BARNSLEY METROPOLITAN BOROUGH COUNCIL

This matter is not a Key Decision within the Council's definition and has not been included in the relevant Forward Plan

Report of the Executive Director, Core Services and Service Director, Finance (S151 Officer)

TREASURY MANAGEMENT ACTIVITIES AND LEASING REVIEW - QUARTER ENDED SEPTEMBER 2018

1. Purpose of Report

1.1 This document reviews the Council's treasury management and leasing activities during the second quarter of 2018/19, in accordance with the CIPFA Treasury Management Code and CIPFA Prudential Code.

1.2 In broad terms it covers the following:

- The agreed Treasury Management Strategy for 2018/19;
- Economic summary;
- The Council's borrowing and leasing activity;
- The Council's investment activity, and
- Prudential and Treasury Indicators for 2018/19.

2. Recommendations

2.1 It is recommended that Cabinet:

- **Note the treasury management and leasing activities carried out during the second quarter;**
- **Note the Prudential and Treasury Indicators set out in Appendix 2, and**
- **Recommend the Revised 2018/19 Investment Limits to Full Council for approval, as set out in the table at paragraph 6.7.**

3. The Agreed Strategy for 2018/19

3.1 The Treasury Management Strategy identifies the key risks associated with the Council's borrowing, investment and leasing activities and sets out how those risks will be managed.

3.2 The focus of the borrowing strategy is to actively reduce the Council's exposure to interest rate and refinancing risk, whilst being mindful of the impact on its capital financing costs.

3.3 The investment strategy is to prioritise security (keeping investment balances to a minimum in order to reduce counterparty risk) and liquidity (ensuring cash is available when required) before pursuing higher returns.

3.4 Officers are proposing to amend the investment strategy to facilitate the additional borrowing planned for this financial year (paragraph 6.4 refers).

4. Economic Summary

Highlights (see Appendix 1 for more details):

- *In August the UK base rate was raised from 0.5% to 0.75%;*
- *The Bank of England have affirmed that any further interest rate rises should be gradual and limited, suggesting two rate hikes in the next three years;*
- *Our advisors (Link Asset Services) believe that rates may rise more quickly, suggesting three rate hikes by the end of 2020/21;*
- *Interest rates are becoming increasingly volatile as a result of Brexit and political uncertainty.*

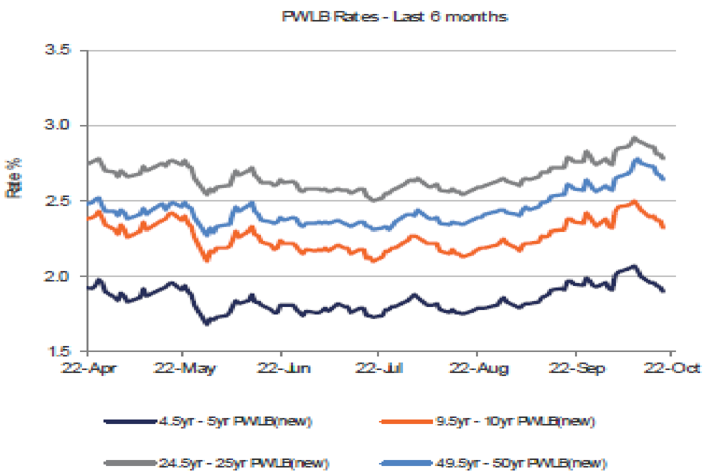
4.1 In August the UK base rate (determined by the Bank of England's Monetary Policy Committee) was raised from 0.5% to 0.75%, in a bid to reduce inflation. This followed a pick-up in wage growth and consumer price inflation from the first quarter.

4.2 The Bank of England have affirmed that any further interest rate rises should be gradual and limited, suggesting two rate hikes (in the next three years) may be sufficient to hit the Government's 2% inflation target.

4.3 Our advisors (Link Asset Services) believe that rates may rise more quickly, suggesting three rate hikes by the end of 2020/21. There is some indication that the next rise could happen as early as February 2019.

