BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Head of Corporate Resources	**Report Number: JAC38**
To: Joint Audit and Standards Committee	**Date of meeting: 10 November 2014**

MID YEAR REPORT ON TREASURY MANAGEMENT 2014/15

1. Purpose of Report

1.1 The Code of Practice on Treasury Management requires local authorities to present a mid-year report on treasury management activity to those Members charged with scrutinising this area of activity. This report fulfils that requirement and sets out treasury management activity for the first half of 2014/15.

2. Recommendations to Council

2.1 That it be noted that treasury management activity for the first six months of 2014/15 was in accordance with the approved Treasury Management Strategy and that both Councils have complied with all Prudential Indicators for this period.

2.2 That the Treasury Management Strategy be amended to allow investment in banks and other organisations whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is BBB+. (Maximum investment per institution £0.5m; time limit 100 days).

2.3 That the Treasury Management Strategy be amended to lower the maximum investment in banks and other organisations whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is A- or higher from £2m to £1m.

These recommendations are to each Full Council.

3. Financial implications

3.1 As outlined in this report.

4. Risk Management

4.1 This report is not directly linked with any of the Councils' Corporate / Significant Business Risks. Key Treasury Management risks are set out below:

Risk description	Likelihood	Impact	Mitigation measures
Changes to the Bank of England base rate affecting borrowing / lending rates. The bank base rate was predicted to remain low throughout the year, and remains at these levels.	1 Rare or Never (in 2014/15)	2 Noticeable	Borrowing at fixed rates when rates are low. Regular review of long term versus short term rates.
Banks / building societies interest rate levels. These change to reflect economic conditions and affect lending rates.	2 Occasional	2 Noticeable	Daily treasury management activity includes looking at rates when investing surplus funds.
Liquidity risk: access to cash.	2 Occasional	2 Noticeable	Investments in money market funds and call accounts can be accessed at short notice.

5. Consultations

5.1 Quarterly joint meetings have taken place with our Treasury advisors, Arlingclose, who provide important updates on treasury management issues as they arise.

6. Equality and Diversity Impact

6.1 There are no equality and diversity implications, as the contents and recommendations of this report do not impact on those with protected characteristics.

7. Shared Service / Partnership Implications

7.1 This is a joint report on activity. Both Councils' treasury management strategy and operations are handled by the integrated in-house finance team.

8. Key Information

8.1 The Treasury Management Strategies for each Council for 2014/15 were approved at Full Council, on 25 February 2014 for Babergh (BDC) and 27 February 2014 for Mid Suffolk (MSDC). The reports can be accessed on:

Babergh:
http://bdcdocuments.onesuffolk.net/assets/Uploads/Committees/Committee-Reports/Reports-2013-14/N102R.pdf

Mid Suffolk:
http://apps.midsuffolk.gov.uk/CMISWebPublic/Binary.ashx?Document=13179

8.2 The Joint Treasury Management outturn report for 2013/14 was presented to Members at the Audit Committee on 23 September 2014 for Babergh and 25 September for Mid Suffolk.

8.3 The Councils set their Prudential Indicators in February 2014 as part of the Treasury Management Strategy Statement. Appendix E shows the position on key Prudential Indicators for the first six months of 2014/15. Both Councils can confirm that they have complied with all Prudential Indicators for 2014/15 to date.

8.4 Other key points relating to activity for the first half of the year are set out below:

- Strong performance of the UK economy continued with output growing at 0.8% in Q1 2014 and at 0.9% in Q2
- The annual CPI inflation rate fell to 1.2% year-on-year in September
- The MPC (Monetary Policy Committee) has made no change to the Bank Rate of 0.5%. However, in his Mansion House speech in June Governor Mark Carney warned that interest rates might rise sooner than financial markets were expecting
- Investment of surplus funds (see further details in section 8.7 below) - as market conditions and credit ratings have changed during the year, institutions that we are happy to lend money to have either to be taken off or added to the list of counterparties:

  Taken off: National Westminster Bank, Royal Bank of Scotland and Nordea Bank.

  Added: None
- Credit risk scores were within the benchmark A- credit ratings
- MSDC short-term debt reduced by £4.5m due to income exceeding expenditure in the first half of the year, which is the normal cash flow profile
- No new long-term external borrowing.

8.5 In relation to borrowing, Babergh expects to have sufficient internal resources to fund its capital programme until March 2015. However, Mid Suffolk's estimated external borrowing requirement is up to £7.2m in 2014/15. This is to finance the capital programme and to refinance a PWLB loan of £4m that is repayable in January 2015.

