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	**Actual as at 30th June 2016**
	£'000	£'000
Borrowing	266,000	133,300
Other long term liabilities	2,000	0
Cumulative Total	**268,000**	**133,300**

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	**Actual as at 30th June 2016**
	£'000	£'000
Borrowing	229,000	133,300
Other long term liabilities	2,000	0
Cumulative Total	**231,000**	**133,300**

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	Actual as at 30th June 2016
	£'000	£'000
Fixed interest rate exposure	**229,000**	**113,300***

* 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 Lender exercise this option to increase the rate).

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	Actual as at 30th June 2016
	£'000	£'000
Variable interest rate exposure	**141,000**	**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.

	2016/17 Prudential Indicator	Actual as at 30th June 2016
	£'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	Actual as at 30th June 2016
	%	%	%
Under 12 months	50	Nil	17*
12 months and within 24 months	75	Nil	0
24 months and within 5 years	75	Nil	8
5 years and within 10 years	100	Nil	0
10 years and above	100	Nil	75

* 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	Actual as at 30th June 2016
	Rating	Rating
Minimum Portfolio Average Credit Rating	**A-**	**AA+**

APPENDIX 2

The Council's Investment position at 30th June 2016

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

As per Weekly	**Balance at 30th June 2016**
	£'000's
Notice (instant access funds)	38,397
Up to 1 month	-
1 month to 3 months	33,000
Over 3 months	22,000
Total	**93,397**

The investment figure of £93.4 million is made up as follows:

	Balance at 30th June 2016
	£'000's
B&NES Council	43,225
West Of England Growth Points	135
Local Growth Fund	42,897
Schools	7,110
Total	**93,397**

The Council had a total average net positive balance of £82.699m during the period April 2016 to June 2016.

