Agenda Item No:7

TREASURY MANAGEMENT QUARTER TWO REPORT

To:	**General Purposes Committee**
Meeting Date:	**24th November 2015**
From:	**Chief Finance Officer**
Electoral division(s):	**All**
Forward Plan ref:	**Not applicable** *Key decision:* **No**
Purpose:	**To provide the second quarterly update on the Treasury Management Strategy 2015-16, approved by Council in February 2015.**
Recommendation:	**The General Purposes Committee is recommended to:**

a) Note the Treasury Management Quarter Two Report 2015-16;and

b) Forward the report to full Council to note.

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1.0 BACKGROUND

1.1 Treasury Management is governed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (the Code). The Code has been developed to meet the needs of Local Authorities and its recommendations provide a basis to form clear treasury management objectives and to structure and maintain sound treasury management policies and practices.

1.2 The Code was adopted via the Treasury Management Strategy Statement (TMSS), which was approved by Council in February 2015. It requires the Council to produce an annual treasury report and a half yearly report. Alongside these, General Purposes Committee are also provided with quarterly updates on progress against the Strategy.

1.3 This report has been developed in consultation with the Council's external investment manager and treasury adviser, Capita Asset Services (CAS) and provides an update for the second quarter to 30th September 2015.

2. SUMMARY OF KEY HEADLINES

2.1 The main highlights for the quarter are:

- Investment returns received on cash balances compares favourably to the benchmarks. A return of 0.59% was achieved compared to the 3 month London Interbank Bid Rate (LIBID) benchmark of 0.45% (see section 6).
- An underspend of £1.960m is currently reported for the debt charges budget (see section 8 for further details).

3. THE ECONOMIC ENVIRONMENT

3.1 A detailed economic commentary is provided in **Appendix 1**. This information has been provided by Capita Asset Services – Treasury Solutions (CAS Treasury Solutions), the Council's treasury management advisors.

3.2 During the quarter ended 30th September 2015, the significant UK headlines of this analysis were:

- The economic recovery Household spending growth moderated slightly, despite strong consumer confidence;
- lost some pace;
- Wage growth picked up further in response to labour market tightening;
- Consumer Price Inflation (CPI) inflation hovered around 0% and poised to turn negative;
- The prospect of a 2015 rate hike became extremely unlikely;
- Public Sector Net Borrowing (PSNB) likely to overshoot The Office for Budget Responsibility (OBR's) annual forecast;
- The Fed held off from hiking interest rates.

4. SUMMARY PORTFOLIO POSITION

4.1 A snapshot of the Council's debt and investment position is shown in the table below:

	TMSS Forecast February 2015 (as agreed by Council)		Actual as at 31 March 2015		Actual as at 30 September 2015		Revised Forecast to March 2016	
	£m	Rate %	£m	Rate %	£m	Rate %	£m	Rate %
Long term borrowing								
PWLB	384.0		301.6		286.6	4.4	355.5	
Market	79.5		79.5		79.5	3.6	79.5	
Total long term	**463.5**	**4.2**	**381.1**	**4.1**	**366.1**	**4.1**	**435.0**	**4.1**
Short term borrowing	-	-	-	-	-	-	-	-
Total borrowing	**463.5**	**4.2**	**381.1**	**4.1**	**366.1**	**4.1**	**435.0**	**4.1**
Investments	**10.6**	**0.7**	**35.6**	**0.5**	**74.6**	**0.6**	**18.4**	**0.6**
Total Net Debt / Borrowing	**452.9**	**-**	**345.5**	**-**	**291.5**	**-**	**416.9**	
3rd Party Loans & Share Capital	**-**	**-**	**-**	**-**	**0.4**	**-**	**0.4**	**-**

4.2 The revised forecast reflects the current prudential borrowing projections in the capital programme, which is likely to fluctuate through the course of the year.

4.3 Further analysis of borrowing and investments is covered in the following two sections.

5. Borrowing

5.1 The Council can take out loans in order to fund spending for its Capital Programme. The amount of new borrowing required is determined by capital expenditure plans and projections of the Capital Financing Requirement, forecast reserves and current and projected economic conditions.

New loans and repayment of loans:

