TRAFFORD COUNCIL

Report to:	**Accounts & Audit Committee 20 June 2018** **Executive 25 June 2018** **Council Meeting 25 July 2018**
Report for:	**Information & Decision**
Report of:	**The Executive Member for Finance and the Chief Finance Officer**

Treasury Management Annual Performance 2017/18 Report

Summary

This report outlines the treasury management activities undertaken during 2017/18, key issues are as follows:

- There has been full compliance with all legislative and regulatory requirements, including all treasury management prudential indicators;
- The average level of external debt and interest rate payable for 2017/18 was £118.4m and 5.11% compared to 2016/17 when the respective figures were £105.2m & 5.67%;
- The average level of all investments for 2017/18 was £77.6m with a rate of return of 0.82%, for 2016/17 this was £105.6m and 0.87% respectively;
- Budget savings of £(2.3)m in net treasury management costs were achieved due primarily due to increase MAG share dividend being received.

Recommendations

That the Accounts & Audit Committee and Executive advise the Council:

- Of the Treasury Management activities undertaken in 2017/18;
- That no prudential limits were breached during 2017/18;
- That there was full compliance with both the CIPFA Code of Practice on Treasury Management and CIPFA Prudential Code for Capital Finance;
- To approve the revised Prudential Indicator for Maturity Structure of Borrowing shown at paragraph 7.3

Contact person for background papers:
Graham Perkins – Technical Accountant - Extension: 4017

Background papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	The treasury management net outturn was £1.5m which was £(2.3)m below the original budget set of £3.8m. The main reason for this saving was primarily due to additional MAG share dividend received of £(2.2)m.
Legal Implications:	All actions undertaken during the year were in accordance with legislation, CLG Guidance, CIPFA Prudential Code and CIPFA Treasury Management Code of Practice.
Equality/Diversity Implications	Not applicable
Sustainability Implications	Not applicable
Staffing/E-Government/Asset Management Implications	Not applicable
Risk Management Implications	The monitoring and control of risk underpins all treasury management activities. The Council's in-house treasury management team continually monitor to ensure that the main risks associated with this function of adverse or unforeseen fluctuations in interest rates are avoided and security of capital sums are maintained at all times.
Health and Safety Implications	Not applicable

1. INTRODUCTION AND BACKGROUND

1.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2017/18. This report 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).

1.2 During 2017/18, the Accounts & Audit Committee together with the Executive and Full Council received the following three reports:

- annual treasury strategy for the year ahead (issued February 2017);
- mid-year update report (issued November 2017);
- annual outturn report describing the activity undertaken (June 2018 i.e. this report).

1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

1.4 I can confirm that the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Accounts & Audit Committee before they were reported to the full Council has been complied with.

1.5 The figures in this report are based on the actual amounts borrowed and invested and as such will differ from those stated in the final accounts which are shown in compliance with International Financial Reporting Standards.

1.6 The report comprises of the following sections:

- Major Economic Headlines 2017/18 (Section 2);
- Treasury Position (Section 3);
- Borrowing Position (Section 4);
- Investment Position (Section 5);
- Related Treasury Issues (Section 6);
- Prudential and Performance indicators (Section 7);
- 2017/18 Summary Outturn position (Section 8)
- Appendices.

2. MAJOR ECONOMIC HEADLINES 2017/18

2.1 A brief summary of the main events which occurred during the year are highlighted below for reference;

USA

- Overall growth continues to be volatile and in 2017 was 2.3% compared to 1.6% in 2016;
- The Federal Reserve continued to raise the central rate which ended the year in the range of 1.50% – 1.75% with a further 2 more increases forecasted to occur in 2018. The bank also became the first major western central bank to make a start on unwinding Quantitative Easing;
- Unemployment fell to 4.3% in the period October to February, its lowest level in 17yrs.

EU

- Economic growth in the EU, (the UK's biggest trading partner), continues to grow with an overall Gross Domestic Product (GDP) figure for 2017 likely to be around 2.5% compared to 1.7% in 2016;
- The European Central Bank (ECB) is still struggling to get inflation up to its 2% target and in March, inflation was only 1.4% and is unlikely to start increasing rates until possibly the end of 2019.

Japan

- GDP was seen to be improving during 2017 reaching an annual figure of 1.6% compared to 1.0% in 2016;
- Inflation still remains well below the target of 2%, reaching 1.5% in February 2018;
- The Government is making little progress on fundamental reform of the economy.

China

- The world's second-largest economy reported a growth figure for 2017 of 6.9% beating both the government's target of 6.5% and the reported figure for 2016 of 6.7%, which was the weakest in 26 years.