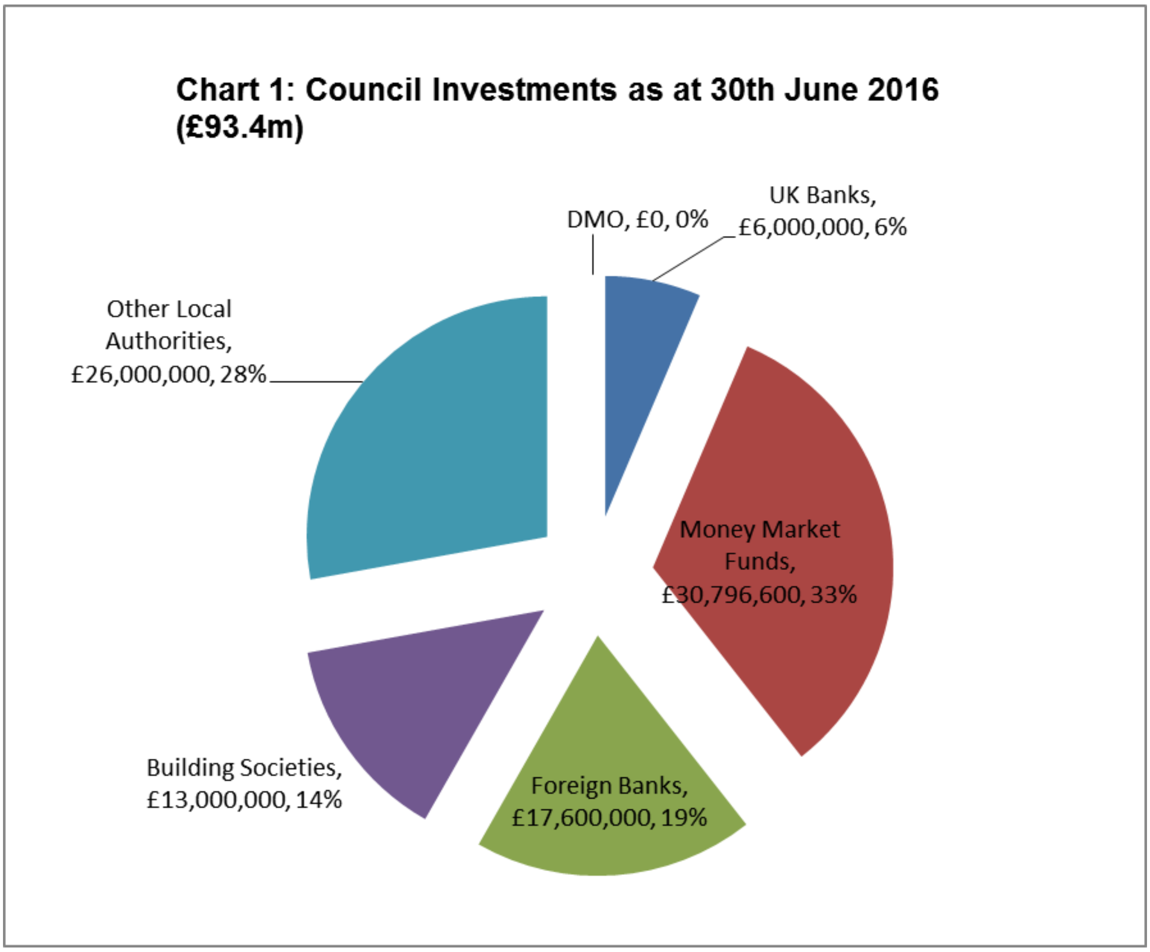


Chart 1: Council Investments as at 30th June 2016 (£93.4m)
DMO, £0, 0%
UK Banks, £6,000,000, 6%
Other Local Authorities, £26,000,000, 28%
Money Market Funds, £30,796,600, 33%
Building Societies, £13,000,000, 14%
Foreign Banks, £17,600,000, 19%

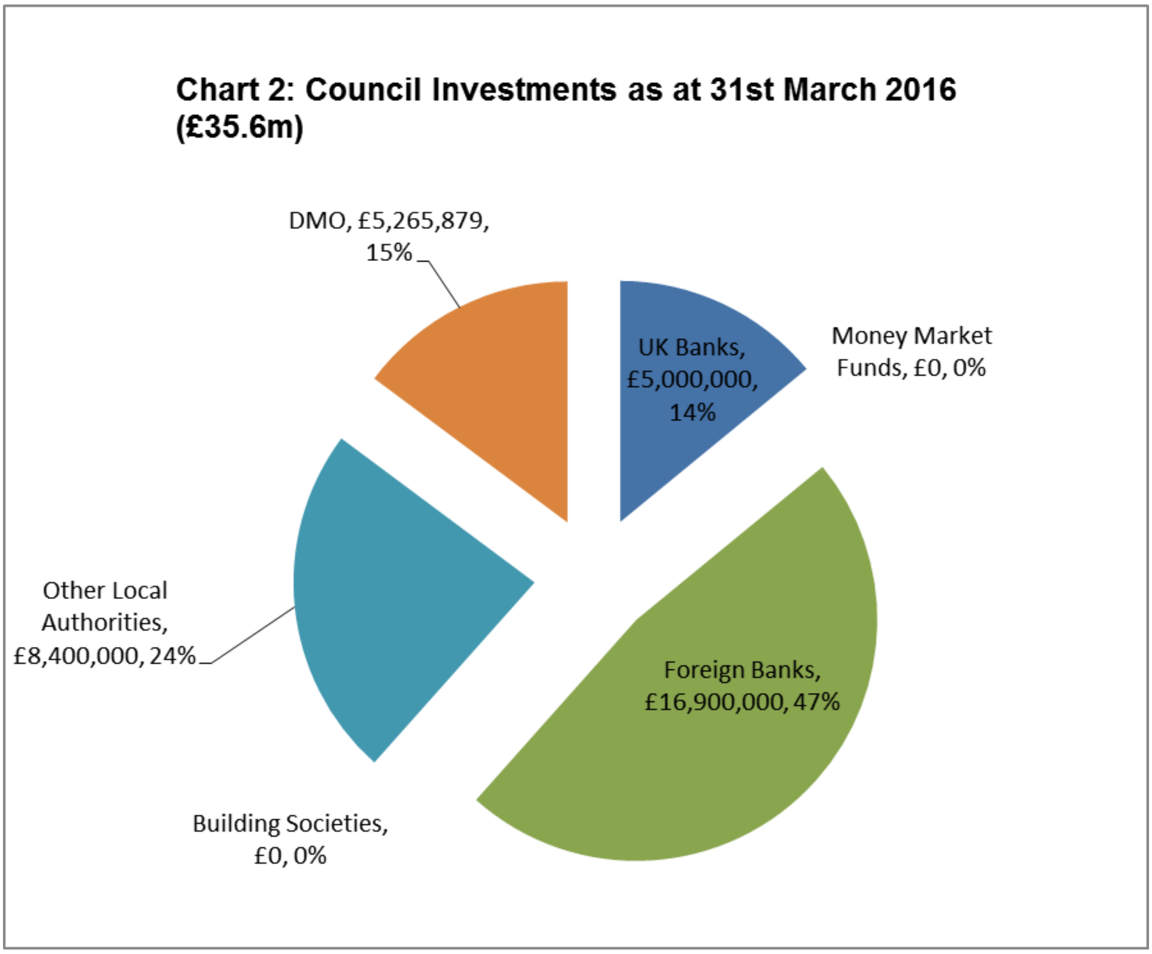


Chart 2: Council Investments as at 31st March 2016 (£35.6m)
DMO, £5,265,879, 15%
UK Banks, £5,000,000, 14%
Money Market Funds, £0, 0%
Other Local Authorities, £8,400,000, 24%
Foreign Banks, £16,900,000, 47%
Building Societies, £0, 0%

