

Agenda Item	12(b)
Report No	RES/40/17

HIGHLAND COUNCIL

Committee: Corporate Resources Committee

Date: 30 August 2017

Report Title: Annual Treasury Management Report – 2016/17

Report By: Director of Finance

1. Purpose/Executive Summary

- 1.1 This report on treasury management for the financial year 2016/17 is prepared in compliance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) revised Code of Practice on Treasury Management in Local Authorities.
- 1.2 The report highlights the Council's treasury management activities undertaken, provides a commentary on the year and compares activity to the expected activities contained in the annual Treasury Strategy Statement and Investment Statement which was approved by Resources Committee on 24 February 2016.
- 1.3 This Annual Treasury Management Report - 2016/17 is submitted to the Committee for consideration. The Report will then be submitted to Council for approval in September 2017.
- 1.4 The Prudential Code also requires the Council to report the actual prudential indicators after the financial year end and these are shown in **Appendix 1**.

2. Recommendations

- 2.1 Members are asked to:
 - i. Consider the Annual Treasury Management report for 2016/17.

3. Background

3.1 In December 2001, CIPFA published a Revised Code of Practice on Treasury Management (the Code) with a suggested implementation date of 1 April 2002. The Council adopted the revised Code in February 2002 and fully complies with its requirements.

3.2 The primary requirements of the Code are the:

- 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 Council of an Annual Strategy Report for the year ahead, a mid-year report and an **Annual Review Report** of 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 policies to a specific named body, which in this Council is the Corporate Resources Committee.

3.3 Treasury Management is defined as: *"The management of the local authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks"*.

3.4 This report sets out:

- An overview of the strategy agreed for 2016/17 considering the economy and interest rates position for the year (section 4)
- Performance measurement for the year including the Council's treasury position at 31 March 2017 compared to the previous financial year (section 5)
- A summary of treasury decisions taken and effects on the revenue budget (section 6)
- A commentary on performance and risk (section 7)
- A review of compliance with the Council's procedures and Prudential Indicators (sections 8 and 9)

4. The strategy agreed for 2016/17

4.1 The expectation for interest rates within the strategy for 2016/17 anticipated low but rising bank rates (starting in quarter 1 of 2016), and gradual rises in medium and longer term fixed borrowing rates during 2016/17. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

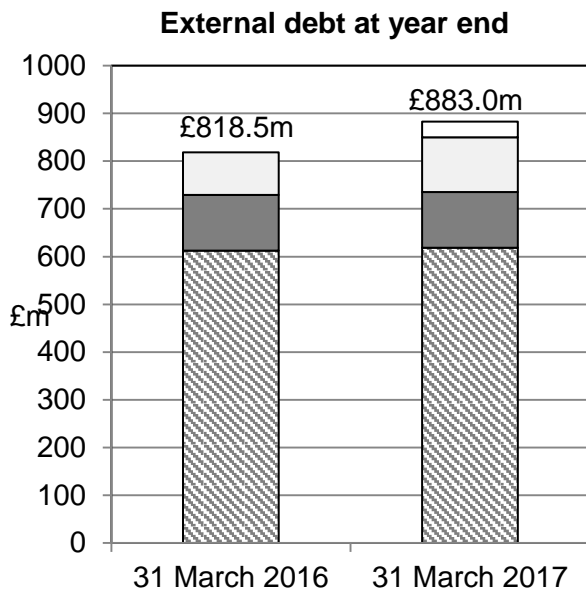
4.2 The treasury strategy was to postpone long term borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk but consider de-risking by taking slightly longer term borrowing (up to 5 years). The Council would ensure its

strategy remains flexible and consider new borrowing from sources including the PWLB based on prevailing market conditions.

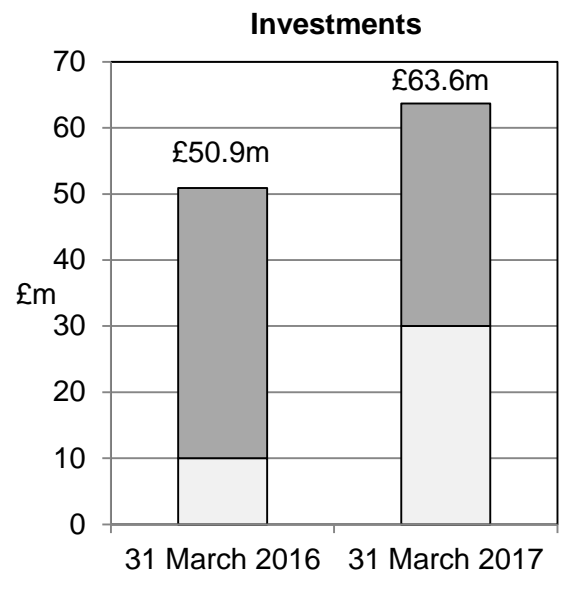
- 4.3 During 2016/17, there was major volatility in PWLB rates with rates falling during quarters 1 and 2 to reach historically very low levels in July and August, before rising significantly during quarter 3, and then partially easing back towards the end of the year.
- 4.4 Further information on the economy and interest rates during the year can be found at **Appendix 2**.