UK

- Despite growth in the first half of 2017 being the slowest for the first half of any year since 2012, a pick-up in the second half of the year was achieved resulting in an overall annual growth rate of 1.8% which was far higher than many had initially predicted after the Brexit vote
- In response to an increased demand for exports, particularly from the EU, the UK's main trading partner, the manufacturing sector saw stronger growth.
- At its 14 September 2017meeting the Monetary Policy Committee (MPC) surprised markets and forecasters warning that Bank Rate would need to rise shortly. At its November meeting the MPC increased Bank Rate by 0.25% to 0.5%, the first increase since May 2007 with two more increases of 0.25% currently forecasted to take place by 2020.
- Consumer Price Index (CPI) began the year in April 2017 at 2.7% peaking in November at 3.1% before falling back to 2.5% in March 2018. The February 2018 MPC inflation forecast continues to predict that CPI will remain above its target rate of 2% during the next two years.
- Unemployment fell from its opening levels of 4.4% in April 2017 to 4.2% in February 2018 the lowest level since 1975,
- With the continuing uncertainty around the Brexit negotiations, consumer spending levels and business investment, it is too early to be confident about how strong growth and inflationary pressures will be over the next two years.
- A snap General Election was called in June 2017 resulting in a hung Parliament with the Conservatives together with the Democratic Unionist Party forming the UK Government.

2.2 The treasury management strategy for 2017/18 contained a forecast for interest rates and the expectation was that these were to take a minor dip from the 2016 levels with gradual rises commencing in 2018. As a result of the economic situation outlined above at paragraph 2.1 the opposite effect actually took place with rates increasing during the year as highlighted in the table below. A more detailed analysis detailing how investment rates moved during the course of 2017/18 is provided at Appendix A;

	2017/18	1 April 2017	31 March 2018	2017/18
	Forecast Average	Actual	Actual	Actual Average
	%	%	%	%
Bank Rate	0.25	0.25	0.50	0.35
Investment Rates 3 month 1 Year	 0.20 0.65	 0.21 0.59	 0.59 0.88	 0.29 0.61
Loan Rates 5 Year 25 Year	 1.10 2.40	 1.25 2.62	 1.85 2.57	 1.50 2.69

3. TREASURY POSITION

3.1 The Council's in-house Treasury Management team controls the debt and investment positions to ensure that security of funds, adequate liquidity for revenue and capital activities are maintained at all times ensuring that all associated risks connected with these activities are managed effectively.

3.2 In order to achieve these objectives, well established procedures and controls both through Member reporting and officer activity are in place and this was further highlighted when the Council's Audit & Assurance Service issued a report which for the 11th year in succession, stated that the treasury management service offered a High Level of Assurance.

3.3 The table below shows the loan and investment positons at the beginning and end of 2017/18 for reference:

	31 March 2018			31 March 2017		
	Principal (£m)	**Total (£m)**	**Interest Rate %**	**Principal (£m)**	**Total (£m)**	**Interest Rate %**
DEBT						
Fixed rate:						
-PWLB	103.3			43.4		
-Market	21.1	124.4	3.69	26.8	70.2	5.12
Variable rate:						
-PWLB	0.0			0.0		
-Market	40.0	40.0	5.73	35.0	35.0	6.17
Total debt		**164.4**	**4.19**		**105.2**	**5.47**
Capital Financing Requirement (to finance past capital expenditure)		**195.1**			**144.0**	
Over/ (under) borrowing		**(30.7)**			**(38.8)**	
INVESTMENTS						
- Fixed rate	30.8		0.78	58.4		0.62
- Variable rate	42.4		1.03	24.0		1.13
Total investments		**73.2**	**0.92**		**82.4**	**0.77**

N

Note - The main movements in the above table reflects new PWLB debt of £62.4m taken and a £5m market loan switching in accordance with the original agreement from fixed to potential variable interest rates.

3.4 Whilst the above table details the position as at the beginning and end of 2017/18, the average position for 2017/18 & 2016/17 was as follows:

	2017/18		**2016/17**	
	Principal	**Interest Rate**	**Principal**	**Interest Rate**
Average Debt	£118.4m	5.11%	£105.2m	5.67%
Average Investment	£77.6m	0.82%	£105.6m	0.87%

4. BORROWING POSITION

4.1 The Council's underlying need to borrow for capital expenditure is called the Capital Financing Requirement (CFR) and this indicates the level of the Council's indebtedness. The CFR represents capital spend not yet paid for by revenue or other resources of the Council incurred from current and prior years' activities.

