Agenda Item No:10

TREASURY MANAGEMENT REPORT – QUARTER FOUR UPDATE 2018-19

To:	**General Purposes Committee**
Meeting Date:	**28 May 2019**
From:	**Chief Finance Officer**
Electoral division(s):	**All**
Forward Plan ref:	**Not applicable** *Key decision:* **No**
Purpose:	**To provide the fourth quarterly update on the Treasury Management Strategy 2018-19, approved by Council in February 2018.**
Recommendation:	**The General Purposes Committee is recommended to note the Treasury Management Quarter Four Report for 2018-19 and forward to full Council to note.**

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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 for the 2018-19 financial year by Council in February 2018. It requires the Council to produce an annual treasury report and a half yearly report. Alongside these, General Purposes Committee is 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, Link Asset Services (LAS) and provides an update for the fourth quarter to 31st March 2019 as well as reporting the financial outturn on the debt financing budgets.

2. KEY HEADLINES

2.1 The main highlights for the quarter are that:

a) Investment returns received on treasury management cash balances compare to benchmarks. A return of 0.96% was achieved compared to the 7 day and 3 month London Interbank Bid Rate (LIBID) benchmark (0.57%, 0.75% respectively). See section 6.

b) Third party loans have increased since 31st March 2018 by £63.1m primarily due to loans advanced to This Land Finance Limited at commercial rates, with the total outstanding at 31st March 2019 standing at £95.4m. This increase has been reflected throughout the report, where appropriate. See Section 6.

c) An underspend of £0.893m was delivered for the debt charges budget this year. Net payments were less than budgeted because fewer long term loans were raised during the year than had been budgeted. Short term loans at lower rates of interest were raised instead to meet liquidity needs. Minimum Revenue Provision (MRP) and Capitalisation of Interest Costs were less than budgeted as a consequence of reprofiling and alternative funding of capital expenditure. See Section 8.

3. THE ECONOMIC ENVIRONMENT

3.1 A current economic commentary is provided in **Appendix 1**, which has been provided by Link Asset Services, the Council's treasury management advisers.

3.2 During the quarter ended 31st March 2019, the significant UK headlines of this analysis were that:

- Brexit uncertainty continues to dominate;
- Bank Rate remained unchanged at 0.75% with no changes to the quantitative easing programme;
- There has been a rise in wage inflation and fall in CPI inflation. An increase in household spending power is likely to feed through into overall economic growth in the coming months.

4. SUMMARY PORTFOLIO POSITION

4.1 Net debt at 31st March 2019 stood at £473.257m, which is lower than originally set out in the Treasury Management Strategy Statement in February 2018. This is driven by changes to the capital programme and loans to This Land Finance Limited, offset by the cash balances and reserves used for internal borrowing purposes. A balance sheet review will be carried out once draft financial statements become available which will provide useful detailed analysis of the Councils loans, investments, Capital Financing Requirement and reserves.

4.2 Further analysis on borrowing and investments is set out in the next two sections. A snapshot of the Council's debt and investment position is shown in the table below:

	TMSS 2018-19 31 Mar 2019 Forecast (Council Feb 2018)		**Actual as at 31 March 2018**		**Actual as at 31 March 2019**		**Change from Mar 2018 to Mar 2019**
	£m	Rate %	£m	Rate %	£m	Rate %	£m
Borrowing							
Long term borrowing (>12m)	471.7	4.3	362.9	4.0	442.3	4.0	79.4
Short term borrowing (<12m)	220.0	0.8	135.0	0.8	156.0	1.0	21.0
Total borrowing	**691.7**	**3.2**	**497.9**	**3.0**	**598.3**	**3.2**	**100.4**
Treasury Investments	**9.1**	**0.5**	**26.4**	**0.3**	**29.6**	**0.7**	**3.2**
3rd Party Loans & Share Capital	**-**	**-**	**32.3**	**2.5**	**95.4**	**3.0**	**63.1**
Total Net Debt / Borrowing	**682.6**	**-**	**439.2**	**-**	**473.3**	**-**	**34.1**

5. BORROWING

5.1 The Council can raise loan finance in order to primarily fund its Capital spending plans and also for short term cashflow purposes. The actual amount of new borrowing required each year is determined by capital expenditure plans, capital funding available, the actual Capital Financing Requirement (CFR), forecast reserves, cashflow analysis, and current and projected economic conditions.

