Northumberland County Council

COUNCIL

6 SEPTEMBER 2017

Treasury Management Annual Report for the Financial Year 2016-17

Report of Alison Elsdon, Director of Corporate Resources

Cabinet Member: Councillor Nicholas Oliver – Portfolio Holder for Corporate Services

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Purpose of the Report

This report provides details of performance against the Treasury Management Strategy Statement (TMSS) 2016-2017, approved by the County Council on 24 February 2016. The report provides a review of borrowing and investment performance for 2016-17, set in the context of the general economic conditions prevailing during the year. It also reviews specific Treasury Management prudential indicators defined by the (CIPFA) Treasury Management Code of Practice and CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code), and approved by the Authority in the TMSS.

Recommendations

- Members receive the report and note the performance of the Treasury Management function for 2016-17.
- Members approve the report.

Link to the Corporate Plan

This report supports the Developing the Organisation (Innovation and Partnership) priority included in NCC's Corporate Plan 2013-2017.

Key Issues

The Local Government Act 2003 (the Act) and supporting Regulations require the Council to produce an annual review of treasury management activities and present the actual performance against prudential and treasury indicators. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

The report provides a review of the Treasury Management activities for 2016-17; and, sets out performance against the Treasury Management Strategy Statement for 2016-17.

TREASURY MANAGEMENT ANNUAL REPORT 2016-17

1. INTRODUCTION

1.1. Background

This Treasury Management Annual Report provides a review of the activities of the Treasury Management function for the period 1 April 2016 to 31 March 2017; and, shows performance against the Treasury Management Strategy Statement (TMSS) for 2016-17. Its production and submission to Council is a requirement of the CIPFA Code of Practice on Treasury Management.

Treasury management is defined as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.2. Statutory and Regulatory Requirements

The Local Government Act 2003 (the Act) and supporting Regulations requires the Council to produce an annual review of treasury management activities and the actual performance against prudential and treasury indicators. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore, important as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

1.3. Basis and Content of Treasury Management Annual Report for 2016-17

The report covers:

- Overview of, and compliance with the Treasury Management Strategy for the financial year 2016-17;
- Economic conditions and interest rates during 2016-17;
- Overview of the treasury position as at 31 March 2017;
- Borrowing activity for 2016-17;
- Investment activity for 2016-17;
- Performance against budget;
- Treasury management limits and prudential indicators position;

2. TREASURY MANAGEMENT STRATEGY FOR 2016-17

2.1. Overview of the 2016-17 Strategy

The expectation for interest rates within the treasury management strategy for 2016-17 was for low but rising Bank Rate (often referred to as Base Rate), and gradual rises in medium and longer term fixed borrowing rates during 2016-17. Variable or short-term rates were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

In this scenario, the treasury strategy was to postpone borrowing and wherever possible to use investment balances to repay maturing debt and fund capital expenditure; resulting in the Council operating an under-borrowing position. This practice would in turn avoid the cost of holding higher levels of investments and reduce counterparty risk.

Added to this, it was envisaged that a mixture of short term and long term loans would be taken to fund the remaining external borrowing requirement.

2.2. Compliance

All treasury activities met the Treasury indicators set in the TMSS, and borrowing was within the borrowing limits set by the Council. The former Section 151 Officer confirmed that, throughout the period, all treasury activities have been conducted within the parameters of the TMSS 2016-17, alongside best practice suggested by the CIPFA Treasury Management Code and Central Government.

3. ECONOMIC CONDITIONS AND INTEREST RATES DURING 2016-17

3.1. Economy

The two major landmark events that had a significant influence on financial markets in the 2016-17 financial year were the UK EU referendum on 23 June 2016 and the election of President Trump in the USA on 09 November 2016.

The first event had an immediate impact in terms of market expectations of when the first increase in Bank Rate would happen; pushing it back from quarter 3 2018 to quarter 4 2019. At its 4 August 2016 meeting, the Monetary Policy Committee (MPC) cut the Bank Rate from 0.5% to 0.25% and the Bank of England's Inflation Report produced forecasts warning of a major shock to economic activity in the UK, which would cause economic growth to fall almost to zero in the second half of 2016. The MPC also warned that it would be considering cutting the Bank Rate again towards the end of 2016 in order to support growth.