4.2 To safeguard the Council's finances, the level of CFR is not allowed to rise indefinitely and statutory controls are in place to ensure that any borrowing on capital assets is charged to revenue over their useful life. This charge is in the form of an annual revenue charge, called the Minimum Revenue Provision (MRP), which reduces the CFR and effectively is a repayment of borrowing.

4.3 The Council's 2017/18 MRP Policy, (as required by CLG Guidance), was approved by Members as part of the Treasury Management Strategy Report for 2017/18 on 22 February 2017.

4.4 Due to the Council's overall financial position and the underlying need to borrow for capital purposes, particularly to fund the Council's commercial investment programme, new external borrowing of £62.4m was undertaken during 2017/18 from the PWLB. All borrowing was undertaken in conjunction with the information obtained from the Council's advisors Link Asset Services, with all loan servicing costs being met from the existing revenue provision within the Medium Term Financial Plan or from a proportion of the investment returns generated from the Council's commercial investment programme.

4.5 Before the acquisition of each commercial property has been completed a number of due diligence exercises are undertaken to ensure that the Council only completes on worthwhile properties. It is acknowledged however that as a result of possible future events beyond the Council's control, a potential risk arising from tenant default does exist. In order to overcome the effect that this would have on the Council's resources, a new risk reserve has been created which will be applied this situation and contributions will be placed into it commencing in 2018/19.

4.6 All loans were taken at competitive rates of interest thereby ensuring value for money to the local taxpayers was achieved with details of the loans taken shown at paragraph 4.10 below for reference.

4.7 Whilst £62.4m of new external loans were taken from the PWLB to fund a proportion of the Councils capital borrowing requirement, the strategy adopted in previous years of borrowing internally (using cash backed reserves) to fund its long term borrowing requirement and maturing debt will continue where no budget provision exists to meet the on-going servicing costs. This course of action continues to be widely followed by Councils nationally and is undertaken in conjunction with advice obtained from the Council's external advisers Link Asset Services.

4.8 As a consequence of this action, the Council is in an under-borrowed position by £30.7m as highlighted at paragraph 3.3 and had this level of debt been taken for 25 years on 31 March 2018, the Council would be incurring an additional £596k per year in net interest payable (£789k loan interest less £(193)k investment interest).

4.9 Interest payable for the year totalled £5.8m and this was less than budget by £0.2m due to lower than forecasted interest costs arising from the Council's variable rate loan together with other minor variations.

4.10 From the table at paragraph 3.3 it can be seen that the level of external debt increased during 2017/18 from the opening position of £105.2m to close at £164.4m as a result of the following transactions;

Lender	Principal – (Repayment) / New	Average Interest rate	Notes
PWLB	£(2,524,221)	9.339%	Natural maturity.
SALIX Finance	£(1,191,630) & £514,468	0.000%	Final tranche £514k, of the £6.3m loan was received with repayments totalling £1.2m being made. Loan to be used to part fund the LED Street Lighting Programme.
PWLB (taken November 17)	£17,000,000	2.480%	Loans taken to fund capital programme schemes and commercial investments.
PWLB (taken December 17)	£17,400,000	2.460%	Loans taken to fund commercial investment.
PWLB (taken February 18)	£10,800,000	2.520%	Loans taken to fund commercial investments.
PWLB (taken March 18)	£5,500,000	2.310%	Loans taken to fund capital programme schemes.
PWLB (taken March 18)	£11,700,000	1.740%	Loans taken to fund commercial investments.

4.10 Of the debt outstanding £164.4m, £0.8m is administered on behalf of Greater Manchester Probation Service which leaves £163.6m in respect of the Council's own long term requirement.

4.11 A maturity profile of the Council's debt can be found at Appendix B & C for reference.

4.12 No rescheduling of the Council's existing debt portfolio was undertaken during the year due to the high breakage costs (premium) payable resulting from the 1% differential between PWLB new borrowing rates and premature repayment rates.

4.13 During the course of the year and in order to fund the Council's day to day cash flow requirements, temporary borrowing was needed to be undertaken totalling £4.6m on 2 separate occasions. This was due to a number of large payments being required to be made at very short notice before funds became available from any maturing investments. The total cost incurred for this temporary borrowing was £81.

5. INVESTMENT POSITION

5.1 The Council's investment policy is governed by Ministry of Housing Communities and Local Government (MHCLG) guidance issued which has been implemented within the annual investment strategy approved by Council on 22 February 2017. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

5.2 Using this information the Council's in-house treasury management team produces an approved lending list in order to ensure investments are only placed with low risk institutions with funds being invested for a range of periods from overnight to 3 years dependant on cash flow requirements, and counterparty limits set out in the approved investment strategy.

