Report To:	**AUDIT PANEL**
Date:	28 July 2020
Executive Member / Reporting Officer:	Councillor Ryan – Executive Member – Finance and Economic Growth Tom Wilkinson – Assistant Director of Finance
Subject:	**TREASURY MANAGEMENT ACTIVITIES**
Report Summary:	The report sets out the Treasury Management activities for the financial year 2019/20. As investment interest rates were lower than external borrowing rates throughout the year, available cash reserves were used to fund our long term borrowing requirements on a temporary basis. This resulted in lower than anticipated borrowing costs, with an overall interest saving of £0.499m, due to a combination of stronger investment returns and borrowing being taken up at a time of very favourable interest rates. At year-end the total investment balance was £143m and total long term borrowing was £141m. Investment income was £2.268m.
Recommendations:	Audit Panel are asked to: 1. Note the treasury management activities undertaken on behalf of both Tameside MBC and the Greater Manchester Metropolitan Debt Administration Fund (GMMDAF). 2. Note the outturn position for the prudential indicators in **Appendix A.**
Corporate Plan:	The Treasury Management function of the Council underpins the ability to finance the Council's priorities.
Policy Implications:	In line with Council Policies
Financial Implications: **(Authorised by the Section 151 Officer)**	The achievement of savings on the cost of financing the Council's debt through repayment, and rescheduling, together with interest earned by investing short term cash surpluses, is a crucial part of the Council's medium term financial strategy. This has to be carefully balanced against the level of risk incurred. The financial implications of treasury activities are determined by: 1. The value and timing and interest rate of any borrowing undertaken (if any) 2. The amount of cash available for investment and the return achieved on this investment A saving on interest of £0.499m was achieved against the 2019/20 budget by delaying borrowing and from greater than budgeted for returns on the investment balances. Borrowing and investment rates are monitored daily in order to ensure any borrowing is taken up at the optimum time.

	The investment returns for 2019/20 were £0.577m greater than the London Interbank Bid Rate (LIBID) benchmark.
Legal Implications: **(Authorised by the Borough Solicitor)**	There is a statutory duty for the Council to set, monitor and comply with its requirements to ensure a balanced budget, and sound treasury management is a key tool in managing this process. Demonstration of sound treasury management will in turn provide confidence to the Council that it is complying with its fiduciary duty to the public purse, and allows the Council to better plan and fulfil its key priorities for the coming year. Members should ensure they understand the meaning of Appendix A and the outturn of prudential indicators they are being asked to approve, and the reasons for the same, before making their decision.
Risk Management:	Financial investments are inherently risky and a number of Local Authorities lost significant investments as part of the financial crisis in 2009. Through the Council's Treasury Management Advisers, a robust investment framework is used which aims to limit counterparty risk by only investing with high rated, institutions, placing limits on the size of investments with any one institution, and restricting the length of time that investments can be held with any one institution. Advice is also provided on the timing of any borrowings to try to minimise the rates paid. Failure to properly manage and monitor the Council's loans and investments could lead to service failure and loss of public confidence.
Access to Information:	The background papers relating to this report can be inspected by contacting Tom Austin, Financial Management, by: phone: 0161 342 3857 e-mail: Thomas.austin@tameside.gov.uk

1. INTRODUCTION

1.1 This is the Annual Report on Treasury Management for the financial year 2019/20. The report is required to be submitted to the Audit Panel, in accordance with CIPFA's Code of Practice on Treasury Management, the Council's Financial Regulations and the CIPFA Prudential Code.

1.2 The report is in respect of both Tameside and the Greater Manchester Metropolitan Debt Administration Fund (GMMDAF), which is the former Greater Manchester County Council Debt of which Tameside is the responsible Authority on behalf of the ten Greater Manchester Councils.

The objective of the report is:

a) To outline how the treasury function was managed during the year and how this compares to the agreed strategy.
b) To set out the transactions made in the year;
c) To summarise the positions with regard to loans and investments at 31 March 2020; and
d) To set out the outturn position of the Council's prudential indicators.

