LONDON FIRE BRIGADE

Decision title

Treasury Management Annual Report

Recommendation by	Decision Number
Assistant Director, Finance	LFC-0041-D

NOT PROTECTIVELY MARKED

Summary

This report is submitted to meet the requirements under the CIPFA Code of Practice for Treasury Management to prepare an annual report to 'those charged with governance' on treasury management activities, for the year ending 31 March 2018.

The London Fire Commissioner's treasury management activities are carried out by the Greater London Authority (GLA) under a shared service agreement and are delivered by GLA Group Treasury. The funds managed under this shared service are invested in the Group Investment Syndicate (GIS), of which the Director of Corporate Services is a syndic.

The annual report on treasury management activities for 2017/18 is provided at Appendix 1 and is prepared by GLA Group Treasury. The report:

- Provides a summary and analysis of the performance on treasury management activities, in relation to London Fire and Emergency Planning Authority (LFEPA) and the closing balances transferred to the London Fire Commissioner (LFC); and
- Outlines the economic background against which treasury management activities were undertaken during the year.

Decision

The London Fire Commissioner notes the 2017/18 treasury management outturn results against the approved 2017/18 Treasury Management Strategy Statement (TMSS).

Dany Cotton QFSM
London Fire Commissioner

Date 9/8/18

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LONDON FIRE BRIGADE

Report title

Treasury Management Annual Report

Report to	Date
London Fire Commissioner	18 July 2018
Report by	Report number
Assistant Director, Finance	LFC-0041

NOT PROTECTIVELY MARKED

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- Outlines the economic background against which treasury management activities were undertaken during the year.

Recommendation
That the London Fire Commissioner notes the 2017/18 treasury management outturn results against the approved 2017/18 Treasury Management Strategy Statement (TMSS).

Background

1. The Commissioner is required to meet the requirements of the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management (TM Code). This requires the Commissioner to have appropriate treasury management arrangements in place to manage its borrowing and cash balances and deliver best practice. These arrangements are approved annually in the Commissioner's Treasury Management Strategy Statement (TMSS).

2. The responsibility for the execution and administration of treasury management decisions is delegated to the Director of Corporate Services/Assistant Director, Finance under the Scheme of Governance (LFC-0003 and LFC-0026), who will act in accordance within the Commissioner's Policy Statement on Treasury Management Activities, approved as part of the TMSS.

3. The day-to-day management of the treasury management function is delivered by GLA Group Treasury under a shared service arrangement with the GLA, that has been in place since 1 April 2012. GLA Group Treasury also manages the Group Investment Strategy (GIS), of which the Director of Corporate Services is a syndic. By being part of the GIS, the Commissioner's cash balances are pooled with other funds which allows greater investment options to improve diversification, liquidity and returns.

Treasury Management 2017/18

4. The CIPFA TM Code recommends that 'those charged with governance' for treasury matters be updated on treasury management activities regularly (at least a strategy, mid-year and annual performance reports). This report therefore meets these requirements with regard to an annual report, and ensures the Commissioner is implementing best practice in accordance with the TM Code. The annual report at Appendix 1 has been prepared by GLA Group Treasury, and provides details of performance against the TMSS 2017/18, approved by LFEPA at its meeting on 30 March 2017 (FEP2710).

5. The report provides the Board with a review of investment performance for 2017/18, together with a summary of long-term borrowing and leasing arrangements, set in the context of the general economic conditions prevailing during the year. It also reviews specific treasury management prudential indicators defined by the Code and approved in the TMSS.

6. The report shows that the balance of investments held in the GIS at the end of the financial year was £40.67m, with the achievement of an investment rate of return for 2017/18 of 0.48%. This rate of return delivered interest earnings on GIS balances of £0.45m, on an average balance of investment for the year of £94.25m. This return out-performed the benchmark (average three-month London Interbank Bid Rate (LIBID) – 0.28%) by 0.20%. During the year, £6m of Public Works Loan Board (PWLB) loans were repaid, reducing the balance of total external borrowing from £78.73m as at 1 April 2017 to £72.73m as at 31 March 2018, with an annualised interest rate of 4.80% (4.89% 2016/17).

7. All 2017/18 Treasury activity has been within the boundaries and levels set by the Authority in its TMSS.

8. The balances on investments and outstanding debt were transferred to the LFC on 1 April 2018. The LFC also adopted the approved TMSS 2018/19 on 1 April 2018 (LFC-0004).

Development of the GLA Group Treasury service

9. As noted above, treasury management is delivered by GLA Group Treasury through a shared service with the GLA, which has been in place since 2012/13. Since its introduction the service provided has been developed to broaden the GIS. The reports provided by GLA Group Treasury to support reporting to 'those charged with governance' have also been developed and now all GIS members use a standard report template. These reports are therefore very much GLA Group Treasury reports, and rely on expertise and experience in that team, with syndics, including the Director of Corporate Services, provided with support and advice by the Commissioner's treasury management advisors Link Asset Services.

