Report

Cabinet

Part 1

Date: 19 June 2019

Subject **Report on Treasury Management covering the Financial Year 2018/19**

Purpose This report is to inform the Council of treasury activities undertaken for the financial year ending 31 March 2019.

Author Head of Finance / Assistant Head of Finance

Ward All

Summary In line with the agreed Treasury Management Strategy, the Council continues to be both a short-term investor of cash and borrower to manage day-to-day cash flows. Current forecasts indicate that in the future, temporary borrowing will continue to be required to fund normal day-to-day cash flow activities and longer-term borrowing will increase to fund new commitments in the current capital programme as well as the impact of reduced capacity for ‘internal borrowing’.

Near the end of the financial year, the Council undertook additional borrowing of £40m in advance of the maturity, and subsequent re-financing, of the £40m stock issue in early 2019/20. This is reflected by increased borrowing level at 31 March 2019, however this is offset by an increase in investment over the same period.

All borrowing and investments undertaken during the first half of the year was expected and within the Council’s agreed limits.

Proposal That Cabinet:

1. **note and provide comment on the Annual Report on Treasury Management for the Financial Year 2018/19.**

2. **note and provide comment that 2018/19 Prudential Indicators for Treasury Management were in line with those set by Council in February 2018.**

Action by Head of Finance / Assistant Head of Finance

Timetable Immediate

This This report was prepared after consultation with:

- Treasury Advisors
- Head of Finance

Signed

Background

1. In June 2009 the Authority adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition (the CIPFA Code) which requires the Authority to approve a treasury management annual report after the end of each financial year.

2. Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfils the Authority's legal obligation to have regard to the CIPFA Code.

3. The Authority has borrowed 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. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

4. The 2018/19 Treasury Management Strategy was approved by the Council as part of the overall Medium Term Financial Plan and 2018/19 budget in February 2018 and can be viewed via the following link

   https://democracy.newport.gov.uk/documents/s14606/Item%207%20-%20TREASURY%20-%20REPORT%20and%20APPENDICES.pdf

5. This report presents the following information.

   - details of capital financing, borrowing, debt rescheduling and investment transactions
   - reports on the risk implications of treasury decisions and transactions
   - details the outturn position on treasury management transactions in 2018/2019
   - confirms compliance with treasury limits set and Prudential code

BORROWING STRATEGY / ACTIVITY

Short and Long Term Borrowing

1. Whilst the Council has significant long term borrowing requirements, the Council's current strategy of funding capital expenditure is through reducing investments ('internal borrowing') rather than undertaking new borrowing where it can i.e. we defer taking out new long term borrowing and fund capital expenditure from the Council's own cash resources – which it has because of its 'cash-backed' reserves and, to a lesser extent, day to day positive cash-flows, for as long as we can. The Council may undertake borrowing early if, there is the need for future borrowing and it feels it can minimise risk of future interest rate rises while providing value for money, this will be in line with advice from our treasury advisors.

   By using this strategy the Council can also minimise cash holding at a time when counterparty risk remains relatively high. The interest rates achievable on the Council's investments are also significantly lower than the current rates payable on long term borrowing and this remains the main reason for our current 'internally borrowed' strategy.

2. Whilst the strategy minimises investment counterparty risk, the risk of interest rate exposure is increased as the current low longer term borrowing rates may rise in the future. The market position is being constantly monitored in order to minimise this risk.

3. On 14 March 2019, in line with advice from the Authority's treasury advisors, the Council undertook £40m of borrowing in advance of the re-financing of the £40m stock issue to be re-paid on 10 April

2019. The possibility of taking this action was reported to Audit Committee in the half-year report brought in November 2018. The decision to undertake borrowing early was made due to the imminent decision on Brexit and the possibility of the UK leaving without a deal and the economic uncertainty that was surrounding the decision. The level of borrowing undertaken was in line with the long-term liability projection and within budgets set for 2019/20 and the authorised limits for 2018/19.

4. As shown in Appendix B, as at 31 March 2019 the level of borrowing has increased, but so has the level of investments by a similar value (held as cash and cash equivalents). On the repayment date of the stock issue of 10 April, the level of borrowing would fall by £40m as would the level of investments – as we will be liquidating our investments into cash and using this to then repay the Bond loan . The net borrowing of the Council has increased by £5.1m, this is in line with expectation due to funding the current capital programme, and is anticipated to increase further over future years.

5. In regards to LOBOs, no loans were called during the period. All £30m outstanding is subject to potential change of interest rates by the lender (which would automatically trigger a right to the Council to repay these loans) prior to the end of this financial year. Should a change of interest rate be requested, then it will be considered in detail and a decision on how we proceed will be made in conjunction with our treasury advisors.