5. Performance measurement

5.1 The treasury position at the 31 March 2017 compared with the previous year is shown in the graphs below.



- Market loans external debt (<5 years) fixed
- Short term external debt (<1 year) fixed
- Long term market loans fixed/variable
- ▨ Long term external debt (PWLB) fixed



- Investments variable
- Investments fixed interest

Average interest rates comparison

	31/03/16	31/03/17
Market loans (< 5years) fixed	-	1.02%
Short term external debt (<1 year) fixed	0.51%	0.39%
Long term market loans fixed/variable	4.82%	4.79%
Long term external debt (PWLB) fixed	4.94%	4.87%
Total debt	4.44%	4.13%
Investments fixed interest	0.93%	0.74%

Investments variable	0.55%	0.27%
Total investments	0.62%	0.49%

5.2 The figures show a decrease in the average interest rate on external debt borrowings from 4.44% at March 2016 to 4.13% at March 2017. This was due to the Council using short term borrowing to fund capital expenditure for which lower rates are paid. The investment return for 2016/17 was lower than the previous year due to the bank rate being decreased from 0.50% to 0.25% in August 2016.

5.3 Details of all PWLB long term borrowing undertaken and repaid, is in **Appendix 3** and all external borrowing is in **Appendix 4**. The average rate for temporary loans at 31 March 2017 was 0.39%.

6. Treasury decisions taken and revenue effects

Borrowing requirement and debt

6.1 The total new borrowing requirement for 2016/17 was £79.0m (General Fund £69.1m and HRA £9.9m) against planned new borrowing of £87.4m (General Fund £62.4m and HRA £25.0m). Reasons for variations in Service and project capital expenditure for the year are reported to Strategic Committees as part of the final 2016/17 out-turn capital monitoring reports. Details of gross and net capital spend for the year, as well as the borrowing requirement against the estimated position, are in **Appendix 1**.

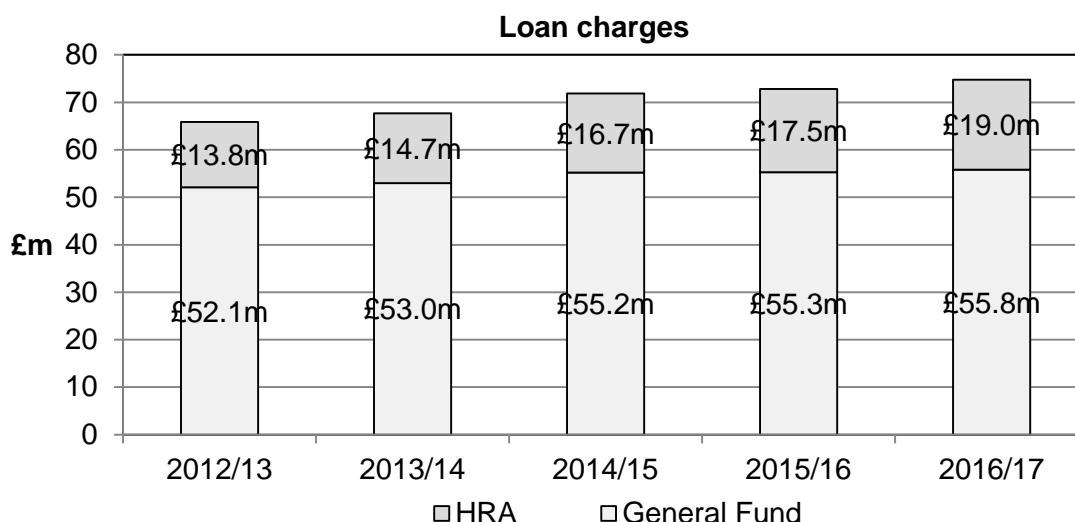
6.2 The borrowing requirement was funded by

- short term borrowing
- £28m Market loans less than 5 years
- £25m from the PWLB (borrowing at 2.51% for term of 47.5 years to replace £20m maturity at 3.77%)

In addition there was £1.2m (rate 1.31%, term 6.6 years) borrowed from the PWLB for on-lending as part of the National Housing Trust programme for which the Council has specific borrowing consents and guarantees from the Scottish Government.

6.3 There has been an increase in external debt of £64.5m (see graph at **para 5.1**) which is less than the borrowing requirement of £79.0m. This is because the Council is currently under-borrowed by £34.6m (4% the underlying borrowing requirement of £917.6m). This means that the underlying borrowing requirement is also funded by internal borrowing as well as the external borrowing noted above (explained in more detail at **para 9.5**).

6.4 In terms of the impact on revenue budgets, the increased capital expenditure increases the level of loan charges the Council incurs as illustrated by the graph below with the risk that a rise in interest rates would increase costs in future years.



6.5 Due to the level of capital expenditure, financing costs (loan charges) are a significant proportion of the Council's net revenue stream. The ratio of financing costs to net revenue stream for the general fund is 12.9% (estimate 11.5%) and 37.5% for HRA (estimate 39.9%) (**Appendix 1, prudential indicator 6**).

Rescheduling

6.6 There was no rescheduling completed during 2016/17. While refinancing rates were closely monitored throughout the year no significant opportunities arose to make savings due to breakage costs.