4.4 Much of this is dependent on the outcome of Brexit which is very unclear. Adding to this uncertainty is the mention of another general election in the next 12 months. As a result, interest rates are becoming increasingly volatile which makes them very difficult to forecast going forwards (see appendix 1 for more details).

4.5 The following chart shows how borrowing rates have changed over the past 6 months, which highlights the volatility mentioned above:



5. Borrowing and Leasing Activity

Highlights:

- *No new borrowing was undertaken during the quarter, however the Council has since borrowed £70M bringing the total to date for 2018/19 to £110M;*
- *By the end of 2018/19, the Council's Capital Financing Requirement (CFR) is expected to reach £961M (a net increase in year of £12M);*
- *In the same period, the Council's under-borrowed position is expected to fall to £90M (down £71M from the estimated position);*
- *Based on current reserves assumptions, the Council may be required to borrow up to £237M over the next 3 years;*
- *Plans are being put in place to fix out around 50% of this over the coming months.*

Movement on Gross Debt

5.1 The table below shows the movement on gross debt during the quarter. The net decrease of £1M relates to PWLB principal repaid around the end of August.

Source	Balance on 01/07/2018 (£M)	New Debt (£M)	Debt Repaid (£M)	Balance on 30/09/2018 (£M)	Net Increase / (Decrease) (£M)
PWLB Borrowing	449.679	-	(1.262)	448.417	(1.262)
Other Long Term Loans*	63.000	-	-	63.000	-
Temporary Borrowing	36.003	-	-	36.003	-
Long Term LA Loans	31.598	-	-	31.598	-
Total Borrowing	**580.280**	**-**	**(1.262)**	**579.018**	**(1.262)**
Other Long Term Liabilities	222.587	-	-	222.587	-
Total Debt	**802.867**	**-**	**(1.262)**	**801.605**	**(1.262)**

** Excludes deferred loans of £40M yet to be drawn down*

5.2 No new borrowing was undertaken during the quarter, however the Council has since borrowed £70M from the PWLB, bringing the total to date for 2018/19 to £110M (see table below for details):

Date	Loan Type	Principal (£M)	Interest Rate (%)	Term (Y)
31/05/2018	PWLB	10	2.25	50
19/06/2018	PWLB	10	2.32	49
26/06/2018	Deferred Loan	20	2.65	28.5
01/10/2018	PWLB	20	2.56	50
16/10/2018	PWLB	20	2.79	48
16/10/2018	PWLB	10	2.75	48
19/10/2018	PWLB	10	2.68	47
25/10/2018	PWLB	10	2.62	45
Total		**110**	**2.60 (avg)**	**44.7 (avg)**

Movement on the Capital Financing Requirement (CFR)

5.3 The CFR reflects the Council's underlying need to borrow - to finance capital investment - and is a measure of the Council's total outstanding indebtedness. This figure is influenced by the level of in-year capital investment (which isn't funded through the Council's own resources) and the resources set aside to repay debt (such as the minimum revenue provision). The Council monitors its CFR in relation to gross debt to determine the extent to which it is under (or over) borrowed.

5.4 The table below outlines the movement in CFR expected during 2018/19 and how this compares to the agreed strategy. The £6M variance primarily relates to slippage / re-phasing within the approved capital programme:

