CABINET

13 November 2018

Title: Treasury Management 2018/19 Mid-Year Review	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	**For Decision**
Wards Affected: None	**Key Decision:** Yes
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Accountable Strategic Director: Claire Symonds, Chief Operating Officer	

Summary

Regulation changes have placed greater onus on elected Members in respect of the review and scrutiny of treasury management policy and activities. This mid-year review report provides details of the mid-year position for treasury activities and highlights compliance with the Council's policies previously approved by the Assembly.

The Assembly agreed the Treasury Management Strategy Statement for 2018/19 on 28 February 2018, which incorporated the Prudential Indicators. This report updates Members on treasury management activities in the current year.

Recommendation(s)

The Cabinet is asked to recommend the Assembly to:

(i) Approve the revised 2018/19 Minimum Revenue Provision at Appendix 1 to the report;

(ii) Note the Treasury Management Strategy Statement Mid-Year Review 2018/19;

(iii) Note that in the first half of the 2018/19 financial year the Council complied with all 2018/19 treasury management indicators;

(iv) Note the value of investments as at 30 September 2018 totalled £300.2m;

(v) Note the value of long term borrowing as at 30 September 2018 totalled £612.0m. This comprised market, Public Works Loan Board, Local Authority and European Investment Bank loans;

(vi) Note the value of short term borrowing as at 30 September 2018 totalled £144.7m; and

(vii) Note the increased resources made available through the finance restructure to monitor the Council's Investment and Acquisitions Strategy's funding requirement and cashflow monitoring requirements.

Reason(s)

To accord with the requirements of the Local Government Act 2003.

1. Introduction and Background

1.1 The Council operates a balanced budget whereby cash raised during the year meets the Council's cash expenditure needs. Part of the treasury management operations is to ensure this cash flow is adequately planned, with surplus monies invested with counterparties of an appropriate level of risk, providing adequate liquidity before considering maximising investment return.

1.2 The second main function of treasury management is the funding of the Council's capital programme. These capital plans provide a guide to the Council's borrowing need, which is essentially the use of longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging loans, using cash flow surpluses or restructuring previously drawn debt to meet Council risk or cost objectives.

1.3 A third main function of treasury management is the funding and treasury advice that is required for the Council's Investment and Acquisitions Strategy.

1.4 In accordance with the Chartered Institute of Public Finance Accountancy's (CIPFA) Code of Practice for Treasury Management, there should be a review of that strategy at least half yearly. The principal requirements of the Code include:

i) Maintain a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management.
ii) Maintain a Treasury Management Practices which set out the how the Council will seek to achieve those policies and objectives.
iii) Receipt by full Council of a Treasury Management Strategy Statement, (TMSS) including the Annual Investment Strategy (AIS) and Minimum Revenue Provision (MRP) Policy for the year ahead; a Mid-Year Review Report; and an Annual Report covering activities during the previous year.
iv) 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.
v) Delegation by the Council to a specific named body, for this Council this is Cabinet, to scrutinise the treasury management strategy and policies.

1.5 This mid-year report has been prepared in compliance with CIPFA's Code of practice on Treasury Management, and covers the following:

1. Economic Update and Interest Rate Forecast;
2. Cash Position as at 30 September 2018;
3. Interest Budget Position as at 30 September 2018;
4. Council's Investment and Acquisitions Strategy;
5. Investment Strategy Funding and Monitoring;
6. Treasury Position at 30 September 2018;
7. Debt Position as at 01 October 2018;
8. Investment Portfolio as at 30 September 2018;

9. Commercial Lending;
10. Minimum Revenue Provision Review; and
11. The Council's Capital Position (Prudential Indicators).

2. Economic Update and Interest Rate Forecast

2.1 In August 2018, the MPC members voted unanimously 9-0 to raise the Bank Rate to 0.75%. The Bank of England (BoE) said that the economy is operating at almost full capacity, raising the prospect of more inflationary pressure ahead, despite slow growth. However, the Bank signalled that they are in no rush to further hike rates, partly due to the uncertainty of Brexit. A further meeting in September confirmed this as the MPC voted unanimously to maintain the rate at 0.75%.