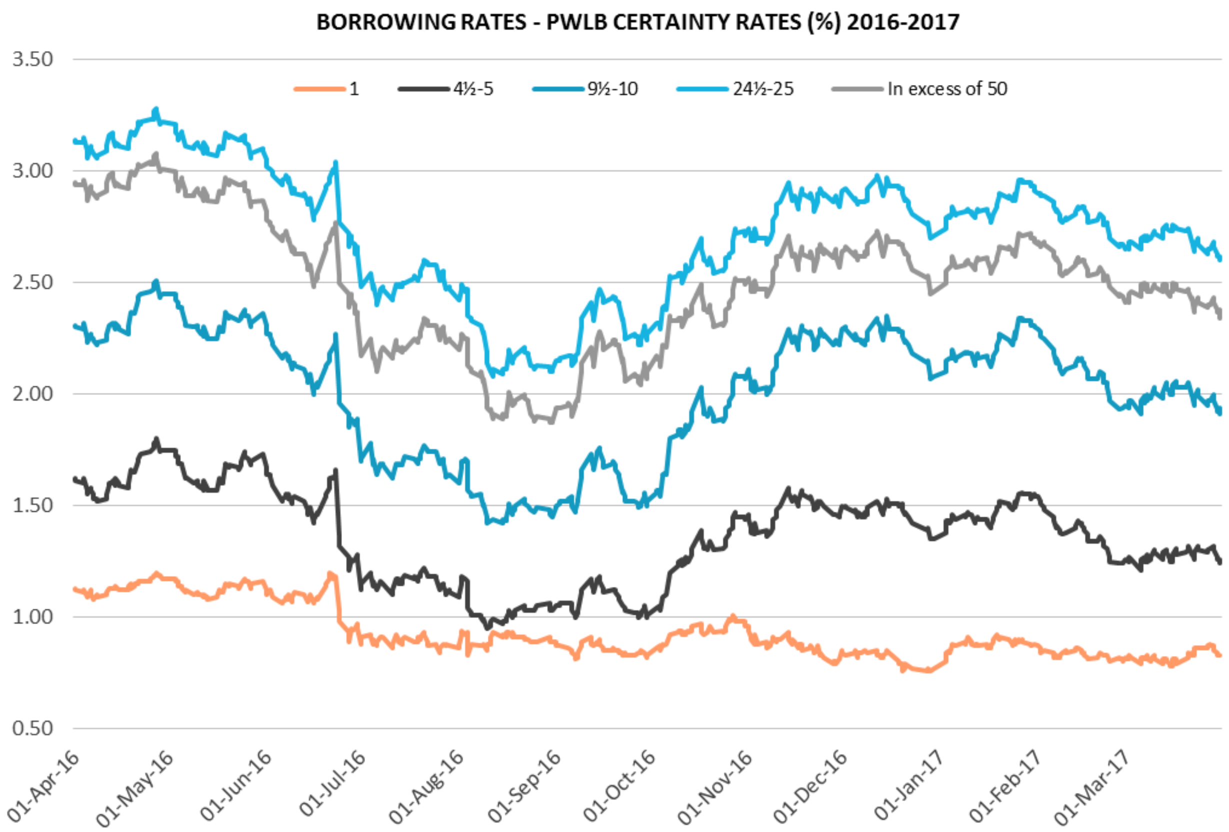
In addition, the MPC restarted quantitative easing with purchases of £60 billion of gilts, and, £10 billion of corporate bonds; and, also introduced the Term Funding Scheme whereby potentially £100 billion of cheap financing was made available to banks – both of which are a form of economic stimulus.

In the second half of 2016, the UK economy confounded the Bank's pessimistic forecasts of August. After a disappointing quarter 1 of only +0.2% GDP growth, the three subsequent quarters of 2016 came in at +0.6%, +0.5% and +0.7% to produce an annual growth for 2016 overall, compared to 2015, of no less than 1.8%, which was very nearly the fastest rate of growth of any of the G7 countries. Needless to say, this meant that the MPC did not cut the Bank Rate again after August. However, since then, inflation has risen rapidly due to the effects of the sharp devaluation of sterling after the referendum.

President Trump's election and promise of fiscal stimulus, which are likely to increase growth and inflationary pressures in the US, has resulted in US Treasury yields (i.e. benchmark interest rates) rising sharply since his election. The gap in yield between US treasuries and UK gilts has widened sharply during 2016-17 due to market perceptions that the UK is still likely to be two years behind the US in starting on an upswing in rates despite a track record of four years of strong growth.

3.2. Borrowing Rates

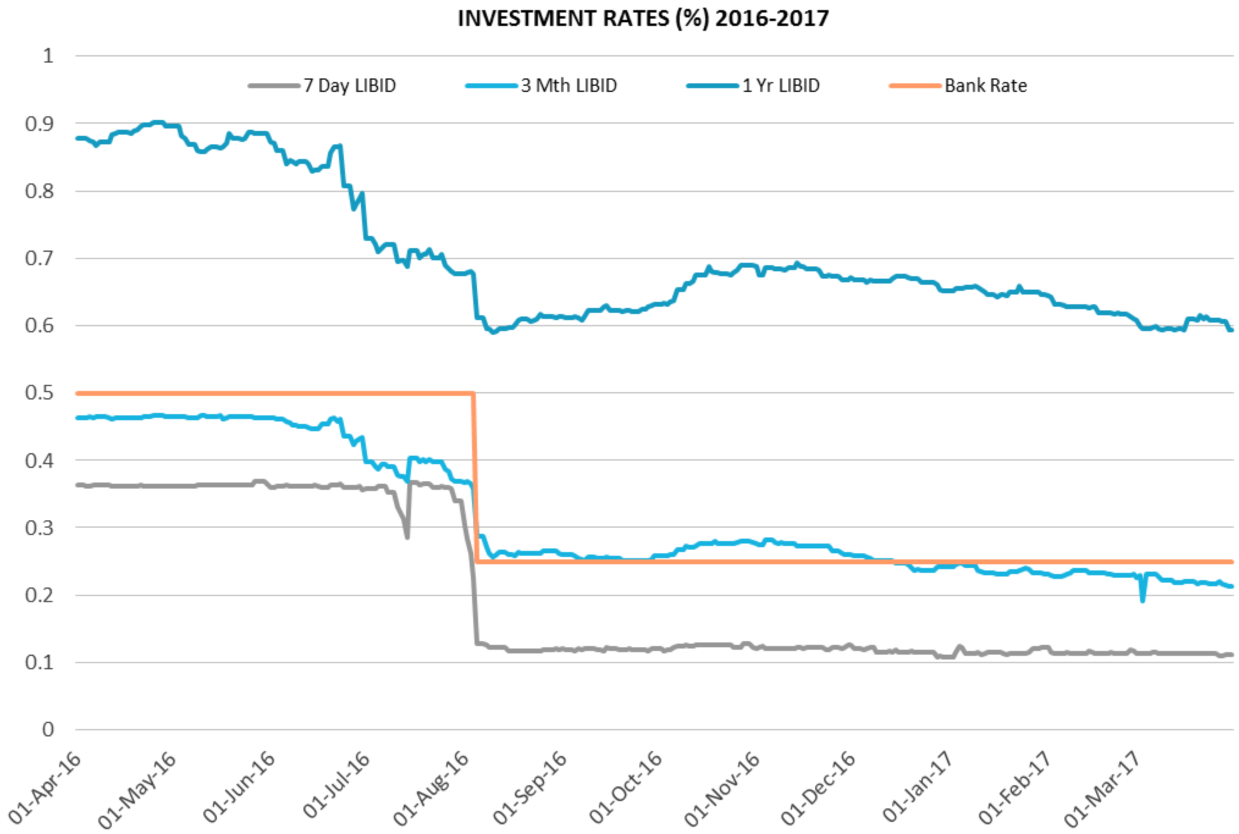
During 2016-17, Public Works Loans Board (PWLB) rates fell from April to June and then gained fresh downward impetus after the referendum and Bank Rate cut, before staging a partial recovery through to December 2016 and then falling slightly through to the end of March 2017. The following graph shows PWLB (borrowing) rate movements during the year, for a selection of maturity periods.



