THE HIGHLAND COUNCIL

Date:	8 March 2018
Report Title:	Treasury Management Strategy Statement and Investment Statement – 2018/19
Report By:	Director of Corporate Resources

1. Purpose/Executive Summary

1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in Local Authorities. A requirement of the Code is for an annual Treasury Management Strategy Statement and Investment Statement (TMSS & IS) to be approved by Council for the forthcoming financial year.

2. Recommendations

2.1 Members are invited to approve the TMSS & IS for 2018/19 and the Prudential Indicators as detailed in **Appendix 1** of the report.

3. Introduction

3.1 <u>Background</u>

Treasury management is defined by the Code as:

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

3.2 <u>Statutory Requirements</u>

The Local Government in Scotland Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included in Section 12 of this report); this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

3.3 CIPFA Requirements

The CIPFA Code of Practice on Treasury Management (revised November 2009) was adopted by this Council on 4 March 2010. The Code was further updated in December 2017.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a **Treasury Management Policy Statement** which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of **Treasury Management Practices** which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full council of an annual **Treasury Management Strategy Statement and Annual Investment Strategy** (this report) for the year ahead. Receipt by delegated Committee of a **Mid-year Review Report** and an **Annual Report** covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. This Council's delegated Committee is the Corporate Resources Committee.

3.4 Treasury Management Strategy for 2018/19

The proposed strategy for 2018/19 in respect of the following aspects of the treasury management function is based upon the Council officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury adviser, Link.

The strategy covers 2 main areas:

1. Capital issues - the capital plans and the prudential indicators.
2. Treasury management issues
    - the current treasury position;
    - treasury limits and indicators for 2018/19 to 2020/21 (which will limit the treasury risk and activities of the Council);
    - prospects for interest rates;
    - the borrowing requirement, based upon the Council's current capital programmes;
    - the borrowing strategy (including policy on borrowing in advance of need);
    - debt rescheduling;
    - annual investment strategy;
    - credit worthiness policy; and
    - policy on use of external service providers.

3.5 Balanced Budget Requirement

It is a statutory requirement under Section 93 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, a local authority must calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions.

Therefore, increases in capital expenditure must be limited to a level whereby the corresponding increases in revenue charges are affordable and within the projected future income of the Council. Increases in revenue charges would include the following:

- increases in interest charges caused by increased borrowing to finance additional capital expenditure; and
- any increases in running costs from new capital projects.

3.6 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny (the Corporate Resources Committee). There were training sessions on loan charges and treasury management provided to Members in January and February 2018.

The training needs of treasury management officers are periodically reviewed, with training provided throughout the year using a number of mediums; in-house training, meetings with and training provided by Treasury advisers, external training courses and attendance at treasury forum meetings with other Councils.

3.7 Treasury management advisors

The Council uses Link as its external treasury management advisors. Link Asset Services were appointed to this role effective from 1 July 2014 for a three year period with an option to extend for one year. The contract will expire on 30 June 2018.

The Council recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed, are properly agreed and documented, and subject to regular review.

The Council also recognises their responsibility for treasury management decisions and will ensure that undue reliance is not placed upon our external service providers.

4. Treasury Limits for 2018/19 to 2020/21

4.1 It is a statutory duty under part 7 of the Local Government in Scotland Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to allocate to capital expenditure.

4.2 The Council must have regard to the Prudential Code when setting the Affordable Capital Expenditure Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council house rent levels is ‘acceptable’.

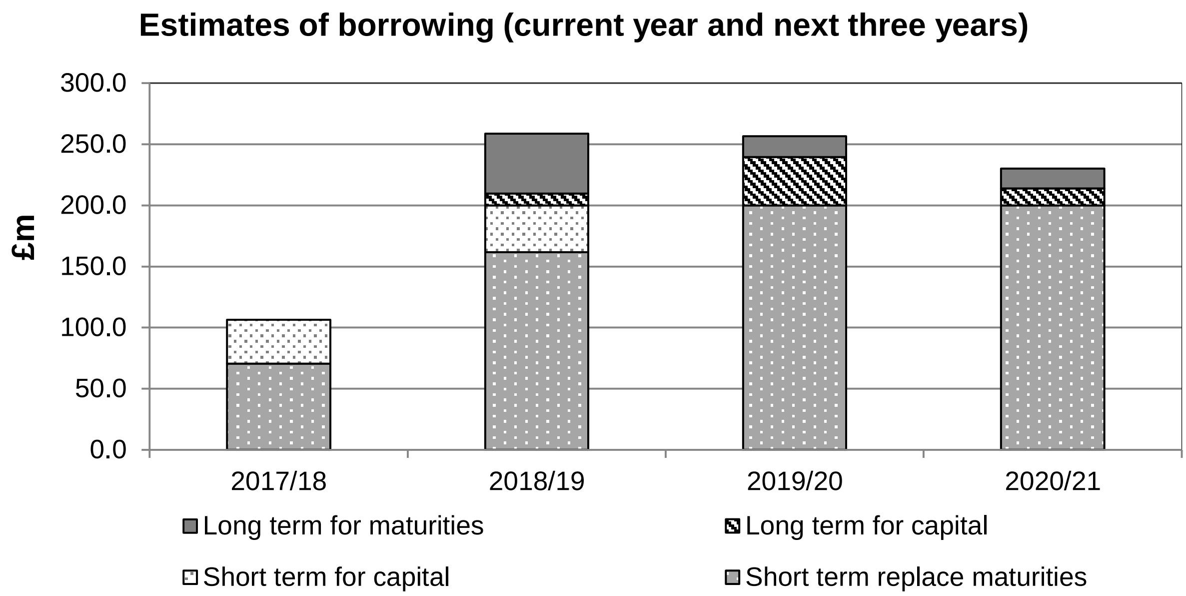
4.3 Whilst termed an “Affordable Capital Expenditure Limit”, the capital plans to be considered for inclusion may incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The affordable capital expenditure limit is to be set, on a rolling basis, for the forthcoming and two successive financial years.

4.4 In agreeing the revenue budget for 2018/19 the Council decided that the annual general fund budget for loans charges should not exceed £56.7m, the current budget level. On the 7 March the Council is due to consider a capital programme that is assessed as being at that affordability limit.

4.5 The Council's Housing Revenue account (HRA) capital programme was agreed in August 2015. The implications on HRA rent levels of the agreed programme were considered as part of the programme setting process.

5. Borrowing Requirement

5.1 The following table sets out the borrowing requirement, showing current year, as well as estimates for future years. The borrowing requirement takes account of borrowing to support the agreed capital programmes, less the projected instalments as capital repayments are charged to revenue accounts through loan charges. This figure is then adjusted to take account of any further borrowing required to go towards the capital financing requirement, or to replace existing loans maturing in these years.



6. Statutory repayment of loans fund advances

6.1 The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 came into force on 1 April 2016. The main change introduced by the Regulations is to provide options for the prudent repayment of debt and requires the Council to set out its policy for the statutory repayment of loans fund advances prior to the start of the financial year. The repayment of loans fund advances ensures that the Council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years.

6.2 A variety of options are provided to Councils so long as a prudent provision is made each year.

The Council is recommended to approve the following policy on the repayment of loans fund advances:-

- For loans fund advances made before 1 April 2016, the policy will be to maintain the practice of previous years and apply the Statutory Method, using a fixed annuity rate.
- For loans fund advances made between 1 April 2016 and 31 March 2021, the policy for the repayment of loans advances will also be the Statutory method, with the majority of loans fund advances being repaid by the annuity method. The annuity rate applied to the loans fund repayments will continue to be based on the loans fund rate for the previous year which is calculated using interest paid as a proportion of the outstanding loans fund advances.
- In certain circumstances the Council will consider using the income method, a new method available under the 2016 regulations. Under this method loans fund advances can be repaid linked to the phasing of income that is anticipated from a particular project. This method will be considered, where appropriate, for commercial, income generating projects.

