

Appendix 5

**ANALYSIS OF TREASURY MANAGEMENT PRUDENTIAL INDICATORS AGAINST APPROVED 2016/17 TARGETS AT END JULY 2016**

<b>TREASURY MANAGEMENT PRUDENTIAL INDICATORS</b>	<b>2016/17 LIMIT</b>	<b>As at 31/07/16</b>
	<b>£M</b>	<b>£M</b>
<b>Authorised limit for external debt -</b>		
borrowing	194	138
other long term liabilities	40	20
TOTAL	234	158
<p>This is the Statutory “affordable borrowing limit” required under section 3(1) of the Local Government Act 2003. Impending breach would require the Council to take avoiding action.</p> <p><b>Borrowing Levels are within the Authorised Limit – no action required</b></p>		
<b>Operational boundary for external debt -</b>		
borrowing	167	138
other long term liabilities	40	20
TOTAL	207	158
<p>This is the most likely, but not worst case scenario for day-to-day cash management purposes. This indicator provides an early warning for a potential breach in the Authorised Limit. Occasional breach of this limit is not serious but sustained breach would indicate that prudential boundaries the Council has set may be exceeded, requiring immediate Council action.</p> <p><b>Borrowing Levels are within the Operational Boundary – no action required</b></p>		
<b>TREASURY MANAGEMENT PRUDENTIAL INDICATORS</b>	<b>2016/17 LIMIT</b>	<b>As at 31/07/16</b>
<b>Limit for fixed interest rate exposure</b>	<b>%</b>	<b>%</b>
Debt	100	100
Investments	80	63
<b>Limit for variable rate exposure</b>		
Debt	30	0
Investments	75	37

The Code requires the Council to set ranges on its exposure to the effects of changes on interest rates. Fixed rate borrowing and investments can contribute to reducing the uncertainty surrounding future interest rates. However, a degree of use of variable interest rates on part of the treasury management portfolio may benefit performance. The limit for fixed rate exposure has been set to allow for the Council's entire debt to be locked in at low fixed rates. The actual proportion reflects a rising level of "locking out" funds at fixed rates prior to the anticipated fall in base rate.

The limit for variable rate exposure reflects the Council's use of notice accounts for liquidity of the investment portfolio and the external Fund manager holding

**Rate exposures are within the approved limits – no action required.**

	<b>2016/17 LIMIT £M</b>	<b>As at 31/07/16 £M</b>
<b>Upper limit for total principal sums invested for over 364 days</b> (per maturity date)	51	13

The purpose of this indicator is to contain the Council's exposure to the possibility of losses that might arise as a result of it having to seek early repayment or redemption of principal sums invested. The 2016/17 includes funds administered by the external fund manager. In practice this sum can be realised at short notice but is included within this Indicator as there would be a risk of negative impact on the fund yield.

**The position above represents round 21% of the total portfolio held in longer term investments.**

<b>Maturity structure of fixed rate borrowing during 2016/17</b>	<b>Upper limit</b>	<b>lower limit</b>	<b>As at 31/07/16</b>
Up to 10 years	50%	5%	17%
10 to 20 years	50%	5%	15%
20 to 30 years	60%	10%	28%
30 to 40 years	50%	10%	27%
Over 40 years	50%	0%	13%

The Prudential Code is designed to assist authorities avoid large concentrations of fixed rate debt that has the same maturity structure and would therefore need to be replaced at the same time.