5.3 I can confirm that during the year all investment activity conformed to the approved strategy and that the approved limits within the Annual Investment Strategy were not breached.

5.4 The Council will in line with previous years practices aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity.

5.5 During the course of the year investment rates remained weak only rising marginally after the MPC meeting in February where it was indicated that increases in Bank Rate rates would be faster than had previously been expected.

5.6 In 2017/18 the Council maintained an average balance of £72.6m of internally managed funds earning an average rate of return of 0.52% generating £378k in investment interest. This return was £93k above the agreed budget figure of £285k and 0.32% or £232k above the performance indicator of the average 7-day LIBID rate of 0.21%.

5.7 With regards to the Council's long term investments, in 2015, £5m was placed into the Church Commissioners Local Authority Property Fund for a minimum period of 5 years which after entry costs had been deducted of £0.3m, enabled 1,643,872 units to be purchased in the fund. At 31 March 2018 the value of these units, were worth £4.97m and this compares to the valuation at 31 March 2017 of £4.74m.

5.8 Annualised returns generated from the property fund in 2017/18 (net of fees) were 4.65% and this compares with that achieved in 2016/17 of 4.61%.

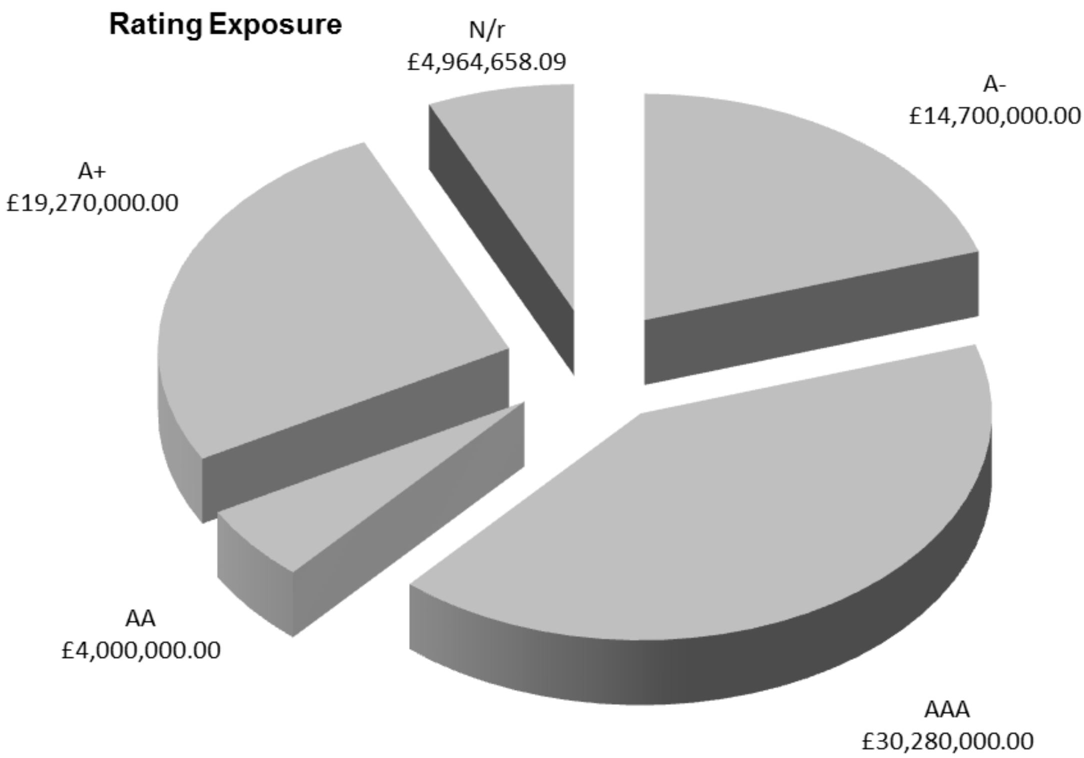
5.9 When the rates of return for both short and long term investments are combined, this produces an average level invested of £77.6m, generating a rate of return of 0.82% worth £636k.

5.10 The ability to generate a satisfactory level of return without exposing the Council's funds to high levels of risk during the continuing climate of low interest rates remains challenging. Whenever new opportunities for being able to generate additional income become known, these will be thoroughly investigated to determine if they will be suitable for the Council to adopt without committing it to unnecessary risk.

5.11 The Council's main bank account with Barclays, is non-interest bearing and consequently if no investments were undertaken by the in-house team, the Council would lose the opportunity to generate a substantial amount of income.

