Agenda Item No:10

TREASURY MANAGEMENT QUARTER ONE

To:	**General Purposes Committee**		
Meeting Date:	**20th September 2016**		
From:	**Chief Finance Officer**		
Electoral division(s):	**All**		
Forward Plan ref:	**N/A**	***Key decision:***	**No**
Purpose:	**To provide the first quarterly update on the Treasury Management Strategy 2016-17, approved by Council in February 2016.**		
Recommendation:	**The General Purposes Committee is recommended to note the Treasury Management Report.**		

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1. BACKGROUND

1.1 Treasury Management is governed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (the Code). The Code has been developed to meet the needs of Local Authorities and its recommendations provide a basis to form clear treasury management objectives and to structure and maintain sound treasury management policies and practices.

1.2 The Code was adopted via the Treasury Management Strategy Statement (TMSS), which was approved by Council in February 2016. It requires the Council to produce an annual treasury report and a half yearly report. Alongside these, General Purposes Committee are also provided with quarterly updates on progress against the Strategy.

1.3 This report has been developed in consultation with the Council's external investment manager and treasury adviser, Capita Asset Services (CAS) who provide an update for the first quarter to 30th June 2016.

1.4 The report is based on forecasts and estimates which may change once the accounts are closed.

2. SUMMARY OF KEY HEADLINES

2.1 The main highlights for the quarter are:

- Investment returns received on cash balances, compares favourably to the benchmarks. A return of 0.50% was achieved compared to the 3 month and 6 month London Interbank Bid Rate (LIBID) benchmark (0.36%, 0.46% respectively). (see section 6).

- A £250k underspend is currently reported. This is largely due to falling interest rates across the yield curve resulting in lower net interest payment projections. Careful management of the Council's balance sheet and a strategy of internal borrowing will continue throughout the course of the year to optimise the treasury position and maximise savings where possible. For further information please see Section 9.

3. THE ECONOMIC ENVIRONMENT

3.1 A detailed economic commentary is provided in **Appendix 1**. This information has been provided by Capita Asset Services – Treasury Solutions (CAS Treasury Solutions), the Council's treasury management advisors.

3.2 During the quarter ended 30th June 2016, the significant UK headlines of this analysis were:

- The UK voted to leave the EU;
- The economic recovery lost some momentum ahead of the vote;
- Growth remained highly dependent on consumer spending;
- The jobs recovery slowed, but wage growth picked up;

- Inflation remained stuck at very low levels;
- Sharp fall in sterling following the referendum result;
- Post-referendum uncertainty brought the prospect of a near-term rate cut onto the agenda;
- Both the European Central Bank (ECB) and the Federal Reserve kept policy unchanged.

4. SUMMARY PORTFOLIO POSITION

4.1 A snapshot of the Council's debt and investment position is shown in the table below:

	TMSS Forecast February 2016 (as agreed by Council)		Actual as at 31 March 2016		Actual as at 30 June 2016		Revised Forecast to March 2017	
	£m	Rate %	£m	Rate %	£m	**Rate %**	**£m**	**Rate %**
Long term borrowing								
PWLB	405.0	4.3	278.6	4.3	278.6	**4.3**	278.6	**4.3**
PWLB (3rd Party Loans)	-		0		4.0	**2.3**	4.0	**2.3**
Market	-		0		45.0	**4.0**	45.0	**4.0**
LOBO	79.5	3.7	79.5	3.7	34.5	**3.3**	34.5	**3.3**
Total long term	**484.5**	**4.2**	**358.1**	**4.2**	**362.1**	**4.2**	**362.1**	**4.2**
Short term borrowing	-	-	-	-	-	**-**	**67.4**	**0.5**
Total borrowing	**484.5**	**4.2**	**358.1**	**4.2**	**362.1**	**4.2**	**429.5**	**4.2**
Investments	**5.6**	**0.5**	**10.1**	**0.5**	**47.8**	**0.5**	**10.0**	**0.4**
Total Net Debt / Borrowing	**478.9**	**-**	**348**	**-**	**314.3**	**-**	**419.5**	**-**
3rd Party Loans & Share Capital	**-**	**-**	**0.4**	**-**	**4.4**	**-**	**4.4**	**-**

4.2 The revised forecast reflects the current prudential borrowing projections in the capital programme, which is likely to fluctuate through the course of the year. This currently shows that net borrowing is likely to be significantly lower than originally forecast. The change is largely due to a stronger than anticipated working capital surplus driven by increases in capital grants received in advance (particularly City Deal and LEP). A balance sheet review is currently be carried out and will be included in the next quarterly update report.

4.3 Further analysis of borrowing and investments is covered in the following two sections.

5. BORROWING

5.1 The Council can take out loans in order to fund spending for its Capital Programme. The amount of new borrowing required is determined by capital expenditure plans and projections of the Capital Financing Requirement, forecast reserves and current and projected economic conditions.