2. TREASURY MANAGEMENT

2.1 Treasury Management is defined as:

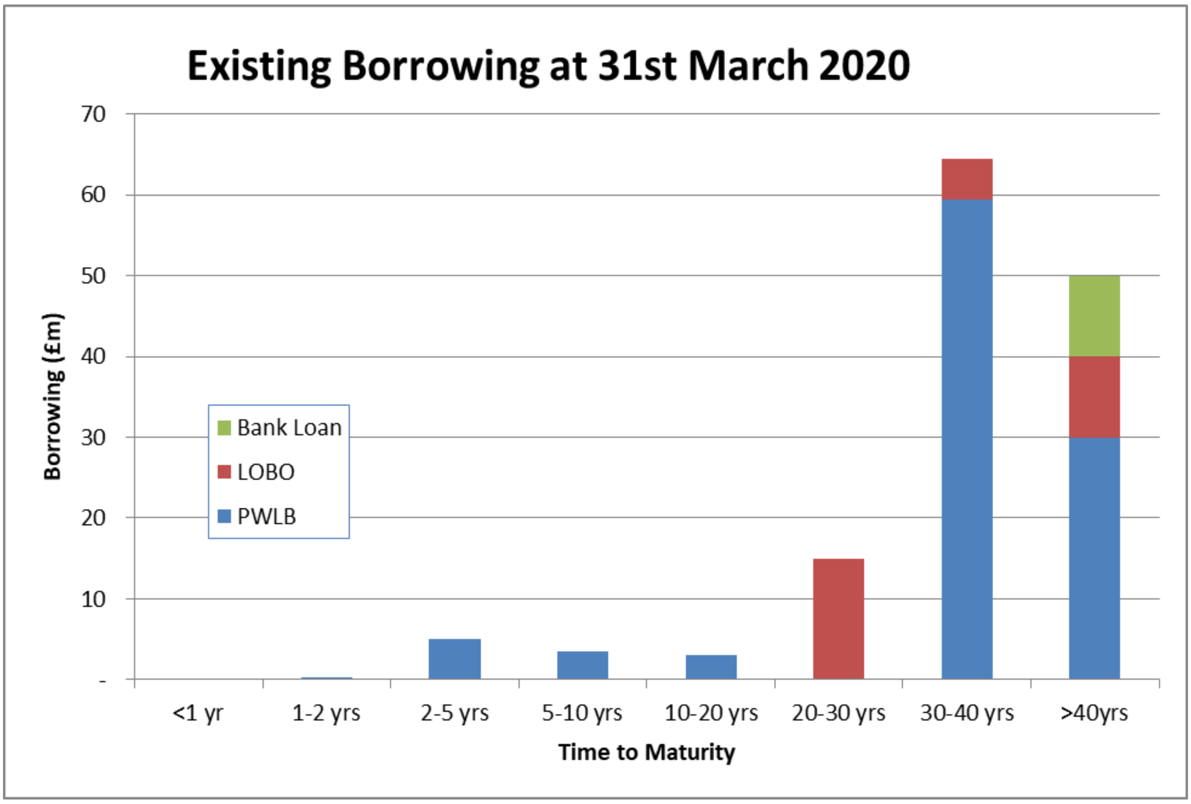
"The management of the local authority's cash flows, its borrowings and its investments, the management of associated risks, and the pursuit of the optimum performance or return associated with these risks".

2.2 Within this definition, the Council has traditionally operated a relatively low risk strategy. This in effect means that controls and strategy are designed to ensure that borrowing costs are kept reasonably low over the longer term, rather than subject to volatility that a high risk strategy might deliver. Where investments are involved, the policy is to ensure the security of the asset rather than pursue the highest returns available. These objectives are in line with the Code of Practice.

2.3 The global pandemic and inevitable global recession has raised the overall possibility of default. The Council continues to maintain strict credit criteria for investment counterparties to manage this risk. A system of counterparty selection was agreed by the Council as part of the budget setting process and this is still valid.

3. LONG TERM BORROWING

3.1 The Council can only borrow to finance investment in capital assets. The long-term debt of the Council reflects the capital expenditure financed by loans, which are yet to be repaid. Total borrowing at the start of the year was £111.7m. This existing borrowing reduced to £111.4m over the course of the year; however, £30m of new borrowing was taken up in August 2019, meaning total borrowing was £141.4m at 31 March 2020. Of this borrowing £40m is market loans at an average interest rate of 4.27% and the remainder is from the PWLB at an average interest rate of 4.02%. The maturity profile is as follows:



3.2 The amount of long-term debt that the Council may have is governed by the Prudential Limits set by the Council at the start of the financial year. This is based on the amount of borrowing which the Council has deemed to be prudent. It also allows for advance borrowing for future years' capital expenditure if financially prudent to do so.

3.3 The Council must also allow for repayment of the debt, by way of the Minimum Revenue Provision (MRP). This is the minimum amount that the Council must set aside annually from its annual revenue budget to fund the repayment of that debt. The Local Authority (Capital Finance and Accounting) Regulations 2008 revised the previous detailed regulations and introduced a duty that an authority calculates an amount of MRP which it considered prudent, although the 2008 Regulations do not define "prudent provision", they provide guidance to authorities on how they should interpret this.