6.3 As required by the Local Government Finance Circular 7/2016, the commitment to repay loans fund advances for the General Fund and HRA are contained in **Appendices 11 and 12.**

7. Prudential and Treasury Indicators

7.1 The prudential and treasury Indicators which are relevant for setting an integrated treasury management strategy are in **Appendix 1**. These Indicators are based on the proposed capital programmes.

8. Economic Context and Prospects for Interest Rates

8.1 Link Asset Services provide regular economic forecasts to inform the Council on interest rates and longer fixed interest rates projections. The following table is the current Link Asset Services forecast for interest rates as at February 2018.

Link Asset Services Interest Rate View	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.50%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.50%
3 Month LIBID	0.40%	0.70%	0.70%	0.90%	0.90%	0.90%	0.90%	1.20%	1.20%	1.20%	1.40%	1.40%	1.40%
6 Month LIBID	0.50%	0.80%	0.80%	1.00%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%	1.50%	1.50%	1.50%
12 Month LIBID	0.80%	1.10%	1.10%	1.20%	1.20%	1.20%	1.30%	1.40%	1.40%	1.50%	1.70%	1.70%	1.70%
5yr PWLB Rate	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%
10yr PWLB Rate	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

8.2 The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- Investment returns are likely to remain low during 2018/19 but to be on a gently rising trend over the next few years.

- Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Apart from that, there has been little movement in the general trend in rates during the current financial year.

- There will remain a cost of carry on any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

9. Context

Since the consideration of the last TMSS & IS in early 2017, there are some matters relating to the Council's strategies and external environment that are highlighted below for context.

- Review of capital programme

  The capital programme is under review and due for consideration at the Council meeting on 7 March. It is expected that any consequential impact can be accommodated within these treasury limits and if not any necessary changes to limits will be brought to Committee for approval.

- Investment counter-parties MiFID II

  The Markets in Financial Instruments Directive (MiFID) is the EU legislation that regulates firms who provide services to clients linked to 'financial instruments' (shares, bonds, units in collective investment schemes and derivatives), and the venues where those instruments are traded. The new MiFID II became effective on 3 January 2018.

  Under the new regime, Local Authorities will automatically be deemed "Retail" clients by default. They will have the option to "opt-up" to "Professional" client status, or remain as "Retail". In order to opt-up, clients will need to meet qualitative and quantitative test criteria. The Council has successfully "opted-up" as a "Professional client with relevant counterparties.

- Capital Strategy

  In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2019-20, all local authorities will be required to prepare an additional report, a Capital Strategy report, which is intended to provide the following: -

  - a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
  - an overview of how the associated risk is managed
  - the implications for future financial sustainability

  The aim of this report is to ensure that all elected members on the full council fully understand the overall strategy, governance procedures and risk appetite entailed by this Strategy.

  The Capital Strategy will include capital expenditure, investments and liabilities and treasury management in sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.

Committee will be updated if any of the above will impact the Council's investment and borrowing strategies.

10. Borrowing Strategy

10.1 Over the past few years the Council has benefitted from lower borrowing costs due to low interest rates, in particular using short term temporary borrowing and internal borrowing (use of existing cash). During financial year 2017/18, in order to achieve savings the Council made the best use of the low rates available on temporary borrowing.

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and helps mitigate counterparty risk.

10.2 During 2018/19 the Council plans to continue to use short term borrowing to fund the capital programme but will need to consider long term borrowing to replace maturities, in order to manage refinancing risk.

Based on an assessment of refinancing risks and the level of Council resource available to refinance debt, a limit of £200m will be set on short term borrowing. In Appendix 1, based on forecast capital plans this would require £50m to be funded by long term borrowing in 2018/19 (to cover maturing debt).

However, considering the risks within the economic forecast, caution will be adopted with the 2018/19 treasury operations. The Director of Corporate Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. Any decisions will be reported to the appropriate committee at the next available opportunity.

The Council will ensure its strategy remains flexible, and will give consideration to new borrowing from the following sources based on prevailing market conditions:

1. Short dated borrowing from non PWLB sources through the Sterling Money Market.
2. Appropriately dated PWLB borrowing.
3. Long term fixed/variable rate market loans from the Sterling Money Market at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.
4. Consideration of any government supported or promoted lending initiatives, which may offer attractive sources of finance e.g. low cost borrowing for specific energy efficiency projects.

10.3 <u>Sensitivity of the forecast</u> – In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios noted below. The Council officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of sentiment:

- *if it were felt that there was a significant risk of a sharp FALL in long and short term rates,* e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then medium/ long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
- *if it were felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast,* perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

10.4 External v. Internal Borrowing

As reflected in the table below, the Council's objective is to maintain a level of temporary investments which will ensure a level of liquid cash available to the Council. The level shown takes account of the level of Council reserves and balances, and potential for these to be utilised through planned use or unforeseen events. Through this approach, the Council seeks to mitigate re-financing risk, particularly were the Council's reserves to be eroded due to unforeseen events.

Comparison of gross and net debt positions at year end

	2016/17 Actual	**2017/18 Estimate**	**2018/19 Estimate**	**2019/20 Estimate**	**2020/21 Estimate**
External Debt (gross)	£883.0m	£908.5m	£955.3m	£994.9m	£1,008.9m
Temporary Investments	£63.6m	£80.0m	£50.0m	£50.0m	£50.0m
External Debt (net)	**£819.4m**	**£828.5m**	**£905.3m**	**£944.9m**	**£958.9m**

The Table above excludes long-term liabilities e.g. PPP/NPD schemes

- Another factor in considering the level of investments held is the difference between borrowing rates and investment rates to ensure the Council obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments and mitigating of re-financing risk.
- The expectation is for continuing low bank rates for deposits in 2018/19, with a gradual increase from December 2018. Therefore the Council will keep its range of available counter-parties under regular review, to maximise value for money considerations. However, as clearly stated within this strategy, the priorities for the Council's investments are security and liquidity first, and only then looking at investment yield.

The Treasury Team will monitor the interest rate market, take advice from appointed professional advisors, and adopt a pragmatic approach to changing circumstances, reporting any decisions to the Corporate Resources Committee at the next available opportunity.

10.5 Policy on borrowing in advance of need

The Council will not borrow more than, or in advance of, its needs purely in order to profit from the investment of the extra sums borrowed. In accordance with the revised Code, any decision to borrow in advance will be within the approved Capital Financing

Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated, and that the Council can ensure the security of such funds.

In determining whether borrowing will be undertaken in advance of need the Council will:

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need.
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered.
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow.
- consider the merits and demerits of alternative forms of funding.
- consider the prevailing and projected interest rates based on best available information.
- Consider appropriate maturity profiles of new borrowing.
- consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them.

The maximum extent to which borrowing in advance would be undertaken will be based upon the existing and projected capital financial requirement, and existing level of debt.

11. Debt Rescheduling

11.1 At this time, and due to the early repayment penalties imposed by PWLB, the opportunities for debt rescheduling are not cost effective. However, this position will be kept under regular review.

11.2 The reasons for any rescheduling to take place will include:

- the generation of cash savings and/or discounted cash flow savings,
- helping to fulfil the strategy outlined in section 10 above, and
- to enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

11.3 Consideration will also be given to the potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt. All rescheduling will be reported to the Corporate Resources Committee, at the earliest meeting following its action.

12. Annual Investment Strategy

12.1 <u>Investment Policy</u>

The Council's investment policy has regard to the Scottish Government's Investments Investment (Scotland) Regulations, (and accompanying Finance Circular), and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017, ("the CIPFA TM Code"). **The Council's investment priorities will be**

1. **Security**
2. **Liquidity**
3. **Return**

The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low in order to give priority to security of its investments.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

The Council's policies in relation to Investment instruments and counter-parties identified for use are listed in **Appendices 4, 5, 6, 7 and 8** and explanatory notes on investment types and risks are detailed in **Appendix 9**.

12.2 <u>Creditworthiness policy</u>

The Council recognises the vital importance of credit-worthiness checks on the counterparties it uses for investments.

This Council uses the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with further credit overlays to provide a colour coded system based on recommended durational band for use of the counter-party.

