CABINET
17 JANUARY 2017

ITEM NO. ....

MID YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT 2016/17

Responsible Cabinet Member - Councillor Stephen Harker
Efficiency and Resources Portfolio

Responsible Director - Paul Wildsmith,
Director of Neighbourhood Services and Resources

SUMMARY REPORT

Purpose of the Report

1. This report seeks approval of the revised Treasury Management Strategy, Prudential Indicators and provides a half–yearly review of the Council's borrowing and investment activities. Cabinet are requested to forward the revised Strategy and indicators to Council for their approval and note changes to the MTFP with regard to the Treasury Management Budget (Financing Costs).

Summary

2. This report and the Prudential Indicators contained in it were examined by the Audit Committee on 16th December 2016 and it was agreed at that meeting that the report be referred to Council via Cabinet to enable the updated indicators and revised Operational Boundary and Authorised Limit for borrowing to be approved and that the audit Committee is satisfied with the Council's borrowing and investment activities, the reported indicators and the revised borrowing limits.

3. The mandatory Prudential Code, which governs Council's borrowing, requires Council approval of controls, called Prudential Indicators, relating to capital spending and borrowing. Prudential Indicators are set in three statutory annual reports, a forward looking annual treasury management strategy, a backward looking annual treasury management report and this mid-year update. The mid-year update follows Council's approval in February 2016 of the 2016/17 Prudential Indicators and Treasury Management Strategy.

4. The key objectives of the three annual reports are:

    (a) to ensure the governance of the large amounts of public money under the Council's Treasury Management activities:

        (i) Complies with legislation

(ii) Meets high standards set out in codes of practice

(b) To ensure that borrowing is affordable,
(c) To report performance of the key activities of borrowing and investments.

5. The key proposed revisions to Prudential Indicators relate to:

   (a) Higher capital expenditure in 2016/17 due to greater slippage than anticipated from 2015/16. This increased the expected capital spend by £6.142M. However loans to Registered Landlords will not take place so expected borrowing need will reduce from £50.266m to £4.174M Further detail on capital expenditure is shown at Appendix 1

   (b) The Operational Boundary will reduce to £150.017M. The Authorised Limit will reduce to £194.479M to remain in line with the Capital Financing Requirement for 2016/17.

6. The Annual Investment Strategy will now include the use of Property Funds and Corporate Bond Funds

Recommendation

7. It is recommended that :

   (a) The revised prudential indicators and limits within the report in Tables 1 to 6, 8 and 14 to 17 are examined.

   (b) Property Funds and Corporate Bond Funds will now be included in the Councils approved investment instruments and the maximum amount to be invested in such instruments will be £10 million as noted in Table 17.

   (c) The reduction in the Treasury Management Budget (Financing Costs) of £0.264M shown in Table 11 is noted.

   (d) That this report is forwarded to Council via Cabinet with comments from this committee, in order for the updated prudential indicators to be approved.

Reasons

8. The recommendations are supported by the following reasons :-

   (a) In order to comply with the Prudential Code for Capital Finance in Local Authorities;
   (b) To inform Members of the performance of the Treasury Management function;
   (c) To comply with the Local Government Act 2003;
   (d) To enable further improvements to be made in the Council's Treasury Management function.

Paul Wildsmith
Director of Neighbourhood Services and Resources

Background Papers

(i) Capital Medium Term Financial Plan 2016/17
(ii) Accounting records
(iii) The Prudential Code for Capital Finance in Local Authorities

Elaine Hufford : Extension 5404

S17 Crime and Disorder	This report has no implications for S17 Crime and Disorder.
Health and Well Being	This report has no implications for the Council's Health and Well Being agenda.
Carbon Impact	There are no carbon impact implications in this report.
Diversity	There are no specific implications for the Council's diversity agenda.
Wards Affected	All Wards.
Groups Affected	All Groups.
Budget and Policy Framework	This report must be considered by Council.
Key Decision	This is not an executive decision.
Urgent Decision	For the purposes of call in this report is not an urgent decision.
One Darlington: Perfectly Placed	This report has no particular implications for the sustainable Community Strategy.
Efficiency	The report refers to actions taken to reduce costs and manage risks.