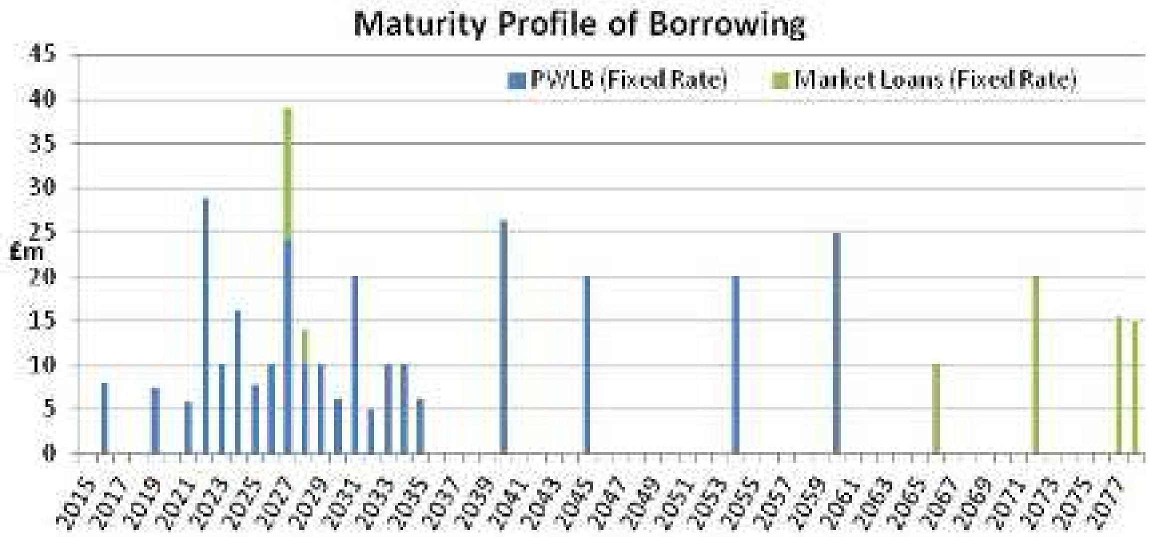
5.2 The table below shows the details new loans raised and loans repaid during the period. No loans were raised during quarter.

Lender	Raised / Repaid	Start Date	Maturity Date	£m	Interest Rate %	Duration (yrs)
PWLB	Repaid	31/03/2011	30/09/2015	15	3.34%	4.5

Maturity profile of borrowing:

5.3 The following graph shows the maturity profile of the Council's loans. The majority of loans have a fixed interest rate and are long term which limits the Council's exposure to interest rate fluctuations. The weighted average years to maturity of the portfolio is 24.15 years.

5.4 The presentation below differs from that in **Appendix 2** paragraph 4, in that Lender Option Borrower Option (LOBO) loans are included at their final maturity rather than their next call date. In the current low interest rate environment the likelihood of the interest rates on these loans being raised and the loans requiring repayment at the break period is extremely low.



5.5 A £15m loan matured on the 30th September was not replaced and instead was repaid with surplus cash. Another loan of £8m matures in January 2016.

Loan restructuring:

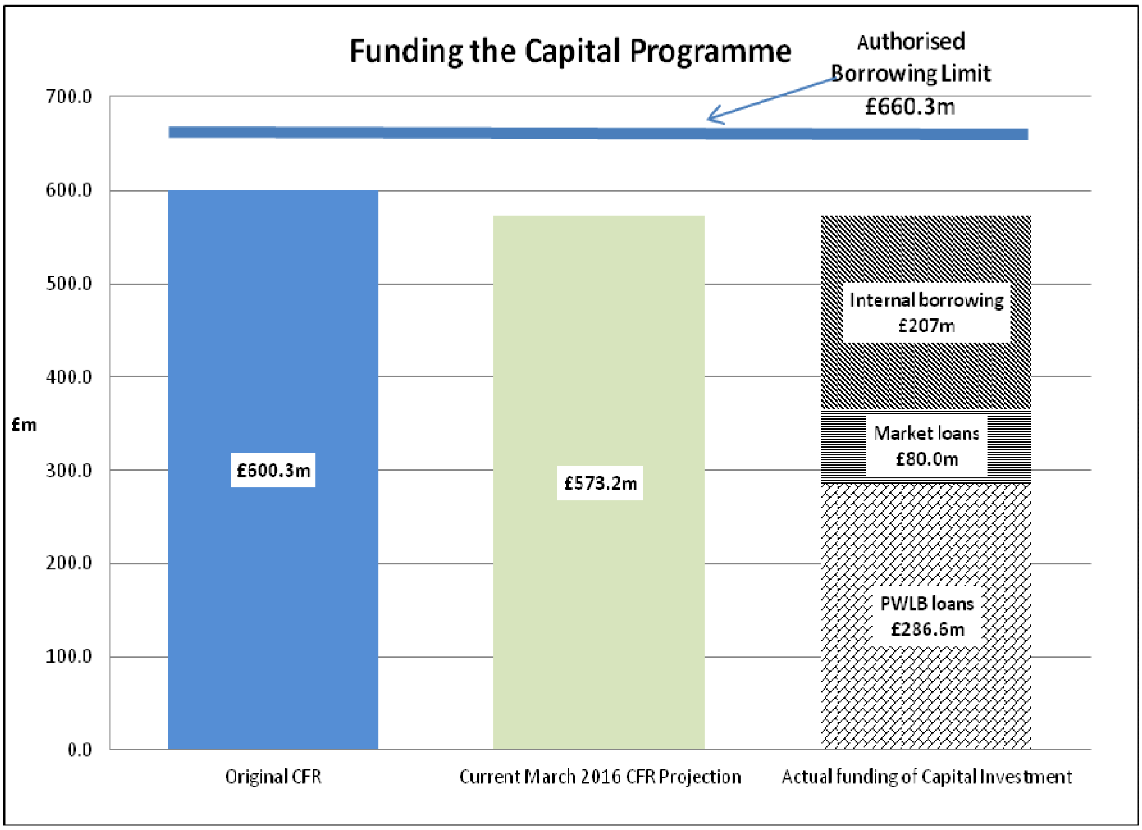
5.6 When market conditions are favourable long term loans can be restructured to:
- to generate cash savings
- to reduce the average interest rate
- to enhance the balance of the portfolio by amending the maturity profile and/or the level of volatility. (Volatility is determined by the fixed/variable interest rate mix.)

