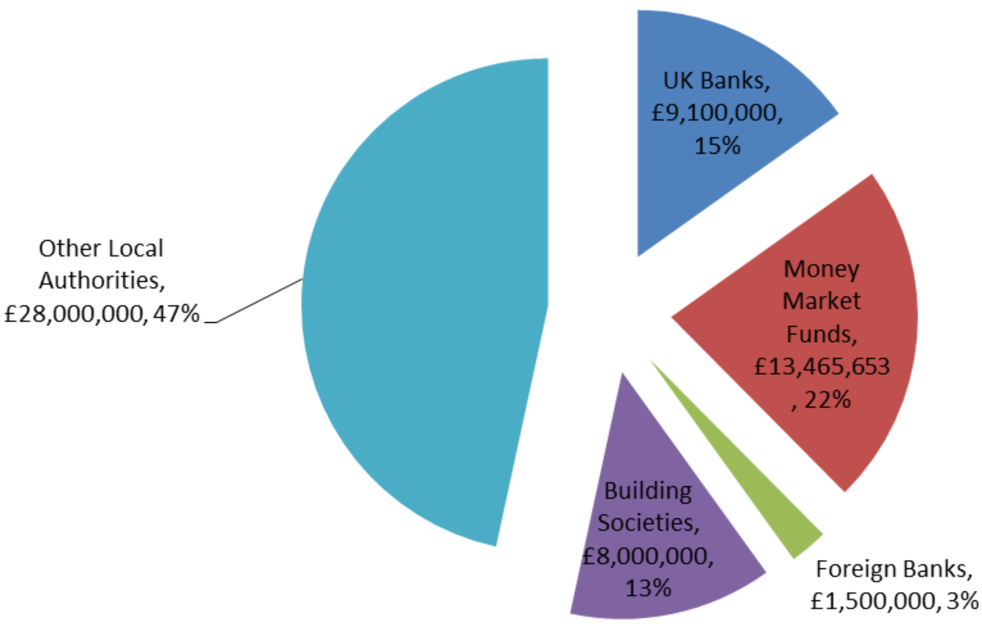


Chart 2: Council Investments as at 31st December 2016 (£60.1m)



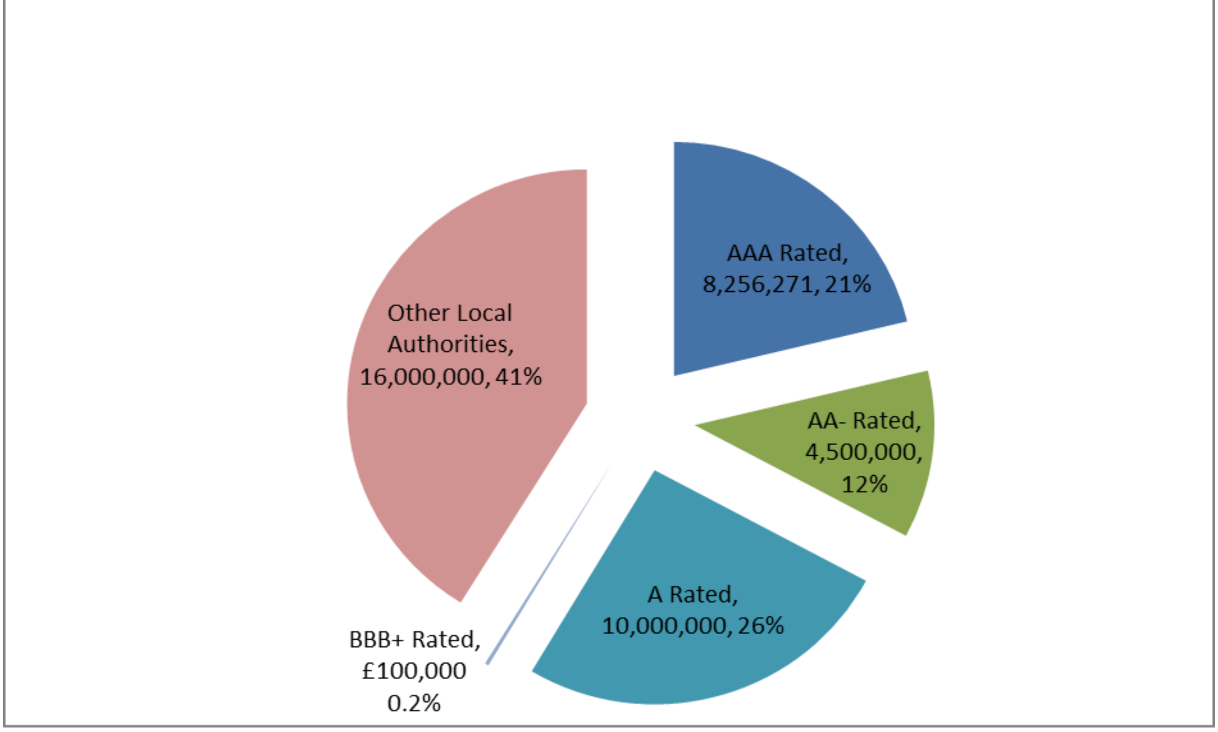


Chart 3: Council Investments per lowest equivalent Long Term credit rating (£38.9m) 31st March 2017

