This Report will be made public on 11 October 2016

Folkestone
Hythe & Romney Marsh
Shepway District Council
www.shepway.gov.uk

Report Number **C/16/60**

To:	**Cabinet**
Date:	**19 October 2016**
Status:	**Non-Key Decision**
Head of service:	**Pat Main, Interim Head of Finance**
Cabinet Member:	**Councillor Susan Carey, Finance**

SUBJECT: **TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS MONITORING REPORT 2016-17**

SUMMARY: This report provides an update on the council's treasury management activities that have taken place during 2016/17 against the agreed strategy for the year. The report also provides an update on the prudential indicators for capital expenditure, borrowing and treasury approved by Council earlier this year.

REASONS FOR RECOMMENDATIONS:
Cabinet is asked to agree the recommendations set out below because:

a) The Council must have regard to the Prudential Code when carrying out its duties under Part 1 of the Local Government Act 2003.

b) Both the CIPFA Code of Practice on Treasury Management and the Council's Financial Procedure Rules require Members to receive a report on the Council's treasury management activities during the year.

RECOMMENDATIONS:

1. **To receive and note report C/16/60.**

1. BACKGROUND

1.1 Full Council approved the latest Treasury Management Strategy and Prudential Indicators for capital expenditure, borrowing and treasury management on 18 February 2016 (report A/15/22 refers).

1.2 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management requires the council, as a minimum, to produce a mid-year report reviewing its treasury management activity undertaken so far against the approved strategy for the year and to consider any significant issues which may impact upon the function for the remainder of the year. This includes reviewing approved borrowing and treasury management prudential indicators. This report meets CIPFA's reporting requirement.

1.3 CIPFA's Prudential Code for Capital Finance also requires the council to review the approved prudential indicators for its capital expenditure during the year and the report also meets this requirement.

1.4 The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

2. ECONOMIC UPDATE AND INTEREST RATE OUTLOOK

(Based on commentary supplied by the council's Treasury Advisor, Arlingclose)

2.1 The preliminary estimate of Q2 2016 GDP showed reasonably strong growth as the economy grew 0.6% quarter-on-quarter, as compared to 0.4% in Q1 and year/year growth running at a healthy pace of 2.2%. However the UK economic outlook changed significantly on 23rd June 2016 with the result of the EU referendum. Growth forecasts had already been downgraded as 2016 progressed, as the very existence of the referendum dampened business investment, but the crystallisation of these downside risks and the subsequent political turbulence prompted a sharp decline in household, business and investor sentiment.

2.2 The repercussions of this reduction in sentiment on economic growth were judged by the Bank of England to be severe, prompting the MPC to initiate substantial monetary policy easing at its August meeting to mitigate the worst of the downside risks. This included a cut in Bank Rate to 0.25%, further gilt and corporate bond purchases (QE) and cheap funding for banks to maintain the supply of credit to the economy. MPC members also played on expectations, suggesting that many members of the Committee supported a further cut in Bank Rate to near-zero levels (the Bank, however, does not appear keen to follow peers into negative rate territory) and more QE should the economic decline worsen.

2.3 In response to the Bank of England's policy announcement, money market rates and bond yields declined to new record lows. Banks are being heavily encouraged to pass on the reduction in rates to customers – great for borrowers, although the outlook for savers is now rather more downbeat. Since the onset of the financial crisis over eight years ago, Arlingclose's rate outlook has progressed from 'lower for longer' to 'even lower for even longer' to, now, 'even lower for the indeterminable future'. Whilst the economic growth consequences of Brexit remain speculative, there is uniformity in forecasts that the outlook in the near-term will be one characterised by lower growth.

2.4 Meanwhile, inflation is expected to pick up due to a rise in import prices, dampening wage growth and real investment returns. The August Quarterly Inflation Report from the Bank of England forecast a rise in CPI to 0.6% before it increases to 0.8% and ends 2016 at 0.9%. As outlined in the Report and by Governor Mark Carney this will be driven by the pace of transmission into prices of the higher cost of imports arising from the post-Brexit vote depreciation in sterling, implying that there is scope for the rise in inflation to be less linear than the Bank's forecasts suggest.

2.5 **Market Reaction**

2.5.1 Following the referendum result gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. The yield on the 10-year gilt fell from 1.37% on 23rd June to a low of 0.52% in August, a quarter of what they were at the start of 2016. The yield on 2 and 3-year gilts briefly dipped into negative territory intra-day on 10th August to -0.1% as prices were driven higher by the Bank of England's bond repurchase programme. The fall in gilt yields was reflected in the fall in PWLB borrowing rates, summarised in the table below at 2.7.