3.4 The Council's MRP policy for 2019/20 was set out in the Budget Report. The MRP charge for the year was £4.008m.

3.5 The majority of the Council's debt has been borrowed from the Public Works Loan Board (PWLB), and is solely made up of long term fixed interest loans. In previous years use has also been made of loans from banks. The main type of loan used is called a LOBO (Lender's Option - Borrower's Option) where after a pre-set time the lending bank has the option of changing the original interest rate. These loans are classified as variable interest rate loans when they reach option date. If the Council does not agree with the new interest rate, it has the option of repaying the loan. One of the Council's LOBO providers, Barclays, has waived their right to change the rate on their LOBO. This essentially converted that loan into a standard fixed rate loan with no risk of any increase in rate. The Council's current LOBO and bank loan portfolio is as follows:

Principal (£m)	Lender	Current Rate (%)	Start Date	Maturity Date	Loan Type
5	Just Retirement Ltd	4.65	27/01/2003	27/01/2043	LOBO
10	KBC	4.375	09/04/2003	09/04/2043	LOBO
5	Dexia	4.5	16/12/2004	16/12/2054	LOBO
10	Barclays	3.8	23/11/2005	23/11/2065	Fixed
10	Dexia	4.31	03/08/2007	03/08/2077	LOBO

3.6 The type of LOBO loans taken out by the Council are classified as "vanilla" which means they are simple options that are linked to the passage of time rather than changes in external factors such as interest rates which are considered more risky, as the rate the borrower pays in these instances can change overnight with market conditions.

3.7 The mixture of fixed and variable rates means that, although the Council can take some advantage when base rates are considered attractive, interest charges are not subject to high volatility which might occur if all debt was variable. However, longer term fixed rates are normally higher than variable rates.

3.8 Short term borrowing and lending are used to support cash flow fluctuations caused by uneven income and expenditure, and to temporarily finance capital expenditure when long term rates are high and expected to fall. It is an extremely important aspect of Treasury Management to ensure that funds are available to meet the Council's commitments, and that temporary surplus funds attract the best available rates of interest.

4. INTEREST RATES

4.1 Interest rates (both long term and short term) vary constantly, even though headline rates (e.g. base rate, mortgage rate) may remain the same for months at a time.

4.2 In addition, different banks may pay different rates depending on their need for funds, and more particularly their credit status. Rates for borrowing are significantly higher than lending for the same period.

4.3 Long term interest rates are based on Government securities (Gilts), which are potentially volatile with rates changing every day, throughout the day. PWLB fixed loan rates are changed on a daily basis. In view of this, gilts and all matters which affect their prices are continually reviewed.

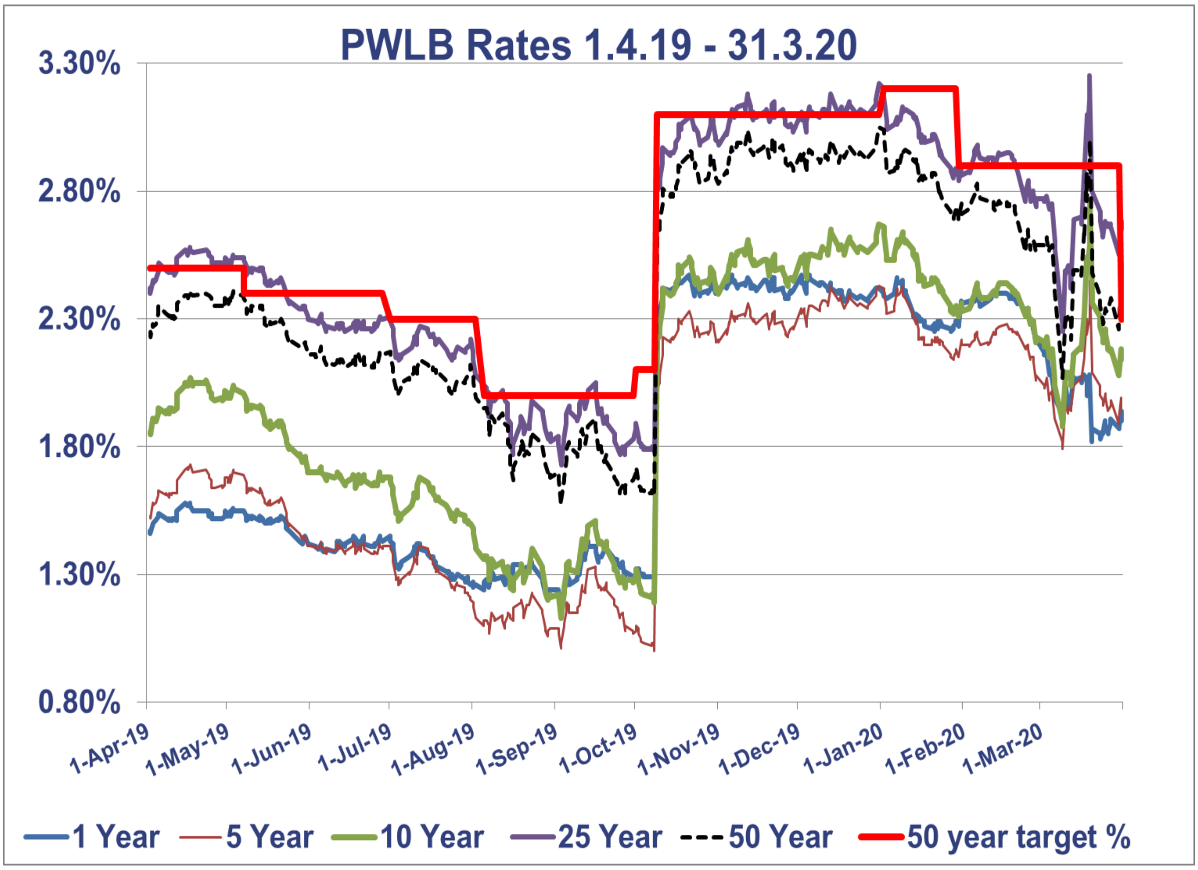
4.4 Investment returns remained low during 2019/20. The expectation for interest rates within the Treasury Management Strategy for 2019/20 was that Bank Rate would stay at 0.75% during 2019/20 as it was not expected that the MPC would be able to deliver on an increase in Bank Rate until the Brexit issue was finally settled. However, there was an expectation that Bank Rate would rise after that issue was settled, but would only rise to 1.0% during 2020.