This Council does not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties. The Link Asset Services creditworthiness service uses a wider array of information than just primary ratings, from all three agencies and using a risk weighted scoring system, does not give undue consideration to just one agency's ratings.

The Link Asset Services creditworthiness service is used on an advisory basis, with the decision on creditworthiness ultimately resting with the Treasury Team.

12.3 <u>Foreign Exposures/Country limits</u>

In relation to Money Market Funds, only AAA rated Sterling denominated funds will be used.

At present the Council uses mainly UK based institutions for investment.

Examples of the institutions that the Council will invest in include UK banks and building societies, UK Local Authorities, non UK banks and building societies of high credit worthiness, HM Treasury Debt Management Office.

The Council continues to use non-UK counterparties of high credit worthiness. The Link Asset Services rating model is used in the same way as for UK institutions. In addition to UK counterparties, only institutions registered in countries with an AAA or AA+ credit rating will be considered. The list of countries where the Council will consider investing is at **Appendix 7**.

Appendices 4, 5, 6, 7 and 8 set out further details on the Council's permitted investments and approach to use of counterparties.

12.4 <u>Investment Strategy</u>

In-house funds are mainly cash-flow derived and investments will be made in accordance with cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

12.5 <u>Investment return expectations</u>

As detailed in section 8, the Link Asset Service's view of interest rates, Bank Rate is forecast to steadily rise from December 2018.

There are upside risks to these forecasts (i.e. increases in Bank Rate occurs sooner) if economic growth remains strong and unemployment falls faster than expected. However, should the pace of growth fall back, there could be downside risk.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next four years are identical to the bank rate forecasts.

The Council will avoid locking into longer term deals unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and within the risk parameters set by this Council.

12.6 End of Year Investment Report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report. Forecasts of investment balances for the next three years are provided in **Appendix 1**.

12.7 Policy on the Use of External Service Providers

The Council's tendered Treasury Management advisor contract is subject to regular review. The Council currently uses Link Asset Services as its external treasury management advisers. The Council recognises that responsibility for treasury management decisions remains with the Authority at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources.

12.8 Treasury Management Responsibilities

The Treasury Management Scheme of Delegation and Role of the Section 95 Officer are at **Appendix 10.**

13. Implications

13.1 The resource and risk implications are covered in the attached tables. There are no specific legal, equality or climate change/Carbon Clever implications relating to this report.

Designation: Director of Corporate Resources

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Date: 28 February 2018

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Appendices

1. Prudential and Treasury Indicators
2. Economic Background
3. Treasury Management Policy
4. Permitted Investments – Common Good, Charitable, Educational and Other Trust Funds
5. Permitted Investments – Non Treasury Investments
6. Permitted Investments – Treasury Management
7. Approved countries for investment
8. Current counter party list as at 31/12/2017
9. Treasury Management Practice 1 (TMP1) Credit and Counterparty Risk Management
10. Treasury Management Scheme of Delegation and Role of the Section 95 Officer
11. Commitment to repay loan fund advances (General Fund)
12. Commitment to repay loan fund advances (HRA)

Appendix 1

Prudential and Treasury Indicators

The borrowing set out within the Prudential Indicators is based upon the General Fund capital programme agreed by the Council in December 2015 and the proposed programme in March 2018. In relation to the HRA, borrowing is required to fund the programme agreed in August 2015 The Estimates of Capital Expenditure below in indicator 3 and 4 include expenditure in relation to the National Housing Trust which is self-financing.

A. Indicators for Affordability, Prudence and Capital Expenditure

Indicator 1 - Capital Expenditure

Gross Capital Expenditure in absolute terms rather than as a ratio, these show the overall levels of estimated capital investment irrespective of how they are being funded.

	2016/17 Actual	**2017/18 Original Estimate**	**2017/18 Revised Estimate**	**2018/19 Estimate**	**2019/20 Estimate**	**2020/21 Estimate**
General Fund	£105.4m	£106.0m	£93.2m	£112.2m	£137.6m	£96.1m
Housing Revenue Account	£32.1m	£30.7m	£39.1m	£35.3m	£37.2m	£37.9m
Total	**£137.5m**	**£136.7m**	**£132.3m**	**£147.5m**	**£174.8m**	**£134.0m**
Income						
General Fund	(£36.3m)	(£40.7m)	(£38.7m)	(£46.5m)	(£78.9m)	(£62.8m)
Housing Revenue Account	(£22.2m)	(£6.8m)	(£20.4m)	(£16.2m)	(£14.7m)	(£14.7m)
Total	**(£58.5m)**	**(£47.5m)**	**(£59.1m)**	**(£62.7m)**	**(£93.6m)**	**(£77.5m)**

Net Capital Expenditure is the borrowing or funding requirement for new capital investment in each year.

General Fund	£69.1m	£65.3m	£54.8m	£65.7m	£58.7m	£33.3m
Housing Revenue Account	£9.9m	£23.9m	£18.7m	£19.1m	£22.5m	£23.2m
Total	**£79.0m**	**£89.2m**	**£73.5m**	**£84.8m**	**£81.2m**	**£56.5m**

Loan charge instalments

General Fund	(£28.6m)	(£31.3m)	(£28.2m)	(£29.6m)	(£30.7m)	(£31.3m)
Housing Revenue Account	(£8.6m)	(£8.4m)	(£7.8m)	(£7.5m)	(£9.8m)	(£10.1m)
Total	**(£37.2m)**	**(£39.7m)**	**(£36.0m)**	**(£37.1m)**	**(£40.5m)**	**(£41.4m)**

Additional net borrowing in year

General Fund	£40.5m	£34.0m	£26.6m	£36.1m	£28.0m	£2.0m
Housing Revenue Account	£1.3m	£15.5m	£10.9m	£11.6m	£12.7m	£13.1m
Total	**£41.8m**	**£49.5m**	**£37.5m**	**£47.7m**	**£40.7m**	**£15.1m**

Indicator 2 – Capital Financing Requirement (CFR)

These indicators represent the level of the Council's underlying need to borrow or finance by other long-term liabilities for a capital purpose. This includes past and future borrowing or funding.

	2016/17 Actual	**2017/18 Original Estimate**	**2017/18 Revised Estimate**	**2018/19 Estimate**	**2019/20 Estimate**	**2020/21 Estimate**
General Fund excluding PPP/NPD	£672.4m	£689.5m	£679.6m	£715.8m	£743.7m	£745.6m
PPP/NPD	£165.6m	£161.5m	£161.5m	£157.2m	£152.1m	£146.6m
Total	**£838.0m**	**£851.0m**	**£841.1m**	**£873.0m**	**£895.8m**	**£892.2m**
Housing Revenue Account	£224.1m	£259.5m	£245.3m	£256.9m	£269.6m	£282.7m
Total	**£1,062.1m**	**£1,110.5m**	**£1,086.4m**	**£1,129.9m**	**£1,165.4m**	**£1,174.9m**
Joint Boards	£21.1m	£20.0m	£20.0m	£19.0m	£18.0m	£17.0m
Total CFR (incl Police/Fire) (1)	**£1,083.2m**	**£1,130.5m**	**£1,106.4m**	**£1,148.9m**	**£1,183.4m**	**£1,191.9m**

Treasury Position This indicator shows the expected borrowing position, net of investments.

Gross Borrowing – long term	£768.0m	£768.0m	£745.5m	£755.3m	£794.9m	£808.9m
Gross Borrowing – short term	£115.0m	£148.6m	£163.0m	£200.0m	£200.0m	£200.0m
Total External Borrowing	**£883.0m**	**£916.6m**	**£908.5m**	**£955.3m**	**£994.9m**	**£1,008.9m**
Other Long Term Liabilities	£165.6m	£161.5m	£161.5m	£157.2m	£152.1m	£146.6m
Total Gross Debt (2)	**£1,048.6m**	**£1,078.1m**	**£1,070.0m**	**£1,112.5m**	**£1,147.0m**	**£1,155.5m**
Investments	£63.6m	£50.0m	£80.0m	£50.0m	£50.0m	£50.0m
Net Borrowing	**£985.0m**	**£1,028.1m**	**£990.0m**	**£1,062.5m**	**£1,097.0m**	**£1,105.5m**

Difference between CFR (1) and Total Gross Debt (2)

This indicator shows the difference between the Capital Financing Requirement, and the Estimated Gross Debt. The difference represents an ‘under-borrowed’ position, with capital financed from internal cash flows.