Chart 3: Council Investments per lowest equivalent Long Term credit rating (£93.4m) 30th June 2016

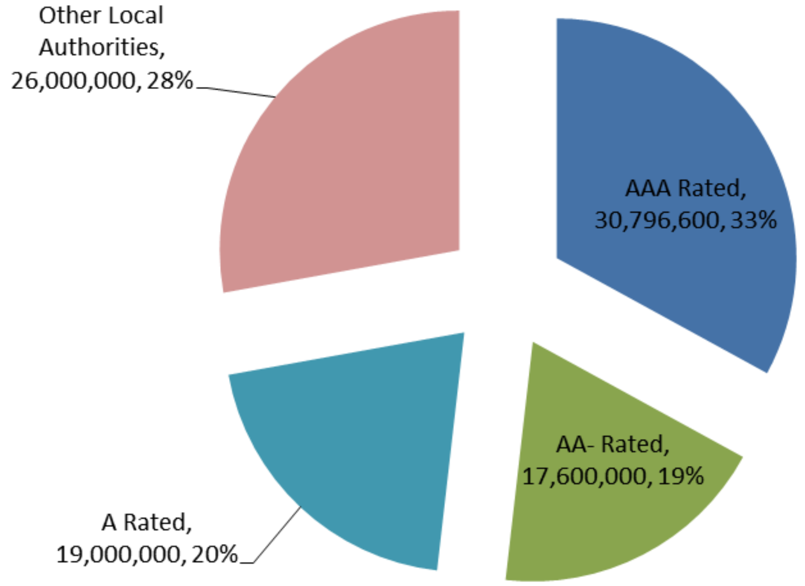
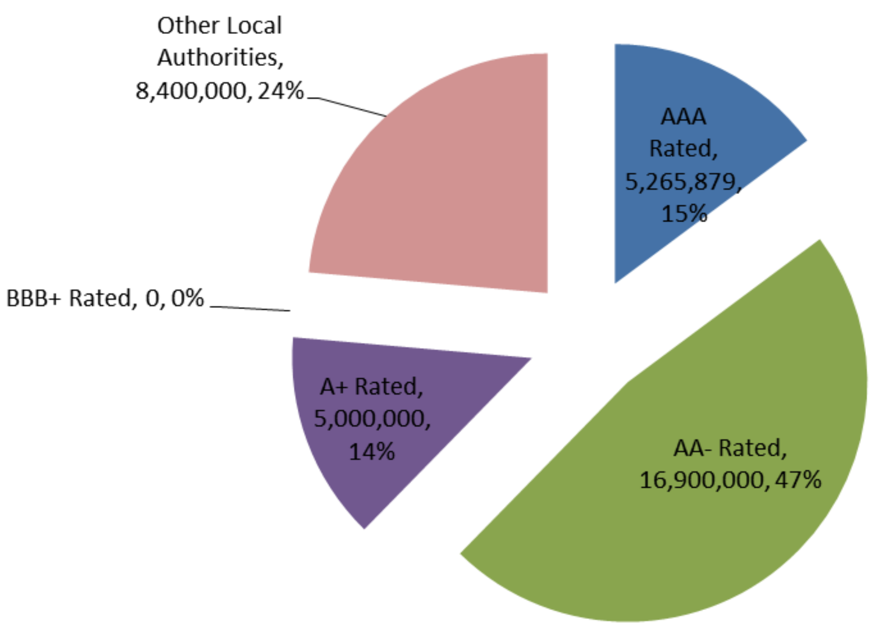


Chart 4: Council Investments per lowest equivalent Long Term credit rating (£35.6m) 31st March 2016



APPENDIX 3

Average rate of return on investments for 2015/16

	April %	**May** %	**June** %	**Average for Period**
Average rate of interest earned	0.45%	0.52%	0.52%	**0.50%**
Benchmark = Average 7 Day LIBID rate +0.05% (source: Arlingclose)	0.41%	0.41%	0.41%	**0.41%**
Performance against Benchmark %	+0.04%	+0.11%	+0.11%	**+0.09%**