3.3. Investment Rates

After the EU referendum, the Bank Rate was cut on 4 August 2016 from 0.5% to 0.25% and remained at that level for the rest of the year. Market expectations regarding the timing of the start of monetary tightening (i.e. interest rate increases) started the year at quarter 3 2018; but then moved back to around the end of 2019 in early August; before finishing the year back at quarter 3 2018. Deposit rates at the start of 2016-17 continued at previous depressed levels but then fell during the first two quarters, and further again after the 4 August 2016 MPC meeting which resulted in a large tranche of cheap financing being made available to the banking sector by the Bank of England. Rates made a weak recovery towards the end of 2016 but then fell to fresh lows in March 2017.

The following graph shows a section of investment rate movements during the year:



4. THE PORTFOLIO POSITION AT 31 MARCH 2017

4.1. Current Borrowing

The Council's debt at the beginning of the year and at 31 March 2017 is shown below:

TABLE 1: BORROWING	Total Principal 31 Mar 2016 £m	Weighted Average Rate %	Total Principal 31 Mar 2017 £m	Weighted Average Rate %
Public Works Loan Board Loans	287.44	3.39	268.92	3.43
LOBOs	191.50	4.11	189.50	4.06
Market / Local Authority (>1yr)*	124.10	2.92	248.10	1.78
Market / Local Authority (<1yr)*	35.00	0.57	55.00	0.49
Salix	0.20	0.00	0.09	0.00
TOTAL EXTERNAL BORROWING	**638.24**	**3.36**	**761.61**	**2.84**

* Note: above figures are based on the term of loans at their inception

4.2. Current Investments

The table below summarises the investment position at 31 March 2017:

TABLE 2: INVESTMENTS	Total Outstanding 31 Mar 2016 £m	Weighted Average Rate %	Total Outstanding 31 Mar 2017 £m	Weighted Average Rate %
Fixed Term Investments – Long Term (>1yr)*	103.25	2.60	103.25	2.60
Fixed Term Investments – Short Term (<1yr)*	60.00	0.77	0.00	0.00
Money Market Funds and Call Accounts	29.08	0.67	28.80	0.31
Icelandic Escrowed Funds	2.01	4.28	0.00	0.00
TOTAL INVESTMENTS (excl Cash)	**194.34**	**1.77**	**132.05**	**2.10**

* Note: above figures are based on the term of investments at their inception

5. BORROWING ACTIVITY 2016-17

5.1. Introduction

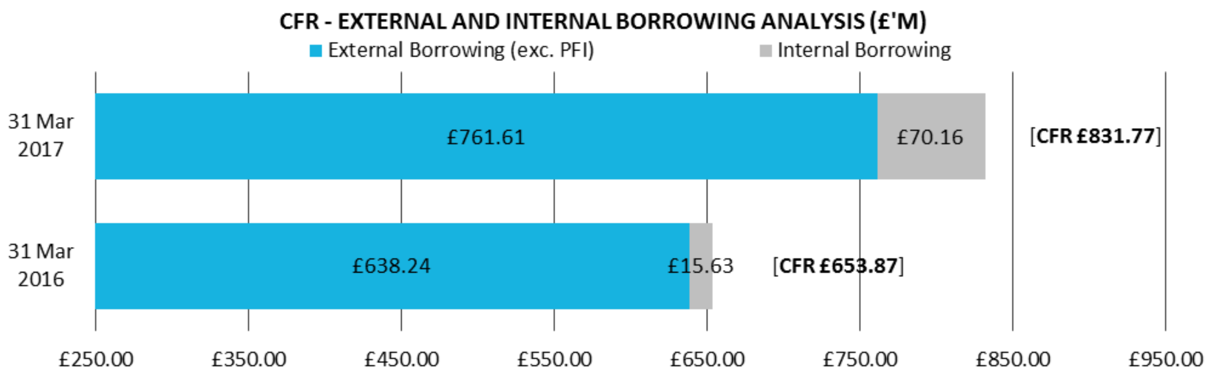
The Council borrows to fund the Capital programme, including to fund loans to third parties for policy reasons (such as those to Arch and Northumbria Healthcare Trust etc.).

5.2. Borrowing Need – Capital Financing Requirement

The Council's long-term borrowing requirement or need to borrow is measured by the Capital Financing Requirement ("CFR"). The CFR represents total historic outstanding capital expenditure which has not yet been paid for from either revenue or cash-backed capital resources (such as grants and capital receipts). The CFR is repaid over time by an annual charge to revenue, known as the Minimum Revenue Provision (MRP). This charge, which is equivalent to depreciation, effectively spreads the cost of debt associated with capital expenditure over the useful economic life of the underlying assets.