4.5 Rising concerns over the possibility that the UK could leave the EU at the end of October 2019 caused longer term investment rates to be on a falling trend for most of April to September. They then rose after the end of October deadline was rejected by the Commons but fell back again in January before recovering again after the 31 January departure of the UK from the EU. When the coronavirus outbreak hit the UK in February/March, rates initially plunged but then rose sharply back up again due to a shortage of liquidity in financial markets. As longer term rates were significantly higher than shorter term rates during the year, value was therefore sought by placing longer term investments where cash balances were sufficient to allow this.

4.6 While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis in 2009. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

4.7 Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets at a more expensive rate. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing the counterparty risk exposure, by having fewer investments placed in the financial markets.

4.8 The table shown below (published by Link) shows the comparative Public Works Loan Board interest rates available during 2019/20, for a range of maturity periods. The sharp increase in PWLB lending costs in October 2019 was due to the PWLB increasing the margin it charged over the gilt rate by a further 1%. This was done because rates had fallen to an all time low, and to discourage reckless borrowing by some Councils who were borrowing to then invest in higher yielding but more risk commercial investments.



5. ACTIVITIES 2019/20

Borrowing

5.1 The Council is entitled to borrow in order to finance capital expenditure that is not funded by other means such as grants and contributions. The Council has elected not to take up this borrowing due to unfavourable differences between borrowing and investment rates alongside existing large cash balances. This resulted in an “under” borrowed position of £78.663m based on initial assumptions around capital spend and financing.

5.2 The actual amount of long term borrowing which was required due to Council activity was £78.063m as outlined below: -

	£m
Loan financed capital expenditure:	
Outstanding for 2019/20	12.190
Outstanding from prior years	69.548
plus debt maturing in year	0.333
Less MRP repayments (excl. PFI)	(4.008)
Net Borrowing requirement	**78.063**
Less Borrowing taken up in year	(30.000)
Net Underborrowed position	**48.063**

5.3 Due to the unfavourable differences between borrowing rates and investment rates, and also to reduce the risk to the Council from investment security concerns, the Council’s recent policy has been to meet the borrowing requirement from internal borrowing (i.e. reducing the cash balances rather than taking up additional external borrowing). This has reduced the level of investment balances that would be placed with banks and financial institutions, therefore reducing the Council’s exposure to credit risk. In August 2019, due to favourable interest rates, £30m of borrowing was taken up from the PWLB.

5.4 The outstanding borrowing requirement of £48.063m will be taken up when both interest rates and investment security are deemed to be favourable, in consultation with the Council’s treasury management advisors, Link. The need to borrow could be accelerated by the reduction of the Council’s reserves due to cost pressures and other planned use. This situation, along with the interest rate environment, will be monitored closely to ensure borrowing is taken up at the optimum time.

Rescheduling

5.5 Rescheduling involves the early repayment and re-borrowing of longer term PWLB loans, or converting fixed rate loans to variable and vice versa. This can involve paying a premium or receiving a discount, but is intended to reduce the overall interest burden, since the replacement loan (or reduction of investment) is normally borrowed at a lower interest rate.

5.6 The use of rescheduling is a valuable tool for the Council, but its success depends on the frequent movement of interest rates, and therefore it cannot be estimated for. It will continue to be used when suitable opportunities arise, in consultation with our treasury management advisors, although such opportunities may not occur.

5.7 No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling financially unviable.

5.8 The Section 151 Officer and the Council’s treasury management advisors will continue to monitor prevailing rates for any opportunities to reschedule debt during the year.

Year end position

5.9 The following table sets out the position of the Council's debt at 1 April 2019, the net movement for the year, and the final position at 31 March 2020.

