Agenda Item No:8

TREASURY MANAGEMENT REPORT – QUARTER TWO UPDATE 2019-20

To:	**General Purpose Committee**
Meeting Date:	**26th November 2019**
From:	**Chief Finance Officer**
Electoral division(s):	**All**
Forward Plan ref:	**Not applicable** *Key decision:* **No**
Purpose:	**To provide the second quarterly update on the Treasury Management Strategy 2019/20, approved by Council in February 2019.**
Recommendation:	**The General Purposes Committee is recommended to:**

a) Note the Treasury Management Report.

b) Forward to Full Council for approval.

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1. BACKGROUND

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (annual, mid-year or quarterly reports). This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

2. ECONOMIC CLIMATE

2.1 A detailed commentary from the Council's treasury advisors of the current economic climate is provided at **Appendix A** to this report. In brief summary, Q2 2019/20 saw:

- Bank of England held Bank Rate at 0.75%; noting the deterioration in global activity and sentiment, they confirmed that monetary policy decisions related to Brexit could be in either direction depending on whether or not a deal is ultimately reached by 31st October;
- The UK economy contracted by 0.2%; following the 0.5% gain in Q1 which was distorted by stockpiling ahead of Brexit;
- Brexit negotiations remained at an impasse; UK equities continued to underperform given the uncertainty, generally meaning investors are holding safe-haven government bonds/gilts instead.

3. INTEREST RATE FORECAST

3.1 The latest forecast for UK Bank Rate along with PWLB borrowing rates (certainty rate) from the Council's treasury advisors is set out in Table 1 below.

PWLB Rates

3.2 In a surprise move and without consultation or prior warning, from 9th October 2019 the Government has:

- increased with immediate effect the interest rates offered on new Public Works Loan Board (PWLB) loans by doubling the margin applied from 1% to 2%. The 20bps discount for providing forward capital forecast data – known as the Certainty Rate – still applies (to which Cambridgeshire is eligible).
- legislated to increase the statutory limit on how much the PWLB can lend to eligible authorities, from £85bn to £95bn.

3.3 As the cost of borrowing has fallen to record lows, a number of local authorities have substantially increased their use of the PWLB in recent months. Some authorities have maximised their borrowing ability directly to invest in commercial property to produce a financial return to underpin front-line services, a practice that Government has expressed concerns over. It would appear that HM Treasury has carried out what Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA had implied should be avoided, namely addressed concerns on borrowing at a few outlying authorities by penalising the whole sector.

3.4 The maximum net amount of PWLB loans that can be outstanding at any time is subject to a statutory limit. At 31st March 2019, the amount outstanding stood at £77.9bn. With

PWLB rates falling to record lows, it is estimated that c.£6.2bn of new loans had been raised in the first half of 2019/20. Raising the self-imposed statutory limit from £85bn to £95bn, combined with the rate increase, reduces the likelihood of a statutory limit breach.

3.5 The PWLB's new pricing structure - at 180 basis points above gilts for certainty rate loans - no longer necessarily represents good value for local authorities and opens up the potential for better overall terms and flexibility from market lenders.

3.6 The Council has entered into a Framework Agreement with the UK Municipal Bonds Agency (MBA). This included the advance of shares and seed capital of £0.4m in total as reported Table 6 below. Long term capital programmes require a fair degree certainty for effective decision making, but it could be argued with snap and unpredictable changes such as these, the PWLB is failing to provide this. As a consequence, there is a renewed rationale for the sector to reduce reliance upon the PWLB and look at bonds as a viable alternative funding vehicle. To date the MBA has not issued any bonds as it has struggled to compete with previous PWLB rates, but this latest change to increases PWLB rates raises the possibility that the bonds agency may be able to issue at competitive rates.

3.7 In September 2019 the Council secured £100m of PWLB loans, prior to the PWLB increasing its pricing structure. The drawdown of these long term loans has proved very timely for the Council. Further details can be found in paragraph 5.2 below.

3.8 The PWLB rates shown in Table 1 below are inclusive of the new increased margins and certainty rate discount.

Table 1: Interest Rate Forecast (%)

Link Asset Services Interest Rate View	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	2.30	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00	3.10
10yr PWLB Rate	2.60	2.80	2.90	3.00	3.00	3.10	3.20	3.30	3.30	3.40
25yr PWLB Rate	3.30	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00
50yr PWLB Rate	3.20	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90

3.9 There are many risks to the forecast set out above, principally around the timing and pace of further rate rises, and a listing of underlying assumptions is attached at **Appendix B**. Budget estimates prudently include sensitivity analysis of the impact that a slower than forecast economic recovery would have upon the Council, and any impact of changes to interest rates is reported through the Budget Monitoring process.