10. The Director of Corporate Services continues as a syndic of the GIS and participates in all decision making as part of the GIS development.

Treasury Management Training for 'Those Charged with Governance'

11. The TM Code states that 'those charged with governance' have an individual responsibility for treasury matters. To support them in meeting this responsibility, and ensure they are appropriately up to date with treasury matters, training sessions were developed by GLA Group Treasury and delivered to Authority members during the period they were responsible for treasury management. The LFC has received appropriate training in a one to one session with Link Asset Services, and further sessions with either Link or GLA Group Treasury will be arranged as appropriate.

Finance comments

12. This report is prepared by the Assistant Director, Finance and as such Finance comments have been incorporated into the report.

Workforce comments

13. No Workforce implications have been identified therefore no formal consultation has been undertaken.

Legal comments

14. General Counsel has reviewed this report and has no comments.

Sustainability Implications

15. There are no direct sustainability implications arising from this report.

Equalities Implications

16. There are no specific equalities implications arising from this report.

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Appendix 1

GREATER LONDON AUTHORITY
GROUP TREASURY

Treasury Management Outturn for 2017/18

London Fire Commissioner

Executive Summary:

This report is submitted in accordance with a requirement under the Treasury Management in the Public Services Code of Practice (The Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which requires the submission of an outturn report on the activities of the Authority's treasury management operation.

The Authority's external borrowing levels have reduced from £78.73m at the 31 March 2017 to £72.73m at 31 March 2018. Total invested balances have decreased from £64.29m at the 31 March 2017 to £40.67m at 31 March 2018.

Interest receivable achieved during 2017/18 was £0.45m, against a budget of £0.40m.

Interest payable for 2017/18 was £9.73m against a budget of £10.20m.

All 2017/18 Treasury activity has been within the boundaries and levels set by the Authority in its Treasury Management Strategy Statement on 17 March 2017, Document No. FEP 2710.

Recommendation:

That the following is noted:

- The 2017/18 Treasury outturn results against the 2017/18 Treasury Management Strategy Statement, as approved on the 17 March 2017, Document No. FEP 2710.

Introduction/Background

1 This report provides details of all investment and borrowing activities of the London Fire and Emergency Planning Authority (Authority) for the period from 1 April 2017 to 31 March 2018 and highlights relevant issues currently under consideration by officers. It provides a comparison of the closing investment and debt positions as at 31 March 2018 with the opening position as at 1 April 2017.

2 Under the treasury management shared service arrangement with the GLA, GLA treasury officers carry out the Authority's day to day treasury management function, managing the Authority's investments and borrowing activities. Authority officers provide the GLA with details of the Authority's daily cash flow requirements and monies are only transferred between the Authorities as and when required to match Authority need. This way, surplus funds over and above daily need are continuously held with the Group Investment Syndicate (GIS), the GLA managed vehicle used by the Authority to maximise liquidity and investment return.

Compliance with the 2017/18 Treasury Management Strategy Statement

3 The Director of Corporate Services confirms that, throughout the period, all treasury activities have been conducted within the parameters of the 2017/18 Treasury Management Strategy Statement (TMSS), alongside best practice suggested by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Central Government.

The Economic Background

4 During the calendar year of 2017, there was a major shift in expectations in financial markets in terms of how soon Bank Rate would start on a rising trend. After the UK economy surprised on the upside with strong growth in the second half of 2016, growth in 2017 was disappointingly weak in the first half of the year which meant that growth was the slowest for the first half of any year since 2012. The main reason for this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports into the economy. This caused a reduction in consumer disposable income and spending power as inflation exceeded average wage increases. Consequently, the services sector of the economy, accounting for around 75% of Gross Domestic Product (GDP), saw weak growth as consumers responded by cutting back on their expenditure. However, growth did pick up modestly in the second half of 2017. Consequently, market expectations during the autumn, rose significantly that the Bank of England's Monetary Policy Committee (MPC) would be heading in the direction of imminently raising Bank Rate. The minutes of the MPC meeting of 14 September indicated that the MPC was likely to raise Bank Rate very soon. The 2 November MPC quarterly Inflation Report meeting duly delivered by raising Bank Rate from 0.25% to 0.50%.

5 The 8 February MPC meeting minutes then revealed another sharp hardening in MPC warnings on a more imminent and faster pace of increases in Bank Rate than had previously been expected. Market expectations for increases in Bank Rate, therefore, shifted considerably during the second half of 2017/18 and resulted in investment rates from 3 – 12 months increasing sharply during the spring quarter.