	Debt Outstanding 01/04/19	**Cash Movement in Year**	**Debt O/S 31/03/20**
Principal Amounts	**£000**	**£000**	**£000**
PWLB - fixed interest	71,142	29,667	100,809
PWLB - variable interest	0		0
Market Loans	40,000		40,000
* Manchester Airport	550		550
Temp Loans / (Investments)	(84,764)	(46,401)	(131,165)
Trust Funds, Contractor Deposits etc.	149	2	151
Net loans outstanding	**27,077**	**(16,732)**	**10,345**

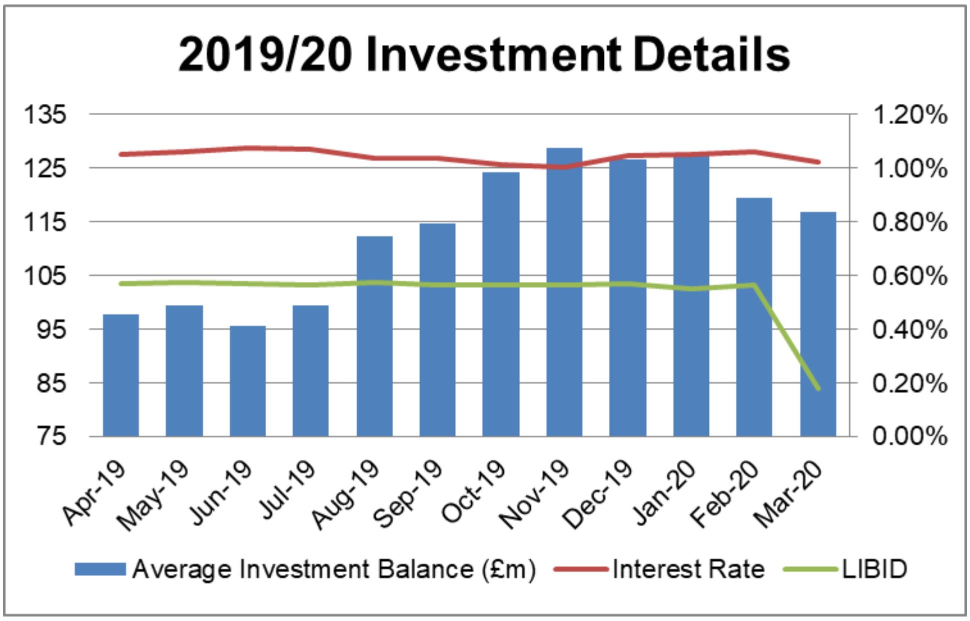
** Manchester Airport reflects debt taken over from Manchester City Council on 31 March 1994, which had been lent on to Manchester Airport. In 2009/10 the Airport re-negotiated the terms of this arrangement with the 10 Greater Manchester Authorities; previously the Airport reimbursed all costs, however from 9 February 2010 the Council receives fixed annual interest of 12% of the amount outstanding at that date (£8.667m). This is on a maturity basis and is due to be repaid in 2055.The underlying debt, shown above, is due to mature in 2027*

5.10 The amount of long term borrowing held by the Council (£141.4m) represents 24% of the Council's total long term assets (£582.3m) as at 31 March 2020.

5.11 In addition, the Council temporarily utilised internal funds, balances and reserves including Insurance Funds and capital reserves, to finance capital expenditure rather than borrow externally, this underborrowing is an additional £48.1m.

Investments – managing cash flow

5.12 Short term cash flow activity was such that throughout the year the Council was always in a positive investment position. Since interest earned on credit balances with our own bankers is low and overdraft rates are high, investment and borrowing is carried out through the London Money Markets. The Council invests large sums of money, which helps ensure the interest rates earned are competitive. The following table shows the average investment balances by month, along with the interest rate earned and the LIBID benchmark for comparison.



5.13 The Local Government Act 2003 governs investments made by local authorities. The types of investments that may be made are controlled by guidance from the Department for Communities and Local Government. This guidance has split investments into two main categories – specified and non-specified investments.

5.14 Specified investments consist mainly of deposits with very highly rated financial institutions and other local authorities for periods of less than one year. The Council's approved "Annual Investment Strategy" for 2019/20 stated that at least 50% of investments would be "specified".

5.15 The Council's counterparty list mirrors that of the Council's advisors, Link Asset Services. The Link Asset Services creditworthiness service uses a wider array of information than just primary ratings. Furthermore, by using a risk weighted scoring system; it does not give undue preponderance to just one agency's ratings.

