Joint Governance Committee
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Joint Strategic Committee
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JOINT HALF YEAR IN-HOUSE TREASURY MANAGEMENT OPERATIONS REPORT 1 APRIL – 30 SEPTEMBER 2016 FOR ADUR DISTRICT COUNCIL AND WORTHING BOROUGH COUNCIL

REPORT BY DIRECTOR OF DIGITAL AND RESOURCES

1.0 SUMMARY

1.1 This report presents the treasury management portfolio position for the halfway point of the 2016/17 financial year for both Adur District Council and Worthing Borough Council.

1.2 The Councils operate a balanced budget, which broadly means cash raised during the year will meet the cash expenditure. Part of the treasury management function ensures this cash flow is adequately planned, with surplus monies being invested in approved counterparties, providing security foremost, adequate liquidity, then a yield commensurate with going market rates at the time of investment.

1.3 The second main function of the treasury management service is the funding of the Councils' capital plans. These capital plans provide a guide to the long-term borrowing needs of the Councils: essentially the longer term cash flow planning is to ensure the Councils can meet their capital spending plans. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

2.0 BACKGROUND

2.1 The presentation of this report complies with the requirements of the CIPFA Code of Practice on Treasury Management (The Code), and also the reporting arrangements contained within the Councils' approved Joint Treasury Management Practices (TMPs).

2.2 The purpose of this report is to inform members of the treasury management position and performance in the first half of the financial year compared with the position expected at the start of the year as reported within the Joint Treasury Management Strategy Statement and Annual Investment Strategy.

2.3 The main contents of the report are:

- A review of the Treasury Management Strategy Statement and Annual Investment Strategy (Section 3)
- The Councils' overall portfolio position (Section 5)

2.0 BACKGROUND

- The Councils' capital expenditure (Section 4) and prudential indicators (Appendix 2)
- A review of the Councils' borrowing and debt restructuring during 2016/17 (Section 6)
- A review of the Councils' investments during 2016/17 (Section 7)
- An economic update for the first six months of 2016/17 – Appendix 1

3.0 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY UPDATE

3.1 The Treasury Management Strategy Statement (TMSS) for 2016/17 was approved by the Joint Strategic Committee on 2nd February 2016. The Strategy contained the general expectation that the base interest rate would rise to 0.75% by December 2016, resulting in a trend of gently rising gilt yields and PWLB rates.

3.2 The commentary provided in Appendix 1 by the Councils' joint treasury management consultants Capita Asset Services recognises that economic growth will be weak during the second half of 2016 and in 2017. The base interest rate has been held at 0.25% and any rise may be delayed until May 2018.

3.3 The returns on investment up to 30 September 2016 equate to 0.58% for Worthing and 0.87% for Adur, compared to budgeted returns of 0.75%. The difference in returns reflects the relative liquidity positions of the Councils – Adur has more cash available for longer term investments, including a five year investment for £2m taken out in 2013 at 1.9%. Worthing needs to retain more of its cash in short term investments, including Money Market Funds, where rates are currently very low. Capita's Benchmark Return for investments up to 6 months for the period to 30 September is 0.52%. Officers are exploring the options that are available to achieve the maximum possible returns.

3.4 Borrowing costs have also remained below budget, resulting in some offset to the interest foregone on investments. (See Section 6 Borrowing Outturn).

4.0 THE COUNCILS' CAPITAL EXPENDITURE AND FINANCING 2016/17

4.1 The Councils undertake capital expenditure on long-term assets. These activities may be financed in one of two ways:

- financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Councils' borrowing needs; or
- if insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need. This is known as 'unfinanced' capital expenditure.

4.0 THE COUNCILS' CAPITAL EXPENDITURE AND FINANCING 2016/17

4.2 Capital expenditure forms one of the required prudential indicators. The revised forecast for the capital expenditure outturn position for 2016/17 is compared below to the original estimate. The increases in the revised estimates are due to the re-profiling of 2015/16 expenditure, for example in Adur £0.5m slippage for the Riverside Car Park enhancements, and in Worthing slippage of £270k for additional burial space at Durrington Cemetery, £280k for driveway and car park works at the Crematorium and £280k for the replacement of Brooklands Club House. The Adur Capital Grants variance is due to the slippage in the Environment Agency Coastal Protection Grant.

Adur DC - Capital Expenditure	**2016/17 Original Estimate**	**2016/17 Revised Estimate at 30 Sept 16**
	£m	**£m**
General Fund	9.830	10.321
HRA	5.686	5.139
Total Capital Expenditure	**15.516**	**15.460**
Resourced By:		
Capital Receipts	0.546	0.771
HRA Major Repairs & Develop Reserves	5.286	4.645
Capital Grants and Contributions	4.325	1.318
Revenue Reserves and Contributions	0.091	0.198
Unfinanced Capital Expenditure	5.268	8.528

Worthing B.C. - Capital Expenditure	**2016/17 Original Estimate**	**2016/17 Revised Estimate at 30 Sept 16**
	£m	**£m**
General Fund	20.073	20.984
Total Capital Expenditure	20.073	20.984
Resourced By:		
Capital Receipts	0.369	0.509
Capital Grants and Contributions	1.037	1.486
Revenue Reserves and Contributions	0.273	0.346
Unfinanced Capital Expenditure	18.394	18.643

4.3 Total actual capital expenditure as at 30 September 2016 is as follows:-

- Adur £1.018m representing 6.6% of the revised estimate
- Worthing £3.945m representing 18.8% of the revised estimate

4.0 THE COUNCILS' CAPITAL EXPENDITURE AND FINANCING 2016/17

4.4 Unfinanced capital expenditure, ie expenditure to be funded from borrowing for Adur and Worthing, is estimated to be £8.5m and £18.6m respectively. Any unfinanced capital expenditure results in an increase to the Councils' Capital Financing Requirements, and the need to borrow and make Minimum Revenue Provisions (MRP). This is explained further in Paragraph 5.12 below.

5.0 TREASURY POSITION AND OVERALL BORROWING NEED AS AT 30.09.2016

5.1 The Councils' debt and investment positions are organised by the in-house treasury management service in order to ensure security for investments, adequate liquidity for revenue and capital activities and to manage risks within all treasury management activities.

5.2 The beginning and half year 2016/17 treasury position for each Council is summarised in the tables which follow, with a full breakdown of the composition for Adur at Appendix 3, and for Worthing at Appendix 4.