2.5.2 On the other hand, after an initial sharp drop, equity markets appeared to have shrugged off the result of the referendum and bounced back despite warnings from the IMF on the impact on growth from 'Brexit' as investors counted on QE-generated liquidity to drive risk assets.

2.5.3 The most noticeable fall in money market rates was for very short-dated periods (overnight to 1 month) where rates fell to between 0.1% and 0.2%

2.6 **Outlook for the medium term**

2.6.1 The domestic outlook is uncertain, but likely to be substantially weaker in the short term than previously forecast. Arlingclose has changed its central case for the path of Bank Rate over the next three years. Arlingclose believes any currency-driven inflationary pressure will be looked through by Bank of England policymakers. The likely path for Bank Rate is downwards and the central case is 0.25%, but there is a 40% possibility of that the rate is cut to zero.

2.6.2 The following table, based on information from Arlingclose, is the latest forecast of interest rates for the short and medium term.

	Apr 16 – Aug 15	Dec 16	Mar 17	2017/18 average	2018/19 average

	average				
Bank Rate	0.45%	0.25%	0.25%	0.25%	0.25%
Investments					
3 month LIBID	0.41%	0.30%	0.30%	0.30%	0.30%
12 month LIBID	0.78%	0.60%	0.50%	0.50%	0.66%
Borrowing					
5 year PWLB	1.39%	1.11%	1.16%	1.13%	1.10%
10 year PWLB	1.99%	1.52%	1.55%	1.59%	1.54%
20 year PWLB	2.68%	2.04%	2.03%	2.02%	2.06%

2.7 **Local context:** From the council's point of view the most noticeable impact for interest rates currently is on its investment income. The table below provides a selected comparison of typical interest rates across a range of investment options between those available in April 2016 and those currently available:

Investment	April 2016	August 2016
Standard Life Money Market Fund (instant access)	0.49%	0.43%
Santander 60 day notice call account	0.75%	0.50%
Lloyds Bank 1 year fixed deposit	1.05%	1.00%
Local Authority 1 year fixed deposit	0.65%	0.40%
Local Authority 2 year fixed deposit	0.98%	0.60%

2.8 The impact of the falling interest rates on the council's investment income is covered later in the financial summary at section 6 of this report.

3. DEBT AND BORROWING

3.1 The following key factors were approved as part of the council's borrowing strategy for 2016/17:-

i) Use of internal borrowing to meet the increased capital financing requirement resulting from the 2015/16 capital expenditure for the acquisition of land at Otterpool Park.

ii) No borrowing required to finance approved new capital expenditure or to replace existing maturing debt.

iii) Opportunities for debt rescheduling to continue to be monitored.

3.2 Additionally the borrowing strategy recognised that future major capital investment to support the council's strategic corporate initiatives such as the Otterpool Park and Princes Parade developments will require some borrowing to fund them. This position remains unchanged. The strategy also outlined that borrowing is likely to be required to support some of the Housing Revenue Account's (HRA) new build and acquisitions elements programmes for its Business Plan. This report now recognises the future borrowing requirements required to support the capital expenditure plans for the HRA Business Plan from 2017/18 approved by Cabinet on 23 March 2016 (report C/15/87 refers). Full Council is required to approve changes to the capital programme and also the Treasury Management Strategy if new borrowing is required to support it.

3.3 At 31/8/2016 the Authority held £60.1m of loans, unchanged from the balance held at 31/3/16. The average interest rate on these loans is 3.7% and the average life to maturity of the loan portfolio is 15.2 years. The planned repayment of principal on the council's Public Works Loan Board loans portfolio in 2016/17 is only expected to be approximately £60k. The council does not expect to increase its borrowing in 2016/17, subject to 3.2 above.

3.4 The only borrowing incurred so far this year is a series of short term loans from Folkestone Town Council taken up for cash flow purposes. At the 31 August loans totalling £550,000 were held. The agreed interest rate for these loans is set at 25 basis points below the official bank base rate meaning from early August 2016 these loans are held at 0.00% interest rate. Folkestone Town Council has been given the option to have these loans repaid but have, so far, declined this.