INVESTMENTS ACTIVITY / POSITION

6. The Council's strategies in this area of Treasury Management are (i) to be a short term and relatively low value investor and (ii) investment priorities should follow the priorities of security, liquidity and yield, in that order.

   The Council's strategy of being a short-term investor has been maintained, though the early borrowing of £40m in relation to the re-financing of the stock has increased cash holdings temporarily. If this is excluded, investments in-year would have decreased by £5m. This is in-line with our expectations at the half-year report, and it is anticipated that this will continue to reduce in 2019/20 until we reach the balance of £10m, which will be invested for compliance with MiFIDII. The balance of investments as at 31 March 2019 is £56.2m (£16.2m excluding £40m set aside for refinance of the stock issue).

7. All investments are currently placed on a temporary basis and are placed in high security institutions, in line with our other strategy in this area, dealing with our investing priorities of (i) security (ii) liquidity and (iii) yield, in that order. At the 31 March 2019 £48.5m was placed with various local authorities, £1.0m with Santander Call Account, £5m with Barclays Corporate and £5m with Bank of Scotland. The maximum maturity date of any investment held is 14 June 2019.

8. January 2018 saw the implementation in the UK of the second Markets in Financial Instruments Directive (MiFID II), where firms will be obliged to treat all local authorities as retail clients unless they opt up to professional client status and meet certain criteria. These criteria include holding a minimum of £10m investment balance and employing knowledgeable and experienced staff to carry out investment transactions. It is anticipated that our investment balances will remain well above the minimum £10m.

9. The Council does not hold any long-term (more than 364 days) investments as at 31 March 2019.

OTHER YEAR-END TREASURY MATTERS

Economic background and Counter Party Update

10. Appendix A outlines the underlying economic environment during the financial year, as provided by the Council's Treasury Management Advisors 'Arlingclose'.

11. As discussed previously in this report the Council does not have any long-term investments, and the investments that it currently undertakes is mainly with other local authorities which are deemed very

secure, therefore the risk is currently 'low'. There were no significant changes in credit ratings advised in the first half of the financial year that had implications for the approved lending list. The long-term rating of Santander UK, the Council's bankers, remains at A; above the Council's minimum level of A-.

Compliance with Prudential Indicators approved by Council

12. The Authority measures and manages its exposures to treasury management risks using various indicators which can be found in Appendix B. The Authority has complied with the Prudential Indicators for 2018/19, set in March 2018 as part of the Treasury Management Strategy. Details of treasury-related Prudential Indicators can be found in Appendix B.

Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Investment counterparty not repaying investments	High but depending on investment value	Low	The Council only invests with Institutions with very high credit scores. It employs advisors to monitor money market movements and changes to credit scores and acts immediately should things change adversely. The lower levels of funds available for investment will also alleviate the risk.	Members, Head of Finance, Treasury staff, based on advice from treasury advisors
Interest Rates moving adversely against expectations	Low	Low	Future expectations for higher short term rates are subdued. The Treasury strategy approved allows for the use of short term borrowing once investment funds are exhausted to take advantage of these low rates.	Head of Finance, Treasury staff, treasury advisors

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

It is the Council's policy to ensure that the security of the capital sums invested is fully recognised and has absolute priority. The Council follows the advice of the Welsh Governments that any investment decisions take account of security, liquidity and yield in that order.

Options Available and considered

The Prudential Code and statute requires that, during and at the end of each financial year, reports on these matters are presented to Council for approval. Thus the only option available is consider the report and provide comments to the Council.

Preferred Option and Why

Note the contents of the report in relation to Treasury activities and all Treasury Indicators met.

Provide any comments necessary to Council on the contents of the report.

Comments of Chief Financial Officer
Decisions made on treasury matters will be made with a view to comply with the Treasury Management Strategy, Prudential Indicators, taking advice, where needed, from our Treasury Advisers.

Comments of Monitoring Officer
There are no legal implications. The in year and annual treasury management report is consistent with relevant Chartered Institute of Public Finance and Accountancy Guidance, Treasury Management principles and the Council's investment Strategy.

Comments of Head of People and Business Change

There are no direct HR implications associated with the report.

The Council is required to approve a treasury management annual report at the end of each financial year. The Well-being of Future Generations Act requires public bodies to balance short-term needs with the needs to safeguard the ability to meet long-term needs. As stated in this report, the Council continues to be both a short-term investor of cash and borrower to manage day-to-day cash flows but current forecasts indicate that in future temporary borrowing will continue to be required and longer-term borrowing will increase to fund the capital programme. This annual report fits in with the well-being goal of a Prosperous Wales.

