**Classification:** Part 1 – Public
**Key Decision:** No

**Gravesham Borough Council**

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| **Report to:** | Finance and Audit Committee |
| **Date:** | 18 November 2015 |
| **Reporting officer:** | Julie Gibbs, Assistant Director (Finance) |
| **Subject:** | Treasury Management Mid-Year Review 2015/16 |

**PURPOSE AND SUMMARY OF REPORT:**

To provide a mid-year review update report to Members of the Finance and Audit Committee on treasury management activity undertaken during the period April to September 2015.

**RECOMMENDATIONS**

1) The Finance and Audit Committee note the report.

2) The Finance and Audit Committee recommends to Full Council that the revised estimates against the prudential and treasury indicators are endorsed.

## 1. INTRODUCTION

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management was adopted by this Council on 2 March 2010.

1.2 The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the Full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a **Mid-year Review Report** and an Annual Report (stewardship report) covering activities during the previous year.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Finance and Audit Committee.

1.3 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first half of the 2015/16 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure (prudential indicators);
- A review of the Council's investment portfolio for 2015/16;
- A review of the Council's borrowing strategy for 2015/16;
- A review of any debt rescheduling undertaken during 2015/16;
- A review of compliance with Treasury and Prudential Limits for 2015/16.

## 2. ECONOMIC BACKGROUND

2.1 UK GDP growth rates in 2013 and 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, possibly being equal to that of the US. However, quarter 1 of 2015 was weak though there was a rebound in quarter 2. Growth is expected to weaken in quarter 3 as the economy faces difficulties for exporters from the appreciation of Sterling against the Euro and weak growth in the EU, China and emerging markets, plus the effect of the Government's continuing austerity programme.

2.2 Despite this, the Bank of England August Inflation Report had included a forecast for growth to remain around 2.4 – 2.8% over the next three years, driven mainly by strong consumer demand resulting from a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero over the last quarter. Investment expenditure is also expected to support growth. However, since the report was issued, key data indicates a further decline in the growth rate and worldwide economic statistics and UK consumer and business confidence have distinctly weakened so it would therefore not be a surprise if the next Inflation Report in November were to cut those forecasts.

2.3 As a result of the price of oil falling again and Iran expected to soon re-join the world oil market after the impending lifting of sanctions, there could be several more months of low inflation still to come, especially as world commodity prices have generally been depressed by the Chinese economic downturn. There are therefore considerable risks around whether inflation will rise in the near future as strongly as had previously been expected; this will make it more difficult for the central banks of both the US and the UK to raise rates as soon as was being forecast until recently, especially given the recent major concerns around the slowdown in Chinese growth, the knock on impact on the earnings of emerging countries from falling oil and commodity prices, and the volatility in equity and bond markets in 2015 so far, which could potentially spill over to impact the real economies rather than just financial markets.

2.4 The American economy made a strong comeback after a weak first quarter's growth in quarter 2 of 2015. While there had been confident expectations during the summer that the Fed. could start increasing rates at its meeting on 17 September, or if not by the end of 2015, the recent downbeat news about Chinese and Japanese growth and the knock on impact on emerging countries that are major suppliers of commodities, was cited as the main reason for the Fed's decision to pull back from making that start. The nonfarm payrolls figures for September and revised August, issued on 2 October, were disappointingly weak and confirmed concerns that US growth is likely to weaken. This has pushed back expectations of a first rate increase from 2015 into 2016.

2.5 In the Eurozone, the ECB announced in January 2015 €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This already appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth. However, the recent downbeat Chinese and Japanese news has raised questions as to whether the ECB will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