At the same time the Council has significant levels of 'cash-backed' balances that are available for investment. Accordingly, the capital financing requirement (or borrowing requirement) need not always be met or funded externally from physical loans. At least in the short term, investment balances can be 'used' in lieu of borrowing externally; by withdrawing investments (in turn foregoing investment income) and instead using the cash to fund part of the borrowing requirement. This is often referred to as 'internal' or 'under' borrowing.

The following graph summarises the CFR (excluding PFIs) and external borrowing movements during the year:



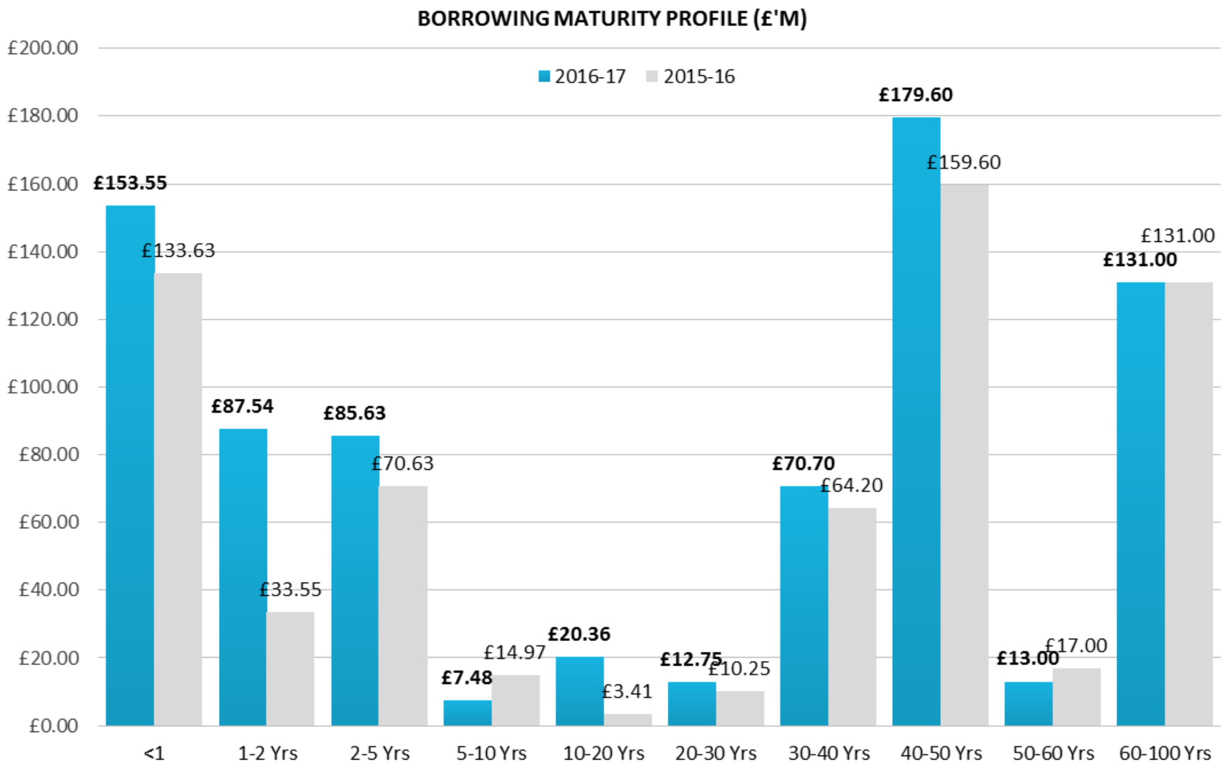
The inter-relationship (and reconciliation) between the CFR, external borrowing and investments is further analysed in the 'Balance Sheet Review' attached at Appendix 1.

As planned, despite the increased utilisation of investment balances to support the borrowing requirement, external borrowing was still required during 2016-17 – to meet both the increased overall borrowing need (i.e. the movement in the CFR (excluding PFIs) of £177.90 million as shown in the graph above) and to replace maturing existing loans.

£153.63 million of loans matured and were repaid during the year and £277.00 million of new or replacement borrowing was taken out over the same period. As a result, total external borrowing increased by £123.37 million - from £638.24 million at the start of year to £761.61 million at 31 March 2017. This in turn led to an increase in 'internal borrowing' (i.e. the difference between the CFR and actual external borrowing) of £54.53 million.

The weighted average maturity (WAM) of all new borrowing during the year was 6.5 years, with the majority being taken over shorter to medium term periods (ranging from 1 to 5 years) from other local authorities. Three of the Lender Option Borrower Option loans (LOBOs) were also renegotiated to lower interest rates. This resulted in the overall WAM of the portfolio reducing from 31.24 to 27.5 years.

The following graph shows maturity of loans by monetary value. LOBOs are shown as held to maturity. In the current climate it is not envisaged that loans would be called for repayment within the next 12 months, as rates are so low.



5.3. Borrowing Performance / Benchmarking

The average rate of interest paid on borrowing over the year was 3.06%, and the weighted average rate of loans at 31 March 2017 was 2.84% - a reduction of 0.52% compared to start of the year figure of 3.36%.

The rate compares favourably against those of other local authorities. Draft data from CIPFA's benchmarking club shows that the overall average rate of interest paid on borrowing by other comparable authorities was 4.07% for the year, and that Northumberland achieved the fourth lowest average rate within its group (of 19 authorities).