6.7 A summary of outstanding deferred revenue costs attributable to debt rescheduling exercises undertaken in years to date, is provided in the table below. These represent early debt repayment costs (premiums) and discounts, associated with debt rescheduling. It is accounting practice for these to be written off over the periods of the new loans taken as part of the rescheduling and included as part of the annual loan charges.

	Outstanding 31 Mar 2016	Incurred 2016/17	Written off 2016/17	Outstanding 31 Mar 2017
	£000	£000	£000	£000
Premiums	33,518	-	(1,992)	31,526
Discounts	(6,961)	-	40	(6,921)
Net Deferred Revenue Costs	26,558	-	(1,952)	24,606

Overall performance

6.8 The Council's calculated loans fund interest rate for the year was 4.26% against a budgeted rate of 4.50%, the budget having been calculated on the assumption that rates would increase. As stated above (**para 6.2**), the majority of capital expenditure was funded using short term borrowing or market loans less than 5 years at lower rates than

forecast.

- 6.9 Revenue effect: The final position shows a budget saving of £0.5m (General Fund) and £1.3m (HRA) in loan charges compared to budget for the year. This is partly a result of the Council having been able to take advantage of sustained and historically low short-term borrowing rates and partly as a result of capital spend being less than planned for the HRA.

Investments held by the Council

- 6.10 The Council's investment policy is governed by the Scottish Government Investment Regulations, which were adopted in the Annual Investment Strategy 2010/11 and approved by the Council on 24 June 2010. This policy sets out the approach for choosing investment categories and counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).
- 6.11 The Council's policy states the maximum investment period is 2 years. However during 2016/17 deposits were placed for periods of 1 year or less than 1 year to reflect credit risk.
- 6.12 The Council maintained an average end of month balance of £89.8m of internally managed funds which earned an average rate of return of 0.42%. The comparable performance indicator is the average 7-day LIBID rate, which was 0.33% for 2016/17. No institutions in which investments were made showed any difficulty in repaying the investment and interest in full during the year.

7. Performance and risk

- 7.1 In the current debt portfolio at 31 March 2017, 70% (£618.7m) of the total gross debt is at fixed long-term rates with the PWLB.
- 7.2 All major borrowing and CFR financing decisions taken by officers were discussed with the Council's external treasury management advisors. Current indications are that assumptions made on future long term interest rate movements are still in line with subsequent market movements, and it is now expected that the trend in low long term rates over all periods will continue for some time.
- 7.3 Returns on the Council's investments are predominantly determined by short-term variable rates. Whilst this can introduce an element of volatility to returns, it is minimal in terms of the total debt portfolio. Risk, in relation to the potential loss of principal, is minimised through the Council's restricted lending list (using a diversified list of counterparties and based on credit risk assessment).
- 7.4 The Council uses three firms of money market brokers to facilitate short-term borrowing and investment deals. This ensures competitive market rates are obtained. All brokers charged the same level of commission per transaction and performed satisfactorily. In addition, the Council's treasury management staff have direct lines to some major banks to facilitate direct investment with suitably rated institutions.

7.5 Short term borrowing has increased from £89m (31/03/16) to £115m (31/03/17) and will increase as the policy is to continue using short term borrowing in order to make savings. This has resource implications as the short term borrowing must be refinanced on an ongoing basis. There is no additional staffing to help with refinancing and as senior management resource has been reduced, there are other pressures on staff.

7.6 The policy of short term borrowing carries the following risks:

- appropriate borrowing is not available which meets the Council's cash-flow requirements.
- Short term borrowing rates increase. An increase of 0.25% in the Council's average short term borrowing rate would add an estimated £0.2m to the annual loans charge cost.

8. Compliance with the Council's procedures and Prudential Indicators

8.1 The Council has complied with its internal procedures and the requirements of the CIPFA Code of Practice on Treasury Management. The Council is bound by best practice requirements, which involve limits to be set and adhered to in relation to short-term borrowing and exposure to variable interest rates (**Appendix 1, indicator 12**). The Council complied with these limits throughout the year.

8.2 Going forward, the indicators relating to short term borrowing may have to be reviewed in the next Treasury Management Strategy Statement (February 2018), if the Council's ongoing strategy is to fund capital expenditure using short term borrowing.

9. The Prudential Code – Indicators

9.1 The Council is required by the Prudential Code to report the actual treasury position compared to the prudential indicators at the year-end. **Appendix 1** provides details of all the mandatory, estimated and actual prudential indicators for the year 2016/17.

