TREASURY MANAGEMENT STRATEGY

2017/18

PLYMOUTH
CITY COUNCIL

How Plymouth will invest to grow and meet future Infrastructure needs

Foreword

Councillor Ian Darcy
Cabinet Member for Finance and ICT

"This Strategy demonstrates our commitment to sound management of the Council's finances. It shows how the Council's ambitious capital programme will be funded.

It also demonstrates the network of controls that are in place to ensure our investments are secure.

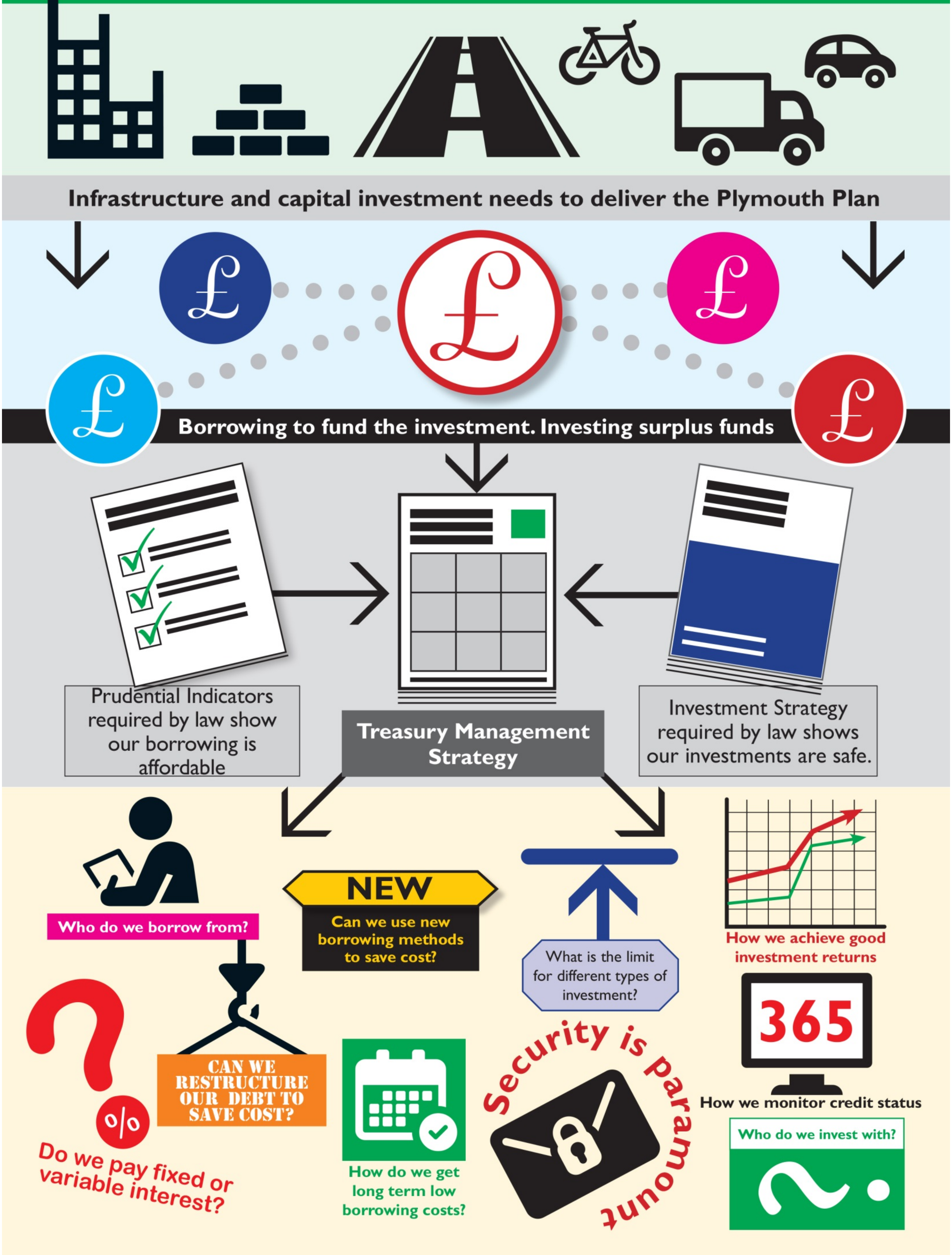
These are important decisions and this year's Strategy offers much greater openness and transparency to residents and stakeholders"

Andrew Hardingham
Assistant Director for Finance

"This Strategy is designed to underpin the Council's ambition to invest in the future of Plymouth. It offers a series of opportunities to manage the Council's finances to maximise returns, reduce risk, diversify investments and minimise the cost of borrowing. The strategy will keep us within our prescribed limits under the Prudential Code. The Council is seeking at all times to deliver good investment returns that are secure and affordable."

Contents

How the Treasury Management System works



This section explains how we invest and borrow

Introduction

The Treasury Management Strategy sets out how Plymouth will invest to grow and meet future Infrastructure needs. It is a companion document to the Medium Term Financial Strategy which sets out Plymouth's ambitions and priorities from the Plymouth Plan.

