2015/16 Treasury Management Activity Report

Assistant Director: Donna Parham – Finance and Corporate Services
Service Manager: Catherine Hood –Finance Manager
Lead Officer: Karen Gubbins, Principal Accountant
Contact Details: Karen.gubbins@southsomerset.gov.uk or (01935) 462456

Purpose of Report

1. To review the treasury management activity and the performance against the Prudential Indicators for the 2015/16 financial year as prescribed by the revised CIPFA Code of Practice and in accordance with the Council's Treasury Strategy and Annual Investment Policy and Treasury Management Practices.

Recommendations

2. Council is requested to:
   - Note the Treasury Management Activity for the 2015/16 financial year;
   - Note the position of the individual prudential indicators for the 2015/16 financial year;
   - Note the outlook for the investment performance in 2016/17.

Background

3. The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year. The Council reports six monthly to Full Council against the strategy approved for the year. The scrutiny of treasury management policy, strategy and activity is delegated to the Audit Committee.

4. Treasury management in this context is defined as:
   "The management of the local authority's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks".

5. The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

6. Overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives.

Summary of Investment Strategy for 2015/16

7. The Council's strategy for investments was based upon minimising risk and safeguarding the capital sum. This was maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2015/16 which defined "high credit quality" organisations as those having a long-term

credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.

8. Given the increasing risk and continued low returns from short-term unsecured bank investments, the Authority aimed to further diversify into more secure and higher yielding asset classes during 2015/16.

9. In addition, the Authority has £5m invested with organisations and pooled funds without credit ratings, these include Payden and CCLA (Property fund) following external assessment and advice from the Authority's treasury management adviser, Arlingclose.

10. The Treasury Management Strategy Statement and Annual Investment Policy were both approved by Council on 26th February 2015.

Credit developments and credit risk management

11. The Authority assessed and monitored counterparty credit quality with reference to credit ratings; credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP and share price.

12. The transposition of two European Union directives into UK legislation placed the burden of rescuing failing EU banks disproportionately onto unsecured institutional investors which include local authorities and pension funds. During the year, all three credit ratings agencies reviewed their ratings to reflect the loss of government support for most financial institutions and the potential for loss given default as a result of new bail-in regimes in many countries. Despite reductions in government support many institutions saw upgrades due to an improvement in their underlying strength and an assessment that that the level of loss given default is low.

13. Fitch reviewed the credit ratings of multiple institutions in May. Most UK banks had their support rating revised from 1 (denoting an extremely high probability of support) to 5 (denoting external support cannot be relied upon). This resulted in the downgrade of the long-term ratings of Royal Bank of Scotland (RBS), Deutsche Bank, Bank Nederlandse Gemeeten and ING. JP Morgan Chase and the Lloyds Banking Group however both received one notch upgrades.

14. Moody's concluded its review in June and upgraded the long-term ratings of Close Brothers, Standard Chartered Bank, ING Bank, Goldman Sachs International, HSBC, RBS, Coventry Building Society, Leeds Building Society, Nationwide Building Society, Svenska Handelsbanken and Landesbank Hessen-Thuringen.

15. S&P reviewed UK and German banks in June, downgrading the long-term ratings of Barclays, RBS and Deutsche Bank. As a result of this the Authority made the decision to suspend Deutsche Bank as a counterparty for new unsecured investments. S&P also revised the outlook of the UK as a whole to negative from stable, citing concerns around the referendum on EU membership and its effect on the economy.

16. At the end of July 2015, Arlingclose advised an extension of recommended durations for unsecured investments in certain UK and European institutions following improvements in the global economic situation and the receding threat of another Eurozone crisis. A similar extension was advised for some non-European banks in

September, with the Danish Danske Bank being added as a new recommended counterparty and certain non-rated UK building societies also being extended.

17. In December the Bank of England released the results of its latest stress tests on the seven largest UK banks and building societies which showed that the Royal Bank of Scotland and Standard Chartered Bank were the weakest performers. However, the regulator did not require either bank to submit revised capital plans, since both firms had already improved their ratios over the year.