9.2 Capital Financing Requirement

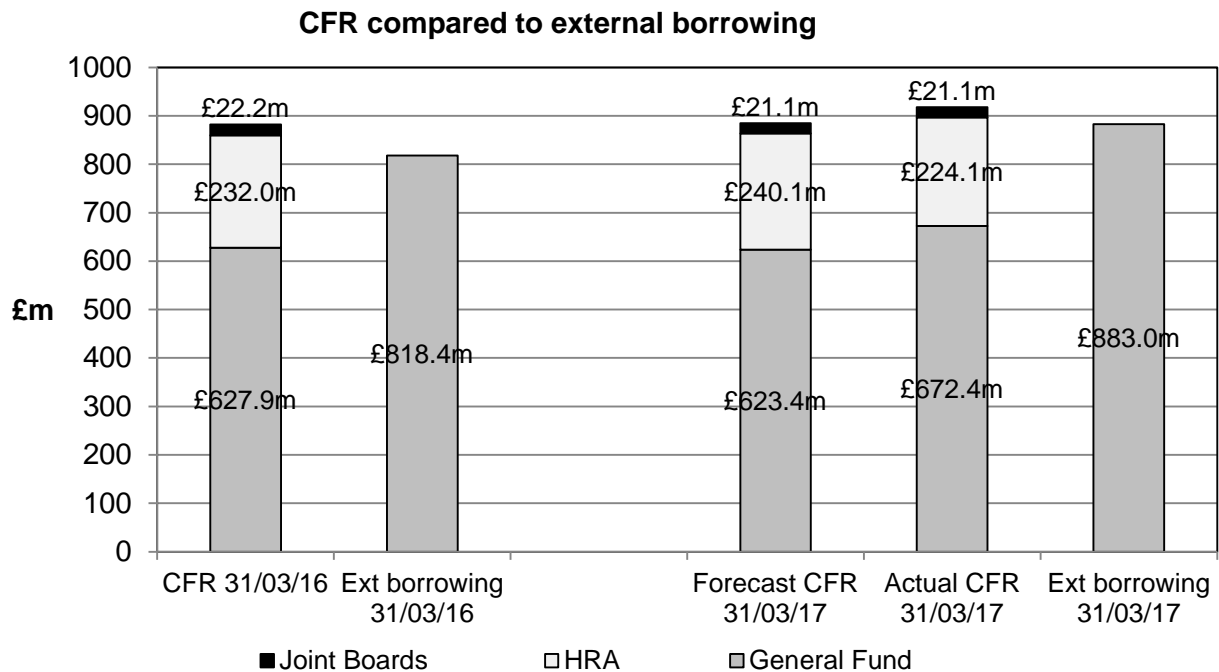
The capital financing requirement (CFR) represents the accumulated net capital expenditure which the Council requires to fund by way of long term borrowing and other capital financing, until the capital projects, comprising the CFR, are fully written off to revenue (mainly by way of annual loan charges).

9.3 In recent years the Council has been in a position whereby its CFR is greater than its long-term borrowing. This results from the Council using internal cash sources, as well as long-term borrowing to finance the CFR. The use of internal cash sources can represent a more effective and low cost option for financing, compared to long-term borrowing, given the low returns available on short-term deposits when compared to Public Works Loans Board (PWLB) rates, even in the current low borrowing rate environment.

9.4 However, the Council must keep the CFR and long-term borrowing position under regular review, as the use of internal cash sources can result in increased re-financing risk i.e. if internal cash sources are utilised, and the Council has no choice but to borrow, and not necessarily at a time of its choosing, borrowing costs could be impacted.

9.5 The CFR is kept under regular review, and in recent years part of the annual treasury strategy has been to take steps to manage the CFR versus long-term borrowing position to an acceptable level. As shown in the graph below the difference between CFR and external borrowing stood at £34.6m as at 31 March 2017. This position will be kept under regular review as part of the Council's on-going treasury management.

9.6 In order to ensure that over the medium term borrowing net of investments will only be for a capital purpose, net borrowing should not, except in the short term, exceed the CFR for 2016/17. The graph below shows that the Council has complied with this requirement.



Borrowing Limits

9.7 The Council is required to agree an Authorised Limit for borrowing for the year. This figure provides for estimated contingencies which may require to be funded in the year in addition to planned capital expenditure.

9.8 The Operational Boundary, also approved by the Council in compliance with the Code, is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the Boundary are acceptable subject to the Authorised Limit not being breached.

During 2016/17 the Council complied with both the Authorised Limit and Operational Boundaries and the maximum is reported at **Appendix 1 indicator 4**.

10. Implications

10.1 Resource – borrowing undertaken at favourable interest rates, as detailed above has contributed to an under-spend in the loans charge budget of £0.5m. The resource implications of increased capital expenditure, resulting in increasing loan charges is set out in **para 6.4 and 6.5**.

- 10.2 As highlighted in **para 7.6**, risks of short term borrowing are that appropriate borrowing is not available which meets the Council's cash-flow requirements and short term borrowing rates increase.
- 10.3 There are no Legal, Communities, Climate change/carbon clever, Risk or Gaelic implications arising as a direct result of this report.