Comments of Cabinet Member
The Leader of the Council, as lead member for strategic finance confirms she has been consulted on the report.

Local issues
N/A

Scrutiny Committees
N/A

Equalities Impact Assessment and the Equalities Act 2010
The Equality Act 2010 contains a Public Sector Equality Duty which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership. The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better informed decision-making and policy development and services that are more effective for users. In exercising its functions, the Council must have due regard to the need to: eliminate unlawful discrimination, harassment, victimisation and other conduct that is prohibited by the Act; advance equality of opportunity between persons who share a protected characteristic and those who do not; and foster good relations between persons who share a protected characteristic and those who do not. The Act is not overly prescriptive about the approach a public authority should take to ensure due regard, although it does set out that due regard to advancing equality involves: removing or minimising disadvantages suffered by people due to their protected characteristics; taking steps to meet the needs of people from protected groups where these differ from the need of other people; and encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

Children and Families (Wales) Measure
N/A

Wellbeing of Future Generations (Wales) Act 2015

This report is a backwards looking report of the treasury management activities of the Council. It shows that we followed the treasury management strategy and the compliance with prudential code and treasury management indicators. This links into the long-term objectives of the authorities and ensures that the councils activities are carried out in an affordable, prudent and sustainable manner.

Crime and Disorder Act 1998

Section 17(1) of the Crime and Disorder Act 1998 imposes a duty on the Local Authority to exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area.

Consultation

N/A

Background Papers

Set out a list of any relevant background papers and whether they are available to the public.

Dated:

APPENDIX A

External Context

Economic background: After spiking at over $85/barrel in October 2018, oil prices fell back sharply by the end of the year, declining to just over $50 in late December before steadily climbing toward $70 in April 2019. UK Consumer Price Inflation (CPI) for February 2019 was up 1.9% year/year, just above the consensus forecast but broadly in line with the Bank of England's February Inflation Report. The most recent labour market data for the three months to January 2019 showed the unemployment rate fell to a new low 3.9% while the employment rate of 76.1% was the highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.4% as wages continue to rise steadily and provide some upward pressure on general inflation. Once adjusted for inflation, real wages were up 1.4%.

After rising to 0.6% in the third calendar quarter from 0.4% in the second, fourth quarter economic growth slowed to 0.2% as weaker expansion in production, construction and services dragged on overall activity. Annual GDP growth at 1.4% continues to remain below trend. Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy have been made since.

The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the 2.25%-2.50% range in December. However, a recent softening in US data caused the Fed to signal a pause in hiking interest rates at the last Federal Open Market Committee (FOMC) meeting in March.

With the 29th March 2019, the original EU 'exit day' now been and gone, having failed to pass a number of meaningful votes in Parliament, including shooting down Theresa May's deal for the third time, MPs voted by a majority of one (313 to 312) to force the prime minister to ask for an extension to the Brexit process beyond 12th April in order to avoid a no-deal scenario. Recent talks between the Conservative and Labour parties to try to reach common ground on a deal which may pass a vote by MPs have yet to yield any positive results. The EU must grant any extension and its leaders have been clear that the terms of the deal are not up for further negotiation. The ongoing uncertainty continues to weigh on sterling and UK markets.

While the domestic focus has been on Brexit's potential impact on the UK economy, globally the first quarter of 2019 has been overshadowed by a gathering level of broader based economic uncertainty. The US continues to be set on a path of protectionist trade policies and tensions with China in particular, but with the potential for this to spill over into wider trade relationships, most notably with EU. The EU itself appeared to be show signs of a rapid slowdown in economic growth with the major engines of its economy, Germany and France, both suffering misfires from downturns in manufacturing alongside continued domestic/populist unrest in France. The International Monetary Fund downgraded its forecasts for global economic growth in 2019 and beyond as a consequence.

Financial markets: December was a month to forget in terms of performance of riskier asset classes, most notably equities. The FTSE 100 (a good indicator of global corporate sentiment) returned -8.8% assuming dividends were reinvested; in pure price terms it fell around 13%. However, since the beginning of 2019 markets have rallied, and the FTSE 100 and FTSE All share indices were both around 10% higher than at the end of 2018.

Gilt yields continued to display significant volatility over the period on the back of ongoing economic and political uncertainty in the UK and Europe. After rising in October, gilts regained their safe-haven status throughout December and into the new year - the 5-year benchmark gilt yield fell as low as 0.80% and there were similar falls in the 10-year and 20-year gilts over the same period dropping from 1.73% to 1.08% and from 1.90% to 1.55%. The increase in Bank Rate pushed up money markets rates over the year and 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.53%, 0.67% and 0.94% respectively over the period.

