

<b>Open</b>	Would any decisions proposed :			
<b>Any especially affected Wards</b>	(a) Be entirely within Cabinet's powers to decide YES			
<b>None</b>	(b) Need to be recommendations to Council NO			
	(c) Be partly for recommendations to Council NO and partly within Cabinets powers –			
Lead Member: Nick Daubney E-mail: <a href="mailto:cldr.nick.daubney@west-norfolk.gov.uk">cldr.nick.daubney@west-norfolk.gov.uk</a>		Other Cabinet Members consulted: None		
		Other Members consulted: None		
Lead Officer: Toby Cowper E-mail: <a href="mailto:toby.cowper@west-norfolk.gov.uk">toby.cowper@west-norfolk.gov.uk</a> Direct Dial: 01553 616523		Other Officers consulted: Chief Financial Officer and Management Team		
Financial Implications YES	Policy/Personnel Implications NO	Statutory Implications (incl S.17) YES	Equal Opportunities Implications NO	Risk Management Implications YES

**Date of meeting: 3 November 2015**

## **MID YEAR REVIEW TREASURY REPORT 2015/2016**

### **Summary**

The Council has formally adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (2011) and remains fully compliant with its requirements.

One of the primary requirements of the Code is:

Receipt by Council of an annual strategy report (including the annual investment strategy report) for the year ahead, a mid year review report and an annual review report of the previous year.

The Mid -Year Review Report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:

- A review of the Treasury Management Strategy Statement and Annual Investment Strategy 2015/2016
- The Council's capital expenditure (prudential indicators)
- A review of the Council's investment portfolio for 2015/2016
- A review of the Council's borrowing portfolio and debt rescheduling for 2015/2016
- An economic update for the first six months of 2015/2016 – Appendix 2

### **Recommendations**

Cabinet is asked to note the report and the treasury activity.

### **Reason for the Decision**

The Council must make a Mid -Year Review of its Treasury operation, as part of the CIPFA code of Practice.

## **1. Background**

- 1.1 The Council operates a balanced budget, which broadly means cash raised during the year and the use of reserves and balances will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return.
- 1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses and investing, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.3 As a consequence treasury management is defined as:

“The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

## **2. Summary of Key Points**

- The Treasury Management Strategy Statement is still fit for purpose.
- The Council is in compliance with its Prudential Indicators.
- Interest rates are predicted to rise by ¼ of a percent in March 2016.
- The Council held £30.80m of investments as at 30 September 2015.
- The average rate of return on investments is 1.03% as at September 2015
- The Council held £13.3m of external debt as at 30 September 2015.
- The Council is paying an average rate of 3.38% on its external debt.
- During the first six months of the year, no debt rescheduling was undertaken.
- Council officers are continuing to investigate alternative options for investment where opportunities become available as an alternative to traditional investments. To date none of these investments have been taken up.

### 3. Introduction

- 3.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011 as adopted by this Council in April 2013.

The primary requirements of the Code are as follows:

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

### 4. Treasury Management Strategy Statement and Annual Investment Strategy update

- 4.1 The Treasury Management Strategy Statement (TMSS) for 2015/2016 was approved by this Council on 3 March 2015. The Council's Annual Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as follows:
1. Security of capital
  2. Liquidity requirements
  3. Return on capital invested
- 4.2 In the current economic climate it is considered appropriate to only invest with highly credit rated financial institutions, using Capita Asset Services suggested creditworthiness approach, including sovereign credit rating and credit default swap (CDS) overlay information provided by Capita Asset Services. This is as detailed in the Treasury Management Strategy Statement approved on 3 March 2015.

#### 4.3 Investment Counterparty Criteria

The current investment counterparty criteria approved in the Treasury Management Strategy Statement 2015/2016 is meeting the operational requirement of the treasury management function.

4.4 Investment and Borrowing during the first six months of the year has been in line with the strategy, and there have been no deviations from the strategy.