Designation: Director of Finance

Date: 17 August 2017

Author: Catriona Stachan, Accountant

Background Papers: Treasury system and financial ledger reports
Treasury Strategy Statement and Investment Strategy 2016/17

Appendix 1

Estimated and Actual Treasury Position and Prudential Indicators

Figures are for financial year unless otherwise titled in italics		2016/17 Indicator	2016/17 Actual
1	Capital expenditure		
	Gross capital expenditure		
	General Fund including PPP	£86.0m	£105.4m
	Housing Revenue Account	£26.4m	£32.1m
	Total gross capital expenditure	£112.4m	£137.5m
	Income		
	General Fund	(£38.5m)	(£36.3m)
	HRA	(£10.8m)	(£22.2m)
	Total income	(£49.3m)	(£58.5m)
	Net capital expenditure		
	General Fund	£47.5m	£69.1m
	HRA	£15.6m	£9.9m
	Total net capital expenditure	£63.1m	£79.0m
	Loan charge instalments		
	General Fund	(£24.0m)	(£28.6m)
	HRA	(£9.3m)	(£8.6m)
	Total instalments	(£33.3m)	(£37.2m)
Net borrowing for new capital expenditure			
General Fund	£23.5m	£40.5m	
HRA	£6.3m	£1.3m	
Total net borrowing for new capital expenditure	£29.8m	£41.8m	
2	Capital Financing Requirement (CFR) at 31 March		
	General Fund excluding PPP	£623.4m	£672.4m
	Housing Revenue Account	£240.1m	£224.1m
	Joint Boards	£21.1m	£21.1m
	Sub-total excluding PPP	£884.6m	£917.6m
	PPP	£118.2m	£165.6m
	Total	£1,002.8m	£1,083.2m
	General Fund including PPP	£741.6m	£838.0m
3	Treasury Position at 31 March		
	Borrowing	£872.4m	£883.0m
	Other Long Term Liabilities (PPP)	£118.2m	£165.6m
	Total Debt	£990.6m	£1,048.6m
	Investments	£50.0m	£63.6m
	Net Borrowing	£940.6m	£985.0m

Figures are for financial year unless otherwise titled in italics		2016/17 Indicator	2016/17 Actual
4	Authorised Limit for Borrowing (against maximum position)	£963.6m	£915.0m (20/02/17)
5	Operational Boundary for Borrowing	£947.6m	£915.0m (20/02/17)
6	Ratio of financing costs to net revenue stream		
	General Fund including PPP	11.5%	12.9%
	Housing Revenue Account	39.9%	37.5%
7	Incremental impact of capital investment decisions on the Band D council tax	(£42.51)	£6.02
8	Incremental impact of capital investment decisions on the housing rent levels (Weekly figures based on a 48 week year are shown in brackets). There is zero incremental impact on Council Tax and Rents shown as Council Tax and Housing Rents have already been already set for these years.	£163.29 (£3.40)	£102.65 (£2.14)
9	Interest rate exposures of debt net of investments		
	Upper Limit (Fixed)	£884.7m	£739.7m
	Upper Limit (Variable)	£309.6m	£88.9m
10	Maturity structure of fixed rate borrowing (against maximum position)		
	Under 12 months	30.0%	17.9%
	12 months to 2 years	30.0%	7.1%
	2 years to 5 years	30.0%	12.4%
	5 years to 10 years	50.0%	14.7%
	10 years and above	100.0%	63.0%
11	Upper limit for the maturing of investments made for periods longer than 364 days (against maximum position)	£20.0m	£10.0m
12	Short term borrowing (net of investments) as a % of outstanding long term debt (maximum position)	25.0%	15.0%
	Variable interest debt (net of investments) as a % of outstanding long term debt (maximum position)	35.0%	10.1%

In addition to the above the Council is required as a Prudential Indicator to:

- Adopt the CIPFA Code of Practice.
- Ensure that over the medium term borrowing will only be for a capital purpose (i.e. net external borrowing is less than the CFR).

The compliance for these indicators is highlighted in the body of the report.

Appendix 2

The economy and interest rates during the year

The two major landmark events that had a significant influence on financial markets in the financial year 2016-17 were the UK EU referendum on 23 June 2017 and the election of President Trump in the USA on 9 November 2017. The first event had an immediate impact in terms of market expectations of when the first increase in Bank Rate would happen, pushing it back from quarter 3 2018 to quarter 4 2019.

At its 4 August 2017 meeting, the Monetary Policy Committee (MPC) cut Bank Rate from 0.5% to 0.25% and the Bank of England's Inflation Report produced forecasts warning of a major shock to economic activity in the UK, which would cause economic growth to fall almost to zero in the second half of 2016. The MPC also warned that it would be considering cutting Bank Rate again towards the end of 2016 in order to support growth. In addition, it restarted quantitative easing with purchases of £60bn of gilts and £10bn of corporate bonds, and also introduced the Term Funding Scheme whereby potentially £100bn of cheap financing was made available to banks.

In the second half of 2016, the UK economy confounded the Bank's pessimistic forecasts of August. After a disappointing quarter 1 of only +0.2% GDP growth, the three subsequent quarters of 2016 came in at +0.6%, +0.5% and +0.7% to produce an annual growth for 2016 overall, compared to 2015, of no less than 1.8%, which was very nearly the fastest rate of growth of any of the G7 countries. Needless to say, this meant that the MPC did not cut Bank Rate again after August but, since then, inflation has risen rapidly due to the effects of the sharp devaluation of sterling after the referendum.