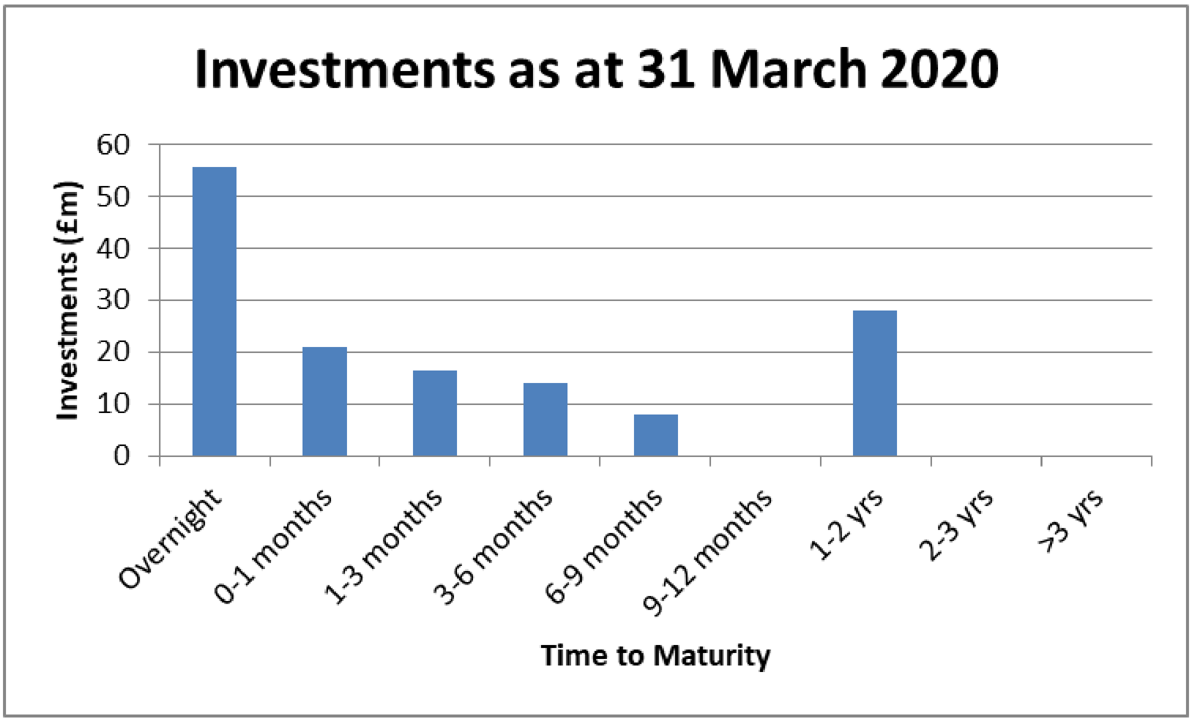
5.16 Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

5.17 All investments placed in the year were in line with the approved strategy. Within this low risk strategy, the aim is to maximise the rate of return for the investments. In order to gauge whether the performance is satisfactory, it is necessary to compare it with a suitable benchmark. The normal benchmarks used to measure market rates are 7 day London Interbank Offer Rate (LIBOR) for loans, and 7 day London Interbank Bid Rate (LIBID) for investments, which represents the returns that the Council would generate if it were to adopt a passive investment strategy and hold all investments in call accounts. The actual returns for loans and investments were therefore measured against the theoretical performance of the above rates, using actual cash flow figures, and presents the value added by the treasury management team.

5.18 Tameside achieved an average investment rate of 1.04% on the average weekly investment of £113.6m, against a benchmark LIBID rate of 0.53%. This equated to a gain of £577k. Gains, such as this, can only be made by strategic investment, where interest rates do not follow the general "market" expectations. In effect, some investments were made for longer durations, attracting higher interest rates, while the shorter dated rates did not increase in line with market pricing.

5.19 The annual turnover for investments was £463m. A total of 139 individual investments were made, 14 of which were fixed term deals with banks and other Local Authorities.

5.20 As at 31 March 2020 the total investment portfolio was £143.1m. This consisted of £50.6m of Money Market Fund investments at an average rate of 0.42%, a £10m notice deposit with the Council's bankers, Barclays, £15m of notice money and £67.5m of fixed term investments at an average interest rate of 1.22%. The weighted average rate of the entire portfolio at 31st March was 0.87%. The maturity profile of the investments was as follows:



Interest payable and receivable in the year

5.21 As detailed above, the £78.063m borrowing requirement has been reduced by £30m of borrowing from the PWLB with the remainder met from internal borrowing during the year. This has reduced the level of investment balances placed with banks and financial institutions.

5.22 The overall result of the various activities undertaken during the year was that net interest charge was £0.499m less than the original estimate.

5.23 Interest payments associated with the above activities were:-

	Budget	Actual	Variation
	£m	£m	£m
External Interest			
Paid on Loans etc	5.763	5.532	(0.231)
Less received on Investments	(2.005)	(2.268)	(0.263)
Net external Interest paid	**3.758**	**3.264**	**(0.494)**
Internal Interest Paid	0.199	0.194	(0.005)
Total Interest Paid	**3.957**	**3.458**	**(0.499)**

5.24 Accounting rules do not allow interest to be paid on internal funds and revenue balances. Payments however are made in respect of such funds as insurance and trust funds etc. held by the Council on behalf of external bodies. The net effect on the Council is neutral.

6. CURRENT ACTIVITIES

6.1 Since the start of the 2019/20 financial year, no new rescheduling opportunities have been identified. The portfolio of loans held by the Council is reviewed on a regular basis by both the Treasury Management Section and by the Council's treasury management advisors (Link Asset Services).

6.2 In the 2017/18 Strategy, the Council expanded its counterparty list to include asset backed investments. No investments of this nature have been made to date.