4.5 Council officers are continuing to investigate alternative options for investment where opportunities become available as an alternative to traditional investments. To date none of these investments have been taken up.

4.6 There is still considerable uncertainty in the financial and banking market, both globally and in the UK. In this context, it is considered that the strategy approved on 3 March 2015 is still fit for purpose in the current economic climate.

4.7 Royal Bank of Scotland - Capita, have advised that the Council should limit investments to a period of up to 1 year with RBS, This should remain in place until a firm timetable for privatisation of the bank has been established.

### 5. The Council's Capital Position and Associated Prudential Indicators

#### 5.1 Prudential Indicator for Capital Expenditure

The capital programme approved by Council on 3 February 2015 was updated for rephrasing and amendments as part of the closedown of the accounts 2014/2015. The updated estimates were approved by Council on 10 June 2015 and are shown in the table below. The capital programme 2015/2016 has been revised as reported in the Monthly Monitoring reports.

<b>Service Head</b>	<b>Capital Programme 2015/2016 (Council 3 February 2015)</b>	<b>Revised Capital Programme 2015/2016 (Council 10 June 2015)</b>	<b>Expenditure as at 30 September 2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Major Projects	11,094	19,495	4,269
Central and Community Services	1,849	2,001	420
Chief Executive	120	130	(5)
Commercial Services	2,033	3,226	610
Environment and Planning	43	43	0
Resources	745	0	0
<b>Total Capital Programme</b>	<b>15,884</b>	<b>24,896</b>	<b>5,293</b>

## 5.2 Changes to the Financing of the Capital Programme

The table below shows the expected financing arrangements of the capital expenditure detailed above. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR).

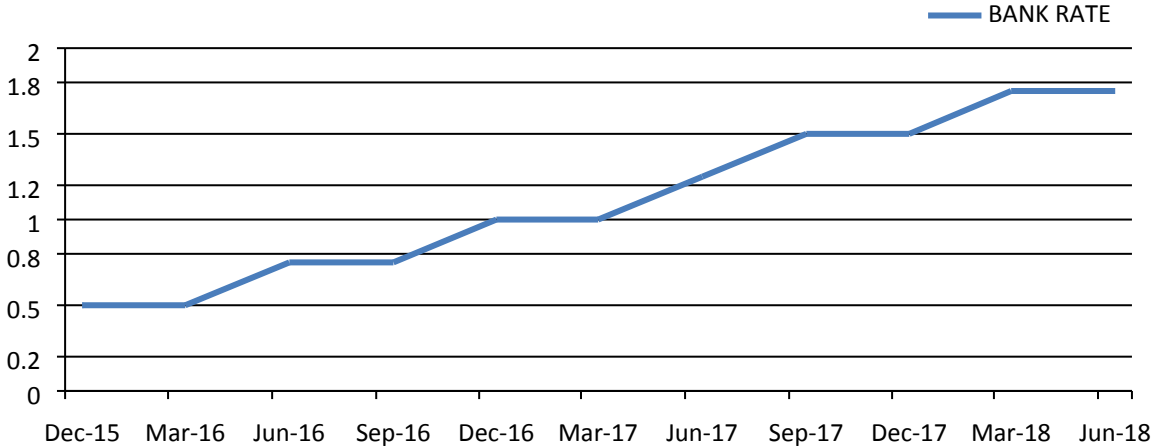
<b>Capital Expenditure Financed by</b>	<b>Capital Programme 2015/2016 (Council 3 February 2015)</b>	<b>Revised Capital Programme 2015/2016 (Council 10 June 2015)</b>
	<b>£'000</b>	<b>£'000</b>
<b>Total spend</b>	<b>15,884</b>	<b>24,896</b>
Financed by:		
Capital receipts	(9,903)	(2,428)
Capital grants and Contributions	(759)	(1,222)
Unsupported Borrowing	(902)	(1,387)
Capital reserves	(1,395)	(5,941)
<b>Total resource</b>	<b>(12,959)</b>	<b>(10,978)</b>
<b>Borrowing need</b>	<b>(2,925)</b>	<b>(13,918)</b>
<b>Total Financing</b>	<b>(15,884)</b>	<b>( 24,896)</b>

## 5.3 Prudential Indicator – Capital Financing Requirement

Capital Financing Requirement is defined as the underlying need to incur borrowing for capital purposes. The table below compares the original estimated CFR for year end 2015/2016 with the position as at year end 2014/2015.