During the quarter there were no opportunities for the Council to restructure its borrowing due to the position of the Council's borrowing portfolio compared to market conditions. Debt rescheduling will be considered subject to conditions being favourable but it is unlikely that opportunities will present themselves during this year. The position will be kept under review, and when opportunities for savings do arise, debt rescheduling will be undertaken to meet business needs.

Funding the Capital Programme:

5.7 The Treasury Management Strategy Statement (TMSS) sets out the plan for treasury management activities over the next year. It identifies where the authority expects to be in terms of borrowing and investment levels. When the 2015-16 TMSS was set, it was anticipated that the Capital Financing Requirement (CFR), the Council's liability for financing the agreed Capital Programme, would be £600.3m. This figure is naturally subject to change as a result of changes to the approved capital programme.

5.8 The graph below compares the maximum the Council could borrow in 2015-16 with the forecast CFR at 31st March 2016 and the actual position of how this is being financed at 30th September 2015.



5.9 The graph shows the projection for the Capital Financing Requirement (CFR) is significantly below significantly below the statutory Authorised Borrowing Limit set for the Council at the start of the year.

5.10 In addition, the graph shows how the Council is currently funding its borrowing requirement. As at 30th September internal borrowing is forecast to be £207.1m at the end of the year. Internal borrowing is the use of the Council's surplus cash to finance the borrowing liability instead of borrowing externally. The strategy of internally borrowing, by careful management of Councils balance sheet, is currently the most appropriate strategy, given the current interest rate environment. This strategy enables savings to be generated and reduces the level of cash invested and credit risk associated with investing. However the projected level of internal borrowing is not sustainable so loans from the PWLB and other sources are currently being considered.

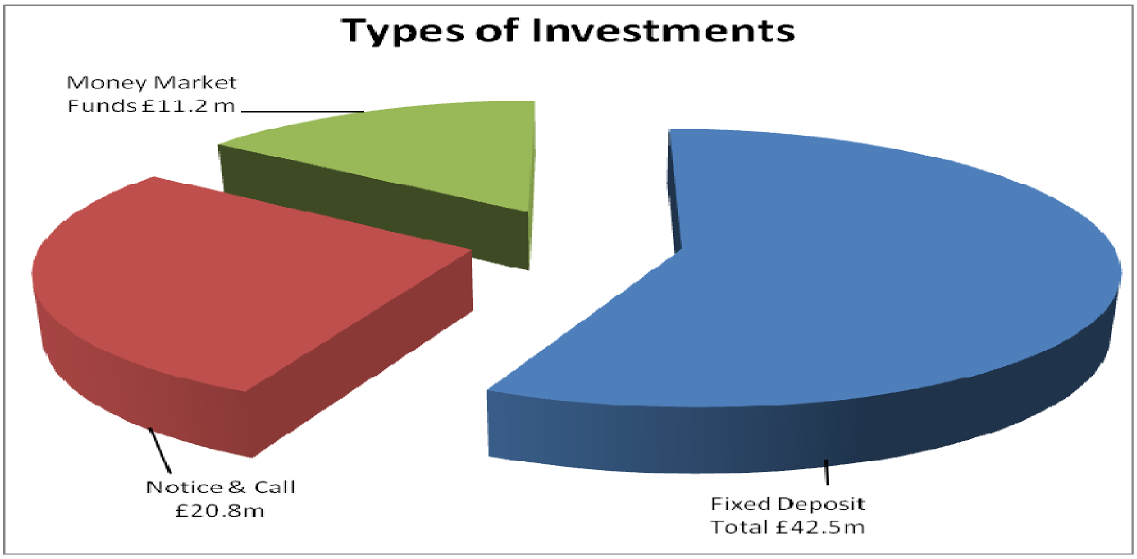
6. INVESTMENTS

6.1 Investment activity is carried out within the Council's counterparty policies and criteria, and with a clear strategy of risk management in line with the Council's treasury strategy for 2015-16. This ensures that the principle of considering security, liquidity and yield, in that order (SLY), is consistently applied. The Council will therefore aim to achieve the optimum return on investments commensurate with proper levels of security and liquidity. Any variations to agreed policies and practices are reported to Cabinet and Council.