8.6 Mid Suffolk District Council holds £4m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. Although lenders are unlikely to exercise their options in the current interest rate environment, they are in certain circumstances, prepared to consider repayment. This will be looked at in the second half of 2014/15 with our treasury advisors.

8.7 In terms of the investment of surplus funds, Appendix C sets out the issues that are impacting on current and future activity:

- In relation to credit ratings, the credit ratings agencies have taken the view that potential extraordinary government support available to banks' senior unsecured bondholders will be likely to diminish within its two-year rating horizon for investment-grade entities. In April 2014, Standard & Poor’s revised the Outlook of Barclays, Credit Suisse and ING Bank from Stable to Negative (note, this is not the same as a rating review negative). They remain on our lending list.

  In May, Moody’s also changed the outlook from stable to negative for 82 European banks and building societies and from positive to stable for two European banks. The institutions affected on the Council’s lending list are the Nationwide Building Society, Svenska Handelsbanken and Bank Nederlandse Gemeenten.

  Section 1.9 of Appendix C summarises the impact of the above on the current counterpart investment list.

- In addition, regulatory changes approved by the European Parliament (see Appendix C, paragraph 1.8) mean that in the event of a bank defaulting in future, any losses borne by public sector bodies from either a bail-in or insolvency process will be larger than they would have been otherwise since there will be fewer creditors among which to share the losses. The risk of default is, however, extremely low.

8.8 As a result of the further issues set out in Appendix D and based on the advice on options from the Council’s treasury advisors, it is proposed that:

(a) The Treasury Management Strategy should be amended to allow investment in banks and other organisations whose lowest published long-term credit rating from Fitch, Moody’s and Standard & Poor’s is BBB+. (Maximum investment per institution £0.5m; time limit 100 days)

(b) The Treasury Management Strategy should be amended further to lower the maximum investment in banks and other organisations whose lowest published long-term credit rating from Fitch, Moody’s and Standard & Poor’s is A- or higher from £2m to £1m.

9. Summary

9.1 This report meets the requirements of the CIPFA Code of Practice by providing Members with a summary report of the treasury management activity for the first half of 2014/15.

9.2 A prudent approach, in accordance with the approved strategy and the CIPFA Code of Practice, has continued in relation to investment activity, with priority being given to security and liquidity over yield.

9.3 Further information is provided in the Appendices A to F attached.

10. Appendices

Title	Location
(a) Background, Economy and Outlook	Attached
(b) Debt Management	Attached
(c) Investment Activity	Attached
(d) Treasury Management Strategy 2014/15 Update	Attached
(e) Prudential Indicators	Attached
(f) Glossary	Attached

11. Background Documents

None.

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Appendix A: Background, Economy and Outlook

1.0 Background

1.1 Both Councils' Treasury Management Strategies for 2014/15 is underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year.

1.2 The Code also recommends that Members are informed of Treasury Management activities at least twice a year. This report therefore ensures the Councils are embracing best practice in accordance with CIPFA's recommendations.

1.3 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."

1.4 In addition to reporting on risk management related to treasury activities, the Treasury Management Code also requires the Councils to report on any financial instruments entered into to manage treasury risks.

1.5 The instruments and the limits with individual counterparties approved in the 2014/15 Treasury Management Strategy of each Council are aligned and are as follows:

Type of instrument	BDC and MSDC limit
Deposits with banks and building societies	£2m
AAA rated money market funds	£2m
Deposits with other local authorities	£2m
Treasury bills	No limit
Debt Management Account Deposit Facility	No limit

1.6 In terms of which banks and building societies are included on the Councils' counterparty list, the advice of our treasury management advisors Arlingclose is used. As market conditions and credit ratings change during the year, institutions are either taken off or put on the list of counterparties that we are happy to lend money to.

1.7 In practice, the Councils do not have the size of deposit that interests the major banks and building societies, so on a daily basis it is usually money market funds, short-term deposits and call accounts that are used to make short term investments.

2.0 Economy

2.1 The recent strong performance of the UK economy continued with output growing at 0.8% in Q1 2014 and at 0.9% in Q2. On the back of strong consumption growth, business investment appeared to be recovering quickly, albeit from a low base. The annual CPI inflation rate fell to 1.2% year-on-year in September.