	2016/17 Actual	2017/18 Original Estimate	2017/18 Revised Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Difference between CFR (1) and Total Gross Debt (2)	£34.6m	£52.4m	£36.4m	£36.4m	£36.4m	£36.4m

Indicator 3 – Authorised Limit for Borrowing

The Authorised Limit is the maximum level of external borrowing which should not be exceeded. The limit is linked to the estimated level of capital financing requirement, with some capacity for variations from that sum e.g. if capital expenditures are exceeded.

Authorised Limit	2016/17 Actual	2017/18 Original Estimate	2017/18 Revised Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Borrowing	£963.6m	£1,055.7m	£1,055.7m	£1,003.7m	£1,041.4m	£1,049.1m
Other Long Term Liabilities	£165.6m	£161.5m	£161.5m	£157.2m	£152.1m	£146.6m

Indicator 4 - Operational Boundary for Borrowing

An Operational Boundary is also required which represents the Director of Finance's estimate of the day to day limit for the Treasury Management activity based on the most likely i.e. prudent but not worst case scenario.

Operational Boundary	2016/17 Actual	2017/18 Original Estimate	2017/18 Revised Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Borrowing	£947.6m	£937.4m	£937.4m	£967.3m	£1,005.0m	£1,012.7m
Other Long Term Liabilities	£165.6m	£161.5m	£161.5m	£157.2m	£152.1m	£146.6m

Indicator 5 – Ratio of financing costs to net revenue stream

These indicators show the capital financing costs (interest charges, the provision for the repayment of debt and the financing of PPP/NPD outstanding capital investment liability) as a percentage of government grant (revenue), Council Tax, Rents and other income. This allows the authority to track how much of its annual income is needed to pay for its capital investment plans and outstanding funding liabilities compared to its day to day running costs.

	2016/17 Actual	2017/18 Original Estimate	2017/18 Revised Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
General Fund including PPP/NPD	12.9%	13.0%	13.5%	13.5%	13.5%	13.5%
Housing Revenue Account	37.5%	36.6%	36.3%	33.7%	37.6%	38.2%

Indicator 6- Interest rate exposures of debt net of investments

Interest rate exposures of debt net of investments are required to be set in compliance with the Code. This limits the Council's exposure to both fixed and variable interest rate movements as part of the overall risk management strategy for Treasury Management activities. It promotes a prudent strategy aimed to avoid the adverse effects of fluctuating interest rates. The limits are based on the Capital Financing Requirement (CFR) with variable exposures limited to 35% of the CFR.

Interest rate exposures of debt net of investments	2016/17 Actual	2017/18 Original Estimate	2017/18 Revised Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Upper Limit (Fixed)	£739.7m (indicator £884.7m)	£969.0m	£942.1m	£990.2m	£1031.8m	£1,047.8m
Upper Limit (Variable)	£88.9m (indicator £309.6m)	£339.1m	£329.7m	£346.6m	£361.1m	£366.7m

Maturity structure of fixed rate borrowing during 2018/19

This indicator identifies the amount of debt maturing in specified periods. The overarching principle is that steps should be taken from a risk management point of view to limit exposure to significant refinancing risk in any short period of time. The Council currently applies the prudent practice of ensuring that no more than 30% of its total gross fixed rate debt matures in any one financial year unless triggered through specific debt restructuring exercises.

	upper limit	lower limit
under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	50%	0%
10 years and above	100%	25%

Maximum principal invested for period longer than 365 days

The maximum total principal sum which may be invested with a maturity for a period longer than 365 days and within the permitted investment limits is £20m.

Appendix 2

Economic Background Provided by Link Asset Services (as at 15/01/18)

Global Outlook

World growth looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October, the IMF upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.

In addition, **inflation prospects are generally muted** and it is particularly notable that **wage inflation** has been subdued despite unemployment falling to historically very low levels in the UK and US. This has led to many comments by economists that there appears to have been a fundamental shift downwards in the Phillips curve (this plots the correlation between levels of unemployment and inflation e.g. if the former is low the latter tends to be high). In turn, this raises the question of what has caused this. The likely answers probably lay in a combination of a shift towards flexible working, self-employment, falling union membership and a consequent reduction in union power and influence in the economy, and increasing globalisation and specialisation of individual countries, which has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. In addition, technology is probably also exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to many repetitive tasks being taken over by machines or computers. Indeed, this is now being labelled as being the start of the **fourth industrial revolution.**

Key Risks - central bank monetary policy measures

Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as Quantitative Easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation is coming towards its close and a new period has already started in the US, and more recently in the UK, on reversing those measures i.e. by raising central rates and (for the US) reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of an on-going reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this then also encouraged investors into a search for yield and into investing in riskier assets such as equities. This resulted in bond markets and equity market prices both rising to historically high valuation levels simultaneously. This, therefore, makes both asset categories vulnerable to a sharp correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery by taking too rapid and too strong action, or, alternatively, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.**

There is also a potential key question over whether economic growth has become too dependent on strong central bank stimulus and whether it will maintain its momentum against a backdrop of rising interest rates and the reversal of QE. In the UK, a key vulnerability is the **low level of productivity growth**, which may be the main driver for increases in wages; and **decreasing consumer disposable income,** which is important in the context of consumer expenditure primarily underpinning UK GDP growth.

A further question that has come to the fore is whether **an inflation target for central banks of 2%**, is now realistic given the shift down in inflation pressures from internally generated inflation, (i.e. wage inflation feeding through into the national economy), given the above mentioned shift down in the Phillips curve.

- Some economists favour a shift to a **lower inflation target of 1%** to emphasise the need to keep the lid on inflation. Alternatively, it is possible that a central bank could simply 'look through' tepid wage inflation, (i.e. ignore the overall 2% inflation target), in order to take action in raising rates sooner than might otherwise be expected.
- However, other economists would argue for a **shift *UP* in the inflation target to 3%** in order to ensure that central banks place the emphasis on maintaining economic growth through adopting a slower pace of withdrawal of stimulus.
- In addition, there is a strong argument that central banks should **target financial market stability**. As mentioned previously, bond markets and equity markets could be vulnerable to a sharp correction. There has been much commentary, that since 2008, QE has caused massive distortions, imbalances and bubbles in asset prices, both financial and non-financial. Consequently, there are widespread concerns at the potential for such bubbles to be burst by exuberant central bank action. On the other hand, too slow or weak action would allow these imbalances and distortions to continue or to even inflate them further.
- Consumer debt levels are also at historically high levels due to the prolonged period of low cost of borrowing since the financial crash. In turn, this cheap borrowing has meant that **other non-financial asset prices**, particularly house prices, have been driven up to very high levels, especially compared to income levels. Any sharp downturn in the availability of credit, or increase in the cost of credit, could potentially destabilise the housing market and generate a sharp downturn in house prices. This could then have a destabilising effect on consumer confidence, consumer expenditure and GDP growth. However, no central bank would accept that it ought to have responsibility for specifically targeting house prices.

UK

After the UK surprised on the upside with strong economic growth in 2016, **growth in 2017 has been disappointingly weak**; quarter 1 came in at only +0.3% (+1.8% y/y), quarter 2 was +0.3% (+1.5% y/y) and quarter 3 was +0.4% (+1.5% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 80% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the **manufacturing sector** which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year while robust world growth has also been supportive. However, this sector only accounts for around 10% of GDP so expansion in this sector will have a much more muted effect on the overall GDP growth figure for the UK economy as a whole.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the **Monetary Policy Committee, (MPC), meeting of 14 September 2017** managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting. (Inflation actually came in at 3.1% in November so that may prove now to be the peak.) This marginal revision in the Bank's forecast can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment having already fallen to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that **the amount of spare capacity in the economy was significantly diminishing** towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of automation and globalisation. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a *decrease* in such globalisation pressures in the UK, and so this would cause additional inflationary pressure over the next few years.