MAIN REPORT

Information and Analysis

9. This mid-year review report meets the regulatory framework requirement of treasury management. It also incorporates the needs of the Prudential Code to ensure monitoring of the capital expenditure plans and the Council's prudential indicators (PIs). The Treasury Strategy and the PIs were previously reported to Council on 25 February 2016.

10. This report concentrates on the revised positions for 2016/17. Future year's indicators will be revised when the impact of the MTFP 2017/18 onwards is known.

11. A summary of the revised headline indicators for 2016/17 is presented in **Table 1** below**.** More detailed explanations of each indicator and any proposed changes are contained in the report. The revised indicators reflect the approved movement in the Capital MTFP since its inception in March 2016 and the means by which it is financed.

Table 1 Headline Indicators

	2016/17 Original Estimate	**2016/17 Revised Estimate**
	£M	£M
Capital Expenditure (Tables 2 and 3)	77.798	33.940
Capital Financing Requirement (Table 4)	242.731	194.479
Operational Boundary for External Debt (Table 4)	202.017	150.017
Authorised Limit for External Debt (Table 6)	242.731	194.479
Ratio of Financing Costs to net revenue stream-General Fund (Table 14)	4.68%	4.33%
Ratio of Financing Costs to net revenue stream-Housing Revenue Account (HRA) Table 14	15.40%	15.37%

12. The capital expenditure plans and prudential indicators for capital expenditure are set out initially, as these provide the framework for the subsequent treasury management activity. The actual treasury management activity follows the capital framework and the position against the treasury management indicators is shown at the end.

13. The purpose of the report supports the objective in the revised CIPFA Code of Practice on Treasury Management and the Communities and Local Government Investment Guidance which state that Members receive and adequately scrutinise the treasury service.

14. The underlying economic environment remains difficult for Councils; concerns over counterparty risk are still around. This background encourages the Council to continue investing over the shorter term and with high quality counterparties, the downside is that investment returns remain low.

Key Prudential Indicators

15. This part of the report is structured to update:

    (a) The Council's capital expenditure plans
    (b) How these plans are financed
    (c) The impact of the changes in the capital expenditure plans on the PI's and the underlying need to borrow
    (d) Compliance and limits in place for borrowing activity
    (e) Changes to the Annual Investment Strategy
    (f) The revised financing costs budget for 2016/17

Capital Expenditure PI

16. **Table 2** shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the budget.

Table 2

Capital Expenditure by Service	2016/17 Original Estimate	2016/17 Revised Estimate
	£M	£M
General Fund	12.993	16.743
HRA	14.805	17.197
Estimated Capital Expenditure	**27.798**	**33.940**
Loans to Registered Social Landlords	50.000	0
Total	**77.798**	**33.940**

17. The changes to the 2016/17 capital expenditure estimates have been notified to Cabinet as part of the Capital Budget Monitoring process.

18. The current capital programme now stands at £60.039 but this includes a number of schemes that will be spent over a number of years not just in 2016/17. A reduction of £26.099M has been allowed for schemes which are known will be finalised in future years, but it is likely that other schemes will slip into future years. A full reconciliation of the expected capital expenditure for 2016/17 is attached at **Appendix 1.**

Impact of Capital Expenditure Plans

Changes to the financing of the Capital Programme

19. Table 3 draws together the main strategy elements of the capital expenditure plans shown above, highlighting the original elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element (Borrowing Need) increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR). Borrowing need has increased for 2016/17 due to borrowing not required in previous years for slipped schemes but expected to be needed this year. This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Table 3

Capital Expenditure	2016/17 Original Estimate	2016/17 Revised Estimate
	£M	£M
General Fund	12.993	16.743
HRA	14.805	17.197
Capital expenditure	27.798	33.940
Loans to Registered Social Landlords	50.000	0
Total Spend	**77.798**	**33.940**
Financed by		
Capital Receipts- Housing	0.194	0.000
Capital Receipts –General Fund	0.000	2.015
Capital grants	12.727	10.160
Capital Contributions	0.000	2.377
Revenue Contributions Housing	14.611	12.647
Revenue Contributions General Fund	0.000	2.567
Total Financing	27.532	29.766
Borrowing Need	**50.266**	**4.174**

20. Members will recall that **t**he Original Estimate included some potential loans to Registered Social Landlords (RSL's) this hasn't materialised in 2016/17 and now appears unlikely to in future years and so has been taken out of the revised estimate.