	<b>2015/2016 Original Estimate £m</b>	<b>Position as at 31/3/2015 £m</b>	<b>2015/2016 Revised Estimate £m</b>
CFR	22.3	18.6	22.3

**6. Capita Asset Services interest rate forecast as at August 2015**

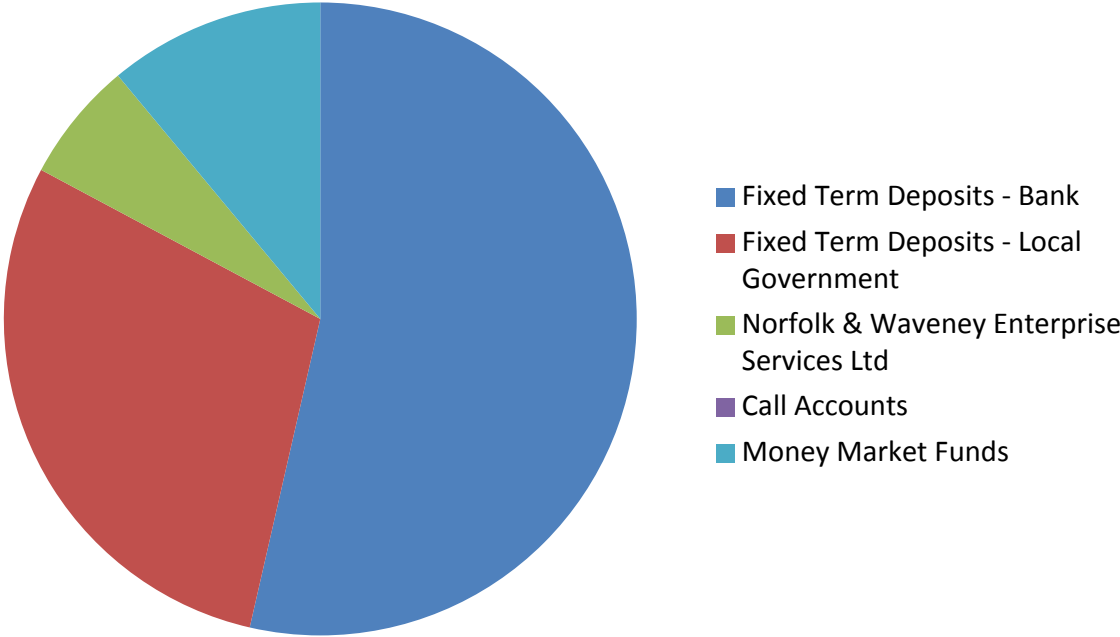


Please see 'Appendix 2' for the full Capita Asset Services economic forecast.