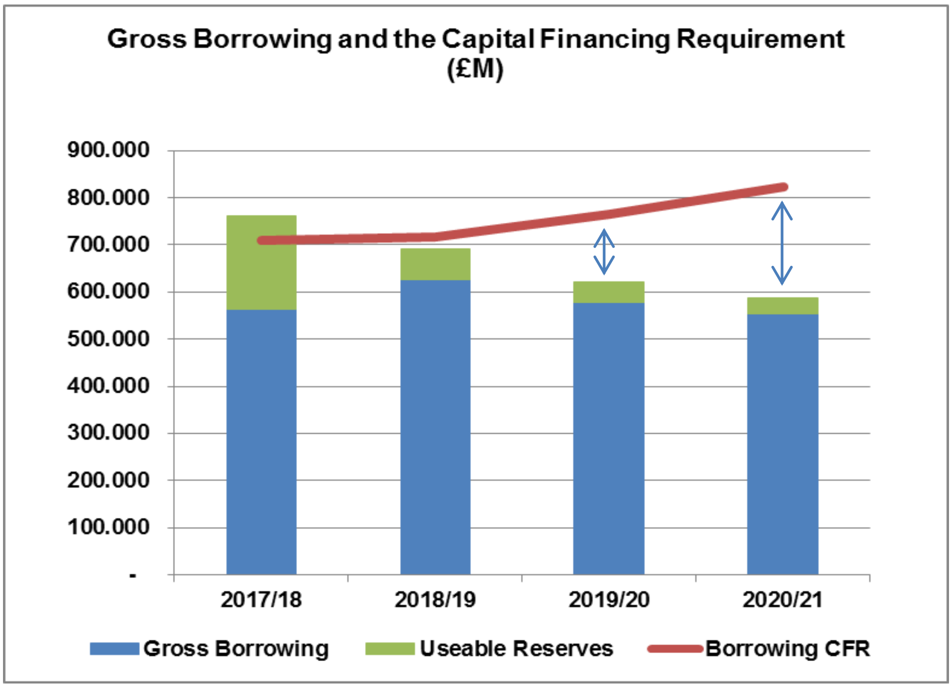
	2018/19 Strategy (£M)	**2018/19 Latest (£M)**	**Variance (£M)**
Opening CFR	**945.549**	**949.904**	**4.355**
Increase from in-year capital investment	32.192	20.141	(12.051)
Amounts set aside to repay debt	(10.465)	(8.580)	1.885
Net Movement in CFR	**21.727**	**11.561**	**(10.166)**
Closing CFR	**967.276**	**961.465**	**(5.811)**
General Fund	701.237	693.649	(7.588)
HRA	266.039	267.816	1.777

5.5 The following table shows the expected under-borrowed position at the end of the year and how this compares to the agreed strategy. The £71M variance is a combination of slippage / re-phasing within the approved capital programme, additional resources set aside to repay debt and the long term borrowing secured since January 2018:

	2018/19 Strategy (£M)	**2018/19 Latest (£M)**	**Variance (£M)**
Closing CFR (From Table Above)	967.276	961.465	(5.811)
Less PFI Schemes / Finance Leases	(236.348)	(244.450)	(8.102)
Borrowing CFR	**730.928**	**717.015**	**(13.913)**
Gross Borrowing	(569.813)	(626.814)	(57.001)
Under / (Over) Borrowed Position	**161.115**	**90.201**	**(70.914)**
General Fund	152.134	79.443	(72.691)
HRA	8.981	10.758	1.777

Future Outlook

5.6 The chart overleaf shows the expected movements on gross borrowing and useable reserves over the next 3 years, compared to the borrowing CFR. As the chart illustrates, the Council was significantly under-borrowed in 2017/18, however this position was supported by useable reserves which will ultimately need replacing as they are utilised:



5.7 Based on current projections, the Council may be required to borrow up to £237M over the next 3 years, which is a combination of planned capital investment (to be funded from borrowing), maturing loans and use of reserves. A breakdown of which is provided below:

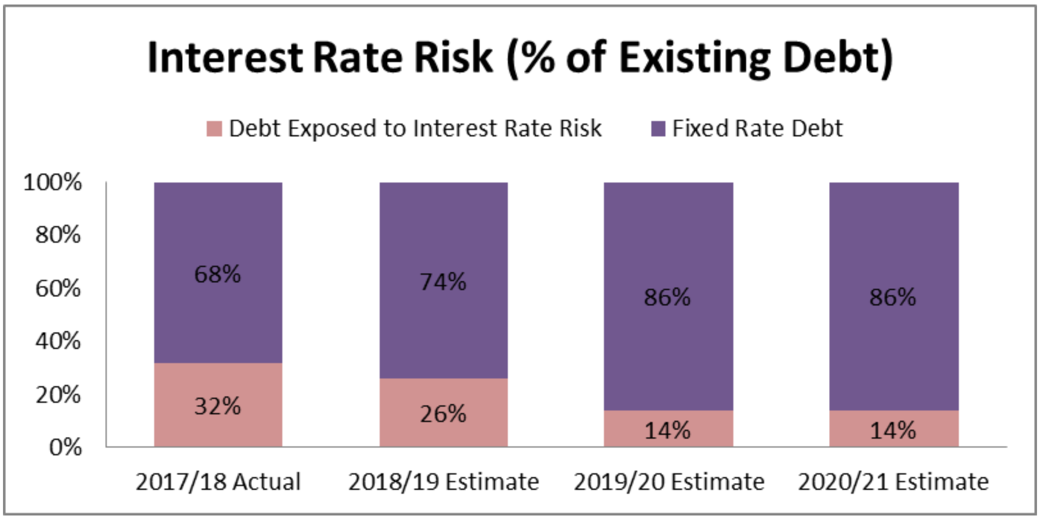
	2017/18 Actual (£M)	**2018/19 Estimate (£M)**	**2019/20 Estimate (£M)**	**2020/21 Estimate (£M)**
Borrowing CFR	710.250	717.015	764.140	823.673
Gross Borrowing	(563.213)	(626.814)	(578.481)	(552.580)
Under / (Over) Borrowed Position	**147.037**	**90.201**	**185.659**	**271.093**
Useable Reserves*	(147.037)	(64.300)	(43.372)	(34.289)
External Borrowing Requirement	**-**	**25.901**	**142.287**	**236.804**

** Represents the useable reserves supporting the Council's under-borrowed position*

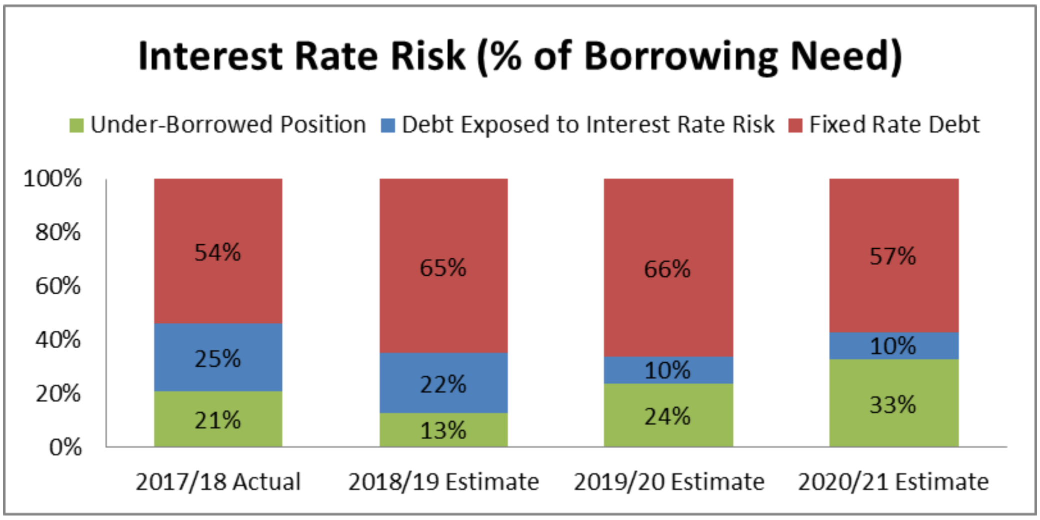
	Estimate (£M)
Planned Capital Investment	113.423
Maturing Loans	140.633
New Loans	(130.000)
Use of Reserves	112.748
External Borrowing Requirement	**236.804**

5.8 This table excludes loans with an uncertain maturity date (for instance the Council's LOBOs) which amount to £67M. If interest rates were to increase suddenly, replacing this debt would come at an additional cost, although the likelihood of these loans being recalled is considered to be fairly low.