Appendix 3 – PWLB Borrowing undertaken and borrowing repaid 2016/17

PWLB Borrowing undertaken during 2016/17

June 2016	£25.0m	Capital programme	47.5 years	2.51%
August 2016	£1.2m	NHT 2 - Kiltarlity	6.5 years	1.21%
Total	£26.2m			

PWLB Borrowing repaid during 2016/17

Month repaid	Amount	Purpose of borrowing	Duration	Rate
March 2017	£20.0m	Capital programme	7 years	3.77%

Appendix 4 – Schedule of all borrowing as at 31/03/17

Market loans (< 5years) fixed

Deal Ref	Start Date	Maturity Date	Counterparty	Profile	Rate	Principal O/S (£)
M290055	12/04/16	12/04/18	Derbyshire County Council	Maturity	1.04%	5,000,000.00
M290057	14/04/16	16/04/18	Stevenage Borough Council	Maturity	0.98%	1,000,000.00
M290059	18/11/16	03/12/18	London Borough of Islington	Maturity	0.57%	5,000,000.00
M290053	06/04/16	01/02/19	Oxfordshire County Council	Maturity	1.26%	10,000,000.00
M290058	19/04/16	20/04/20	London Borough of Hackney	Maturity	1.00%	3,000,000.00
M290054	01/04/16	01/04/21	Waverley Borough Council	Maturity	1.00%	4,000,000.00
M290056	14/04/16	14/04/21	Guildford Borough Council	Maturity	1.00%	5,000,000.00
				Average rate	1.02%	33,000,000.00

Short term external debt (<1 year) fixed

Deal Ref	Start Date	Maturity Date	Counterparty	Profile	Rate	Principal O/S (£)
T503183	06/03/17	05/04/17	Durham County Council	Maturity	0.32%	5,000,000.00
T503147	14/10/16	18/04/17	Cumbria Police and Crime Commissioner	Maturity	0.30%	2,000,000.00
T503155	18/10/16	18/04/17	Brentwood Borough Council	Maturity	0.27%	1,000,000.00
T503154	27/10/16	19/04/17	East Renfrewshire Council	Maturity	0.33%	2,000,000.00
T503177	31/01/17	24/04/17	Warwickshire Police and Crime Commissioner	Maturity	0.30%	2,000,000.00
T503153	27/10/16	25/04/17	Basildon Borough Council	Maturity	0.32%	1,000,000.00
T503169	26/01/17	26/04/17	Middlesbrough Council	Maturity	0.38%	5,000,000.00
T503118	29/04/16	28/04/17	Fylde Borough Council	Maturity	0.60%	2,000,000.00
T503168	06/12/16	10/05/17	Orkney Islands Council	Maturity	0.36%	2,000,000.00
T503182	14/03/17	15/05/17	Aberdeen City Council	Maturity	0.35%	5,000,000.00
T503174	27/01/17	17/05/17	Welwyn Hatfield District Council	Maturity	0.37%	2,000,000.00
T503157	15/11/16	18/05/17	Basildon Borough Council	Maturity	0.31%	2,000,000.00
T503148	24/11/16	24/05/17	Basildon Borough Council	Maturity	0.32%	2,000,000.00
T503165	24/11/16	24/05/17	Devon and Cornwall Police and Crime Commissioner	Maturity	0.34%	5,000,000.00
T503161	29/11/16	31/05/17	London Borough of Havering	Maturity	0.35%	5,000,000.00
T503166	01/12/16	01/06/17	Orkney Islands Council	Maturity	0.34%	2,000,000.00
T503125	09/06/16	07/06/17	Comhairle nan Eilean Siar	Maturity	0.58%	2,500,000.00
T503162	07/12/16	07/06/17	East Renfrewshire Council	Maturity	0.33%	3,000,000.00
T503163	07/12/16	07/06/17	Renfrewshire Council	Maturity	0.33%	3,000,000.00
T503159	09/12/16	09/06/17	Tendring District Council	Maturity	0.31%	2,000,000.00
T503180	03/02/17	19/06/17	Calderdale Metropolitan Borough Council	Maturity	0.35%	1,000,000.00
T503181	22/02/17	21/06/17	London Borough of Brent	Maturity	0.40%	5,000,000.00
T503173	27/01/17	28/06/17	Bath and North East Somerset Council	Maturity	0.40%	5,000,000.00
T503160	30/11/16	30/06/17	Derbyshire Pension Fund	Maturity	0.35%	5,000,000.00
T503179	17/02/17	17/07/17	Aberdeen City Council	Maturity	0.43%	5,000,000.00
T503156	20/10/16	19/07/17	London Borough of Havering	Maturity	0.35%	2,000,000.00
T503170	07/02/17	25/07/17	Oxfordshire County Council	Maturity	0.45%	5,000,000.00
T503175	01/02/17	01/08/17	London Borough Tower Hamlets	Maturity	0.45%	10,000,000.00

Appendix 4 – Schedule of all borrowing as at 31/03/17

Deal Ref	Start Date	Maturity Date	Counterparty	Profile	Rate	Principal O/S (£)
T503172	08/02/17	08/08/17	Comhairle nan Eilean Siar	Maturity	0.43%	2,500,000.00
T503176	17/02/17	09/08/17	London Borough of Redbridge	Maturity	0.45%	5,000,000.00
T503184	27/02/17	29/08/17	Vale of Glamorgan Council	Maturity	0.42%	2,000,000.00
T503178	20/02/17	20/09/17	Lincolnshire County Council	Maturity	0.45%	5,000,000.00
T503151	25/10/16	24/10/17	Tendring District Council	Maturity	0.38%	2,000,000.00
T503171	17/02/17	22/11/17	London Borough of Havering	Maturity	0.48%	5,000,000.00
Average rate					0.39%	<u>115,000,000.00</u>