18. The first quarter of 2016 was characterised by financial market volatility and a weakening outlook for global economic growth. In March 2016, following the publication of many banks' 2015 full-year results, Arlingclose advised the suspension of Deutsche Bank and Standard Chartered Bank from the counterparty list for unsecured investments. Both banks recorded large losses and despite improving capital adequacy this will call 2016 performance into question, especially if market volatility continues. Standard Chartered had seen various rating actions taken against it by the rating agencies and a rising CDS level throughout the year. Arlingclose will continue to monitor both banks.

19. The end of bank bail-outs, the introduction of bail-ins, and the preference being given to large numbers of depositors other than local authorities means that the risks of making unsecured deposits continues to be elevated relative to other investment options. The Authority therefore increasingly favoured secured investment options or diversified alternatives such as covered bonds, non-bank investments and pooled funds over unsecured bank and building society deposits.

Interest Rates 2015/16

20. The UK Bank Rate was maintained at 0.5% through the year. Short term money market rates also remained at very low levels which continued to have a significant impact on investment income. The average 3-month LIBID rate during 2015/16 was 0.54%, the 6-month LIBID rate averaged 0.76% and the 1-year LIBID rate averaged 0.99%. The low rates of return on the Authority's short-dated money market investments reflect prevailing market conditions and the Authority's objective of optimising returns commensurate with the principles of security and liquidity.

21. Our advisors are forecasting that the outlook is for official interest rates to remain at 0.5% until June 2018, as shown below:

	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Average
Official Bank Rate														
Upside risk	-	-	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.27
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.60
Downside risk			-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.35

Investment Portfolio

22. The table below shows the Council's portfolio of investments at the start and end of the 2015/16 financial year;

	Value of Investments at 01.04.15 £	Value of Investments at 31.03.16 £	Fixed/ Variable Rate
Investments advised by Arlingclose			
Money Market Fund (Variable Net Asset Value)	1,001,247	997,565	Variable
Property Fund	3,363,303	4,494,168	Variable
Total	**4,364,550**	**5,491,733**	
Internal Investments			
Certificates of Deposit	4,512,371	5,513,212	Fixed
Corporate Bonds	11,271,639	6,706,395	Fixed
Floating Rate Notes (FRNs)	9,972,584	10,025,398	Variable
Short Term Deposits (Banks)	7,500,000	9,000,000	Variable
Short Term Deposits (Other LAs)	8,000,000	11,000,000	Variable
Money Market Funds (Constant Net Asset Value) & Business Reserve Accounts	3,720,000	1,490,000	Variable
Total	**44,976,594**	**43,735,005**	
TOTAL INVESTMENTS	**49,341,144**	**49,226,738**	

Returns for 2015/16

23. The returns to 31st March 2016 are shown in the table below:

	Actual Income £'000	% Rate of Return
Investments advised by Arlingclose		
Payden Money Market Fund (VNAV)	9	
Property Fund (CCLA)	185	
Total	**194**	**4.53%**
Internal Investments		
Certificates of Deposit (CD's)	41	
Corporate Bonds	135	
Floating Rate Notes (FRNs)	67	
Treasury Bills	2	
Fixed Term Deposits	128	
Money Market Funds (CNAV) & Business Reserve Accounts	22	
Total	**395**	**0.73%**
Other Interest		
Miscellaneous Loans	5	
Total	**5**	
TOTAL INCOME TO 31st MARCH 2016	**594**	**1.00%**
BUDGETED INCOME	**461**	
SURPLUS	**133**	

24. The table above shows investment income for the year compared to the budget. The figures show a surplus over budget of £133,000. The original Treasury Management budget of £461,320 was derived by forecasting an average rate of return of 0.9%. The actual interest rate received for the year was 1.00%, this was enhanced due to the performance of the Property Fund which averaged 5.65%.