At Its 2 November meeting, the MPC duly delivered a 0.25% increase in Bank Rate. It also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is, therefore, not quite the ‘one and done’ scenario but is, nevertheless, a very relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.

However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the coming fall in inflation, (as the effect of the effective devaluation of sterling after the EU referendum drops out of the CPI statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If this scenario was indeed to materialise, then the MPC would be likely to accelerate its pace of increases in Bank Rate during 2018 and onwards.

It is also worth noting the **contradiction within the Bank of England** between action in 2016 and in 2017 **by two of its committees**. After the shock result of the EU referendum, the **Monetary Policy Committee (MPC)** voted in August 2016 for emergency action to cut Bank Rate from 0.50% to 0.25%, restarting £70bn of QE purchases, and also providing UK banks with £100bn of cheap financing. The aim of this was to lower borrowing costs, stimulate demand for borrowing and thereby increase expenditure and demand in the economy. The MPC felt this was necessary in order to ward off their expectation that there would be a sharp slowdown in economic growth. Instead, the economy grew robustly, although the Governor of the Bank of England strongly maintained that this was *because* the MPC took that action. However, other commentators regard this emergency action by the MPC as being proven by events to be a mistake. Then in 2017, we had the **Financial Policy Committee (FPC)** of the Bank of England taking action in June and September over its concerns that cheap borrowing rates and easy availability of consumer credit, had resulted in too rapid a rate of growth in consumer borrowing and in the size of total borrowing, especially of unsecured borrowing. It, therefore, took punitive action to clamp down on the ability of the main banks to extend such credit! Indeed, a PWC report in October 2017 warned that credit card, car and personal loans and student debt will hit the equivalent of an average of £12,500 per household by 2020. However, averages belie wide variations in levels of debt with much higher exposure being biased towards younger people, especially the 25 -34 year old band, reflecting their lower levels of real income and asset ownership.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that **some consumers may have over extended their borrowing** and have become complacent about interest rates going up after Bank Rate had been unchanged at 0.50% since March 2009 until falling further to 0.25% in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and gradual increases in Bank Rate in the coming years. However, consumer borrowing is a particularly vulnerable area in terms of the Monetary Policy Committee getting the pace and strength of Bank Rate increases right - without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually pan out.

EZ
Economic growth in the eurozone (EZ), (the UK’s biggest trading partner), had been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.6% in quarter 1 (2.1% y/y), 0.7% in quarter 2 (2.4% y/y) and +0.6% in quarter 3 (2.6% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in November inflation was 1.5%. It is therefore unlikely to start on an

upswing in rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

USA

Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.3%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with four increases in all and four increases since December 2016; the latest rise was in December 2017 and lifted the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the Fed said it would start in October to gradually unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

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

GDP growth has been gradually improving during 2017 to reach an annual figure of 2.1% in quarter 3. However, it is still struggling 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.

Brexit timetable and process

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: initial two-year negotiation period on the terms of exit. In her Florence speech in September 2017, the Prime Minister proposed a two year transitional period after March 2019.
- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy will leave the single market and tariff free trade at different times during the two year transitional period.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU’s budget, voting allocations and policies.

Treasury management policy **Appendix 3**

1.1 Treasury management is defined as:

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

1.2 The Council regards the successful identification, monitoring and control of risk to be key to the effectiveness of its treasury management activities. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks.

1.3 The Council acknowledges that effective treasury management will support the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

Investment policy

2.1 The Council's investment policy has regard to the Local Government Investment (Scotland) Regulations (and accompanying finance circular) and the 2017 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). **The Council's investment priorities will be security first, liquidity second, and then return.**

2.2 The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low in order to give priority to security of its investments. The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

2.3 The Council's Treasury Management Consultants provide a creditworthiness matrix to aid the assessment of the risk involved in lending to individual counterparties.

2.4 The Council's detailed policies in relation to Investment instruments and counter-parties identified for use in the financial year are listed in **Appendices 5, 6, 7, 8 and 9** and explanatory notes on investment types and risks are detailed in **Appendix 10**.

Borrowing policy

3.1 The Council will ensure its strategy remains flexible, and will give consideration to new borrowing from the following sources based on prevailing market conditions:

- Short dated borrowing from non PWLB sources through the Sterling Money Market.
- Appropriately dated PWLB borrowing.
- Long term fixed rate market loans from the Sterling Money Market at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB and

market debt in the debt portfolio.

- Consideration of any government supported or promoted lending initiatives, which may offer attractive sources of finance e.g. low cost borrowing for specific energy efficiency projects.

Appendix 4

Permitted Investments – Common Good, Charitable, Educational and Other Trust Funds

The Council approves the following forms of investment instruments for use as permitted investments for these Funds as set out in the Table below (these include internally and externally managed funds):

Investments

<table>
<tr><th></th><th>Minimum Credit Criteria</th><th>Liquidity risk</th><th>Market risk</th><th>Max % of total investmt</th><th>Max. maturity period</th></tr>
<tr><td>Cash deposits – local authorities, banks, building societies and cash funds</td><td rowspan="5">Relevant parameters as per specific investment mandates and/or specific trust deeds</td><td>term</td><td>yes</td><td rowspan="5" colspan="2">Relevant parameters as per specific investment mandates and/or specific trust deeds</td></tr>
<tr><td>Equities – UK and Overseas</td><td>term</td><td>yes</td></tr>
<tr><td>Fixed Income, Index Linked Bonds, Unit Trusts</td><td>term</td><td>yes</td></tr>
<tr><td>War Stock</td><td>term</td><td>no</td></tr>
<tr><td>Alternative Investments - Property</td><td>term</td><td>yes</td></tr>
</table>

Permitted Investments – Non Treasury Investments **Appendix 5**

Definition of non-treasury investments

Regulation 9 of the Local Government Investment (Scotland) Regulations 2010 adds to the normal definition of investments the following categories: -

a) All shareholding, unit holding and bond holding, including those in a local authority owned company, is an investment;
b) Loans to a local authority company or other entity formed by a local authority to deliver services, is an investment;
c) Loans made to third parties are investments;
d) Investment property is an investment.

However, the following loans are excluded from the definition of investments: -

- Loans made by a local authority to another authority or harbour authority using powers contained in Schedule 3, paragraph 10 or 11 of the Local Government (Scotland) Act 1975.

Permitted Investments – Non-Treasury Investments

The Council approves the following forms of investment instruments for use as permitted investments for Non-Treasury Investments as set out in the Table below:

Investments

	Minimum Credit Criteria	**Liquidity risk**	**Market risk**	**Max % of total investments**	**Max. maturity period**
Loans to Companies, including Local Authority owned.	See Regulation Notes below	term	no	See Regulation requirements and current approvals below.	
Shares and Bonds in Companies, including Local Authority owned.		term	no		
Loans to Third Parties including investments in sub-ordinated debt (see note 1 and 2).		instant	no		
Local Authority Investment Properties.		term	no		
Other Investment Deposits (see note 3)		term	no		

Regulation 24. A local authority shall state the limits for the amounts which, at any time during the financial year, may be invested in each type of permitted investment, such limit being applied when the investment is made. The limits may be defined by reference to a sum of money or a percentage of the local authority's overall investments, or both. A local

authority may state that a permitted investment is unlimited. Where a limit is not placed on any type of permitted investment the risk assessment must support that categorisation and an explanation provided as to why an unlimited categorisation is recommended.

Regulation 25. The local authority should identify for each type of permitted investment the objectives of that type of investment. Further, the local authority should identify the treasury risks associated with each type of investment, together with the controls put into place to limit those risks. Treasury risks include credit or security risk of default, liquidity risk – the risks associated with committing funds to longer term investments and market risk – the effect of market prices on investment value.