New loans and repayment of loans:

5.2 The table below shows details of new long term (>1yr) loans raised and loans repaid during 2016-17. No loans were repaid during this year to date.

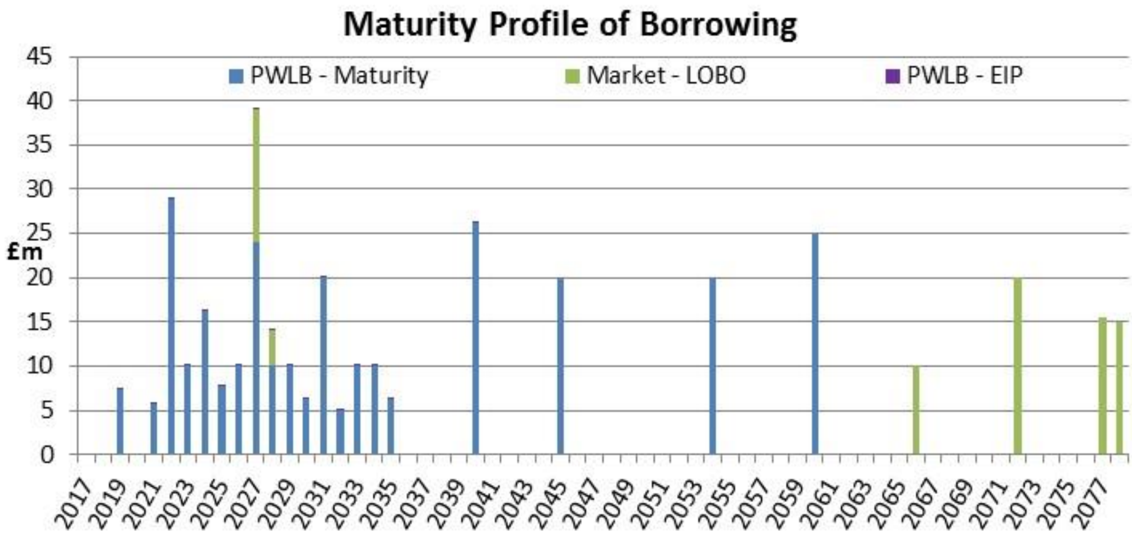
The £4m PWLB loan below was raised to on-lend to the Arthur Rank Hospice Charity.

Lender	Raised / Repaid	Start Date	Maturity Date	£m	Interest Rate %	Duration (yrs)
PWLB	Raised	16/06/2016	16/06/2041	4.00	2.34%	25

Maturity profile of borrowing:

5.3 The following graph shows the maturity profile of the Council's loans. The majority of loans have a fixed interest rate and are long term which limits the Council's exposure to interest rate fluctuations. The weighted average years to maturity of the portfolio (assuming Lender Option, Borrower Option (LOBO) Loans run to maturity) is 23.9 years.

5.4 The presentation below differs from that in **Appendix 2** paragraph 4, in that LOBO loans are included at their final maturity rather than their next call date. In the current low interest rate environment the likelihood of the interest rates on these loans being raised and the loans requiring repayment at the break period is extremely low.



Loan restructuring:

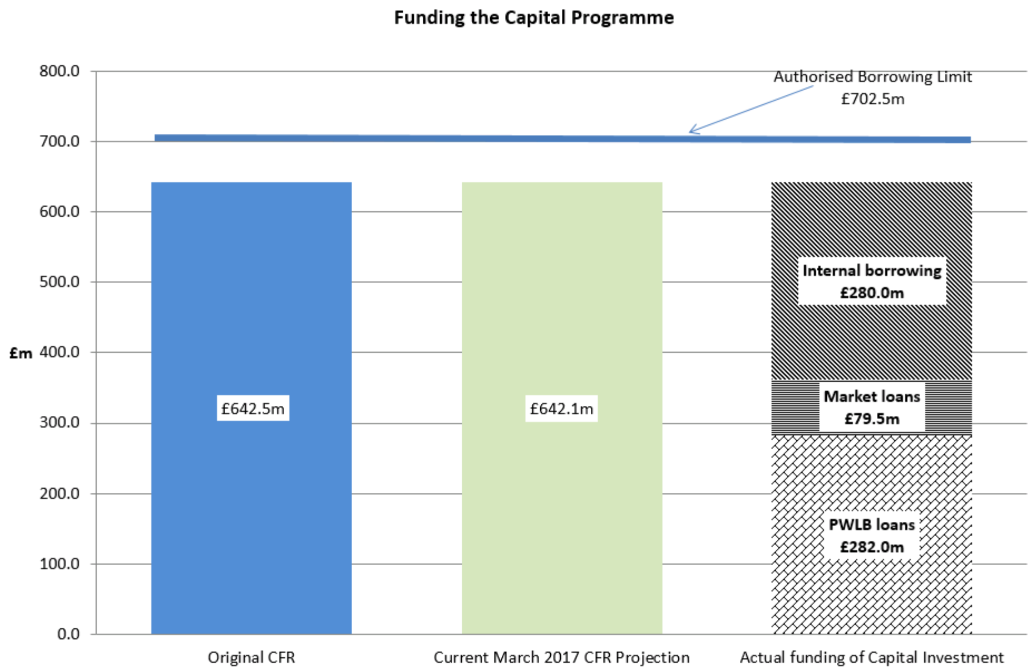
5.5 When market conditions are favourable long term loans can be restructured to:
- to generate cash savings
- to reduce the average interest rate
- to enhance the balance of the portfolio by amending the maturity profile and/or the level of volatility. (Volatility is determined by the fixed/variable interest rate mix.)

