THE HIGHLAND COUNCIL

Agenda Item	8(b)
Report No	RES/07/19

Committee: Corporate Resources Committee

Date: 27 February 2019

Report Title: Treasury Management Strategy Statement and Investment Statement – 2019/20

Report By: Depute Chief Executive/Director of Corporate Resources

1. Purpose/Executive Summary

1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in Local Authorities. A requirement of the Code is for an annual Treasury Management Strategy Statement and Investment Statement (TMSS & IS) to be approved by Council for the forthcoming financial year.

2. Recommendations

2.1 Members are invited to approve the TMSS & IS for 2019/20 and the Prudential Indicators as detailed in **Appendix 1** of the report.

3. Introduction

3.1 Background

Treasury management is defined by the Code as:

"*The management of the local authority's borrowing, 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*."

3.2 Statutory Requirements

The Local Government in Scotland Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included in Section 12 of this report); this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

3.3 CIPFA Requirements

The CIPFA Code of Practice on Treasury Management (revised November 2009) was adopted by this Council on 4 March 2010. The Code was further updated in December 2017.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a **Treasury Management Policy Statement** which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of **Treasury Management Practices** which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full council of an annual **Treasury Management Strategy Statement and Annual Investment Strategy** (this report) for the year ahead. Receipt by delegated Committee of a **Mid-year Review Report** and an **Annual Report** covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. This Council's delegated Committee is the Corporate Resources Committee.

3.4 Treasury Management Strategy for 2019/20

The proposed strategy for 2019/20 in respect of the following aspects of the treasury management function is based upon the Council officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury adviser, Link Asset Services (Link).

The strategy covers 2 main areas:

1. Capital issues - the capital plans and the prudential indicators.
2. Treasury management issues
    - the current treasury position;
    - treasury limits and indicators for 2019/20 to 2021/22 (which will limit the treasury risk and activities of the Council);
    - prospects for interest rates;
    - the borrowing requirement, based upon the Council's current capital programmes;
    - the borrowing strategy (including policy on borrowing in advance of need);
    - debt rescheduling;
    - annual investment strategy;
    - credit worthiness policy; and
    - policy on use of external service providers.

3.5 Balanced Budget Requirement

It is a statutory requirement under Section 93 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, a local authority must calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions.

Therefore, increases in capital expenditure must be limited to a level whereby the corresponding increases in revenue charges are affordable and within the projected future income of the Council. Increases in revenue charges would include the following:

- increases in interest charges caused by increased borrowing to finance additional capital expenditure; and
- any increases in running costs from new capital projects.

3.6 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny (the Corporate Resources Committee).

The training needs of treasury management officers are periodically reviewed, with training provided throughout the year using a number of mediums; in-house training, meetings with and training provided by Treasury advisers, external training courses and attendance at treasury forum meetings with other Councils.

3.7 Treasury management advisors

The Council uses Link as its external treasury management advisors. Link were appointed to this role effective from 1 July 2018 for a three year period with an option to extend for one year. The contract will expire on 30 June 2022.

4. Treasury Limits for 2019/20 to 2021/22

4.1 It is a statutory duty under part 7 of the Local Government in Scotland Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to allocate to capital expenditure.

4.2 The Council must have regard to the Prudential Code when setting the Affordable Capital Expenditure Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council house rent levels is ‘acceptable’.

4.3 Whilst termed an “Affordable Capital Expenditure Limit”, the capital plans to be considered for inclusion may incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The affordable capital expenditure limit is to be set, on a rolling basis, for the forthcoming and two successive financial years.