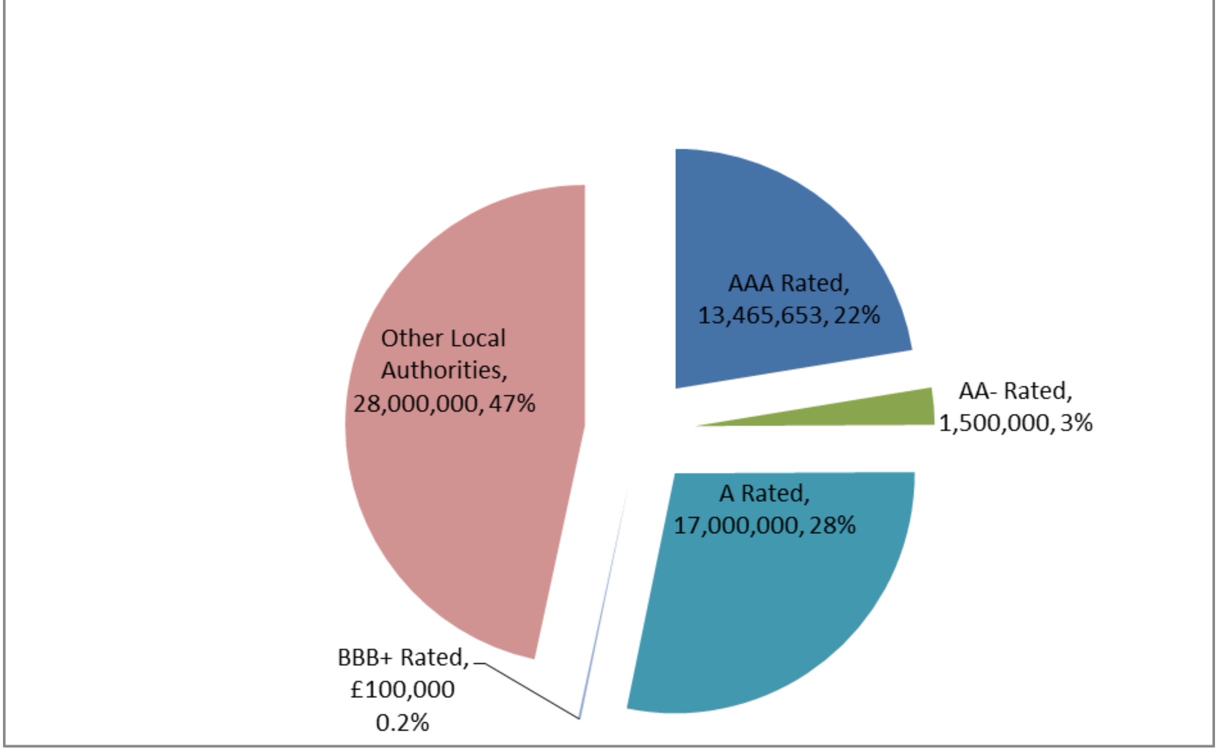


Chart 4: Council Investments per lowest equivalent Long Term credit rating (£60.1m) 31st December 2016

APPENDIX 3

Average rate of return on investments for 2016/17

	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Ave. for Period
Average rate of interest earned	**0.45%**	**0.52%**	**0.52%**	**0.52%**	**0.51%**	**0.49%**	**0.48%**	**0.48%**	**0.45%**	**0.40%**	**0.39%**	**0.37%**	**0.47%**
Benchmark = 7 Day LIBID + 0.05% (LIBID Source - Arlingclose)	**0.41%**	**0.42%**	**0.41%**	**0.41%**	**0.36%**	**0.33%**	**0.31%**	**0.29%**	**0.28%**	**0.27%**	**0.26%**	**0.25%**	**0.33%**
Performance against Benchmark %	**0.04%**	**0.10%**	**0.11%**	**0.11%**	**0.15%**	**0.16%**	**0.17%**	**0.19%**	**0.17%**	**0.13%**	**0.13%**	**0.12%**	**0.14%**

APPENDIX 4

Councils External Borrowing at 31st March 2017

Lender	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%
PWLB	5,300,000	29/01/15	08/04/34	2.62%
PWLB	5,000,000	29/01/15	08/10/64	2.92%
PWLB	19,704,175	20/06/16	01/05/41	2.36%
PWLB	10,000,000	24/02/17	24/08/39	2.38%
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%
Gloucestershire County Council	5,000,000	25/11/14	25/11/19	2.05%
Gloucestershire County Council	5,000,000	19/12/14	19/12/19	2.05%
East Dorset District Council	2,000,000	20/03/17	20/03/2018	0.50%
Christchurch Borough Council	2,000,000	20/03/17	20/03/2018	0.50%
TOTAL	**124,004,175**			**3.64%**

*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

Counterparty Update (Provided by Arlingclose)

Credit background: Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune, although the fall in their share prices was less pronounced.