5.6 During the quarter there were no opportunities for the Council to restructure its borrowing due to the position of the Council's borrowing portfolio compared to market conditions. Debt rescheduling will be considered subject to conditions being favourable but it is unlikely that opportunities will present themselves during this year. The position will be kept under review, and when opportunities for savings do arise, debt rescheduling will be undertaken to meet business needs.

5.7 In June Barclays decided to waive their option to change the applicable interest rate of the Councils LOBO loans in future. As a result three of the LOBO loans (from a total portfolio of £79.5m) held with Barclays, totalling £45m, effectively became fixed rate maturity loans continuing at the current rates of interest. The waiver gives the Council greater certainty in respect of the interest rate arrangements.

Funding the Capital Programme:

5.8 The Treasury Management Strategy Statement (TMSS) sets out the plan for treasury management activities over the next year. It identifies where the authority expects to be in terms of borrowing and investment levels. When the 2016-17 TMSS was set, it was anticipated that the Capital Financing Requirement (CFR), the Council's liability for financing the agreed Capital Programme, would be £642.5m. This figure is naturally subject to change as a result of changes to the approved capital programme.



5.9 The graph above compares the maximum the Council could borrow in 2016-17 with the forecast CFR at 31st March 2017 and the actual position of how this is being financed at 30th June 2016.

5.10 The graph shows the projection for the Capital Financing Requirement (CFR) is significantly below the statutory Authorised Borrowing Limit set for the Council at the start of the year.

5.11 In addition, the graph shows how the Council is currently funding its borrowing requirement, through internal and external resources. As at 30th June internal borrowing is forecast to be £280.0m at the end of the year. Internal borrowing is the use of the Council's surplus cash to finance the borrowing liability instead of borrowing externally. The strategy of internally borrowing, by careful management of Councils balance sheet, is currently the most appropriate strategy, given the current interest rate environment. This strategy enables savings to be generated and reduces the level of cash invested and credit risk associated with investing. However the projected level of internal borrowing may not be sustainable in the future, so short term loans from the PWLB and other sources are currently being considered and will be raised as required.

