Scottish Borders COUNCIL

APPENDIX 1

SCOTTISH BORDERS COUNCIL

TREASURY MANAGEMENT MID-YEAR REPORT 2015/16

Draft – Pending 17 November 2015 Executive Committee

1. BACKGROUND

a) Treasury management is defined as:

"The management of the local authority's 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. "

b) The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. A primary function of treasury management is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially, before considering optimising investment return.

c) The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, where favourable conditions exist, any debt previously drawn may be restructured to meet Council risk or cost objectives.

d) **Annex A** contains a summary of the updated Prudential and Treasury Management Indicators for 2015/16 as highlighted throughout this report.

2 ECONOMIC POSITION

2.1 ECONOMIC UPDATE *(from Capita Asset Services)*

a) UK

UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, possibly being equal to that of the US. However, quarter 1 of 2015 was weak at +0.4% though there was a rebound in quarter 2 to +0.7%. The Bank of England's August Inflation Report included a forecast for growth to remain around 2.4 – 2.8% over the next three years. However, the subsequent forward looking Purchasing Manager's Index, (PMI), surveys in both September and early October for the services and manufacturing sectors showed a marked slowdown in the likely future overall rate of GDP growth to about +0.3% in quarter 4 from +0.5% in quarter 3. This is not too surprising given the appreciation of Sterling against the Euro and weak growth in the EU, China and emerging markets creating headwinds for UK exporters. Also, falls in business and consumer confidence in September, due to an increase in concerns for the economic outlook, could also contribute to a dampening of growth through weakening investment and consumer expenditure. For this recovery to become more balanced and sustainable in the longer term, the recovery still needs to move away from dependence on consumer expenditure and the housing market to manufacturing and investment expenditure. The strong growth since 2012 has resulted in unemployment falling quickly over the last few years although it has now ticked up recently after the Chancellor announced in July significant increases planned in the minimum (living) wage over the course of this Parliament.

The MPC has been particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of inflation in order to ensure that the recovery will be sustainable. It has therefore been encouraging in 2015 to see wage inflation rising significantly above CPI inflation which slipped back to zero in June and again in August However, with the price of oil taking a fresh downward direction and Iran expected to soon rejoin the world oil market after the impending lifting of sanctions, there could be several more months of low inflation still to come, especially as world commodity prices have generally been depressed by the Chinese economic downturn. The August Bank of England Inflation Report forecast was notably subdued with inflation barely getting back up to the 2% target within the 2-3 year time horizon. Despite average weekly earnings ticking up to 2.9% y/y in the three months ending in July, (as announced in mid-September), this was unlikely to provide ammunition for the MPC to take action to raise Bank Rate soon as labour productivity growth meant that net labour unit costs appeared to be only rising by about 1% y/y. However, at the start of October, statistics came out that annual labour cost growth had actually jumped sharply in quarter 2 from +0.3% to +2.2%: time will tell if this is just a blip or the start of a trend.

There are therefore considerable risks around whether inflation will rise in the near future as strongly and as quickly as previously expected; this will make it more difficult for the central banks of both the US and the UK to raise rates as soon as had previously been expected, especially given the recent major concerns around the slowdown in Chinese growth, the knock on impact on the earnings of emerging countries from falling oil and commodity prices, and the volatility we have seen in equity and bond markets in 2015 so far, which could potentially spill over to impact the real economies rather than just financial markets. On the other hand, there are also concerns around the fact that the central banks of the UK and US have few monetary policy options left to them given that central rates are near to zero and huge QE is already in place. There are therefore arguments that they need to raise rates sooner, rather than later, so as to have ammunition to use if there was a sudden second major financial crisis. But it is hardly likely that they would raise rates until they are sure that growth was securely embedded and ‘noflation’ was not a significant threat.

The forecast for the first increase in Bank Rate has therefore progressively been pushed back during 2015 from Q4 2015 to Q2 2016 and increases after that will be at a much slower pace, and to much lower levels than prevailed before 2008, as increases in Bank Rate will have a much bigger effect on heavily indebted consumers than they did before 2008.
The Government’s revised Budget in July eased the pace of cut backs from achieving a budget surplus in 2018/19 to achieving that in 2019/20.