ADUR DC at 30 September 2016

Adur District Council	30-Sep-16 Principal	30-Sep-16 Total	01/04/2016 to 30/09/2016 Rate/Return	31-Mar-16 Principal	Total 2015/16	Rate/Return 2015/16
	£m	**£m**	**%**	**£m**	**£m**	**%**
Fixed rate funding:						
PWLB	55.5		3.8%	56.3		3.8%
Market	17.9		5.2%	7.3		5.2%
Variable rate funding:		73.4			63.6	
Market	0		N/A	10.7	10.7	5.2%
Temporary Loans <1yr	0.2	0.2	0.3%			
Total Debt (a)		**73.6**	4.1%		**74.3**	4.1%
CFR(b)		**75.9**			**76.8**	
Over/(under) borrowing (a-b)		**(2.3)**			**(2.5)**	
Investments						
Long Term	2.0		1.9%	2.0		1.9%
Short Term	17.2		0.7%	11.0		0.8%
Share Cap/Bonds	0.1		N/A	0.1		N/A
		19.3			13.1	
Total Investments (c)		**19.3**	0.9%		**13.1**	0.9%
Net Debt (a-c)		**54.3**			**61.2**	

5.0 TREASURY POSITION AND OVERALL BORROWING NEED AS AT 30.09.2016

5.3 The £10.7m variable rate borrowing at 31 March 2016 has been converted by the lender, Barclays Bank, into fixed rate borrowing for the full term of the loan. It is therefore now included in the fixed rate market borrowing total above.

5.4 The reduction in Adur's net indebtedness of £6.9m since the start of the year is due to the half year repayment of HRA debt (£0.9m) for self-financing, plus the increase in investment balances (£6.2m), less Lancing Parish Council precepts (-£0.2m)

5.5 The half year underlying need to borrow (as measured by the CFR) is estimated to be approximately £75.9m, based on the opening year position, plus unfinanced capital expenditure less provisions for MRP.

5.6 The comparison above of actual debt at 30 September with the expected CFR results in an under borrowing position of £2.3m, compared to an under-borrowed position of £2.5m at 31 March 2016.

HRA and General Fund Overall Borrowing Need

5.7 In recognition of the introduction of the HRA Self-financing Regime the treasury management policy for 2012/13 onwards contains a requirement to account for HRA and General Fund debt separately.

5.8 Consequently the respective debt positions of the HRA and General Fund for Adur is compared to the CFR as follows:

Adur Council	HRA	General Fund	TOTAL
	£m	**£m**	**£m**
Long Term Debt at 1 April 2016	61.29	12.98	74.27
New Debt	-	0.22	0.22
Long Term Debt Repayments	(0.85)	-	(0.85)
Long Term Debt (30 Sept 2016)	60.44	13.20	73.64
CFR (30 September 2016)	60.97	14.92	75.89
(Under)/Over Borrowed	(0.53)	(1.72)	(2.25)
HRA Debt Limit	68.91	N/A	
HRA Borrowing Headroom	8.47	N/A	

5.9 The table above includes the comparison of actual HRA Debt with the debt ceiling set by central government at the commencement of the Self-Financing regime. This comparison shows headroom exists for new HRA borrowing of £8.47m at 30 September 2016.

5.0 TREASURY POSITION AND OVERALL BORROWING NEED AS AT 30.09.2016

Worthing BC at 30 September 2016

Worthing Borough Council	30-Sep-16 Principal	30-Sep-16 Total	01/04/2016 30/09/2016 Rate/Return	31-Mar-16 Principal	Total 2015/16	Rate/Return 2015/16
	£m	£m	%	£m	£m	%
Fixed rate funding:						
PWLB	7.8		2.1%	6.1		2.1%
Market	7.0		1.1%	7.0		1.0%
Temporary Loans	11.0		0.6%	6.0		0.5%
Total Debt (a)		**25.8**	1.2%		**19.1**	1.0%
CFR(b)		**26.3**			**23.4**	
Over/(under) borrowing (a-b)		**(0.50)**			**(4.30)**	
Investments						
Share Cap/Bonds	0.1		N/A	0.1		N/A
Long Term	0.0		N/A	0.0		
Short Term	19.9		0.6%	8.0		0.7%
Total Investments (c)		**20.0**	0.6%		**8.1**	0.7%
Net Debt (a-c)		**5.8**			**11.0**	

5.10 For Worthing Council the reduction in net indebtedness since the start of the year is £5.2m due to an increase in borrowing of £6.7m and an increase in investments of £11.9m.

5.11 Actual borrowing of £25.8m at the half year point compares to an expected full year CFR for 2016/17 of £47.1m. Worthing is under borrowed by £0.5m and further borrowing will be arranged as required for the capital programme. The under borrowing arises from the use of internal funds in previous years to finance capital expenditure to avoid the “cost of carry” (i.e. the difference between interest received on investments and the interest charged on new borrowing).

5.12 The Councils’ underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This represents the 2016/17 unfinanced capital expenditure and prior years’ net unfinanced capital expenditure which has not yet been paid for by revenue or other resources. Hence, the CFR is a gauge of the Councils’ debt position resulting from the capital activity of the Councils and what resources have been used or set aside to pay for capital expenditure.

5.0 TREASURY POSITION AND OVERALL BORROWING NEED AS AT 30.09.2016

5.13 The Councils are mandatorily required to make an annual revenue charge, called the Minimum Revenue Provision (MRP) to reduce the CFR for the General Fund. This is effectively a repayment of the) borrowing need. Adur Council also makes a Voluntary Revenue Provision to reduce the HRA CFR.

5.14 The Councils' 2016/17 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Statement and Annual Investment Strategy Report. An amendment to the Councils' 2016/17 MRP Policy was approved by the Joint Strategic Committee on 2 June 2016.

6.0 BORROWING OUTTURN FOR 1 APRIL – 30 SEPTEMBER 2016

6.1 The borrowing at 30 September is detailed in Appendices 3 and 4.

6.2 Worthing obtained 5 new loans in the 6 month period totalling £13m, partly to re-finance temporary loans that matured and were formerly obtained for up to one year duration and partly to take advantage of the current low interest rates to fund the capital programme. Four of the loans have been re-financed on a short term basis and one is a 20 year loan with the PWLB. Worthing expects to receive the proceeds of asset sales that will be used to repay any outstanding debt associated with Splashpoint Swimming Pool (currently £9.4m).

6.3 For Adur District Council the total cost of interest on all borrowing to 30 September 2016 amounted to £1.5m for average debt of £74.6m, equating to an average rate of 4.11%.

6.4 For Worthing Council the total cost of interest on all borrowing for the half year amounted to £138k for average debt of £22.8m, equating to an average rate of 1.2%.

Debt Rescheduling

6.5 No debt was rescheduled during the half year for either Council.

7.0 INVESTMENT OUTTURN FOR HALF YEAR TO 30 SEPTEMBER 2016

Investment Policy

7.1 The Councils' investment policy is governed by CLG guidance, and implemented in the Annual Investment Strategy and Treasury Management Practices approved by the Councils before the start of the 2016/17 financial year.

7.2 The investment policy sets out the approach for choosing investment 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).

7.0 INVESTMENT OUTTURN FOR HALF YEAR TO 30 SEPTEMBER 2016

7.3 The total interest receivable from investments for the half year to 30 September 2016 was £83k for Adur and £45k for Worthing, relating to average balances of £19.0m and £15.6m respectively.