Whilst overall borrowing levels were higher than budgeted – due largely to the increased value of loans provided to Arch – overall interest payable still came in below budget at £21.48 million (compared to an original budget of £22.97 million), because the savings from the reduction in the overall average rate were greater than the interest payable on the year's additional borrowing.

The additional loans to Arch in themselves resulted in increased income to the Council through the loan interest payments received – as referred to in the overall budget position as outlined in 7 below.

6. INVESTMENT ACTIVITY 2016-17

6.1. Introduction

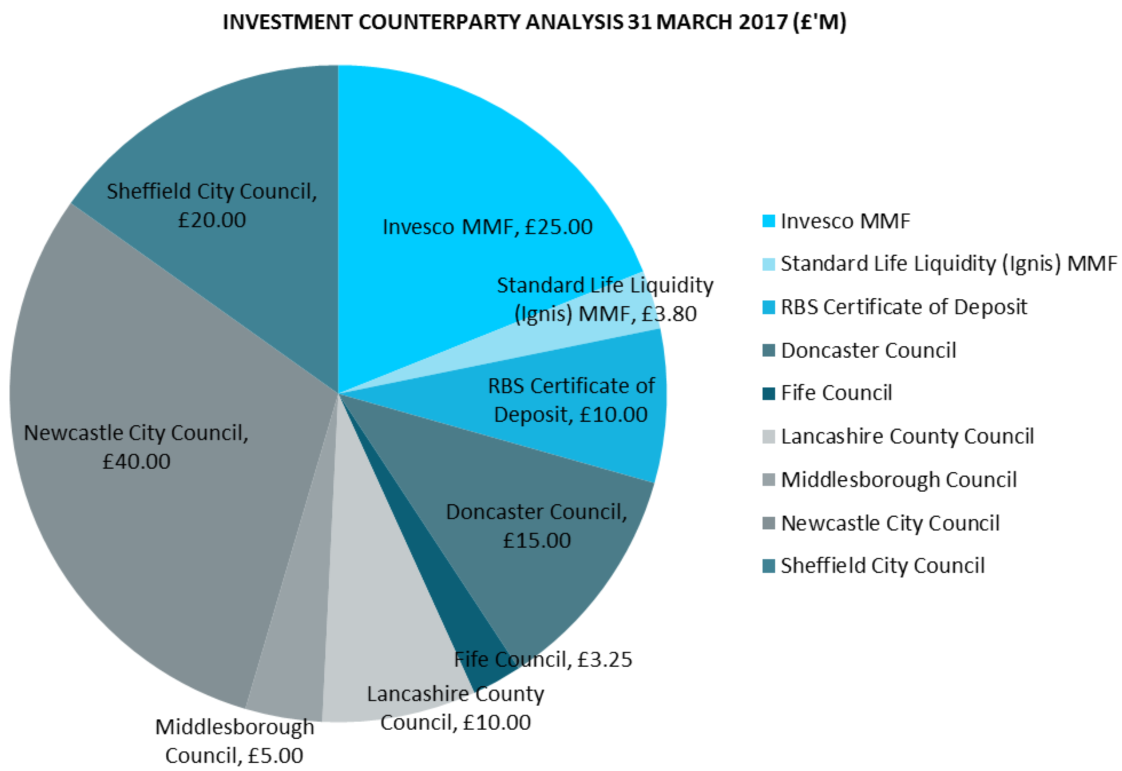
The Council has significant levels of 'cash-backed' balances that are available for investment – in the form of General Fund and HRA balances, and the numerous earmarked reserves and provisions.

The Council's investment policy (as set out in the Treasury Management Strategy Statement for 2016-2017) is governed by the Communities and Local Government's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

All investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

As identified in section 5 above, a significant proportion of available investment balances were used as 'internal borrowing' to support the financing of the CFR. As a result, overall external investments (excluding cash) decreased during the year from £194.34 to £132.05 million, and the Council maintained an average balance of £184.41 million of internally managed funds.

An analysis of the year-end investment balance (excluding cash) by counterparty is shown in the following chart:



6.2. Investment Performance / Benchmarking

The internally managed funds earned an overall average rate of return of 1.72% during 2016-17. This compares favourably against the average 7-day and 3-month London Interbank Bid Rate (LIBID) benchmark indicators of 0.20% 0.44% respectively.

The returns also compare favourably against those of other local authorities. Draft data from CIPFA's benchmarking club shows other comparable authorities achieved overall average returns of 0.81% for the year, and that Northumberland achieved the second highest average return within its group.

The budget for 2016-17 was based on an estimated average rate of return of 2.16% on average investment balances of £137.33 million. Despite the average rate of return being lower than budgeted (see commentary on economy and interest environment above), the higher than expected level of average balances resulted in the overall income target still being achieved: Actual income from treasury management investments for the year totalled £3.13 million against a budget of £2.96 million.

The good performance is mainly due to the longer term investments the Council has placed with other local authorities. However, a significant proportion of these are due to mature and be returned over the next year; which will inevitably mean that returns will reduce in future.

Note: the above figures are exclusive of interest received on loans to third parties, such as the facilities to Arch and Northumbria Healthcare Trust etc. These loans are made for service reasons, as opposed to day-to-day treasury undertakings in relation to the investment of cash flows etc., and as a result are not technically classed as a treasury management activity. Actual returns on these facilities totalled £15.16 million, which exceeded the budget by £3.69 million – due to additional income from loans to Arch as a result of increased activity.