5.9 The chart below expresses the Council's interest rate risk exposure as a % of its existing debt (excluding PFI / lease liabilities), covering variable rate debt from the PWLB, temporary loans from other local authorities and LOBOs, which are all (to some degree) sensitive to movements in interest rates. The Council is already within the target set of 25%; this position is set to improve in 2019/20 as the two variable rate PWLB loans mature:



5.10 The chart below expresses the Council's interest rate risk exposure as a % of its overall borrowing need (excluding PFI / lease liabilities). In addition to existing debt, this covers any unfinanced expenditure which the Council will need to borrow for in future (i.e. its under-borrowed position). Whilst the Council is currently within the 35% target set in the 2018/19 strategy, this position is set to deteriorate as its borrowing CFR increases:



5.11 Plans are being put in place to fix out around 50% of the Council's external borrowing requirement over the coming months. This would reduce the Council's interest rate risk exposure to 12% (based on existing debt) and 28% (based on borrowing need) by 2020/21.

5.12 The Council's borrowing strategy considers several options to address its risk exposure including the following:

- **Fixed-rate borrowing from the PWLB** - whilst rates are still relatively low this continues to be a suitable option for the Council to consider. The Council has borrowed £90M from the PWLB during the year to date at an average rate of 2.60%.
- **Borrowing from the Municipal Bonds Agency (MBA)** - whilst a bond has yet to be issued this remains a potential option for the future. Should this materialise, it could allow the Council to access cheaper funding than the PWLB (£10M initially), although an investor has yet to be identified.
- **Further deferred loans** - these allow the Council to borrow at a fixed rate - typically 0.15-0.20% above PWLB - and draw down the cash up to 4 years in advance, thus protecting the Council from any sudden interest rate rises whilst reducing cost of carry and counterparty risk. The Council has secured £40M to date and is aware of two other potential lenders which it will continue to explore.
- **Loans from other local authorities** - the Council could look to replace some maturing debt with longer-term loans from other local authorities, which would help to spread refinancing risk.

5.13 Other options being considered in support of the borrowing strategy include:

- **LOBO refinancing** - Officers are investigating a potential opportunity to refinance one of its existing LOBO loans which would increase budget certainty (by removing the call option) without a substantial increase in cost. A similar opportunity was investigated in the past (with another lender) but was discounted at the time, as they did not appear to want to engage in discussions to re-negotiate the deal (despite initially encouraging dialogue).
- **BSF refinancing** – the Council continues to refinance the Building Schools for the Future PFI programme in conjunction with the Local Education Partnership. This has already been completed for phases 1 and 2 and it is proposed to complete the final outstanding phase 3 by the end of this financial year. This process will create additional savings for the Council as well as key partners which have already been factored into the Council's MTFS.

6. Investment Activity

Highlights:

- *Investment balances increased by £4M during the quarter (compared to £33M during Q1);*
- *Officers continued to prioritise security and liquidity in line with the approved strategy;*
- *Officers continued to take advantage of the competitive rates offered by other local authorities.*

Movement on Investments

6.1 The table below shows the movement on investments during the quarter. The net increase of £4M relates to cash received in advance of expenditure.

Source	Balance on 01/07/2018 (£M)	New Investments (£M)	Redeemed Investments (£M)	Balance on 30/09/2018 (£M)	Net Increase / (Decrease) (£M)
Short Term Investments	68.000	73.000	(73.000)	68.000	-
Money Market Funds / Instant Access Accounts	31.950	87.050	(83.500)	35.500	3.550
Total Investments	**99.950**	**160.050**	**(156.500)**	**103.500**	**3.550**

6.2 Officers continued to prioritise security and liquidity in line with the approved strategy. The bulk of transactions remained with Money Market Funds and instant access accounts as officers managed the Council's daily cash position.

6.3 Officers continued to take advantage of the competitive rates offered by other local authorities, which helps to boost returns whilst preserving the capital invested.