New loans and repayment of loans:

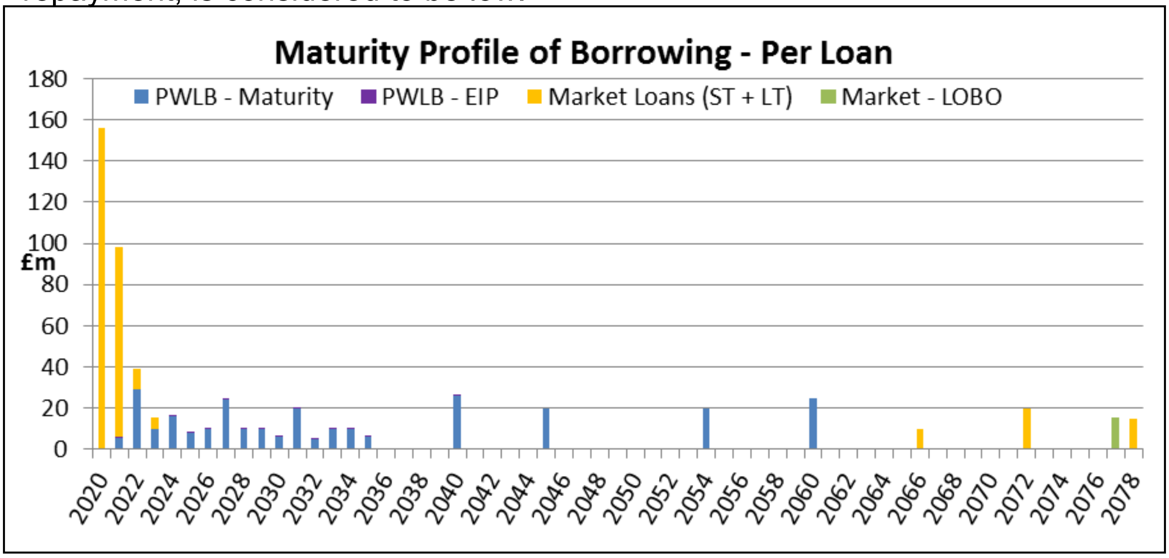
5.2 This section details new long term loans raised (i.e. loans that are for greater than one year) and loans repaid during this quarter. During quarter four, one long term loan from PWLB of £7.443m was repaid. Seven loans were drawn down from other local authorities totalling £42m each for a term of 2 years at an average of 1.44%, which compares to the PWLB certainty rate for 2 year loans average for the quarter of 1.55%.

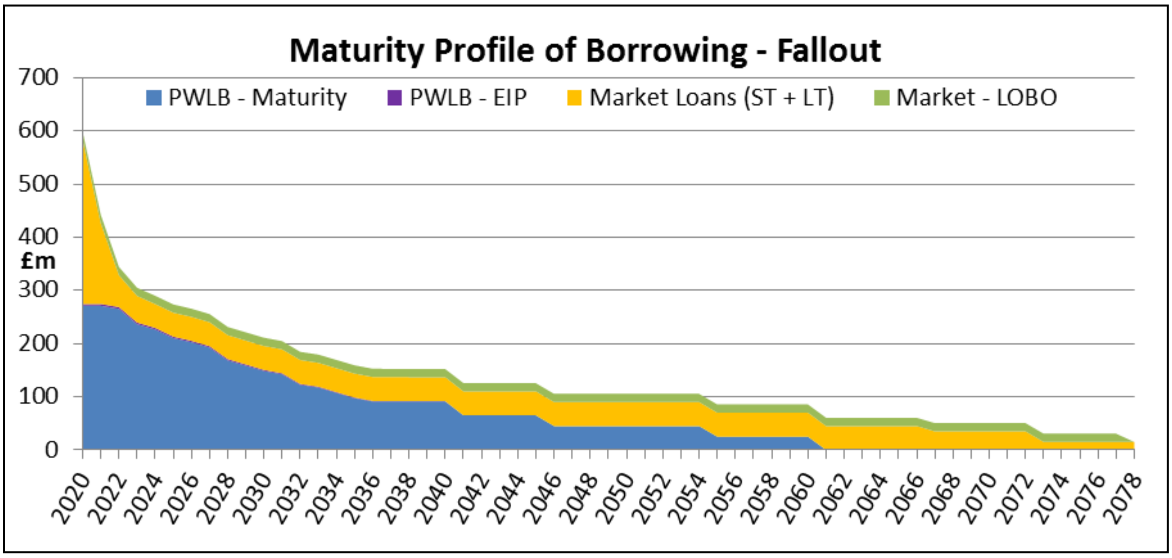
5.3 Short term loans (i.e. loans that are for one year or less) are typically drawn from other local authorities. During quarter four, seven such loans were repaid upon maturity totalling £50m. Six new loans totalling £28m were raised at 1.15%.