5.12 Levels of funds available to be invested on a daily temporary basis are subject to a number of factors with the main one of being due to timing issues of large payments (precepts / HMRC / etc.), receipt of grants and progress on the Capital Programme.

5.13 The graph below provides a breakdown of the Council's investments placed as at 31 March 2018 by long term credit rating and further information detailing the make-up of this can be found at Appendix C & D;



6. RELATED TREASURY ISSUES

6.1 Revised CIPFA Codes - In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued a revised Treasury Management Code and Cross Sectoral Guidance Notes, and a revised Prudential Code.

6.2 In the main these revised codes remained unchanged from those issued previously however additional guidance was incorporated regarding local authorities investing in property.

6.3 A recommendation from these revised codes was that Councils should produce a new report to Members which gave a high level summary of the overall capital strategy including how the cash resources of the Council have been apportioned between treasury and non-treasury investments. This information was included in both the 2018-21 Capital Strategy & 2017/18 Capital Outturn reports issued to Members in February 2018 & June 2018 respectively.

6.4 Markets in Financial Instruments Directive (MIFID) II - The European Union set the date of 3 January 2018 for the introduction of regulations under MIFID II. These regulations outline the relationship that financial institutions conducting lending and borrowing transactions will have with local authorities from that date. To date this has had little effect on the Council apart from having to fill in forms issued by each institution it deals with for each type of investment instrument used, apart from cash deposits.

6.5 Local Authority Mortgage Scheme (LAMS) - the Council participated in the national Local Authority Mortgage Scheme using the cash backed option with Lloyds bank by advancing £2m in 2012/13 at an interest rate of 4.41% which was repaid back to the Council in 2017/18. Due to the success of this scheme, a further £1m was also advanced in 2013/14 at an interest rate of 2.7%, which is set to mature in 2018/19. Spend incurred under this scheme is deemed to be capital expenditure being classified as a service investment and so does not form part of treasury management activities or reports.

7. PRUDENTIAL AND PERFORMANCE INDICATORS

7.1 It is a statutory duty for the Council to determine and keep under review the Council's Prudential Indicators as approved within the Treasury Management Strategy for 2017/18.

7.2 During the year ended 31 March 2018, the Council has operated within these indicators which are shown in Appendix E for reference.

7.3 In response to further detail becoming available on the Council's Commercial Investment Property programme, particularly in response to the undertaking of a number of short term loan transactions, Members are now requested to approve a revised Maturity Structure of Borrowing prudential indicator as shown below;

Maturity structure of all external loan debt – 2018/19 to 2020/21	Lower limit % (no change)	Upper limit % (approved February 2018)	Revised Upper limit %
Under 12 months	0	20	30
12 months to 2 years	0	20	30
2 years to 5 years	0	20	30
5 years to 10 years	0	20	30
10 years to 20 years	0	20	30
20 years to 30 years	0	20	30
30 years to 40 years	0	20	30
40 years and above	0	90	70

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.

8. 2017/18 SUMMARY OUTTURN POSITION

8.1 Activities undertaken within the treasury management function are subject to many different factors impacting on actual performance e.g. worldwide economic events and the table below reflects the summarised position regarding actual performance compared to that originally forecasted for reference;

	Original MTFP £000	**Outturn £000**
DEBT		
Interest & Premium	6,493	6,303
MRP	1,770	1,784
Sub-total	**8,263**	**8,087**
INVESTMENTS		
Investment Interest & other net interest receipts	(646)	(653)
MAG	(3,640)	(5,856)
Sub-total	**(4,286)**	**(6,509)**
RESERVES		
Contribution to / (from) Interest Smoothing Reserve	(178)	(31)
Sub-total	**(178)**	**(31)**
TOTAL	**3,799**	**1,547**

Note: The above figures reflect;

- Interest payable on the Council's variable rate debt was lower than forecasted;
- All associated debt costs from borrowing undertaken to fund the Councils Commercial Investment Programme are self-financing;
- An additional share dividend was received from the Manchester Airport Group as a result of stronger trading operations;
- A reduced level of support from the Interest Smoothing Reserve due to other minor favourable movements in activities occurring during the year.

8.2 As at 31 March 2018 the level of the Interest Smoothing Reserve is £311k and this is required to cover:-

- In year interest variations on the Council's variable rate debt;
- Potential adverse changes in investment interest rates and
- Any defaults on specific loan advances to third parties or adverse changes in value of other non-financial investments.

Other Options

This report has been produced in order to comply with Finance Procedure Rules and relevant legislation and provides an overview of the treasury management transactions undertaken during 2017/18.

Consultation

Advice has been obtained from Link Asset Services, the Council's external advisors.