Future Investment Strategy

6.4 As referred to in section 5, the Council has recently fixed out a large portion of its external borrowing requirement - specifically to de-risk the Glassworks Development - and plans to reduce this requirement further in light of the increasing interest rate volatility. Cash balances are therefore expected to reach £200M before ultimately being spent on planned capital investment.

6.5 The current strategy is unsuitable for managing this scale of investment; therefore officers are proposing to increase some of the current limits to accommodate this additional borrowing. The Council will continue to invest its funds prudently in line with Government and CIPFA guidance. As such any increase in limits is restricted to the securest products and institutions.

6.6 These changes have been considered in view of several impending policy / regulatory changes, namely:-

European Money Market Fund Reform - introduces a number of regulatory changes that will apply to existing funds from January 2019 that will see the Council's existing funds converting to a new structure known as Low Volatility Net Asset Value (LVNAV). These aren't currently part of the 2018/19 strategy however our treasury advisors have indicated that the changes will give councils added protection. As such it is recommended that the Council approves changes to the strategy to allow LVNAV funds with immediate effect).

IFRS9 Financial Instruments - introduces a number of accounting changes that came into effect from 2018/19. These changes could mean that any investment losses from revaluations will need to be recognised in the Council's general fund.

6.7 In consideration of the above, the following counterparty limits are recommended for approval:

	PROPOSED LIMITS		PREVIOUS LIMITS	
	Amount	**Duration**	**Amount**	**Duration**
UK Government	Unlimited	5 years	Unlimited	5 years
Barclays Bank PLC *(the Council's own banker)*	£10m	Liquid	£10m	Liquid
Banks *(with a credit score* of 4 or less)*	£20m single £20m group	1 year	£10m single £15m group	2 years
Banks *(with a credit score of 5)*	£10m single £15m group	6 months	£10m single £15m group	6 months
Banks *(with a credit score of 6)*	£10m single £15m group	100 days	£10m single £15m group	100 days
Building Societies *(with a credit score of 4 or less)*	£10m	6 months	£5m	6 months
Building Societies *(with a credit score of 5)*	£5m	6 months	£5m	6 months
Building Societies *(with a credit score of 6)*	£5m	100 days	£5m	100 days
Local Authorities	£20m	2 years	£10m	1 year
Money Market Funds (CNAV)	£20m	Liquid	£10m	Liquid
Money Market Funds (LVNAV)	£10m	Liquid	Excluded	Excluded

** Each institution is assigned a credit score of 1-7 (by the Council's treasury advisors) according to their credit rating and other related factors - 1 being the strongest score and 7 being the weakest. The stronger the score the longer the suggested duration.*

6.8 Officers are also proposing to increase the limit on investments in foreign countries from £15M to £50M, since all qualifying countries have a sovereign credit rating of AA- or above. In contrast the UK government is rated AA.

7. Performance Measurement / Compliance with Prudential and Treasury Limits

7.1 The Council's Capital Financing budget is expected to underspend by around £1.5M in year through postponing borrowing and taking advantage of low cost temporary loans. However the Authority is beginning to fix out its borrowing in light of the anticipated interest rate rises, therefore these savings are one-off in nature.

7.2 During the quarter, the Council has operated within the prudential and treasury indicators set out in the agreed strategy and in compliance with its Management Practices (see Appendix 2 for more details).

8. Background Papers

- Treasury Management Strategy and Policy Statement (Cab.7.2.2018/7)

APPENDIX 1 - ECONOMIC COMMENTARY FROM LINK ASSET SERVICES

Our treasury management advisers, Link Asset Services provided us on 6th August with the following update to their interest rate forecasts:

Quarterly Inflation Report and Monetary Policy Committee (MPC) meeting 2 August

- ***Our previous forecast was for a first Bank Rate increase to 0.75% in November 2018***
- ***This first increase has now happened on 2 August***
- ***The sharp downturn in GDP growth in quarter 1 this year has probably turned out to be only a temporary dip due to bad weather, rather than a possible trend***
- ***The MPC was more hawkish than expected***

The flow of generally positive economic statistics since the end of the first quarter this year has meant that the MPC had no further reason to sit on its hands and they accordingly pressed the button last week for the first increase in Bank Rate above 0.5% since the financial crash. However, they emphasised again that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time but they declined to give a medium term forecast.