Regulation 32. The Strategy shall include details of the maximum value and maximum periods for which funds may prudently be invested. The Strategy shall set out the local authority objectives for holding longer term investments. The Strategy shall also refer to the procedures for reviewing the holding of longer term investments particularly those investments held in properties, shareholdings in companies or joint ventures.

The policy above, and requirements of regulations 24, 25 and 32, will be considered, and reported to members, as part of any report pertaining to new investment proposals.

In Part 1, section 12 of the Regulations, Consent includes as an investment any loan issued to a third party. Such loans are neither capital nor revenue transactions, but are often made for Service reasons and for which specific statutory provision exists. For Service reasons these loans may be offered at an interest rate below the market rate. All loans to third parties are classified as investments for the purposes of the Consent. Where the loan is advanced at less than a market interest rate there is an associated loss of investment return which would otherwise have been earned on these monies. The Council's Annual Accounts will recognise and present all loans to third parties as investments.

This Council will refrain from issuing loans to third parties at less than market rate. If, in exceptional circumstances, the Council agrees to issue a loan/s to third parties at less than market rate the associated loss of investment return will be chargeable to the budget of the sponsoring Service. In circumstances where investment risk is a predominant factor the rate chargeable will reflect the equivalent market rate where this is greater than the Council's Loans Fund's most recent actual average interest rate. In all other cases the interest rate chargeable will be the Council's Loans Fund's most recent actual average interest rate.

Current Approvals

Note 1 – Subordinated Debt – the Highland Council, on 25 October 2012, agreed to permit an investment, at a maximum level of £1m for all current and future investments, for a maximum maturity period of 25 years, in 'Hub Co' projects.

Note 2 – Land banking Fund and Loan Advances to Registered Social Landlords (RSLs) – the Council has for many years operated a 'land bank fund'. The fund is used to provide loans and grants to partner organisations (including RSLs), enabling strategic sites to be secured or prepared for development of housing. The Land bank Fund is a revolving facility with loans repaid as land and property is resold or developed.

Note 3 – From May 2005 The Council has held £1.175m of unsecured loan stock in Inverness Airport Business Park Ltd (IABP). Under the Loan Stock Instrument IABP can exercise a right to defer the repayment due to be made to the Council in May 2010 and in May 2015. IABP have exercised this right on both repayment dates so the full amount of Loan Stock due to the council remains outstanding.

Permitted Investments – Treasury Investments **Appendix 6**

The Council's policy in relation to permitted investments is a three-stage process as summarised below.

1. Only use of permitted investments per the investment strategy is allowed. See Appendix 10 for definition of the different types of investment.
2. Credit-worthiness of counter-parties will be assessed having taken advice from the Council's treasury management advisers, Capita. Maximum maturity periods for individual counter-parties will be based upon advice from the Adviser, with limits on treasury investments > 365 days as per the prudential indicators, and shown below.
3. Counter-party limits, as set out within the investment strategy will be applied.

The following sections explain each aspect of the 3-stage process in further detail.

Stage 1 - Permitted Investments

The Council approves the following forms of investment instruments for use as permitted treasury management investments as set out in the Tables below. While there is a maximum permitted maturity period set out in the Tables, the actual maturity period will be based on an assessment of risk as part of the credit-worthiness assessment (see stage 2).

In relation to Money Market Funds, only AAA rated Sterling denominated funds will be used.

In relation to all other counter-parties, the Council will mainly use UK based institutions but where non-UK counterparties of high credit worthiness are available these may be used. In determining whether a counterparty is UK or non UK, entities are classified under where their primary regulator is based. The list of countries where the Council can invest are at **Appendix 7**. For example UK banks and building societies, UK Local Authorities, non UK banks and building societies of high credit worthiness, HMT Treasury Debt Management Office.

a. Deposits (UK institutions only)

	Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments (Stage 2 Below)	Max. maturity period
Debt Management Agency Deposit Facility	UK sovereign rating	term	no	**100**	**6 mths**
Term deposits – local authorities	N/A	term	no	**100**	**2 yrs**
Term deposits – banks and building societies	See Stage 2 below	term	yes	**100**	**2 yrs**
Call accounts – banks and building societies	See Stage 2 below	instant	yes	**100**	**1 yr**

b. Deposits with counterparties currently in receipt of government support/ownership (UK institutions only)

	Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments (Stage 2 Below)	Max. maturity period
UK nationalised banks	See Stage 2 Below	term	limited	**100**	**2 yrs**
Term deposits – banks and building societies	See Stage 2 below	term	limited	**100**	**2 yrs**
UK Government support to the banking sector (implicit guarantee)	See Stage 2 below	term	limited	**100**	**2 yrs**

c. Collective investment schemes structured as Open Ended Investment Companies (OEICs) Sterling Deposits Only

	Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Money Market Funds	Short Term F1+ Long-term AAA__ Volatility rating MR1+	instant	See Note 1	**100**	**1 yr**
Enhanced cash funds with a credit score of 1.25	AAA	trade plus 2 to 5 days	See Note 2	**100**	**1 yr**
Enhanced cash funds with a credit score of 1.5	AAA	trade plus 2 to 5 days	See Note 2	**100**	**1 yr**

Note 1 – Money Market Funds: These funds invest in short term instruments such as Government/Treasury issues, short-term corporate paper and Certificates of Deposits. By keeping a short time-frame, these funds attempt to reduce risk. The objective of these Funds is to maintain the net asset value but they hold assets which can vary in value. However, the credit rating agencies require the fluctuation in unit values held by investors to vary by almost zero – see Appendix 7 Paragraph 3 (a) for more details. Each Money Market Fund is treated as a single counter-party in relation to counter-party limits.

Note 2 – Enhanced Cash Funds: These funds are similar to MMFs, can still be AAA rated but have variable net asset values (VNAV) as opposed to a traditional MMF which has a Constant Net Asset Value (CNAV). They aim to achieve a higher yield and to do this either take more credit risk or invest out for longer periods of time, which means they are more volatile. These funds can have WAM's and Weighted Average Life (WAL's) of 90 – 365 days or even longer. Their primary objective is yield and capital preservation is second. They therefore are a higher risk than MMFs and correspondingly have the potential to earn higher returns than MMFs.

Note 3 - If forward deposits are to be made, the forward period plus the deal period will not exceed one year in aggregate.

Stage 2 – Credit worthiness policy and assessment

This Council uses the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments.

- All credit ratings are monitored from a weekly list which can be updated daily by Capita. The Council is alerted to changes to ratings of all three agencies as these occur through its use of the Link creditworthiness service.
- if a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, immediate consideration will be given to whether funds should be withdrawn from this counterparty and the timescale for doing this.
- in addition to the use of Credit Ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a daily basis via its Passport website. Extreme market movements may result in downgrade of an institution or removal from the Councils lending list.

Based on the Link Asset Service approach, the Council will therefore use counterparties within the following durational bands:

Yellow	5 years *
Dark pink	5 years for Enhanced cash funds (EMMFs) with a credit score of 1.25
Light pink	5 years for Enhanced cash funds (EMMFs) with a credit score of 1.5
Purple	2 years
Blue	1 year (only applies to nationalised or semi nationalised UK Banks)
Orange	1 year
Red	6 months
Green	100 days
No Colour	Not to be used

*Please note: the yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt.

Sole reliance will not be placed on the use of this external service. In addition the Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

In relation to Money Market Funds, the Council will use Capita's weekly investment monitor, and other regular updates, to ensure its MMF counter-parties meet the minimum credit criteria described in the table above.

As set out within the Prudential Indicators, a limit is set on the value of Treasury Investments which can be invested for more than 365 days. The limit is £20m, which represents the maximum sum invested for longer than 365 days. Though the period of investment must be decided using Link credit ratings and maximum limits in permitted investments.

Stage 3 – Counter-party Limits

The limits described below apply to the Council's treasury management operations. Separate limits apply for the Pension Fund, with Highland Council limits relating to all operations excluding the Pension Fund. If for unavoidable short term operational reasons, limits are breached this will be communicated to management immediately.