Maturity profile of borrowing:

5.4 The graphs below show the maturity profile of the Council's loan portfolio, per loan and on a cumulative fallout basis. The majority of long-term loans have fixed interest rates, which gives balance against short-dated loans and partly protects the Council from exposure to interest rate fluctuation. The weighted average years to maturity of the overall portfolio (assuming LOBO loan runs to maturity) is 13 years.

5.5 The presentation of the graphs below differs from that in the Treasury Indicator for maturity structure of borrowing in **Appendix 2** as the graph below includes a LOBO loan at its final maturity date, rather than next call option date. In the current low interest rate environment the likelihood of the interest rate on the LOBO loan being raised, so triggering the Council option to make a penalty free repayment, is considered to be low.





Municipal Bond Agency:

5.6 The Council holds seed capital shares of £0.4m in the UK Municipal Bonds Agency (MBA). The strategic aim of the MBA, which is wholly owned by the Local Government Association and 56 local authorities, is to provide an alternative to funding from the PWLB and market loans. The Council has held discussions with the MBA to join a new group aimed at reshaping the offer and operational model of the Agency. At this time, a bond issuance is not expected in the near future. There continues to be strong support to the MBA from the Local Government Association.

Loan restructuring:

5.7 When market conditions are favourable, long term loans may be restructured in order to:

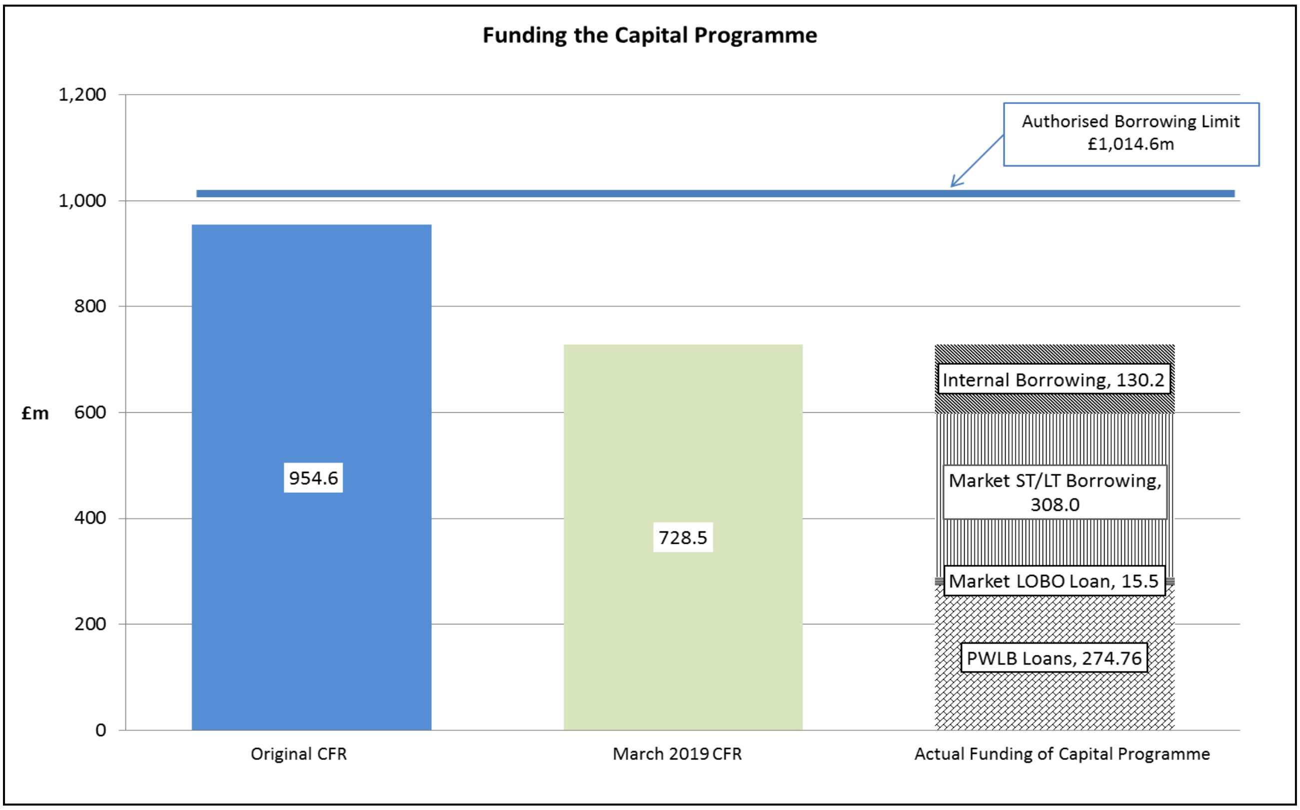
- generate cash savings;
- reduce the average interest rate; and / or
- enhance the balance of the portfolio by amending the maturity profile and/or the level of volatility (volatility is determined by the fixed/variable interest rate mix).

