

Forecast of interest rates as at September 2015

The table below shows Capita Asset Services' forecast of the expected movement in medium term interest rates:

	NOW	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
BANK RATE	0.50	0.50	0.50	0.50	0.75	0.75
3 month LIBID	0.52	0.50	0.60	0.70	0.80	0.90
6 month LIBID	0.66	0.70	0.80	0.90	1.00	1.10
12 month LIBID	0.98	1.00	1.10	1.20	1.30	1.40
5 yr PWLB	2.10	2.30	2.40	2.50	2.60	2.80
10 yr PWLB	2.80	2.90	3.00	3.20	3.30	3.40
25 yr PWLB	3.40	3.60	3.70	3.80	4.00	4.10
50 yr PWLB	3.40	3.60	3.70	3.80	4.00	4.10
	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
BANK RATE	1.00	1.00	1.25	1.50	1.50	1.75
3 month LIBID	1.10	1.30	1.40	1.50	1.80	1.90
6 month LIBID	1.30	1.50	1.60	1.70	2.00	2.10
12 month LIBID	1.60	1.80	1.90	2.00	2.30	2.40
5 yr PWLB	2.90	3.00	3.10	3.20	3.30	3.40
10 yr PWLB	3.50	3.70	3.80	3.90	4.00	4.10
25 yr PWLB	4.20	4.30	4.40	4.40	4.50	4.60
50 yr PWLB	4.20	4.30	4.40	4.40	4.50	4.60

South Oxfordshire District Council investments as at 31 March 2015				
Counterparty	Deposit Type	Maturity Date	Principal	Rate
HSBC	Fixed	Feb-17	2,000,000	1.90%
Kingston upon Hull City Council	Fixed	Aug-20	3,500,000	2.70%
Kingston upon Hull City Council	Fixed	Aug-20	1,500,000	2.70%
Blaenau Gwent County Borough Council	Fixed	Apr-16	3,000,000	1.38%
Kingston upon Hull City Council	Fixed	Jan-21	2,000,000	2.50%
West Bromwich Building Society	Fixed	May-15	2,000,000	0.95%
Skipton Building Society	Fixed	May-15	2,000,000	0.91%
West Bromwich Building Society	Fixed	Jun-15	3,000,000	0.90%
National Counties Building Society	Fixed	Apr-15	1,500,000	0.80%
National Counties Building Society	Fixed	Apr-15	2,000,000	0.85%
Newcastle Building Society	Fixed	Apr-15	2,000,000	0.93%
West Bromwich Building Society	Fixed	Jul-15	4,000,000	1.15%
Skipton Building Society	Fixed	Jul-15	1,500,000	0.93%
Newcastle Building Society	Fixed	May-15	2,000,000	0.95%
National Counties Building Society	Fixed	May-15	2,000,000	0.90%
West Bromwich Building Society	Fixed	Jul-15	1,000,000	1.10%
Manchester Building Society	Fixed	Apr-15	1,000,000	0.90%
National Counties Building Society	Fixed	Jun-15	2,000,000	0.84%
Progressive Building Society	Fixed	Jun-15	1,000,000	0.83%
Progressive Building Society	Fixed	Jun-15	1,000,000	0.83%
Skipton Building Society	Fixed	Sep-15	2,000,000	1.00%
Furness Building Society	Fixed	Jun-15	2,000,000	0.85%
Close Brothers	Fixed	Sep-15	2,000,000	1.30%
Close Brothers	Fixed	Oct-15	2,000,000	1.30%
Progressive Building Society	Fixed	Aug-15	1,000,000	0.88%
Manchester Building Society	Fixed	Jul-15	2,000,000	0.93%
Manchester Building Society	Fixed	Jul-15	2,000,000	0.88%
Newcastle Building Society	Fixed	Sep-15	2,000,000	1.00%
National Counties Building Society	Fixed	Sep-15	1,000,000	0.95%
Close Brothers	Fixed	Nov-15	3,000,000	1.30%
Progressive Building Society	Fixed	Oct-15	2,000,000	0.90%
Close Brothers	Fixed	Dec-15	3,000,000	1.30%
Royal Bank of Scotland	Fixed	Jan-18	2,000,000	1.25%
Royal Bank of Scotland	Fixed	Feb-19	2,000,000	1.20%
Principality Building Society	Fixed	Mar-16	2,000,000	0.92%
Skipton Building Society	Fixed	Mar-16	3,000,000	1.00%
Santander	Call		6,390,000	0.90%
Royal Bank of Scotland	Call		2,329	0.85%
Royal Bank of Scotland	Call		95,101	0.80%
Goldman Sachs	MMF		390,000	Variable
Deutsche Bank	MMF		265,000	Variable
Blackrock	MMF		4,690,000	Variable
L&G Equities	Unit trust		13,359,340	Variable
Royal Bank of Scotland	Corporate bond		1,526,475	9.63%
Santander	Corporate bond		311,985	11.50%
CCLA - property fund	Property fund		5,000,000	4.65%
GRAND TOTAL			105,030,230	