Fitch and Standard & Poor's downgraded the UK's sovereign rating to AA. Fitch, S&P and Moody's have a negative outlook on the UK. Moody's has a negative outlook on those banks and building societies that it perceives to be exposed to a more challenging operating environment arising from the 'leave' outcome.

None of the banks on the Authority's lending list failed the stress tests conducted by the European Banking Authority in July and by the Bank of England in November, the latter being designed with more challenging stress scenarios, although Royal Bank of Scotland was one of the weaker banks in both tests. The tests were based on banks' financials as at 31st December 2015, 11 months out of date for most. As part of its creditworthiness research and advice, the Authority's treasury advisor Arlingclose regularly undertakes analysis of relevant ratios - "total loss absorbing capacity" (TLAC) or "minimum requirement for eligible liabilities" (MREL) - to determine whether there would be a bail-in of senior investors, such as local authority unsecured investments, in a stressed scenario

APPENDIX 6

Annual Economic Review 2016/17 (Provided by Arlingclose)

Economic background: Politically, 2016/17 was an extraordinary twelve month period which defied expectations when the UK voted to leave the European Union and Donald Trump was elected the 45th President of the USA. Uncertainty over the outcome of the US presidential election, the UK's future relationship with the EU and the slowdown witnessed in the Chinese economy in early 2016 all resulted in significant market volatility during the year. Article 50 of the Lisbon Treaty, which sets in motion the 2-year exit period from the EU, was triggered on 29th March 2017.

UK inflation had been subdued in the first half of 2016 as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. However the sharp fall in the Sterling exchange rate following the referendum had an impact on import prices which, together with rising energy prices, resulted in CPI rising from 0.3% year/year in April 2016 to 2.3% year/year in March 2017.
In addition to the political fallout, the referendum's outcome also prompted a decline in household, business and investor sentiment. The repercussions on economic growth were judged by the Bank of England to be sufficiently severe to prompt its Monetary Policy Committee (MPC) to cut the Bank Rate to 0.25% in August and embark on further gilt and corporate bond purchases as well as provide cheap funding for banks via the Term Funding Scheme to maintain the supply of credit to the economy.
Despite growth forecasts being downgraded, economic activity was fairly buoyant and GDP grew 0.6%, 0.5% and 0.7% in the second, third and fourth calendar quarters of 2016. The labour market also proved resilient, with the ILO unemployment rate dropping to 4.7% in February, its lowest level in 11 years.
Following a strengthening labour market, in moves that were largely anticipated, the US Federal Reserve increased rates at its meetings in December 2016 and March 2017, taking the target range for official interest rates to between 0.75% and 1.00%.

Financial markets: Following the referendum result, gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. After September there was a reversal in longer-dated gilt yields which moved higher, largely due to the MPC revising its earlier forecast that Bank Rate would be dropping to near 0% by the end of 2016. The yield on the 10-year gilt rose from 0.75% at the end of September to 1.24% at the end of December, almost back at pre-referendum levels of 1.37% on 23rd June. 20- and 50-year gilt yields also rose in Q3 2017 to 1.76% and 1.70% respectively, however in Q4 yields remained flat at around 1.62% and 1.58% respectively.
After recovering from an initial sharp drop in Q2, equity markets rallied, although displaying some volatility at the beginning of November following the US presidential election result. The FTSE-100 and FTSE All Share indices closed at 7342 and 3996 respectively on 31st March, both up 18% over the year. Commercial property values fell around 5% after the referendum, but had mostly recovered by the end of March.
Money market rates for overnight and one week periods remained low since Bank Rate was cut in August. 1- and 3-month LIBID rates averaged 0.36% and 0.47% respectively during 2016-17. Rates for 6- and 12-months increased between August and November, only to gradually fall back to August levels in March, they averaged 0.6% and 0.79% respectively during 2016-17.

APPENDIX 7

Interest & Capital Financing Costs – Budget Monitoring 2016/17 (Outturn)

April 2016 to March 2017	YEAR END POSITION			ADV/FAV
	Budgeted Spend or (Income) £'000	Actual Spend or (Income) £'000	Actual over or (under) spend £'000	
Interest & Capital Financing				
- Debt Costs	5,403	4,468	(935)	FAV
- Internal Repayment of Loan Charges	(6,200)	(5,564)	636	ADV
- Ex Avon Debt Costs	1,240	1,239	(1)	FAV
- Minimum Revenue Provision (MRP)	4,115	3,783	(332)	FAV
- Interest on Balances	(194)	(340)	(146)	FAV
Sub Total - Capital Financing	**4,365**	**3,587**	**(778)**	**FAV**

APPENDIX 8

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.