**7. Investment Portfolio 2015/2016**

**7.1 Investment Portfolio as at 30 September 2015**

**Investment Portfolio as at 30 September 2015**



Institution	Principal	Start Date	End Date	Rate %	Ratings
Bank of Scotland	2,000,000	01/12/2014	02/12/2015	1.05	A+
Bank of Scotland	3,000,000	03/12/2014	04/12/2015	1.05	A+
Bank of Scotland	2,000,000	13/04/2015	13/04/2016	1.00	A+
Glasgow City Council	3,000,000	12/11/2013	12/11/2015	0.95	AAA
Cheshire West and Chester Council	2,000,000	20/01/2014	20/01/2016	1.10	AAA
Goldman Sachs International Bank	2,000,000	01/09/2015	04/01/2016	0.59	A
Norfolk & Waveney Enterprise Services Ltd	500,000	27/03/2014		1.80	N/A
Norfolk & Waveney Enterprise Services Ltd	274,275	27/03/2015		1.80	N/A
Norfolk & Waveney Enterprise Services Ltd	339,864	29/06/2015		1.80	N/A
Norfolk & Waveney Enterprise Services Ltd	539,865	04/09/2015		1.80	N/A
Norfolk & Waveney Enterprise Services Ltd	240,616	18/09/2015		1.80	N/A
Wyre Forest District Council	2,000,000	14/07/2014	14/07/2016	0.95	AAA
King & Shaxson - RBS	2,000,000	28/08/2014	30/08/2016	1.68	BBB+
King & Shaxson – RBS	2,500,000	22/05/2015	22/05/2017	1.33	BBB+
Newcastle City Council	2,000,000	04/08/2014	04/08/2016	1.00	AAA
Qatar Bank	3,000,000	01/06/2015	01/06/2016	0.88	AA-
BNP Parabis	3,400,000	04/08/2015		0.50	A+
<b>Total</b>	<b>30,794,620</b>			<b>1.03</b>	

7.2 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. Given the current economic environment investment returns are likely to remain low for the foreseeable future.

7.3 The Council held **£30.80m** of investments (including temporary cashflow) as at 30 September 2015 (£26.63m at 31 March 2015) and the investment portfolio yield for the first six months of the year is **1.03%** against a benchmark 0.36% (7 day LIBID – London Interbank Bid Rate).

#### 7.4 Investment Benchmarking

The Council is currently a member of an investment benchmarking group, with other local councils, arranged by our Treasury advisors, Capita Treasury. In the latest benchmarking report for the first quarter of 2015/2016, the Council achieved the highest return with **0.93%**, and has now increased this average return to **1.03%** September 2015. See Appendix 3.

7.5 The Council's budgeted investment return for 2015/2016 is **£224,000** and the projected performance for the year is **£288,000** which is above expectations. This is as reported in the September monitoring report.

7.6 The Assistant Director confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2015/2016.

## 8. External Borrowing 2015/2016

### 8.1 Borrowing Portfolio as at 30 September 2015

Institution	Principal	Start Date	End Date	Rate
Suffolk County Council Local Enterprise Partnership (LEP)	2,500,000	27/03/2014	30/11/2018	1.80%
Barclays	5,000,000	22/03/2007	21/03/2077	3.81%
Barclays	5,000,000	12/04/2007	14/04/2077	3.81%
Public Works Loan Board	800,000	15/09/2009	14/09/2019	2.92%
<b>Total</b>	<b>13,300,000</b>			<b>3.38%</b>

8.2 The Council's capital financing requirement (CFR) for 2015/2016 is estimated to be £22.3m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The use of cash flow funds in lieu of borrowing is a prudent and cost effective approach in the current economic climate given the low rates of return on investments.

8.3 The Council's budgeted borrowing cost for 2015/2016 is **£465,000** and the projected performance for the year is **£455,000** which is below expectations. This is as reported in the September monitoring report.

8.4 During the first six months of the year, no debt rescheduling was undertaken.

### 8.5 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Net external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2015/16 and the next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent. The Assistant Director reports that no difficulties are envisaged for the current year in complying with this prudential indicator as detailed in the table below.