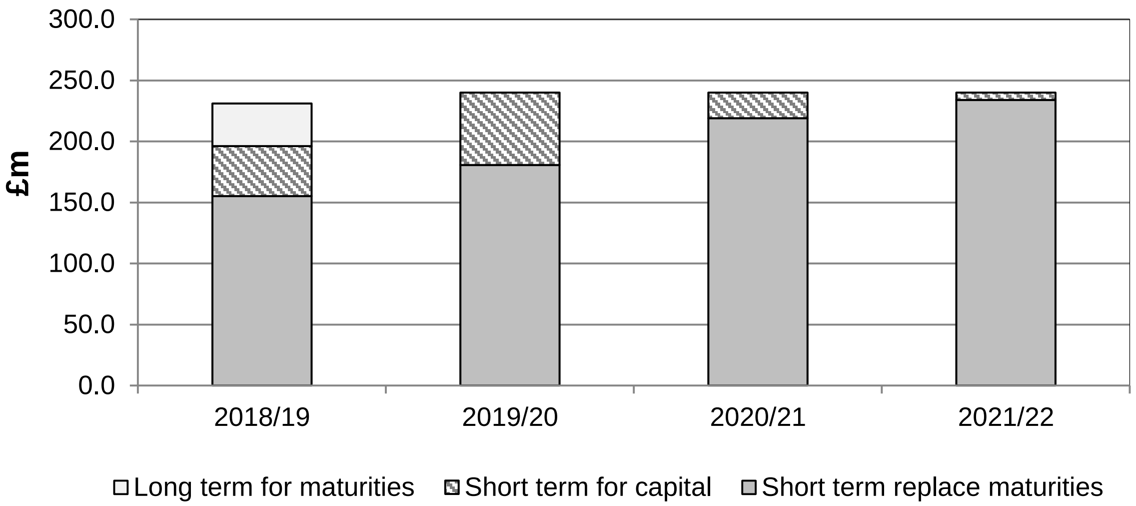
4.4 In March 2018, the Council agreed a capital programme which was considered to be affordable. Within this affordability limit, the Council decided that the annual general fund revenue budget for loans charges should not exceed £56.7m for future years which will include 2019/20.

4.5 The Council’s Housing Revenue account (HRA) capital programme was agreed in August 2015. The implications on HRA rent levels of the agreed programme were considered as part of the programme setting process.

5. Borrowing Requirement

5.1 The following table sets out the borrowing requirement, showing current year, as well as estimates for future years. The borrowing requirement takes account of borrowing to support the agreed capital programmes, less the projected instalments as capital repayments are charged to revenue accounts through loan charges. This figure is then adjusted to take account of any further borrowing required to go towards the capital financing requirement, or to replace existing loans maturing in these years.

Table 1 Estimates of borrowing (current year and next three years)



6. Statutory repayment of loans fund advances

6.1 The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 came into force on 1 April 2016. The main change introduced by the Regulations is to provide options for the prudent repayment of debt and requires the Council to set out its policy for the statutory repayment of loans fund advances prior to the start of the financial year. The repayment of loans fund advances ensures that the Council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years.

6.2 A variety of options are provided to Councils so long as a prudent provision is made each year.

The Council is recommended to approve the following policy on the repayment of loans fund advances:-

- For loans fund advances made before 1 April 2016, the policy will be to maintain the practice of previous years and apply the Statutory Method, using a fixed annuity rate.
- For loans fund advances made between 1 April 2016 and 31 March 2021, the policy for the repayment of loans advances will also be the Statutory method, with the majority of loans fund advances being repaid by the annuity method. The annuity rate applied to the loans fund repayments will continue to be based on the loans fund rate for the previous year which is calculated using interest paid as a proportion of the outstanding loans fund advances.
- In certain circumstances the Council will consider using the income method, a new method available under the 2016 regulations. Under this method loans fund advances can be repaid linked to the phasing of income that is anticipated from a particular project. This method will be considered, where appropriate, for commercial, income generating projects.

6.3 As required by the Local Government Finance Circular 7/2016, the commitment to repay loans fund advances for the General Fund and HRA are contained in **Appendices 11 and 12.**

6.4 The annuity rate applied to the loans fund repayments on capital expenditure incurred before March 2016 is 4.52% for the life of the asset. For financial year 2015/16 onwards the annuity rate used is the loans fund rate for the year the capital expenditure is incurred which is applied for the full life of the asset.

6.5 Under regulation 14 (2) of SSI 2016 No 123, the Council has reviewed and re-assessed the historic annuity rate to ensure that it is a prudent application and provides more certainty over principal repayments. The result of this review suggests that this is fair and prudent approach and provides certainty over historic principal repayments.

6.6 Following the publication of further Regulations and/or Scottish Government guidance during 2019/20, the Council will review its policy on loans fund advances to check compliance and amend accordingly.

7. Prudential and Treasury Indicators

7.1 The prudential and treasury Indicators which are relevant for setting an integrated treasury management strategy are in **Appendix 1**. These Indicators are based on the proposed capital programmes.