b) **U.S.**

GDP growth in 2014 of 2.4% was followed by first quarter 2015 growth depressed by exceptionally bad winter weather at only +0.6% (annualised). However, growth rebounded very strongly in Q2 to 3.9% (annualised) and strong growth was initially expected going forward. Until the turmoil in financial markets in August caused by fears about the slowdown in Chinese growth, it had been strongly expected that the Fed. might start to increase rates in September. However, the Fed pulled back from that first increase due to global risks which might depress US growth and put downward pressure on inflation, and due to a 20% appreciation of the dollar which has caused the Fed to lower its growth forecasts. Since then the nonfarm payrolls figures for September and revised August, issued on 2 October, were disappointingly weak and confirmed concerns that US growth is likely to significantly weaken. This has pushed back expectations of the first rate increase from 2015 into 2016.

c) **Eurozone**

The ECB fired its big bazooka by announcing a massive €1.1 trillion programme of quantitative easing in January 2015 to buy up high credit quality government debt of selected EZ countries. This programme started in March and will run to September 2016. This seems to have already had a beneficial impact in improving confidence and sentiment. There has also been a continuing trend of marginal increases in the GDP growth rate which hit 0.4% in quarter 1 2015 (1.0% y/y) and +0.4%, (1.5% y/y) in Q2 GDP. The ECB has also stated it would extend its QE programme if inflation failed to return to its target of 2% within this initial time period.

During July, Greece finally capitulated to EU demands to implement a major programme of austerity and is now cooperating fully with EU demands. An €86bn third bailout package has since been agreed though it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so Greek exit from the euro may only have been delayed by this latest bailout.

2.2 ECONOMIC OUTLOOK

Economic forecasting remains difficult with so many external influences weighing on the UK. Despite market turbulence since late August causing a sharp downturn in PWLB rates, the overall trend in the longer term will be for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK when economic recovery is firmly established accompanied by rising inflation and consequent increases in Bank Rate, and the eventual unwinding of QE. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include:

- Uncertainty around the risk of a UK exit from the EU.
- The ECB severely disappointing financial markets with a programme of asset purchases which proves insufficient to significantly stimulate growth in the EZ.
- The commencement by the US Federal Reserve of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

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

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth turns significantly weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.

- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or the start of Fed. rate increases, causing a flight to safe havens

2.3 INTEREST RATE FORECAST

a) Table 1 summarises the latest interest rate forecast from the Council's treasury adviser, Capita Asset Services.

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%
5yr PWLB rate	2.40%	2.50%	2.60%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%
10yr PWLB rate	3.00%	3.20%	3.30%	3.40%	3.50%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PWLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
50yr PWLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%

***Source**: Capita Asset Services – October 2015.*

b) Capita Asset Services undertook its last review of interest rate forecasts on 11 August shortly after the quarterly Bank of England Inflation Report. Later in August, fears around the slowdown in China and Japan caused major volatility in equities and bonds and sparked a flight from equities into safe havens like gilts and so caused PWLB rates to fall below the above forecasts for quarter 4 2015. However, there is much volatility in rates as news ebbs and flows in negative or positive ways and news in September in respect of Volkswagen, and other corporates, has compounded downward pressure on equity prices. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.

3 TREASURY MANAGEMENT POLICY STATEMENT - UPDATE

a) The Treasury Management Policy Statement (the Statement) was approved by Council in April 2010. There were no policy changes to the Statement. The details in this report update the position in the light of the updated economic position and budgetary changes already approved.

4 COUNCIL'S CAPITAL EXPENDITURE AND FINANCING 2015/16

4.1 This part of the report is structured to update:

- The Council's capital expenditure plan.
- How these plans are being financed.
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow, and
- Compliance with the limits in place for borrowing activity.

4.2 CAPITAL EXPENDITURE
(Prudential Indicator (PI-1)

a) The original capital plan for 2015/16 was approved on 12 February 2015. **Table 2** shows the current budgets for capital expenditure compared to the original estimates used in the Treasury Management Strategy report for 2015/16.

Table 2	**2015/16 Original Budget £m**	**2015/16 Current Approved Budget [1] £m**	**Variance Original to Current Approved £m**
Place	23.4	33.5	10.1
People	25.2	11.9	(13.3)
Chief Executive	9.5	5.3	(4.2)
Emergency & Unplanned Schemes	0.3	-	(0.3)
Total Capital Expenditure *(PI-1)*	**58.4**	**50.7**	**(7.7)**

[1] **Executive Committee 17 November 2015**

b) The current approved budget for 2015/16 is lower than the original budget due to adverse timing movements in areas of the capital plan. Detailed explanations of the movements within the planned expenditure have been reported in the ongoing monitoring reports, the last of which was to the Executive Committee on 17 November 2015. The key drivers of the changes in Table 2 are:

- Place department – the key movements are linked to the re-profiled post contract award for Selkirk Flood Protection project and the bringing forward of £1m for Roads investment.
- People department – the key reduction in estimated expenditure is the adjustment to remove the Kelso High School project which is to be fully funded by the Scottish Government via Scottish Futures Trust.
- Chief Executives department – the key reduction is in relation to the Next Generation Broadband (BDUK) project being funded from General Capital grant retained by the Scottish Government.