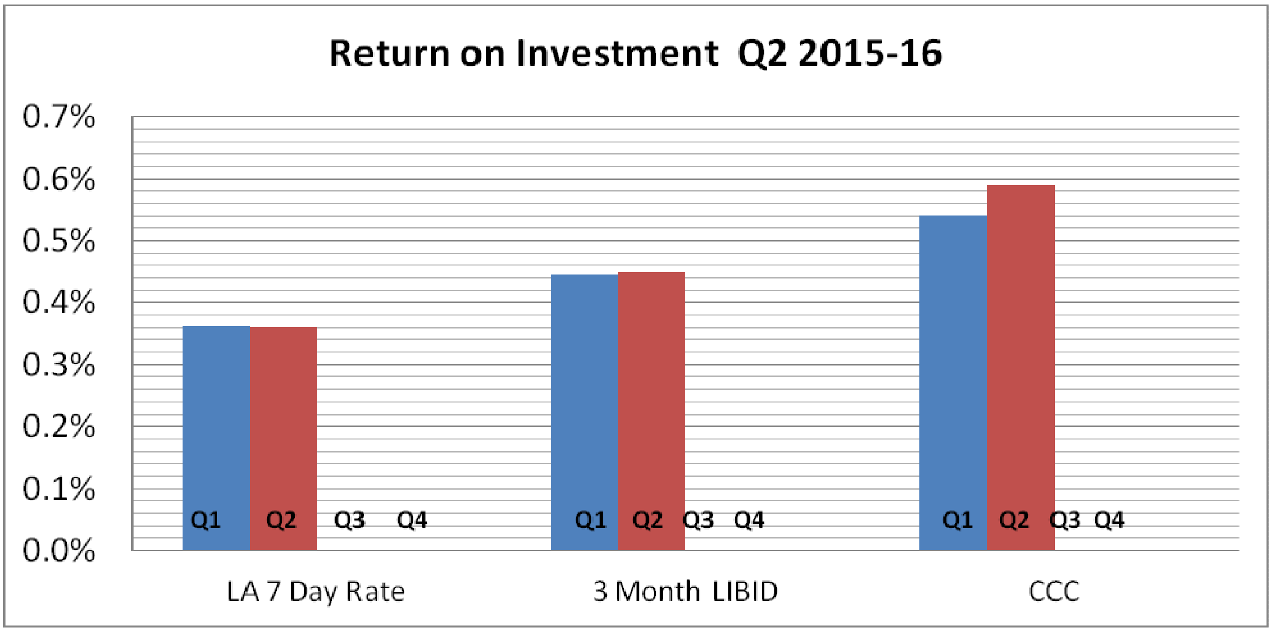
6.2 As described in paragraph 5.10, the strategy currently employed by the Council of internal borrowing also has the affect of limiting the Council's investment exposure to the financial markets, thereby reducing credit risk.

6.3 As at 30th September the level of investment totalled £74.6m, excluding 3rd party loans and share capital which are classed as capital expenditure. The level of cash available for investment is as a result of reserves, balances and working capital the Council holds. These funds can be invested in money market deposits, placed in funds or used to reduce external borrowings.

6.4 A breakdown of investments by type are shown in the graph below, with detail at **Appendix 3**. The majority of investments are in notice and call accounts and money market funds to meet the liquidity demands for the Council. Investments are made within the boundaries of the Investment Strategy and credit worthiness criteria.



6.5 The graph below compares the returns on investments with the relevant benchmarks for each quarter this year.



6.6 It can be seen from the graph that investments returned 0.59% during the quarter significantly more than the both the 7 day (0.36%), 3 month London Interbank Bid Rate (LIBID) (0.45%) benchmarks.

6.7 Where appropriate, investments can be locked out for periods of up to one year with nationalised banks (UK Government backed) at higher rates of interest. The policy does allow for longer durations should the value make it worthwhile. In a rising interest rate environment it is generally appropriate to keep investments fairly short in duration to take advantage of interest rate rises as soon as they occur. The weighted average time to maturity of investments at 30th September is 44 days.