8. Economic Context and Prospects for Interest Rates

8.1 Link provide regular economic forecasts to inform the Council on interest rates and longer fixed interest rates projections. The following table is the current Link forecast for interest rates as at 12 February 2019.

Link Asset Services Interest Rate View	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%
3 Month LIBID	0.70%	0.80%	1.00%	1.10%	1.20%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	0.80%	0.90%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.00%	1.10%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
10yr PWLB Rate	2.20%	2.30%	2.40%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.00%
25yr PWLB Rate	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%

8.2 The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.

- Borrowing interest rates have been volatile so far in 2018/19 and while they were on a rising trend during the first half of the year, they have since backtracked until early January. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

- There will remain a cost of carry on any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

9. Context

Since the consideration of the last TMSS & IS in March 2018, there are some matters relating to the Council's strategies and external environment that are highlighted below for context.

- Capital Finance and Accounting Regulations

  During 2019/20, the Scottish Government is to update the 2016 Regulations on Loans Fund accounting. The Council's will review relevant policies once the Regulations have been issued.

- Capital Strategy

  In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2019-20, all local authorities will be required to prepare an additional report, a Capital Strategy report, which is intended to provide the following: -

  - a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
  - an overview of how the associated risk is managed
  - the implications for future financial sustainability

  The aim of this report is to ensure that all elected members on the full council fully understand the overall strategy, governance procedures and risk appetite entailed by this Strategy.

  The Capital Strategy will include capital expenditure, investments and liabilities and treasury management in sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured and will be presented to Council in March 2019.

Committee will be updated if any of the above will impact the Council's investment and borrowing strategies.

10. Borrowing Strategy

10.1 Over the past few years the Council has benefitted from lower borrowing costs due to low interest rates, in particular using short term temporary borrowing and internal borrowing (use of existing cash). During financial year 2018/19, in order to achieve savings the Council made the best use of the low rates available on temporary borrowing.

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and helps mitigate counterparty risk.

10.2 During 2019/20 the Council plans to continue to use short term borrowing to fund the capital programme but will need to consider long term borrowing to replace maturities, in order to manage refinancing risk.

Considering the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Depute Chief Executive/Director of Corporate Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. Any decisions will be reported to the appropriate committee at the next available opportunity.

The Council will ensure its strategy remains flexible, and will give consideration to new borrowing from the following sources based on prevailing market conditions:

1. Short dated borrowing from non PWLB sources through the Sterling Money Market.
2. Appropriately dated PWLB borrowing.

3. Long term fixed/variable rate market loans from the Sterling Money Market at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.

4. Consideration of any government supported or promoted lending initiatives, which may offer attractive sources of finance e.g. low cost borrowing for specific energy efficiency projects.

10.3 Sensitivity of the forecast – In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios noted below. The Council officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of sentiment:

- *if it were felt that there was a significant risk of a sharp FALL in long and short term rates,* e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then medium/ long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
- *if it were felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast,* perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

10.4 External v. Internal Borrowing

As reflected in the table below, the Council's objective is to maintain a level of temporary investments which will ensure a level of liquid cash available to the Council. The level shown takes account of the level of Council reserves and balances, and potential for these to be utilised through planned use or unforeseen events. Through this approach, the Council seeks to mitigate re-financing risk, particularly were the Council's reserves to be eroded due to unforeseen events.

Comparison of gross and net debt positions at year end

	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
External Debt (gross)	£919.0m	£952.4m	£998.5m	£1,019.0m	£1,024.2m
Temporary Investments	£70.6m	£80.0m	£50.0m	£50.0m	£50.0m
External Debt (net)	**£848.4m**	**£872.4m**	**£948.5m**	**£969.0m**	**£974.2m**

The Table above excludes long-term liabilities e.g. PPP/NPD schemes

- Another factor in considering the level of investments held is the difference between borrowing rates and investment rates to ensure the Council obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments and mitigating of re-financing risk.
- The expectation is for the next increase in Bank Rate to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February

2022. Therefore the Council will keep its range of available counter-parties under regular review, to maximise value for money considerations. However, as clearly stated within this strategy, the priorities for the Council's investments are security and liquidity first, and only then looking at investment yield.