Vale of White Horse District Council investments as at 31 March 2015

Counterparty	Deposit Type	Maturity Date	Principal	Rate
Hull City Council	Fixed	January 2021	2,000,000	2.50%
Hull City Council	Fixed	August 2020	2,000,000	2.70%
Close Brothers Ltd	Fixed	October 2015	1,500,000	1.35%
West Bromwich Building Society	Fixed	January 2015	3,000,000	1.05%
Lloyds TSB Bank Plc	Fixed	March 2015	3,000,000	1.00%
Lloyds TSB Bank Plc	Fixed	March 2016	6,000,000	1.00%
National Counties Building Society	Fixed	January 2016	2,000,000	1.00%
National Counties Building Society	Fixed	November 2015	1,000,000	0.98%
Progressive Building Society	Fixed	July 2015	1,000,000	0.85%
Santander	Call		4,930,000	0.90%
Lloyds TSB Bank Plc	Call		500,000	0.40%
Goldman Sachs	MMF		750,000	Variable
GRAND TOTAL			27,680,000	

Annex C

Prudential indicators as at 31 March 2015				
	Vale		South	
	2014/15	31.03.2015	2014/15	31.03.2015
	Original estimate	Position	Original estimate	Position
	£m	£m	£m	£m
Authorised limit for external debt				
Borrowing	30	0	5	0
Other long term liabilities	5	0	5	0
	35	0	10	0
Operational boundary for external debt				
Borrowing	25	0	2	0
Other long term liabilities	0	0	3	0
	25	0	5	0
Investments				
Interest rate exposures				
Limits on fixed interest rates	60	18	100	100
Limits on variable interest rates	30	6	30	30
Maximum principal sums invested > 364 days				
Upper limit for principal sums invested > 364 days	30	4	70	57
Limit to be placed on investments to maturity				
1 - 2 years	0	0	70	5
2 - 5 years	0	0	50	10
5 years +	0	0	50	2
Investment portfolio spread				
Supranational bonds	10	0	15	0
Gilts	n/a	0	15	0
Equities*	3	0	10	13
Corporate bonds	5	0	10	2
Money market funds	20	1	20	5
Pooled bond fund	0	0	5	0
Property - direct investments	n/a	0	30	16
Property related pooled funds	3	2	20	5
Cash and certificates of deposit			85%	76%
Debt management account deposit facility	100%		100%	0%