6.4 A capital investment of £11.3m in Manchester Airport was approved by Executive Cabinet in February 2018. The investment takes the form of a shareholder loan which was advanced in two tranches during 2018/19. Interest will be paid at a rate of 10% per annum, which will generate a revenue stream for the Council of approximately £1m (after allowing for the loss of interest earned on cash used to fund the investment) which will support the revenue budget. This income has been included in the Medium Term Financial Plan approved by Council in February 2019.

6.5 In February 2019, Executive Cabinet approved an equity investment of £5.6m in Manchester Airport which will be funded by prudential borrowing. The investment has been drawn down in three tranches over the course of March and April 2020 with the first dividend payment expected in 2021. No income is currently assumed in the MTFP for this investment.

6.6 These investments in Manchester Airport are in addition to the Council's existing shareholding 3.22% shareholding in Manchester Airport Group. This shareholding has been valued at £30.2m as at 31 March 2020. The Council receives dividend income from this investment (£6.4m in 2019/20) which is a key item in the Council's Medium Term Financial Strategy.

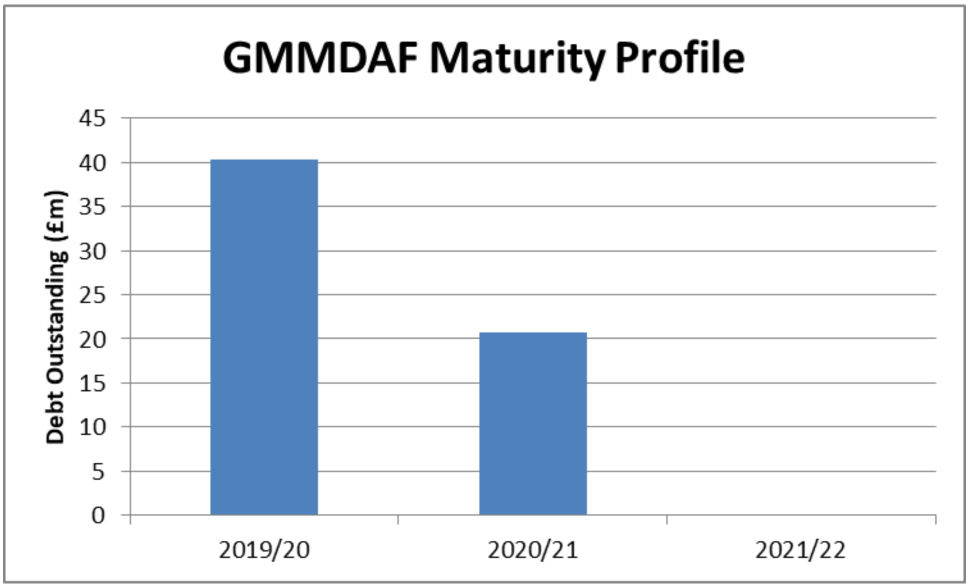
6.7 The COVID-19 pandemic has had a significant impact on the Aviation Industry and in April 2020 Members approved a shareholder loan to Manchester Airport Group in order to provide financial stability and ensure it is best-placed to react and rebuild business operations as Covid-19 restrictions are lifted. This additional loan protects the Council's investment in the Airport, which is an important strategic asset for Greater Manchester and the wider region. Whilst the expectation is that interest on loans and investments will continue to be accrued, the annual dividend is not expected to be payable for a number of years, placing a £6.4m pressure on the revenue budget.

7. GREATER MANCHETSER METROPOLITAN DEBT ADMINISTRATION FUND (GMMDAF) ACTIVITIES

7.1 Tameside Council is the lead council responsible for the administration of the debt of the former Greater Manchester County Council, on behalf of all ten Greater Manchester Metropolitan Authorities. All expenditure of the fund is shared by the authorities on a population basis.

7.2 The GMMDAF incurs no capital expenditure, and therefore the total debt outstanding reduces annually by the amount of debt repaid by the constituent authorities. In addition, short term loans and investments are occasionally required to optimise the cashflow position, due to the difference in timing between receiving payments from the ten district councils and making loan and interest payments to the PWLB etc. Like the Council, rescheduling opportunities are taken if the right conditions exist.

7.3 During 2019/20 the debt outstanding reduced by £18.547m. The debt will be fully repaid by 31 March 2022 on the following maturity profile:



7.4 The following table sets out the position at 1 April 2019, the net repayments and the final position at 31 March 2020.

Principal Amounts	Debt O/S 01/04/19	Movement in year	Debt O/S 31/03/20
	£000	**£000**	**£000**
PWLB	48,963	(10,000)	38,963
Pre 1974 Transferred Debt	129	(33)	96
Temp Loans / (Investments)	2,488	(2,422)	66
Other Balances	7,264	(6,091)	1,173
	58,844	**(18,547)**	**40,297**

7.5 No long term borrowing was required for 2019/20. The timing of any future borrowing will be carried out in consultation with our treasury management advisors, when interest rates are deemed favourable. However, it is unlikely that any long term borrowing will be taken up due to the limited remaining duration of the fund.