INVESTMENTS – FACTS AT A GLANCE

Principles and Objectives of the Treasury Management Strategy

- To achieve the best secure investment returns
- To minimise the cost of borrowing
- To achieve a balanced spread of maturities and commitments
- To achieve the right mix of borrowing vehicles

Market Intelligence

- 2016 Autumn Statement
- Market Outlook by the Council's advisers Arlingclose

Statutory and Performance Framework *Rules that guide us*	**Specified Investments** • Sterling only • Repayable in 12 months • Can use UK Government, Local Authority or a body of high credit quality
	Counterparties and Limits (see table on page 23)
	Non-specified investments • **£40m** max long-term • **£10m** max below
	Investment Limits – subject to credit ratings table on page 22 • **No limit** UK Government • **£12m** any single organisation • **£40m** any group of organisations • **£25m** per pooled fund • **£40m** negotiable instruments per broker • **£12m** per foreign country • **£12m** per registered provider • **£10m** unsecured with Building Societies • **£5m** unrated corporates • **£55m** money market funds
	Key Council Budget Assumption for 2017/18 • Investments will make an average rate of 1.41%
Approach *Choices made within the framework*	**Objective** Security first, yield second **Strategy** To maximise returns, reduce risk and diversify investments **Risk Assessment and credit ratio** Our advisors monitor credit ratings daily so no new investment will be made if they do not meet our ratings **Other information on security of Investments** Market intelligence from our advisors may give warnings before a credit warning changes

BORROWING – FACTS AT A GLANCE

Principles and Objectives of the Treasury Management Strategy

- To achieve the best secure investment returns
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- To achieve the right mix of borrowing vehicles

Market Intelligence

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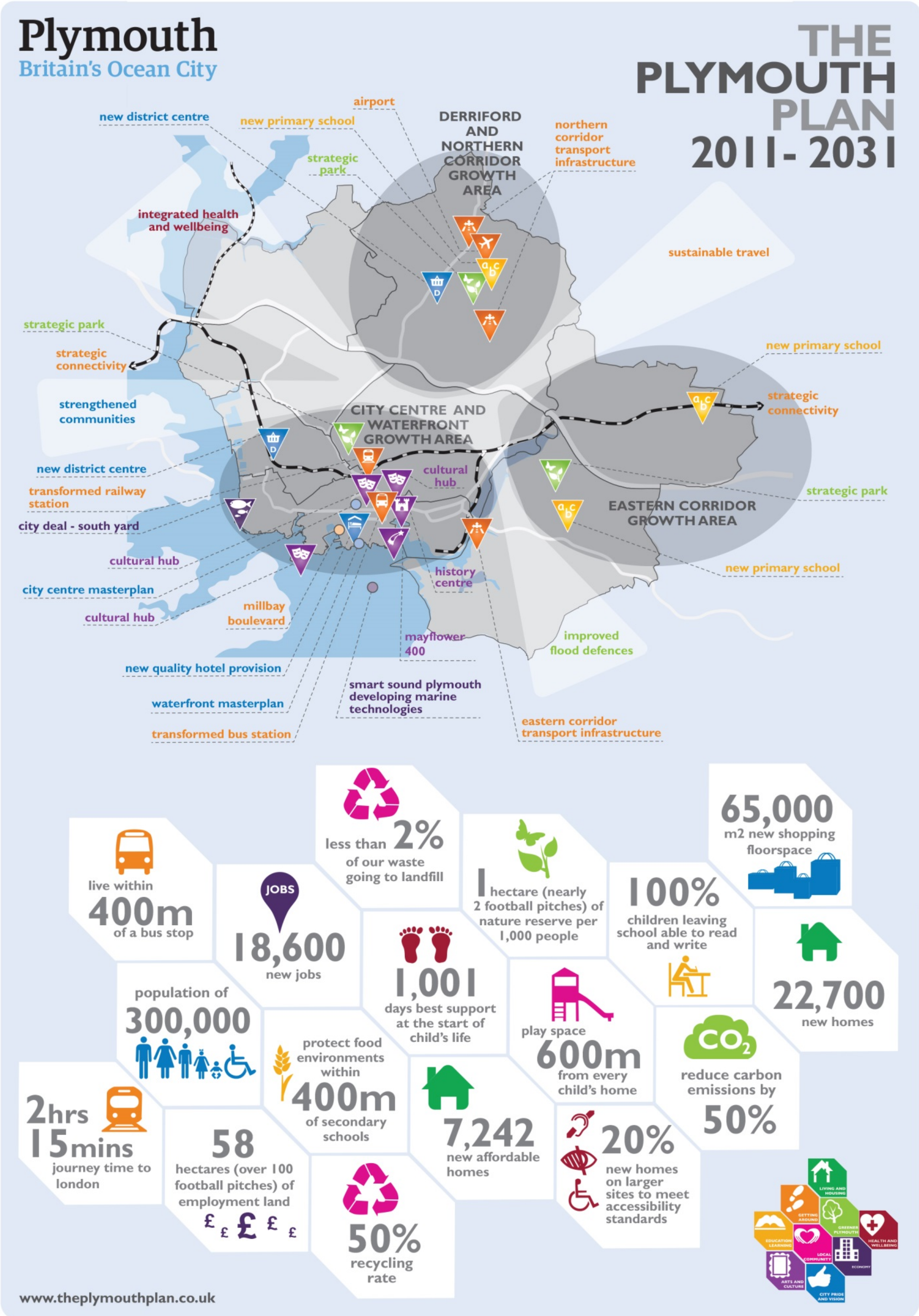
- Market Outlook by the Council's advisers Arlingclose