## 3. INTEREST RATE FORECASTS

3.1 The Council's treasury advisor, Capita Asset Services, has provided the following interest rate forecast:

| | Dec-15 | Mar-16 | Jun-16 | Sep-16 | Dec-16 | Mar-17 | Jun-17 | Sep-17 | Dec-17 | Mar-18 | Jun-18 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Bank rate | 0.50% | 0.50% | 0.75% | 0.75% | 1.00% | 1.00% | 1.25% | 1.50% | 1.50% | 1.75% | 1.75% |
| 5yr PWLB rate | 2.40% | 2.50% | 2.60% | 2.80% | 2.90% | 3.00% | 3.10% | 3.20% | 3.30% | 3.40% | 3.50% |
| 10yr PWLB rate | 3.00% | 3.20% | 3.30% | 3.40% | 3.50% | 3.70% | 3.80% | 3.90% | 4.00% | 4.10% | 4.20% |
| 25yr PWLB rate | 3.60% | 3.80% | 3.90% | 4.00% | 4.10% | 4.20% | 4.30% | 4.40% | 4.50% | 4.60% | 4.60% |
| 50yr PWLB rate | 3.60% | 3.80% | 3.90% | 4.00% | 4.10% | 4.20% | 4.30% | 4.40% | 4.50% | 4.60% | 4.60% |

3.2 Capita Asset Services undertook its last review of interest rate forecasts on 11 August shortly after the quarterly Bank of England Inflation Report. Later in August, fears around the slowdown in China and Japan caused major volatility in equities and bonds and sparked a flight from equities into safe havens like gilts and so caused PWLB rates to fall below the above forecasts for quarter 4 2015. However, there is much volatility in rates as news ebbs and flows in negative or positive ways and news in September in respect of Volkswagen, and other corporates, has compounded downward pressure on equity prices. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.

3.3 Despite market turbulence since late August causing a sharp downturn in PWLB rates, the overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established accompanied by rising inflation and consequent increases in Bank Rate, and the eventual unwinding of QE. 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.

3.4 The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

3.5 The disappointing US nonfarm payrolls figures and UK data at the beginning of October have served to reinforce a trend of increasing concerns that growth is likely to be significantly weaker than had previously been expected. This, therefore, has markedly increased concerns, both in the US and UK, that growth is only being achieved by monetary policy being highly aggressive with central rates at near zero and huge QE in place. In turn, this is also causing an increasing debate as to how realistic it will be for central banks to start on reversing such aggressive monetary policy until such time as strong growth rates are more firmly established and confidence increases that inflation is going to get back to around 2% within a 2-3 year time horizon. Market expectations in October for the first Bank Rate increase have therefore shifted back sharply into the second half of 2016.

3.6 Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth turns significantly weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or the start of Fed. rate increases, causing a flight to safe havens

3.7 The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- Uncertainty around the risk of a UK exit from the EU.
- The ECB severely disappointing financial markets with a programme of asset purchases which proves insufficient to significantly stimulate growth in the EZ.
- The commencement by the US Federal Reserve of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

## 4. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY UPDATE

4.1 The Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy (AIS) for 2015/16 were approved by Council on 24 February 2015. No changes have been made to the TMSS or AIS during the first half of the financial year; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

## 5. THE COUNCIL'S CAPITAL POSITION (PRUDENTIAL INDICATORS)

5.1 This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed
- The impact of changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

5.2 **Prudential Indicator for Capital Expenditure -** The table below shows the revised estimates for capital expenditure and the changes since the capital programme was agreed by Council as part of the budget. This increase is attributable to the rolled forward allocations from 2014/15, as presented to Cabinet in July 2015 and new schemes for 2015-16

| Capital Expenditure | 2015/16 Original Estimate £m | 2015/16 Revised Estimated £m |
|---|---|---|
| Non HRA | 1.726 | 3.506 |
| HRA | 8.596 | 10.101 |
| Total | 10.322 | 13.607 |

5.3 **Prudential Indicator for the Financing of the Capital Programme -** The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increased the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

| Capital Expenditure | 2015/16 Original Estimate £m | 2015/16 Revised Estimated £m |
|---|---|---|
| Total | 10.322 | 13.607 |
| Financed by: | | |
| Capital Receipts | 0.916 | 2.783 |
| Capital Grants | 0.529 | 2.025 |
| Capital Reserves | 6.633 | 0.884 |
| Revenue | 2.244 | 7.914 |
| Total Financing | 10.322 | 13.607 |
| Borrowing Need | - | - |

5.4 **Prudential Indicator for the Capital Financing Requirement** - The table below shows the CFR, which is the amount of capital spending that has not been financed by capital receipts, capital grants or contributions from revenue.

| Capital Financing Requirement | 2015/16 Original Estimate £m | 2015/16 Revised Estimated £m |
|---|---|---|
| CFR – General Fund | 10.598 | 10.572 |
| CFR – HRA | 95.167 | 95.193 |
| Total CFR | 105.765 | 105.765 |
| Net Movement in CFR | (2.706) | (2.706) |