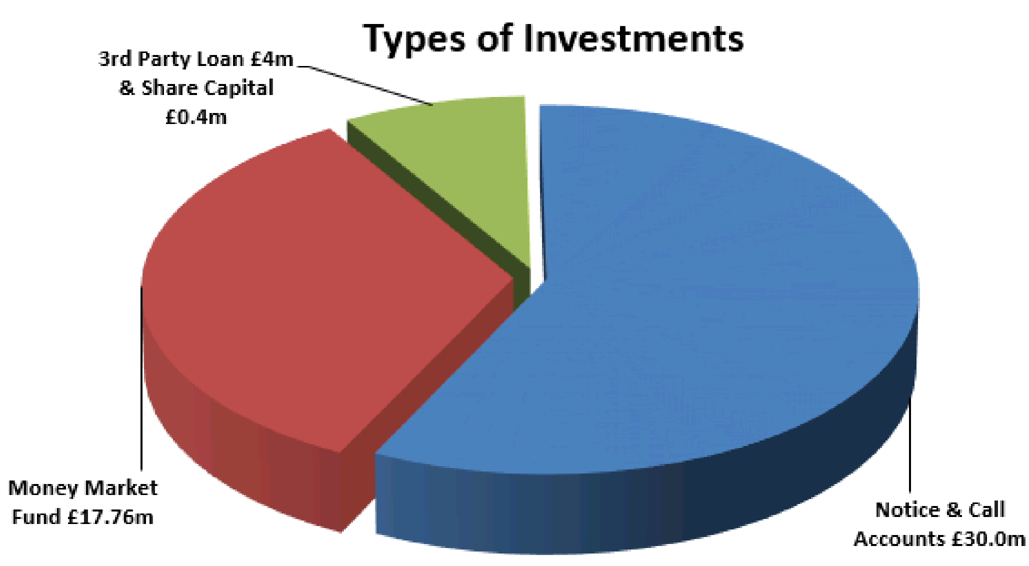
6. INVESTMENTS

6.1 Investment activity is carried out within the Council's counterparty policies and criteria, and with a clear strategy of risk management in line with the Council's treasury strategy for 2016-17. This ensures that the principle of considering security, liquidity and yield, in that order (SLY), is consistently applied. The Council will therefore aim to achieve the optimum return on investments commensurate with proper levels of security and liquidity. Any variations to agreed policies and practices are reported to GPC and Council.

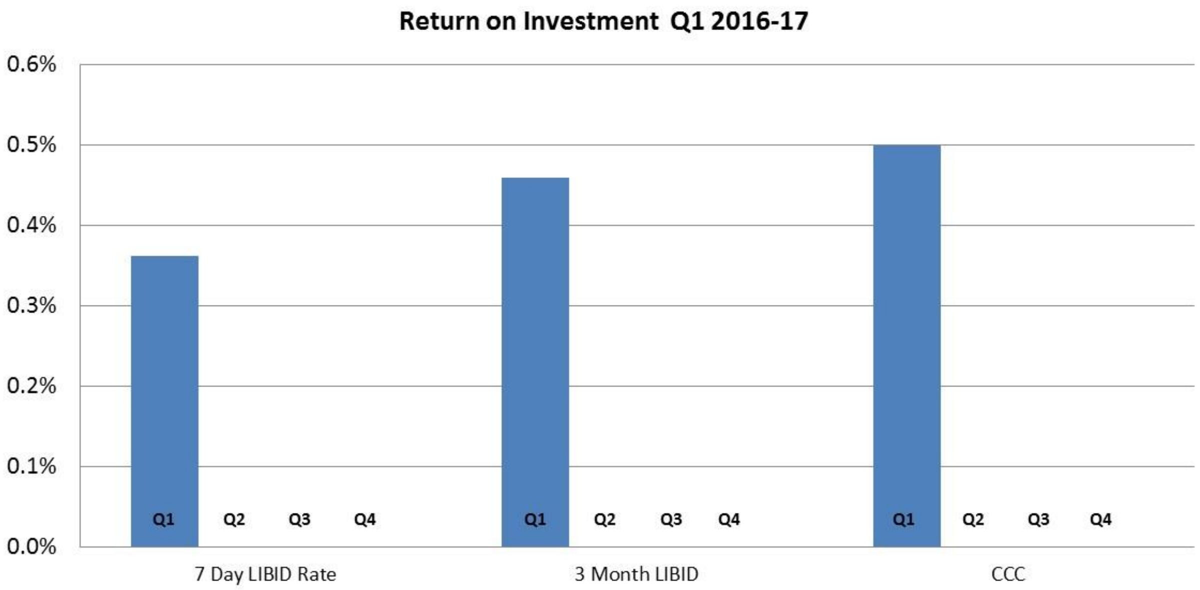
6.2 As described in paragraph 5.12, the strategy currently employed by the Council of internal borrowing also has the affect of limiting the Council's investment exposure to the financial markets, thereby reducing credit risk.

6.3 As at 30th June the level of investment totalled £47.8m, excluding 3rd party loans and share capital which are classed as capital expenditure. The level of cash available for investment is as a result of reserves, balances and working capital the Council holds. These funds can be invested in money market deposits, placed in funds or used to reduce external borrowings.

6.4 A breakdown of investments by type are shown in the graph below, with detail at **Appendix 3**. The majority of investments are in notice and call accounts and money market funds to meet the liquidity demands of the Council. The weighted average time to maturity of investments at 30th June is 7 days. Where possible deposits are placed for longer durations with appropriate counterparties to obtain enhanced rates of return in an environment of falling interest rates.



6.5 The graph below compares the returns on investments with the relevant benchmarks for the first quarter this year.



6.6 It can be seen from the graph that investments returned 0.50% during the quarter which is more than both the 7 day LIBID (0.36%), 3 month LIBID (0.46%) benchmarks.

6.7 Using credit ratings, the investment portfolio's historic risk of default stands at 0.003%. This simply provides a calculation of the possibility of average default against the historical default rates. The Council is also a member of a benchmarking group run by CAS which shows that, for the value of risk undertaken and duration of investments, the returns generated are above the Model Band.