6 PWLB borrowing rates increased correspondingly to the above developments with the shorter-term rates increasing more sharply than longer term rates. In addition, UK gilts have moved in a relatively narrow band this year, (within 25 bps for much of the year), compared to US treasuries. During the second half of the year, there was a noticeable trend in treasury yields being on a rising trend with the Fed raising rates by 0.25% in June, December and March, making six increases in all from the floor. The effect of these three increases was greater in shorter terms around 5 year, rather than longer term yields.

7 The major UK landmark event of the year was the inconclusive result of the general election on 8 June. However, this had relatively little impact on financial markets.

Current Treasury Management Position

8 The table below shows the current Treasury management position.

Current Treasury Position	Actual as at 31 March 2017		Actual as at 31 March 2018	
	£m	Rate %	£m	Rate %
External Borrowing				
Long Term Borrowing: PWLB	78.73	4.67	72.73	4.69
Long Term Borrowing: Market Loans	0		0	
Total External Borrowing (A)	78.73	4.67	72.73	4.69
Other Long-Term Liabilities				
PFI Liability	49.28		48.1	
Finance Lease liability	18.43		18.43	
Total Other Long-Term Liabilities(B)	67.71		66.53	
Total Gross Debt (A+B)	146.4		139.3	
Capital Financing Requirement	171.5		164.5	
Less Other Long-Term Liabilities	67.71		66.53	
Underlying Capital Borrowing Requirement (C)	103.8		97.93	
Under/(Over) Borrowing (C-A)	25.08		25.2	
Investments (D)	64.29	0.55	40.67	0.65
Total Net Borrowing (A-D)	14.44		32.06	