2.2 The August Inflation Report showed the BoE has raised this year's growth forecast from 1.4% to 1.5% and lifted next year's forecast from 1.7% to 1.8%. Inflation is predicted to be 0.1% higher this year at 2.5% and 2.2% next year, above the target rate of 2% still. CPI, increased in August at 2.7%, surprisingly above the 2.4% forecast. The monthly figure also increased to 0.7%; the main reasons cited for this rise are clothing and airline fares. Core inflation rose to 2.1%.

2.3 The UK unemployment rate remained at a new four-decade low of 4% in the five months to August. British wage growth, including bonuses, rose by 2.6% y/y in the three months to July, increasing from the previous month. Excluding bonuses, growth in average weekly earnings in the three months to July also showed stronger growth, rising by 2.9 y/y, up from the 2.7% reported in the three months to June.

2.4 Nationwide revealed house prices decreased by -0.5% m/m in August, falling from the 0.6% figure in July. Compared with August last year, prices are 2% higher. According to Halifax, house prices rose by 1.4% m/m in July, after a 0.9% increase in June. Compared with a year ago, house prices were 3.3% higher, the fastest rate of growth since November and compared with a 1.8% rise in June.

2.5 Volatility within gilt yields, due to uncertainty over Brexit, continued from 2017 and into 2018. Yields have fluctuated significantly, as highlighted in chart 1 below, with an overall upward trend, which supported the view that the BoE would not raise its base rate further in the near future.

Chart 1: 25-year gilt rate

3. Council's Cash Position as at 30 September 2018

3.1 Council Cash Position

3.1.1 Table 1 details the Council's mid-year treasury position. Overall the Council's borrowing has increased since 31 March 2018 due to an increase in short-term borrowing and an additional £60m borrowed from the PWLB. The average cost of General Fund debt is 1.93% for a total of £520.8m of borrowing.

3.1.2 Investment balances remain elevated at £300.2m with a return of 1.58%. The shortfall between the cost of borrowing and the investment return, called the cost of carry, is reduced by interest from several property loans to the Reside. The cost to the General Fund (GF) of borrowing for 2018/19 is estimated to be £2.4m.

Table 1: Council's Treasury Position at 30 September 2018

	Principal Outstanding £000s	Rate of Return	Average Life (yrs)
General Fund Fixed Rate Borrowing			
PWLB	237,781	2.36%	31.31
Market Loans	119,259	2.72%	31.00
Medium Term Borrowing	19,000	0.97%	1.43
Short Term Borrowing	144,720	0.72%	0.21
Total General Fund Debt	**520,760**	**1.93%**	
Housing Revenue Account Fixed Rate Borrowing			
PWLB	265,912	3.50%	37.31
Market Loans	10,000	3.98%	59.70
Total Housing Revenue Account Debt	**275,912**	**3.51%**	
Investments	**300,172**	**1.58%**	

3.2 Overall the Council has a significant level of cash available to fund its Investment and Acquisitions strategy (IAS). Cash levels will be monitored, and additional borrowing taken as and when required.

4. Interest Budget Position as at 30 September 2018

4.1 As part of the Council's savings proposals several revisions were made to the treasury budget resulting in £4.6m being removed from the Treasury budget in 2015/16. £0.57m was added back to the interest payable budget for 2017/18, £0.3m for 2018/19 and £1.7m for 2019/20 to fund the IAS.

Table 2: Interest Budget 2016/17 to 2019/20

£'000s	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget
GF Interest Payable	4,131	4,233	6,733	7,233
Interest Income	(2,570)	(2,099)	(4,299)	(3,099)
Net Interest Budget	**1,561**	**2,134**	**2,434**	**4,134**

4.2 The actual spend against the 2018/19 net interest budget is for forecast to breakeven.

5. Council's Investment and Acquisitions Strategy

5.1 Historically the Council has either been debt free or has had a very low-level of debt. This changed significantly in 2012 when, as part of the HRA reform, £265.9m of debt was transferred to the Council's HRA.