2.2 Revisions to the GDP methodology mean that growth is now estimated to be 2.7% above its pre-recession peak in Q1 2008 rather than just 0.2% higher, the general theme being that the recession was not as deep and the recovery was earlier than initially estimated. In anticipation of these revisions, the (Monetary Policy Committee) MPC has forecast growth at 3.4% in 2014.

2.3 The MPC has made no change to the Bank Rate of 0.5% and maintained asset purchases at £375bn. However, in his Mansion House speech in June Governor Mark Carney warned that interest rates might rise sooner than financial markets were expecting. The MPC emphasised that when the Bank Rate did begin to rise, it was expected to do so only gradually and would be likely to remain below average historical levels for some time to come.

3.0 Market Reaction

3.1 Gilt yields have continued to decline and hit a financial year low at the end of August, before moving upwards before the Scottish referendum. What has driven yields lower is a combination of factors but the primary drivers have been the escalation of geo-political risk within the Middle East and Ukraine alongside the slide towards deflation within the Eurozone

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The latest forecast for bank rates from our advisors Arlingclose is below:

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Official Bank Rate											
Upside Risk	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50
Downside Risk				0.25	0.25	0.5	0.5	0.75	0.75	1.00	1.00

Appendix B: Debt Management

1.1 The table below shows the level of activity on short and long term borrowing between 1st April and 30th September 2014:

BDC (£'000)	Balance 01/04/14	New borrowing	Debt repaid	Balance 30/09/14	Increase/ (Decrease)
Short term	0	0	0	0	0
Long term	88,297	0	(250)	88,047	(250)
Total borrowing	88,297	0	(250)	88,047	(250)

MSDC (£'000)	Balance 01/04/14	New borrowing	Debt repaid/ maturing	Balance 30/09/14	Increase/ (Decrease)
Short term	10,500	28,000	(32,500)	6,000	(4,500)
Long term	80,713	0	(112)	80,601	(112)
Total borrowing	91,213	28,000	(32,612)	86,601	(4,612)

1.2 The tables above show that all new borrowing for Mid Suffolk for the first six months of 2014/15 has continued to be short term in order to take advantage of the relatively low rates. The level of short-term borrowing has reduced though, as it normally does in the first 6 months of the year, due to Council Tax and other income exceeding expenditure.

1.3 The reduction in temporary debt has only slightly changed the total debt portfolio of Mid Suffolk, as shown below:

	BDC	**MSDC**
Average Interest Rate 31/03/14 (%)	3.27	3.58
Average Interest Rate 30/09/14 (%)	3.27	3.74
Average life of loans (years)	18	21

1.4 Babergh did not borrow any monies short term between April and September 2014. Mid Suffolk borrowed short term monies from other local authorities between April and September 2014 at interest rates between 0.27% and 0.45%. The total of short term loans held by Mid Suffolk at 30 September 2014 was £6m.

1.5 ***LOBOs*:** Mid Suffolk District Council holds £4m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. Although lenders are unlikely to exercise their options in the current interest rate environment, they are in certain circumstances, prepared to consider repayment. This will be looked at in the second half of 2014/15 with our treasury advisors.

1.6 ***PWLB Certainty Rates***: The Councils qualify for borrowing at the 'Certainty Rate' (0.20% below the PWLB standard rate) for a 12 month period from 1st November 2013. In April both Councils submitted applications to the CLG along with the 2014/15 Capital Estimates Return to access this reduced rate for a further 12 month period from 1st November 2014.

1.7 Where possible both Councils make use of internal resources (surplus funds) instead of external borrowing to fund their capital expenditure as this lowers the overall treasury risk by reducing both external debt and temporary investments.

1.8 Babergh expects to have sufficient internal resources to fund its capital programme until March 2015.

1.9 However, Mid Suffolk estimates a borrowing requirement of up to £7.2m in 2014/15. This is to finance the capital programme and to refinance a PWLB loan of £4m that is repayable in January 2015.

1.10 The Councils' chief objective when borrowing continues to be striking an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. As short term interest rates have remained, and are likely to remain lower than long-term rates at least over the next two years, it is likely to be more cost effective for Mid Suffolk to borrow short term loans.

Appendix C: Investment Activity

1.1 The Guidance on Local Government Investments in England gives priority to security and liquidity and the Councils' aim is to achieve a yield in line with these principles.

1.2 The table below shows the activity on investments between 1 April 2014 and 30 September 2014. During this period both Councils have only made short term investments.