9 A further analysis of borrowing and investments is covered in the following section.

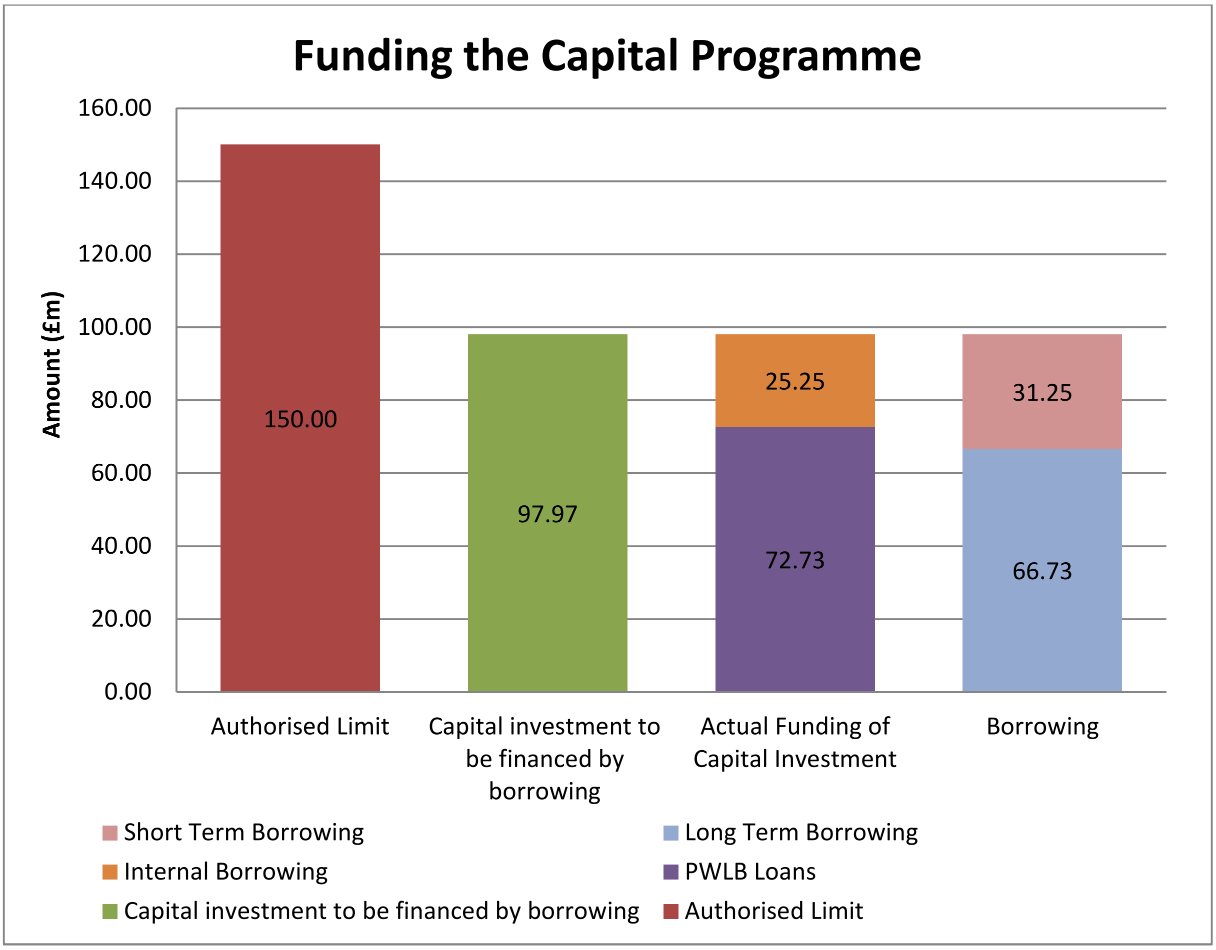
Borrowing Outturn

10 The Authority is required to borrow in order to fund spending for its Capital Programme. The amount of new borrowing needed each year is determined by new capital schemes approved and included in the Capital Programme.

11 No new external loan borrowing was taken out during 2017/18. £6.00m of external loan borrowing was repaid, reducing the total borrowing to £72.73m

12 No rescheduling of borrowing was done during the year as the differential between Public Works Loan Board (PWLB) new borrowing rates and premature repayment rates made rescheduling unviable.

13 The graph below compares the maximum the Authority could borrow in 2017/18 with the 'Capital Investment to be financed by borrowing' at 31 March 2018 and the actual position of how this is being financed at 31 March 2018. The final column shows the split between short (internal and external borrowing with duration of less than one year) and long term borrowing.



14 The graph shows that the Authority's current capital investment that is being funded via borrowing, as at the 31 March 2018, is £97.97m, which is £52.03m below the Authorised Borrowing Limit set for the Authority at the start of the year.

15 In addition, the graph shows how the Authority is currently funding its borrowing requirement. As at 31 March 2018, the Authority was using £25.25m of internal borrowing to finance capital investment. Internal borrowing is the use of the Authority's surplus cash to finance the borrowing liability instead of borrowing externally.

Investment Governance

16 The Authority's (now the London Fire Commissioner, LFC's) short term cash balances are invested through the GLA Group Investment Syndicate (GIS). Current GIS participants are the Greater London Authority (GLA), the LFC , the London Legacy Development Corporation (LLDC), the London Pensions Fund Authority (LPFA), and the Mayor's Office for Policing and Crime (MOPAC), with the respective Chief Financial Officers of each GIS participant jointly controlling the GIS.

17 Pooling resources allows the Group Treasury team to make larger individual transactions and exploit the greater stability of pooled cash flows to obtain better returns. A risk sharing agreement ensures risk and reward relating to each instrument within the jointly controlled portfolio are shared in direct proportion to each participant's investment.

18 Investments are made in line with a common GIS Investment Strategy, which includes a requirement to maintain a weighted average maturity (WAM), which does not exceed 91 days, and for each participant to specify a portion of their investment to remain immediately accessible.

19 Additionally, the Authority may invest sums independently of the GIS, for instance if the Authority identifies balances which are available for longer term investment. Such investments must remain within the parameters of the GIS Investment Strategy, except that there shall be no requirement to maintain a weighted average maturity which does not exceed three months. However, each participant can place a limit on the duration of these longer term investments. For 2017/18, the Authority opted not to enter into any investments longer than 364 days in its own name, wishing to limit counterparty risk and liquidity risk.

20 The Authority's TMSS adheres to the CIPFA Prudential Code investment principle of placing security above liquidity and investment yield and then placing liquidity above investment yield. As such, the Authority maintains a low risk appetite consistent with good stewardship of public funds.

Investment Outturn

21 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decision to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are year-end investment balances.

	Actual as at the 31st March 2017 £m	Actual as at the 31st March 2018 £m
Fund balances/reserves	37.07	53.89
Provisions	4.78	5.06
Other	27.54	5.38
Total Core Funds	69.39	64.33

Working Capital Surplus	19.98	1.54
Under/(over) borrowing	25.08	25.2
Investments	64.29	40.67

22 Investment balances as at 31 March 2018 were £40.67m, this being a decrease of £23.62m over year-end balances as at 31 March 2017.

23 The Authority has outperformed its investment benchmark by 73% during 2017/18. It achieved a cumulative weighted average yield of 0.48% on daily balances against a cumulative weighted average 3-month London InterBank Bid Rate (LIBID) of 0.28%. Throughout the period, the Authority maintained its liquidity target of a WAM of not more than 91 days.