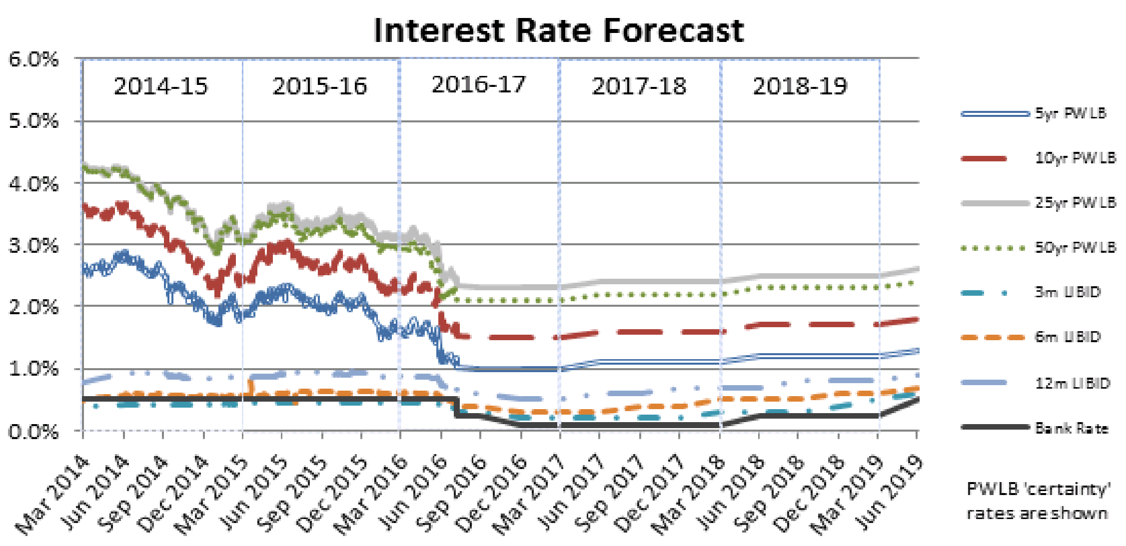
6.8 In August the Bank of England eased monetary policy by cutting Bank Rate from 0.5% to 0.25% and expanded the programme of quantitative easing to combat slowing economic growth expectations. Bank Rate may be cut further later this year if the economy does not perform as expected. This action will result in falling returns on the Council's investment portfolio during the course of the year. However interest rates have fallen across all parts of the yield curve right out to 50 years, so the revenue pressure resulting from falling interest rates is more than offset by lower borrowing costs.

6.9 Leaving market conditions to one side, the Council's return on investment is influenced by a number of factors, the largest contributors being the duration of investments and the credit quality of the institution or instrument. Credit risk is a measure of the likelihood of default and is controlled through the creditworthiness policy approved by Council. The duration of an investment introduces liquidity risk; the risk that funds cannot be accessed when required, and interest rate risk; the risk that arises from fluctuating market interest rates. These factors and associated risks are actively managed by the LGSS Treasury team together with the Council's Treasury Advisors (CAS).

7. OUTLOOK

7.1 The current interest rate forecast, updated following the referendum result to take account of the Monetary Policy Committee meeting of the 4th August which cut Bank Rate from 0.5% to 0.25%, is shown in the graph below. Forward guidance suggests that a further cut in Bank Rate to near zero is likely, but depends on the performance of the economy over the coming months. The forecast is now for increases in Bank Rate in May 2018 to 0.25% and then to 0.5% in May 2019, but these will very much depend on how strongly and how soon the economy makes a gradual recovery, and so start a process of very gradual increases in Bank Rate over a prolonged period.

7.2 Geopolitical events, sovereign debt crisis developments and slowing emerging market economies make forecasting PWLB rates highly unpredictable in the shorter term. The general expectation for an eventual trend of gently rising gilt yields and PWLB rates is expected to remain unchanged. An eventual world economic recovery may also see investors switching from the safe haven of bonds to equities.



7.3 From a strategic perspective, the Council is continually reviewing options as to the timing of any potential borrowing and also the alternative approaches around further utilising cash balances and undertaking shorter term borrowing which could potentially generate savings subject to an assessment of the interest rate risks involved. Cash flows in the last couple of years have been sufficiently robust for the Council to use its balance sheet strength to limit the amount of new borrowing undertaken. However during 2016-17 it is anticipated that some new additional borrowing will be required as the Council experiences an increasing Capital Financing Requirement.

8. THIRD PARTY LOANS

8.1 A loan to Arthur Rank Hospice Charity of £4m was approved in 2015-16 and advanced in the form of a secured loan in June 2016 to enable the charity to build a 24 bedded hospice.

8.2 Interest and principle repayments for this loan, will be paid in accordance with the loan agreements.

9. DEBT FINANCING BUDGET

9.1 Overall an under spend of £250k is currently forecast and reported for Debt Charges. The variance is largely due to the continuation of the “Internal Borrowing” strategy resulting in lower than budgeted interest net interest payable.