Statutory and Performance Framework *Rules that guide us*	**Borrowing** • **£155.2m** Total Capital Expenditure • **£516m** Capital Finance Requirement (need to borrow) • **£510m** Total Debt (loans and private finance initiatives) • **£540m** Operational Boundary (practical ceiling on borrowing) • **£610m** The Authorised limit (absolute maximum debt approved)
	Prudential Indicators • **5.81%** Ratio of finance costs to net revenue stream (borrowing costs as a proportion of total budget) • **£6.79** Hypothetical increase in Council Tax affordability. This is a CIPFA prescribed technical measure; the Council has made no future years tax decisions
	Treasury Management Indicators • **100%** Limit on Fixed Interest Exposure • **25%** Limit on Variable Interest Rate • **0% to 75%** Maturity Structure of Borrowing, exposure in any duration • **2.93%** average interest rate on new long term loans
	Minimum Revenue Provision Policy • Annuity Method • 50 year repayment for capitalisation directions • PFI/Leases determined by the specific agreement • No MRP on capital loans or investments • MRP first charged in the year the project is completed
	Key Council Budget Assumption for 2017/18 • Long-term loans will cost an average rate of 2.93%
Approach *Choices made within the framework*	**Objective -** Balance low interest rates with long term certainty **Strategy** – to borrow short term now and lock in long term when appropriate **Sources Approved by Arlingclose -** Banks or Building Society, Public Works Loan Board, Pension Funds, Capital Market Bonds, Municipal Bonds Agency, anyone with whom we would invest. Also, Leasing, PFI, Sale & Lease back **LOBOs** Council will repay if no additional cost **Municipal Bonds Agency** Council will use where appropriate **Debt Restructuring** A present value calculation based on current rates for the same period of loan may result in a discount or premium. Council will re-schedule if it reduces cost or risk

Delivering the Plymouth plans explains why we are borrowing and investing



Plymouth
Britain's Ocean City

THE PLYMOUTH PLAN 2011- 2031

One of Europe's most vibrant waterfront cities where an outstanding quality of life is enjoyed by everyone

WHAT WE WANT TO ACHIEVE...

LEADING CITY
A city fulfilling its strategic role as a major economic driver and provider of services in the region

HEALTHY CITY
People live in happy, healthy, safe and aspiring communities

GROWING CITY
A city which has used its strengths to deliver a prosperous city with a strong economy and quality places

INTERNATIONAL CITY
Plymouth is internationally renowned as Britain's Ocean City and is the UK's premier marine city, famous for its waterfront

HOW WILL WE KNOW WE'RE SUCCESSFUL?

Plymouth is recognised as a **key regional economic** driver	People get the **best start to life,** enjoy a better quality of life and increased life expectancy	Plymouth's population has grown to more than **300,000**	Plymouth offers a diverse **cultural experience** with a major events programme
Plymouth has **high quality strategic** services and facilities	More people are taking care of themselves or **finding care** within their community	Plymouth continues to be recognised as a **leading Green City**	Plymouth is internationally renowned as a leading UK **tourist destination**
The quality and resilience of Plymouth's **transport and digital connectivity** has improved	More residents are contributing to and **involved in their community**	Plymouth has more vibrant, productive and **innovative businesses**	Plymouth is recognised internationally for **marine science** and high technology manufacturing
Plymouth's strategic **defence role** has been safeguarded and strengthened	There is **good quality health** and social care for people who need it	People have the skills to be **school ready and work ready** to meet the needs of the city	Plymouth has a reputation for **world class universities** and research institutions
Plymouth's stunning setting and **natural assets** have been enhanced	Plymouth has good quality neighbourhoods where people feel **safe and happy**	Plymouth has the right environment for **growth and investment**	Plymouth has a reputation as a **welcoming and multicultural city** with diverse communities

WHAT PRINCIPLES WILL GUIDE US?

POWER
People have confidence that they can influence decisions that affect them

OPPORTUNITY
People can contribute to and benefit from being part of the city's future

ROOTS
People belong and care about Plymouth's future and their own

CONNECTIONS
People mix, learn from each other and work together

FLOURISH
People, communities and businesses thrive in a creative and diverse city

Our Corporate Plan includes themes of infrastructure and investment

Corporate Plan

The Corporate Plan 2016 to 2019 sets out our vision to be 'one team serving our city' and retains our ambition to be a Pioneering, Growing, Caring and Confident City.

OUR PLAN
ONE CITY COUNCIL

PLYMOUTH
CITY COUNCIL

CITY VISION
Britain's Ocean City

One of Europe's most vibrant waterfront cities where an outstanding quality of life is enjoyed by everyone.

OUR VALUES

WE ARE DEMOCRATIC
Plymouth is a place where people can have a say about what is important to them and where they can change what happens in their area.

WE ARE RESPONSIBLE
We take responsibility for our actions, care about their impact on others and expect others will do the same.

WE ARE FAIR
We will be honest and open in how we act, treat everyone with respect, champion fairness and create opportunities.

WE ARE PARTNERS
We will provide strong community leadership and work together to deliver our common ambition.

OUR VISION One team serving our city

PIONEERING PLYMOUTH
We will be innovative by design, and deliver services that are more accountable, flexible and efficient.

GROWING PLYMOUTH
We will make our city a great place to live by creating opportunities for better learning and greater investment, with more jobs and homes.

CARING PLYMOUTH
We will work with our residents to have happy, healthy and connected communities where people lead safe and fulfilled lives.

CONFIDENT PLYMOUTH
We will work towards creating a more confident city, being proud of what we can offer and growing our reputation nationally and internationally.