5.5 **Prudential Indicator for External Debt and the Operational Boundary –** The table below shows the current level of debt against the expected debt position over the financial year.

| External Debt and Operational Boundary | External Debt | Operational Boundary | |
|---|---|---|---|
| | Current Debt Position £m | 2015/16 Original Estimated £m | 2015/16 Revised Estimate £m |
| Borrowing | 107.328 | 125.000 | 125.000 |
| Other long term liabilities | | 1.500 | 1.500 |
| Total debt 31 March | 107.328 | 126.500 | 126.500 |

5.6 The operational boundary is the maximum amount of borrowing which the council is permitted to undertake on a day to day basis and must not be breached other than for temporary cash flow demand purposes. This level has not been breached during the first six months of 2015/16. There is also no requirement to increase the operational boundary at this stage.

5.7 **Prudential Indicator for Limits to Borrowing Activity** - The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total CFR in the preceding year plus the estimates of any additional CFR for 2015/16 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

| Borrowing Activity | 2015/16 Original Estimate £m | 2015/16 Revised Estimated £m |
|---|---|---|
| Debt as at 1 April | 107.369 | 107.368 |
| Debt repayment | (2.588) | (2.588) |
| Plus other long term liabilities | -- | -- |
| Gross Debt | 104.781 | 104.780 |
| CFR (year-end position) | 105.765 | 105.765 |

5.8 The Assistant Director (Finance) reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

5.9 **Prudential Indicator for the Authorised Limit** - A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

| Authorised limit for External Debt | 2015/16 Original Estimate £m | 2015/16 Revised Estimated £m |
|---|---|---|
| Borrowing | 126.500 | 126.500 |
| Other long term liabilities | 1.600 | 1.600 |
| Total | 128.100 | 128.100 |

## 6. INVESTMENT PORTFOLIO 2015/16

6.1 In accordance with the Treasury Management Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out in Section 3, it is a very difficult investment market in terms of earning the level of interest returns commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment, investment returns are likely to remain low.

6.2 The Council held £36.360m of investments as at 30 September 2015 (£25.095m at 31 March 2015) and the investment portfolio yield for the first six months of the year is 0.658% against the 3 month LIBID benchmark of 0.45%. A full list of investments held as at 30th September 2015 can be found at appendix 2.

6.3 The Assistant Director (Finance) confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2015/16.

6.4 The original budgeted investment return for 2015/16 was £207,260; this budget remains unchanged at this point in time.

## 7. INVESTMENT COUNTERPARTY CRITERIA

7.1 The Treasury Management Strategy Statement 2015/16 set limits for group, counterparty and money market fund limits of £5 million, subject to this not constituting more than 20% of the overall investment balances of the Council at the time of placing such investments.

7.2 The Assistant Director (Finance) confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2015/16.

7.3 The main rating agencies (Fitch, Moody’s and Standard & Poor’s) have, through much of the financial crisis, provided some institutions with a ratings “uplift” due to implied levels of sovereign support. Commencing in 2015, in response to the evolving regulatory regime, all three agencies have begun removing these “uplifts” with the timing of the process determined by regulatory progress at the national level. The process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In some cases, these factors have “netted” each other off, to leave underlying ratings either unchanged or little changed. A consequence of the new methodologies is that they have also lowered the importance of the (Fitch) Support and Viability ratings and have seen the (Moody’s) Financial Strength rating withdrawn by the agency.

7.4 In keeping with the agencies’ new methodologies, the credit element of Capita Asset Services’ credit assessment process now focuses solely on the Short and Long Term ratings of an institution. While this is the same process that has always been used by Standard & Poor’s, this has been a change to the use of Fitch and Moody’s ratings. It is important to stress that the other key elements to our process, namely the assessment of Rating Watch and Outlook information as well as the Credit Default Swap (CDS) overlay have not been changed.

7.5 The evolving regulatory environment, in tandem with the rating agencies’ new methodologies also means that sovereign ratings are now of lesser importance in the assessment process. Where through the crisis, clients typically assigned the highest sovereign rating to their criteria the new regulatory environment is attempting to break the link between sovereign support and domestic financial institutions. While this authority understands the changes that have taken place, it will continue to specify a minimum sovereign rating of AAA. This will be reviewed when preparing the Treasury Management Strategy Statement for 2016-17.