The Capital Financing Requirement (PI), External Debt (PI) and the Operational Boundary

21. **Table 4** shows the Capital Financing Requirement (CFR), which is the underlying external need to borrow for capital purposes. It shows the expected actual debt position over the period. This is called the Operational Boundary. The increase in Borrowing need (Table 3) is around £5.000M and currently actual borrowing for the Council is £127.151M, it is proposed to set an actual borrowing figure of £135.000M this will accommodate the additional borrowing need and any debt requirements for cashflow purposes. Other Long term liabilities (the PFI scheme) will be added to give the revised operational boundary for 2016/17.

Prudential Indicator- External Debt/ Operational Boundary
Table 4

	2016/17 Original Estimate	2016/17 Revised Estimate
	£M	£M
Prudential Indicator- Capital Financing Requirement		
Opening CFR- Post Audit of Accounts	194.307	192.147
Closing CFR	242.731	194.479
CFR General Fund	106.851	108.608
CFR General Fund PFI/Leasing IFRS	15.017	15.017
CFR - Housing	70.863	70.854
CFR- Loans to RSL's	50.000	0.000
Total Closing CFR	**242.731**	**194.479**
Net Movement in CFR	48.424	2.332
Borrowing	187.000	135.000
Other long Term Liabilities	15.017	15.017
Total Debt 31 March- Operational Boundary	**202.017**	**150.017**

Limits to Borrowing Activity

22. The first key control over the treasury activity is a PI to ensure that over the medium term Gross borrowing should not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2016/17and the next two financial years. As shown in table 5 below.

Table 5

	2016/17 Original Estimate £M	2016/17 Revised Estimate £M	2017/18 Original Estimate £M	2018/19 Original Estimate £M
Gross borrowing	187.000	135.000	187.000	187.000
Plus Other Long Term Liabilities	15.017	15.017	13.825	12.653
Total Gross borrowing	202.017	150.017	200.825	199.653
CFR* (year end position)	242.731	194.479	240.910	239.109

* includes on balance sheet PFI schemes and finance leases

23. The Director of Neighbourhood Services and Resources reports that no difficulties are envisaged for the current and future years in complying with this PI.

24. A further PI controls the overall level of borrowing, this is the Authorised Limit which 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 desirable, could be afforded in the short term, but is not sustainable in the longer term. The Authorised Limit is set by increasing the Operational Boundary by an amount equal to the amount that the authority is currently under borrowed. Whilst it is not expected that borrowing would be at these levels this would allow additional

borrowing to take place should market conditions change suddenly and swift action was required. This is a Statutory limit determined under section 3 (1) of the Local Government Act 2003.

25. It is proposed to move the Authorised Limit in **Table 6** in line with the movement in the overall Capital Financing Requirement.

Table 6

Authorised Limit for External Debt	2016/17 Original Indicator £M	2017/18 Revised Indicator £M
Operational Boundary	202.017	150.017
Additional headroom to Capital Financing Requirement	40.714	44.462
Total Authorised Limit for External Debt	242.731	194.479

Medium Term Interest Rate Forecasts Provided by Capita Asset Services

Table 7

	Bank Rate	**PWLB rates for borrowing purposes***			
		5 year	10 year	25 year	50 year
	%	%	%	%	%
2016/17					
Dec 2016	0.25	1.60	2.30	2.90	2.70
March 2017	0.25	1.60	2.30	2.90	2.70
2017/18					
June 2017	0.25	1.60	2.30	2.90	2.70
Sept 2017	0.25	1.60	2.30	2.90	2.70
Dec 2017	0.25	1.60	2.30	2.90	2.80
March 2018	0.25	1.70	2.30	3.00	2.80
2018/19					
June 2018	0.25	1.70	2.40	3.00	2.80
Sept 2018	0.25	1.70	2.40	3.10	2.90
Dec 2018	0.25	1.80	2.40	3.10	2.90
March 2019	0.25	1.80	2.50	3.20	3.00
2019/20					
June 2019	0.50	1.90	2.50	3.20	3.00
Sept 2019	0.50	1.90	2.60	3.30	3.10
Dec 2019	0.75	2.00	2.60	3.30	3.10
Mar 2020	0.75	2.00	2.70	3.40	3.20