	<b>2015/2016 Original Estimate</b>	<b>Current Position 30 September 2015</b>	<b>2015/2016 Revised Estimate</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
Gross borrowing	24,867	13,300	24,867
Less investments	(22,280)	(30,795)	(22,280)
<b>Net borrowing</b>	<b>2,593</b>	<b>(17,495)</b>	<b>2,593</b>
CFR (year end position)	22,274	-	22,274

#### 8.6 Prudential Indicator – External Debt / the Operational Boundary

Section 3 of the Local Government Act 2003 requires the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the “Affordable Borrowing Limit”. The Limit is in fact two sets of figures:

- The Authorised Limit represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members.
- The Operational Boundary for External Debt is a working practice limit that is set lower than the Authorised Limit. In effect the authorised limit includes a degree of contingency in case of circumstances arising that take the limit above the operational limit.

	<b>2015/2016 Original Estimate £m</b>	<b>Position as at 31/3/2015 £m</b>	<b>2015/2016 Revised Estimate £m</b>
Authorised Limit for external debt	35.0	35.0	35.0
Operational Boundary for external debt	30.0	30.0	30.0
Borrowing	24.9	13.3	24.9

## **9. Compliance with Treasury and Prudential Limits**

- 9.1 It is a statutory duty for the Council to determine and keep under review the “Affordable Borrowing Limits”. Council’s approved Treasury and Prudential Indicators (affordability limits) are outlined in the approved Treasury Management Strategy Statement.

- 9.2 During the financial year to date the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators are shown in Appendix 1.

## **10. Financial Implications**

- 10.1 The financial implications of the borrowing and investment strategy are reflected in the financing adjustment figure included in the Financial Plan 2014/2018 approved at Cabinet on 26 February 2015 and updated as reported in the Budget Monitoring report.

## **11. Risk Management Implications**

- 11.1 There are elements of risk in dealing with the treasury management function although the production and monitoring of such controls as prudential indicators and the treasury management strategy help to reduce the exposure of the Council to the market. The costs and returns on borrowing and investment are in themselves a reflection of risk as seen by the market forces.

## **12. Policy Implications**

- 12.1 There are no changes in the Treasury Management policy at present.

## **13. Statutory Considerations**

- 13.1 The Council must set prudential indicators and adopt a Treasury Management Strategy and Annual Investment Strategy.

## **14. Access to Information**

The Budget 2014/2018 – A Financial Plan  
Capital Programme 2014/2018  
Treasury Management Strategy and Annual Investment Strategy 2015  
Budget Monitoring reports 2015/2016  
Capita Asset Services Monthly Investment Analysis Review  
Investment Portfolio Benchmarking Analysis June 2015  
Treasury Monthly Monitoring Reports

## Revised Prudential and Treasury Indicators

<b>PRUDENTIAL INDICATOR</b>	<b>2015/2016 revised estimate</b>	<b>2016/17 estimate</b>	<b>2017/18 estimate</b>
<b>BUDGET RELATED PRUDENTIAL INDICATORS</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Capital Expenditure</b> Approved at Cabinet 10 June 2015	15,884	3,447	4,588
<b>Ratio of financing costs to net revenue stream</b> (Equals net treasury cost ie cost of borrowing less the income from investments divided by the total of Government grant and total council tax).	3.82%	3.67%	4.28%
<b>Increase/(decrease) in Borrowing required each year</b>	2,925	712	587
<b>Capital Financing Requirement (CFR) as at 31 March</b> this reflects the Council's underlying need to borrow for capital purposes	£22,300	£14,722	14,309

<b>PRUDENTIAL INDICATOR</b>	<b>2015/2016 estimate</b>	<b>2016/17 estimate</b>	<b>2017/18 estimate</b>
<b>TREASURY MANAGEMENT PRUDENTIAL INDICATORS</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Authorised Limit for external debt</b>	35,000	40,000	40,000
<b>Operational Boundary for external debt</b>	30,000	35,000	35,000

	<b>2015/2016</b>	<b>2016/17</b>	<b>2017/18</b>
<b>Interest rate Exposures</b>			
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
<b>Limits on fixed interest rates based on net debt</b>	35,000	40,000	40,000
<b>Limits on variable interest rates based on net debt</b>	25,000	30,000	30,000