7.6 This is in relation to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution.

7.7 It is important to stress that these rating agency changes do not reflect any changes in the underlying status or credit quality of the institution, merely a reassessment of their methodologies in light of enacted and future expected changes to the regulatory environment in which financial institutions operate. While some banks have received lower credit ratings as a result of these changes, this does not mean that they are suddenly less credit worthy than they were formerly. Rather, in the majority of cases, this mainly reflects the fact that implied sovereign government support has effectively been withdrawn from banks. They are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In fact, in many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now. However, this is not universally applicable, leaving some entities with modestly lower ratings than they had through much of the “support” phase of the financial crisis.

## 8. BORROWING

8.1 The Council’s Capital Financing Requirement (CFR) for 2015/16 is £105,764,919. The CFR denotes the Council’s underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

8.2 There is currently no requirement to undertake unsupported borrowing to finance the approved capital programme for 2015/16.

## 9. DEBT RESCHEDULING

9.1 Debt rescheduling opportunities have been limited in the current economic climate and consequent structure of interest rates. No debt rescheduling was undertaken during the first six months of 2015/16.

## 10. OTHER

10.1 On 5 January 2015, a report to Cabinet from the Assistant Director (Finance) outlined proposals by the Local Government Association (LGA) to set up the Municipal Bonds Agency (MBA) in the belief that this would provide councils with the opportunity to raise funds at significantly lower rates than those offered by the Public Works Loan Board (PWLB). The LGA estimated that an initial budget of £1m was required to set up the MBA and sought contributions from local authorities to assist with the financing of this. Having liaised with the LGA and considered this matter carefully the Assistant Director (Finance), in consultation with the Leader and the Chief Executive, concluded that the Council should become a member of the MBA and contribute £20,000 towards these associated start-up costs. Following the launch of the MBA, contributions received by local authorities will be converted into subordinated debt securities and shown on the

Council's balance sheet (with no impact on the General Fund). There will be a financial return for these capital subscriptions to establishment costs which will be remunerated at commercial rates. The setting up of the MBA is progressing well and its Framework Agreement has now been passed to Counsel for their opinion on vires. The Agency is re-registering the company with Companies House and it is expected that its conversion to a public limited company will be completed by the end of the first week in November.

10.2 On 30 March 2015, a report to Cabinet set out the Council's intentions regarding the site known as Fleet Leisure. A working group has been established which is tasked with working through the various aspects including procurement, financial and legal issues. The report to Cabinet sets out redevelopment costs of £2.6m. These costs have not yet been approved as part of the authority's budget and as a result are not included in the capital expenditure figures above. However, it should be noted that such expenditure will result in the need to borrow and will increase the authority's CFR position.

10.3 Treasury Management Training for Members will be provided by the authority's Treasury Management Advisor, Richard Bason from Capita Asset Services on 26 January 2016 at 6.30pm. This training session will be open to all Members but specifically aimed at Members of the Finance and Audit Committee ahead of the Committee receiving the Treasury Management Strategy Statement for 2016-17.

10.4 Finance Officers were recently given a demo of a new product being offered by Capita called Treasury Live. The system provides an online suite of tools to assist with treasury management activities and ongoing cash flow monitoring. Officers are currently reviewing the product to determine whether the functionality can provide potential savings in efficiency and assessing cost implications. Further updates will provide if and when appropriate.