24 Methods used by the Group Treasury team during the year to manage performance have included:

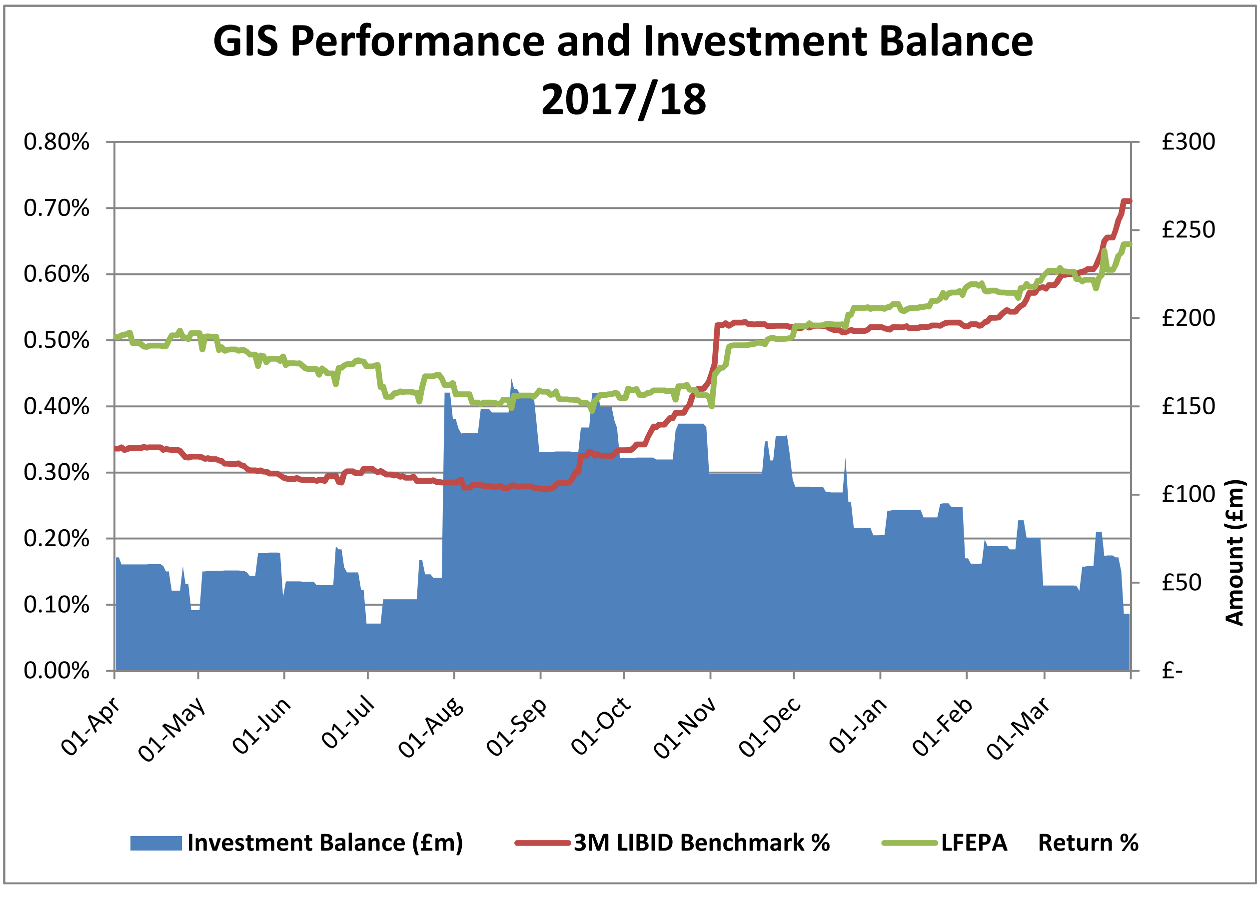
a. Using the strength of the GIS's £2.5bn investment balances to obtain higher than average rates without increasing risk

b. Creating a well-diversified portfolio by country, by counterparty and by credit rating.