3.5 The council's latest borrowing position for 2016/17 compared to its Capital Financing Requirement is summarised below:

	Opening 1/4/16	**Current 31/8/16**	**Original Projection 31/3/16**	**Latest Projection 31/3/16**
	£m	£m	£m	£m
CFR				
General Fund	17.8	17.8	17.3	17.3
HRA	47.4	47.4	45.6	47.4
Total CFR	65.2	65.2	62.9	64.7
Borrowings				
General Fund	9.5	9.5	8.9	8.9
HRA	50.6	50.6	50.5	50.5
Total Borrowings	60.1	60.1	59.4	59.4
Under-borrowed	(5.1)	(5.1)	(3.5)	(5.3)

3.6 Debt Rescheduling

3.6.1 The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt rescheduling activity. Consequently no rescheduling activity has been undertaken or is expected to be for the remainder of the current financial year.

4. INVESTMENTS

4.1 The council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Cashflow forecasts indicated that during 2016/17 the council's investment balances would typically range between £30 and £40 million. To 31 August 2016 this has actually been more typically between £35m and £45m.

4.2 The Guidance on Local Government Investments in England gives priority to security and liquidity and the council's aim is to achieve a yield commensurate with these principles.

4.3 The transposition of European Union directives into UK legislation places the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors through potential bail-in of unsecured bank deposits.

4.4 Given the increasing risk and continued low returns from short-term unsecured bank investments and in line with advice from Arlingclose, the council's new treasury advisor, it is the council's aim to further diversify into more secure and/or higher yielding asset classes during the remainder of this financial year and beyond. This is especially the case for the estimated £15m that is available for longer-term investment.

4.5 The council's investment activity in 2016/17 to 31 August 2016 is summarised in the table below:

Investments	Balance on 01/04/16 £m	Deposits Made £m	Redeemed /Sold £m	Balance on 31/08/16 £m
Unsecured Investments (call accounts, deposits and CDs) with financial institutions	12.5	16.0	(9.5)	19.0
Secured Investments with financial institutions rated A+ or higher	0	1.0	-	1.0
Investments with other Local Authorities	13.0	5.0	(10.0)	8.0
Money Market Funds	0.8	67.6	(61.0)	7.4
Other Pooled Funds CCLA Property Fund.	5.3	-	-	5.3
TOTAL INVESTMENTS	**31.6**	**89.6**	**(80.5)**	**40.7**
Increase/ (Decrease) in Investments £m				9.1

4.6 The average investment balance held for the period to 31 August 2016 is £40.6m with an average return of 1.22%. Appendix 1 to this report provides a list of the investments held at 31st August 2016.

4.7 **CCLA Local Authority Property Fund** - The council has a total cash investment of £5m in the CCLA LA Property Fund. Cabinet is reminded the Fund is only available to local authorities and invests in UK commercial property. The Fund has grown significantly from approximately £150m when the council first invested in May 2014 to some £617m at June 2016. Equally the Fund has seen net capital growth of about 15% since the council's initial investment, including a recent 4% reduction to reflect concerns of the impact of the Brexit vote on the UK economy and specifically the commercial property sector. The Fund continues to provide a dividend of around 5% net of fees and this is expected to be maintained for the remainder of the current financial year.

4.8 Security of capital has remained the council's main investment objective. This has been maintained by following the council's counterparty policy as set out in its Treasury Management Strategy Statement for 2016/17.

4.9 Counterparty credit quality is assessed and monitored with reference to credit ratings (the council's minimum long-term counterparty rating for institutions defined as having "high credit quality" is A- across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. The Royal Bank of Scotland's credit rating is below the minimum long term rating of A- but is viewed as a suitable counterparty because of their part-nationalised status which conforms to the current approved criteria for investments.

4.10 **Credit Risk –** Arlingclose, the council's treasury advisor, use a credit risk scoring methodology broadly based on the credit rating of individual counterparties and the duration of investments to assess the credit quality of their clients in-house investment portfolios. The council's current investment portfolio comfortable sits within the scoring range Arlingclose suggest for their clients to demonstrate a prudent approach to credit risk and the security of funds placed invested.

5. COUNTERPARTY UPDATE

5.1 Following the European Union referendum result Fitch downgraded the UK's sovereign rating by one notch to AA from AA+, and Standard & Poor's downgraded its corresponding rating by two notches to AA from AAA. Fitch, S&P and Moody's have a negative outlook on the UK. S&P also downgraded the long-term ratings of the local authorities to which it assigns ratings as well as the long-term rating of the EU from AA+ to AA, the latter on the agency's view that it lowers the union's fiscal flexibility and weakens its political cohesion.