Investments (all short term) £'000	**Balance on 01/04/2014**	**Investments made**	**Investments Repaid**	**Balance on 30/09/2014**	**Increase/ (Decrease) in investments**
BDC	7,900	33,825	29,725	12,000	4,100
MSDC	2,027	28,577	30,604	0	(2,027)

1.3 Investments held by Babergh increased from £7.9m at 1 April 2014 to £12m at 30 September 2014. Interest receivable for the period was £35,739 and the average interest rate was 0.47%.

1.4 Investments held by Mid Suffolk decreased from £2.027m at 1 April 2014 to £0m at 30 September 2014. Interest receivable for the period was £5,415 and the average interest rate was 0.43%.

1.5 ***Budgeted Income and Outturn***: The UK Bank Rate has been maintained at 0.5% since March 2009 and is not expected to rise until 2015/16. Short-term money market rates have remained at very low levels for investments, (see table below). The anticipated interest receivable for 2014/15 is as follows:

£'000	**BDC**	**MSDC**
Average money market rate	0.38%	0.38%
Budget for 2014/15	46	12
Predicted Outturn for 2014/15	50	12

Note - The predicted outturn reflects lower anticipated cash balances in the second half of the year due to capital expenditure commitments and lower council tax income in February and March 2015.

1.6 ***Security of capital***: This remains the Councils main investment objective. This has been maintained by following the Councils counterparty policy as set out in its Treasury Management Strategy Statement for 2014/15. New investments can be made with the following institutions and instruments for both councils unless specified otherwise:

- Other Local Authorities;

- AAA-rated Stable Net Asset Value Money Market Funds;
- Deposits with banks and building societies;
- Deposits with the Debt Management Account Deposit Facility; and
- Treasury Bills.

1.7 Counterparty credit quality is assessed and monitored with reference to:

- Credit ratings, the Councils minimum long-term counterparty rating of A- (or equivalent) across rating agencies Fitch, Standard and Poor's and Moody's;
- credit default swaps;
- GDP of the country in which the institution operates;
- the country's net debt as a percentage of GDP;
- sovereign support mechanisms /potential support from a well-resourced parent institution;
- share price.

1.6 Credit (Security) Risk: The aim is to have an average credit rating of A- or higher, with a score of 7 or lower, to reflect the current investment approach with the main focus being on security of the investment.

BDC	**Value Weighted Average – Credit Risk Score**	**Value Weighted Average – Credit Rating**	**Time Weighted Average – Credit Risk Score**	**Time Weighted Average – Credit Rating**
31/03/2014	5.85	A	6.09	A
30/06/2014	4.83	A+	5.97	A
30/09/2014	4.45	AA-	6.07	A

MSDC	**Value Weighted Average – Credit Risk Score**	**Value Weighted Average – Credit Rating**	**Time Weighted Average – Credit Risk Score**	**Time Weighted Average – Credit Rating**
31/03/2014	5.92	A	5.44	A+
30/06/2014	5.67	A	5.67	A
30/09/2014	5.67	A	5.67	A

Scoring
Value weighted average reflects the credit quality of investments according to the size of the deposit. Time weighted average reflects the credit quality of investments according to the maturity of the deposit.
AAA = highest credit quality = 1
D = lowest credit quality = 26

1.8 ***Investment/Counterparty Update:*** The European Parliament approved the EU Bank Recovery and Resolution Directive (BRRD) on April 15, 2014. This will be implemented in the UK from 1st January 2015 and ranks the rights of the UK's Financial Service's Compensation Scheme (FSCS) depositors above those of other unsecured creditors in the event of insolvency.

In addition, in April 2014, the European Parliament also approved the Deposit Guarantee Schemes Directive (DGSD). This will affect the operation and funding of the UK's FSCS from July 2015. One of the main changes is that all non-financial private sector organisations will now be eligible for compensation, rather than just small businesses as before. However, public sector and financial organisations, including pension funds and money market funds, will remain ineligible for compensation.

These changes will not increase the probability of any bank defaulting, but they will increase the loss in the event of default. Losses from either a bail-in or insolvency process will be larger than they would have been otherwise since there will be fewer creditors among which to share the losses.

In relation to credit ratings, the credit ratings agencies have taken the view that potential extraordinary government support available to banks' senior unsecured bondholders will be likely to diminish within its two-year rating horizon for investment-grade entities. In April Standard & Poor's revised the Outlook of Barclays, Deutsche Bank, Credit Suisse and ING Bank from Stable to Negative (note, this is not the same as a rating review negative). In May, Moody's also changed the outlook from stable to negative for 82 European banks and building societies from positive to stable for two European banks. The institutions affected on the Council's lending list are Nationwide Building Society, Svenska Handelsbanken and Bank Nederlandse Gemeenten. On the advice of the Council's treasury advisors, the duration of new investments with a number of counterparties has been reduced from 12 months to 6 months and from 6 months to 100 days.