5.8 During the quarter, there were no opportunities for the Council to restructure its borrowing due to the composition of the Council's borrowing portfolio compared to prevailing market conditions and redemption rates. Debt rescheduling in 2019-20 will continue to be kept under review and considered subject to conditions being favourable. If and when opportunities for savings do arise, debt rescheduling will be undertaken to meet business needs.

Funding the Capital Programme:

5.9 The Treasury Management Strategy Statement (TMSS) set out the plan for treasury management activities over the year. It identified the expected level of borrowing and investment levels. When the 2018-19 TMSS was set, it was anticipated that the Capital Financing Requirement (CFR) – the Council's liability for financing the agreed Capital Programme – would be £954.6m. This calculated amount is naturally subject to change as a result of any changes to the approved capital programme financing or MRP policy.

5.10 The chart below compares the maximum the Council could have borrowed in 2018-19 (£1,014.6m), against the forecast outturn CFR at 31st March 2019 (£728.5m) and an analysis of how that CFR is currently being financed. The CFR has decreased from the value set out in the TMSS due to the reprofiling of the capital programme.



5.11 The chart above demonstrates that:

- the Council's projected outturn CFR is £286.1m below the statutory Authorised Borrowing Limit set by Council;
- Internal borrowing – the temporary use of the Council's surplus cash to finance the borrowing liability instead of borrowing externally – stood at £130.2m.

5.12 The Council continues to utilise internal borrowing in order to minimise the cost of carrying investments earning a return lower than the cost of borrowing, reduce credit risk associated with holding investing, and generate budget savings. Therefore new loans, which have been budgeted for, will be required in 2019-20 to maintain sufficient operational cash resources.

6. INVESTMENTS

6.1 Investment activity is carried out using the framework of the Council's counterparty policies and criteria, with a clear strategy of risk management. This ensures that the principle of considering security, liquidity and yield (in that order) is consistently applied. The Council therefore aims 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 In Quarter One, the Council reported a technical breach of its counterparty policy when surplus cash balances were allowed to remain in the Council's main group of bank accounts over the period in question, in addition to amounts already placed on deposit with the same counterpart up to the counterparty limit. Operational procedures have been strengthened to prevent reoccurrences and no technical breaches have occurred since.