7.6 Although the portfolio of loans held by the Fund is reviewed on a regular basis by both Treasury Management officers and by the Council's treasury management advisors, Link Asset Services, no rescheduling opportunities were identified in 2019/20. Rescheduling will continue to be used when suitable opportunities arise, however long term borrowing is restricted by the end date of the Fund (2022), which has meant that it is difficult to reschedule debt in the present interest rate yield curve.

7.7 During the year, the fund made overall interest payments of £3.325m. This equated to an average "pool rate" of 5.65%, against the original estimate of 5.60%, and compares with 5.23% in 2018/19. The interest rate has increased overall as cheaper debt matured, thus increasing the average rate, albeit on a lower quantum of debt.

7.8 Manchester Airport re-negotiated the terms of its loan arrangement with the 10 Greater Manchester Councils in 2009/10. As a result of this arrangement the 10 Councils took responsibility to service the former Manchester Airport share of the GMMDAF. Previously the debt was serviced by the airport itself.

8. PRUDENTIAL LIMITS

8.1 At the start of the financial year the Council sets Prudential Indicators and limits in respect of Capital expenditure and borrowing. The outturn position for the Prudential Indicators are shown at **Appendix A**. Prudential indicators do not provide an effective comparative tool between Local Authorities, and therefore should not be used for this purpose.

9. RECOMMENDATIONS

9.1 As set out on the front of the report.

APPENDIX A

Prudential Indicators – Actual outturn 2019/20

1. **Ratio of Financing Costs to Net Revenue Stream**

Limit/Indicator	Limit	Actual
	%	%
Ratio of financing costs to net revenue stream	5.1	4.9

- This ratio represents the total of all financing costs e.g. interest payable and minimum revenue provision (MRP) that are charged to the revenue budget as a percentage of the amount to be met from Government grants and taxpayers (net revenue stream).

2. **Capital Financing Requirement (CFR)**

Limit/Indicator	Limit	Actual
	£000	£000
Capital Financing Requirement	182,611	182,611

- The Capital Financing Requirement is aimed to represent the underlying need to borrow for a capital purpose and is calculated from the aggregate of specified items on the balance sheet.
- The CFR increases by the value of capital expenditure not immediately financed (i.e. borrowing) and is reduced by the annual MRP repayment.

3. **Capital Expenditure**

Limit/Indicator	Limit	Actual
	£000	£000
Capital expenditure	93,255	37,431

- This is the total capital expenditure incurred (from all funding sources).

4. **Incremental Impact of Capital Investment Decisions**

Limit/Indicator	Limit	Actual
	£	£
For the Band D Council Tax	16.19	9.54

- This is the estimate of the net incremental impact of the capital investment decisions, based on the level of borrowing set out in the report and reflects the total cost of this additional borrowing (interest payments and minimum revenue provision), as a cost on Council Tax.
- The actual cost will depend on final funding. For every £1 increase on Band D properties, approximately £0.063m would be raised.

5. **Operational Boundary and Authorised Limit on External Debt and Other Long Term Liabilities**

Limit/Indicator	Limit	Actual
	£000	£000
Operational Boundary for external debt	220,356	141,679
Authorised Limit for external debt	200,356	141,679

- The Authorised Limit for External Debt sets the maximum level of external borrowing on a gross basis (i.e. excluding investments) for the Council.

- The operational boundary for External Debt comprises the Council's existing debt plus the most likely estimate of capital expenditure/financing for the year. It excludes any projections for cash flow movements. Unlike the authorised limit breaches of the operational boundary (due to cash flow movements) are allowed during the year as long as they are not sustained over a period of time.
- These limits include provision for borrowing in advance of the Council's requirement for future capital expenditure. This may be carried out if it is thought to be financially advantageous to the Council.

6. Upper and lower limits on Interest Rate Exposures

Limit/Indicator	Limit	Actual
	£000	**£000**
Upper limit for fixed interest rate exposure	182,611	35,022
Upper limit for variable interest rate exposure	60,864	(88,605)

- These limits are in respect of our exposure to the effects of changes in interest rates.
- The limits reflect the net amounts of fixed/variable rate debt (i.e. fixed/variable loans less fixed/variable investments).

7. Upper Limit for Total Principal Sums Invested for Over 364 Days

Limit/Indicator	Limit	Actual
	£000	**£000**
Upper limit for sums invested over 364 days	30,000	28,000

- This limit is in respect of treasury investments made for a duration longer than one year.

8. Maturity structure for fixed rate borrowing

Indicator	Limit	Outturn
Under 12 months	0% to 15%	0.24%
12 months and within 24 months	0% to 15%	0.25%
24 months and within 5 years	0% to 30%	3.39%
5 years and within 10 years	0% to 40%	2.51%
10 years and above	50% to 100%	93.60%

- This indicator is in respect of all of the Council's fixed rate borrowing with PWLB or other market lenders.