4. INVESTMENTS

4.1 The Treasury Management Strategy Statement (TMSS) for 2019/20, which includes the Annual Investment Strategy, was approved by Council in February 2019. It sets out the Council's investment priorities as being:

1. Security of Capital;

2. Liquidity; and then
3. Yield

4.2 The Council will aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity.

4.3 At 31st March 2019 investment balances totalled £29.6m, held in Money Market Funds, Call/Notice accounts and the CCLA Property Fund. This figure excludes third party loans and share capital. Due to the nature of various government funding streams and timing of capital expenditure, the average level of funds available for investment purposes during Q1 was £72.7m.

4.4 As mentioned in paragraph 3.7 above, in September 2019 the Council secured £100m of PWLB loans. Further details can be found in paragraph 5.2 below. These long term loans will replace some of the Council's existing short-term loans within the borrowing portfolio when they mature later this year but, in the meantime, have been invested in line with the Councils approved strategy. Therefore the average level of funds available for investment purposes during Q2 increased to £89.6m.

4.5 Table 2 below summarises the maturity profile of the Council's investment portfolio at the end of Q2 2019/20 (excluding third party loans):

Table 2 – Investment maturity profile at end of Q2 2019/20

		Maturity Period					
		0d	**0-3m**	**3-6m**	**5yrs ***	**Total**	
Product	**Access Type**	**£m**	**£m**	**£m**	**£m**	**£m**	**%**
Money Market Funds	Same-Day	2.4				**2.4**	***2.2***
Bank Call Account	Instant Access	5.0				**5.0**	***4.7***
Certificate of Deposits	Fixed Term / Tradeable		40.0	50.0		**90.0**	***83.6***
Pooled Property Fund	Redemption Period Applies				10.2	**10.2**	***9.5***
	Total	**7.4**	**40.0**	**50.0**	**10.2**	**107.6**	***100.0***
	%	***6.9***	***37.1***	***46.5***	***9.5***	***100.0***	

4.6 The scheduled date for the UK to leave the EU is now 31st January 2020 and there remains little political clarity as to whether a deal will be agreed by this date, with the possibility that the exit date could be deferred again.

4.7 There remains an outside chance that a particularly disruptive Brexit (such as last minute no-deal) may interrupt international payment systems and/or normal international market trading. To mitigate, the Council may hold additional liquidity with its banking partners Barclays on instant access and has established an account for deposits with the HM Treasury directly through the Debt Management Account Deposit Facility (DMADF) which it may use as an additional buffer.

4.8 Set out below are details of the amounts outstanding on loans and share equity investments classed as capital expenditure advanced to third party organisations at the end of Q2:

Table 3 - Loans/Equity holdings in This Land Ltd

Loan Summary	**Amount (£m)**	**Repayment Year**
Bridging Loan	8.500	2020/21
Loans for land acquired from third parties	2.040	2021/22
Construction & Development loans	7.100	2029/30
Loans for land acquired from CCC	78.872	2028/29
Total Loans	**96.512**	
Equity holding	**3.951**	-
Total Loans/Equity in This Land Ltd	**100.463**	

Table 4 - Third Party Loans

Loan Counterparty	**Original Amount (£m)**	**Amount Outstanding (£m)**	**Repayment Year**
Arthur Ranks Hospice Charity	4.000	3.680	2042/43
Estover Playing Field 2015 CIC (Guaranteed by March Town Council)	0.350	0.305	2024/25
Wisbech Town Council	0.150	0.150	2043/44
Total Third Party Loans	**4.500**	**4.135**	

Table 5 - Cashflow Loans

Loan Counterparty	**Amount (£m)**	**Repayment Year**
LGSS Law	0.325	Continuous

Table 6 – Share/Seeder Investments

Counterparty	**Amount (£m)**	**Repayment Year**
UK Municipal Bond Agency	0.400	-

4.9 In addition, the following Third Party loans are in the process of finalising loan agreements:

Table 7 – Pending Third Party Loans

Loan Counterparty	**Proposed Amount (£m)**	**Repayment Year**
Viva Arts & Community Group	0.300	Loan pending agreement
Total Pending Third Party Loans	**0.300**	

4.10 Financial markets trade on confidence and certainty, and for some time now, both have been in short supply. Investment rates have increased from historical lows following bank base rate rises, but remain relatively low in short to medium-term durations, with limited pickup in value for longer durations.