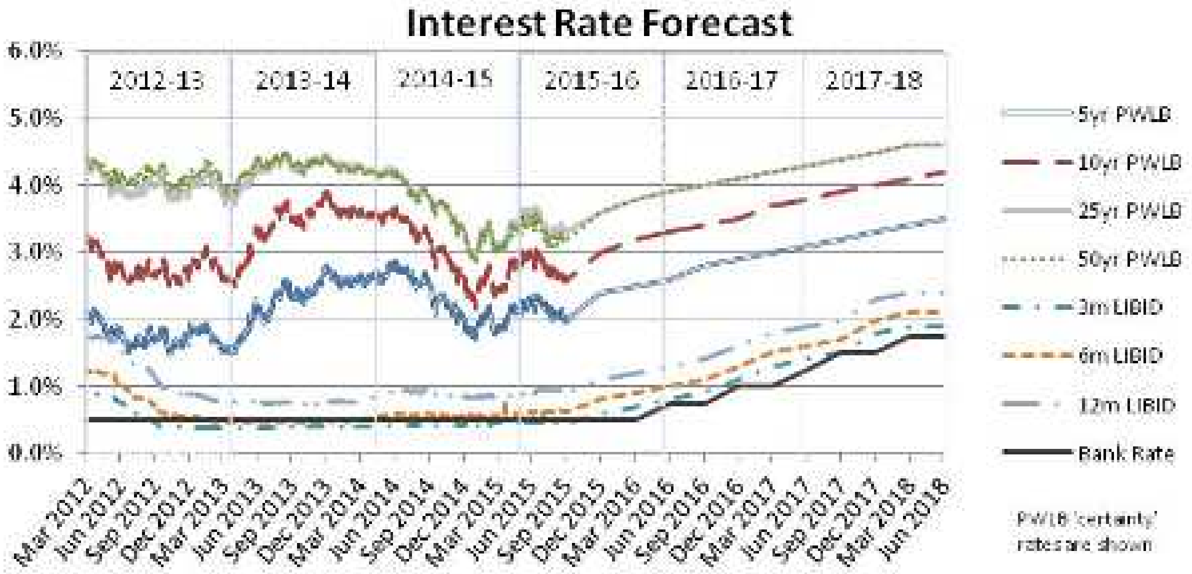
6.8 Leaving market conditions to one side, the Council's return on investment is influenced by a number of factors, the largest contributors being the duration of investments and the credit quality of the institution or instrument. Credit risk is a measure of the likelihood of default and is controlled through the creditworthiness policy approved by Council. The duration of an investment introduces liquidity risk; the risk that funds cannot be accessed when required, and interest rate risk; the risk that arises from fluctuating market interest rates. These factors and associated risks are actively managed by the LGSS Treasury team together with the Council's Treasury Advisors (CAS). Using credit ratings, the investment portfolio's historic risk of default stands at 0.015%. This simply provides a calculation of the possibility of average default against the historical default rates.

6.9 The Council is also a member of a benchmarking group run by CAS which shows that, for the value of risk undertaken, the returns generated are in line with the Model Band (the average range of returns across for all CAS's clients).

7. OUTLOOK

7.1 The current interest rate forecast is shown in the graph below. The forecast for the first increase in Bank Rate remains in quarter 2 of 2016. However there are risks to this central forecast as the economic recovery in the UK is currently finely balanced.

7.2 Recent demands for the safe haven of gilts have depressed gilts yields and PWLB rates recently. Geopolitical events make forecasting PWLB rates highly unpredictable in the shorter term. It is assumed that these fears will subside and that safe haven flows into UK Gilts will unwind and rates will rise back again over the coming quarters.



7.3 The overall longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

7.4 From a strategic perspective, the Council is continually reviewing options as to the timing of any potential borrowing and also the alternative approaches around further utilising cash balances and undertaking shorter term borrowing which could potentially generate savings subject to an assessment of the interest rate risks involved. Cash flows in the last couple of years have been sufficiently robust for the Council to use its balance sheet strength and avoid taking on new borrowing, however projections now show that new borrowing will be required this year unless there is substantial slippage in the capital programme.

8. DEBT FINANCING BUDGET

8.1 An under spend of £1.960m is forecast for Debt Charges. This is largely as a result of favourable variances for MRP (Minimum Revenue Provision) and Interest Payable. The initial estimate for MRP has been revised down following year end, however there may be some additional small movement once the charge has been finalised. A favourable variance for Interest payable has been included on the assumption that the Council will experience significant slippage in the capital programme, as it has done in recent years, so that borrowing is deferred until next year. There is also a small positive variance for interest that is recharged internally.

	Budget	Estimated Outturn	Variance
	£m	£m	£m
Interest payable	17.349	16.249	-1.100
Interest receivable	-0.422	-0.498	-0.076
Other	0.527	0.384	-0.143
Technical	-0.085	-0.085	0.000
MRP	18.091	17.450	-0.641
Total	**35.460**	**33.499**	**-1.960**

8.2 Although there is link between the capital programme, net borrowing and the revenue budget, the Debt Charges budget is impacted by the timing of long term borrowing decisions. These decisions are made in the context of other factors including, interest rate forecasts, forecast levels of cash reserves and the borrowing requirement for the Council over the life of the Business Plan and beyond.

9. MUNICIPAL BONDS AGENCY

9.1 The Agency raised £6m share capital from 56 local authorities (including Cambridgeshire County Council) and the Local Government Association. There will be further opportunities for other local authorities to become shareholders from time to time.

9.2 The Agency has been working with a small group of authorities on finalising the loan documentation which includes the complex Framework Agreement. This agreement describes the relationship between the Agency and the local authority borrowers, including the joint and several guarantee, payment timelines and various protections in place to mitigate the risk of default.