Recent activity in the bond markets and PWLB interest rates highlight that weaker economic growth is not just a UK phenomenon but a global risk. During March the US yield curve inverted (10-year Treasury yields were lower than US 3 month money market rates) and German 10-year Bund yields turned negative. The drivers are a significant shift in global economic growth prospects and subsequent official interest rate expectations given its impact on inflation expectations. Further to this is world trade growth which collapsed at the end of 2018 falling by 1.8% year-on-year. A large proportion of this downturn in trade can be ascribed to the ongoing trade tensions between the US and China which despite some moderation in January does suggest that the International Monetary Fund's (IMF) and Organisation for Economic Co-Operation & Development's (OECD) forecasts for global growth in 2019 of 3.5% might need to be revised downwards.

Credit background: Credit Default Swap (CDS) spreads drifted up towards the end of 2018 on the back of Brexit uncertainty before declining again in 2019 and continuing to remain low in historical terms. After hitting around 129 basis points in December 2018, the spread on non-ringfenced bank NatWest Markets plc fell back to around 96bps at the end of March, while for the ringfenced entity, National Westminster Bank plc, the CDS spread held relatively steady around 40bps. The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 33 and 79bps at the end of the period.

The ringfencing of the big four UK banks (Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc) transferred their business lines into retail (ringfenced) and investment banking (non-ringfenced) entities.

In February, Fitch put the UK AA sovereign long-term rating on Rating Watch Negative as a result of Brexit uncertainty, following this move with the same treatment for UK banks and a number of government-related entities.

There were minimal other credit rating changes during the period. Moody's revised the outlook on Santander UK to positive from stable to reflect the bank's expected issuance plans which will provide additional protection for the its senior unsecured debt and deposits.

Appendix B

Local Context

On 31st March 2019, the Authority had net borrowing of £192.8m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.19 Actual £m
General Fund CFR	280
Less: *Other debt liabilities	43
Borrowing CFR	**237**
Less: Usable reserves	(103)
Less: Working capital inc. investments	2.6
Net borrowing	**136.6**

* finance leases, PFI liabilities and transferred debt that form part of the Authority's total debt

With exception to the very short-term borrowing and investment for the refinancing of the stock issue, the Authority pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

The treasury management position at 31st March 2019 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.18 Balance £m	Movement £m	31.3.19 Balance £m	31.3.19 Rate %
Long-term borrowing	147.3	2.0	149.3	3.7
Short-term borrowing	5.4	38.1	43.5	8.9
Total borrowing	**152.7**	**40.1**	**192.8**	**4.77**
Short-term investments	20.4	(10.1)	10.3	0.9
Cash and cash equivalents	0.8	45.1	45.9	
Total investments	**21.2**	**35**	**56.2**	**0.77**
Net borrowing	**131.5**	**5.1**	**136.6**	**N/A**

The table above shows significant movement in both the borrowing and investment levels of the Council, however overall the NET borrowing position for the Council has only increased by £5.1m. Borrowing increased by £40.1m in the year, this is mainly due to undertaking borrowing early in relation to the re-financing of the stock issue, which was maturing on the 10th April 2019.

This borrowing was placed in very short-term investments, therefore is classed as cash and cash equivalents in the above table. Following the re-financing on 10th April, the investments would have reduced by £40m and the borrowing also reduced by £40m.

Excluding the £40m, short-term investments have fallen by £5.0m and borrowing has increased by £0.1m giving an overall increase in net borrowing of £5.1m.

Borrowing Strategy during the year

At 31st March 2019 the Authority held £192.8m of loans, an increase of £40.1m to 31st March 2018, as part of its strategy for funding previous years' capital programmes and undertaking borrowing early for the refinancing of loan due on 10th April 2019. Outstanding loans on 31st March are summarised in Table 3 below.

Table 3: Borrowing Position

	31.3.18 Balance £m	Net Movement £m	31.3.19 Balance £m	31.3.19 Weighted Average Rate %	31.3.19 Weighted Average Maturity (years)
Public Works Loan Board	69.0	38.9	107.9	3.6	20.6
Banks (LOBO)	30.6	-	30.6	4.4	35.2
Stock Issue	40.0	-	40.0	8.9	0.0
Banks (fixed-term)	5.0	-	5.0	3.8	58.9
Local Authority (short-term)	2.0	(2.0)	-	-	-
Other inc. WG loans	2.8	3.2	6.0	-	11.6
Accrued interest	3.3	-	3.3	N/A	N/A
Total borrowing	**152.7**	**40.1**	**192.8**	**4.77**	**19.4**

The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

In line with advice from the Authority's treasury advisors, a decision was made to undertake early borrowing for the re-finance of £40m debt maturing on 10th April 2019. Borrowing of £40m was undertaken on 14th March on terms spanning from 20 years to 48 years to spread the maturity profile and risk. The interest rate of the new borrowing was fixed at 2.05-2.55%, compared to the maturing borrowing at 8.875%. A decision was made to undertake the borrowing early due to the growing uncertainty surrounding Brexit and the imminent deadline that was approaching, which could have led to Britain leaving the EU without a deal.