OUR THEMES

- Quality services focused on customers' needs
- Balancing the books
- New ways of working
- Best use of Council assets
- Working constructively with everyone

- Quality jobs and valuable skills
- Broad range of homes
- Increased levels of investment
- Meeting future infrastructure needs
- Green and pleasant city

- Focus on prevention and early intervention
- Keeping children and adults protected
- Inclusive communities
- Respecting people's wishes
- Reduce health inequalities

- Council decisions driven by citizen need
- Plymouth as a destination
- Improved street scene environment
- Motivated, skilled and engaged workforce
- Setting the direction for the South West

Plymouth
Britain's Ocean City

www.plymouth.gov.uk/ourplan

The Autumn Statement was delivered by the Chancellor on 23 November 2016. It is important market intelligence for borrowing and investment decisions.

National Context

Autumn Statement Summary

Growth forecasts have been reduced by Office for Budget Responsibility. The Chancellor is borrowing to fund infrastructure. There are marginal taxation changes with the objective of securing a level playing field between different categories of employment.

Public borrowing/deficit/spending

- Borrowing is forecast to be £122bn higher in the period until 2021 than forecast in March's Budget
- Debt will rise from 84.2% of GDP last year to 87.3% this year, peaking at 90.2% in 2017-18
- Office for Budget Responsibility (OBR) forecasts borrowing of £68.2bn this year, then £59bn in 2017-18, £46.5bn in 2018-19, £21.9bn in 2019-20 and £20.7bn in 2020-21
- Public spending this year to be 40% of GDP - down from 45% in 2010
- Departmental spending plans set out in 2015 Spending Review to remain in place
- Government will meet commitments to protect budgets for key public services, defence, overseas aid and the pension "triple lock" until the end of this Parliament

The state of the economy

- OBR growth forecast upgraded to 2.1% in 2016 - from 2.0% - then downgraded to 1.4% in 2017, from 2.2%
- Forecast growth of 1.7% in 2018, 2.1% in 2019 and 2020 and 2% in 2021.
- Government no longer seeking a budget surplus in 2019-20 - committed to returning public finances to balance "as soon as practicable"

Taxation and Pay

- Income tax threshold to be raised to £11,500 in April, from £11,000 now
- Higher rate income tax threshold to rise to £50,000 by the end of the Parliament
- Tax savings on salary sacrifice and benefits in kind to be stopped, with exceptions for ultra-low emission cars, pensions, childcare and cycling
- National Living Wage to rise from £7.20 an hour to £7.50 from April next year
- Employee and employer National Insurance thresholds to be equalised at £157 per week from April 2017
- Insurance premium tax to rise from 10% to 12% next June
- Universal Credit taper rate to be cut from 65% to 63% from April at a cost of £700m
- No plans for further welfare savings in this Parliament

Housing

- Ban on upfront fees charged by letting agents in England "as soon as possible"
- £2.3bn housing infrastructure fund to help provide 100,000 new homes in high-demand areas
- £1.4bn to deliver 40,000 extra affordable homes

Fuel

- Fuel duty rise cancelled for seventh year in succession - at a cost of £850m, saving average car driver £130 and van driver £350 a year
- For the oil and gas sector, the Carbon Price Support capped until 2020 and business rates reductions worth £6.7bn

Transport/infrastructure/regions

- £1.1bn extra investment in English local transport networks
- £220m to reduce traffic pinch points
- £23bn to be spent on innovation and infrastructure over five years
- £2bn per year by 2020 for research and development funding
- £110m for East West Rail and commitment to deliver Oxford to Cambridge Expressway
- More than £1bn for digital infrastructure and 100% business rates relief on new fibre infrastructure
- £1.8bn from Local Growth Fund to English regions
- Rural Rate Relief to be increased to 100%, "giving small businesses a tax break worth up to £2,900"
- £7.6m for repairs to Wentworth Woodhouse, near Rotherham, said to be inspiration for Pemberley in Jane Austen's Pride and Prejudice

Business

- Doubling UK export funding capacity
- £400m into venture capital funds through the British Business Bank to unlock £1bn in finance for growing firms

Other

- Funding for 2,500 more prison officers
- Reforms to compensation for whiplash to cut the cost of motor insurance
- Promise to abolish Autumn Statement, with Budgets happening in the autumn from next year, along with "Spring Statement" from 2018

Specialist advisers Arlingclose support the Council with borrowing and investment advice. This is Arlingclose's expert assessment of the economy in the coming months and years.

Economic update from Treasury Management advisors Arlingclose

The major external influence on the Authority's treasury management strategy for 2017/18 will be the UK's progress in negotiating a smooth exit from the European Union.

Financial markets, wrong-footed by the referendum outcome, have since been weighed down by uncertainty over whether leaving the Union also means leaving the single market. Negotiations are expected to start once the UK formally triggers exit in early 2017 and last for at least two years.

Uncertainty over future economic prospects will therefore remain throughout 2017/18.

The fall and continuing weakness in sterling and the near doubling in the price of oil in 2016 have combined to drive inflation expectations higher.

The Bank of England is forecasting that Consumer Price Inflation will breach its 2% target in 2017. This will be the first time this has happened since late 2013. The Bank is expected to look through inflation overshoots over the course of 2017 when setting interest rates so as to avoid derailing the economy.

Initial post-referendum economic data showed that the feared collapse in business and consumer confidence had not immediately led to lower GDP growth.

The prospect of a leaving the single market has dented business confidence and resulted in a delay in new business investment. Unless counteracted by higher public spending or retail sales, a delay in new business investment will weaken economic growth in 2017/18.