4.11 Investment balances are forecast to reduce by the financial year end as internal resources from temporary positive cashflow surpluses are applied to fund expenditure demands in lieu of fully funding the borrowing requirement (internal borrowing) on a net basis. This process effectively reduces the cost of carrying additional borrowing at a higher cost than the income that could be generated through short term investment of those balances, as well as reducing investment counterparty credit risk.

4.12 The Council's investments in Q2 outperformed against the most comparable weighted duration benchmark by 44 basis points (equivalent to £98k more than benchmark return), largely due to an average dividend return of 4.23% on the Council's investment held in the CCLA Property Fund. Any impact upon latest budget projections for the financial year are reported through the Budget Monitoring process.

Table 8: Benchmark Performance – Q2 2019/20

	Benchmark	Benchmark Return	Council Performance
Q1 (Last Qtr)	**3m LIBID**	0.76%	1.31%
Q2 (This Qtr)	**3m LIBID**	0.71%	1.15%
Q1+2 (YTD)	**3m LIBID**	0.75%	1.22%

4.13 Leaving market conditions aside, the Council's return on investments 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 the consideration 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.
- Interest rate risk; the risk that arises from fluctuating market interest rates.

4.14 These factors and associated risks are actively managed by the LGSS Finance Treasury team.

5. BORROWING

5.1 The Council can raise cash through borrowing in order to fund expenditure on its capital programme for the benefit of Cambridgeshire. The amount of new borrowing needed each year is determined by capital expenditure plans and projections of the Capital Financing Requirement, underlying borrowing requirement, forecast cash-backed reserves and both current and forecast economic conditions.

5.2 As mentioned in paragraph 3.7 above, in September the Council secured £100m of borrowing from the PWLB at historically low rates. £30m over 50 years with principal repaid on maturity at 1.67%, and £70m over 30 years on an Equal Instalment of Principal basis at 1.45%. These long term loans will replace some of the Council's existing short-term loans within the borrowing portfolio when they mature later this year, and provides some added balance against short-term funding exposure. As stated in paragraph 3.4, many other local authorities have raised PWLB funding in recent months that they may not immediately require for cashflow purposes, so there is not expected to be any shortage of availability of short-term loans from other local authorities. By keeping a proportion of the borrowing portfolio short-dated the Council will also be in the position to take up any funding opportunities that could arise in the near term, which may include the UK Municipal Bonds Agency.

5.3 In addition, to take advantage of low interest rates and an increase in supply to the market, during Q2 the Council repaid on maturity a total of £35m short-term loans from other local authorities, and raised a total of £100m in replacement loans from other local authorities; £95m for terms between 5 months and 1 year at an average rate of 0.86%, and £5m for 2 years at 0.90%. £40m was also borrowed in two tranches for less than 1 month each for cashflow purposes and was repaid during the quarter.

5.4 Therefore overall borrowing outstanding increased during Q2 compared to Q1 by £165.0m. At Q1, the Council held £583.2m of borrowing, of which £156.2m matures in less than 1 year. At the end of Q2, the Council held £748.2m of borrowing, of which £218.5m matures in less than 1 year.

5.5 Table 9 below sets out the maturity profile of the Council's borrowing portfolio at the end of Q2. £374.7m is held with the PWLB, £313m from other local authorities, £45m in market loans and £15.5m in a single market Lender Option Borrower Option (LOBO) loan.

Table 9: Borrowing Maturity Profile – Q2 2019/20

Term Remaining	Borrowing	
	£m	**%**
Under 12 months	218.5	29.2
1-2 years	110.0	14.7
2-5 years	57.0	7.6
5-10 years	79.7	10.7
10-20 years	100.7	13.5
20-30 years	46.8	6.3
30-40 years	45.0	6.0
40-50 years	40.0	5.3
Over 50 years	50.5	6.7
TOTAL	**748.2**	**100.0**

5.6 Market LOBO loans are included in Table 9 at their final maturity rather than their next potential call date. In the current low interest rate environment the likelihood of lenders exercising their option to increase the interest rates on these loans - and so triggering the Council's option to repayment at par - is considered to be low.

5.7 The Council is in an internally borrowed cash position and balances will need to be replenished at some point in the future (subject to expenditure demands). This strategy is prudent while investment returns are lower than the cost of servicing debt and also serves to mitigate counterparty risk. The Council therefore plans to maintain this internal borrowing position but will closely monitor those reserves, balances and cashflows supporting this approach.