Overall, the MPC was more hawkish than expected, i.e. this indicates a faster pace of increases than previously expected: -

- The MPC vote was 9-0, not 7-2 as expected.
- GDP growth forecast for 2019 was upped from 1.7% to 1.8%; (2018 and 2020 unchanged).
- The MPC believe the economy will be operating at a small amount of excess demand in 2020, (previously 2021). This is likely to generate an increase in home grown inflationary pressures, (as opposed to imported inflation due to a one off fall in the value of sterling).
- The unemployment rate is expected to fall to 3.9% (equilibrium rate forecast to be 4.25%). N.B. the percentage of the population in employment is also at record highs.
- In addition, the MPC expressed concern at how weak productivity increases have been in recent years and this may lead to a build-up of wage inflation pressures as a result.
- CPI inflation now forecast to be *above* 2% target in 2 years' time, albeit only @ 2.09%.
- Governor Carney commented that monetary policy would "need to walk, not run, to stand still", i.e. pressures in the economy are expected to build and the MPC will need to take action to keep pace.

LINK ASSET SERVICES' FORECASTS

Our interest rate forecasts have, therefore, had to move forward our expected first increase in Bank Rate from November to last week. We do not think that the MPC will increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. We also feel that the MPC is more likely to wait until August 2019, than May 2019, before the next increase, to be followed by the next increases in May and November 2020 to reach 1.5%. There is, therefore, no change in our Bank Rate forecasts apart from the inclusion of the rate increase last week.

Financial markets are now expecting the next increase in Bank Rate to be in February 2019 and then only one more in February 2020, therefore ending March 2021 at only 1.25%. The MPC commented that the markets were too cautious with their view of the pace of increases.

As for forecasts of PWLB rates, there is little change apart from some minor advances of the pace of increase.

However, and this is a VERY BIG caveat, the forecasts above by the MPC and ourselves are predicated on an assumption that sufficient progress is made, in respect of negotiations, to produce a reasonable agreement for Brexit that benefits both the EU and the UK in a sensible manner. If no agreement is reached at all, then our forecasts for increases in Bank rate and PWLB rates will be subject to greater change, most likely downwards.

Forecasts for average investment earnings beyond the three year time horizon will be heavily dependent on economic and political developments.

Gilt yields and PWLB rates

The general situation is for volatility in bond yields to endure as investor fears and confidence ebb and flow between favouring relatively more "risky" assets i.e. equities, or the "safe haven" of government bonds. The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently, although there are likely to also be periods of sharp volatility from time to time.

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. While there is normally a high degree of correlation between the bond yields of both countries, we would expect to see an eventual growing decoupling of yields between the two i.e. we would expect US yields to go up faster than UK yields. Over the period since the start of 2017, there has been a strong correlation between increases in treasury, gilt and bund yields for periods longer than 5 years, although the rate of increase in the UK and Germany has been somewhat lower than in the US. We will need to monitor this area and any resulting effect on PWLB rates.

The balance of risks to economic growth and Bank Rate increases

The overall balance of risks to economic growth in the UK is probably neutral. The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

Our forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU, (apart from the departure of the UK), within our forecasting time period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and China / North Korea and Iran, which have a major impact on international trade and world GDP growth. However, the current round of increases in tariff rates sparked by President Trump, both actual and threatened, are causing increasing concern around the potential impact on world growth and also on inflationary pressures, e.g. in the US.

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. Our revised forecasts are based on the Certainty Rate (minus 20 bps) which has been accessible to most authorities since 1st November 2012.