- The Treasury Team will monitor the interest rate market, take advice from appointed professional advisors, and adopt a pragmatic approach to changing circumstances, reporting any decisions to the Corporate Resources Committee at the next available opportunity.

10.5 Policy on borrowing in advance of need

The Council will not borrow more than, or in advance of, its needs purely in order to profit from the investment of the extra sums borrowed. In accordance with the revised Code, any decision to borrow in advance will be within the approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated, and that the Council can ensure the security of such funds.

In determining whether borrowing will be undertaken in advance of need the Council will:

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need.
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered.
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow.
- consider the merits and demerits of alternative forms of funding.
- consider the prevailing and projected interest rates based on best available information.
- Consider appropriate maturity profiles of new borrowing.
- consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them.

The maximum extent to which borrowing in advance would be undertaken will be based upon the existing and projected capital financial requirement, and existing level of debt.

11. Debt Rescheduling

11.1 At this time, and due to the early repayment penalties imposed by PWLB, the opportunities for debt rescheduling are not cost effective. However, this position will be kept under regular review.

11.2 The reasons for any rescheduling to take place will include:

- the generation of cash savings and/or discounted cash flow savings,
- helping to fulfil the strategy outlined in section 10 above, and
- to enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

11.3 Consideration will also be given to the potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt. All rescheduling will be reported to the Corporate Resources Committee, at the earliest meeting following its action.

12. Annual Investment Strategy

12.1 Investment Policy

The Council's investment policy has regard to the Scottish Government's Investments Investment (Scotland) Regulations, (and accompanying Finance Circular), and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017, ("the CIPFA TM Code"). **The Council's investment priorities will be**

1. **Security**
2. **Liquidity**
3. **Return**

The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low in order to give priority to security of its investments.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

The Council's policies in relation to Investment instruments and counter-parties identified for use are listed in **Appendices 4, 5, 6, 7 and 8** and explanatory notes on investment types and risks are detailed in **Appendix 9**.

12.2 Creditworthiness policy

The Council recognises the vital importance of credit-worthiness checks on the counterparties it uses for investments.

This Council uses the creditworthiness service provided by Link. This service employs a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with further credit overlays to provide a colour coded system based on recommended durational band for use of the counter-party.

This Council does not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties. The Link creditworthiness service uses a wider array of information than just primary ratings, from all three agencies and using a risk weighted scoring system, does not give undue consideration to just one agency's ratings.

The Link creditworthiness service is used on an advisory basis, with the decision on creditworthiness ultimately resting with the Treasury Team.

12.3 Foreign Exposures/Country limits

In relation to Money Market Funds, only AAA rated Sterling denominated funds will be used.

At present the Council uses mainly UK based institutions for investment (AA rating) and should the UK's credit rating be downgraded in light of Brexit the Council will review its requirement and use AA- rated and above counterparties.

Examples of the institutions that the Council will invest in include UK banks and building societies, UK Local Authorities, non UK banks and building societies of high credit worthiness, HM Treasury Debt Management Office.

The Council continues to use non-UK counterparties of high credit worthiness. The Link rating model is used in the same way as for UK institutions. In addition to UK counterparties, only institutions registered in countries with an AAA or AA+ credit rating will be considered. The list of countries where the Council will consider investing is at **Appendix 7**.

Appendices 4, 5, 6, 7 and 8 set out further details on the Council's permitted investments and approach to use of counterparties.

12.4 Investment Strategy

In-house funds are mainly cash-flow derived and investments will be made in accordance with cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments of up to 12 months).

12.5 Investment return expectations

As detailed in section 8, the Link's view of interest rates, Bank Rate is forecast to rise in September 2019, with further increases in June 2020, March and September 2021, before ending rising to 2.0% in March 2022.

There are upside risks to these forecasts (i.e. increases in Bank Rate occurs sooner) if economic growth remains strong and unemployment falls faster than expected. However, should the pace of growth fall back, there could be downside risk.

The Council will avoid locking into longer term deals unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and within the risk parameters set by this Council.

12.6 End of Year Investment Report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report. Forecasts of investment balances for the next three years are provided in **Appendix 1**.

12.7 Policy on the Use of External Service Providers

The Council's tendered Treasury Management advisor contract is subject to regular review. The Council currently uses Link as its external treasury management advisers. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed, are properly agreed and documented, and subject to regular review.