Reasons for Recommendation

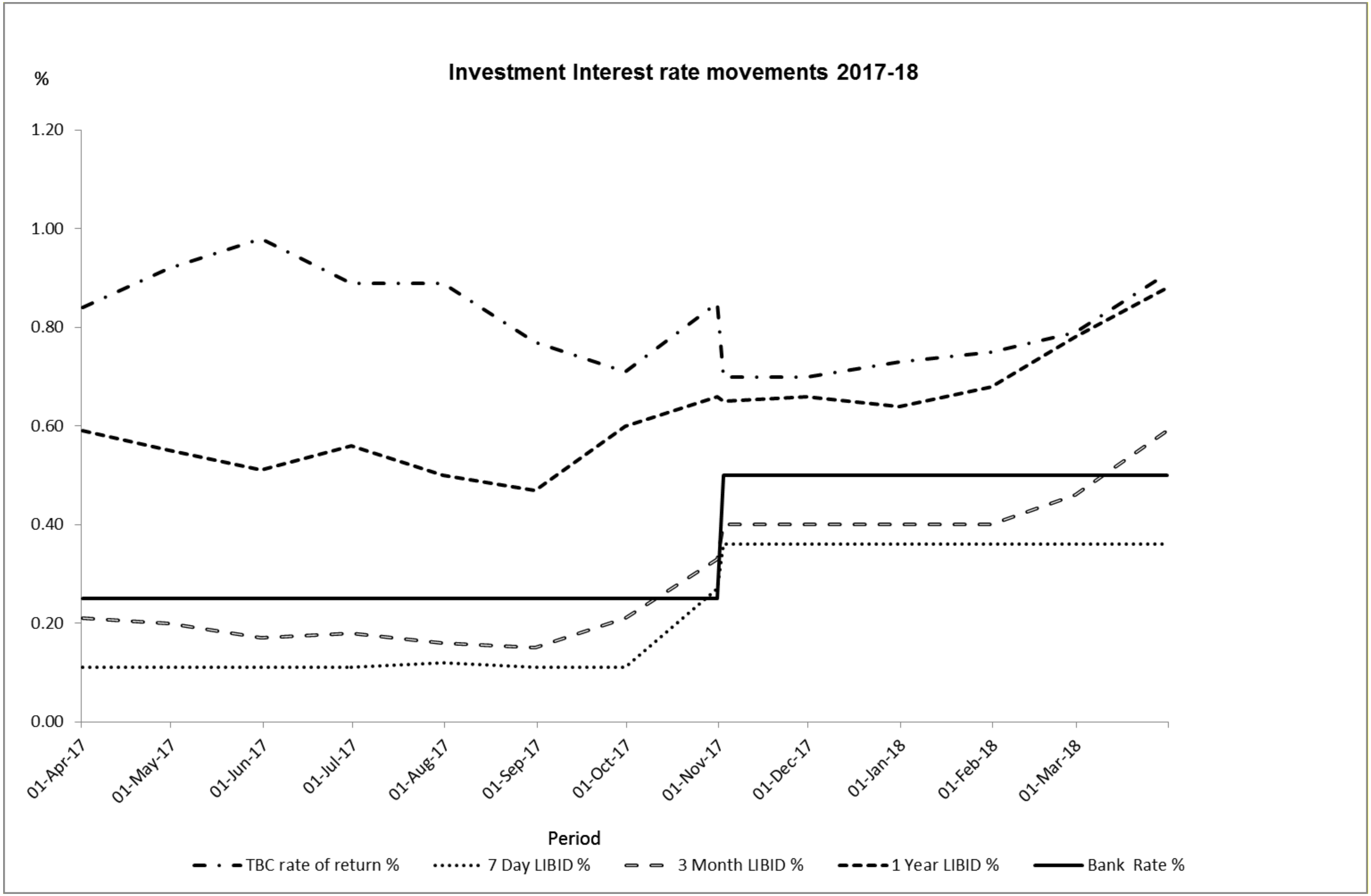
The report has been produced in order to meet the requirements of the Council's Financial Procedure Rules which incorporate the requirements of both the CIPFA Prudential Code for Capital Finance and the CIPFA Code of Practice on Treasury Management.