Looking overseas, the US economy and its labour market are showing steady improvement. The market has priced in a high probability of the Federal Reserve increasing interest rates in December 2016.

The Eurozone meanwhile has continued to struggle with very low inflation and lack of momentum in growth, and the European Central Bank has left the door open for further quantitative easing.

The impact of political risk on financial markets remains significant over the next year.

Challenges have the potential for upsets. These include:

- Immigration
- The rise of populist, anti-establishment parties
- Negative interest rates which have resulted in savers being paid nothing or little for their frugal efforts
- The outcomes of Italy's referendum on its constitution (December 2016)
- The French presidential and general elections (April – June 2017)
- The German federal elections (August – October 2017)

PWLB **-** The government has confirmed plans to abolish the 223-year-old Public Works Loan Board and transfer its functions for lending to local authorities to the Treasury.

This is Arlingclose's view of the risks of bank failures in the period ahead.

Credit Outlook

Markets have expressed concern over the financial viability of a number of European banks recently. Sluggish economies and continuing fines for pre-crisis behaviour have weighed on bank profits, and any future slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however continue to fall.

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This is Arlingclose's expert view on future interest rates.

Interest Rate Forecast

The central case is for UK Bank Rate to remain at 0.25% during 2017/18. The Bank of England has, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods.

Given this view and the current inflation outlook, further falls in the Bank Rate look less likely.

The Negative Bank Rate is currently perceived by some policymakers to be counterproductive but, although a low probability, cannot be entirely ruled out in the medium term, particularly if the UK enters recession as a result of concerns over leaving the European Union.

Gilt yields have risen sharply, but remain at low levels. The Arlingclose central case is for yields to decline when the government triggers Article 50.

Long-term economic fundamentals remain weak, and the quantitative easing (QE) stimulus provided by central banks globally has only delayed the fallout from the build-up of public and private sector debt.

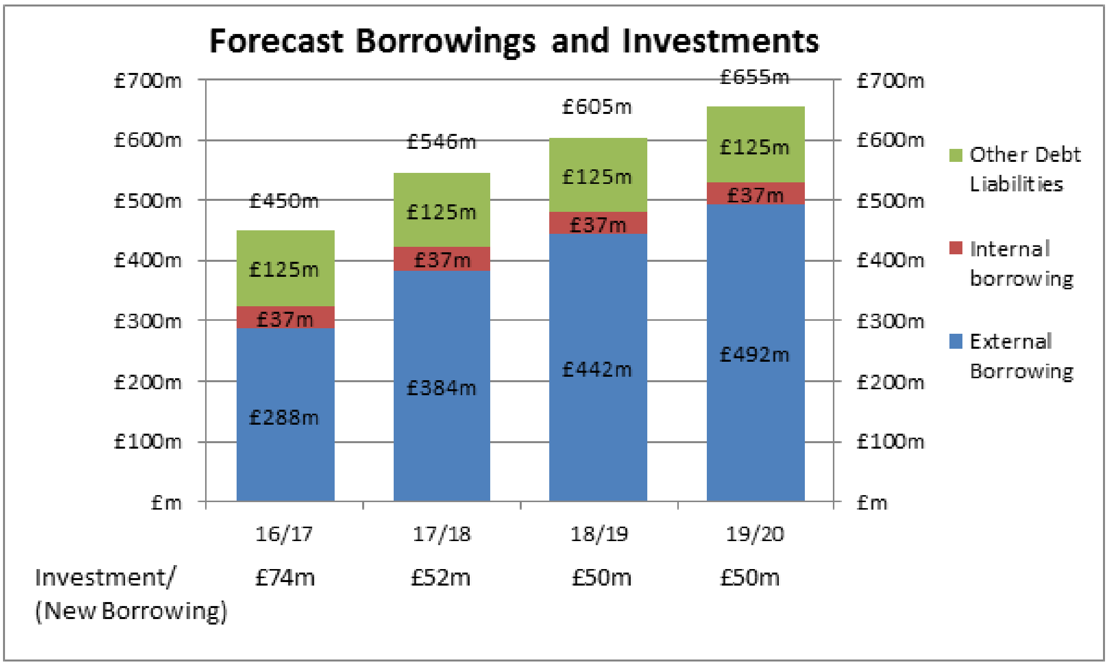
The Bank of England has defended QE as a monetary policy tool, and further QE in support of the UK economy in 2017/18 remains a possibility, to keep long-term interest rates low.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at ***Appendix A***.

Part 2 – Detailed Analysis

Borrowing

This is how much we debt we expect to have next year and in the years ahead.



These are borrowing limits we are required to set by law. They are affordable levels and needed to fund our capital programme.

Maximum Total Debt

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement. Usable reserves and working capital are the underlying resources available for investment. The current strategy is not to borrow to the full underlying need. Some internal resources are used instead of external borrowing.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* sets a maximum for total debt. This is the maximum the CFR is expected to reach at any time during the next three years. The Authority expects to comply with this recommendation during 2017/18.

The Council held £251 million of loans in September 2016. This was an increase of £11 million on the previous year. The increase in loans is because of funding previous years' capital programmes. The Authority expects to hold borrowing up to £384m in 2017/18.

The Council can bring forward planned external borrowing into an earlier financial year. This might be done to take advantage of favourable long term interest rates. The total borrowing must not exceed the authorised limit set by the Council of £450 million.

We seek low interest rates, but it is good to be as sure as possible what our interest costs will be in future years.