The Council recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources.

The Council recognises that responsibility for treasury management decisions remains with the Authority at all times and will ensure that undue reliance is not placed upon our external service providers.

12.8 Treasury Management Responsibilities

The Treasury Management Scheme of Delegation and Role of the Section 95 Officer are at **Appendix 10.**

13. Implications

13.1 The resource and risk implications are covered in the attached tables. There are no specific legal, equality or climate change/Carbon Clever implications relating to this report.

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Appendices

1. Prudential and Treasury Indicators
2. Economic Background
3. Treasury Management Policy
4. Permitted Investments – Common Good, Charitable, Educational and Other Trust Funds
5. Permitted Investments – Non Treasury Investments
6. Permitted Investments – Treasury Management
7. Approved countries for investment
8. Current counter party list as at 31/12/2018
9. Treasury Management Practice 1 (TMP1) Credit and Counterparty Risk Management
10. Treasury Management Scheme of Delegation and Role of the Section 95 Officer
11. Commitment to repay loan fund advances (General Fund)
12. Commitment to repay loan fund advances (HRA)

Appendix 1

Prudential and Treasury Indicators

The borrowing set out within the Prudential Indicators is based upon the General Fund capital programme agreed by the Council in December 2015 and the proposed programme in March 2018. In relation to the HRA, borrowing is required to fund the programme agreed in August 2015 The Estimates of Capital Expenditure below in indicator 3 and 4 include expenditure in relation to the National Housing Trust which is self-financing.

A. Indicators for Affordability, Prudence and Capital Expenditure

Indicator 1 - Capital Expenditure

Gross Capital Expenditure in absolute terms rather than as a ratio, these show the overall levels of estimated capital investment irrespective of how they are being funded.

	2017/18 Actual	2018/19 Original Estimate	2018/19 Revised Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
General Fund	£88.3m	£112.2m	£99.9m	£142.1m	£96.1m	£68.8m
Housing Revenue Account	£38.0m	£35.3m	£43.3m	£47.3m	£39.3m	£38.6m
Total	**£126.3m**	**£147.5m**	**£143.2m**	**£189.4m**	**£135.4m**	**£107.4m**
Income						
General Fund	(£44.7m)	(£46.5m)	(£46.1m)	(£78.9m)	(£62.8m)	(£49.8m)
Housing Revenue Account	(£20.8m)	(£16.2m)	(£18.8m)	(£10.7m)	(£10.0m)	(£8.8m)
Total	**(£65.5m)**	**(£62.7m)**	**(£64.9m)**	**(£89.6m)**	**(£72.8m)**	**(£58.6m)**

Net Capital Expenditure is the borrowing or funding requirement for new capital investment in each year.

General Fund	£43.6m	£65.7m	£53.8m	£63.2m	£33.3m	£19.0m
Housing Revenue Account	£17.2m	£19.1m	£24.5m	£36.6m	£29.3m	£29.8m
Total	**£60.8m**	**£84.8m**	**£78.3m**	**£99.8m**	**£62.6m**	**£48.8m**

Loan charge instalments

General Fund	(£28.2m)	(£29.6m)	(£29.8m)	(£30.6m)	(£31.2m)	(£30.9m)
Housing Revenue Account	(£7.8m)	(£7.5m)	(£7.6m)	(£9.9m)	(£10.2m)	(£11.7m)
Total	**(£36.0m)**	**(£37.1m)**	**(£37.4m)**	**(£40.5m)**	**(£41.4m)**	**(£42.9m)**

Additional net borrowing in year

General Fund	£15.4m	£36.1m	£24.0m	£32.6m	£2.1m	(£11.9m)
Housing Revenue Account	£9.4m	£11.6m	£16.9m	£26.7m	£19.1m	£18.1m
Total	**£24.8m**	**£47.7m**	**£40.9m**	**£59.3m**	**£21.2m**	**£6.2m**

Indicator 2 – Capital Financing Requirement (CFR)

These indicators represent the level of the Council's underlying need to borrow or finance by other long-term liabilities for a capital purpose. This includes past and future borrowing or funding.