5.2 In January 2015, £89m was borrowed for the Council's GF from the European Investment Bank (EIB) to fund the regeneration of Abbey Road and Gascoigne Phase 1 (Weavers). Both schemes are now operational, and income generated is being used to cover the cost of borrowing, management and maintenance costs, lifecycle costs and provide an income stream to the Council.

5.3 In November 2016, Cabinet approved the establishment of the Council's IAS. Cabinet also approved an initial £250m investment budget and £100m land and property acquisition budget to support delivery of the IAS. The purpose of the IAS is to support the Borough's growth opportunities and to ensure that the Council, and future generations, benefit by increasing the Council's ownership of long-term income producing assets.

5.4 Since November 2016 the Council has borrowed £200m of medium to long term borrowing at an average rate of 2.17% and an average duration of 25.2 years. The total GF long-term debt is £357.0m at 2.48% and an average duration of 31 years.

5.5 The IAS has an income objective and a target of delivering £5.12m by 2020/21. The investment programme will be delivered by the Council's development vehicle, Be First, and it is expected that Be First will accelerate the regeneration of the borough. The investments will be held in the Council's housing company, Reside, that has been set up to provide high-quality homes to local people at affordable rents.

5.6 The IAS will support the Council to fundamentally change its approach to investment and regeneration. Going forward the Council will be a proactive developer and investor within the borough, helping to support growth opportunities and ensure that the Council and future generations benefit by increasing its ownership of long-term income producing assets.

5.7 The total gross capital expenditure is estimated at over £2.0bn, were the whole programme to be funded by the Council. Whilst the Council will use capital receipts, where possible, to help finance acquisition costs, the main sources of financing of the full programme would need to be from grants, sales and borrowing.

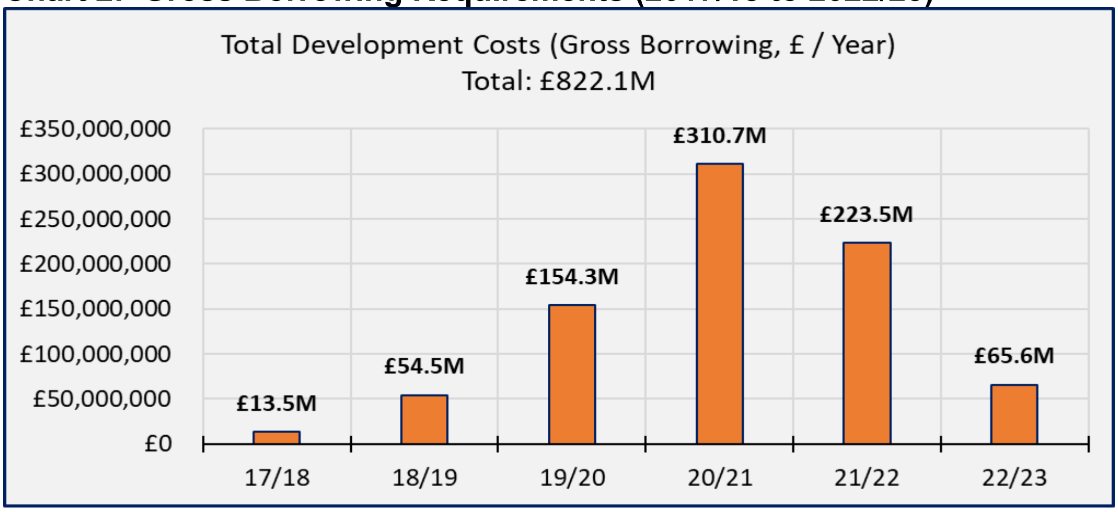
5.8 It is expected that the net capital expenditure required, which is the capital spend less any money received from private sales and Shared Ownership, will be significantly less than £2.0bn. There may also be occasions where refinancing may be used to secure borrowing on the properties when they are operational, and, in some cases, properties will be sold to fund new regeneration schemes.

5.9 With the scale of the planned regeneration programme, the PWLB, institutional funders, including pension funds and insurance companies, will be used. In some cases, it may be more advantageous to consider raising finance through the issuance of a bond. The Chief Operating Officer (COO), advised by the Investment Panel and advisors, will consider the optimum funding mix for each investment to meet the return objectives.