Banks in the UK and EU face stress tests this autumn, which may result in some institutions having to additionally bolster their buffers. The extent to which this might be required and the form they will have to take casts uncertainty over capital requirements in the system.

1.9 The institutions on both Councils' investment counterparty list, based on latest Arlingclose advice, are:

Institution	Maximum period for investment
Close Brothers, Goldman Sachs International, Leeds Building Society and Barclays Bank	100 days
Lloyds TSB and Bank of Scotland, HSBC Bank, Standard Chartered Bank, Nationwide Building Society, Australia & New Zealand Banking Group, Commonwealth Bank of Australia, National Australia Bank, Westpac Banking Group, Royal Bank of Canada, Toronto-Dominion Bank, Bank Nederlandse Gemeenten NV (BNG), Rabobank and Svenska Handelsbanken	6 months

1.10 Since the Treasury Management Strategies were approved in February 2014 National Westminster Bank, Royal Bank of Scotland and Nordea Bank have been removed from the list of approved counterparties and maximum periods for investment reduced.

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Appendix D: Treasury Management Strategy 2014/15 Mid-Year Update

1.1 The UK is implementing the final bail-in provisions of the EU Bank Recovery and Resolution Directive to commence in January 2015, a year ahead of most other countries. Credit rating agencies have stated they plan to review EU banks' ratings in line with each country's implementation of the directive. Many UK banks have standalone ratings in the "BBB" category, with uplifts for potential government support taking them into the "A" category. There is therefore a realistic risk that some major UK banks' credit ratings will fall below A- this financial year if this uplift is removed.

1.2 Councils have two broad options to respond to this risk:

(a) Amend the Treasury Management Strategy to allow investment in lower rated banks, or
(b) Prepare to invest without using any of the major UK banks.

1.3 If option (a) is followed, the Councils' treasury advisors recommend a maximum of £0.5m should be invested for up to 100 days with banks and other organisations whose lowest published long term credit rating from Fitch, Moody's and Standard & Poor's is BBB+.

In practice the number of institutions that would accept term deposits for this relatively low value will be small. In the case of Babergh this would mean that more funds would need to be placed with the DMADF at a lower rate of return than that currently earned and so would reduce investment income. The impact on the investment approach of Mid Suffolk would be minimal as it has relatively small sums to invest. Alternative investment opportunities will be explored including the possibility of opening more call accounts and the CCLA Local Authorities Property Fund.

1.4 If option (b) is followed, the Councils may, in the near future, be in a position where all UK banks have a credit rating below the current minimum specified in the Treasury Management Strategy of A- meaning that no new monies could be placed with them (including surplus balances in Lloyds Bank).

To maximise security of capital the maximum investment in any one institution rated A- or higher should be reduced from the current level of £2m to £1m.

It is recommended that option (a) is adopted. It is also recommended that the maximum investment in institutions with credit ratings of A- or higher is reduced from £2m to £1m.

1.5 The Councils may hold specified and non-specified investments. Specified investments are those of high credit quality. The definition of high credit quality will continue to relate to an institution which has a long term credit rating of A- or above. This definition of high credit quality will, therefore, not change. However, institutions with a BBB+ credit rating will be classified as non-specified investments.

1.6 The position will be reviewed further when preparing the 2015/16 Treasury Management Strategy.

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Appendix E: Prudential Indicators

1.1 Capital Financing Requirement

Estimates of the Councils cumulative maximum external borrowing requirement for 2013/14 and 2014/15 are shown in the table below:

BDC	31/03/2014 Actual £000	31/03/2015 Estimate £000
Capital Financing Requirement	94,964	94,732
Less: Existing Profile of Borrowing	88,297	87,797
Cumulative Maximum External Borrowing Requirement	6,667	6,935

MSDC	31/03/2014 Actual £000	31/03/2015 Estimate £000
Capital Financing Requirement	101,800	109,046
Less: Existing Profile of Borrowing	91,213	86,487
Cumulative Maximum External Borrowing Requirement	10,587	22,559

Both Councils are well within the approved capital financing requirement. The 2014/15 estimates will be revised to actual figures.