Prudential Indicators 2017/18

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure

The Authority's planned capital expenditure and financing may be summarised as follows.

This is how we will fund the investment needed to deliver the Plymouth Plan

Capital Expenditure and Financing	2016/17 Revised £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
General Fund	104.910	155.230	98.190	98.190
Total Expenditure	**104.910**	**155.230**	**98.190**	**98.190**
Capital Receipts	8.510	8.510	8.510	8.510
Grants and Contributions	48.080	37.350	34.150	34.150
Reserves	-	-	-	-
Revenue	2.590	0.930	0.530	0.530
Borrowing	45.730	108.440	55.000	55.000
Leasing and PFI	-	-	-	-
Total Financing	**104.910**	**155.230**	**98.190**	**98.190**

Estimates of Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

This is the total past and planned capital expenditure we need to finance.

Capital Financing Requirement	31 Mar 17 Revised £m	31 Mar 18 Estimate £m	31 Mar 19 Estimate £m	31 Mar 20 Estimate £m
General Fund	410.930	516.160	614.350	712.540
Total CFR	**410.930**	**516.160**	**614.350**	**712.540**

The CFR is forecast to rise by £302m over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

This is how much we expect to borrow over the three years

Debt	31 Mar 17 Estimate £m	31 Mar 18 Estimate £m	31 Mar 19 Estimate £m	31 Mar 20 Estimate £m
Borrowing	288.020	383.750	442.190	492.190
PFI liabilities & Finance Leases	125.000	125.000	125.000	125.000
Total Debt	**413.020**	**508.750**	**567.190**	**617.190**

Total debt is expected to remain below the CFR during the forecast period.

Operational Boundary for External Debt

The operational boundary is based on the Authority's estimate of most likely, (i.e. prudent, but not worst case) scenario for external debt.

This is the flexibility we need to cope with our changing borrowing position from day to day.

Operational Boundary	2016/17 £m	2017/18 £m	2018/19 £m
Borrowing	350.000	400.000	425.000
Other long-term liabilities	140.000	140.000	140.000
Total Debt	**490.000**	**540.000**	**590.000**

Authorised Limit for External Debt

The Authorised Limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003 it is the maximum amount of debt that the Authority can legally owe. The Authorised Limit provides headroom over and above the operational boundary for unusual cash movements.

This is the absolute maximum of debt approved by the City Council

Authorised Limit	2016/17 £m	2017/18 £m	2018/19 £m
Borrowing	400.000	450.000	500.000
Other long-term liabilities	160.000	160.000	160.000
Total Debt	**560.000**	**610.000**	**660.000**

Ratio of Financing Costs to Net Revenue Stream
This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

This measure demonstrates that our proposed borrowing is affordable.

Ratio of Financing Costs to Net Revenue Stream	2016/17 Revised %	2017/18 Estimate %	2018/19 Estimate %	2019/20 Estimate %
General Fund	1.97%	5.81%	6.15%	6.50%

Incremental Impact of Capital Investment Decisions
This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.

This is a technical measure prescribed by CIPFA to demonstrate affordability. The Council has not made any decisions on council tax levels in future years.

Incremental Impact of Capital Investment Decisions	2016/17 Estimate £	2017/18 Estimate £	2018/19 Estimate £
General Fund - increase in annual band D Council Tax	5.80	6.79	8.89

Adoption of the CIPFA Treasury Management Code
The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* in April 2002.

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

This is how we measure our performance.

Security

The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	Target
Portfolio average credit rating	A

This is a technical measure to limit how much we can be affected by changing interest rates.

Liquidity

The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	Target
Total cash available within 3 months	£5m

This is a technical measure to limit how much we can be affected by changing interest rates.

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 principal borrowed will be:

	2017/18	2018/19	2019/20
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	25%	25%	25%

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.

Our loans fall due for repayment at various dates. We expect to have mainly fixed rate debt for longer loans. This avoids the risk of extra interest costs.

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 fixed rate borrowing will be:

	Upper	Lower
Under 12 months	60%	0%
12 months and within 24 months	25%	0%
24 months and within 5 years	25%	0%
5 years and within 10 years	25%	0%
10 years and above	75%	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 364 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 will be:

	2017/18	2018/19	2019/20
Limit on principal invested beyond one year	£20m	£20m	£20m

Annual Minimum Revenue Provision Statement 2017/18

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's Guidance on Minimum Revenue Provision (the CLG Guidance) most recently issued in 2012.

The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The CLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP.

Minimum Revenue Position Policy

MRP will be determined by charging the expenditure over the expected useful life of the asset on an annuity method, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years.

The MRP payment is funded from revenue with an option that part or all of the payment could be funded from capital receipts.

Borrowing

For new borrowing under the prudential system for which no Government support is being given and is therefore self-financed, MRP will be made using the annuity method over the life of the asset.

Capitalisation Directions

For capitalisation directions on expenditure incurred since 1 April 2008 MRP will be made using the annuity method over 50 years.

PFI/Leases

MRP in respect of PFI and leases brought on the Balance Sheet under the 2009 SORP and IFRS will match the annual principal repayment for the associated deferred liability.

Any loan or investment to an organisation defined as capital expenditure will not attract MRP. The original capital expenditure will be met from the capital receipt on the maturity of the loan/investment.

MRP will commence in the financial year following the one in which the expenditure is incurred, except for expenditure funded by borrowing where the project is not complete at 31st March 2017 (classified as under construction). MRP will be deferred until the construction is complete and operational with the charge to be made in the year following completion.