APPENDIX 4

Councils External Borrowing at 30th June 2016

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%
PWLB	5,300,000	29/01/15	15/08/29	2.62%
PWLB	5,000,000	29/01/15	15/02/61	2.92%

PWLB	20,000,000	20/06/16	200641	2.36%
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%
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%
London Borough of Ealing	5,000,000	21/10/15	19/10/16	0.60%
West Midland Police Authority	5,000,000	27/11/15	25/11/16	0.62%
Royal Borough of Kensington and Chelsea	5,000,000	21/03/16	21/09/16	0.52%
TOTAL	**133,300,000**			
TEMPORARY	**Nil**			
TOTAL	**133,300,000**			**3.33%**

*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. Should the lender use the option to change the rate, then at this point the borrower has the option to repay the loan without penalty.

APPENDIX 5

Economic and market review for April to June 2016 (provided by Arlingclose)

As we entered 2016, there was a significant uncertainty about the outlook for global growth. The slowdown in the Chinese economy and the knock-on effects for both trading partners and commodity prices, the uncertainty over the outcome of the US presidential election (no clear party or candidate being identified as an outright winner) and the impending referendum on the UK's future relationship with the EU, all resulted in nervousness and a shaky start for markets.

Data released in the April-June quarter showed UK GDP at 2% year/year to March 2016 and annual inflation at 0.3% in May. Core inflation remained subdued as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. Internationally, a modest pace of growth in the UK's main trading partners remained the most likely prospect.

Fluctuations in the opinion polls on the EU referendum prompted pronounced volatility in exchange rates, gilts, corporate bonds and equities as the result became increasingly uncertain. Immediately prior to the result, financial market sentiment shifted significantly in favour of a Remain outcome, a shift swiftly reversed as the results came in. The vote to leave the EU sent shockwaves through the domestic, European and global political spectrum, the most immediate impact being the resignation of Prime Minister David Cameron.

Between 23rd June and 1st July the sterling exchange rate index fell by 9% and short-term volatility of sterling against the dollar increased significantly. Worldwide, markets reacted very negatively with a big initial fall in equity prices. Government bond yields also fell sharply by 20-30 bp across all maturities (i.e. prices rose) as investors sought safe haven from riskier assets. The 10-year benchmark gilt yield fell from 1.37% to 0.86%.

Yet, a week on from the result the overall market reaction, although significant, was less severe than some had feared. The 5-year CDS for the UK (the cost of insuring against a sovereign default) rose from 33.5 basis points to 38.4 basis points. The FTSE All Share index, having fallen sharply by 7% from 3,481 points on 23rd June to 3,237 after the result, had subsequently risen to 3,515 by the end of the month.

The Bank of England sought to reassure markets and investors. Governor Mark Carney's speeches on 24th and 30th June in response to the referendum result stressed that the Bank was ready to support money market liquidity and raised the likelihood of a cut in policy rates 'in the summer'. The door was also left open for an increase in the Bank's asset purchase facility (QE). The Governor noted that the Bank would weigh the downside risks to growth against the upside risks to inflation from fall in the value of sterling.

Counterparty Update

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 downgraded the UK's sovereign rating by one notch to AA from AA+, and Standard & Poor's downgraded its corresponding rating by two notches to AA from AAA. Fitch, S&P and Moody's have a negative outlook on the UK. S&P took similar actions on rail company bonds guaranteed by the UK Government.

Moody's affirmed the ratings of nine UK banks and building societies and revised the outlook to negative for those banks and building societies that it perceived to be exposed to a more challenging operating environment arising from the 'leave' outcome.

There was no immediate change to Arlingclose's credit advice on UK banks and building societies as a result of the referendum result. Our advisor believes there is a risk that the uncertainty over the UK's future trading prospects will bring forward the timing of the next UK recession. In the coming weeks and months Arlingclose will therefore review all UK based institutions, and it is likely that, over time, will advise shortening durations on those institutions considered to be most affected.

APPENDIX 6

Interest & Capital Financing Costs – Budget Monitoring 2016/17 (Mar to June)

April to June 2016	**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	5,403	5,403	0	
- Internal Repayment of Loan Charges	-10,671	-10,671	0	
- Ex Avon Debt Costs	1,240	1,240	0	
- Minimum Revenue Provision (MRP)	7,115	7,115	0	
- Interest on Balances	-79	-79	0	
Sub Total - Capital Financing	**3,008**	**3,008**	**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.