4.3 FINANCING OF THE CAPITAL PROGRAMME

a) **Table 3** on the following page draws together the main funding elements of the capital expenditure plans (see 4.2 above), comparing the original components of the funding strategy to those of the latest approved budget for the 2015/16 capital programme.

Table 3	2015/16 Original estimate £m	2015/16 Current Approved Budget [1] £m	Variance - Original to Current Approved £m
Capital Expenditure (PI-1)	58.4	50.7	(7.7)
Other Relevant Expenditure	17.0	1.0	(16.0)
Total Expenditure	**75.4**	**51.7**	**(23.7)**
Financed by:			
Capital fund/Capital receipts	(1.7)	(1.7)	-
Capital grants & other contributions	(44.5)	(30.1)	14.4
Plant & Vehicle Fund	(2.0)	(2.5)	(0.5)
Total Financing	**(48.2)**	**(34.3)**	**(13.9)**
Net Financing Need for the Year	***27.2***	***17.4***	***(9.8)***

[1] Executive Committee17 November 2015

b) The reduction in overall financing need has arisen primarily due to the re-profiling the timing of the “Other Relevant Expenditure” which relates to lending to Registered Social Landlords (RSLs) and the National Housing Trust project via Bridge Homes LLP. This amounts to a movement of £16m and is primarily due to a lack of uptake of borrowing from RSL’s. Also, there is a projected re-profiling of the Capital Plan resulting in a further £7.7m of expenditure being incurred in 2016/17, see paragraph 4.2 (b). In addition the level of Specific Capital Grants receivable from the Scottish government has reduced by £10.5m as a reflecting the funding arrangements fir Kelso High School which is revenue funded.

4.4 CAPITAL FINANCING REQUIREMENT AND EXTERNAL DEBT INDICATORS

CAPITAL FINANCING REQUIREMENT (CFR) *(PI-2)*

i) **Table 4** below shows the CFR, which is the underlying need to incur external borrowing for a capital purpose.

ii) The CFR has been re-calculated in light of the changes to the capital plan and the fixed asset and reserve valuations in the Council’s accounts for the year ending 31 March 2015.

Table 4	2015/16 Original estimate £m	2015/16 Revised estimate £m	Variance £m
CFR * *(PI-2)*	**276.1**	**261.8**	**(14.3)**

* *The CFR for this calculation includes current capital expenditure to 31 March 2015*

ACTUAL EXTERNAL DEBT *(PI-5)*

iii) Projected external debt for 2015/16 is shown in **Table 5** below and is estimated to remain within the operational boundary.

iv) **Table 5** also compares the current projected external borrowing estimate with the estimate in the Annual Strategy. The borrowing figure is slightly lower than originally projected as the Council has had sufficient cash balances to meet expenditure requirements without further borrowing.

v) No additional external borrowing has been undertaken during 2015/16 to date and no further long-term borrowing is anticipated for the rest of the year.

Table 5	**2015/16 Original estimate £m**	**2015/16 Current Approved Budget £m**	**Variance £m**
Borrowing	193.1	171.6	(21.5)
Other long-term liabilities	54.2	54.3	0.1
Total External Debt (PI-5)	**247.3**	**225.9**	**(21.4)**

(UNDER)/OVER BORROWING AGAINST CFR *(PI-6)*

vi) A key control over treasury activity is a prudential indicator to ensure that, over the medium term, borrowing will only be for a capital purpose. Net external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2015/16 and next two financial years. This allows some flexibility for limited early borrowing for future years.

vii) **Table 6** compares the prudential indicator for (under)/over borrowing against CFR versus the updated estimate for the year end and shows that the Council's actual debt levels are well within its capital financing requirement. This is primarily driven by the tactical measures which use the Council's surplus cashflows to finance capital expenditure rather than enter into new debt financing arrangements.

Table 6	**2015/16 Original estimate £m**	**2015/16 Current Approved Budget £m**	**Variance £m**
Gross External Debt	**247.3**	**226.0**	**(21.3)**
CFR *	284.3	278.3	(6.0)
(Under)/Over Borrowing against CFR *(PI-6)*	**(37.0)**	**(52.3)**	**(15.3)**

** The CFR for this calculation includes the current and two future years projected capital expenditure.*

viii) No difficulties are envisaged for the current or future years in complying with this prudential indicator.