Objectives of Borrowing Decisions

- To strike an appropriately low risk balance between securing low interest and certainty of costs.
- Flexibility to renegotiate loans should the Authority's long-term plans change.

It is much cheaper to borrow for a short period now. Before long term rates rise we intend to lock into fixed rate loans.

Strategy

Short term interest rates are currently much lower than long-term rates. It is likely to be more cost effective in the short term to use internal resources, or to borrow short-term. This will reduce net borrowing costs and overall treasury risk. Long term borrowing rates are forecast to rise modestly. The benefits of deferring long term borrowing will be monitored regularly.

Alternatively, the Authority may arrange forward starting loans. In a forward starting loan the interest rate is fixed in advance but is drawn later. Such loans give certainty of cost without suffering a cost of carry.

We are always looking at options to replace existing loans with cheaper alternatives.

In addition, the Authority may borrow short-term loans to cover unexpected cash flow shortages.

The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

The Authority will reschedule or repay loans where this is expected to lead to an overall cost saving or a reduction in risk.

The Authority will only borrow from approved sources.

These are the lenders we are allowed by Government to use.

Sources of Borrowing

The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- Any institution approved for investments (see below)
- Any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except Devon Local Government Pension Fund)
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- Any other counterparty that are approved by the authority's TM advisors.
- A Plymouth City Council bond

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Operating and finance leases
- Hire purchase
- Private Finance Initiative
- Sale and leaseback

The Authority has previously raised some of its long-term borrowing from the PWLB and through LOBOs but it continues to investigate other sources of finance, such as local authority loans and bank

These agreements were entered into under different market conditions. Where possible we will replace them with lower cost loans.

Lender's Option Borrower's Option (LOBOs)

During 2016/17 Barclays Bank decided to transfer the authority's Barclays Bank LOBOs (Lender's Option Borrower's Option) to fixed term borrowing and therefore this has reduced the authorities total LOBOs by £18m. The Authority holds £82m of LOBO 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. £57m of these LOBOS have options during 2017/18, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so. Total borrowing via LOBO loans will be limited to £82m.

This allows the flexibility to borrow from the Municipal Bonds Agency

Municipal Bond Agency

UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to the Treasury Management Board.

Short-term and Variable Rate loans

These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

If we can, we will replace existing loans with cheaper new loans.

Debt Rescheduling

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Investments

These are the ways Government allows us to invest surplus funds

Specified Investments

The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of "high credit quality".

The Authority defines "high credit quality" organisations and securities as those having a credit rating of [A-] or higher that are domiciled in the UK or a foreign country with a sovereign rating of [AA+] or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of [A-] or higher.

These are the limits we use for making individual investments.
They are based on advice from Arlingclose.

Approved investment counterparties and limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£6m 5 years	£12m 20 years	£20m 50 years	£6m 20 years	£6m 20 years
AA+	£6m 5 years	£12m 10 years	£12m 25 years	£6m 10 years	£6m 10 years
AA	£6m 4 years	£12m 5 years	£12m 15 years	£6m 5 years	£6m 10 years
AA-	£5m 3 years	£12m 4 years	£12m 10 years	£6m 4 years	£6m 10 years
A+	£5m 2 years	£12m 3 years	£6m 5 years	£6m 3 years	£6m 5 years
A	£4m 13 months	£12m 2 years	£6m 5 years	£6m 2 years	£6m 5 years
A-	£4m 6 months	£12m 13 months	£6m 5 years	£6m 13 months	£6m 5 years
BBB+	£3m 100 days	£5m 6 months	£2m 2 years	£2m 6 months	£2m 2 years
Pooled funds	£20m per fund				

Non-specified Investments
Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality.

Table 3: Non-Specified Investment Limits

	Cash limit
Total long-term investments	£40m
Total investments without credit ratings or rated below A-	£10m
Total investments with institutions domiciled in foreign countries rated below AA+	£0m
Total non-specified investments	£50m

Investment Limits

The Authority's revenue reserves available to cover investment losses are forecast to be £45 million on March 31 2017. In order that no more than 45% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £20 million. When considering investment limits in the chart below you must also refer to the credit ratings of the individual organisations (as shown in the chart on page 22) to make the final assessment.

Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£12m each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£40m per group
Any group of pooled funds under the same management	£25m per manager
Negotiable instruments held in a broker's nominee account	£40m per broker
Foreign countries	£12m per country
Registered Providers	£12m in total
Unsecured investments with Building Societies	£10m in total
Loans to unrated corporates	£5m in total
Money Market Funds	£55m in total

Liquidity Management
The Authority uses a cash flow forecasting spreadsheet to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on

long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

This is the rate we expect to pay on new borrowing, and how much we expect to earn on investments.

Council Budget Assumptions for 2017/18

- Investments will make an average rate of 1.41%
- Long-term loans will cost an average rate of 2.93%

This sets out how we invest any surplus funds.
Security of the funds is paramount

Investment Strategy

The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £60 and £80 million, and is expected to remain about the same in the forthcoming year.

Objectives

Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest 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 receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Negative Interest Rates

If the UK enters into a recession in 2017/18, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy

Given the increased risk and falling low returns from short-term unsecured bank investments, the Authority continues to hold its investments in more secure, lower yielding asset classes. The authority holds £20m as a longer-term investment in the CCLA Property Fund and this gives a higher return than the short term investments. The majority of the Authorities surplus cash is currently invested in short-term unsecured bank deposits, certificates of deposit, Local Authorities and money market funds. The Authority will continue to look for investment opportunities that give a good return whilst being a secure investment.