8.0 OTHER ISSUES

Approved Counterparty List for Investments

8.1 Credit and counterparty risk has fallen since the height of the global financial crisis but it remains one of the most important concerns for treasury management.

8.2 The policy for choosing investment counterparties is based on credit ratings provided by the three main credit rating agencies (Fitch, Standard & Poor's and Moody's) supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

9.0 LEGAL

9.1 Part 1 of the Local Government Act 2003 provides a legal framework of powers for and duties upon Local Authorities in relation to the borrowing of money and capital finance.

9.2 The Local Authorities (Capital Finance and Accounting) (England) Regulations provide additional legislative guidance, including, the duty to have regard to the code of practice entitled the "Prudential Code for Capital Finance in Local Authorities" published by CIPFA, as amended or reissued from time to time.

10.0 CONCLUSIONS

10.1 For both Councils, the position for investments and borrowings at the 2016/17 half year was broadly in line with expectations. However, interest rates for both borrowing and investments have been lower than was forecast in the Treasury Management Strategy at the start of the year, due to the economic climate. Overall the treasury management budgets are expected to underspend this year.

11.0 RECOMMENDATIONS

11.1 The Joint Strategic Committee is recommended to:-

a) Note the contents of this report; and

11.2 The Joint Governance Committee is recommended to:-

a) Note this report and refer any comments or suggestions to the next meeting of Joint Strategic Committee.

Background Papers:

1. Joint Treasury Management Strategy Statement and Annual Investment Strategy 2016/17

2. Housing Revenue Account – Budget 2016/17, to Adur Cabinet (February 2016)

3. Estimates 2016/17 and Setting of 2016/17 Council Tax, to Adur Cabinet and Worthing Cabinet (February 2016).

4. Joint Annual Treasury Management Report 2015/16 to Joint Governance and Audit September 2016, and Joint Strategic Committee October 2016.

5. Capita Asset Services Mid Year Report Template 2016/17

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SCHEDULE OF OTHER MATTERS

1.0 COUNCIL PRIORITY

1.1 The Councils' Treasury Management Strategy and Annual Investment Strategy place the security of investments as foremost in considering all treasury management dealing. By so doing it contributes towards the following Council priority:

- To protect and enhance priority services.

2.0 SPECIFIC ACTION PLANS

2.1 As contained within Councils' Treasury Management Strategy and Annual Investment Strategy 2016/17-2018/19, submitted to and approved by full Councils before the commencement of the 2016/17 financial year.

3.0 SUSTAINABILITY ISSUES

3.1 Matter considered and no issues identified

4.0 EQUALITY ISSUES

4.1 Matter considered and no issues identified

5.0 COMMUNITY SAFETY ISSUES

5.1 Matter considered and no issues identified

6.0 HUMAN RIGHTS ISSUES

6.1 Matter considered and no issues identified

7.0 REPUTATION

7.1 Matter considered and no issues identified

8.0 CONSULTATIONS

8.1 Matter considered and no issues identified

9.0 RISK ASSESSMENT

9.1 In the current economic climate the security of investments is paramount, the management of which includes regular monitoring of the credit ratings and other incidental information relating to credit worthiness of the Councils' investment counterparties.

10.0 HEALTH and SAFETY ISSUES

10.1 Matter considered and no issues identified

11.0 PROCUREMENT STRATEGY

11.1 Matter considered and no issues identified

12.0 PARTNERSHIP WORKING

12.1 Matter considered and no issues identified

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ECONOMIC PERFORMANCE AND OUTLOOK PROVIDED BY CAPITA ASSET SERVICES

NOVEMBER QUARTERLY INFLATION REPORT AND POST US PRESIDENTIAL ELECTION REVIEW

- We have updated our forecasts of 9 August to take into account the Bank of England quarterly Inflation Report for November 2016, the decision of the MPC meeting of 3 November, and the US Presidential election of 8 November. We also felt that we should allow financial markets to settle down for a few days after the result of that election, which provided a surprise outcome. We therefore undertook a review of our forecasts on 15 November.
- Despite many ominous warnings that there could be significant turbulence in financial markets if **Donald Trump won the election**, markets have surprised by their lack of such a reaction. In fact, stock markets in America have hit a new record high in the first few days since the election. However, Treasury yields have risen sharply in expectation of a significant rise in inflation, as an economy which is already working near to full capacity could be in line for a significant boost to economic growth if Trump's expansion of infrastructure expenditure plans become a reality.
- His plans to cut taxes, at the same time as boosting expenditure, could also lead to a sharp rise in total debt issuance from the current level of around 72% of GDP towards 100% during his term in office. However, although the Republicans now have a monopoly of power for the first time since the 1920s, in having a President and a majority in both Congress and the Senate, there is by no means any certainty that the politicians and advisers he has been appointing to his team, and both houses, will implement the more extreme policies that Trump outlined during his election campaign. Indeed, Trump may even rein back on some of those policies himself.
- The **MPC meeting of 3 November** left Bank Rate unchanged at 0.25% and other monetary policy measures also remained unaltered. This was in line with market expectations, but a major change from the previous quarterly Inflation Report MPC meeting of 4 August, which had given a strong steer in its forward guidance that it was likely to cut Bank Rate again, probably by the end of the year if economic data turned out as forecast by the Bank.
- The latest MPC decision included a forward view that **Bank Rate** could go either up or down depending on how economic data evolve in the coming months. Our central view remains that Bank Rate will remain unchanged at 0.25% until the first increase to 0.50% in June 2019 (unchanged from our previous forecast). However, we would not, as yet, discount the risk of a cut in Bank Rate if economic growth were to take a significant dip downwards, though we think this is unlikely. We would also point out that forecasting as far ahead as mid 2019 is highly fraught as there are many potential economic headwinds which could blow the UK economy one way or the other as well as political developments in the UK, (especially over the terms of Brexit), EU, US and beyond, which could have a major impact on our forecasts. NEWSFLASH Capita Asset Services 3

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NOVEMBER QUARTERLY INFLATION REPORT AND POST US PRESIDENTIAL ELECTION REVIEW

- The pace of Bank Rate increases in our forecasts has been slightly increased beyond the three year time horizon to reflect higher inflation expectations.

- The August quarterly Inflation Report was based on a pessimistic forecast of near to zero **GDP growth** in quarter 3 i.e. a sharp slowdown in growth from +0.7% in quarter 2, in reaction to the shock of the result of the referendum in June. However, consumers have very much stayed in a 'business as usual' mode and there has been no sharp downturn in spending; it is consumer expenditure that underpins the services sector which comprises about 75% of UK GDP. After a fairly flat three months leading up to October, retail sales in October surged at the strongest rate since September 2015. In addition, the GfK consumer confidence index has recovered quite strongly to -3 in October after an initial sharp plunge in July to -12 in reaction to the referendum result.