6. BORROWING RESTRUCTURING

6.1 No borrowing rescheduling was undertaken during the Q2. Rescheduling opportunities are limited in the current economic climate. For PWLB loans, due to the spread between the carrying rate of existing borrowing and early redemption rates, substantial exit (premium) costs would be incurred. For market borrowing, the lender uses the certainty of the loans cashflow profile to hedge against forecast interest rate movements and so would pass the cost of unwinding these instruments onto the Council as an exit (premium) cost. Officers continue to monitor the position regularly.

7. TREASURY AND PRUDENTIAL INDICATORS

7.1 The Council's Treasury and Prudential Indicators (affordability limits) were approved alongside the TMSS. It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits.

7.2 During the financial year to date the Council has operated within the Treasury and Prudential Indicators set out in the Council's TMSS, shown in **Appendix C**.

8. ALIGNMENT WITH CORPORATE PRIORITIES

8.1 A good quality of life for everyone

There are no significant implications for this priority.

8.2 Thriving places for people to live

There are no significant implications for this priority.

8.3 The best start for Cambridgeshire's children

There are no significant implications for this priority.

9. SIGNIFICANT IMPLICATIONS

9.1 Resource Implications

This report provides information on performance against the Treasury Management Strategy. Decisions on treasury management, which are driven by the capital programme and the Council's overall financial position, will impact the Debt Charges Budget and are reported through the Budget Monitoring process.

9.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications for this category.

9.3 Statutory, Legal and Risk 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 C.

9.4 **Equality and Diversity Implications**

There are no significant implications for this category.

9.5 **Engagement and Communications Implications**

There are no significant implications for this category.

9.6 **Localism and Local Member Involvement**

There are no significant implications for this category.

9.7 **Public Health Implications**

There are no significant implications for this category.

Implications	**Officer Clearance**
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Tom Kelly
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Not applicable
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	Not applicable
Have the equality and diversity implications been cleared by your Service Contact?	Not applicable
Have any engagement and communication implications been cleared by Communications?	Not applicable
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Not applicable
Have any Public Health implications been cleared by Public Health	Not applicable

Source Documents	**Location**
None	Not applicable

Appendix A
Economic Commentary; Extract from Treasury Advisors (Link Asset Services)

UK

This first half year has been a time of upheaval on the political front as the Prime Minister resigned and the new Prime Minister set on the UK leaving the EU on 31 October, with or without a deal. However, in September, the proroguing of Parliament was overturned by the Supreme Court and Parliament carried a bill to delay Brexit until 31 January 2020 if there is no deal by 31 October. MPs also voted down holding a general election before 31 October, though one is likely before the end of 2019. So far, there has been no majority of MPs for any one option to move forward on enabling Brexit to be implemented. At the time of writing the whole Brexit situation is highly fluid and could change radically by the day. Given these circumstances and the likelihood of an imminent general election, any interest rate forecasts are subject to material change as the situation evolves. If the UK does soon achieve a deal on Brexit agreed with the EU then it is possible that growth could recover relatively quickly. The Bank of England (BoE) could then need to address the issue of whether to raise Bank Rate at some point in the coming year when there is little slack left in the labour market; this could cause wage inflation to accelerate which would then feed through into general inflation. On the other hand, if there was a no deal Brexit and there was a significant level of disruption to the economy, then growth could weaken even further than currently and the BoE would be likely to cut Bank Rate in order to support growth. However, with Bank Rate still only at 0.75%, it has relatively little room to make a big impact and the BoE would probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy.

The first half of 2019/20 has seen UK economic growth fall as Brexit uncertainty took a toll. In its Inflation Report of 1 August, the BoE was notably downbeat about the outlook for both the UK and major world economies. The meeting of 19th September reemphasised concern about the downturn in world growth and also expressed concern that prolonged Brexit uncertainty would contribute to a build-up of spare capacity in the UK economy, especially in the context of a downturn in world growth. This mirrored investor concerns around the world which are now expecting a significant downturn or possibly even a recession in some major developed economies. It was therefore no surprise that Bank Rate remained unchanged at 0.75% throughout 2019, so far, as BoE is expected to hold off on changes until there is some clarity on what is going to happen over Brexit. However, it is also worth noting that the new Prime Minister is making some significant promises on various spending commitments and a relaxation in the austerity programme. This will provide some support to the economy and, conversely, take some pressure off the BoE to cut Bank Rate to support growth.

As for inflation itself, CPI has been hovering around the BoE target of 2% during 2019, but fell to 1.7% in August. It is likely to remain close to 2% over the next two years and so it did not pose any immediate concern at the current time. However, if there was a no deal Brexit, inflation could rise towards 4%, primarily as a result of imported inflation on the back of a weakening pound.