<b>Maturity Structure of fixed interest rate borrowing</b>			
	<b>Lower</b>	<b>Upper</b>	<b>Portfolio Position as at 30 September 2015</b>
<b>Under 12 months</b>	0%	100%	0%
<b>12 months to 2 years</b>	0%	100%	0%
<b>2 years to 5 years</b>	0%	100%	24.8%
<b>5 years to 10 years</b>	0%	100%	0%
<b>10 years and above</b>	0%	100%	75.2%

### Economic update – Provided by Capita Asset Services as at September 2015

#### 3.1 Economic performance to date and outlook:

UK GDP (Gross Domestic Product) growth of 3.0% in 2014 was the strongest growth since 2006. However, quarter 1 of 2015 was weak at +0.4% though there has been a rebound in quarter 2 to +0.7%. The Bank of England is forecasting growth to remain around 2.4 – 2.8% over the next three years. The most recent forward looking surveys in August for the services and manufacturing sectors showed a marked slow down in the rate of growth; this is not too surprising given the appreciation of Sterling against the Euro and weak growth in the EU, China and emerging markets creating headwinds for UK exporters. For this recovery to become more balanced and sustainable in the longer term, the recovery still needs to move away from dependence on consumer expenditure and the housing market to manufacturing and investment expenditure. This overall strong growth has resulted in unemployment falling quickly over the last few years although it has now ticked up recently after the Chancellor announced in July significant increases planned in the minimum (living) wage over the course of this Parliament.

3.2 The MPC (Monetary Policy Committee) has been particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of inflation in order to ensure that the recovery will be sustainable. It has therefore been encouraging in 2015 to see wage inflation rising significantly above CPI (consumer price index) inflation which slipped back to zero in June and August. However, with the price of oil taking a fresh downward direction and Iran expected to soon rejoin the world oil market after the impending lifting of sanctions, there could be several more months of low inflation still to come, especially as world commodity prices have generally been depressed by the Chinese economic downturn. If UK labour productivity also improves significantly, this could also keep inflation subdued in the UK. The August Bank of England Inflation Report forecast was notably subdued with inflation barely getting back up to the 2% target within the 2-3 year time horizon.

3.3 There are therefore considerable risks around whether inflation will rise as strongly as previously expected which will make it more difficult for the central banks of both the US and the UK to raise rates as soon as had been expected, especially given the recent major concerns around the slowdown in Chinese growth, the knock on impact on emerging countries from falling oil and commodity prices, and the volatility we have seen in equity and bond markets in 2015 so far, which could potentially spill over to impact the real economies rather than just financial markets. On the other hand, there are also concerns around the fact that the central banks of the UK and US have few monetary policy options left to them given that central rates are near to zero and huge QE(Quantitative Easing) is already in place. There are therefore arguments that they need to raise rates sooner, rather than later, so as to have ammunition to use if there was a sudden second major financial crisis. But it is hardly likely that they would raise rates until they are sure that growth was securely embedded and no inflation was not a significant threat.

- 3.4 The forecast for the first increase in Bank Rate has therefore been pushed back from Q1 to Q2 2016; increases after that will be at a much slower pace and to much lower levels than prevailed before 2008, as increases in Bank Rate will have a much bigger effect on heavily indebted consumers than they did before 2008.
- 3.5 The Government's revised Budget in July eased the pace of cut backs from achieving a budget surplus in 2018/19 to achieving that in 2019/20. Monthly public sector deficit figures have been pointing towards a slight undershoot of the Chancellor's most recent target for 2015/16.

### Capita Asset Services interest rate forecast (August 2015)

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

Capita Asset Services undertook a review of its interest rate forecasts on 11 August. Later in August, fears around the slowdown in China caused major volatility in equities and bonds and sparked a flight from equities into safe havens like gilts and depressed PWLB (public works loans board) rates. However, there is much volatility in rates as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.

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

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

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth turns significantly weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.