- Interest rates across the yield curve have softened since the referendum result in June and the Bank of England Bank Rate cut to 0.25% in August. This has impacted the Council’s investment returns, however the adverse variance is more than offset by falling borrowing rates resulting in lower interest payable.

	Budget	**Estimated Outturn**	**Variance**
	£m	**£m**	**£m**
Interest payable	16.363	16.053	-0.310
Interest receivable	-0.459	-0.319	0.140
Internal recharges & Other	0.568	0.468	-0.100
Technical	-0.085	-0.065	0.020
MRP	8.560	8.560	0.000
Total	**24.947**	**24.697**	**-0.250**

9.2 Although there is link between the capital programme, net borrowing and the revenue budget, the Debt Charges budget is impacted by the timing of long term borrowing decisions. These decisions are made in the context of other factors including, interest rate forecasts, forecast levels of cash reserves and the borrowing requirement for the Council over the life of the Business Plan and beyond.

10. MUNICIPAL BONDS AGENCY

10.1 The timescales for issuance of the first bond are now dependent on the timescales of local authorities' approval processes and demand for borrowing from local authorities. It is still anticipated that the first bond will be issued in the Autumn.

11. TREASURY MANAGEMENT ADVISORY CONTRACT

11.1 The Council's Treasury Management Advisory Contract is currently being retendered in a joint formal procurement process with LGSS partners and customers (Northamptonshire County Council, Northampton Borough Council and Norwich City Council), which should be concluded at the beginning of October. A further update on the outcome will be provided in the next quarterly update report.

12. COMPLIANCE WITH TREASURY LIMITS AND PRUDENTIAL INDICATORS

12.1 With effect from 1st April 2004 The Prudential Code became statute as part of the Local Government Act 2003 and was revised in 2011.

12.2 The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable. To ensure compliance with this the Council is required to set and monitor a number of Prudential Indicators.

12.3 During the financial year to date the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement (TMSS) and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators are shown in Appendix 2.

13. ALIGNMENT WITH CORPORATE PRIORITIES

13.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

13.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

13.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

14. SIGNIFICANT IMPLICATIONS

14.1 Resource Implications

This report provides information on performance against the Treasury Management Strategy. Section 9 shows the impact of treasury decisions impacting the Debt Charges Budget, which are driven by the capital programme and the Council's overall financial position.

14.2 **Statutory, Risk and Legal Implications**

The Council continues to operate within the statutory requirements for borrowing and investments. Further details can be found within the Prudential Indicators in Appendix 2.

14.3 **Equality and Diversity Implications**

There are no significant implications in this category.

14.4 Engagement and Consultation Implications

There are no significant implications in this category.

14.5 **Localism and Local Member Involvement**

There are no significant implications in this category.

14.6 **Public Health Implications**

There are no significant implications in this category.

Implications	**Officer Clearance**
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Chris Malyon
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	Yes Name of Legal Officer: Lynne Owen
Are there any Equality and Diversity implications?	No Name of Officer: Dan Thorp
Have any engagement and communication implications been cleared by Communications?	No Name of Officer: Mark Miller
Are there any Localism and Local Member involvement issues?	No Name of Officer: n/a
Have any Public Health implications been cleared by Public Health	No Name of Officer: n/a

List of Appendices

Appendix 1: Economic Update (provided by Capita Asset Services Treasury Solutions)

Appendix 2: Capital and Treasury Prudential Indicators

Appendix 3: Investment Portfolio

Source Documents	**Location**
None	N/A

Appendix 1

Economic Update (provided by CAS Treasury Solutions)

Quarter ending 30th June 2016

1. The economic recovery lost a little momentum in Q1 2016, with real GDP growth slowing from 0.7% q/q in Q4 to 0.4% – an annual rate of 2.0%. The recovery remained highly unbalanced too, with net trade subtracting from GDP growth for the second time in three quarters. And the current account deficit stood at 6.9% of GDP in Q1, only a little off the record 7.2% of GDP seen in Q4 2015. Business surveys suggest that activity slowed further in Q2 ahead of the EU referendum. Indeed, the Markit/CIPS composite PMI for May is consistent with quarterly growth slowing to 0.2% or so in Q2.

2. However, the official output data for Q2 so far have been a little more upbeat. Industrial production rose by a monthly 2% in April – which suggests that the sector may have pulled out of recession in the second quarter – and construction output rose by a monthly 2.5%. Beyond the referendum, the first PMI survey conducted after the vote – released on August 1st – will provide an initial indication of the extent to which the vote to leave has affected activity. The first post-referendum official activity data are for industrial production, due to be released on August 9th.