*Limit at time of purchase - Equities include accumulated dividends

Annex D

GLOSSARY OF TERMS

Basis point (BP)	1/100th of 1%, i.e. 0.01%
Base rate	Minimum lending rate of a bank or financial institution in the UK.
Benchmark	A measure against which the investment policy or performance of a fund manager can be compared.
Bill of Exchange	A non-interest-bearing written order used primarily in international trade that binds one party to pay a fixed sum of money to another party at a predetermined future date.
Callable Deposit	A deposit placed with a bank or building society at a set rate for a set amount of time. However, the borrower has the right to repay the funds on pre agreed dates, before maturity. This decision is based on how market rates have moved since the deal was agreed. If rates have fallen the likelihood of the deposit being repaid rises, as cheaper money can be found by the borrower.
[Cash] Fund Management	Fund management is the management of an investment portfolio of cash on behalf of a private client or an institution, the receipts and distribution of dividends and interest, and all other administrative work in connection with the portfolio.
Certificate of Deposit (CD)	Evidence of a deposit with a specified bank or building society repayable on a fixed date. They are negotiable instruments and have a secondary market; therefore the holder of a CD is able to sell it to a third party before the maturity of the CD.
Commercial Paper	Short-term obligations with maturities ranging from 2 to 270 days issued by banks, corporations and other borrowers. Such instruments are unsecured and usually discounted, although some may be interest bearing.
Corporate Bond	Strictly speaking, corporate bonds are those issued by companies. However, the term is used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.
Counterparty	Another (or the other) party to an agreement or other market contract (e.g. lender/borrower/writer of a swap/etc.)

Credit Default Swap (CDS)	A swap designed to transfer the credit exposure of fixed income products between parties. The buyer of a credit swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the product. By doing this, the risk of default is transferred from the holder of the fixed income security to the seller of the swap.
Capital Financing Requirement (CFR)	The amount the council has to borrow to fund its capital commitments.
CIPFA	Chartered Institute of Public Finance and Accountancy.
CLG	[Department for] Communities and Local Government.
Derivative	A contract whose value is based on the performance of an underlying financial asset, index or other investment, e.g. an option is a derivative because its value changes in relation to the performance of an underlying stock.
Debt Management Account Deposit Facility (DMADF)	Deposit Account offered by the Debt Management Office, guaranteed by the UK government
European Central Bank (ECB)	European Central Bank – sets the central interest rates in the EMU area. The ECB determines the targets itself for its interest rate setting policy; this is the keep inflation within a band of 0 to 2%. It does not accept that monetary policy is to be used to manage fluctuations in unemployment and growth caused by the business cycle.
European and Monetary Union (EMU)	The Economic and Monetary Union (EMU) is an umbrella term for the group of policies aimed at converging the economies of all member states of the European Union.
Equity	A share in a company with limited liability. It generally enables the holder to share in the profitability of the company through dividend payments and capital appreciation. Equity values can decrease as well as increase.
Forward Deal	The act of agreeing today to deposit funds with an institution for an agreed time limit, on an agreed future date, at an agreed rate.
Forward Deposits	Same as forward dealing (above).
Fiscal Policy	The government policy on taxation and welfare payments.
GDP	Gross Domestic Product.
[UK] Gilt	Registered UK government securities giving the investor an absolute commitment from the government to honour the debt that those securities represent.

LIBID	London inter-bank bid rate
LIBOR	London inter-bank offered rate.
Money Market Fund	A well rated, highly diversified pooled investment vehicle whose assets mainly comprise of short-term instruments. It is very similar to a unit trust, however in a MMF.
Monetary Policy Committee (MPC)	Government body that sets the bank rate (commonly referred to as being base rate). Their primary target is to keep inflation within plus or minus 1% of a central target of 2.5% in two years time from the date of the monthly meeting of the committee. Their secondary target is to support the government in maintaining high and stable levels of growth and employment.
Other Bond Funds	Pooled funds investing in a wide range of bonds.
PWLB	Public Works Loan Board.
QE	Quantitative Easing.
Retail Price Index	Measurement of the monthly change in the average level of prices at the retail level weighted by the average expenditure pattern of the average person.
Sovereign Issues (excl UK Gilts)	Bonds issued or guaranteed by nation states, but excluding UK government bonds.
Supranational Bonds	Bonds issued by supranational bodies, e.g. European Investment Bank. The bonds – also known as Multilateral Development Bank bonds – are generally AAA rated and behave similarly to gilts, but pay a higher yield (“spread”) given their relative illiquidity when compared with gilts.
Treasury Bill	Treasury bills are short-term debt instruments issued by the UK or other governments. They provide a return to the investor by virtue of being issued at a discount to their final redemption value.