25. We currently hold £4m nominal value in the CCLA fund, this converts to 1,558,527 units and £1m in Payden which converts to 98,990.299 shares.

26. The outturn position is affected by both the amount of cash we have available to invest and the interest base rate set by the Bank of England. Balances are affected by the timing of capital expenditure and the collection of council tax and business rates.

Investments

27. Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2014/15. New investments can be made with the following institutions:
    - Other Local Authorities;
    - AAA-rated Money Market Funds;
    - Certificates of Deposit (CDs) and Term Deposits with UK Banks and Building Societies systemically important to the UK banking system and deposits with select non-UK Banks (Australian, Canadian and American);
    - T-Bills and DMADF (Debt Management Office);
    - Bonds issued by Multilateral Development Banks, such as the European Investment Bank;
    - Commercial Paper
    - Other Money Market Funds and Collective Investment Schemes meeting the criteria in SI 2004 No 534, SI 2007 No 573 and subsequent amendments.

28. The graph shown in appendix A shows the performance of the in-house Treasury team in respect of all investments for the quarter ending 31st March 2016 in comparison to all other clients of Arlingclose.

29. The graph shows that SSDC is in a very good position in terms of the risk taken against the return on investments.

Borrowing

30. An actual overall borrowing requirement (CFR) of £9.5 million was identified at the beginning of 2015/16. As interest rates on borrowing exceed those on investments the Council has used its capital receipts to fund capital expenditure. As at 31st March 2016 the Council had no external borrowing.

Breakdown of investments as at 31ST March 2016

Date Lent	Counterparty	Nominal Amount	Rate %	Maturity Date
5 Nov 15	Lancashire County Council	1,000,000	0.60	26 Sep 16
11 Mar 16	IPA SCB TD Incoming (Santander)	1,000,000	0.70	12 Sep 16
9 Mar 16	United Overseas Bank Ltd	2,000,000	0.82	8 Mar 17
21 Mar 16	Bank of Scotland	1,000,000	1.05	20 Mar 17
17 Feb 16	Rabobank International	1,000,000	0.75	17 Feb 17
28 Aug 15	Bank of Scotland	1,000,000	1.00	30 Aug 16
21 Mar 16	Nationwide Building Society	1,000,000	0.60	22 Aug 16
18 Mar 16	Nationwide Building Society	1,000,000	0.71	19 Sep 16
29 Oct 15	Eastleigh Borough Council	2,000,000	0.50	29 Jun 16
15 Oct 15	Lancashire County Council	1,000,000	0.60	6 Oct 16
2 Nov 15	Conwy County Borough Council	2,000,000	0.50	2 Jun 16
15 Dec 15	North Tyneside Council	2,000,000	0.65	13 Dec 16
31 Mar 16	Greater London Authority	2,000,000	0.60	30 Mar 17
1 Feb 16	Barclays Bank Plc	1,000,000	0.54	9 May 16
7 Mar 16	Telford & Wrekin Council	1,000,000	0.50	7 Jun 16
	Corporate Bonds/Eurobonds			
17 Jan 14	Places for People Capital Markets	568,000	2.67	27 Dec 16
17 Jan 14	Places for People Capital Markets	432,000	2.67	27 Dec 16
4 Aug 14	Leeds Building Society (Covered)	500,000	2.13	17 Dec 18
22 Oct 14	Yorkshire Building Society (Covered)	1,500,000	1.56	12 Apr 18
5 Jun 15	European Investment Bank	2,000,000	0.66	7 Sep 16
4 Feb 16	Daimler AG	331,000	1.15	2 Dec 16
31 Mar 16	European Investment Bank	1,000,000	0.65	7 Sep 16
	Certificates of Deposit (CDs)			
30 Oct 15	Standard Charted	1,000,000	0.70	29 Apr 16
22 Jan 16	Rabo Bank	1,000,000	0.67	22 Jul 16
29 Jan 16	Toronto Dominion	1,000,000	0.90	27 Jan 17
5 Feb 16	Standard Charted	1,000,000	0.73	5 Aug 16
19 Feb 16	Nordea AB	500,000	0.69	21 Nov 16
4 Mar 16	Credit Suisse AG London	1,000,000	0.57	6 Jun 16
	Floating Rate Notes (FRNs)			
25 Nov 13	HSBC Bank PLC	1,000,000	0.84	16 May 16
22 Oct 14	Abbey National Treasury Services *Covered*	1,000,000	0.72	5 Apr 17
21 Nov 14	Barclays Bank Plc *Covered*	1,000,000	0.68	15 Sep 17
27 Mar 15	Lloyds Bank Plc *Covered*	2,000,000	0.65	16 Jan 17
29 Apr 15	Toronto Dominion *Covered*	1,000,000	0.66	20 Nov 17
26 Jun 15	Nationwide Building Society *Covered*	1,000,000	0.68	17 Jul 17
2 Jul 15	National Australia bank Ltd	1,500,000	0.67	12 Aug 16
9 Nov 15	HSBC Bank PLC	500,000	0.66	16 May 16
7 Mar 16	Commonwealth Bank of Australia *Covered*	1,000,000	0.89	24 Jan 18
	Pooled Finds & Money Market Funds			
	Payden Fund VNAV	1,000,000	0.87	
	CCLA Property Fund	4,000,000	5.65	
	Blackrock	490,000	0.45	
	Federated Money Market Fund	500,000	0.44	
	Invesco Aim	500,000	0.38	
	TOTAL	**48,321,000**		