3. Consumers generally appear to have taken pre-referendum uncertainty in their stride, with household spending still the principal driver of economic growth. The pace of retail sales volumes growth has picked up, rising to a healthy annual rate of 6% in May. Aaway from the high street, the Bank of England's Agent's scores of consumer services turnover growth rose too. Admittedly, GfK/NOP consumer confidence has slipped back from its 2015 highs in the run-up to the referendum but remained elevated prior to the vote. Indeed, the balance for major purchases stayed at +9 in June, well above its long-run average of -6, pointing to solid growth in durable goods spending. However, consumer confidence is likely to weaken following the referendum result: the extent of any immediate impact on confidence will be evident in the next GfK/NOP data, due on July 29th.

4. The labour market performed fairly well prior to the EU referendum too, with employment rising by 55,000 in the three months to April. Admittedly, this is below the strong rises seen last year, but some easing in the pace of the jobs recovery was always to be expected given how much slack has already been eroded. Indeed, the ILO unemployment rate fell to 5.0% in the three months to April, it's lowest in over a decade. The timelier claimant count measure held at 2.2% in May. Pay growth also picked up in April – annual growth in regular pay (ex. bonuses), jumped from 1.9% to 2.5%.

5. However, the labour market story hasn't been entirely positive. At least some of April's rise in pay growth was probably down to the imposition of the National Living Wage, so may not entirely be a reflection of a tighter labour market. And much of the rise in employment in the three months to April was driven by self-employment, which may reflect people struggling to find employee roles. In any case, employment growth may slow markedly in the next few months due to the disruption associated with the vote to leave the EU.

6. Away from the labour market, inflation has been very subdued in the months preceding the EU referendum. CPI inflation has stood at just 0.3% every month so far this year, with the exception of March when Easter timing effects distorted the figures. But price pressures are likely to pick up in the months ahead. Around 80% of the difference between headline inflation and the Bank of England's 2% target is due to low food and energy price inflation. But the dampening influence of food and energy prices is set to wane as last year's sharp falls drop out of the annual comparison. What's more, sterling dropped by more than 8% following the UK's decision to leave the EU, leaving it around 14% below its mid-November peak. This should eventually feed through to higher inflation, which we expect to rise above the Bank of England's 2% target in the first half of next year.

7. This leaves the MPC with an awkward trade-off between minimising the short-term hit to the economy and overshooting its inflation target. However, given how low inflation currently is, the MPC has some room for manoeuvre. We expect interest rates to be cut from 0.5% to 0.25%, probably at the MPC's next meeting on July 14th. Indeed, in a speech on 30 June, Governor Carney stated that "some monetary easing will likely be required over the summer", and markets are pricing in a rate cut at the MPC's next meeting. A ramp-up in the Bank's asset purchase programme is also a possibility, depending on the scale of the short-term economic damage.

8. Like the Bank of England, both the Federal Reserve and the ECB kept rates on hold during Q2. However, despite leaving its economic projections largely unchanged, the FOMC nonetheless cut its interest rate projections quite sharply. Six of the 17 officials anticipate just one hike in the US this year, and median interest rate forecasts for end-2017 and 2018 were revised down too. What's more, this was before the financial market turmoil which followed the results of the UK's EU referendum. At the margin, this could delay hikes even further. Meanwhile, we expect the ECB to respond to the economic damage generated by the UK's vote to leave the EU by accelerating the pace of its asset purchases and possibly with another small cut in interest rates.

9. Turning to the public finances, the data released since March's Budget will only have added to the Chancellor's worries. Public sector net borrowing (excluding public sector banks) was only slightly down on a year earlier at £9.7bn in May, indicating that borrowing was already on course to overshoot the OBR's forecast of a 25% fall in FY 2016/17 as a whole before the effects of any post-referendum disruption are accounted for.

10. The plans laid out in the March Budget stated that fiscal tightening would intensify this year – and Chancellor Osborne has warned that he would impose an austere emergency budget following a vote to leave the EU. However, Mr Osborne has already rowed back on this threat. What's more, if the OBR projects that the four-quarter average of annual GDP growth will fall below 1%, this activates a get-out clause in the government's fiscal rules. This could lead to some of the near-term tightening described in the Budget being deferred to help reduce the damage caused by the referendum result.

11. Finally, the FTSE 100 has now recovered the ground it lost following the UK's vote to leave the EU, and stands around 3% higher than at the start of Q2. But the multinational-heavy FTSE 100 has benefitted from sterling's collapse, which boosts the value of firms' overseas earnings. The FTSE 250, which better reflects the

domestic economy, is down 5% since the start of the quarter. Meanwhile, 10-year bond yields have sunk to new record lows of just under 1% on the back of safe-haven demand.

Appendix 2

Prudential and Treasury Indicators at 30th June 2016

Monitoring of Prudential and Treasury Indicators: approved by Council in February 2015.