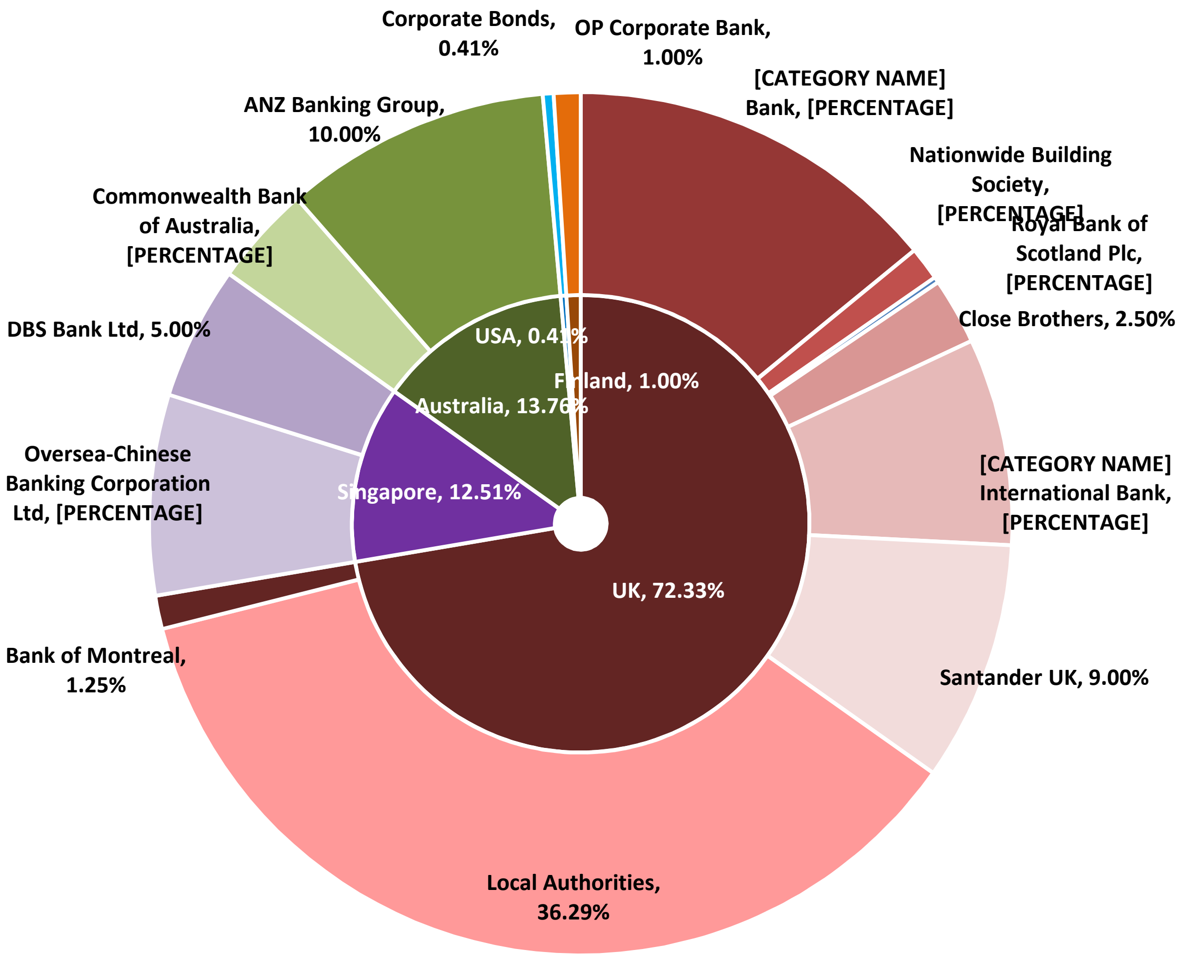
c. Seeking to invest in higher yielding longer dated instruments, while keeping the WAM within the GIS Investment Strategy limit of within 91 days.

d. Monitoring market activity and proactively seizing investment opportunities

25 The following graph shows the outperformance described above, alongside the Authority's investment balances for the period. Fluctuations in balances reflect changes in cash flow needs over the year, but throughout 2017/18 there was circa £25m of cash balances which were not required for daily needs and therefore could be regarded as 'core' cash and available for investment throughout the year.



26 In addition, that the GIS investment portfolio is well diversified is demonstrated in the piechart below



Treasury Management Budget

27 The table below compares the Treasury management budget with previous year.

Treasury Management Budget	Actual as at the 31st March 2017 £m	TMSS Forecast to 31st March 2018 £m	Actual as at the 31st March 2018 £m	Variance between Forecast and Actual £m
Interest payable	10.08	10.20	9.73	0.47
Interest Receivable	-0.54	-0.40	-0.45	0.05
Minimum Revenue Provision	7.01	7.30	7.07	0.23
Total	14.45	17.10	16.35	0.75

28 The small decrease in interest payable year-on-year reflects the repayment of PWLB loans and other long-term liabilities. Interest receivable was broadly in line with the

budget forecast, aided by a 0.25% hike of the Bank of England base rate in November 2017.

CIPFA Prudential Code Indicators and Treasury Management Limits

Background

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

30 The Prudential Code also has the objective of being consistent with and supporting local strategic planning, local asset management planning and proper option appraisal.

31 Any such framework for the internal control and self-management of capital finance must therefore deal with all three of the following elements:

a. Capital expenditure plans

b. External debt

c. Treasury Management

32 To ensure compliance with the Code in relation to the above elements, the Authority is required to set and monitor a number of Prudential Indicators. The setting of these Prudential Indicators is a circular rather than a linear process. For example, the level of external debt will follow on from the Authority's capital plans, revenue forecast and treasury management strategy. However, if initial estimates would result in outcomes that would not be affordable or prudent, then plans for capital and/or revenue are reconsidered.