7. OVERALL TREASURY MANAGEMENT BUDGET PERFORMANCE

Overall net Treasury Management costs (i.e. including Minimum Revenue Provision, Premiums and discounts and PFI contracts etc.) came in £7.31 million lower than budgeted – at £26.16 million in comparison to the budget of £33.47 million. The key variances behind this underspend / saving are summarised in the following table:

	Additional Cost / (Saving) £'000
Interest Payable – External Borrowing	(1.49)
Interest Payable – PFI Contracts	(0.22)
Interest Receivable – TM Activity	(0.17)
Interest Receivable – Loans to Third Parties [re additional Arch advances]	(3.69)
Airport Dividend [not expected / budgeted for]	(3.38)
Icelandic Impairment [re escrowed funds held in Iceland]	0.39
Debt Management Expenses	0.29
Minimum Revenue Provision (MRP)	1.14
Other	(0.18)
TOTAL NET UNDERSPEND	**(7.31)**

Notes:

- Contrary to section 6.2, the above figures DO include interest received from loans to third parties; on the basis that the underlying borrowing (and therefore interest payable) in respect of these loans is reflected in the above costs and cannot be separately identified and excluded.
- The airport dividend was not expected and therefore not included in the base budget.
- MRP charges for the year were higher than budgeted because of the Arch advances.

8. PRUDENTIAL INDICATORS AND TREASURY LIMITS 2016-17

The Prudential Code has been developed by CIPFA. The Code has a central role in capital finance decisions, including borrowing for capital investment. Its key objectives are to provide a framework for local authority finance that will ensure individual authorities' capital expenditure plans are affordable; all external borrowing is within prudent and sustainable levels; and, that treasury management decisions are taken in accordance with good professional practice.

To ensure compliance with the Code, councils are required to approve a set of Prudential Indicators for the financial year and adhere to these indicators during the course of that year. Details of the Prudential Indicators and Treasury Management Limits for 2016-17 are provided in Appendix 2.

Implications

Policy	The report provides a review of the Treasury Management activities for 2016-17, and sets out performance against the Treasury Management Strategy Statement for 2016-17. It is consistent with the priorities in the Corporate Plan 2013-2017: Developing the Organisation (Innovation and Partnership).
Finance and value for money	The financial implications of the 2016-17 investment and borrowing transactions have been taken into account within the revenue budget and outturn for 2016-17. Northumberland County Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management within the context of effective risk management, and to employing suitable performance measurement techniques, for example comparison with other members of the CIPFA and Capita benchmarking clubs.
Legal	Under Section 1 of the Local Government Act 2003 (the Act) the Council may borrow money for any purpose relevant to its functions under any enactment, or for the purpose of the prudent management of its financial affairs. The Act and supporting regulations also requires the Council to 'have regard to' the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice (which were adopted by Northumberland County Council in February 2010).
Procurement	There are no direct procurement implications for the County Council.
Human Resources	There are no direct staffing implications for the County Council.
Property	There are no direct property implications for the County Council.
Equalities (Impact Assessment attached) Yes ☐ No ☐ N/A ☐	Not applicable for the County Council.

Risk Assessment	The report highlights the principal financial risks within the Treasury Management function. The identification, monitoring and control of risk are the prime criteria by which the effectiveness of the County Council's Treasury Management activities will be measured. Accordingly, the analysis and reporting of Treasury Management activities will focus on their risk implications for the Council. The investment priority is security and liquidity rather than yield, which is a secondary aim.
Crime & Disorder	There are no Crime and Disorder implications for the County Council.
Customer Consideration	There are no Customer Considerations for the County Council.
Carbon reduction	None.
Wards	All divisions.

Background Papers:

Treasury Management Strategy Statement for 2016-2017.
CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance notes (revised 2011).
CIPFA Prudential Code for Capital Finance in Local Authorities.
Guidance on Local Government Investments The Local Government Act 2003.
Local Authorities (Capital Finance and Accounting) Regulations 2012 (S.I.2012/265).

Report sign off:

Finance	Andy Stewart
Monitoring Officer	Liam Henry
Chief Executive	Daljit Lally
Portfolio Holder	Nicholas Oliver

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APPENDIX 1

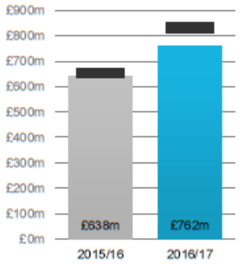
NORTHUMBERLAND COUNTY COUNCIL

2016/17 Desktop Balance Sheet Review

CAPITAL FINANCING AND BORROWING (£'000)

	2015/16	2016/17
Capital Financing Requirement	£730,730	**£907,131**
Underlying Borrowing Requirement	£653,867	**£831,770**
External Borrowing	£638,236	**£761,610**
Under Borrowing	£15,631	**£70,160**
Net Borrowing (exc TFR debt)	£441,451	**£627,370**

External Borrowing vs Underlying

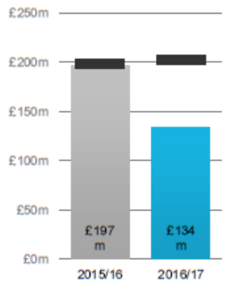


2015/16 (£'000)		2016/17 (£'000)	Change (£'000)
	Capital Financing Requirement (CFR)		
1,213,016	Property, Plant & Equipment	1,301,959	
1,723	Investment Property	1,575	
3,245	Intangible Assets	3,320	
9,517	Assets Held for Sale	16,152	
16,739	Capital Investments (non-TM)	16,739	
231,245	Capital Long-term Debtors	399,508	
(158,042)	Revaluation Reserve	(160,262)	
(573,609)	Capital Adjustment Account	(658,756)	
(13,104)	Available for Sale Reserve (capital)	(13,104)	
730,730	**CFR (as per Prudential Code)**	**907,131**	**176,401**
4,901	PFI Prepayment	4,648	
(81,575)	PFI Liability	(79,916)	
(189)	Finance Lease Liability	(93)	
653,867	**Underlying Borrowing Requirement**	**831,770**	**177,903**
	External Borrowing		
(88,627)	Short-Term	(153,546)	
(549,609)	Long-Term	(608,064)	
(638,236)	**TOTAL External Borrowing (Principal)**	**(761,610)**	**(123,374)**
15,631	**Under Borrowing**	**70,160**	**54,529**