*****PWLB rates above are for certainty rates (which are provided for those authorities that have disclosed their borrowing/capital plans to the government. Darlington Borough Council will be able to access these certainty rates which are 0.2% below PWLB's normal borrowing rates.

26. Economic forecasting remains difficult with so many external influences weighing on the UK. Bank rate forecasts, (and also MPC decisions), will be liable to further amendments depending on how economic data and developments in financial markets transpire over the next year. Forecasts for average earnings beyond the

three year time horizon will be heavily dependent on economic and political developments. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or other the safe haven of bonds

27. The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. An eventual world economic recovery may also see investors switching from the safe haven of bonds to equities. However, we have been experiencing exceptional levels of volatility in financial markets which have caused significant swings in PWLB rates. Our PWLB rate forecasts are based on the Certainty Rate (minus 20 bps) which has been accessible to most authorities since 1 November 2012.

28. The overall balance of risks to economic recovery in the UK remains to the downside. Particularly with the current uncertainty over final terms of Brexit PWLB rates are unpredictable along with bond yields. There exceptional levels of volatility which correlate to geo-political and sovereign debt crisis developments Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

    (a) Weak capitalisation of some European banks.
    (b) A resurgence of the Eurozone sovereign debt crisis.
    (c) Geopolitical risks in Europe, the Middle East and Asia, increasing safe haven flows.
    (d) Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or Fed. rate increases, causing a further flight to safe havens (bonds).
    (e) UK economic growth and increases in inflation are weaker than we currently anticipate.
    (f) Weak growth or recession in the UK's main trading partners - the EU and US.
    (g) Monetary policy action failing to stimulate sustainable growth and combat the threat of deflation in western economies, especially the Eurozone and Japan.

29. The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

    (a) The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
    (b) UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

Treasury Management Strategy 2016/17 and Annual Investment Strategy Update

Debt Activity during 2016/17

30. The expected net borrowing need is set out in table 8.

Table 8

	2016/17 Original Estimate £M	2016/17 Revised Estimate £M
CFR (year end position)	242.731	194.479
Less other long term liabilities PFI and finance leases	15.017	15.017
Net adjusted CFR (net year end position)	227.714	179.462
Expected Borrowing	187.000	135.000
(Under)/ Over borrowing	(40.714)	(44.462)
Expected Net movement in CFR	48.424	2.332
Expected Net Movement in CFR represented by		
Net financing need for the year from table 3	50.266	4.174
Less MRP General Fund	-0.000	-0.000
Less MRP Housing	-0.629	-0.629
Less MRP relating to finance leases including PFI	-1.213	-1.213
Movement in CFR (Net Borrowing Need)	48.424	2.332

31. The Council is currently under-borrowed (total actual borrowing is less than the balance sheet requires (CFR) to address counter party risk and the cost of carry on investments (investments return up to 1.0% and long term average borrowing costs for the Council are currently 4.00%) There is an interest rate risk, as longer term borrowing rates may rise, this position is being carefully monitored.

32. New borrowing of £2m over 2 years at 0.52% has been taken this year to replace short term loans falling out over the coming months. Other short term loans falling due shortly will be replaced with similar loans of a short duration.

Annual Investment Strategy 2016/17

Investment Portfolio

33. In accordance with the Code, it is the Council's priority to ensure security of Capital and Liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. It is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous years as rates are very low and in line with the current 0.25% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis together with other risks which could impact on the creditworthiness of banks prompts a low risk strategy. Given this risk environment investment returns are likely to remain low.