Note: Money Market Funds are instant access accounts so the rate displayed is a daily rate

Prudential Indicators – 2015/16

Background:

31. In February 2015, Full Council approved the indicators for 2015/16, as required by the Prudential Code for Capital Finance in Local Authorities. The Local Government Act 2003 allows local authorities to determine their own borrowing limits provided they are affordable and that every local authority complies with the code.

Prudential Indicator 1 - Capital Expenditure:

32. The actual capital expenditure incurred for 2015/16 compared to the revised estimate was:

	2014/15 Outturn £'000	**2015/16 Revised Estimate £'000**	**2015/16 Outturn £'000**	**2015/16 Variance £'000**	**Reason for Variance**
Approved capital schemes	2,641	5,637	2,084	(3,553)	Re-profiling of the expenditure to future years
Total Expenditure	**2,641**	**5,637**	**2,084**	**(3,553)**	

Prudential Indicator 2 - Ratio of Financing Costs to Net Revenue Stream:

33. A comparison needs to be made between financing capital costs and the revenue income stream to support these costs. This shows how much of the revenue budget is committed to the servicing of finance.

Portfolio	**2014/15 Outturn £'000**	**2015/16 Revised Estimate £'000**	**2015/16 Outturn £'000**	**2015/16 Variance £'000**	**Reason for Variance**
Financing Costs	(413)	(461)	(424)	37	Increased MRP due to the additional leases taken out in March 2016
Net Revenue Stream	17,881	17,390	17,782	392	Carry forwards approved of £303k, £44k contribution from the Somerset Rivers Authority, £5k contribution from Somerset Growth Board, £34k Westlands Funding
%*	**(2.3)**	**(2.7)**	**(2.4)**		

*figures in brackets denote income through receipts and reserves

34. The financing costs include interest payable and notional amounts set aside to repay debt less interest on investment income. The figure in brackets is due to investment income outweighing financing costs significantly for SSDC but is nevertheless relevant since it shows the extent to which the Council is dependent on investment income.