- Bank of England GDP forecasts in the November quarterly Inflation Report were as follows, (August forecasts in brackets) - 2016 +2.2%, (+2.0%); 2017 1.4%, (+0.8%); 2018 +1.5%, (+1.8%). There has, therefore, been a sharp increase in the forecast for 2017, a marginal increase in 2016 and a small decline in growth, now being delayed until 2018, as a result of the impact of Brexit.

- Capital Economics' forecasts for economic growth are as follows: 2016 +2.0%; 2017 +1.5%; 2018 +2.5%. They feel that pessimism is still being overdone by the Bank and Brexit will not have as big an effect as initially feared by some commentators.

- The other key factor in forecasts for Bank Rate is **inflation** where the MPC aims for a target for CPI of 2.0%. The November Inflation Report included an increase in the peak forecast for inflation from 2.3% to 2.7% during 2017; (Capital Economics are forecasting a peak of 3.2% in 2018). This increase was largely due to the effect of the sharp fall in the value of sterling since the referendum, (16% down against the US dollar and 11% down against the Euro); this will feed through into a sharp increase in the cost of imports and materials used in production in the UK. However, the MPC is expected to look through the acceleration in inflation caused by external, (outside of the UK), influences, although it has given a clear warning that if wage inflation were to rise significantly as a result of these cost pressures on consumers, then they would take action to raise Bank Rate.

- What is clear is that **consumer disposable income** will come under pressure, as the latest employers' survey is forecasting median pay rises for the year ahead of only 1.1% at a time when inflation will be rising significantly higher than this. The CPI figure for October surprised by under shooting forecasts at 0.9%. However, producer output prices rose at 2.1% and core inflation was up at 1.4%, confirming the likely future upwards path.

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- **Gilt yields, and consequently PWLB rates**, have risen sharply since hitting a low point in mid-August. There has also been huge volatility during 2016 as a whole. The year started with 10 year gilt yields at 1.88%, fell to a low point of 0.53% on 12 August, and have hit a peak on the way up again of 1.46% on 14 November. The rebound since August reflects the initial combination of the yield-depressing effect of the MPC's new round of quantitative easing on 4 August, together with expectations of a sharp downturn in expectations for growth and inflation as per the pessimistic Bank of England Inflation Report forecast, followed by a sharp rise in growth expectations since August when subsequent business surveys, and GDP growth in quarter 3 at +0.5% q/q, confounded the pessimism. Inflation expectations also rose sharply as a result of the continuing fall in the value of sterling. NEWSFLASH Capita Asset Services 4

- **The Chancellor** has said he will do 'whatever is needed' i.e. to promote growth; there are two main options he can follow – fiscal policy e.g. cut taxes, increase investment allowances for businesses and/or increase government expenditure on infrastructure, housing etc. This will mean that the PSBR deficit elimination timetable will need to slip further into the future as promoting growth, (and ultimately boosting tax revenues in the longer term), will be a more urgent priority.

- **Employment** has been continuing to grow steadily, despite initial expectations that the referendum would cause a fall in employment. House prices are also continuing to rise at a modest pace; but a downturn in prices could dampen consumer confidence and expenditure.

- **Rising EU and geopolitical risks e.g**.

    * **Greece** continues to cause major stress in the EU due to its tardiness and reluctance in implementing key reforms required by the EU to make the country more efficient and to make significant progress towards the country being able to pay its way – and before the EU is prepared to agree to release further bail out funds.

    * **Spain** has had two general elections in 2015 and 2016, both of which failed to produce a workable government with a majority of the 350 seats. At the eleventh hour on 31 October, before it would have become compulsory to call a third general election, the party with the biggest bloc of seats (130), was given a majority confidence vote to form a government. This is potentially a highly unstable situation, particularly given the need to deal with an EU demand for implementation of a package of austerity cuts which will be highly unpopular.

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* The under capitalisation of **Italian banks** poses a major risk with state aid firmly ruled out by the EU as a potential way out.

* **4 December Italian constitutional referendum** on reforming the Senate and reducing its powers; this has also become a confidence vote on Prime Minister Renzi who originally said he would resign if there is a ‘no’ vote, but has since back tracked on that in the light of adverse poll predictions. A rejection of these proposals would stop progress to fundamental political and economic reform which is urgently needed to deal with Italy’s core problems, especially low growth. They are also intended to give Italy more stable government as no western European country has had such a multiplicity of governments since the Second World War as Italy, due to the equal split of power between the two chambers of the Parliament which are both voted in by the Italian electorate but by using different voting systems. It is unclear if a No vote could bring down the government.

* **Dutch general election 15.3.17**; a far right party is currently polling neck and neck with the incumbent ruling party. In addition, anti-big business and antiEU activists have already collected two thirds of the 300,000 signatures required to force a referendum to be taken on approving the EU – Canada free trade pact. This could delay the pact until a referendum in 2018 which would require unanimous approval by all EU governments before it can be finalised. In April 2016, Dutch voters rejected by 61.1% an EU – Ukraine cooperation pact under the same referendum law. Dutch activists are concerned by the lack of democracy in the institutions of the EU.

* **French presidential election**; first round 13 April; second round 7 May 2017.

* **French National Assembly election June 2017**

* **German Federal election August – 22 October 2017**. This could be affected by significant shifts in voter intentions as a result of terrorist attacks, dealing with a huge influx of immigrants and a rise in anti EU sentiment.

* The core EU, (note, not just the Eurozone currency area), principle of free movement of people within the EU is a growing issue leading to major stress and tension between EU states, especially with the Visegrad bloc of former communist states.

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* Given the number and type of challenges the EU faces in the next eighteen months, there is an identifiable risk for the EU project to be called into fundamental question. The risk of an electoral revolt against the EU establishment has gained traction after the shock results of the UK referendum and the US Presidential election. But it remains to be seen whether any shift in sentiment will gain sufficient traction to produce any further shocks.

- **Economic growth in the EU**, (the UK's biggest trading partner), has been lack lustre despite the ECB cutting its main rate to -0.4% and embarking on a massive programme of quantitative easing during 2016. Growth could be negatively impacted by political developments which would then also impact on UK exports and growth.

- The **US economy** has been growing strongly in quarter three at 2.9%, (on an annualised basis), after only 1.4% in quarter 2. The election does not appear likely to have much impact on the Fed. in terms of holding back further on increasing the Fed. Rate. Accordingly, the next rate rise is still widely expected to occur in December 2016, followed by sharper increases thereafter, which may also cause Treasury yields to rise further; this could give rise to a growing gap between Treasury and gilt yields over time. If the Trump package of policies is implemented, there is likely to be an increase in inflationary pressures which could then mean that the pace of further Fed. Rate increases will be quicker and stronger than formerly expected.

- In the first week since the US election, there has already been a major shift in investor sentiment away from bonds to equities, especially in the US. However, gilt yields and bond yields in the EU have also been dragged higher. Some commentators are saying that this rise has been an overreaction to the US election result which is likely to be reversed. Other commentators take the view that this could well be the start of the long expected eventual unwinding of bond prices propelled upwards to unrealistically high levels by the artificial and temporary power of quantitative easing.