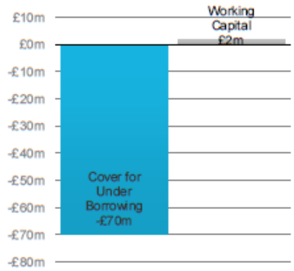
RESERVES / BALANCES AND INVESTMENTS (£'000)

	2015/16	2016/17
Balances Available for Investment	£197,971	**£202,810**
External Investments	£196,785	**£134,240**
(Internal Investments)	£1,186	**£68,570**

Investments vs Balances



Analysis of (Internal Investments)

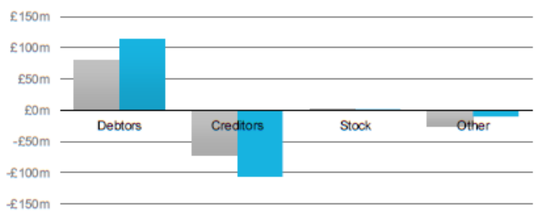


2015/16 (£'000)		2016/17 (£'000)	Change (£'000)
	Reserves / Balances		
(36,852)	General Fund Balance	(37,336)	
(18,800)	Housing Revenue Account Balance (inc MRA)	(25,691)	
(3,806)	Collection Fund Adjustment Account	(4,977)	
(97,563)	Earmarked reserves / other balances	(100,590)	
(337)	Capital Receipts Reserve	(263)	
(15,577)	Provisions (exc. any accumulating absences)	(13,570)	
(25,036)	Capital Grants Unapplied	(20,383)	
(197,971)	**Amount Available for Investment**	**(202,810)**	**(4,839)**
	Investments		
61,846	Short-Term	70,000	
103,417	Long-Term	33,251	
31,522	Cash & Cash Equivalents	30,989	
196,785	**TOTAL Investments**	**134,240**	**(62,545)**
(1,186)	**(Internal Investments)**	**(68,570)**	**(67,384)**

WORKING CAPITAL (£'000)

	2015/16	2016/17
TOTAL Working Capital (Surplus)	-£14,446	**-£1,590**

Analysis of Working Capital



2015/16 (£'000)		2016/17 (£'000)	Change (£'000)
	Working Capital		
80,754	Debtors	112,749	31,995
(71,656)	Creditors	(106,144)	(34,488)
(12,048)	Capital Grants Receipts In Advance	(6,799)	
(16,521)	Cash Overdrawn	(4,157)	
1,506	Stock / WIP	1,664	
(17,965)	**NET Working Capital (Surplus)**	**(2,687)**	**15,278**
	Other		
2,135	Balance LT Debtors	1,547	
2,205	FIAA - Premiums, (Discounts) etc	2,651	
(821)	Deferred credits / receipts (non-capital)	(3,101)	
3,519	**Other Long-Term Working Capital**	**1,097**	**(2,422)**
(14,446)	**TOTAL Working Capital (Surplus)**	**(1,590)**	**12,856**

PERFORMANCE AGAINST CAPITAL PRUDENTIAL INDICATORS

Authorised Limit and Operational Boundary for External Debt

These are important indicators, and are part of the Local Government Act 2003 requirements.

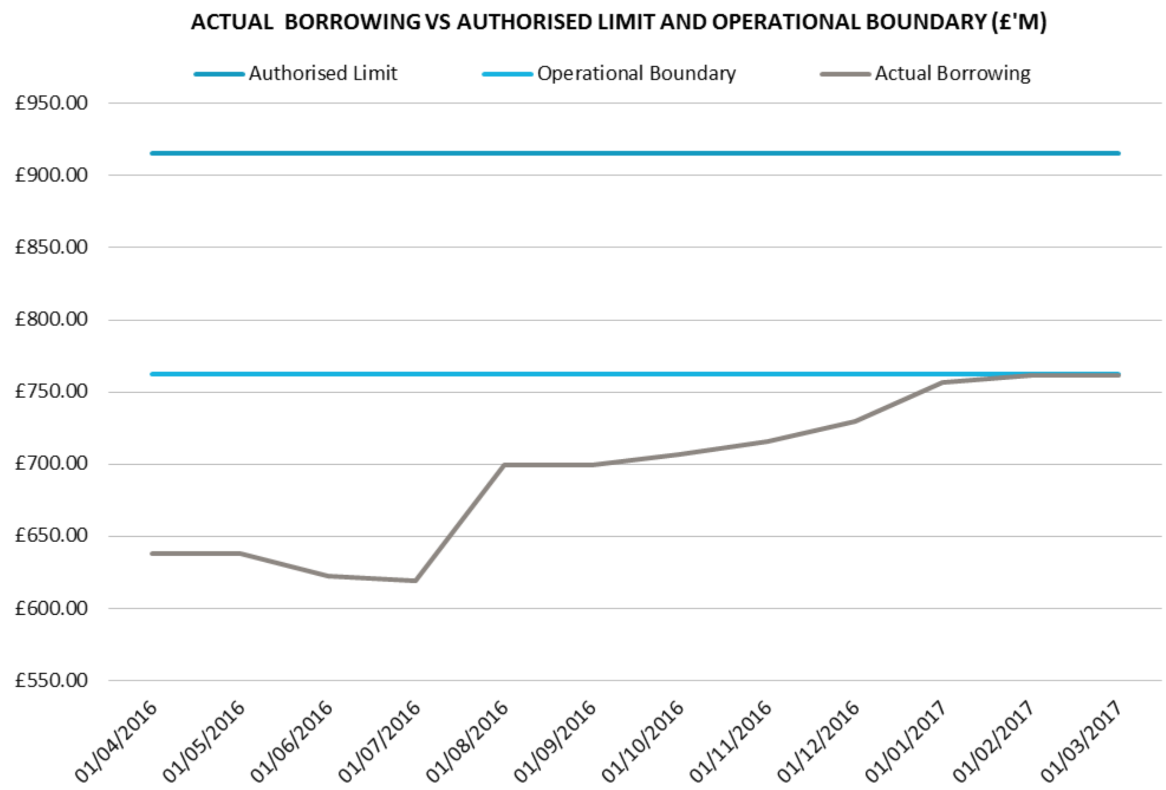
The authorised limit - is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level.

The operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

The table below demonstrates that during 2016-17 the Council has maintained gross borrowing within its authorised limit.

	Authorised Limit for External Debt £m	Operational Boundary £m	Actual 31 March 2017 £m
External Borrowing	915.13	762.61	761.61
Other Long Term Liabilities (PFI)	85.67	71.39	75.36
TOTAL EXTERNAL DEBT	**1,000.80**	**834.00**	**836.97**

The following graph shows the external Borrowing limits and actual borrowing over the year:



Treasury Management Limits on Activity

The purpose of this is to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates.

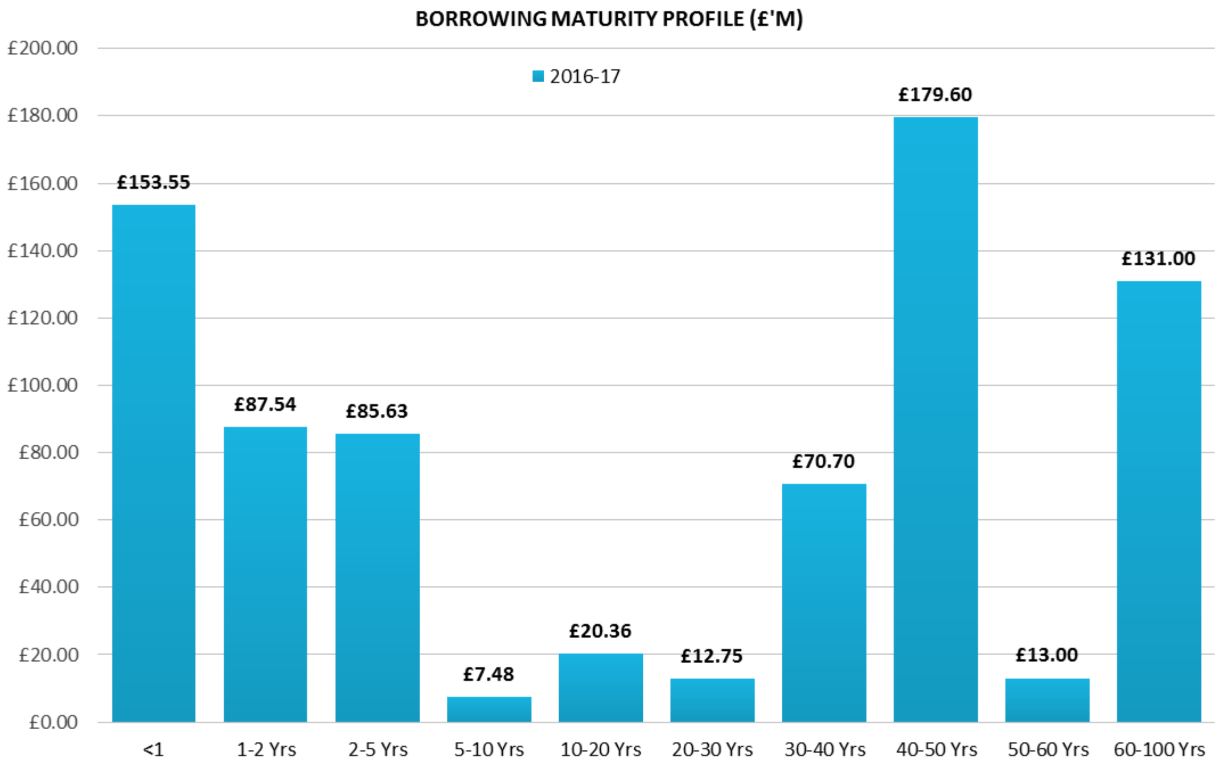
Lender option, borrower option loans (LOBOs) callable within 12 months are classed as variable; if the rate is fixed for a longer period they are classed as fixed. At 31 March 2017 the total of variable rate loans was £107.00 million and is within the set limit.

	Limit for 2016-2017	Actual 31 Mar 2017
Fixed Rate Exposure	0% - 100%	85.95%
Variable Rate Exposure	0% - 50%	14.05%

Maturity Structure of Borrowing

Measuring maturity structure of borrowing ensures a reasonable spread of maturing debt as a safety mechanism to ensure significant amounts of debt do not mature at a time when interest rates for refinancing the debt may be high.

The following graph shows maturity of loans by monetary value. LOBOs are shown as held to maturity. In the current climate it is not envisaged that loans would be called for repayment within the next 12 months, as rates are so low.



Investments for periods longer than 365 days

These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

	Limit 2016-2017 £m	Actual Highest £m	Actual 31 March 2017 £m
Principal sums invested > 364 days	120.00	103.25	33.25