	2017/18 Actual	**2018/19 Original Estimate**	**2018/19 Revised Estimate**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**
General Fund excluding PPP/NPD	£688.7m	£715.8m	£696.9m	£729.2m	£731.7m	£719.7m
PPP/NPD	£161.5m	£157.2m	£154.8m	£148.8m	£142.1m	£135.7m
Housing Revenue Account	£246.3m	£256.9m	£260.6m	£287.3m	£306.3m	£324.4m
Total	**£1,096.5m**	**£1,129.9m**	**£1,112.3m**	**£1,165.3m**	**£1,180.1m**	**£1,179.8m**
Joint Boards	£20.0m	£19.0m	£19.0m	£18.0m	£17.0m	£16.1m
Total CFR (incl Police/Fire) (1)	**£1,116.5m**	**£1,148.9m**	**£1,131.3m**	**£1,183.3m**	**£1,197.1m**	**£1,195.9m**

Treasury Position This indicator shows the expected borrowing position, net of investments.

Gross Borrowing – long term	£768.0m	£755.3m	£763.1m	£758.5m	£779.0m	£784.2m
Gross Borrowing – short term	£151.0m	£200.0m	£189.3m	£240.0m	£240.0m	£240.0m
Total External Borrowing	**£919.0m**	**£955.3m**	**£952.4m**	**£998.5m**	**£1,019.0m**	**£1,024.2m**
Other Long Term Liabilities	£161.5m	£157.2m	£154.8m	£148.8m	£142.1m	£135.7m
Total Gross Debt (2)	**£1,080.5m**	**£1,112.5m**	**£1,107.2m**	**£1,147.3m**	**£1,161.1m**	**£1,159.9m**
Investments	£70.6m	£50.0m	£80.0m	£50.0m	£50.0m	£50.0m
Net Borrowing	**£1,009.9m**	**£1,062.5m**	**£1,027.2m**	**£1,097.3m**	**£1,111.1m**	**£1,109.9m**

Difference between CFR (1) and Total Gross Debt (2)

This indicator shows the difference between the Capital Financing Requirement, and the Estimated Gross Debt. The difference represents an ‘under-borrowed’ position, with capital financed from internal cash flows.

	2017/18 Actual	**2018/19 Original Estimate**	**2018/19 Revised Estimate**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**
Difference between CFR (1) and Total Gross Debt (2)	£36.0m	£36.4m	£24.2m	£36.0m	£36.0m	£36.0m

Indicator 3 – Authorised Limit for Borrowing

The Authorised Limit is the maximum level of external borrowing which should not be exceeded. The limit is linked to the estimated level of capital financing requirement, with some capacity for variations from that sum e.g. if capital expenditures are exceeded.

Authorised Limit	**2017/18 Actual**	**2018/19 Original Estimate**	**2018/19 Revised Estimate**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**
Borrowing	£963.6m	£1,003.7m	£1,003.7m	£1,049.7m	£1,060.2m	£1,061.7m
Other Long Term Liabilities	£165.6m	£157.2m	£154.8m	£148.8m	£142.1m	£135.7m

Indicator 4 - Operational Boundary for Borrowing

An Operational Boundary is also required which represents the Depute Chief Executive/ Director of Corporate Resources' estimate of the day to day limit for the Treasury Management activity based on the most likely i.e. prudent but not worst case scenario.

Operational Boundary	**2017/18 Actual**	**2018/19 Original Estimate**	**2018/19 Revised Estimate**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**
Borrowing	£947.6m	£967.3m	£967.3m	£1,013.7m	£1,024.1m	£1,026.0m
Other Long Term Liabilities	£165.6m	£157.2m	£154.8m	£148.8m	£142.1m	£135.7m

Indicator 5 – Ratio of financing costs to net revenue stream

These indicators show the capital financing costs (interest charges, the provision for the repayment of debt and the financing of PPP/NPD outstanding capital investment liability) as a percentage of government grant (revenue), Council Tax, Rents and other income. This allows the authority to track how much of its annual income is needed to pay for its capital investment plans and outstanding funding liabilities compared to its day to day running costs.

	2017/18 Actual	**2018/19 Original Estimate**	**2018/19 Revised Estimate**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**
General Fund including PPP/NPD	13.6%	13.5%	13.3%	13.3%	13.3%	13.2%
Housing Revenue Account	33.4%	33.7%	33.4%	36.5%	37.2%	38.3%

Indicator 6- Interest rate exposures of debt net of investments

Interest rate exposures of debt net of investments are required to be set in compliance with the Code. This limits the Council's exposure to both fixed and variable interest rate movements as part of the overall risk management strategy for Treasury Management activities. It promotes a prudent strategy aimed to avoid the adverse effects of fluctuating interest rates. The limits are based on the Capital Financing Requirement (CFR) with variable exposures limited to 35% of the CFR.