AUTHORISED LIMIT AND OPERATIONAL BOUNDARY *(PI-7 and PI-8)*

ix) Two further prudential indicators control the overall level of borrowing. These are:

(i) The **Authorised Limit** represents the limit beyond which borrowing is prohibited and the expected maximum borrowing need for the Council. It needs to be set and revised by Members. The Authorised Limit is the statutory limit determined under the Local Government in Scotland Act 2003.

(ii) The **Operational Boundary** shows the expected operational debt position for the period.

x) **Table 7** below shows revised estimates for the debt indicators for the 2015/16 financial year and compares them with the original estimates shown in the 2015/16 Treasury Management Strategy Report.

Table 7	**2015/16 Original estimate £m**	**2015/16 Revised estimate £m**	**Variance £m**
Gross External Debt *(PI-5)*	**247.3**	**226.0**	**(21.3)**
Authorised Limit inc. Long Term Liabilities*(PI-8a)*	**323.4**	**304.0**	**(19.4)**
Variance to External Debt Estimate	*76.1*	*78.0*	*1.9*
Operational Boundary inc. Long Term Liabilities *(PI-7a)*	**251.1**	**239.0**	**(12.1)**
Variance to External Debt Estimate	*3.8*	*13.0*	*9.2*

4.9 DEBT RESCHEDULING

Debt rescheduling opportunities continue to have been limited in the current economic climate. No debt rescheduling was undertaken during the first six months of 2015/16. The position will continue to be monitored on an ongoing basis.

INVESTMENT ACTIVITY

5.1 INVESTMENTS

a) In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out in Section 3, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment, investment returns are likely to remain low.

b) The Council held £16.6m of balances in interest bearing accounts as at 30 September 2014 (£16.4m at 31 March 2015), and the investment yield for the first six months of the year was 0.40% against a benchmark of the average 7 day LIBID rate of 0.36%. As a result of current market uncertainties, the Council has been prioritising the security of deposits by investing surplus balances with money market funds and the UK Government's Debt Management Office (DMO).

c) The Council, due to the cashflow position and the requirement to manage the Pension Fund cash as well as the Council's, continues to explore opportunities to invest surplus balances in the short term. As part of this, and within the Treasury Management Strategy's Investment criteria officers have expanded the counterparty list used for operational purposes to Svenska Handelsbanken through the use of a call account.

5.2 INVESTMENT COUNTERPARTY CRITERIA

a) The current investment counterparty criterion, approved in the Treasury Management Strategy, represents a prudent approach to risk and the Council's concerns about security of investments. These prudent limits mean there are limited investment options when operating the cash-flow on a short term management basis.

b) The Bank of Scotland is the Council's own bank for transactional receipts and payments. Although the bank only has a single 'A' long term credit rating from the main credit rating agencies, which is the lowest counterparty credit rating for investments as defined in the approved 2015-16 Treasury Management Strategy, it still remains a part-nationalised bank. On this basis, and as the Council currently only has an instant access investment account with the bank, it is proposed that the Council continue to allow the use of £5m as the daily maximum to be held with the Bank of Scotland to allow the daily cash management functions to operate effectively.

c) The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. Commencing in 2015, in response to the evolving regulatory regime, all three agencies have begun removing these "uplifts" with the timing of the process determined by regulatory progress at the national level. The process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In some cases, these factors have "netted" each other off, to leave underlying ratings either unchanged or little changed. A consequence of the new methodologies is that they have also lowered the importance of the (Fitch) Support and Viability ratings and have seen the (Moody's) Financial Strength rating withdrawn by the agency.

d) It is important to stress that these rating agency changes do not reflect any changes in the underlying status or credit quality of the institution, merely a reassessment of their

methodologies in light of enacted and future expected changes to the regulatory environment in which financial institutions operate. While some banks have received lower credit ratings as a result of these changes, this does not mean that they are suddenly less credit worthy than they were formerly. Rather, in the majority of cases, this mainly reflects the fact that implied sovereign government support has effectively been withdrawn from banks. They are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In fact, in many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now. However, this is not universally applicable, leaving some entities with modestly lower ratings than they had through much of the “support” phase of the financial crisis.

TREASURY PERFORMANCE INDICATORS

The Treasury Management Strategy for 2015/16 established certain performance indicators for the Treasury Management Function, as defined below.

6.1 DEBT PERFORMANCE INDICATORS

These indicators are additional to the prudential & treasury management indicators covered earlier in this report. The Indicators are:

i) **Average 'Pool Rate'** charged by the Loans Fund compared to Scottish Local Authority average Pool Rate. Target is to be at or below the Scottish Average for 2015/16.

ii) **Average rate movement year on year**. Target is to maintain or reduce the average borrowing rate for the Council versus 2014/15.