Link Asset Services Interest Rate View											
	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
3 Month LIBID	0.75%	0.80%	0.80%	0.90%	1.10%	1.10%	1.20%	1.40%	1.50%	1.60%	1.60%
6 Month LIBID	0.85%	0.90%	0.90%	1.00%	1.20%	1.20%	1.30%	1.50%	1.60%	1.70%	1.70%
12 Month LIBID	1.00%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%	1.60%	1.70%	1.80%	1.80%
5yr PWLB Rate	2.00%	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
10yr PWLB Rate	2.40%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%

BANK RATE	now	previously
Q1 2019	0.75%	0.75%
Q1 2020	1.00%	1.00%
Q1 2021	1.50%	1.50%

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

PWLB debt	Current borrowing rate as at 6.8.18	Target borrowing rate now (end of Q3 2018)	Target borrowing rate previous (end of Q3 2018)
5 year	1.81%	2.00%	2.00%
10 year	2.22%	2.40%	2.40%
25 year	2.60%	2.80%	2.80%
50 year	2.39%	2.60%	2.50%

Borrowing advice: although rates have risen from their low points, particularly in periods up to 10 years, longer term rates are still historically low and borrowing should be considered if appropriate to your strategy. We still see value in the 40 years to 50 years range, but note the curve has flattened considerably from 10 years out. Value, however, in the 40-50 years part of the curve may be negated if Bank Rate does not climb to at least 2.5% over the medium term. 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 rise to only 1.50% by December 2020.

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
2018/19	0.75%	0.75%
2019/20	1.00%	1.00%
2020/21	1.50%	1.25%
2021/22	1.75%	1.50%
2022/23	1.75%	1.75%
2023/24	2.00%	2.00%
Later years	2.75%	2.75%

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 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.

APPENDIX 2 - PRUDENTIAL AND TREASURY INDICATORS AS AT 30/09/2018

Prudential Indicators	Limit for 2018/19 (£M)	Quarter 2 Actual (£M)	Compliance with Indicator?
Average Debt to Operational Boundary	967.276	802.142	Yes
Maximum Debt to Authorised Limit	997.276	802.866	Yes
Capital Financing Requirement to HRA Debt Cap	301.000	277.096	Yes

Maturity structure of GF borrowing	Lower Limit (%)	Upper Limit (%)	Quarter 2 Actual (£M)	Quarter 2 Actual (%)	Compliance with Indicator?
Under 12 months	0	50	38.768	12	Yes
12 months to 2 years	0	25	48.742	15	Yes
2 years to 5 years	0	25	41.683	13	Yes
5 years to 10 years	0	25	14.202	5	Yes
10 years to 20 years	0	75	10.611	3	Yes
20 years to 30 years	0	75	23.808	7	Yes
30 years to 40 years	0	75	81.609	26	Yes
40 years to 50 years	0	75	61.714	19	Yes

Maturity structure of HRA borrowing	Lower Limit (%)	Upper Limit (%)	Quarter 2 Actual (£M)	Quarter 2 Actual (%)	Compliance with Indicator?
Under 12 months	0	25	37.649	1	Yes
12 months to 2 years	0	25	49.611	19	Yes
2 years to 5 years	0	25	12.383	6	Yes
5 years to 10 years	0	25	18.062	7	Yes
10 years to 20 years	0	75	12.070	3	Yes
20 years to 30 years	0	75	31.712	12	Yes
30 years to 40 years	0	75	72.794	42	Yes
40 years to 50 years	0	75	24.315	10	Yes

Treasury Indicators	Limit for 2018/19 (%)	Quarter 2 Actual (%)	Compliance with Indicator?
GF			
Upper limit of fixed interest rates based on gross debt	90	89	Yes
Upper limit of variable interest rates based on gross debt	25	11	Yes
HRA			
Upper limit of fixed interest rates based on gross debt	100	82	Yes
Upper limit of variable interest rates based on gross debt	25	18	Yes

	Limit for 2018/19 (£M)	Quarter 2 Actual (£M)	Compliance with Indicator?
Upper limit for principal sums invested over 365 days	20.000	-	Yes