- **Japan** is struggling to gain consistent significant growth, although quarter 3 has come in at +2.2%, (annualised rate). It is also struggling to put deflation firmly behind it and to get inflation up to reasonable levels, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy

- **Chinese economic growth** has been weakening despite successive rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

ECONOMIC PERFORMANCE AND OUTLOOK PROVIDED BY CAPITA ASSET SERVICES

CAPITA ASSET SERVICES' FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Forecasts for average earnings beyond the three year time horizon will be heavily dependent on economic and political developments. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or the safe haven of bonds.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. An eventual world economic recovery may also see investors switching from the safe haven of bonds to equities.

We have pointed out consistently that the Fed. Rate is likely to go up more quickly and more strongly than Bank Rate in the UK and recent events have not changed that view, just that the timing of such increases may well have been deferred somewhat during 2016. While there is normally a high degree of correlation between the two yields, we would expect to see a growing decoupling of yields between the two i.e. we would expect US yields to go up faster than UK yields. We will need to monitor this area closely and the resulting effect on PWLB rates.

The overall balance of risks to economic recovery in the UK remains to the downside, particularly with the current uncertainty over the final terms of Brexit.

We would, as always, remind clients of the view that we have expressed in our previous interest rate revision newsflashes of just how unpredictable PWLB rates and bond yields are at present. We are experiencing exceptional levels of volatility which are highly correlated to geo-political and sovereign debt crisis developments. Our revised forecasts are based on the Certainty Rate (minus 20 bps) which has been accessible to most authorities since 1st November 2012.

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

- Geopolitical risks in Europe, the Middle East and Asia, which could lead to increasing safe haven flows.
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.
- A resurgence of the Eurozone sovereign debt crisis.
- Weak capitalisation of some European banks.

APPENDIX 1

ECONOMIC PERFORMANCE AND OUTLOOK PROVIDED BY CAPITA ASSET SERVICES

CAPITA ASSET SERVICES' FORWARD VIEW

- Monetary policy action failing to stimulate sustainable growth and combat the threat of deflation in western economies, especially the Eurozone and Japan.

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: - NEWSFLASH Capita Asset Services 7

- The pace and timing 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.

	NOW	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
BANK RATE	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.75	0.75
3 month LIBID	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.40	0.50	0.60	0.70	0.80	0.90
6 month LIBID	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.50	0.60	0.70	0.80	0.90	1.00
12 month LIBID	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.80	0.80	0.90	1.00	1.10	1.20	1.30	1.40
5 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.90	1.90	2.00	2.00
10 yr PWLB	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.70
25 yr PWLB	3.00	2.90	2.90	2.90	2.90	3.00	3.00	3.00	3.10	3.10	3.20	3.20	3.30	3.30	3.40
50 yr PWLB	2.70	2.70	2.70	2.70	2.70	2.80	2.80	2.80	2.90	2.90	3.00	3.00	3.10	3.10	3.20

BANK RATE	NOW	PREVIOUSLY
Q1 2017	0.25%	0.10%
Q1 2018	0.25%	0.10%
Q1 2019	0.25%	0.25%
Q1 2020	0.75%	-

Our target borrowing rates and the current PWLB (certainty) borrowing rates are set out below:

PWLB debt	Current borrowing rate as at 15.11.16	Target borrowing rate now (Q4 2016)	Target borrowing rate previous (Q4 2016)
5 year	1.53%	1.60%	1.00%
10 year	2.24%	2.30%	1.50%
25 year	2.89%	2.90%	2.30%
50 year	2.63%	2.70%	2.10%

APPENDIX 1

ECONOMIC PERFORMANCE AND OUTLOOK PROVIDED BY CAPITA ASSET SERVICES

CAPITA ASSET SERVICES' FORWARD VIEW

Borrowing advice: although yields have risen from their low points, yields are still at historic lows and borrowing should be considered if appropriate to your strategy. We still see value in the 40yr to 50yr range at present but that view would be negated if Bank Rate does not climb to at least 2.5% over the coming years. Accordingly, clients will need to review and assess their risk appetite in terms of any underlying borrowing requirement they may have, and also project forward their position in respect of cash backed resources.

Any new borrowing should also take into account the continuing cost of carry, the difference between investment earnings and borrowing rates, especially as our forecasts indicate that Bank Rate may not rise from 0.25% until June 2019 and then will only rise slowly.

Our suggested budgeted investment earnings rates for investments up to about three months duration in each financial year for the next seven years are as follows:

Average earnings in each year	Now	Previously
2016/17	0.25%	0.25%
2017/18	0.25%	0.10%
2018/19	0.25%	0.25%
2019/20	0.50%	0.50%
2020/21	0.75%	0.75%
2021/22	1.00%	1.00%
2022/23	1.50%	1.25%
2023/24	1.75%	1.50%
Later years	2.75%	2.50%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts. The general expectation for an eventual trend of gently rising gilt yields and PWLB rates is expected to remain unchanged. Negative, (or positive), developments could significantly impact safe-haven flows of investor money into UK, US and German bonds and produce shorter term movements away from our central forecasts.

Our interest rate forecast for Bank Rate is in steps of 25 bps whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps.

Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

THE COUNCILS' PRUDENTIAL INDICATORS
- Based on The Half Year Monitoring Reports

In order to demonstrate that borrowing for capital expenditure purposes is affordable, sustainable and prudent, the Prudential Code for Capital Finance (The Prudential Code) requires the Councils to determine a number of Prudential Indicators before the start of the financial year, and to monitor these throughout and at the end of the year.

In particular, the borrowing activity of both Councils is constrained by the Prudential Indicators for Net Borrowing and the CFR, and by the Authorised Limit.

The complete set of Prudential and Treasury Management Indicators for each Council is estimated (where possible at the mid-year point) for the full financial year 2016/17. These estimates are based on the half year outturn and forward projections.

The indicators are explained as follows:

Net borrowing and the CFR

In order to ensure that borrowing levels are prudent over the medium term the Councils' external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Councils are not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, exceed the CFR for 2016/17 plus the expected changes to the CFR over 2017/18 and 2018/19.

This indicator allows the Councils some flexibility (if required or beneficial) to borrow in advance of its immediate capital needs. Both Councils have complied with this prudential indicator, as the actual or expected net borrowing position (i.e. gross borrowing less gross investments) is below the value of the CFR.

The Authorised Limit

The Authorised Limit is the "affordable borrowing limit" required by Section 3 of the Local Government Act 2003. The Councils do not have the power to borrow above the respective limit. Neither Council exceeded its Authorised Limit by 30 September 2016, nor is expected to do so.

The Operational Boundary

The Operational Boundary is the expected borrowing position of the Councils 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. Neither Council exceeded its Operational Boundary in the half year to 30 September.

The tables below compare the maximum actual borrowing position at 30 September 2016 for both Councils with the authorised and operational limits.