## 11. BACKGROUND PAPERS

11.1 There are no Background Papers pertaining to this Report.

<table>
<tr><th colspan="2">IMPLICATIONS APPENDIX 1</th></tr>
<tr><td>Legal</td><td>As per Section 1.13B.67 of the Council’s constitution, the Chief Finance Officer has delegated responsibility from Cabinet<br><br>“in respect of borrowing and investments to arrange such loans as are legally permitted to meet the Council’s borrowing requirements”</td></tr>
<tr><td>Finance and Value for Money</td><td>Due to the nature of the report, the financial implications are contained throughout the report.<br><br>In order to achieve a balanced budget, the authority relies upon generating maximum interest from its investments whilst minimising the exposure to risk. In order to achieve this, investments are only placed with institutions which are included on the investment counterparty list. Investment durations do not exceed those as advised by Sector credit ratings which are associated with the specific institutions.<br><br>Where the authority is required to borrow to meet the needs of the authority, officers will seek advice from Sector on timings and options in order to ensure the best deal for the authority.</td></tr>
<tr><td>Risk Assessment</td><td>A summary of the perceived risks associated with Treasury Management were identified in the Treasury Management Strategy approved by Council on 25 February 2014. Officers continue to monitor the risks on a day to day basis and identify mitigating actions to minimise the risks.<br><br>The Council has complied with relevant statutory and regulatory requirements which limit the levels of risk associated with the treasury management activities. Nevertheless any such risks associated with this function are managed through the Treasury Management Strategy and the Annual Investment Strategy.</td></tr>
<tr><td>Equality Impact Assessment</td><td><table>
<tr><th colspan="3">Screening for Equality Impacts</th></tr>
<tr><th>Question</th><th>Answer</th><th>Explanation</th></tr>
<tr><td>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?</td><td>No</td><td></td></tr>
<tr><td>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?</td><td>N/A</td><td></td></tr>
<tr><td>c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts</td><td>N/A</td><td></td></tr>
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|---|---|---|---|
| | identified above? | | |
| | *In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above* | | |
| **Corporate Business Plan** | Strategic Objective 4: Sound and Self-Sufficient Council. | | |
| **Crime and Disorder** | Treasury Management activities are carried out in accordance with the Treasury Management Strategy and Annual Investment Strategy which minimises the risk of criminal activities. | | |

## Investments held as at 30 September 2015

| Institution | £m | | Interest Rate | Start Date | End date | % |
|---|---|---|---|---|---|---|
| **UK External Investments** | | | | | | |
| Lloyds | 1.000 | Fixed | 1.00% | 14/10/14 | 14/10/15 | 11.00% |
| Lloyds | 1.000 | Fixed | 1.00% | 15/10/14 | 15/10/15 | |
| Lloyds | 2.000 | Fixed | 0.70% | 15/07/15 | 15/01/16 | |
| Barclays | 2.000 | Fixed | 0.65% | 23/04/15 | 22/10/15 | 13.75% |
| Barclays | 1.000 | Fixed | 0.63% | 15/06/15 | 27/11/15 | |
| Barclays | 1.000 | Fixed | 0.69% | 03/08/15 | 28/01/16 | |
| Barclays | 1.000 | Fixed | 0.68% | 03/09/15 | 26/02/16 | |
| Standard Chartered | 2.000 | C.D*1 | 0.69% | 14/05/15 | 13/11/15 | 13.75% |
| Standard Chartered | 2.000 | C.D*1 | 0.70% | 07/08/15 | 05/02/15 | |
| Standard Chartered | 1.000 | C.D*1 | 0.70% | 19/08/15 | 19/02/16 | |
| Nationwide BS | 2.000 | Fixed | 0.60% | 21/07/15 | 22/12/15 | 8.25% |
| Nationwide BS | 1.000 | Fixed | 0.66% | 08/07/15 | 08/01/16 | |
| Royal Bank of Scotland | 4.000 | C.D*1 | 0.88% | 15/04/15 | 13/04/16 | 13.75% |
| Royal Bank of Scotland | 1.000 | C.D*1 | 0.92% | 03/07/15 | 01/07/16 | |
| **Non UK External Investments** | | | | | | |
| Nordea Bank (Sweden) | 1.000 | C.D*1 | 0.62% | 03/05/15 | 03/12/15 | 2.75% |
| Credit Suisse (Switzerland) | 3.000 | C.D*1 | 0.69% | 25/09/15 | 24/03/16 | 8.25% |
| **Money Market Funds** | | | | | | |
| Goldman Sachs | 4.240 | Call | 0.433%*2 | | | 11.66% |
| Invesco STIC Global | 2.000 | Call | 0.398%*2 | | | 5.50% |
| Standard Life (Ignis) | 4.120 | Call | 0.421%*2 | | | 11.33% |
| **Total** | **£36.360** | | | | | **100.00%** |

*1 – Certificate of Deposit

*2 –.This represents the weighted average return on the fund for quarter 2 2015-16