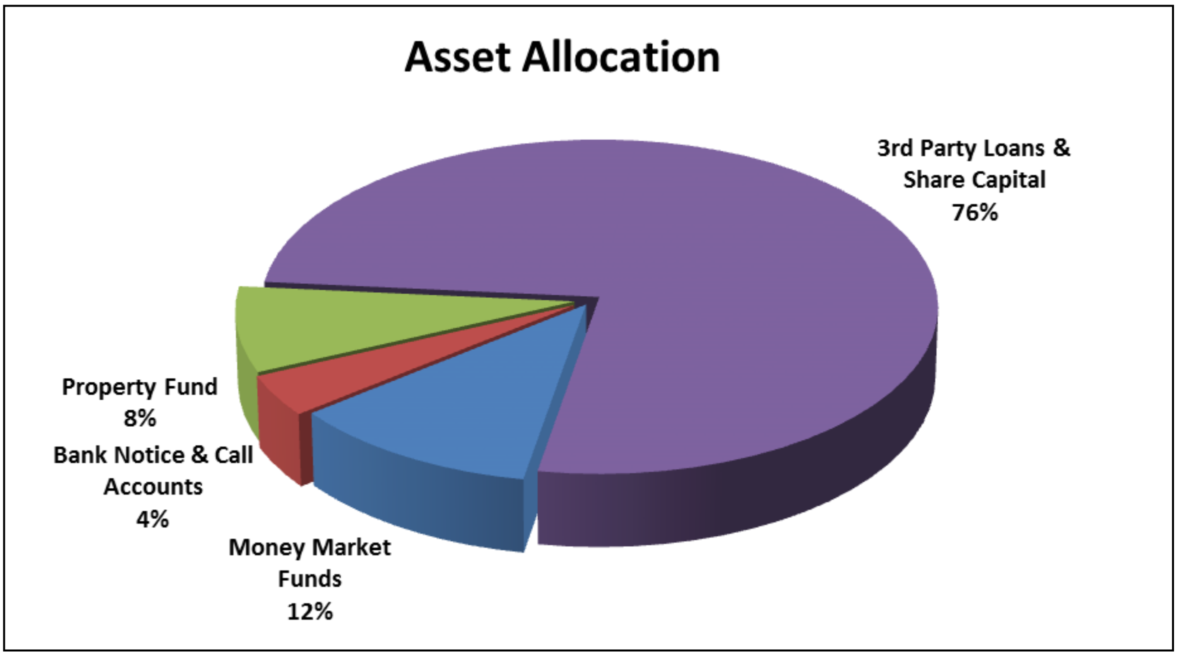
6.3 As described in paragraph 5.12, the strategy currently employed by the Council of internal borrowing also has the affect of limiting the Council's investment exposure to the financial markets, thereby reducing credit risk.

6.4 The level of cash available for investment is made up of reserves, balances and working capital that the Council holds. As at 31st March 2019 investments totalled £125.0m.

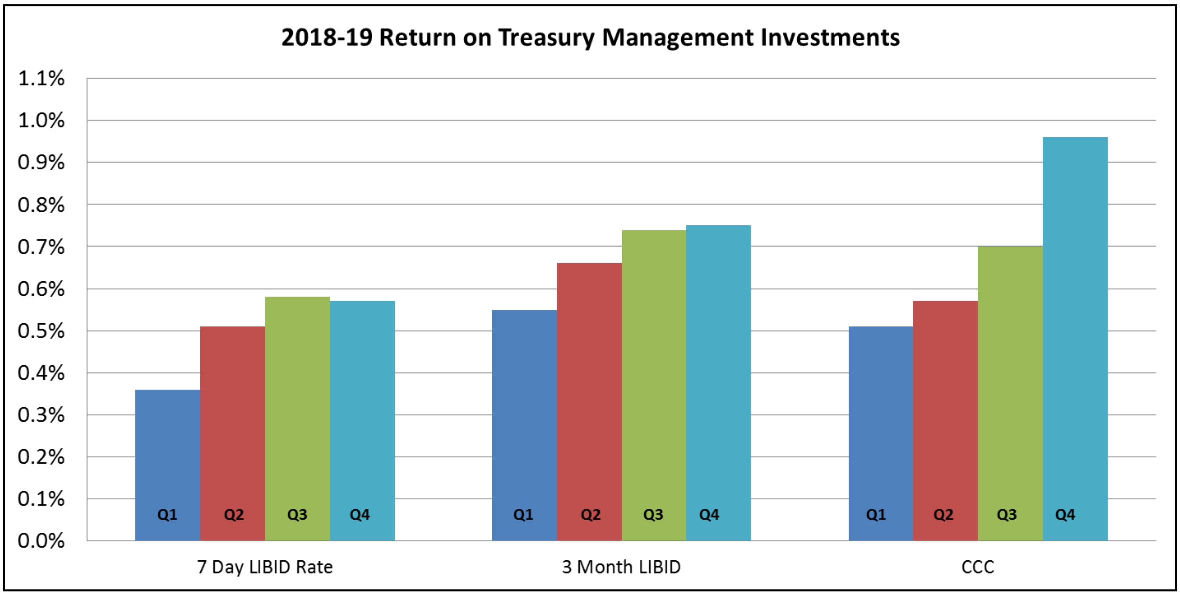
6.5 This includes total third party loans and share/equity capital (classed as capital expenditure) of £95.4m as listed below:

- £90.51m third party loans (including compound interest) and equity capital in This Land;
- £3.68m loan to the Arthur Rank Hospice Charity;
- £0.400m equity share in the Municipal Bonds Agency;
- £0.332m loan to Estover CIC;
- £0.325m loan call facility to LGSS Law;
- £0.150m loan to Wisbech Town Council.

6.6 The balance of £29.6m is held in treasury management investments; notice & call accounts and money market funds in order to meet the liquidity demands, and units in the pooled CCLA Property Fund. The graph below shows the investment portfolio composition by asset allocation.



6.7 The graph below compares the return performance on the Council's treasury management investment against relevant benchmarks for each quarter during the 2018-19 financial year.



6.8 It can be seen from the graph above that treasury management investments returned 0.96% during quarter 4, which is 39bps more than the 7 day LIBID and 21bps more than the 3 month LIBID benchmarks. Returns were boosted significantly in March as the Council invested funds into the CCLA Property Fund.

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 can't 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 Integrated Treasury team together with the Council's treasury advisers.

7. INTEREST RATE OUTLOOK

7.1 The latest (May 2019) interest rate forecasts from the Council's treasury advisers are shown in the table below:

Link Asset Services Interest Rate View												
	Jun-19	Sep-19	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%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.50%	1.75%
3 Month LIBID	0.70%	0.70%	0.70%	1.00%	1.00%	1.20%	1.20%	1.20%	1.50%	1.50%	1.50%	1.70%
6 Month LIBID	0.80%	0.80%	0.90%	1.10%	1.20%	1.30%	1.30%	1.40%	1.60%	1.60%	1.70%	1.80%
12 Month LIBID	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%
5yr PWLB Rate	1.80%	1.80%	1.90%	2.00%	2.10%	2.20%	2.20%	2.30%	2.40%	2.50%	2.50%	2.60%
10yr PWLB Rate	2.10%	2.20%	2.30%	2.40%	2.50%	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%
50yr PWLB Rate	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%

- *PWLB rates based on Certainty Rate (minus 20 bps) discount.*

7.2 It is not currently expected that Bank Rate will increase before there is clarity on the mode of Brexit. Financial markets are now expecting a first increase in February 2020 and the next one in November 2021.

7.3 The general situation is for volatility in bond yields to endure as investor fears ebb and flow between favouring relatively more "risky" assets i.e. equities, or the "safe haven" of government bonds. The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently, although there are likely to also be periods of sharp volatility from time to time.

7.4 The forecasts above are predicated on an assumption that:

- there is no break-up of the Eurozone or EU (apart from the departure of the UK) within the forecasting time period despite the major challenges that are looming;
- that there are no major ructions in international relations, which has a major impact on international trade and world GDP growth.

7.5 From a strategic perspective, the Council is continually reviewing options as to the timing of potential borrowing, especially given just how unpredictable PWLB rates and bond yields are at present. Cash flows over the past couple of years have been sufficiently robust for the Council to use its balance sheet strength to limit the amount of new long term borrowing undertaken.