APPENDIX 2

THE COUNCILS' PRUDENTIAL INDICATORS
- Based on The Half Year Monitoring Reports

Adur District Council Actual Borrowing Compared to Prudential Limits	2016/17 £m
Authorised limit	100
Maximum gross borrowing position during half year	74.6
Operational boundary	94
Average gross borrowing position for half-year	74.6
Financing costs as a proportion of net revenue stream revised forecast	56.11%
Financing costs as a proportion of net revenue stream original forecast	58.25%

Worthing Borough Council Actual Borrowing Compared to Prudential Limits	2016/17 £m
Authorised limit	45
Maximum gross borrowing position during half-year position	25.76
Operational boundary	40
Average gross borrowing position for half-year	22.8
Financing costs as a proportion of net revenue stream - revised forecast	8.25%
Financing costs as a proportion of net revenue stream original forecast	11.56%

Actual financing costs as a proportion of net revenue stream

This indicator, shown in the Tables above, expresses the cost of capital (borrowing and other long term obligation costs net of investment income) as a percentage of the Councils' projected net revenue expenditure.

THE COUNCILS' PRUDENTIAL INDICATORS
- Based on The Half Year Monitoring Reports

1 PRUDENTIAL INDICATORS - ADUR Extract from budget and rent setting report	2015/16 Actual	2016/17 Original	2016/17 Revised
Capital Expenditure	**£'000**	**£'000**	**£'000**
General Fund	4,965	9,830	10,321
HRA (applies only to housing authorities)	4,651	5,686	5,139
TOTAL	9,616	15,516	15,460
Ratio of financing costs to net revenue stream			
General Fund	13.93%	17.25%	15.65%
HRA (applies only to housing authorities)	41.94%	41.00%	40.46%
External Borrowing			
Brought forward 1st April	75,986	74,268	74,268
Carried forward 31st March	74,268	72,549	72,549
In year Increase +/Decrease -	(1,718)	(1,719)	(1,719)
Capital Financing Requirement as at 31st March			
General Fund	15,003	19,282	22,642
HRA (applies only to housing authorities)	61,819	60,102	60,102
TOTAL	76,822	79,384	82,744
Annual change in Capital Financing Requirement			
General Fund	2,554	4,279	7,639
HRA (applies only to housing authorities)	(1,717)	(1,717)	(1,717)
TOTAL	837	2,562	5,922
Incremental impact of capital investment decisions			
Increase in Council Tax (Band D) per annum	-£5.92	£12.75	£10.41
Increase in average housing rent per week (Housing Authorities only)	-£0.39	-£0.25	-£0.37

THE COUNCILS' PRUDENTIAL INDICATORS
- Based on The Half Year Monitoring Reports

2 TREASURY MANAGEMENT INDICATORS ADUR DISTRICT COUNCIL	2015/16 Actual	2016/17 Original	2016/17 Revised
	£'000	£'000	£'000
Authorised Limit for External Debt			
Borrowing	99,000	99,000	99,000
Other long term liabilities	1,000	1,000	1,000
TOTAL	100,000	100,000	100,000
Operational Boundary for external debt			
Borrowing	93,000	93,000	93,000
Other long term liabilities	1,000	1,000	1,000
TOTAL	94,000	94,000	94,000
Upper Limits for debt and investments	**Actual 31 March 2016**	**2016/17 Upper Limit**	**Actual 30 Sept 2016**
External debt:			
Upper limit for fixed interest rate exposure	100%	100%	100%
Upper limit for variable rate exposure	0%	50%	0%
Principal sums invested for over 364 days	15%	50%	11%

Adur District Council Maturity structure of fixed rate borrowing at 30 September 2016	
under 12 months	3%
12 months and within 24 months	2%
24 months and within 5 years	7%
5 years and within 10 years	14%
10 years and above	74%
Total	100%

PRUDENTIAL INDICATORS
Based on The Half Year Monitoring Reports

1 PRUDENTIAL INDICATORS - WORTHING Extract from budget and rent setting report	2015/16 Actual	2016/17 Original	2016/17 Revised
Capital Expenditure	**£'000**	**£'000**	**£'000**
General Fund	2,373	20,073	20,984
TOTAL	2,373	20,073	20,984
Ratio of financing costs to net revenue stream			
General Fund	7.36%	11.56%	8.25%
External Borrowing			
Brought forward 1st April	18,088	19,136	19,136
Carried forward 31st March*	19,136	28,350	36,993
In year Increase -/Decrease +	(1,048)	(9,214)	(17,857)
Capital Financing Requirement as at 31st March			
General Fund	23,361	42,944	41,027
Annual change in Capital Financing Requirement			
General Fund: Increase +/Decrease -	(225)	19,583	17,666
Incremental impact of capital investment decisions			
Increase in Council Tax (Band D) per annum	-£1.77	£10.56	£3.66

* The projected increase in borrowing in 2016/17 is due to the delay in the sale of the Aquarena site.

APPENDIX 2

2 TREASURY MANAGEMENT INDICATORS WORTHING BOROUGH COUNCIL	2015/16 Limit	2016/17 Original	2016/17 Revised
Authorised Limit for External Debt	**£'000**	**£'000**	**£'000**
Borrowing	34,000	34,000	34,000
Borrowing re Worthing Homes Loan	0	10,000	10,000
Other long term liabilities	1,000	1,000	1,000
TOTAL	35,000	45,000	45,000
Operational Boundary for external debt			
Borrowing	29,000	29,000	29,000
Borrowing re Worthing Homes Loan	0	10,000	10,000
Other long term liabilities	1,000	1,000	1,000
TOTAL	30,000	40,000	40,000
Upper Limits for debt and investments	**Actual 31 March 2016**	**2016/17 Upper Limit**	**Actual 30 Sept 2016**
External debt:			
Fixed interest rate exposure	100%	100%	100%
Variable rate exposure	0%	25%	0%
Principal sums invested for over 364 days	0%	50%	0%

Worthing Borough Council Maturity structure of fixed rate borrowing at 30 September 2016	
under 12 months	66%
12 months and within 24 months	3%
24 months and within 5 years	18%
5 years and within 10 years	15%
10 years and above	0%
Total	100%