33 These Prudential Indicators are set out below and reviewed by officers for compliance.

Capital Expenditure

34 Capital expenditure results from the approved capital spending plan and proposed borrowing limits. It is the key driver of Treasury Management activity.

35 The capital expenditure for 2017/18 is shown in the table below.

Capital Expenditure	Actual 2016/17 £m	TMSS Forecast to 31st March 2018 £m	Actual 2017/18 £m	2017/18 Variance between Forecast and Actual £m
Total	23.89	49.3	21.00	-28.3

36 The capital expenditure for 2017/18, at £21.00m was £28.30m less than that expected at the start of the year. Details of the capital underspend are shown in the financial outturn report on the same agenda.

Capital Financing Requirement (CFR)

37 The capital financing requirement is an indicator of the underlying need to borrow for capital purposes. It is the total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resource.

38 Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

39 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual charge which broadly reduces the borrowing in line with each assets life.

40 The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of scheme include a borrowing facility and so the Authority is not required to separately borrow for these schemes.

41 This borrowing is not associated with particular items or types of capital expenditure.

Capital Financing Requirement	Actual 2016/17 £m	TMSS Forecast to 31st March 2018 £m	Actual 2017/18 £m	2017/18 Variance between Forecast and Actual £m
Total	171.5	164.6	164.5	-0.1

External Debt Prudential Indicators

Authorised Limit for External Debt

42 The authorised limit is the expected maximum borrowing needed with some headroom for unexpected developments such as unusual cash movements

43 For the purposes of the Prudential Code borrowing is distinguished from other long term liabilities.

44 The authorised limit is the statutory limit that is determined, by the Mayor in consultation with the Assembly, under section 3 (1) of the Local Government Act 2003. It is intended to be an absolute ceiling which cannot be exceeded, except as provided under section 5 of the Local Government Act 2003, where payments expected but not yet received can temporarily result in the limit being exceeded, provided the original setting of the limit had not taken into account any delay in receipt of the payment.

Authorised Limit for External Debt	2017/18 Authorised Limit £m	Actual External Debt as at 31 March 2018 £m	Headroom £m
Borrowing	150	72.73	77.27
Other long-term liabilities	75	66.53	8.47
Total	225	139.26	85.74

45 Actual external debt is not directly comparable to the authorised limit, since the actual external debt reflects the position at one point in time, whereas the authorised limit is set as a ceiling for the whole year. Notwithstanding this, the borrowing is within acceptable limits.

Operational Boundary for External Debt

46 The operational boundary is based on the same estimates as the authorised limit. However, it reflects an estimate1of the most likely prudent but not worst case scenario. It equates to the maximum level of external debt under the capital spending plans approved by the Mayor and excludes the headroom included within the authorised limit.

47 The operational boundary is set as a warning signal that external debt has reached a level nearing the authorised limit and must be monitored carefully. It is probably not significant if the operational boundary is breached temporarily on occasions due to variations in cash flow. However, a sustained or regular trend above the operational boundary would be significant, requiring further investigation and action as appropriate.

Authorised Limit for Operational Boundary	2017/18 Operational Boundary £m	Actual External Debt as at 31 March 2018 £m	Headroom £m
Borrowing	145	72.73	72.27
Other long-term liabilities	75	66.53	8.47
Total	220	139.26	80.74

48 Actual external debt is not directly comparable to the operational boundary, since the actual external debt reflects the position at one point in time, whereas the operational boundary is set as a ceiling for the whole year. Notwithstanding this, the borrowing is within acceptable limits.

Gross Debt and the Capital Financing Requirement

49 This is a key indicator of prudence seeking to identify whether or not a Local Authority's financial strategy is prudent and sustainable by measuring the extent to which a Local Authority is using borrowing to fund revenue expenditure in the short and medium term. Since financing costs have to be repaid from revenue, borrowing to fund revenue expenditure may be affordable in the short term, but not in the medium term. It therefore follows that in the medium term borrowing should only be funding capital expenditure and

this indicator seeks to check that this is so, by identifying that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. In making this comparison between gross debt and the CFR, CIPFA guidance provides that, if in any of these years, there is a reduction in the CFR, this reduction is ignored in estimating the cumulative increase in the CFR which is used for comparison with the gross external debt.

50 For the purposes of the Prudential Code, gross debt refers to the sum of borrowing and other long term liabilities.

Actual External Debt as at 31 March 2017 £m	Preceding Year CFR £m	2017-18 Estimated Additional CFR £m	2018-19 Estimated Additional CFR £m	2019-20 Estimated Additional CFR £m	Total CFR over 4 years £m	Amount Gross Debt < Total CFR over 4 years £m
146.44	171.9	-7.3	13.2	19.5	197.3	50.86

51 Gross debt, as at 31 March 2018, is £50.86m less than the estimated total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. This indicates that the Authority’s current financial strategy is prudent and sustainable, in that borrowing is only used to fund capital expenditure in the medium term.