Finance Officer Clearance *…NB …*

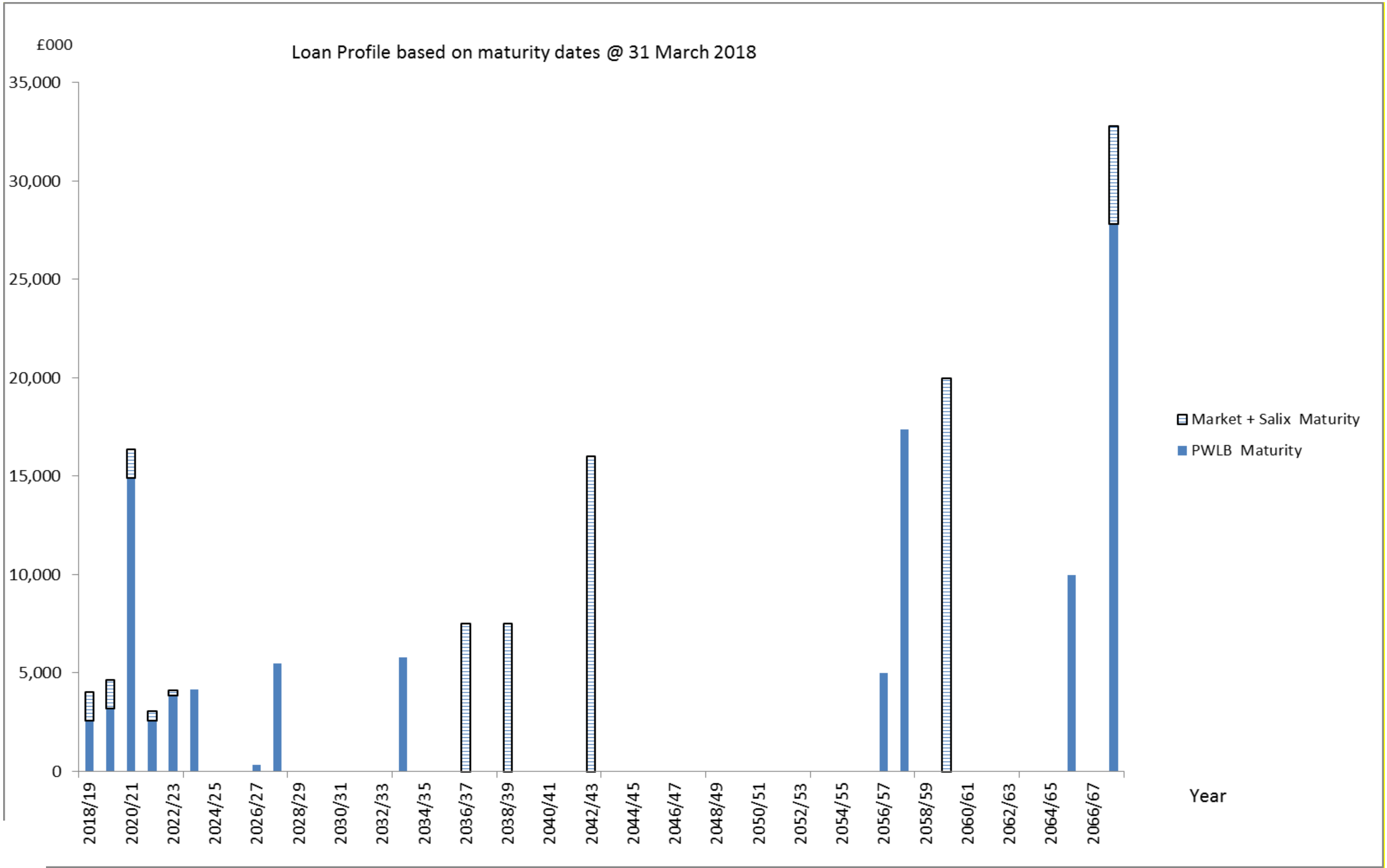
Legal Officer Clearance ....DS.....

DIRECTOR'S SIGNATURE Joanne Hyde

Joanne Hyde


Investment Interest rate movements 2017-18
%
1.20
1.00
0.80
0.60
0.40
0.20
0.00
01-Apr-17
01-May-17
01-Jun-17
01-Jul-17
01-Aug-17
01-Sep-17
01-Oct-17
01-Nov-17
01-Dec-17
01-Jan-18
01-Feb-18
01-Mar-18
Period
TBC rate of return %
7 Day LIBID %
3 Month LIBID %
1 Year LIBID %
Bank Rate %

Appendix A


£000
Loan Profile based on maturity dates @ 31 March 2018
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
2018/19
2020/21
2022/23
2024/25
2026/27
2028/29
2030/31
2032/33
2034/35
2036/37
2038/39
2040/41
2042/43
2044/45
2046/47
2048/49
2050/51
2052/53
2054/55
2056/57
2058/59
2060/61
2062/63
2064/65
2066/67
Year
Market + Salix Maturity
PWLB Maturity

