

**ITEMS PRESENTED AT
ACCOUNTS AND AUDIT COMMITTEE**

Date: Tuesday, 9 February 2016

5. TREASURY MANAGEMENT STRATEGY 2016/17 - 2018/19

Amendments made to the Treasury Management Strategy 2016/17 – 2018/19 reflecting the Council's updated Capital Investment Programme.

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3.2 The table below shows the actual current external debt levels, with forward projections, against the underlying capital borrowing need (the Capital Financing Requirement - CFR) highlighting the Council's under-borrowing position. Interest rates are at historically low long term levels and the table includes an assumed take up of new borrowing during the remainder of 2015/16 and 2016/17.

	2015/16	2016/17	2017/18	2018/19
	Estimate £000	Estimate £000	Estimate £000	Estimate £000
Debt at 1 April	94,992	104,107	114,915	116,181
Debt maturing	(1,770)	(3,747)	(2,684)	(2,578)
New Debt	10,885	14,555	3,950	0
Debt at 31 March	104,107	114,915	116,181	113,603
Capital Financing Requirement at 31 March	135,431	144,007	146,343	141,022
Under borrow at 31 March	31,324	29,092	30,162	27,419

TREASURY PRUDENTIAL INDICATORS AND LIMITS –

In accordance with the CIPFA Prudential code, the Council is required to produce prudential indicators and limits reflecting the expected capital activity regarding its capital investment programme. These have an impact on the Council's treasury management activities and the Council is required to approve the prudential indicators and limits affecting treasury management performance as shown below;

	2015/16 estimate £m	2016/17 estimate £m	2017/18 estimate £m	2018/19 estimate £m
Upper Limits – Fixed interest rate exposure	2.7	2.8	2.7	2.4
Upper Limits – Variable interest rate exposure	3.2	3.3	3.3	3.5
Upper Interest Limits – identifies the maximum limit for both fixed and variable interest rates exposure based upon the Council's debt position net of investments (debt interest payable less investment interest receivable).				
Authorised Limit for External debt				
-External debt (01.04)	130.0	136.0	134.0	133.0
-Other long term Liabilities (PFI)	6.0	5.8	5.6	5.4
Total	136.0	141.8	139.6	138.4
Authorised external debt limit - maximum level of external debt that the authority will require to cover all known potential requirements and includes headroom to cover the risk of short-term cash flow variations that could lead to a need for temporary borrowing. This limit needs to be set or revised by Council and is the statutory limit determined under section 3(1) of the Local Government Act 2003.				
	2015/16 estimate £m	2016/17 estimate £m	2017/18 estimate £m	2018/19 estimate £m
Operational Boundary for External debt				
-External debt (01.04)	115.0	120.0	120.0	118.0
-Other long term Liabilities (PFI)	6.0	5.8	5.6	5.4
Total	121.0	125.8	125.6	123.4
Operational boundary - calculated on a similar basis as the authorised limit but represents the likely level of external debt that may be reached during the course of the year excluding any temporary borrowing and is not a limit.				

Upper limit for sums invested over 364 days	70	70	70	70
<p>Upper Limit for sums invested for over 364 days – these limits are set with regard to the Council’s liquidity requirements and to reduce the need for early sale of an investment. Included within this limit are Manchester Airport Shares which at 31 March 2015 were independently valued at £41.0m and the Church Commissioners Local Authorities Property Investment Fund investment of £5m.</p>				
Gross debt and Capital Financing Requirement				
-External debt (01.04)	115.0	120.0	120.0	118.0
-Other long term Liabilities (PFI)	6.0	5.8	5.6	5.4
Gross debt	121.0	125.8	125.6	123.4
-C.F.R.	135.4	144.0	146.3	141.0
Excess C.F.R.	14.4	18.2	20.7	17.6
<p>Gross Debt and the Capital Financing Requirement – this indicator reflects that over the medium term, debt will only be for capital purposes. The Director of Finance will ensure that all external debt does not exceed the capital financing requirement with any exceptions being reported to Council.</p>				
Maturity structure of borrowing – 2016/17 to 2018/19	Lower limit %	Upper limit %		
Under 12 months	0	70		
12 months to 2 years	0	30		
2 years to 5 years	0	30		
5 years to 10 years	0	30		
10 years to 20 years	0	30		
Maturity structure of borrowing – 2016/17 to 2018/19 (cont.)	Lower limit %	Upper limit %		
20 years to 30 years	0	30		
30 years to 40 years	0	30		
40 years and above	0	30		
<p>Maturity Structure of Borrowing – these gross limits are set to reduce the Council’s exposure to large sums falling due for refinancing and this indicator reflects the next date on which the lending bank can amend the interest rate for the Lender Option Borrower Option loans.</p>				

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