9.3 The Framework Agreement and Joint and Several Guarantee will need to be taken through the council’s own governance and approval processes which is likely to ultimately require approval from full council. In addition the group of local authorities is seeking Counsel opinion (on behalf of all local authorities) on the vires of the guarantee and the approval processes which councils should consider. All relevant documents are expected to be finalised and circulated in the next couple of weeks. Once received, our own approval processes will be considered.

9.4 It was originally expected that the first bond issued by the Agency on behalf of local authorities would be completed in the autumn of 2015. Depending on Councils timelines for approval of the documents and borrowing demand the Agency may issue the first bond before the end of 2015 or in early 2016.

10. COMPLIANCE WITH TREASURY LIMITS AND PRUDENTIAL INDICATORS

10.1 With effect from 1st April 2004 The Prudential Code became statute as part of the Local Government Act 2003 and was revised in 2011.

10.2 The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable. To ensure compliance with this the Council is required to set and monitor a number of Prudential Indicators.

10.3 During the financial year to date the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement (TMSS) and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators are shown in Appendix 2.

10.4 The Credit Worthiness Policy within the Annual Investment Strategy sets out the methodology for assessing the credit risk of financial institutions. At the end of September Standard Chartered bank fell outside our investment criteria. Although the bank's credit rating remains strong (Fitch: long term AA+, short term F1+), the upward trend in the price of its Credit Default Swap (CDS) rose to a level that resulted in the bank coming off our lending list. The Council has £20m invested with the bank with the longest maturity out to 21st December 2015. The bank's CDS price will be monitored closely (it has fallen from the highs seen at the beginning of October) and action will be taken to reduce exposure where appropriate without incurring any losses.

11. ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING

11.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

11.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

11.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

12. SIGNIFICANT IMPLICATIONS

12.1 Resource Implications

This report provides information on performance against the Treasury Management Strategy. Section 8 shows the impact of treasury decisions which are driven by capital spend on the Council's revenue budget.

12.2 **Statutory, Risk and Legal Implications**

The Council continues to operate within the statutory requirements for borrowing and investments. Further details can be found within the Prudential Indicators in Appendix 2.

12.3 **Equality and Diversity Implications**

There are no significant implications for any of the prompt questions within this prompt category.

12.4 **Engagement and Consultation Implications**

There are no significant implications for any of the prompt questions within this prompt category.

12.5 **Localism and Local Member Involvement**

There are no significant implications for any of the prompt questions within this prompt category.

12.6 **Public Health Implications**

There are no significant implications for any of the prompt questions within this prompt category.

List of Appendices
Appendix 1: Economic Update (provided by Capita Asset Services Treasury Solutions)
Appendix 2: Capital and Treasury Prudential Indicators
Appendix 3: Investment Portfolio

Source Documents	**Location**
None	Box No: RES1211 Room No:301 Shire Hall Castle Hill Cambridge CB3 0AP

Appendix 1

Economic Update (provided by CAS Treasury Solutions)

Quarter ending 30th September 2015

1. Although the economic recovery picked up pace in Q2, with real GDP growth accelerating from 0.4% in Q1 to 0.7%, it looks unlikely to have maintained this strength in Q3. Admittedly, survey indicators paint a somewhat mixed message. On the one hand, the CBI's Composite Growth Indicator points to an even more robust expansion in Q3 than in Q2. However, the survey has consistently over-stated the strength of GDP growth over the past few years. By contrast, the more reliable Markit/CIPS composite PMI, points to quarterly GDP growth easing to about 0.5% in Q3.

2. The available official data corroborates the more downbeat picture suggested by the CIPS Surveys. Indeed, industrial production fell by a monthly 0.4% in July, causing the annual growth rate to turn negative for the first time in two years. Construction output fell too on the month, and July's trade in goods and services deficit was as large as the deficit recorded for the second quarter as a whole, suggesting net trade probably won't make another positive contribution to GDP.

3. What's more, the recovery in household spending has lost some momentum, albeit temporarily in our view. Retail sales volumes rose by a meagre 0.2% over July and August combined. In order to match Q2's 0.6% quarterly rise, sales volumes would need to have increased by a hefty 1.2% on the month in September, which seems unlikely. At least spending off the high street looks to have fared comparatively well. Granted, the Bank of England's agents' score of turnover in the consumer services sector flat-lined in August, but it still pointed to a pick-up in the annual growth rate of nominal expenditure on consumer services. Moreover, the CBI's consumer services business volumes balance surged in Q3, and consumer confidence has held steady around its 15-year high.

4. Household spending should continue to be supported over the coming quarters by developments in the labour market. Indeed, after coming off the boil a bit over recent months, the jobs recovery has re-built some steam, with the ILO unemployment rate falling from 5.6% at the end of Q2 to 5.5% in July, not far above pre-crisis levels. The decline in labour market slack has fed through to stronger pay growth, with the headline (three-month average of the annual) growth in regular pay (i.e excluding bonuses) rising to 2.9% in July, its fastest in six years. Admittedly, if the unemployment rate starts to level out soon, then this would suggest that nominal pay growth won't pick up much further. However, *real* earnings growth should continue to be bolstered as inflation remains near zero.