34. In view of the low investment returns expected over the coming years officers are exploring the possibility of new investment vehicles to improve returns. In order to increase returns the length of time investments are made for would also need to increase. Property funds and corporate bond funds are being considered as returns on these would be greater than could be currently achieved through our usual financial instruments. Purchase of shares in such funds will be subject to due diligence relating to each and every fund considered. The maximum amount invested in such funds will be £10 million in line with Table 17 Principal Sums Invested.

Treasury Management Activity from 1 April 2016 to 31 October 2017

35. Current investment position – The Council held £32.915M of investments at 31/10/2016 and this is made up of the following types of investment.

Table 9

Sector	**Country**	**Up to 1 year**
		£M
Banks	UK	16.000
Building Societies	UK	4.000
Banks	Sweden	3.000
AAA Money Market Funds	Sterling Fund	9.915
Total		**32.915**

Short Term Cashflow Investments

36. Cash balances are invested on a daily basis to maximise the benefit of temporary surplus funds. A total of 46 investments were made in the period 1 April 2016 to 31 October 2016 totalling £70.376M these were for short periods of up to 100 days in a number of call accounts and Money Market Funds and earned interest of £54,350 on an average balance of £19.017M which equated to an annual average interest rate of 0.49%

Longer Term Capital Investments

37. The Council's reserves and capital receipts are invested for varying periods up to the maximum permitted time period which is currently 2 years for part Nationalised banks and 12 months for other counterparties. The investments have been at an average level of £19.000M to date. Some individual loans have matured and been renewed during this period The longer term investments have earned interest of £85,700 for the first seven months of 2016/17 at an average rate of 0.77%.

Investment returns measured against the Service Performance Indicators

38. The target for our investment returns is to better or at least match a number of external comparators, this performance indicator is also known as yield benchmarking. As can be seen from Table 10, the short and long term investment achievements are above market expectations.

Table 10

	Cashflow Investments %	Longer term fixed Investments %
Darlington Borough Council - Actual	**0.49**	**0.77**
External Comparators		
London Interbank Bid Rate Overnight	0.25	
London Interbank Bid Rate 7 day	0.26	
London Interbank Bid Rate 1 Month	0.28	
London Interbank Bid Rate -3 months		0.37
London Interbank Bid Rate-6 month		0.50
London Interbank Bid Rate one year		0.74
Average External Comparators	**0.26**	**0.54**

Treasury Management Budget

40. There are three main elements within the Treasury Management Budget:-

(a) Longer term capital investments interest earned – a cash amount of c£19.000M which earns interest and represents the Councils revenue balances, unused capital receipts, reserves and provisions.
(b) Cash flow interest earned – since becoming a unitary council in 1997, the authority has consistently had a positive cash flow. Unlike long term capital investments it does not represent any particular sum but it is the consequence of many different influences such as receipt of grants, the relationship between debtors and creditors, cashing of cheques and payments to suppliers.
(c) Debt serving costs – this is the principal and interest costs on the Council's long term debt to finance the capital programme.

Table 11-Changes to the Treasury Management Budget (Financing Costs) 2016/17

	£M	£M
Original Treasury Management Budget 2016/17		**1.668**
less reduced Repayment of Principal	-0.462	
Add Increased Interest payments paid on debt	0.268	
Less increased interest earned on Investments	-0.070	
Revised Treasury Management Budget 2016/17		**1.404**

41. Repayment of Principal has reduced due to further savings in the Minimum Revenue Provision. The interest payable has increased mainly due increased interest rates on the variable LOBO debt of £27.250M . Interest earned increased because of slightly higher interest rates were paid on investments than were expected and larger balances were invested.

42. This statement concludes that the Treasury Management budget is forecast to achieve an improvement of £0.264M in 2016/17, these savings in finance costs will be returned to Council balances.

Risk Benchmarking

43. A regulatory development is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance and these are shown in Table 10. Discrete security and liquidity benchmarks are also requirements of member reporting.

44. The following reports the current position against the benchmarks originally approved.

45. **Security** – The Council's maximum security risk benchmarks for the current portfolio of investments, when compared to historic default tables were set as follows;

    0.077% historic risk of default when compared to the whole portfolio

Table12

Maximum	Benchmark 2016/17	Actual June	Actual October
Year 1	0.077%	0.012%0	0.013%

46. The counterparties that we use are all high rated therefore our actual risk of default based on ratings attached to counterparties is very low.