Prudential Indicator 3 - Capital Financing Requirement:

35. The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The year-end capital financing requirement for the council is shown below:

	2014/15 Outturn £'000	**2015/16 Revised Estimate £'000**	**2015/16 Outturn £'000**	**2015/16 Variance £'000**	**Reason for Variance**
Opening CFR	9,625	9,484	9,447	(37)	The original estimate was based on the information held at the time
Capital Expenditure	3,772	6,795	3,227	(3,568)	Re-profiling of expenditure to future years has reduced the capital expenditure in year
Capital Receipts*	(2,641)	(5,637)	(2,084)	3,553	Reduced spend has resulted in less capital receipts needed to fund these projects in this year
Grants/Contributions*	(1,131)	(1,158)	(1,143)	15	
Minimum Revenue Position (MRP)	(178)	(123)	(170)	(47)	Additional leases were taken out after the budget was set which has incurred additional MRP
Additional Leases taken on during the year	0	0	66	66	New finance leases taken out in year for 3 vehicles
Closing CFR	**9,447**	**9,361**	**9,343**	**(18)**	

*Figures in brackets denote income through receipts or reserves.

Prudential Indicator 4 – Gross Debt and the Capital Financing Requirement:

36. The Council is also required to ensure that any medium term borrowing is only used to finance capital and therefore it has to demonstrate that the net external borrowing does not, except in the short term exceed the total of capital financing requirements over a three year period.

	2014/15 Outturn £'000	2015/16 Revised Estimate £'000	2015/16 Outturn £'000	2015/16 Variance £'000	Reason for Variance
Borrowing	0	0	0	0	SSDC currently has no borrowing
Finance Leases	334	186	230	44	Additional leases taken out in 2015/16
Total Debt	**334**	**186**	**230**	**44**	

37. Total debt is expected to remain below the CFR for the foreseeable future.

Prudential Indicator 5 - Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

38. The Council must set three years of upper limits to its exposure to the effects of changes in interest rates. As a safeguard, it must ensure that its limit would allow it to have up to 100% invested in variable rate investments to cover against market fluctuations. For this purpose, term deposits of less than 365 days are deemed to be variable rate deposits. Fixed rate deposits are investments in Eurobonds, Corporate Bonds and term deposits exceeding 365 days.

	2014/15 Actual %	2015/16 % Limit	2015/16 Actual %	2015/16 Variance %	Reason for Variance
Fixed	6.20	80	4.14	(75.86)	Within limit
Variable	93.80	100	95.86	(4.14)	Within limit

39. The Council must also set limits to reflect any borrowing we may undertake.

	2014/15 Actual %	2015/16 % Limit	2015/16 Actual %	2015/16 Variance %	Reason for Variance
Fixed	0	100	0	100	SSDC currently has no borrowing
Variable	0	100	0	100	SSDC currently has no borrowing

40. The indicator has been set at 100% to maximise opportunities for future debt as they arise.

Prudential Indicator 6 - Upper Limit for total principal sums invested over 364 days:

41. SSDC must also set upper limits for any investments of longer than 364 days. The purpose of this indicator is to ensure that SSDC, at any time, has sufficient liquidity to meet all of its financial commitments.

Upper Limit for total principal sums invested over 364 days	2014/15 Actual £'000	2015/16 Maximum Limit £'000	2015/16 Actual (Principal amount) £'000	Variance £'000	Reason for Variance
Between 1-2 years	4,000	25,000	5,000	(20,000)	Within limit
Between 2-3 years	2,000	20,000	2,000	(18,000)	Within limit
Between 3-4 years	2,000	10,000	0	(10,000)	Within limit
Between 4-5 years	0	10,000	0	(10,000)	Within limit
Over 5 years	0	5,000	0	(5,000)	Within limit

42. The table above shows that the Council adopts a policy of safeguarding its investments by minimising investments that are redeemable more than five years ahead.

Prudential Indicator 7 – Credit Risk:

43. The Council considers security, liquidity and yield, in that order, when making investment decisions.

    Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.