1. **Has the Council adopted CIPFA Code of Practice for Treasury Management in the Public Services?**

   The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes. This is a key element of the Treasury Strategy 2016-17 which was approved by Council in February 2016.

2. **Limits for exposure to fixed and variable rate net borrowing (Borrowing less investments)**

	Limits	**Actual**
Fixed rate	150%	100.72%
Variable rate	65%	-0.72%
Total		100%

The Interest rate exposure is calculated as a percentage of net debt. Due to the mathematical calculation exposures could be greater than 100% or negative depending upon the component parts of the formula. The formula is shown below:

$$\frac{\textit{Total Fixed (or Variable) rate exposure}}{\textit{Total borrowing – total investments}}$$

Fixed Rate calculation:

$$\frac{\textit{(Fixed rate borrowing £316.6m* - Fixed rate investments £0m*)}}{\textit{Total borrowing £362.1m - Total investments £47.76m}} = 100.72\%$$

*Defined as greater than 1 year to run

Variable Rate calculation:

$$\frac{\textit{(Variable rate borrowing £45.5m** - Variable rate investments £47.76m**)}}{\textit{Total borrowing £362.1m - Total investments £47.76m}} = -0.72\%$$

** Defined as less than 1 year to run or in the case of LOBO borrowing the call date falling within the next 12 months.

3. **Total principal sums invested for periods longer than 364 days**

	2016-17 Limit £m	Actual £m
Investment longer than 364 days to run	7.0	0.0

Notes: This indicator is calculated by adding together all investments that have greater than 364 days to run to maturity at the reporting date.

4. **Limits for maturity structure of borrowing**

	Upper Limit	Actual
under 12 months	80%	8%
12 months and within 24 months	50%	1%
24 months and within 5 years	50%	4%
5 years and within 10 years	50%	20%
10 years and above	100%	67%

Note: The guidance for this indicator requires that LOBO loans are shown as maturing at the next possible call date rather than at final maturity.

Affordability

5. **Ratio of financing costs to net revenue stream**

2016-17 Original Estimate %	2016-17 Revised Estimate %	Difference %
10.53	6.9	-3.6

6. **Estimated incremental impact of capital investment decisions on band D council tax**

2016-17 Original Estimate £	2016-17 Revised Estimate £	Difference £
21.27	-37.36	-58.63

This indicator has fallen significantly as a result of changes to the Debt Charges budget during approval.

Prudence:

7. **Gross borrowing and the Capital Financing Requirement (estimated borrowing liability excluding PFI)**

Original 2016-17 Capital Financing Requirement (CFR) £m	2016-17 CFR (based on latest capital information) £m	Actual Gross Borrowing £m	Difference between actual borrowing and original CFR £m	Difference between actual borrowing and latest CFR £m
642.5	642.1	362.1	280.4	280

Capital Expenditure

8. **Estimates of capital expenditure**

For details of capital expenditure and funding please refer to the monthly capital report.

External Debt

9. **Authorised limit for external debt**

2016-17 Authorised Limit £m	Actual Borrowing £m	Headroom £m
702.5	362.1	340.4

The Authorised limit is the statutory limit on the Council's level of debt and must not be breached. This is the absolute maximum amount of debt the Council may have in the year.

10. **Operational boundary for external debt**

2016-17 Operational Boundary £m	Actual Borrowing £m	Headroom £m
672.5	362.1	310.4

The operational boundary is set as a warning signal that debt has reached a level nearing the Authorised limit and must be monitored carefully.

Investment Portfolio as at 30th June 2016

Class	Type	Deal Ref	Start / Purchase Date	Maturity Date	Counterparty	Profile	Rate	Principal O/S (£)
Share Capital	Share Capital	CCC/59			The UK Municipal Bonds Agency	-	-	400,000.00
3rd Party Loan	Fixed	CCC/88	16/06/16	16/06/41	Arthur Rank Hospice Charity	EIP	3.3400%	4,000,000.00
3rd Party Loans & Share Capital Total							**3.3400%**	**4,400,000.00**
Deposit	Call	CCC/CE/6			Barclays Bank plc	Maturity	0.5000%	20,000,000.00
Deposit	Call	CCC/84 (60 DAY)	20/10/15		Santander UK plc	Maturity	0.7500%	5,000,000.00
Deposit	95 Day Notice	CCC/85 (95DAY)	20/10/15		Santander UK plc	Maturity	0.9000%	5,000,000.00
Call Total							**0.6083%**	**30,000,000.00**
Deposit	Money Market Fund	CCC/ST/3	31/03/14		SLI Sterling Liquidity/Cl 2	Maturity	0.5221%	17,759,000.00
MMF Total							**0.5221%**	**17,759,000.00**
Deposit Total							**0.7838%**	**52,159,000.00**