8. DEBT FINANCING BUDGET

8.1 This section summarises the 2018-19 debt financing budget, which is held as a central budget within Corporate Services, and complies with the reporting requirements in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management. The overall outturn position is an underspend of £0.893m, which is explained below.

	Budget	**Outturn**	**Variance**
	£m	**£m**	**£m**
Interest payable	16.591	15.856	(0.735)
Interest receivable	0.031	(0.670)	(0.701)
Capitalisation of Interest Costs	(2.417)	(1.710)	0.707
Technical & Other	0 .429	0.522	0.093
MRP	11.350	11.093	(0.257)
Total	**25.984**	**25.091**	**(0.893)**

8.2 Interest payable was less than budgeted as fewer long term loans were raised during the year with short term loans raised instead to meet liquidity needs. Minimum Revenue Provision (MRP) and Capitalisation of Interest Costs were less than budgeted as a consequence of reprofiling and alternative funding of capital expenditure.

9. COMPLIANCE WITH TREASURY LIMITS AND PRUDENTIAL INDICATORS

9.1 With effect from 1st April 2004, the Prudential Code (as amended) became statute as part of the Local Government Act 2003.

9.2 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.

9.3 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 for the 2018-19 year are reported in Appendix 2.

10. ALIGNMENT WITH CORPORATE PRIORITIES

10.1 A good quality of life for everyone

There are no significant implications for this priority.

10.2 Thriving places for people to live

There are no significant implications for this priority.

10.3 The best start for Cambridgeshire's children

There are no significant implications for this priority.

11. SIGNIFICANT IMPLICATIONS

11.1 Resource Implications

This report provides information on performance against the Treasury Management Strategy. Section 8 shows the impact of treasury decisions on the Debt Charges Budget, which are driven by the capital programme and the Council's overall financial position.

11.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications for this category.

11.3 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.

11.4 Equality and Diversity Implications

There are no significant implications in this category.

11.5 Engagement and Communications Implications

There are no significant implications in this category.

11.6 Localism and Local Member Involvement

There are no significant implications in this category

11.7 **Public Health Implications**

There are no significant implications in this category

List of Appendices

Appendix 1: Economic Update

Appendix 2: Capital and Treasury Prudential Indicators

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 1

Economic Update
Quarter Ended 31 March 2019

The economic commentary below has been provided by Link Asset Services, the Council's treasury management advisers. This is not a representation of the Council's view on the economic outlook.

UK: After weak economic growth of only 0.2% in quarter one of 2018, growth picked up to 0.4% in quarter 2 and to a particularly strong 0.7% in quarter 3, before cooling off to 0.2% in the final quarter. Given all the uncertainties over Brexit, this weak growth in the final quarter was as to be expected. However, some recovery in the rate of growth is expected going forward. The annual growth in Q4 came in at 1.4% y/y confirming that the UK was the third fastest growing country in the G7 in quarter 4.

After the Monetary Policy Committee (MPC) raised Bank Rate from 0.5% to 0.75% in August 2018, it is little surprise that they have abstained from any further increases since then. We are unlikely to see any further action from the MPC until the uncertainties over Brexit clear. Under certain exit circumstances, there is potential that Bank Rate would be cut to support growth. Nevertheless, the MPC has been having increasing concerns over the trend in wage inflation which peaked at a new post financial crisis high of 3.5% (excluding bonuses) in the three months to December before falling only marginally to 3.4% in the three months to January. British employers ramped up their hiring at the fastest pace in more than three years in the three months to January as the country's labour market defied the broader weakness in the overall economy as Brexit approached. The number of people in work surged by 222,000, helping to push down the unemployment rate to 3.9 percent, its lowest rate since 1975. Correspondingly, the total level of vacancies has risen to new highs.

As for CPI inflation itself, this has been on a falling trend since peaking at 3.1% in November 2017, reaching a new low of 1.8% in January 2019 before rising marginally to 1.9% in February. However, in the February 2019 Bank of England Inflation Report, the latest forecast for inflation over both the two and three year time horizons remained marginally above the MPC's target of 2%.

The rise in wage inflation and fall in CPI inflation is good news for consumers as their spending power is improving in this scenario as the difference between the two figures is now around 1.5%, i.e. a real terms increase. Given 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.