6. IAS Funding and Monitoring

6.1 As outlined in section 5, the funding of the IAS will require a significant amount of borrowing. The table below summarises the current development programme set-out in the Be First business plan.

Chart 2: Gross Borrowing Requirements (2017/18 to 2022/23)



6.2 Be First was set up in October 2017 and is the Council's primary delivery agent for the delivery of current schemes and identification of new investment schemes. Any additional schemes agreed will significantly increase the IAS funding requirements and therefore borrowing.

6.3 The Investment Panel (IP) reviews all schemes and investment proposals based on the Terms of Reference previously agreed by Cabinet (or as revised).

6.4 In line with the prudential code, the Council must demonstrate it can afford to carry the cost of borrowing to fund for both the construction period as well as the initial years before each of the schemes become cash flow positive.

6.5 All borrowing is profiled against the individual schemes, ensuring that the cash is available during the construction stage and that the repayment of the debt is included as the schemes generate income from rental and sales over the economic life of the asset. Depending on the size of the scheme, the cost of construction and the tenure mix of the units, the breakeven point could between 3 to 5 years or longer.

6.6 To ensure that detailed, timely and accurate monitoring and reporting of IAS spend is carried out, additional resources are being added to both finance and Reside.

6.7 Monthly IAS monitoring will be carried out between the Council, Be First and Reside. This will enable early identification of issues, including delays, as well as expenditure and scheme issues that may impact either the cashflows during development and / or when the schemes are operational. A summary of the key outcomes from the monitoring will be reported to Cabinet and full Council every six months as part of the Treasury Management Annual Outturn report and the Treasury Management Mid-Year review.

6.8 The monitoring will also ensure that each property, when completed, is held within an appropriate Special Purpose Vehicle.

7. Debt Position at 01 October 2018

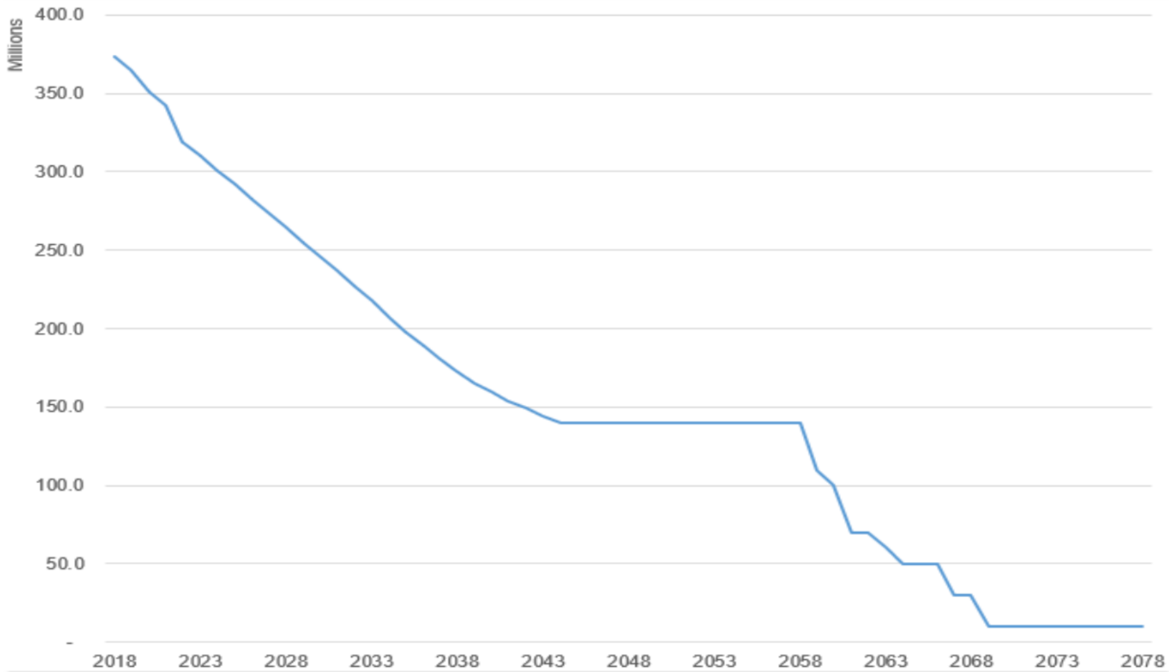
7.1 For the first half of the financial year, the treasury section has borrowed £60.0m from the PWLB to fund the IAS at a rate of 2.34% and for an average duration of 23 years. Details of the loans are below:

Table 3: Long Term Loans borrowed 1 April 2018 to 30 September 2018

Repayment Type	Counterparty	Start Date	End Date	Amount £000s	Rate %
EIP	PWLB	31/05/2018	29/05/2043	20,000	2.27
EIP	PWLB	01/10/2018	01/10/2039	40,000	2.38
		Total Borrowed:		**60,000**	

7.2 Although the size of the Council’s overall borrowing is significant, Members are asked to note that the EIB borrowing of £89m is an annuity repayment. This means that over the 30 years of the loan, a proportion will be repaid each year. In addition, £140m of the long-term borrowing is Equal Instalment Payments (EIP), which involves the repayment of an equal amount of the debt each year for the duration of the loan. The Council has a loan repayment profile that is similar to its current forecast property debt repayment schedule. The Council’s loan repayment schedule is outlined in Chart 3 below and is based on the current General Fund borrowing position of £375.7m.

Chart 3: General Fund Debt Maturity



7.3 **Debt Repayment and Rescheduling**

7.3.1 Debt rescheduling opportunities are limited in the current economic climate and no debt rescheduling were undertaken during the first six months of the financial year. Debt repayment for several equal instalment payments loans we made during the same period.

7.4 It must be noted that although a significant amount has been borrowed, ensuring low cost of carry and debt repayment is at the forefront of any borrowing decisions.

8. Investment Portfolio as at 30 September 2018

8.1 It is the Council's priority to ensure security of capital and liquidity before obtaining an appropriate level of return which is consistent with the Council's risk appetite. In the current economic climate, the Council's risk appetite remains relatively low, with the treasury section looking to take advantage of the fluctuations in rates offered by Local Authorities and Financial Institutions to lock in favourable rates without the need to take on significant additional risk.

8.2 As at 30 September 2018 the Council held £300.2m in cash, with £163.9m invested with Local Authorities, £130.8m held in deposits with banks and £5.5m invested with Barking Riverside Limited.

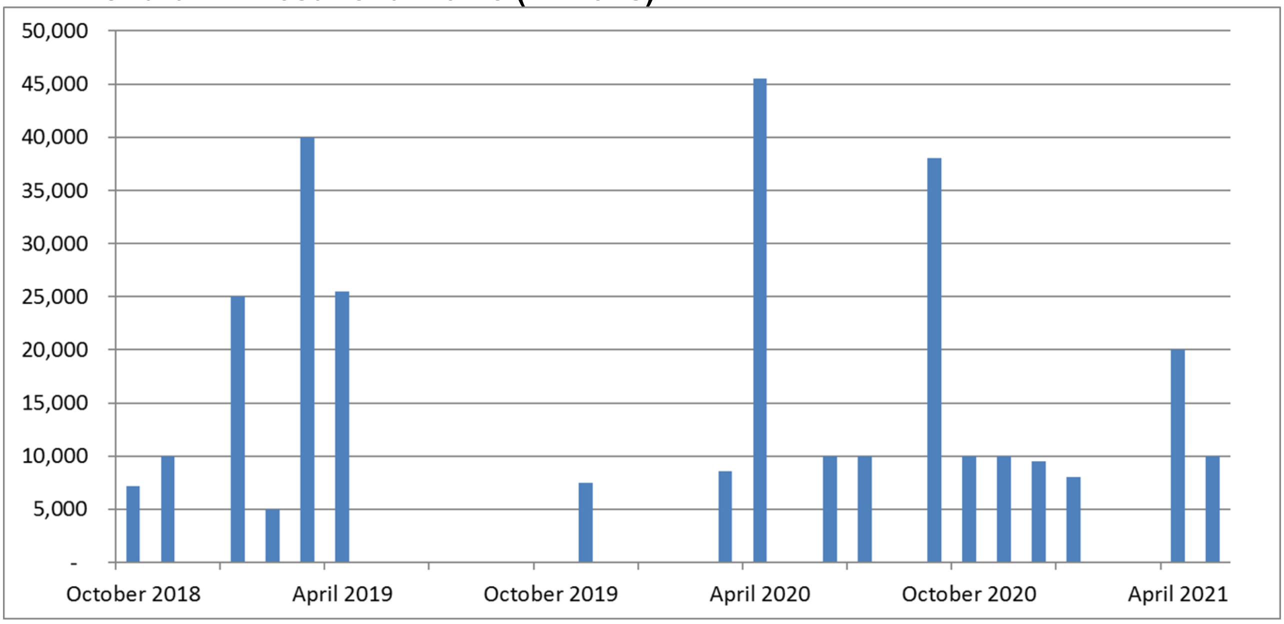
8.3 In addition the Council has several direct residential property investments through Reside, including Abbey Road 2 and Weavers. These investments are effectively loans from the Council to Reside, with an agreed loan and interest repayment schedule agreed. Any additional return is paid to the Council through a dividend. As at 31 March 2018 the Council's loans to Reside were:

Table 4: Reside Loans as at 30 September 2018

Reside Company	Loan Value £000s
B&D Reside Roding	25,878
B&D Reside Regeneration	10,168
B&D Reside Weavers LLP	30,690
Total	**66,736**

8.4 The Council's investment maturity profile in Chart 3 below shows that, as at 30 September 2018, 5.72% of the Council's investments had a maturity of 60 days or less, with 37.6% having a maturity of one year or less. Spreading out the maturity of longer dated investments allows the Council to take advantage of improved rates of return while ensuring sufficient liquidity. The significant repayments expected in 2020 reflect the Council's IAS funding requirements.

Chart 4: Investment Profile (Millions)



9. Investment Strategy Performance and Benchmarking

9.1 Although yields have remained at historically low levels for much of the first half of the financial year, several opportunistic investments have resulted in a much-improved average rate of return of **1.58%** for the first six months of the year. The rate at 30 September 2018 is **1.61%** indicating that the returns for the second part of the financial year will be similar to those achieved in the first half.

9.2 Due to the Council's increased investment and capital programme, investments will continue to be made to reduce the cost of carry of any borrowing. In addition, investment will be made to match the cashflow requirements to ensure that, where significant expenditure is required, sufficient cash is available to cover this, thereby reducing the need to take out long term borrowing when rates may be elevated.

9.3 The treasury strategy, which excludes direct property investments such as through Reside, continues to significantly outperform its peer group, with a return of 1.61% against an average of 0.83% for London Local Authorities and 0.75% for the total comparable population of 199 authorities. This is highlighted in chart 3 below, where the Council significantly outperforms the high banding and other authorities.

Chart 5: Population Returns against Model Returns

	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
London Borough Of Barking & Dagenham	1.61%	1.43%	0.19%	1.38%	1.48%	Above

9.4 One of the reasons for the Council's outperformance is that its investments are, on average, for a longer duration. The main drivers behind this strategy is to minimise the cost of borrowing and also to match the funding of the Council's IAS, which requires more cash in 2019/20 and onwards when a large part of the construction payments will be made.

10. Commercial Lending

10.1 In October 2018 Members agreed a new IAS asset class of commercial lending to enable regeneration up to an allocated value of £200 million. Providing commercial lending will allow the Council to, where appropriate, support private-sector led regeneration schemes within the borough, which contribute to the Council's strategic investment and regeneration objectives.

10.2 This is potentially a complex investment activity for the Council, which will require specialist advice, with each agreement made on a case by case basis. External advice will be commissioned to produce a commercial lending evaluation process and procedure to ensure that lending decisions are made on market normative terms. A commercial lending policy will be produced to establish detailed lending and underwriting criteria and will be included in the 2019/20 Treasury Management Strategy Statement as part of the Council's investment strategy.