Due to market volatility in treasury management investments and varying levels of investment it is possible that at any time in the year one category of investment could represent 100% of the portfolio although it is likely that investments will carry greater diversification than this.

No more than £20m can be invested with any single counterparty, with the exception of the nationalised or semi nationalised UK banks (see section B above) where no more than £25m can be invested in each bank.

The Council will place overnight and call deposits with the Council's bankers irrespective of credit rating. The limit on placing call deposits with the Council's bankers is currently £10m for the Highland Council bank accounts.

The Highland Council Pension Fund will place overnight and call deposits with the Council's bankers irrespective of credit rating. The limit on placing call deposits with the Council's bankers is currently £10m. The Pension Fund may also use other suitable counterparties, with a £10m limit applying to each.

Appendix 7

Approved countries for investment (as at 15/01/18)

If a country rating is downgraded, this will be removed from our approved countries for investment.

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- Hong Kong
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- U.K.

AA-

- Belgium
- Qatar

Appendix 8

Current counter party list as at 09/02/2018

The following table is for use by the in house treasury management team and is a list of current counterparties used. However, the use of counterparties depends on credit ratings and the Council may stop using certain counterparty's and/or decide to use alternative counterparties within its permitted investments. If for unavoidable short term operational reasons, limits are breached this will be communicated to management immediately.

	At time of investment use Link rating Current rating 31/12/17	**Maximum Duration per TMSS**	**Investment limits**	
			Highland Council	**Highland Council Pension Fund (note 1)**
Government Backed Deposits				
Debt Management Agency Deposit Facility	Yellow (5 years)	6 months	Unlimited	Not used
Deposits with Counterparties currently in receipt of Government Support/Ownership				
RBS	Blue (1 year)	2 years	£25m	£10m
Bank of Scotland	Orange (1 year)	2 years	£20m	Not used
Term deposits (*restricted to £20m invested >365 days*)				
Term deposits – local authorities	Purple (2 years)	2 years	£20m	Not used
Term deposits – banks and building societies (UK only)	Varies	2 years	£20m	Not used
Commonwealth Bank of Australia	Orange (1 year)	2 years	£20m	Not used
Coventry Building Society	Red (6 months)	2 years	£20m	Not used
DZ Bank	Orange (1 year)	2 years	£20m	Not used

Goldman Sachs	Red (6 months)	2 years	£20m	Not used
Nationwide	Red (6 months)	2 years	£20m	Not used
Certificates of deposit				
Standard Chartered	Red (6 months)	1 Year	£20m	Not used
Royal Bank of Scotland	Blue (1 year)	2 years	£20m	Not used

Call accounts				
Clydesdale Bank (Council's Banker)	No colour	1 year	£10m	£10m
Barclays	Red (6 months)	1 year	£20m	Not used
Santander	Red (6 months)	1 year	£20m	Not used
Svenska Handelsbanken	Orange (1 year)	1 year	£20m	£10m
Money Market Funds				
Standard Life Asset Management	AAA	1 Year	£20m	Not used
Insight Asset Management	AAA	1 Year	£20m	Not used

Note 1 – the Pension Fund currently uses a limited number of counter-parties as shown above. In line with the limits detailed on **appendix 6**, additional counter-parties could be considered up to the limits stipulated.

Appendix 9 Treasury Management Practice 1 (TMP1) Credit and Counterparty Risk Management

Type of Permitted Investment	Treasury Risks	Mitigating Controls
a. Deposits with the Debt Management Account Facility (UK Government) (**Very low risk)**	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	Little mitigating controls required. As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.
b. Deposits with other local authorities or public bodies **(Very low risk)**	These are considered quasi UK Government debt and as such counterparty risk is very low, and there is no risk to value. Liquidity may present a problem as deposits can only be broken with the agreement of the counterparty, and penalties can apply. Deposits with other non-local authority bodies will be restricted to the overall credit rating criteria.	Little mitigating controls required for local authority deposits, as this is a quasi UK Government investment. Non-local authority deposits will follow the approved credit rating criteria.
c. Money Market Funds (MMFs) **(Very low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the MMFs are Constant Net Asset Value (CNAV), and the fund has a “AAA” rated status from either Fitch, Moody’s or Standard and Poor’s.
d. Ultra short dated bond funds **(low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the have a “AAA” rated status from either Fitch, Moody’s or Standard and Poor’s.
e. Enhanced cash funds (ECFs) **(low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the ECFs have an “AAA” rated status from either Fitch, Moody’s or Standard and Poor’s.
f. Call account deposit accounts with financial institutions (banks and building societies) **(Low risk depending on credit rating)**	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice.	The counterparty selection criteria approved above restricts lending only to high quality counterparties.

Type of Permitted Investment	Treasury Risks	Mitigating Controls
g. Term deposits with financial institutions (banks and building societies) **(Low to medium risk depending on period & credit rating)**	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.	The counterparty selection criteria approved above restricts lending only to high quality counterparties.
h. Government Gilts and Treasury Bills **(Very low risk)**	These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates (no loss if these are held to maturity.	Little counterparty mitigating controls are required, as this is a UK Government investment. The potential for capital loss will be reduced by limiting the maximum monetary and time exposures.
i. Certificates of deposits with financial institutions **(Low risk)**	These are short dated marketable securities issued by financial institutions and as such counterparty risk is low, but will exhibit higher risks than categories (a), (b) and (c) above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will normally be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties.
j. Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates etc.) **(Low to medium risk depending on period & credit rating)**	These tend to be medium to low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is very low and investments can only be broken with the agreement of the counterparty (penalties may apply).	The counterparty selection criteria approved above restricts lending only to high quality counterparties.
k. Corporate bonds **(Medium to high risk depending on period & credit rating)**	These are marketable securities issued by financial and corporate institutions. Counterparty risk will vary and there is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties.

Type of Investment	Treasury Risks	Mitigating Controls
l. Investment properties	These are non-service properties which are being held pending disposal or for a longer term rental income stream. These are highly illiquid assets with high risk to value (the potential for property prices to fall or for rental voids).	In larger investment portfolios some small allocation of property based investment may counterbalance/compliment the wider cash portfolio. Property holding will be re-valued regularly and reported annually with gross and net rental streams.
m. Loans to third parties, including soft loans	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.
n. Loans to a local authority company	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each loan to a local authority company requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.
o. Shareholdings in a local authority company	These are service investments which may exhibit market risk and are likely to be highly illiquid.	Each equity investment in a local authority company requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.
p. Non-local authority shareholdings	These are non-service investments which may exhibit market risk, be only considered for longer term investments and will be likely to be liquid.	Any non-service equity investment will require separate Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.

The Monitoring of Investment Counterparties - The status of counterparties will be monitored regularly. The Council receives credit rating and market information from Link Asset Services, including when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Director of Finance, and if required new counterparties which meet the criteria will be added to the list.

Use of External Fund Managers – It is the Council’s policy to use an external fund manager for the investment portfolio relating to the Common Good Funds and Benevolent Funds. The fund managers are contractually committed to keep to the Council’s investment strategy. The terms of the fund managers’ investment policies are set out in the Investment Management Agreement. The performance of each manager is reviewed at least quarterly at the Investment Sub Committee by the Director of Finance.

Appendix 10

Treasury Management Scheme of Delegation

(i) The Council

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy.

(ii) The Council's Resources Committee

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- receiving and reviewing regular monitoring reports and acting on recommendations; including scrutiny/review of annual strategy, annual report and mid-year report;

(iii) Director of Finance

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.
- approval of the division of responsibilities;
- approving the selection of external service providers and agreeing terms of appointment.

The Treasury Management Role of the Section 95 Officer

The S95 (responsible) Officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit recommending the appointment of external service providers.
- preparation of a capital strategy from 2019/20 to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe (say 20+ years – to be determined in accordance with local priorities.
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval,

monitoring and ongoing risk management of all non-financial investments and long term liabilities

- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed.