With regard to the labour market, despite the contraction in quarterly GDP growth of -0.2% q/q, (+1.3% y/y), in quarter 2, employment continued to rise, but at only a muted rate of 31,000 in the three months to July after having risen by no less than 115,000 in quarter 2 itself: the latter figure, in particular, suggests that firms are preparing to expand output and suggests there could be a return to positive growth in quarter 3. Unemployment continued at a 44 year low of 3.8% on the Independent Labour Organisation measure in July and the participation rate of 76.1% achieved a new all-time high. Job vacancies fell for a seventh consecutive month after having previously hit record levels. However, with unemployment continuing to fall, this month by 11,000, employers will still be having difficulty filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to a high point of 3.9% in June before easing back slightly to 3.8% in July, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.1%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The latest GDP statistics also included a revision of the savings ratio from 4.1% to 6.4% which provides reassurance that consumers' balance sheets are not over stretched and so will be able to support growth going forward. This would then mean that the BoE will need to consider carefully at what point to take action to raise Bank Rate if there is an agreed Brexit deal, as the recent pick-up in wage costs is consistent with a rise in core services inflation to more than 4% in 2020.

In the political arena, following a general election soon, there could be a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up although, conversely, a weak international backdrop could provide further support for low yielding government bonds and gilts.

WORLD GROWTH

The trade war between the US and China is a major concern to financial markets and is depressing worldwide growth, as any downturn in China will spill over into impacting countries supplying raw materials to China. Concerns are focused on the synchronised general weakening of growth in the major economies of the world compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns have resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US), and there are concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks. The latest Purchase Managers Index survey statistics of the economic health of the US, UK, EU and China all indicate a downturn in growth; this confirms investor sentiment that the outlook for growth during the rest of this financial year is weak.

Appendix B
Interest Rate Forecast Commentary; Extract from Treasury Advisors (Link Asset Services)

Underlying assumptions to the interest rate forecast are:

The interest rate forecasts at paragraph 3.8 (Table 1) above have been based on an assumption that there is some sort of muddle through to an agreed deal on Brexit at some point in time. Given the current level of uncertainties, this is a huge assumption and so forecasts may need to be materially reassessed in the light of events over the next few weeks or months.

The balance of risk to the UK is:

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture;
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.

One risk that is both an upside and downside risk is that all central banks are now working in very different economic conditions than before the 2008 financial crash. There has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for eleven years since 2008. This means that the neutral rate of interest in an economy (i.e. the rate that is neither expansionary nor deflationary) is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could, therefore, over or under-do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Brexit – if it were to cause significant economic disruption and a major downturn in the rate of growth;
- Bank of England takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate;
- A resurgence of the Eurozone sovereign debt crisis;
- Weak capitalisation of some European banks, particularly Italian banks;
- German minority government;
- Other minority EU governments having vulnerable minority governments dependent on coalitions which could prove fragile;
- There are concerns around the levels of US corporate debt;
- Geopolitical risks

Upside risks to current forecasts for UK gilt yields and PWLB rates are:

- Brexit – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK;

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect;
- UK inflation, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Appendix C
Treasury and Prudential Indicators

Prudential Indicator	2019/20 Indicator	2019/20 Q2
Authorised limit for external debt (Inc' loans raised to on-lend to Housing & Investment Company)	----- £1,088.0m -----	
Operational boundary for external debt (Inc' loans raised to on-lend to Housing & Investment Company)	----- £1,058.0m -----	
Capital Financing Requirement (CFR) *[Including PFI and Finance Lease Liabilities]*	£1,008.0m	£848.4m
Ratio of financing costs to net revenue streams	9.2%	8.9%
Upper limit of fixed interest rates based on net debt	150%	101%
Upper limit of variable interest rates based on net debt	65%	-1%
Principal sums invested > 364 days (exc' third party loans)	£50.0m	£10.2m
Maturity structure of borrowing limits:-		
Under 12 months	Max. 80% Min. 0%	31.0%
12 months to 2 years	Max. 50% Min. 0%	15.9%
2 years to 5 years	Max. 50% Min. 0%	10.4%
5 years to 10 years	Max. 50% Min. 0%	10.7%
10 years and above	Max. 100% Min. 0%	32.0%

- The Treasury Management Code of Practice guidance notes requires that maturity is determined by the earliest date on which the lender can trigger repayment, which in the case of LOBO loans is the next break/call point. This approach differs to Table 9 at paragraph 5.5 above, which instead shows the Council's LOBO loan at maturity date as the likelihood of the option being exercised is low.