5.2 Moody's affirmed the ratings of nine UK banks and building societies but revised the outlook to negative for those banks and building societies that it perceived to be exposed to a more challenging operating environment arising from the 'leave' outcome.

5.3 There was no immediate change to Arlingclose's credit advice on UK banks and building societies as a result of the referendum result. Arlingclose believes there is a risk that the uncertainty over the UK's future trading prospects will bring forward the timing of the next UK recession.

5.4 The European Banking Authority released the results of its 2016 round of stress tests on the single market's 51 largest banks after markets closed on Friday 29th July. The stress tests give a rather limited insight into how large banks might fare under a particular economic scenario of a fall in GDP of 1.7% over three years. No bank was said to have failed the tests. The Royal Bank of Scotland made headline news as one of the worst performers as its ratios fell by some of the largest amounts, but from a relatively high base. Barclays Bank and Deutsche Bank ended the test with Common Equity Tier 1 (CET1) ratios below the 8% threshold, and would be required to raise more capital should the stressed scenario be realised.

6. FINANCIAL SUMMARY

6.1 The projected outturn for the net cost of treasury management to the General Fund in 2016/17 is summarised below:

Financial Summary	2016/17 Original Estimate	2016/17 Projection	Variance
	£'000	£'000	£'000
Interest on all Borrowing	2,225	2,223	(2)
Related HRA Charge	(1,737)	(1,737)	-
General Fund Borrowing Cost	**488**	**486**	**(2)**
Investment Income	(538)	(494)	44
HRA Element	106	72	(34)
Net General Fund Investment Income	**(432)**	**(422)**	**10**
Net General Fund Borrowing Cost	**56**	**64**	**8**

6.2 In gross terms the reduction in interest rates available for some of the council's investment portfolio is projected to reduce the investment income by about £44k. The majority of this is offset by a reduction in interest due to the HRA in part because its balances are lower than originally anticipated and also because of the overall lower interest rates being received on investments.

6.3 This position is included within the General Fund budget monitoring report for Quarter 2 of 2016/17, due to be considered by Cabinet on this agenda.

6.4 Opportunities to reduce the net cost of treasury management will continue to be sought as part of the pro-active management to the council's debt and investment portfolios by its officers in consultation with the Portfolio Holder.

7. COMPLIANCE WITH PRUDENTIAL INDICATORS

7.1 Full Council approved the various statutory Prudential Indicators for capital, borrowing and treasury activities in 2016/17 as part of the Treasury Management Strategy Statement. Additionally the council set local prudential and performance indicators for 2016/17. It can be confirmed the council is projected to remain within all these limits during the year and no further action is required at this time. Details of the indicators can be found in Appendix 2.

8. CONCLUSIONS

8.1 The decision to leave the European Union following the referendum vote has seen UK interest rates reduce significantly during the current financial year with the council's investment portfolio in particular exposed to this.

8.2 The reduction in investment income from the reduced interest rates has, in part, been mitigated by the council having higher than previously anticipated cash reserves and balances available to invest during 2016/17.

8.2 The loan and investment portfolios will continue to be closely monitored to ensure they efficiently contribute towards the council's medium term financial strategy.

8.3 The council's existing approved capital expenditure, borrowing and treasury prudential indicators reflect the latest projected position for 2016/17 and do not require any further action at this time.

9. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

9.1 Legal Officer's Comments (DK)

There are no legal implications arising directly out of this report.

9.2 Finance Officer's Comments (LW)

Prepared by Financial Services, no further comments.

9.3 Diversities and Equalities Implications

The report does not cover a new service or policy or a revision of either and therefore does not require an Equality Impact Assessment.

10. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting:

Lee Walker, Group Accountant
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The following background documents have been relied upon in the preparation of this report:

None

Appendices:
Appendix 1 – Investments held at 31 August 2016
Appendix 2 – Prudential and Treasury Indicators