47. **Liquidity** – In respect of this area the Council set liquidity facilities/ benchmark to maintain

    (a) Bank overdraft - £0.100M
    (b) Liquid short term deposits of a least £3.000M available within a weeks' notice
    (c) Weighted Average Life benchmark is expected to be 0.4 years with a maximum of 1 year

48. The Director of Neighbourhood Services and Resources can report that liquidity arrangements have been adequate for the year to date as shown in Table 13

Table 13

	Benchmark 2016/17	Actual June	Actual October
Weighted Average Life	0.4 – 1 year	0.15 years	0.2years

49. The figures are for the whole portfolio so include both longer term fixed investments currently up to 2 years as well as cash flow investments deposited with Money Market funds on a call basis (i.e. can be drawn on without notice).

Treasury Management Indicators

50. **Actual and estimates of the ratio of financing costs to net revenue stream** – This indicator identifies the trend in the cost of capital (financing costs net of interest and investment income) against the net revenue stream. The reduction in % relates to reduced financing costs for General Fund of £0.264M.

Table 14

	2016/17 Original Indicator	2016/17Revised Indicator
General Fund	**4.68%**	**4.33%**
HRA	**15.40%**	**15.37%**

Treasury Management Prudential indicators

51. **Upper Limits on Variable Rate Exposure –** This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments.

52. **Upper Limits on Fixed Rate Exposure –** Similar to the previous indicator this cover a maximum limit on fixed interest rates.

53. Historically for a number of years this Council has used these percentages; together they give flexibility to the treasury management strategy allowing the Council to take advantage of both fixed and variable rates in its portfolio whilst ensuring that its exposure to variable rates is limited. At the end of 2016/17 the Council will have 2 variable rate loans amounting to £27.250M which represents 22% of the Councils debt portfolio.

Table 15

	2016/17 Original Indicator	2016/17 Revised Indicator
Limits on fixed interest rates	100%	100%
Limits on variable interest rates	40%	40%

54. **Maturity Structures of Borrowing -** These gross limits are set to reduce the Council's exposure to large fixed rate loans (those instruments which carry a fixed interest for the duration of the instrument) falling due for refinancing. The higher limits for longer periods reflect the fact that longer maturity periods give more stability to the debt portfolio.

Table 16 Maturity Structures of Borrowing

	2016/17 Original indicator	2016/17 Actual to Date	2016/17 Revised Indicator
Under 12 months	25%	3.9%	25%
12 months to 2 years	40%	3.1%	40%
2 years to 5 years	60%	6.3%	60%
5 years to 10 years	80%	5.3%	80%
10 years and above	100%	81.4%	100%

55. **Total Principal Funds Invested –** These limits are set having regard to the amount of reserves available for longer term investment and show the limits to be placed on investments with final maturities beyond 1 year. This limit allows the authority to invest for longer periods if they give better rates than shorter periods. It also allows some stability in the interest returned to the Authority. All investments held at 31 October 2016 have less than 1 year to run.

Table 17
Principal Funds Invested

	2016/17 Original Indicator	2016/17 Revised Indicator
Maximum principal sums invested greater than 1 year	£10M	£10M

Treasury Management Advisors

56. The Council continues to receive Treasury Management advice from Capita Asset Services; the contract has been extended by 1 year until October 2017.

Conclusion

57. The prudential indicators have been produced to take account of the Council's borrowing position. The key borrowing indicator (the Operational Boundary) is reduced to £150.017M. The Councils return on investments has been good, exceeding both of the targets. Based on the first seven months of 2016/17 the Council's borrowing and investments is forecast to achieve an improvement of £0.264M on the approved 2016/17 budget.

58. The Council's treasury management activities comply with the required legislation and meet the high standards set out in the relevant codes of practice.

Outcome of Consultation

59. No consultation was undertaken in the production of this report, however this report was examined by Audit Committee at its meeting on 16 December 2016 and its recommendations are outlined in paragraph 2 of this report.