APPENDIX 3

ADUR DISTRICT COUNCIL - PORTFOLIO OF INVESTMENTS AND LOANS						
INVESTMENTS AT 31ST MARCH 2016						
Deal Ref.	**Counterparty**	**Start Date**	**Maturity Date**	**Term (Days)**	**Principal (£)**	**Interest Rate %**
6014	BARCLAYS TREASURY DEPOSIT	21-Apr-15	19-Apr-16	364	1,000,000	0.92
6022	BARCLAYS TREASURY DEPOSIT	02-Sep-15	31-Aug-16	364	1,000,000	1.00
6025	BARCLAYS TREASURY DEPOSIT	30-Sep-15	28-Sep-16	364	1,000,000	0.99
6029	BARCLAYS TREASURY DEPOSIT	25-Nov-15	24-Nov-16	365	1,000,000	0.97
6024	LLOYDS BANK	16-Sep-15	15-Sep-16	365	1,000,000	1.05
6027	LLOYDS BANK	09-Oct-15	10-Oct-16	367	1,000,000	1.05
6032	NATIONWIDE BLDG SOCIETY	25-Jan-16	25-Apr-16	91	1,000,000	0.50
6034	NATIONWIDE BLDG SOCIETY	17-Mar-16	28-Jul-16	133	1,000,000	0.57
6023	SANTANDER UK	02-Sep-15	31-Aug-16	364	2,000,000	1.00
6031	STIRLING COUNCIL	11-Dec-15	01-Apr-16	112	1,000,000	0.50
50781	KINGSTON UPON HULL COUNCIL	02-Dec-13	30-Nov-18	1824	2,000,000	1.90
50782	LOCAL CAPITAL FINANCE	30-Sep-14	Unspecified		50,000	Unspecified
50783	W SUSSEX CREDIT UNION	06-Mar-15	Unspecified		25,000	Unspecified
TOTAL INVESTMENTS AT 31ST MARCH, 2016					**13,075,000**	

APPENDIX 3

ADUR DISTRICT COUNCIL - PORTFOLIO OF INVESTMENTS AND LOANS

INVESTMENTS AT 30TH SEPTEMBER 2016

Deal Ref.	Counterparty	Start Date	Maturity Date	Term (Days)	Principal (£)	Interest Rate %
6027	LLOYDS BANK PLC	09-Oct-15	10-Oct-16	367	1,000,000	1.05
6029	BARCLAYS TREASURY DEPOSIT	25-Nov-15	24-Nov-16	366	1,000,000	0.97
6042	BARCLAYS TREASURY DEPOSIT	21-Jun-16	31-Mar-17	283	1,000,000	0.81
6049	BARCLAYS TREASURY DEPOSIT	13-Sep-16	12-Sep-17	364	1,000,000	0.69
6035	FEDERATED INVESTORS MMF	01-Apr-16	N/A	N/A	2,950,000	VARIABLE
6036	BLACKROCK	01-Apr-16	N/A	N/A	310,000	VARIABLE
6037	HANDELSBANKEN	03-May-16	On Call	On Call	50,000	VARIABLE
6039	NATIONWIDE BLDG SOCIETY	25-May-16	30-Mar-17	309	1,000,000	0.88
6040	NATIONWIDE BLDG SOCIETY	02-Jun-16	02-Mar-17	273	1,000,000	0.84
6041	NATIONWIDE BLDG SOCIETY	14-Jun-16	14-Mar-17	273	1,000,000	0.84
6044	NATIONWIDE BLDG SOCIETY	28-Jul-16	27-Jul-17	364	1,000,000	0.70
6043	SKIPTON BUILDING SOCIETY	28-Jun-16	24-Feb-17	241	1,000,000	0.72
6045	SKIPTON BUILDING SOCIETY	02-Aug-16	01-Aug-17	364	1,000,000	0.75
6046	SANTANDER UK	02-Aug-16	22-Feb-17	204	1,000,000	0.45
6047	SANTANDER UK	16-Aug-16	16-Feb-17	184	1,000,000	0.45
6048	SANTANDER UK	31-Aug-16	12-Jan-17	134	2,000,000	0.35
50781	KINGSTON UPON HULL CITY	02-Dec-13	30-Nov-18	1824	2,000,000	1.90
50782	LOCAL CAPITAL FINANCE CO. LTD.	30-Sep-14	Unspecified		50,000	Unspecified
50783	W SUSSEX CREDIT UNION	06-Mar-15	Unspecified		25,000	Unspecified
TOTAL INVESTMENTS AT 30TH SEPTEMBER 2016					**19,385,000**	

ADUR DISTRICT COUNCIL - PORTFOLIO OF INVESTMENTS AND LOANS: BORROWING 2016/17							
Deal Ref.	**Counterparty**	**Start Date**	**Maturity Date**	**Term (Yrs)**	**Principal (£) at 31.03.16**	**Interest Rate %**	**Principal (£) at 30.09.16**
1388	BARCLAYS CAPITAL	22-Aug-05	24-Aug-65	60	3,563,270	5.150	3,563,270
1389	BARCLAYS CAPITAL	22-Aug-05	24-Aug-65	60	3,563,270	5.150	3,563,270
1390	BARCLAYS CAPITAL	22-Aug-05	24-Aug-65	60	3,563,270	5.150	3,563,270
1391	DEPFA BANK PLC	30-Mar-07	30-Mar-67	60	3,250,000	6.660	3,250,000
1392	DEPFA BANK PLC	30-Mar-07	30-Mar-67	60	4,000,000	4.035	4,000,000
476087	PUBLIC WORKS LOAN BOARD	13-Jun-95	21-Dec-54	59	1,000,000	8.375	1,000,000
476088	PUBLIC WORKS LOAN BOARD	13-Jun-95	21-Dec-53	58	1,000,000	8.375	1,000,000
476089	PUBLIC WORKS LOAN BOARD	13-Jun-95	21-Dec-52	57	1,000,000	8.375	1,000,000
478322	PUBLIC WORKS LOAN BOARD	17-Oct-96	07-May-56	60	1,000,000	8.000	1,000,000
479540	PUBLIC WORKS LOAN BOARD	28-May-97	21-Dec-56	59	1,000,000	7.375	1,000,000
479868	PUBLIC WORKS LOAN BOARD	24-Sep-97	12-Apr-57	60	1,000,000	7.125	1,000,000
479888	PUBLIC WORKS LOAN BOARD	24-Sep-97	12-Apr-57	60	1,000,000	6.750	1,000,000
481007	PUBLIC WORKS LOAN BOARD	09-Jun-98	11-Jan-58	60	1,000,000	5.750	1,000,000
481320	PUBLIC WORKS LOAN BOARD	17-Sep-98	11-Apr-55	57	455,795	5.250	455,795
482485	PUBLIC WORKS LOAN BOARD	22-Apr-99	11-Apr-59	60	1,000,000	4.750	1,000,000
483648	PUBLIC WORKS LOAN BOARD	25-Nov-99	02-Aug-59	60	726,000	4.500	726,000
483649	PUBLIC WORKS LOAN BOARD	25-Nov-99	02-Aug-59	60	273,531	4.500	273,531
484177	PUBLIC WORKS LOAN BOARD	20-Apr-00	07-Nov-24	24	1,000,000	5.125	1,000,000
485172	PUBLIC WORKS LOAN BOARD	18-Jan-01	15-Sep-25	24	335,133	4.625	335,133
485173	PUBLIC WORKS LOAN BOARD	18-Feb-01	15-Sep-25	24	164,867	4.875	164,867
499487	PUBLIC WORKS LOAN BOARD	28-Mar-12	28-Mar-42	30	44,360,333	3.030	43,507,250
13/17	SALIX FINANCE	07-Feb-13	01-Mar-17	3-4 years	361	0.000	100
20/21	SALIX FINANCE	03-Apr-13	01-Sep-17	3-4 years	12,520	0.000	7,760
22	LANCING PARISH COUNCIL	01-Apr-16	On Call	1	0	VARIABLE	232,170
				TOTAL BORROWING	**74,268,350**		**73,642,416**
				NET BORROWING	**61,193,350**		**54,257,416**