APPENDIX 1 – INVESTMENTS HELD AT 31 AUGUST 2016

Counterparty	Amount £	Terms	Interest Rate
Unsecured Investments			
Lloyds Bank	2,000,000	1 year fixed to 06/07/2017	1.05%
Lloyds Bank	2,000,000	6 months fixed to 26/01/2017	0.80%
Royal Bank of Scotland	3,001,748	Certificate of Deposit 2 years to 12/05/2017	1.48%
Toronto Dominion Bank	4,000,821	Certificate of Deposit to 10/02/2017	0.77%
Svenska Handelsbanken	3,000,412	Certificate of Deposit to 23/12/16	0.63%
Santander	2,500,000	60 day notice account	0.50%
Santander	2,500,000	60 day notice account	0.50%
	19,002,981		
Secured Investments			
Nationwide Building Society	**1,002,141**	Covered Floating Rate Note to 17/07/2017	0.46%
Local Authorities			
Peterborough City Council	3,000,000	2 years fixed to 29/09/2017	0.92%
Lancashire City Council	5,000,000	2 years fixed to 16/11/2017	1.00%
	8,000,000		
Money Market Funds			
Standard Life	5,000,000	Instant access	0.43%
Legal and General	2,430,000	Instant access	0.37%
	7,430,000		
Pooled Funds			
CCLA LA Property Fund	**5,269,430**	Commercial Property Fund	5.00%*
Total Investments	**40,704,552**		

*approximate net of fees

APPENDIX 2 – PRUDENTIAL AND TREASURY INDICATORS

Prudential Indicator 1 – Capital Expenditure and Financing

	2016/17 Projection	2017/18 Projection	2018/19 Projection
	£'000	**£'000**	**£'000**
Non-HRA capital expenditure	9,151	5,594	1,003
HRA capital expenditure	8,935	8,015	8,879
Total capital expenditure	18,086	13,609	9,882
Resourced by:			
Capital receipts	(3,122)	(100)	(100)
Capital grants	(3,439)	(3,340)	(765)
HRA Major Repairs Reserve	(3,105)	(3,856)	(3,952)
Revenue (GF)	(4,253)	(2,154)	(138)
Revenue (HRA)	(4,167)	(4,064)	(2,813)
Unfinanced capital expenditure (additional need to borrow)	-	95	2,114

The 2016/17 projection shown above is based on the second quarter's capital programme budget monitoring reports for the General Fund and HRA due to be considered by Cabinet on this agenda. The borrowing requirement for 2017/18 and 2018/19 is consistent with the HRA new build expenditure plans included in the latest approved HRA Business Plan.

Prudential Indicator 2 – Capital Financing Requirement

The Capital Financing Requirement (CFR) is the council's underlying need to borrow for a capital purpose. It represents the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is increased each year by any new borrowing required (see 1, above) and decreased by any statutory revenue charge for repayment of debt (the Minimum Revenue Provision [MRP].) and additional voluntary payments where it is seen to be in the council's best interest.

This indicator is consistent with the borrowing and debt repayment provisions contained in the latest approved HRA Business Plan.

As at 31st March	2016/17 Projection	2017/18 Estimate	2018/19 Estimate
	£'000	**£'000**	**£'000**
Opening balance			
CFR – Non Housing	17,751	17,346	16,957
CFR - Housing	47,417	47,417	47,512
Total CFR	65,168	64,763	64,469

Net Financing Need – P.I. 1, above	**-**	95	2,114
Less, MRP	(405)	(389)	(373)
Less, HRA financing movement	-	-	-
Closing balance	64,763	64,469	66,210

Prudential Indicator 3 – Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The revenue stream for non-HRA is the amount to be met from government grant and council tax payers and for HRA is rent and other income.

%	2016/17 Projection	2017/18 Estimate	2018/19 Estimate
Non-HRA	30.62%	17.04%	2.55%
HRA	36.05%	35.06%	27.03%

Prudential Indicators 4 & 5 - Incremental Impact of Capital Investment Decisions

These indicators identify the revenue costs associated with new schemes introduced to the Medium Term Capital Programme, recommended in the budget report for 2016/17, compared to the council's existing approved commitments and current plans.

P.I.	£	2016/17 Projection	2017/18 Estimate	2018/19 Estimate
4	**Council Tax – Band D**	0.16	0.32	0.12
5	**Weekly Housing Rents**	(0.52)	(1.32)	(0.89)

Prudential Indicator 6 – Gross Borrowing / CFR

Within the prudential indicators there are a number of key indicators to ensure the council operates its activities within well defined limits. One of these is that the council needs to ensure its total borrowing does not, except in the short term, exceed the CFR in the preceding year plus the estimate of any additional CFR for 2016/17 and the following two years. This allows some flexibility for limited early borrowing for future years, but ensures borrowing is not undertaken for revenue purposes.