    The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

    - Published credit ratings of the financial institution and its sovereign
    - Sovereign support mechanisms
    - Credit default swaps (where quoted)
    - Share prices (where available)
    - Economic Fundamentals, such as a country's net debt as a percentage of its GDP
    - Corporate developments, news articles, markets sentiment and momentum
    - Subjective overlay

    The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

Prudential Indicator 8 - Actual External Debt:

44. This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities (this represents our finance leases). This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/03/2016	£'000
Borrowing	0
Other Long-term Liabilities (Finance Leases)	230
Total	**230**

Prudential Indicator 9 - Authorised Limit for External Debt:

45. This limit represents the maximum amount that SSDC may borrow at any point in time during the year. If this limit is exceeded the Council will have acted ultra vires. It also gives the Council the responsibility for limiting spend over and above the agreed capital programme. A ceiling of £12 million was set for each year.

	2014/15 Actual £'000	**2015/16 Original Estimate £'000**	**2015/16 Actual £'000**	**2015/16 Variance £'000**	**Reason for Variance**
Borrowing	0	11,000	0	(11,000)	SSDC currently has no borrowing
Other Long-term Liabilities	334	1,000	230	(770)	Within limit
Total	**334**	**12,000**	**230**	**(11,770)**	

Prudential Indicator 10 – Operational Boundary for External Debt:

46. The operational boundary sets the limit for short term borrowing requirements for cash flow and has to be lower than the previous indicator, the authorised limit for external debt. A ceiling of £10 million for each of the next three years was set.

	2014/15 Actual £'000	**2015/16 Original Estimate £'000**	**2015/16 Actual £'000**	**2015/16 Variance £'000**	**Reason for Variance**
Borrowing	0	9,200	0	(9,200)	SSDC currently has no borrowing
Other Long-term Liabilities	334	800	230	(570)	Within limit
Total	**334**	**10,000**	**230**	**(9,770)**	

Prudential Indicator 11 - Maturity Structure of Fixed Rate borrowing:

47. This indicator is relevant when we borrow, then we can take a portfolio approach to borrowing in order to reduce interest rate risk. This indicator is shown as the Council has set limits in anticipation of future borrowing.

Maturity structure of fixed rate borrowing	**2015/16 Upper Limit %**	**2015/16 Lower Limit %**	**2015/16 Actual %**	**2015/16 Variance %**
Under 12 months	100	0	0	Not applicable
12 months and within 24 months	100	0	0	Not applicable
24 months and within 5 years	100	0	0	Not applicable
5 years and within 10 years	100	0	0	Not applicable
10 years and within 20 years	100	0	0	Not applicable
20 years and within 30 years	100	0	0	Not applicable
30 years and within 40 years	100	0	0	Not applicable
40 years and within 50 years	100	0	0	Not applicable
50 years and above	100	0	0	Not applicable

Prudential Indicator 12 - Incremental Impact of Capital Investment Decisions:

48. SSDC must show the effect of its annual capital decisions for new capital schemes on the council taxpayer. Capital spend at SSDC is financed from additional receipts so the figure below actually shows the possible decreases in council tax if all capital receipts were invested rather than used for capital expenditure.

Incremental Impact of Capital Investment Decisions	**2014/15 Actual £**	**2015/16 Actual £**
Decrease in Band D Council Tax	0.04	0.07

Prudential Indicator 13 - Adoption of the CIPFA Treasury Management Code:

49. This indicator demonstrates that the Council has adopted the principles of best practice.

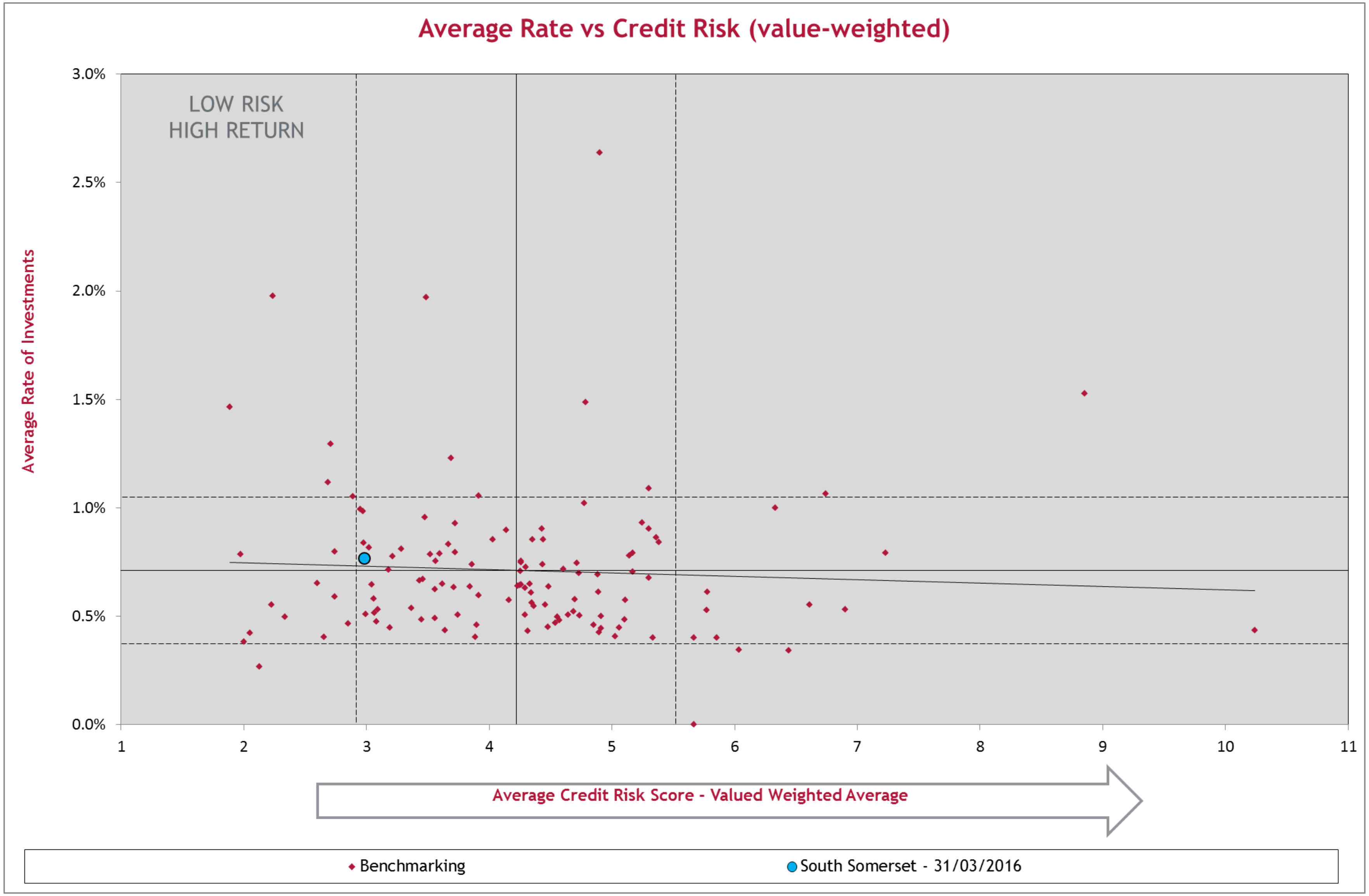
Adoption of the CIPFA Code of Practice in Treasury Management
The Council approved the adoption of the CIPFA Treasury Management Code at its Council meeting on 18th April 2002.

Conclusion

50. The council operated within all of the Prudential Indicators during 2015/16

Background Papers:
Prudential Indicators Working Paper, Treasury Management Strategy Statement 2015/16, Capital Monitoring Qtr 4 2015/16.

Appendix A



Average Rate vs Credit Risk (value-weighted)
LOW RISK
HIGH RETURN
Average Rate of Investments
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
1
2
3
4
5
6
7
8
9
10
11
Average Credit Risk Score - Valued Weighted Average
Benchmarking
South Somerset - 31/03/2016