5. CPI inflation fell from +0.1% in July to 0.0% in August, narrowly avoiding deflation. This was despite the dive in the sterling price of Brent crude oil (which plummeted to as low as £27 per barrel) lowering petrol prices at the pumps. Core CPI inflation did not fall as far as expected, in part due to rises in particular components such as furniture. Nonetheless, we expect negative inflation to return again soon. Indeed, British Gas' energy price cut will show up in September's CPI figures for the first time. And we expect earlier falls in oil prices to have started to feed through into the

non-energy components of CPI. What's more, we expect inflation will remain negative for much of the rest of this year, before picking up around the turn of the year as the previous, (sharper), falls in oil prices drop out of the annual comparison.

6. Meanwhile, there have been dovish noises from the Bank of England recently. August's *Inflation Report* saw the Bank nudge down its forecasts for CPI inflation, and not expect the 2% inflation target to be met until mid-2017. And the Committee highlighted the downside risks to global growth given recent developments in China in the minutes of September's MPC meeting. Granted, Ian McCafferty broke ranks in both August's and September's meetings, voting for a 25bp hike in Bank Rate. But the consensus had actually been that more than one member would be voting for a hike by now.

7. Note too that MPC super-dove Andy Haldane brought the idea of a rate cut back on the agenda in a recent speech. Accordingly, a rate hike *this* year now looks completely off the cards. But we still think that the strength of the economic recovery, (notwithstanding global headwinds), will mean that the MPC will vote to raise interest rates around Q2 2016.

8. On fiscal policy, the Chancellor smoothed the planned path of fiscal tightening in the Summer Budget, meaning that a surplus on the overall budget will now be reached in 2019/20 – a year later than he had planned to in the Conservative's election manifesto. But the big picture is that the economy still faces a considerable squeeze over the next five years. That said, August's public finances figures showed that the Chancellor is set to miss the OBR's forecast for borrowing this fiscal year, although borrowing should still come in lower than last year, even if the current trend persists. Another key development has been the election of Jeremy Corbyn as Labour leader. Although the next election is still four and a half years away, "Corbynomics" could still have an impact now, if it raises pressure on Mr Osborne to increase public sector investment, which is only set to flat line as a share of GDP.

9. On the international stage, the US FOMC made the decision to hold off from hiking interest rates in September. The Fed too, appears to have been spooked by developments in China and the market turmoil which it caused. We think that the market has overreacted to developments in China. Although growth has slowed, fears of a "hard landing" are overdone. In addition, the latest activity data from China has been reasonably upbeat and policymakers still have plenty of scope to boost the economy. *(Capita Asset Services note: there is considerable debate as to how reliable Chinese growth statistics currently are as they are stating that growth has been successfully maintained so far this year at around the official target rate for 2015 of 7%. Some individual economic indicators are at odds with this picture and are being quoted by other commentators who are concerned that growth could be much less than that in official statistics; these indicators are also trending downwards.)* What's more, we continue to think that domestic economic developments in the US support the case for a rate hike, and still expect the Fed to raise rates before the end of this year.

10. Meanwhile, Eurozone GDP growth lost some pace in Q2, falling from, (an upwardly-revised), 0.5% q/q in Q1, to 0.4%. This slowdown was driven by domestic demand. Survey evidence suggests that GDP growth maintained its pace in Q3. But the outlook further ahead does not look as bright. The boost from low oil prices should

begin to fade, and we don’t think that the euro is set to fall substantially again, meaning that support from the exchange rate will begin to peter out too. Accordingly, we still think that the ECB will have to expand its QE programme, possibly as soon as this year.

11. Finally, UK equity prices have fared better than others in what has been a tumultuous quarter for financial markets. Granted, equity prices still fell around 6% over the quarter. But this compares to a 10% fall for global equities. Meanwhile, sterling has weakened since the height of the market rout in mid-August, with cable (dollar / Sterling), falling by almost 3.5%, and the sterling trade-weighted index declining by a similar amount.

Appendix 2

Prudential and Treasury Indicators at 30th September 2015

Monitoring of Prudential and Treasury Indicators: approved by Council in February 2015.

1. **Has the Council adopted CIPFA Code of Practice for Treasury Management in the Public Services?**

   The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes. This is a key element of the Treasury Strategy 2015-16 which was approved by Council in February 2015.