Appendix B

Appendix C

Maturity Profile

Debt portfolio:

	31 March 2018 (£m)	31 March 2017 (£m)
Under 12 months	4.0	3.9
12 months and within 24 months	4.7	4.0
24 months and within 5 years	23.6	12.1
5 years and within 10 years	10.0	8.4
10 years and above	122.1	76.8
Total	**164.4**	**105.2**

Investment portfolio:

	31 March 2018 (£m)	31 March 2017 (£m)
Instant Access	30.3	19.3
Up to 3 Months	13.0	22.0
3 to 6 Months	10.9	24.1
6 to 9 Months	2.0	7.8
9 to 12 months	9.5	4.5
Over 1 year	7.5	4.7
Total	**73.2**	**82.4**

Appendix D

Breakdown of Investments

Counterparty	Amount (30 Sept 2017) £	Amount (31 March 2018) £	Long Term Credit Rating
Amundi – Money Market Fund		16,200,000	AAA
Barclays Bank	5,000,000	5,000,000	A
Church Commissioners Local Authority	4,842,847	4,964,658	Not rated
Close Brothers Bank	5,000,000	5,500,000	A
Coventry Building Society	2,500,000	0	A
Federated Investors – Money Market Fund	4,550,000	7,320,000	AAA
Goldman Sachs Bank	4,500,000	4,500,000	A+
Invesco Aim – Money Market Fund	840,000	260,000	AAA
Legal & General– Money Market Fund	920,000	200,000	AAA
Lloyds Bank	11,500,000	12,270,000	A+
Nationwide BS	2,800,000	0	A
Plymouth City Council		2,000,000	AA
Santander UK Bank	7,200,000	4,200,000	A
Standard Life – Money Market fund	7,300,000	6,300,000	AAA
Thurrock Council		2,000,000	AA
Total UK	**56,952,847**	**70,714,658**	
Development Bank of Singapore	5,000,000	0	AA-
National Bank of Abu Dhabi	7,500,000	2,500,000	AA-
United Overseas Bank	3,000,000	0	AA-
Total Non UK	**15,500,000**	**2,500,000**	
Grand Total	**72,452,847**	**73,214,658**	

The above table shows the level of investments placed as at 31 March 2018 and 30 September 2017, the last time Members were provided with this information.

Appendix E

Prudential Indicators for 2017/18

Indicator	Indicator set by Council	Actual
Authorised Borrowing Limit Maximum level of external debt, including other long term liabilities (PFI & leases) undertaken by the authority including any temporary borrowing - this is a statutory limit under Section 3(1) of the Local Government Act 2003.	£446.0m	£169.9m
Operational Boundary Calculated on a similar basis as the authorised limit but represents the expected level of external debt & other long term liabilities (PFI & leases) excluding any temporary borrowing – this is not a limit.	£426.0m	£169.9m
Upper limits on fixed interest rates **Maximum** limit of net fixed interest rate exposure - debt less investment	£6.1m	£3.3m
Upper limits on variable interest rates **Maximum** limit of net variable interest rate exposure – debt less investment	£2.8m	£2.2m
Gross Debt and the Capital Financing Requirement – this reflects that over the medium term, debt will only be taken for capital purposes. During 2017/18 the Chief Finance Officer can confirm that this indicator was complied with.		
Maturity structure of fixed rate borrowing These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.		
Under 1 year (this includes the next call date for Market loans)	20%	18%
1 year to 2 years	20%	3%
2 years to 5 years	20%	14%
5 years to 10 years	20%	6%
10 years to 20 years	20%	8%
20 years to 30 years	20%	14%
30 years to 40 years	20%	14%
40 years and above	90%	23%
Maximum principal funds invested exceeding 364 days (including Manchester International Airport shares) - (These limits are set to reduce the need for early sale of an investment)	£90m	£56.8m

Performance Indicators for 2017/18

Indicator	Target	Actual
Security – potential default rate of the Council's investment portfolio based on default rates from the 3 main credit rating agencies – inclusion is recommended by CIPFA.	Max 0.07%	Max 0.012% (31 March 2018)
Liquidity – investments available within 1 week notice	£15m min.	Achieved
Liquidity – Weighted Average Life of investments	6 months	2.75 months (31 March 2018)
Yield – Investment interest return to exceed 7 day **L**ondon **I**nterbank **BID** rate	Average 7 day LIBID 0.22%	Average rate of return for 2017/18 was 0.82%
Origin of investments placed - maximum investments to be directly placed with non-UK counterparties.	UK institutions 100% Non UK institutions 40%	Min 63% Max 37%