£'m	31 March 2017 Projection	31 March 2018 Estimate	31 March 2019 Estimate
Borrowing at 1 April	60.1	59.4	57.8

Expected change in borrowing	(0.7)	(1.6)	(1.4)
Other long-term liabilities (OLTL)	-	-	-
Expected change on OLTL	-	-	-
Borrowing at 31 March	59.4	57.8	56.4
CFR – the borrowing need	64.8	64.5	66.2
Under / (over) borrowing	5.4	6.7	9.8

Prudential Indicators 7 & 8 – Borrowing Limits

Two other key prudential indicators are used to ensure the council operates its borrowing activities within well defined limits.

The Operational Boundary - The limit beyond which external borrowing is not normally expected to exceed. In most cases this would be a similar figure to the CFR but may be lower or higher depending on the levels of actual borrowing.

The Authorised Limit for External Borrowing - This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been exercised.

The following table summarises the CFR and the projected borrowing position for the year against the approved operational and authorised borrowing limits.

P.I.	£m	31 March 2017 Approved	31 March 2017 Projection	31 March 2018 Estimate	31 March 2019 Estimate
	CFR – the borrowing need	62.3	64.8	64.5	66.2
	Borrowing at 31 March	59.4	59.4	57.8	56.4
7	**Operational boundary**	64.0	65.8	67.2	68.6
8	**Authorised limit**	**66.5**	**66.5**	**69.7**	**71.1**

The Authorised Limit is the “Affordable Borrowing Limit” required by section 3 of the Local Government Act 2003. The council does not have the power to borrow above this level.

The Chief Finance Officer reports that no difficulties are envisaged meeting the requirements of this prudential indicator for the current or future years. This view takes into account current commitments, existing plans and is based on expenditure matching the resources available.

Prudential Indicator 9 – Interest Rate Exposures

%	2016/17 Approved Limit	2016/17 Projection
	Upper	**Upper**
Limits on fixed interest rates: • **Debt** • **Investments**	 100% 100%	 **99.8%** **40.2%**
Limits on variable interest rates; • **Debt** • **Investments**	 20% 80%	 **0.2%** **59.8%**

Prudential Indicator 10 – Maturity Structure of Borrowing

Maturity Structure of Fixed Interest Rate Borrowing 2016/17					
	Latest Approved		**Projection**		
	Lower	**Upper**	**Lower**	**Upper**	**Value £m**
Under 12 months	0%	30%	0%	1.01%	0.6
12 months to 2 years	0%	40%	0%	2.50%	1.5
2 years to 5 years	0%	50%	0%	7.48%	4.5
5 years to 10 years	0%	80%	0%	30.47%	18.3
10 years to 20 years	0%	100%	0%	46.88%	28.2
20 years to 50 years	0%	100%	0%	11.66%	7.0

Prudential Indicator 11 – Funds Invested for greater than 364 days

Investments	2016/17 Approved Limit £m	2016/17 Projection £m	2017/18 Estimate £m	2018/19 Estimate £m
Principal sums invested > 364 days	17.0	16.0	17.0	17.0

Local Indicators - HRA Debt Ratios

CIPFA's Prudential Code recommends the use of local indicators to measure the affordability and sustainability of the HRA's debt over the medium term. The following two local indicators consider the total level of HRA debt and how its proportion is changing over the next three year period. Both these indicators show reductions over the next three years and are consistent with the HRA Business Plan.

i) HRA Debt to Revenue Ratio

	2016/17 Estimate	2016/17 Projection	2017/18 Estimate	2018/19 Estimate
HRA debt £m	50.52	50.52	49.59	48.64
HRA revenues £m	16.11	16.18	16.24	16.18
Ratio of debt to revenues	3.14	3.12	3.05	3.01

ii) HRA Debt per Dwelling

	2016/17 Estimate	2016/17 Projection	2017/18 Estimate	2018/19 Estimate
HRA debt £m	50.52	50.52	49.59	48.64
Number of HRA dwellings	3,424	3,424	3,436	3,418
Debt per dwelling £	14.76	14.76	14.43	14.23

iii) Local Treasury Management Indicators

	2016/17	Estimate	Projection
1.	Debt – Average rate of interest on Non-HRA borrowing (excluding benefit of 'internal borrowing')	5.38%	5.11%
2.	Debt – Average rate of interest on HRA borrowing	3.44%	3.44%
3.	Investments – Average rate of return on all investments	1.34%	1.22%