10.3 The commercial lending policy will include:

i) **Commercial lending due diligence**: key commercial, legal, accounting information, risk and contract management, credit control and state aid requirements
ii) **Interest rate setting process**: process to determine commercially appropriate contract interest rate reflecting borrower, project and market risks, and state aid considerations
iii) **Loan agreement**: template term sheet and template loan provisions
iv) **Security**: template security required over borrower assets and project assets
v) **Risk Management process**
vi) **Loan management process**
vii) **Delinquent loan management process**
viii) **External support requirements**: individual project expert advice requirements
ix) Support as required from independent advisers to Investment Panel, Chief Operating Officer and / or Cabinet in reaching investment/lending decisions

11. Minimum Revenue Provision (MRP) Review

11.1 Regulations 27 and 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) require that a local authority "shall determine for the current financial year an amount of MRP which it considers to be prudent". MRP is a charge to revenue in relation to capital expenditure financed from borrowing, often referred as a provision for the repayment of debt.

11.2 Prior to 2007 the arrangements for determining debt repayment were prescriptive. In 2007, this was replaced by a system of self-regulation that aligns with the prudential code and accounting codes to allow authorities local discretion based on their own judgement as to what is prudent. The Secretary of State has issued statutory Guidance on determining the "prudent" level of MRP.

11.3 In February 2018 the Ministry of Housing, Communities and Local Government (MHCLG) published revised Guidance on Local Government and Investments and Statutory Guidance on Minimum Revenue Provision (MRP).

11.4 The definition of prudent MRP has been changed to "put aside revenue over time to cover the capital financing requirement" it cannot be a negative charge and can only be zero if the CFR is nil or negative. Guidance on asset lives has been updated, applying to any calculation using asset lives. Any change in MRP policy cannot create an overpayment; the new policy must be applied to the outstanding CFR going forward.

11.5 A review of MRP was completed in 2017 and a further review has now been completed to take into account the Council's IAS requirements. These requirements include both ensuring that, for each scheme, there is the inclusion of debt repayment in its cashflows and loan agreements but also to ensure that each scheme produces sufficient initial income to cover its costs during the initial letting phase.

11.6 A set two-year stabilisation period has therefore been included for each property investment, although it will be possible to extend this to three year in cases where there are significant pressures on a scheme's cashflow. A stabilisation period for each scheme is required to:

i. allow sufficient funds to cover any additional costs;
ii. allow the property to be fully let; and
iii. cover any initial letting and management costs.

11.7 The stabilisation period will still include interest repayment and management and maintenance costs but will not include MRP.

11.8 MRP using the annuity method will subsequently be charged over a period of 50 years for each scheme, which will allow the debt repayment to be aligned with the subsequent net rental growth. An MRP period of 25 years will be used for modular / prefabricated properties. This change will only impact properties within the Council's IAS and, in most cases, this will involve the transfer of the property to Reside and for the MRP to be reflected in the loan agreement with Reside.

11.9 Appendix 1 includes the revised MRP, with the amended wording shown in paragraphs 19 and 20 of that document.

12. The Council's Capital Position (Prudential Indicators)

12.1 Prudential Indicator for Capital Expenditure

Table 3 shows the changes to the original capital expenditure budgets. Table 3 also highlights the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure.

The borrowing need increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

The increase in revised budget when compared to the original budget revised, as outlined in table 3 below, is mainly due to the addition to the capital programme of the Street Purchases and Land Acquisition Programmes.