Long term market loans fixed/variable (Lender Option Borrower Option)

Deal Ref	Start Date	Maturity Date	Counterparty	Profile	Rate	Principal O/S (£)
M360004	19/11/84	20/11/19	Prudential M & G	Maturity	11.75%	500,000.00
M240004	07/03/85	09/03/20	Prudential M & G	Maturity	11.37%	500,000.00
M240005	07/03/85	09/03/20	Prudential M & G	Maturity	11.37%	500,000.00
M290045	30/09/02	30/09/42	Bank of Scotland plc	Maturity	4.50%	5,000,000.00
M240007	12/12/90	12/12/50	Coventry Building Society Superannuation Fund	Maturity	11.12%	1,000,000.00
M290051	26/10/04	26/10/54	Dexia Public Finance Bank	Maturity	4.34%	8,750,000.00
M290050	03/08/04	03/02/65	Barclays Bank plc	Maturity	5.05%	11,900,000.00
M290046	14/03/03	16/03/65	Dexia Public Finance Bank	Maturity	4.40%	10,000,000.00
M290047	14/03/03	16/03/65	Dexia Public Finance Bank	Maturity	4.40%	11,740,000.00
M290048	02/12/03	02/12/65	Barclays Bank plc	Maturity	5.00%	25,200,000.00
M290049	02/12/03	02/12/65	Barclays Bank plc	Maturity	5.00%	25,000,000.00
M290052	23/03/06	23/03/66	Barclays Bank plc	Maturity	3.80%	16,216,000.00
Average rate					4.79%	<u>116,306,000.00</u>

Long term external debt (PWLB) fixed

Deal Ref	Start Date	Maturity Date	Counterparty	Profile	Rate	Principal O/S (£)
P495649	30/06/09	31/03/18	PWLB	Maturity	3.57%	15,000,000.00
P496155	02/11/09	31/03/18	PWLB	Maturity	3.62%	7,500,000.00
P496803	03/03/10	30/03/19	PWLB	Maturity	4.12%	25,000,000.00
P467093	24/07/89	31/03/19	PWLB	Maturity	9.37%	2,966,238.95
P476093	13/06/95	31/03/20	PWLB	Maturity	8.00%	2,000,000.00
P497334	25/05/10	31/03/20	PWLB	Maturity	3.70%	10,000,000.00
P498766	14/07/11	31/03/20	PWLB	Maturity	3.89%	5,000,000.00
P476580	13/11/95	30/09/20	PWLB	Maturity	8.25%	9,832,477.90
P459314	04/04/86	31/03/21	PWLB	Maturity	9.12%	3,000,000.00
P467454	07/09/89	31/03/21	PWLB	Maturity	9.37%	400,000.00
P472856	25/03/93	30/09/21	PWLB	Maturity	9.37%	1,000,000.00
P450549	18/10/82	30/09/22	PWLB	Maturity	10.50%	1,053,479.77
P479600	24/06/97	30/09/22	PWLB	Maturity	7.12%	13,800,000.00
P498767	14/07/11	30/09/22	PWLB	Maturity	4.35%	15,000,000.00
P505331	31/08/16	31/03/23	PWLB	Maturity	1.21%	1,200,000.00