Approved Counterparties

The Authority may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

Credit Rating

Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all relevant factors including external advice will be taken into account.

Banks Unsecured

Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Banks Secured

Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government

Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates

Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

Registered Providers

Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

Pooled Funds

Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Risk Assessment and Credit Ratings

Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- No new investments will be made
- Any existing investments that can be recalled or sold at no cost will be, and
- Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments

The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Other Items

There are a number of additional items that the Authority is obliged by CIPFA or CLG to include in its Treasury Management Strategy.

Policy on use of Financial Derivatives

Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Investment Training

The needs of the Authority's treasury management staff for training in investment management are assessed every twelve months as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staffs regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staffs are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

Investment Advisers

The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled by quarterly review meetings and periodically tendering for the provision of Treasury Management Consultancy services.

Investment of Money Borrowed in Advance of Need

The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £400 million. The maximum period between borrowing and expenditure is expected to be one year, although the Authority is not required to link particular loans with particular items of expenditure.

Other options considered

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Section 151 Officer, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A – Arlingclose Economic and Interest Rate Forecast November 2016

Underlying assumptions

- The medium term outlook for the UK economy is dominated by the negotiations to leave the EU. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU and other countries.
- The global environment is also riddled with uncertainty, with repercussions for financial market volatility and long-term interest rates. Donald Trump's victory in the US general election and Brexit are symptomatic of the popular disaffection with globalisation trends. The potential rise in protectionism could dampen global growth prospects and therefore inflation. Financial market volatility will remain the norm for some time.
- However, following significant global fiscal and monetary stimulus, the short term outlook for the global economy is somewhat brighter than earlier in the year. US fiscal stimulus is also a possibility following Trump's victory.
- Recent data present a more positive picture for the post-Referendum UK economy than predicted due to continued strong household spending.
- Over the medium term, economic and political uncertainty will likely dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment.
- The currency-led rise in CPI inflation (currently 1.0% year/year) will continue, breaching the target in 2017, which will act to slow real growth in household spending due to a sharp decline in real wage growth.
- The depreciation in sterling will, however, assist the economy to rebalance away from spending. The negative contribution from net trade to GDP growth is likely to diminish, largely due to weaker domestic demand. Export volumes will increase marginally.
- Given the pressure on household spending and business investment, the rise in inflation is highly unlikely to prompt monetary tightening by the Bank of England, with policymakers looking through import-led CPI spikes to the negative effects of Brexit on economic activity and, ultimately, inflation.
- Bank of England policymakers have, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further monetary loosening looks less likely.

Forecast:

- Globally, the outlook is uncertain and risks remain weighted to the downside. The UK domestic outlook is uncertain, but likely to be weaker in the short term than previously expected.
- The likely path for Bank Rate is weighted to the downside. The Arlingclose central case is for Bank Rate to remain at 0.25%, but there is a 25% possibility of a drop to close to zero, with a very small chance of a reduction below zero.
- Gilt yields have risen sharply, but remain at low levels. The Arlingclose central case is for yields to decline when the government triggers Article 50.

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Avg
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.12
Arlingclose Central Case	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Downside risk	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.40
3-month LIBID rate														
Upside risk	0.05	0.05	0.10	0.10	0.10	0.15	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.18
Arlingclose Central Case	0.25	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.29
Downside risk	0.20	0.25	0.25	0.25	0.30	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.34
1-yr LIBID rate														
Upside risk	0.10	0.10	0.15	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.23
Arlingclose Central Case	0.60	0.50	0.50	0.50	0.50	0.50	0.50	0.60	0.70	0.85	0.90	0.90	0.90	0.65
Downside risk	0.10	0.15	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.24
5-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.39
Arlingclose Central Case	0.30	0.30	0.30	0.30	0.35	0.40	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.39
Downside risk	0.40	0.45	0.45	0.45	0.50	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.54
10-yr gilt yield														
Upside risk	0.30	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.39
Arlingclose Central Case	0.75	0.75	0.80	0.80	0.80	0.80	0.80	0.80	0.85	0.90	0.90	0.95	0.95	0.83
Downside risk	0.40	0.45	0.45	0.45	0.50	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.54
20-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.39
Arlingclose Central Case	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.30	1.35	1.35	1.40	1.40	1.29
Downside risk	0.50	0.55	0.55	0.55	0.60	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.64
50-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.39
Arlingclose Central Case	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.30	1.35	1.35	1.40	1.40	1.29
Downside risk	0.50	0.55	0.55	0.55	0.60	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.64

Appendix B - Existing Investment and Debt Portfolio Position

	31 Sept 2016 Actual Portfolio £m	31 Sept 2016 Average Rate %
External Borrowing:		
PWLB – Fixed Rate	44.25	5.76
Local Authorities	107.00	0.39
LOBO Loans	82.00	3.65
Long Term Borrowing	18.00	4.37
Total External Borrowing	**251.25**	**2.68**
Other Long Term Liabilities:		
PFI	123.17	n/a
Finance Leases	1.73	n/a
Total Gross External Debt	**376.15**	
Investments:		
Managed in-house		
Short-term investments	30.20	0.76
Long-term investments	23.90	variable
Managed externally		
Pooled Funds	20.00	variable
Total Investments	**74.10**	
Net Debt	**302.05**	

Treasury Management Strategy

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