Table 3: Revised Estimate to Capital Programme as at 30 September 2018

Capital Expenditure by Service	Feb 2018 Cabinet Budget £000	Sep 2018 Revised Budget £000
Care & Support	400	1,618
Community Solutions	50	349
Core	100	2,652
Education, Youth and Childcare	52,937	52,572
Enforcement	5,432	7,916
Culture, Heritage and Recreation	3,796	4,480
Investment Strategy	0	693

Growth and Homes & Regeneration	61,061	75,645
Public Realm	706	1,581
SDI Commissioning	450	3,190
Transformation	2,372	7,793
Unallocated and Gascoigne Estate Phase 1	5,912	0
HRA	82,730	90,352
Finance Lease & PFI Additions	88	88
Approved Capital Programme	**216,034**	**248,929**
Financed by:		
Capital Grants	38,415	58,536
Section 106	0	0
Revenue Contributions	990	900
Capital Receipts	25,698	163
HRA Contributions	79,804	90,352
Sub-Total	**144,908**	**149,951**
Net financing need for the year	**81,620**	**98,978**

12.2 **Prudential Indicator – CFR**

Table 4 shows that the Council's revised CFR will not exceed the Operational boundary. The COO reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

The Authorised Limit represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Table 4: Revised Capital Financing Requirement as at 30 September 2018

	2018/19 Original Estimate £000s	**2018/19 Revised Estimate £000s**
Prudential Indicator – Capital Financing Requirement		
CFR – General Fund	285,395	293,739
Reside 1	90,212	90,212
Reside 2	100,504	100,504
CFR – Housing	278,472	278,472
Total CFR	**754,583**	**762,927**
Net movement in CFR	**62,268**	**87,688**
Long Term Borrowing	662,302	691,952
Other long-term liabilities	55,245	55,245
Total debt 31 March	717,547	747,197
Operational Boundary	**1,002,000**	**1,002,000**
Authorised Limit	**1,102,000**	**1,102,000**

12.3 **Treasury Indicators: Limits to Borrowing Activity**

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

i. Upper limits on variable interest rate exposure: identifies a maximum limit for variable interest rates based upon the debt position net of investments;

ii. Upper limits on fixed interest rate exposure: is similar to the previous indicator and covers a maximum limit on fixed interest rates; and

iii. Maturity structure of borrowing: gross limits to reduce the Council's exposure to large fixed rate sums requiring refinancing.

The COO reports that there were no breaches in any of the limits outlined below:

Interest rate exposures	**2018/19**	**2019/20**	**2020/21**
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	70%	70%	70%
Limits on fixed interest rates: • ***Debt only*** • ***Investments only***	 100% 90%	 100% 90%	 100% 90%
Limits on variable interest rates • ***Debt only*** • ***Investments only***	 70% 80%	 70% 80%	 70% 80%

Maturity structure of fixed interest rate borrowing 2018/19		
	Lower	**Upper**
Under 12 months	0%	40%
12 months to 2 years	0%	60%
2 years to 5 years	0%	70%
5 years to 10 years	0%	70%
10 years and above	0%	100%

Maturity structure of variable interest rate borrowing 2018/19		
	Lower	**Upper**
Under 12 months	0%	40%
12 months to 2 years	0%	40%
2 years to 5 years	0%	70%
5 years to 10 years	0%	70%
10 years and above	0%	80%

13. Consultation

13.1 The Chief Operating Officer, in her role as statutory chief finance officer, has been informed of the approach, data and commentary in this report.

14. Financial Implications

Implications completed by: Katherine Heffernan, Group Manager, Service Finance

14.1 This report sets out the mid-year position on the Council's treasury management position and is concerned with the returns on the Council's investments as well as its short and long-term borrowing positions.

15. Legal Implications

Implications completed by: Dr. Paul Feild, Senior Governance Lawyer

15.1 The Local Government Act 2003 (the "Act") requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

15.2 The Council also has to 'have regard to' the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out its functions under the Act.

15.3 A report setting out the Council's strategies in accordance with the Act was presented to Cabinet in February 2018. This report is a midyear review of the strategy's application and there are no further legal implications to highlight.

16. Options Appraisal

16.1 There is no legal requirement to prepare a Treasury Management Strategy Statement Mid-Year Review; however, it is good governance to do so and meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

17. Other Implications

17.1 **Risk Management** - The whole report concerns itself with the management of risks relating to the Council's cash flow. The report mostly contains information on how the Treasury Management Strategy has been used to maximise income during the first 6 months of the year.

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

- Appendix 1: Minimum Revenue Provision Review
- Appendix 2: Investments as at 30th September 2018