The Authority has an increasing CFR due to the capital programme and an estimated borrowing requirement as determined by the Liability Benchmark which also takes into account usable reserves and working capital. Having considered the appropriate duration and structure of the Authority's borrowing need based on realistic projections, the Authority borrowed £40m medium/longer-term fixed rate loans, details of which are below. These loans provide some longer-term certainty and stability to the debt portfolio.

Long-dated Loans borrowed	Amount £m	Rate %	Period (Years)
PWLB EIP Loan 1	16.0	2.05	20
PWLB EIP Loan 2	4.0	2.16	23
PWLB EIP Loan 3	4.0	2.3	28
PWLB EIP Loan 4	4.0	2.41	33
PWLB EIP Loan 5	4.0	2.48	38
PWLB EIP Loan 6	4.0	2.53	43
PWLB EIP Loan 7	4.0	2.55	48
Total borrowing	**40.0**		

LOBO loans: The Authority continues to hold £30m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the year.

Other Debt Activity

Although not classed as borrowing, the Authority also has Private Finance Initiative and finance lease liabilities, total debt other than borrowing stood at £42.8m on 31st March 2019, taking total debt to £235.6m.

Treasury Investment Activity

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held and money borrowed in advance of need. During the year, the Authority's investment balances ranged between £20m and £60m due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.18 Balance £m	Net Movement £m	31.3.19 Balance £m	31.3.19 Income Return %	31.3.19 Weighted Average Maturity days
Banks & building societies (unsecured)	1.2	6.5	7.7	0.54	0
Government (incl. local authorities)	20.0	28.5	48.5	0.82	0
Total investments	**21.2**	**35**	**56.2**	**0.77**	**0**

**Weighted average maturity will apply to the first five categories above and to cash plus and bond funds.*

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Readiness for Brexit: With little by way of political clarity as to the exact date on whether there would be an agreed deal prior to leaving the EU and to be prepared for the outside chance of a particularly disruptive Brexit (such as last-minute no-deal) on 29th March, the Authority ensured there were enough accounts open at UK-domiciled banks and Money Market Funds to hold sufficient liquidity over the year end and that its account with the Debt Management Account Deposit Facility (DMADF) remained available for use in an emergency.

Compliance

The Head of Finance reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 6 below.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 6 below.

Table 6: Debt Limits

	2018/19 Maximum	31.3.19 Actual	2018/19 Operational Boundary	2018/19 Authorised Limit	Complied?
Borrowing	192.8	192.8	197	217	Yes
PFI and Finance Leases	45	43	46	46	Yes
Total debt	**237.8**	**235.8**	**243**	**263**	**Yes**

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Table 8: Investment Limits

	31.3.2019 Actual max (£m)	2018/19 Limit (£m)	Complied
Any single organisation, except UK Central Government	**5**	**£10m**	✓
UK Government inc. Local Authorities	**48.5**	**Unlimited**	✓
Any group of organisations under the same ownership	**0**	**£10m per group**	✓
Registered Providers	**0**	**£5m**	✓
Loans to unrated corporates	**0**	**£5m**	
Unsecured investments with Building Societies	**0**	**£5m**	✓

Treasury Management Indicators

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net interest payable was:

	31.3.19 Actual	2018/19 Limit	Complied?
Upper limit on fixed interest rate exposure	100%	100%	Yes
Upper limit on variable interest rate exposure	0	50%	Yes

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Maturity Structure of Borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	31.3.19 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	35%	70%	0%	✓
12 months and within 24 months	0%	60%	0%	✓
24 months and within 5 years	8%	60%	0%	✓
5 years and within 10 years	16%	50%	0%	✓

10 years and within 20 years	16%	30%	0%	✓
20 years and within 30 years	4%	20%	0%	✓
30 years and within 40 years	12%	20%	0%	✓
40 years and within 50 years	6%	20%	0%	✓
50 years and above	3%	20%	0%	✓

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than 365 days: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2018/19	**2019/20**	**2019/21**
Actual principal invested beyond year end	0	0	0
Limit on principal invested beyond year end	40	10	10
Complied?	✓	✓	✓