- Monetary policy action failing to stimulate sustainable growth and to combat the threat of deflation in western economies, especially the Eurozone and Japan.
- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or the start of Fed. rate increases, causing a flight to safe havens

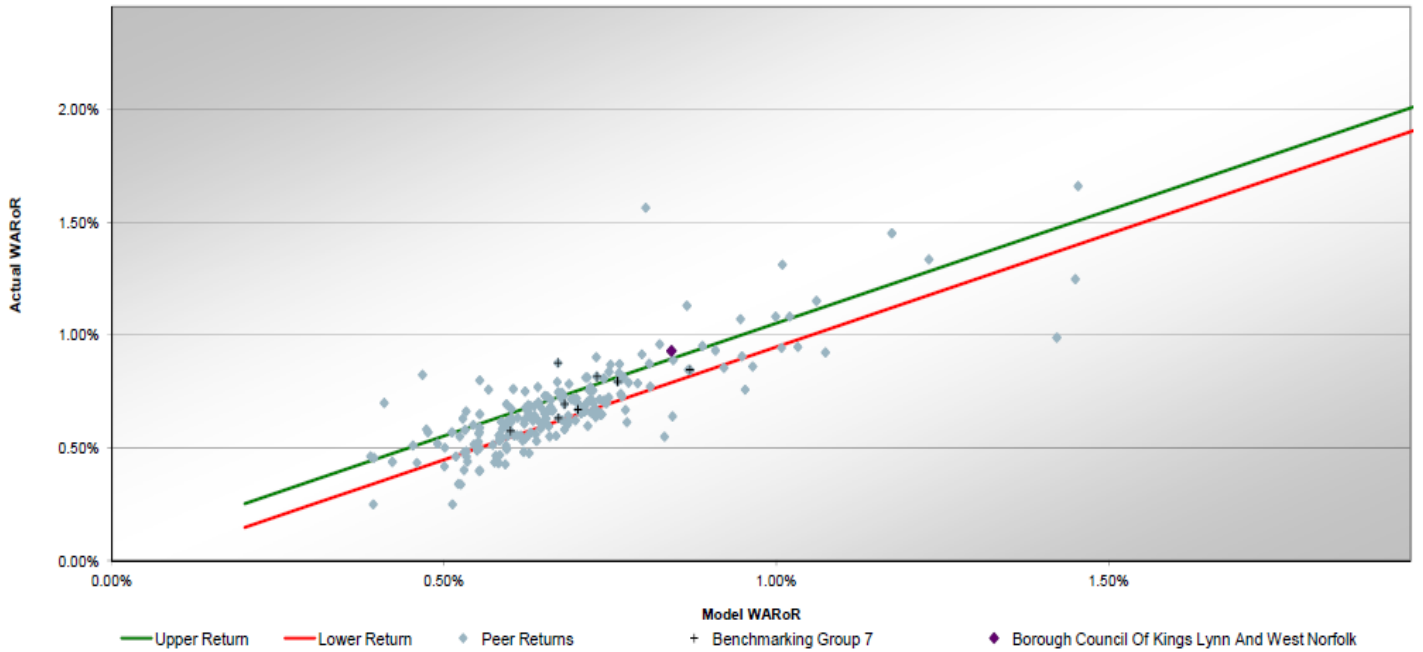
The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- Uncertainty around the risk of a UK exit from the EU.
- The ECB (European Central Bank) severely disappointing financial markets with a programme of asset purchases which proves insufficient to significantly stimulate growth in the EZ (Eurozone).
- The commencement by the US Federal Reserve of increases in the Fed. funds rate in 2015, 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.



## Appendix 3

### Population Returns against Model Returns



	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
Borough Council Of Kings Lynn And West Norfolk	0.93%	0.84%	0.09%	0.79%	0.89%	Above

### Returns Comparable Against the Risk-Free Rate and LIBOR Curve