Appendix 4 – Schedule of all borrowing as at 31/03/17

Deal Ref	Start Date	Maturity Date	Counterparty	Profile	Rate	Principal O/S (£)
P452310	06/06/83	31/03/23	PWLB	Maturity	10.37%	700,000.00
P469054	18/01/91	30/09/23	PWLB	Maturity	11.25%	400,000.00
P479824	07/08/97	31/03/24	PWLB	Maturity	6.87%	8,793,583.00
P479831	07/08/97	31/03/24	PWLB	Maturity	7.12%	766,648.00
P468141	01/03/90	30/09/24	PWLB	Maturity	10.87%	800,000.00
P499029	27/09/11	30/09/25	PWLB	Maturity	3.92%	20,000,000.00
P479272	01/05/97	31/03/27	PWLB	Maturity	7.75%	25,000,000.00
P479704	17/07/97	31/03/27	PWLB	Maturity	7.00%	25,000,000.00
P501784	11/12/12	30/09/27	PWLB	Maturity	3.19%	10,000,000.00
P480402	13/01/98	30/09/27	PWLB	Maturity	6.12%	5,000,000.00
P501996	15/03/13	31/03/30	PWLB	Maturity	3.70%	7,500,000.00
P502022	22/03/13	31/03/30	PWLB	Maturity	3.58%	7,500,000.00
P499165	23/11/11	30/09/30	PWLB	Maturity	3.93%	20,000,000.00
P478594	11/12/96	30/09/31	PWLB	Maturity	7.75%	11,135,901.00
P501895	26/02/13	25/07/32	PWLB	Maturity	3.94%	15,000,000.00
P454211	30/03/84	30/09/33	PWLB	Maturity	10.25%	700,000.00
P488282	02/12/03	30/09/33	PWLB	Maturity	5.00%	3,600,000.00
P502832	07/02/14	31/03/34	PWLB	Maturity	4.17%	10,000,000.00
P503806	10/03/15	30/09/34	PWLB	Maturity	3.30%	10,000,000.00
P464213	25/03/88	30/09/37	PWLB	Maturity	9.12%	702,319.85
P475185	16/02/95	30/09/44	PWLB	Maturity	9.00%	500,000.00
P476150	29/06/95	31/03/45	PWLB	Maturity	8.37%	1,000,000.00
P475184	16/02/95	30/09/45	PWLB	Maturity	8.620%	500,000.00
P475052	26/01/95	30/09/48	PWLB	Maturity	8.75%	500,000.00
P474807	24/10/94	30/09/51	PWLB	Maturity	8.62%	1,000,000.00
P492695	15/01/07	31/03/52	PWLB	Maturity	4.25%	13,500,000.00
P474808	24/10/94	30/09/52	PWLB	Maturity	8.62%	1,000,000.00
P492696	15/01/07	31/03/53	PWLB	Maturity	4.25%	23,300,000.00
P474817	26/10/94	30/09/53	PWLB	Maturity	8.62%	1,000,000.00
P493071	08/03/07	30/09/53	PWLB	Maturity	4.25%	5,000,000.00
P492697	15/01/07	31/03/54	PWLB	Maturity	4.25%	20,000,000.00
P493070	08/03/07	31/03/54	PWLB	Maturity	4.25%	8,600,000.00
P474785	14/10/94	30/09/54	PWLB	Maturity	8.87%	1,000,000.00
P474818	26/10/94	30/09/54	PWLB	Maturity	8.62%	1,000,000.00
P493626	02/08/07	30/09/54	PWLB	Maturity	4.55%	10,000,000.00
P493835	23/08/07	30/09/54	PWLB	Maturity	4.45%	5,000,000.00
P476656	30/11/95	30/09/55	PWLB	Maturity	8.00%	1,000,000.00
P476790	21/12/95	30/09/55	PWLB	Maturity	7.87%	4,000,000.00
P476823	21/12/95	30/09/55	PWLB	Maturity	7.87%	1,000,000.00
P476824	21/12/95	30/09/55	PWLB	Maturity	7.87%	1,000,000.00
P477578	02/05/96	31/03/56	PWLB	Maturity	8.37%	10,000,000.00
P477622	08/05/96	31/03/56	PWLB	Maturity	8.37%	10,000,000.00
P477985	30/08/96	31/03/56	PWLB	Maturity	8.25%	3,000,000.00

Appendix 4 – Schedule of all borrowing as at 31/03/17

Deal Ref	Start Date	Maturity Date	Counterparty	Profile	Rate	Principal O/S (£)
49342	05/07/07	30/09/56	PWLB	Maturity	4.80%	60,000,000.00
P502887	05/03/14	30/09/57	PWLB	Maturity	4.20%	20,000,000.00
P498092	13/10/10	31/03/59	PWLB	Maturity	4.09%	10,000,000.00
P497853	06/09/10	31/03/60	PWLB	Maturity	4.03%	10,000,000.00
P503717	05/02/15	31/03/63	PWLB	Maturity	2.84%	20,000,000.00
P502921	18/03/14	30/09/63	PWLB	Maturity	4.19%	20,000,000.00
P505126	21/06/16	31/03/64	PWLB	Maturity	2.51%	25,000,000.00
P503301	12/09/14	31/03/64	PWLB	Maturity	3.95%	20,000,000.00
P501208	26/04/12	30/09/18	PWLB – for NHT	Maturity	2.46%	1,000,000.00
P501491	26/07/12	30/09/18	PWLB – for NHT	Maturity	1.93%	1,500,000.00
P501576	07/09/12	30/09/18	PWLB – for NHT	Maturity	1.89%	1,360,000.00
P502136	03/04/13	30/09/19	PWLB – for NHT	Maturity	1.86%	1,300,000.00
P502845	17/02/14	31/03/20	PWLB – for NHT	Maturity	3.02%	1,100,000.00
P503110	26/06/14	30/09/20	PWLB – for NHT	Maturity	3.15%	870,000.00
P503170	31/07/14	30/09/20	PWLB – for NHT	Maturity	3.02%	430,000.00
P503338	29/09/14	30/09/20	PWLB – for NHT	Maturity	2.89%	920,000.00
P503795	05/03/15	31/03/21	PWLB – for NHT	Maturity	2.31%	600,000.00
P503844	26/03/15	30/09/21	PWLB – for NHT	Maturity	2.09%	1,300,000.00
P504159	28/05/15	30/09/21	PWLB – for NHT	Maturity	2.36%	1,300,000.00
P504233	08/07/15	30/09/21	PWLB – for NHT	Maturity	2.46%	928,000.00
P504313	17/08/15	31/03/22	PWLB – for NHT	Maturity	2.47%	700,000.00
P504373	14/09/15	31/03/22	PWLB – for NHT	Maturity	2.36%	750,000.00
P504530	08/12/15	31/03/22	PWLB – for NHT	Maturity	2.31%	1,350,000.00
						618,658,648.47

External borrowing average rate and total	4.13%	882,964,648.47
--	--------------	-----------------------