2. **Limits for exposure to fixed and variable rate net borrowing (Borrowing less investments)**

	Limits	Actual
Fixed rate	150%	112.35%
Variable rate	65%	-12.35%
Total		100%

The Interest rate exposure is calculated as a percentage of net debt. Due to the mathematical calculation exposures could be greater than 100% or negative depending upon the component parts of the formula. The formula is shown below:

Total Fixed (or Variable) rate exposure
Total borrowing – total investments

Fixed Rate calculation:

(Fixed rate borrowing £327.6m - Fixed rate investments £m*) = 112.35%*
Total borrowing £366.1m - Total investments £74.5m

*Defined as greater than 1 year to run

Variable Rate calculation:

*(Variable rate borrowing £38.5m** - Variable rate investments £74.5m**) = -12.35%*
Total borrowing £366.1m - Total investments £74.5 m

** Defined as less than 1 year to run or in the case of LOBO borrowing the call date falling within the next 12 months.

3. **Total principal sums invested for periods longer than 364 days**

	2015-16 Limit £m	Actual £m
Investment longer than 364 days to run	34.0	0.0

Notes: This indicator is calculated by adding together all investments that have greater than 364 days to run to maturity at this point in time.

4. **Limits for maturity structure of borrowing**

	Upper Limit	Actual
under 12 months	80%	11%
12 months and within 24 months	50%	4%
24 months and within 5 years	50%	3%
5 years and within 10 years	50%	27%
10 years and above	100%	55%

Note: The guidance for this indicator requires that LOBO loans are shown as maturing at the next possible call date rather than at final maturity.

Affordability

5. **Ratio of financing costs to net revenue stream**

2015-16 Original Estimate %	2015-16 Revised Estimate %	Difference %
10.23	9.40	-0.83

6. **Estimated incremental impact of capital investment decisions on band D council tax**

2015-16 Original Estimate £	2015-16 Revised Estimate £	Difference £
+13.21	-0.66	-13.87

This indicator has falled significantly as a result of the underspend currently reported.

Prudence

7. **Gross borrowing and the Capital Financing Requirement (estimated borrowing liability excluding PFI)**

Original 2015-16 Capital Financing Requirement (CFR) £m	2015-16 CFR (based on latest capital information) £m	Actual Gross Borrowing £m	Difference between actual borrowing and original CFR £m	Difference between actual borrowing and latest CFR £m
600.3	573.2	366.1	234.2	207.1

Capital Expenditure

8. **Estimates of capital expenditure**

For details of capital expenditure and funding please refer to the monthly capital report.

External Debt

9. **Authorised limit for external debt**

2015-16 Authorised Limit £m	Actual Borrowing £m	Headroom £m
660.3	366.1	294.2

The Authorised limit is the statutory limit on the Council's level of debt and must not be breached. This is the absolute maximum amount of debt the Council may have in the year.

10. **Operational boundary for external debt**

2015-16 Operational Boundary £m	Actual Borrowing £m	Headroom £m
630.3	366.1	264.2

The operational boundary is set as a warning signal that debt has reached a level nearing the Authorised limit and must be monitored carefully.

Appendix 3

Investment Portfolio as at 30th September 2015

Class	Type	Deal Ref	Start / Purchase Date	Maturity Date	Counterparty	Profile	Rate	Principal O/S (£)
Deposit	Fixed	CCC/ST/66	15/04/15	15/10/15	Bank of Scotland plc	Maturity	0.7000%	5,000,000.00
Deposit	Fixed	CCC/ST/70	21/04/15	21/10/15	Standard Chartered Bank	Maturity	0.6900%	10,000,000.00
Deposit	Fixed	CCC/ST/71	21/04/15	21/12/15	Standard Chartered Bank	Maturity	0.7400%	5,000,000.00
Deposit	Fixed	CCC/ST/72	21/04/15	23/11/15	Standard Chartered Bank	Maturity	0.7200%	5,000,000.00
Deposit	Fixed	CCC/ST/77	09/06/15	29/01/16	Royal Bank of Scotland plc	Maturity	0.6700%	5,000,000.00
Deposit	Fixed	CCC/ST/78	09/06/15	09/03/16	Royal Bank of Scotland plc	Maturity	0.7500%	5,000,000.00
Deposit	Fixed	CCC/ST/80	03/07/15	04/01/16	Landesbanken Hessen-Thueringen Girozentrale (Helaba)	Maturity	0.7000%	2,500,000.00
Deposit	Fixed	CCC/ST/83	31/07/15	29/01/16	Landesbanken Hessen-Thueringen Girozentrale (Helaba)	Maturity	0.7500%	5,000,000.00
Fixed Total								**42,500,000.00**
Deposit	Call	CCC/CE/6	01/12/14		Barclays Bank plc	Maturity	0.5000%	20,817,000.00
Call Total								**20,817,000.00**
Deposit	Share Capital	CCC/59	25/09/14		Muncipal Bonds Agency			400,000.00
Share Capital Total								**400,000.00**
Deposit	Money Market Fund	CCC/ST/3	31/03/14		SLI Sterling Liquidity/Cl 2	Maturity	0.5000%	11,268,000.00
MMF Total								**11,268,000.00**
Deposit Total								**74,985,000.00**