The Average 'Pool Rate' can only be measured at the end of the financial year, once the Scottish Treasury Indicators have been published. The Average Rate movement year on year is on target to be maintained / reduced.

6.2 INVESTMENT PERFORMANCE INDICATORS

a) SECURITY

The Council's maximum security risk benchmark for the current portfolio, when compared to historic default tables, is 0.02% historic risk of default when compared to the whole portfolio.

Year to Date (YTD) Performance of this indicator is **0.02% historic risk** which is equivalent to the benchmark, if overnight deposits with the Council's own bank, the Bank of Scotland, are taken into account. Excluding Bank of Scotland deposits, the risk of default on deposits was 0.002%, which is lower than the benchmark. This was achieved by investing with counterparties with higher credit ratings, especially in money market funds (AAA credit rating), which have a lower historic risk of default. Security risk was also managed by utilising only overnight or short term notice accounts.

b) LIQUIDITY

i) Liquid short term deposits should be at least £3,000,000, available with a week's notice. Liquid deposits were maintained above £3,000,000 throughout the six months to 30 September 2015.

ii) Weighted Average Life benchmark, i.e. the average length of time over which cash is deposited, is **expected to be 0.5 years** (equivalent to a weighted average life of 6 months), with a **maximum of 1.00 years.**

The YTD weighted average life has been 0.01 years, well below the 0.5 year target. This 2015/16 figure also included money deposited in money market accounts, which could be called back at any time.

YIELD

i) Internal returns on cash investment above the 7 day LIBID rate.

The return for the six months to 30 September 2015 has averaged 0.40%, compared against an average seven day LIBID rate of 0.36%. This reflects the continued priority on ensuring cash is held in a secure and liquid form (as described in paragraph 5.2).

6.3 LOAN CHARGES

a) The **Loan Charges** Revenue Budget estimate contained in the Council's Financial Plans approved on 12 February 2015 was £20.71m. It is expected that charges for 2015/16 will be lower than the budgeted figure, as no additional external debt has been undertaken to date in 2015/16. During the year so far and amount of £1.7m has been removed from this budget as approved by Executive Committee on the 18th August 2015 to mainly support the maintenance of a Treasury Reserve (£1m) and also to support the costs of the Early Retirement / Voluntary Severance packages granted. Updates on the estimates will continue to be reported as part of the revenue budget monitoring process.

ANNEX A

Indicator Reference	Indicator	Page Ref.	2015/16 Original estimate	2015/16 Revised estimate
PRUDENTIAL INDICATORS				
Capital Expenditure Indicator				
PI-1	Capital Expenditure Limits	6	58.4	50.7
PI-2	Capital Financing Requirement (CFR)	7	276.1	261.8
Affordability Indicator				
PI-3	Ratio of Financing Costs to Net Revenue (inc PPP repayment costs)	N/A	10.0%	8.9%
PI-3	Ratio of Financing Costs to Net Revenue (exc PPP repayment costs)	N/A	8.2%	7.8%
PI-4	Incremental (Saving)/ Cost Impact of Capital Investment Decisions on Council Tax	N/A	(0.00)	(0.50)
External Debt Indicators				
PI-5	External Debt	8	£247.3m	£225.9m
PI-7a	Operational Boundary (inc. Other Long Term Liabilities)	9	£251.1m	£239.0m
PI-7b	Operational Boundary (exc. Other Long Term Liabilities)	N/A	£196.9m	£182.5m
PI-8a	Authorised Limit (inc. Other Long Term Liabilities)	9	£323.4m	£304.0m
PI-8b	Authorised Limit (exc. Other Long Term Liabilities)	N/A	£269.7m	£242.8
Indicators of Prudence				
PI-6	(Under)/Over Net Borrowing against the CFR	8	(£37.0)	(£52.3m)
TREASURY INDICATORS				
TI-1	Upper Limit to Fixed Interest Rates based on Net Debt		£251.1m	£239.1m
TI-2	Upper Limit to Variable Interest Rates based on Net Debt		£87.9m	£83.7m
TI-3	Maturity Structure of Fixed Interest Rate Borrowing		**Lower**	
	Under 12 months		0%	
	12 months to 2 years		0%	
	2 years to 5 years		0%	
	5 years to 10 years		0%	
	10 years and above		20%	
TI-4	Maximum Principal Sum invested greater than 364 days	12	20%	20%