APPENDIX 4

WORTHING BOROUGH COUNCIL - PORTFOLIO OF INVESTMENTS AND LOANS						
INVESTMENTS AT 31ST MARCH 2016						
Deal Ref.	**Counterparty**	**Start Date**	**Maturity Date**	**Term (Days)**	**Principal (£)**	**Interest Rate %**
1158	FEDERATED INVESTORS MMF	01-Apr-16	N/A	N/A	3,000,000	VARIABLE
1153	HANDELSBANKEN	05-Jan-15	N/A	N/A	50,000	VARIABLE
1175	BARCLAYS BANK	15-Dec-15	14-Dec-16	365	1,000,000	1.00
1177	BARCLAYS BANK	06-Jan-16	04-Jan-17	364	1,000,000	1.01
1176	LLOYDS BANK	05-Jan-16	03-Jan-17	364	1,000,000	1.05
1178	LLOYDS BANK	20-Jan-16	20-Apr-16	91	1,000,000	0.57
1179	STOCKPORT MET COUNCIL	17-Mar-16	19-May-16	63	1,000,000	0.46
9001	LOCAL CAPITAL FINANCE	30-Sep-14	Unspecified		50,000	Unspecified
9002	W SUSSEX CREDIT UNION	06-Mar-15	Unspecified		25,000	Unspecified
TOTAL INVESTMENTS AT 31ST MARCH 2016					**8,125,000**	

APPENDIX 4

INVESTMENTS AT 30TH SEPTEMBER, 2016						
Deal Ref.	**Counterparty**	**Start Date**	**Maturity Date**	**Term (Days)**	**Principal (£)**	**Interest Rate %**
1153	HANDELSBANKEN	05-Jan-15	On Call	On Call	50,000	VARIABLE
1158	FEDERATED INVESTORS PRIME	01-Apr-16	N/A	N/A	3,000,000	VARIABLE
1175	BARCLAYS BANK PLC	15-Dec-15	14-Dec-16	365	1,000,000	1.00
1177	BARCLAYS BANK PLC	06-Jan-16	01-Jan-17	364	1,000,000	1.01
1192	BARCLAYS BANK PLC	29-Jul-16	16-Feb-17	202	1,000,000	0.52
1195	BARCLAYS BANK PLC	19-Aug-16	14-Nov-16	87	1,000,000	0.27
1176	LLOYDS BANK	05-Jan-16	03-Jan-17	365	1,000,000	1.05
1189	LLOYDS BANK	06-Jul-16	20-Feb-17	229	1,000,000	0.83
1180	BLACKROCK MMF	01-Apr-16	N/A	N/A	1,800,000	VARIABLE
1185	NATIONWIDE BUILDING SOCIETY	14-Jun-16	05-Oct-16	113	2,000,000	0.54
1191	NATIONWIDE BUILDING SOCIETY	12-Jul-16	17-Feb-17	220	1,000,000	0.52
1198	NATIONWIDE BUILDING SOCIETY	27-Sep-16	16-Feb-17	142	1,000,000	0.34
1190	SKIPTON BUILDING SOCIETY	06-Jul-16	12-Dec-16	159	2,000,000	0.57
1194	COVENTRY BLDG SOCIETY	19-Aug-16	14-Nov-16	87	1,000,000	0.27
1196	COVENTRY BLDG SOCIETY	24-Aug-16	20-Feb-17	180	1,000,000	0.35
1197	LEEDS BUILDING SOCIETY	14-Sep-16	14-Nov-16	61	1,000,000	0.20
9001	LOCAL CAPITAL FINANCE	03-Sep-14	Unspecified		50,000	Unspecified
	W SUSSEX CREDIT UNION	06-Mar-15	Unspecified		25,000	Unspecified
TOTAL INVESTMENTS AT 30TH SEPTEMBER 2016					**19,925,000**	

APPENDIX 4

WORTHING BOROUGH COUNCIL - PORTFOLIO OF INVESTMENTS AND LOANS							
BORROWING FOR 2016							
Deal Ref.	**Counterparty**	**Start Date**	**Maturity Date**	**Term (Yrs)**	**Principal (£) at 31.03.16**	**Interest Rate %**	**Principal (£) at 30.09.16**
27	SALIX FINANCE	07-Feb-13	01-Sep-16	3.57	4,437	0.00	0
29	SALIX FINANCE	03-Apr-13	01-Mar-17	3.91	447	0.00	224
33	SALIX FINANCE	02-Aug-13	01-Mar-17	3.58	2,592	0.00	1,296
35	SALIX FINANCE	23-Dec-13	01-Sep-17	3.69	17,395	0.00	11,597
37	SALIX FINANCE	12-Feb-14	01-Sep-17	3.55	11,006	0.00	7,338
46	LONDON BOROUGH OF EALING	15-May15	13-May-16	1.00	2,000,000	0.58	0
47	W.YORKSHIRE POL.& CRIME COMMISSIONERS	05-Jun-15	03-Jun-16	1.00	2,000,000	0.50	0
49	HYNDBURN BOROUGH COUNCIL	13-Jul-15	11-Jul-16	1.00	2,000,000	0.48	0
50	GLOUCESTERSHIRE COUNTY	30-Jul-15	30-Jul-20	5.01	2,000,000	1.90	2,000,000
9002	ISLINGTON FINANCE	14-May-15	14-Nov-16	1.51	5,000,000	0.75	5,000,000
51	MID SUSSEX DISTRICT COUNCIL	03-May-16	02-May-17	1.00	0	0.60	2,000,000
52	BARNSLEY DONCASTER	03-Jun-16	03-Apr-17	0.83	0	0.60	2,000,000
53	LONDON BOROUGH OF EALING	06-Jun-16	05-Jun-17	1.00	0	0.62	2,000,000
54	HERTFORDSHIRE COUNTY C	11-Jul-16	10-Jul-17	1.00	0	0.55	5,000,000
503406	PUBLIC WORKS LOAN BOARD	22-Oct-14	22-Oct-24	10.00	1,800,000	2.32	1,700,000
503538	PUBLIC WORKS LOAN BOARD	12-Dec-14	12-Dec-19	5.00	800,000	1.62	700,000
504511	PUBLIC WORKS LOAN BOARD	02-Dec-15	02-Dec-25	10.00	3,500,000	2.07	3,325,000
504512	PUBLIC WORKS LOAN BOARD	13-Jun-16	13-Jun-36	20.00	0	2.16	2,000,000
				TOTAL BORROWING	**19,135,877**		**25,745,453**
				NET BORROWING	**11,010,877**		**5,820,453**