1.2 Authorised Limit and Operational Boundary for External Debt

The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached. The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent, but not worst case scenario without the additional headroom included within the Authorised Limit. The Authorised Limit and Operational Boundary for 2014/15 are as follows:

£'000	**Authorised Limit**	**Operational Boundary**	**Peak Borrowing up to 30/09/14**
BDC	104,000	102,000	88,297
MSDC	111,000	109,000	91,213

The Section 151 Officers confirm that there were no breaches to the Authorised Limit and the Operational Boundary in the year to end of September.

1.3 Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments. The limits for 2014/15 mean that both Babergh and Mid Suffolk can have up to 100% of loans / investments at a fixed rate and up to 100% of investments at variable rate. However, a maximum of 30% of loans can be at a variable rate.

Limits for 2014/15 %	**BDC**	**MSDC**
Upper limit for fixed rate exposure	100	100
Compliance with limits:	Yes	Yes
Upper limit for variable rate exposure on debt	30	30
Upper limit for variable rate exposure on investments	100	100
Compliance with limits:	Yes	Yes

1.4 Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

BDC **Maturity Structure of Fixed Rate Borrowing**	**Upper Limit %**	**Lower Limit %**	**Actual Fixed Rate Borrowing as at 30/09/13 £000s**	**% Fixed Rate Borrowing as at 30/09/13**	**Compliance with set limits?**
Under 12 months	50	0	500	0.56	Yes
12 to < 24 months	50	0	500	0.56	Yes
24 months to < 5 years	50	0	1,500	1.7	Yes
5 years to <10 years	10	0	1,300	1.4	Yes
10 years and above	100	0	84,747	95.71	Yes

MSDC **Maturity Structure of Fixed Rate Borrowing**	**Upper Limit %**	**Lower Limit %**	**Actual Fixed Rate Borrowing as at 30/09/13 £000s**	**% Fixed Rate Borrowing as at 30/09/13**	**Compliance with set limits?**
Under 12 months	30	0	12,000	13.5	Yes
12 to < 24 months	40	0	4,213	4.7	Yes
24 months to < 5 years	60	0	1,319	1.5	Yes
5 years to <10 years	60	0	2,400	2.7	Yes
10 years and above	100	0	69,037	77.6	Yes

1.5 Total Principal Sums Invested for Periods Longer than 364 Days

This indicator allows the Councils to manage the risk inherent in investments longer than 364 days.

Neither council had investments longer than 364 days in the six month period to 30 September 2014.

1.6 HRA Limit on Indebtedness

This purpose of this indicator is for the Council to report on the level of the limit imposed at the time of implementation of self-financing by the Department for Communities and Local Government. The table below shows that the Councils are within this indicator.

BDC **HRA Limit on Indebtedness**	**31/03/2014 Actual £000s**	**31/03/2015 Estimate £000s**
HRA CFR	88,848	88,348
HRA Debt Cap (as prescribed by CLG)	97,849	97,849
Difference	9,001	9,501

MSDC **HRA Limit on Indebtedness**	**31/03/2014 Actual £000s**	**31/03/2015 Estimate £000s**
HRA CFR	86,759	86,759
HRA Debt Cap (as prescribed by CLG)	90,851	90,851
Difference	4,092	4,092

Appendix F

Glossary of Terms

Annuity	Annuity or Equal Repayments. Fixed rate loans repayable by fixed half-yearly instalments to include principal and interest.
CFR	Capital Financing Requirement. The underlying need to borrow to finance capital expenditure.
CIPFA	The Chartered Institute of Public Finance and Accountancy. This is the leading professional accountancy body for public services.
CPI	Consumer Price Index. This measures changes in the price level of consumer goods and services purchased by households.
DMADF	Debt Management Account Deposit Facility.
EIP	Equal Instalments of Principal. Fixed rate loans repayable by equal half-yearly instalments of principal together with interest on the balance outstanding at the time.
HRA	Housing Revenue Account. The statutory account to which are charged the revenue costs of providing, maintaining and managing Council dwellings. These costs are financed by tenants' rents.
LOBO	Lender's Option Borrower's Option. This is a loan where the lender has certain dates when they can increase the interest rate payable and, if they do, the Council has the option of accepting the new rate or repaying the loan.
MPC	Monetary Policy Committee – A committee of the Bank of England which meets each month to decide the official interest in the UK. It is also responsible for other aspects of the Government's monetary policy framework such as quantitative easing and forward guidance.
PWLB	Public Works Loan Board - offers loans to local authorities below market rates.
T Bills	Treasury Bill. A short term Government Bond.

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