Affordability Prudential Indicators

Ratio of Financing Costs to Net Revenue Stream

52 This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream.

53 The aim of using net revenue stream is to identify the amounts to be met from government grants and taxpayers and hence excludes capital grants, contributions and donated assets. It is also net of contributions from (or to) reserves and balances.

Financing Costs to Net Revenue Stream	Actual as at the 31st March 2017 %	TMSS Forecast to March 2018 %	Actual as at the 31st March 2018 %	Variance between Forecast and Year End Actual %
Total	2.58	4.50	4.23	0.27

54 Financing costs to net revenue stream are in line with expectations.

Incremental Impact of Capital Investment Decisions on the Council Tax

55 This indicator measures the changes in the council tax as a result of incremental changes in capital investment decisions.

56 It allows the effect of the totality of the Authority's plans to be considered at budget setting time and the achievement of these plans to be assessed at year end.

57 The Authority's capital investment decisions have had no financial impact on the Council Tax payer in 2017/18, having been fully contained within agreed budgets.

Treasury Management Prudential Indicator

58 The Treasury Management Prudential Indicator requires the adoption of the latest version of the CIPFA Code of Practice for Treasury Management in the Public Services.

59 The Authority has adopted the CIPFA Code of Practice for Treasury Management in the Public Services.

Treasury Management Limits on Activity

Limits for Maturity Structure of Borrowing

Local Authorities are exposed to the risk of having to refinance debt at a time in the future when interest rates may be volatile or uncertain. The maturity structure of borrowing indicator is designed to assist Authorities in avoiding large concentrations of fixed rate debt that has the same maturity structure and would therefore need to be replaced at the same time. For each maturity period an upper and lower limit is set. This indicator is calculated as the amount of projected borrowing that is fixed rate maturing in each period expressed as a percentage of total projected borrowing that is fixed rate. For the purposes of this indicator only, all borrowing is treated as fixed rate.

Limits for Maturity Structure of Borrowing	TMSS Forecast to March 2017		Actual as at the 31st March 2017	Actual as at the 31st March 2018
	Upper Limit	Lower Limit		
	%	%	%	%
Under 12 months	20	0	8%	8%
12 months and within 24 months	20	0	8%	8%
24 months and within 5 years	50	0	18%	17%
5 years and within 10 years	75	0	22%	22%
10 years and above	90	25	45%	45%

60 The above table shows that the Authority has a risk appropriate dispersion of debt over the years.

Limits for Principal Sums Invested for Periods Longer than 364 days

61 This indicator seeks to contain the risk inherent in the maturity structure of an Authority's investment portfolio, since investing too much for too long could

i. adversely impact on the Authority's liquidity and in turn its ability to meet its payment obligations and

ii. also lead to the loss of some of its principal if it is forced to seek early repayment or redemption of principal sums invested

iii. Under this indicator the Local Authority is therefore required to set an upper limit for each financial year period for the maturing of its long-term investments.

62 The Authority has set an upper limit of £0.00, although this limit does not apply to externally managed funds or to pooled monies within the GIS. However, whilst the pooled portfolio may contain instruments maturing in more than 364 days, the average maturity is restricted to 91 days, adding to the reduction of the risk this indicator is seeking to address.

63 Finally, to further protect the liquidity and principal sums of a Local Authority, two additional constraints are placed on Local Authorities

iv. The Local Government Act 2003, section 15(1) requires an Authority to have regard to the such guidance as the Secretary of State may issue, such as Department for Communities and Local Government (DCLG) Guidance on Local Government Investments 2010, which requires firstly the achievement of security (protecting the capital sum from loss), then liquidity (keeping the money readily available for expenditure when needed), and then lastly investment yield. This investment strategy is endorsed by the Prudential Code. The Authority complies with this Guidance by adopting a low risk appetite in its TMSS.

v. The Prudential Code states that Authorities must not borrow more than or in advance of need purely in order to profit from the investment of the extra sums borrowed. The Authority does not borrow more than or in advance of its need purely to profit from the investment of extra sums borrowed.

<u>New Investments Maturing after 364 days taken between 01/04/17 and 31/03/18</u>

64 No new investment maturing after 364 days was taken during 2017/18.

<u>New Long-Term Borrowing taken between 01/04/17 and 31/03/18</u>

65 The Code requires that all long term borrowing is taken out with due consideration to affordability, prudence and sustainability. This is incorporated in the TMSS.

66 No new long-term borrowing was taken during 2017/18.