Appendix 11 Commitment to pay to repay loans fund advances (General Fund)

Financial year	HISTORIC DEBT Opening Balance £000	HISTORIC DEBT Instalment £000	NEW DEBT Opening Balance £000	NEW DEBT Instalment £000	New Borrowing £000
2017-18	653,002	28,229	0	0	54,867
2018-19	624,773	28,913	54,867	648	65,723
2019-20	595,860	28,825	119,942	1,902	58,673
2020-21	567,035	28,696	176,713	2,652	33,267
2021-22	538,339	28,095	207,328	2,966	19,007
2022-23	510,244	27,590	223,369	3,457	14,121
2023-24	482,654	27,033	234,033	3,846	2,493
2024-25	455,621	26,113	232,680	4,006	-501
2025-26	429,508	25,253	228,173	4,125	-850
2026-27	404,255	24,491	223,198	4,240	-856
2027-28	379,764	23,854	218,102	4,358	-874
2028-29	355,910	23,119	212,870	4,484	0
2029-30	332,791	21,861	208,386	4,638	0
2030-31	310,930	21,293	203,748	4,799	0
2031-32	289,637	20,460	198,949	4,968	0
2032-33	269,177	19,207	193,981	5,141	0
2033-34	249,970	18,368	188,840	5,323	0
2034-35	231,602	16,765	183,517	5,512	0
2035-36	214,837	14,338	178,005	5,708	0
2036-37	200,499	11,204	172,297	5,911	0
2037-38	189,295	9,287	166,386	5,952	0
2038-39	180,008	8,720	160,434	4,477	0
2039-40	171,288	8,285	155,957	3,883	0
2040-41	163,003	7,863	152,074	3,832	0
2041-42	155,140	7,404	148,242	3,963	0
2042-43	147,736	7,158	144,279	4,016	0
2043-44	140,578	6,984	140,263	4,105	0
2044-45	133,594	6,607	136,158	4,262	0
2045-46	126,987	6,187	131,896	4,419	0
2046-47	120,800	5,622	127,477	4,585	0
2047-48	115,178	4,803	122,892	3,634	0
2048-49	110,375	4,785	119,258	2,894	0
2049-50	105,590	4,609	116,364	2,720	0
2050-51	100,981	4,577	113,644	2,723	0
2051-52	96,404	4,576	110,921	2,813	0
2052-53	91,828	4,644	108,108	2,908	0
2053-54	87,184	4,723	105,200	3,008	0
2054-55	82,461	4,379	102,192	3,111	0
2055-56	78,082	4,551	99,081	3,219	0
2056-57	73,531	4,355	95,862	3,337	0
2057-58	69,176	4,220	92,525	3,023	0
2058-59	64,956	4,326	89,502	3,043	0
2059-60	60,630	4,312	86,459	3,092	0
2060-61	56,318	4,310	83,367	3,188	0
2061-62	52,008	4,351	80,179	3,294	0
2062-63	47,657	4,327	76,885	3,399	0
2063-64	43,330	4,312	73,486	3,509	0
2064-65	39,018	4,396	69,977	3,629	0
2065-66	34,622	4,506	66,348	3,755	0
2066-67	30,116	4,367	62,593	3,885	0
2067-68	25,749	3,467	58,708	4,022	0
2068-69	22,282	3,583	54,686	4,164	0

Financial year	HISTORIC DEBT Opening Balance £000	Instalment £000	NEW DEBT Opening Balance £000	Instalment £000	New Borrowing £000
2069-70	18,699	3,578	50,522	4,311	0
2070-71	15,121	3,569	46,211	4,464	0
2071-72	11,552	3,074	41,747	4,624	0
2072-73	8,478	2,488	37,123	4,791	0
2073-74	5,990	2,154	32,332	4,963	0
2074-75	3,836	1,701	27,369	5,143	0
2075-76	2,135	1,514	22,226	5,331	0
2076-77	621	621	16,895	5,525	0
2077-78	0	0	11,370	4,624	0
2078-79	0	0	6,746	3,610	0
2079-80	0	0	3,136	1,900	0
2080-81	0	0	1,236	524	0
2081-82	0	0	712	523	0
2082-83	0	0	189	189	0
		653,002		245,070	245,070

Appendix 12 Commitment to pay to repay loans fund advances (HRA)

Financial year	HISTORIC DEBT Opening Balance £000	HISTORIC DEBT Instalment £000	NEW DEBT Opening Balance £000	NEW DEBT Instalment £000	New Borrowing £000
2017-18	234,407	7,820	0	0	18,746
2018-19	226,587	7,199	18,746	288	19,140
2019-20	219,388	9,224	37,598	607	22,492
2020-21	210,164	9,118	59,483	992	23,153
2021-22	201,046	10,196	81,644	1,412	21,848
2022-23	190,850	9,651	102,080	2,086	0
2023-24	181,199	10,269	99,994	2,184	0
2024-25	170,930	9,570	97,810	2,244	0
2025-26	161,360	9,819	95,566	2,308	0
2026-27	151,541	9,848	93,258	2,374	0
2027-28	141,693	9,946	90,884	2,443	0
2028-29	131,747	10,133	88,441	2,514	0
2029-30	121,614	10,473	85,927	2,589	0
2030-31	111,140	10,420	83,338	2,665	0
2031-32	100,720	10,144	80,673	2,747	0
2032-33	90,576	9,874	77,926	2,829	0
2033-34	80,702	9,108	75,097	2,917	0
2034-35	71,594	7,917	72,180	3,007	0
2035-36	63,677	6,501	69,173	3,101	0
2036-37	57,176	3,824	66,072	3,200	0
2037-38	53,352	2,927	62,872	3,300	0
2038-39	50,425	2,710	59,572	2,843	0
2039-40	47,715	2,687	56,729	2,367	0
2040-41	45,028	2,616	54,362	1,773	0
2041-42	42,412	2,571	52,589	1,144	0
2042-43	39,841	2,491	51,445	727	0
2043-44	37,349	2,462	50,718	747	0
2044-45	34,887	2,267	49,971	769	0
2045-46	32,620	2,189	49,202	790	0
2046-47	30,431	2,155	48,412	814	0
2047-48	28,276	1,978	47,598	837	0
2048-49	26,298	1,832	46,761	861	0
2049-50	24,466	1,560	45,900	888	0
2050-51	22,905	1,247	45,012	914	0
2051-52	21,658	1,074	44,098	942	0
2052-53	20,584	944	43,156	971	0
2053-54	19,641	836	42,185	1,001	0
2054-55	18,805	620	41,184	1,032	0
2055-56	18,185	566	40,152	1,065	0
2056-57	17,618	504	39,087	1,099	0
2057-58	17,114	413	37,988	1,134	0
2058-59	16,701	388	36,854	1,170	0
2059-60	16,313	390	35,684	1,209	0
2060-61	15,923	407	34,475	1,248	0
2061-62	15,516	420	33,227	1,289	0
2062-63	15,096	439	31,938	1,333	0
2063-64	14,658	458	30,605	1,376	0
2064-65	14,200	1,142	29,229	1,423	0
2065-66	13,058	1,193	27,806	1,472	0
2066-67	11,864	1,465	26,334	1,521	0
2067-68	10,400	1,276	24,813	1,574	0

Financial year	HISTORIC DEBT Opening Balance £000	Instalment £000	NEW DEBT Opening Balance £000	Instalment £000	New Borrowing £000
2068-69	9,123	1,334	23,239	1,627	0
2069-70	7,789	1,392	21,612	1,684	0
2070-71	6,397	1,558	19,928	1,743	0
2071-72	4,839	1,484	18,185	1,804	0
2072-73	3,356	1,334	16,381	1,867	0
2073-74	2,022	1,070	14,514	1,933	0
2074-75	951	567	12,581	2,002	0
2075-76	385	210	10,579	2,073	0
2076-77	175	175	8,506	2,148	0
2077-78	0	0	6,358	2,224	0
2078-79	0	0	4,134	1,785	0
2079-80	0	0	2,349	1,340	0
2080-81	0	0	1,009	791	0
2081-82	0	0	218	218	0
2082-83	0	0	0	0	0
		234,407		105,379	105,379