US: The massive US easing of fiscal policy in 2018 fuelled a (temporary) boost in consumption in 2018 which generated an upturn in the strong rate of growth; this rose from 2.2%, (annualised rate) in quarter 1 of 2018 to 4.2% in quarter 2, 3.5% in quarter 3 and then back to 2.2% in quarter 4. The annual rate came in at 2.9% for 2018, just below the aim for 3% growth. The strong growth in employment numbers has fed through to an upturn in wage inflation which hit 3.4% in February, a decade high point. However, CPI inflation overall fell to 1.5% in February, a two and a half year low, and looks to be likely to stay around that number in 2019 i.e. below the Fed's target of 2%. The Fed increased rates another 0.25% in December to between 2.25% and 2.50%, this being the fourth increase in 2018 and the ninth in the upward swing cycle. However, the Fed now appears to be edging towards a change of direction and admitting there may be a need to switch to taking action to cut rates over the next two years. Financial markets are now predicting two cuts of 25bps by the end of 2020.

EUROZONE: The European Central Bank (ECB) provided massive monetary stimulus in 2016 and 2017 to encourage growth in the EZ and that produced strong annual growth in 2017 of 2.3%. However, since then the ECB has been reducing its monetary stimulus measures and growth has been weakening - to 0.4% in quarters 1 and 2 of 2018, and then slowed further to 0.2% in quarters 3 and 4; it is likely to be only 0.1 - 0.2% in quarter 1 of 2019. The annual rate of growth for 2018 was 1.8% but is expected to fall to possibly around half that rate in 2019. The ECB completely ended its programme of quantitative easing purchases of debt in December 2018, which means that the central banks in the US, UK and EU have all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in growth, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), prompted the ECB to take new measures to stimulate growth. With its refinancing rate already at 0.0% and the deposit rate at -0.4%, it has probably reached the limit of cutting rates. At its March 2019 meeting it said that it expects to leave interest rates at their present levels "at least through the end of 2019", but that is of little help to boosting growth in the near term. Consequently, it also announced a third round of cheap borrowing to banks every three months from September 2019 until March 2021 which means that, although they will have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, this will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans.

ASIA: In China, economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

Japan has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

WORLD GROWTH: Equity markets are currently concerned about the synchronised general weakening of growth in the major economies of the world: they fear there could even be a recession looming up in the US, though this fear is probably overdone.

Appendix 2

Prudential and Treasury Indicators at 31st March 2019

Monitoring of Prudential and Treasury Indicators: approved by Council in February 2018.

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 2018-19 which was approved by Council in February 2018.

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

	Limits	Actual
Fixed rate	150%	72.4%
Variable rate	65%	27.6%
Total		100.0%

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

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

** Defined as greater than 1 year to run*

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

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

	2018-19 Limit £m	Actual £m
Investment longer than 364 days to run *	0.0	0.0

** Treasury Management investment only*

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

	Upper Limit	Actual
under 12 months	80%	28%
12 months and within 24 months	50%	17%
24 months and within 5 years	50%	12%
5 years and within 10 years	50%	10%
10 years and above	100%	33%

Note: The guidance for calculation of 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**

2018-19 Original Estimate %	2018-19 Outturn %	Difference %
8.3	7.6	-0.7

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

2018-19 Original Estimate %	2018-19 Outturn %	Difference %
16.0	15.6	-0.4

Prudence:

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

Original 2018-19 Capital Financing Requirement (CFR - as at 31 March 2019) £m	2018-19 CFR (as at 31 March 2019) £m	Actual Gross Borrowing (as at 31 March 2019) £m	Difference between actual borrowing and March 2019 CFR £m
954.6	728.5	598.3	130.2

Capital Expenditure

8. **Estimates of capital expenditure**

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

External Debt

9. **Authorised limit for external debt**

2018-19 Authorised Limit per TMSS £m	Actual Borrowing £m	Headroom compared to Authorised Limit £m
1,014.6	598.3	416.3

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**

2018-19 Operational Boundary per TMSS £m	Actual Borrowing £m	Headroom compared to Operational Boundary £m
984.6	598.3	386.3

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