Interest rate exposures of debt net of investments	2017/18 Actual	2018/19 Original Estimate	2018/19 Revised Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Upper Limit (Fixed)	£767.6m (indicator £969.0m)	£990.2m	£990.2m	£1,034.9m	£1,055.0m	£1,060.2m
Upper Limit (Variable)	£90.3m (indicator £339.1m)	£346.6m	£346.6m	£361.8m	£368.7m	£370.5m

Maturity structure of fixed rate borrowing during 2018/19

This indicator identifies the amount of debt maturing in specified periods. The overarching principle is that steps should be taken from a risk management point of view to limit exposure to significant refinancing risk in any short period of time. The Council currently applies the prudent practice of ensuring that no more than 30% of its total gross fixed rate debt matures in any one financial year unless triggered through specific debt restructuring exercises.

	upper limit	lower limit
under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	50%	0%
10 years and above	100%	25%

Maximum principal invested for period longer than 365 days

The maximum total principal sum which may be invested with a maturity for a period longer than 365 days and within the permitted investment limits is £20m.

Appendix 2

Economic Background Provided by Link (as at 28/01/19)

Global Outlook

World growth has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China and the eurozone, overall world growth is likely to weaken.

Inflation has been weak during 2018 but, unemployment falling to remarkably low levels in the US and UK has led to an acceleration of wage inflation. The US Fed has therefore increased rates nine times and the Bank of England twice. However, the ECB is unlikely to start raising rates until late in 2019 at the earliest.

Key Risks - central bank monetary policy measures
Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as quantitative easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that period of stimulating economic recovery and warding off the threat of deflation, is coming towards its close. A new period is well advanced in the US, and started more recently in the UK, of reversing those measures i.e. by raising central rates and, (for the US), reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a reduction in spare capacity in the economy and of unemployment falling to such low levels, that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high levels simultaneously. This meant that both asset categories were exposed to the risk of a sharp downward correction and we did, indeed, see a sharp fall in equity values in the last quarter of 2018. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, or, conversely, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.** At the time of writing, (early January 2019), financial markets are very concerned that the Fed is being too aggressive with its policy for raising interest rates and is likely to cause a recession in the US economy.

The world economy also needs to adjust to a sharp change in **liquidity creation** over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt (currently about $50bn per month). In addition, the European Central Bank ended its QE purchases in December 2018.

UK. The flow of positive economic statistics since the end of the first quarter of 2018 has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in GDP was followed by a return to 0.4% in quarter 2 and by a strong performance in quarter 3 of +0.6%. However, growth in quarter 4 is expected to weaken significantly.

At their November quarterly Inflation Report meeting, the MPC repeated that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time, but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also *raise* Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could potentially provide fiscal stimulus to support economic growth, though at the cost of increasing the budget deficit above currently projected levels.

It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring 2019. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019, (on the assumption that a Brexit deal is agreed by both the UK and the EU). The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.

Inflation. The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.1% in December 2018. In the November Bank of England quarterly Inflation Report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate.

The **labour market** figures in November were particularly strong with an emphatic increase in total employment of 141,000 over the previous three months, unemployment at 4.0% at a 43 year low on the Independent Labour Organisation measure, and job vacancies hitting an all-time high, indicating that employers are having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation continued at its high point of 3.3%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 1.2%, the highest level since 2009. This increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

The Brexit deal put forward by the Conservative minority government was defeated on 15 January. It is unclear at the time of writing, how this situation will move forward. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit though the risks are increasing that it may not be possible to get full agreement by the UK and EU before 29 March 2019, in which case this withdrawal date is likely to be pushed back to a new date. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2% (annualised rate) in quarter 1 to 4.2% in quarter 2 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. The strong growth in employment numbers and the reduction in the unemployment rate to 3.9%, near to a recent 49 year low, has fed through to an upturn in wage inflation which hit 3.2% in November. However, CPI inflation overall fell to 2.2% in November and looks to be on a falling trend to drop below the Fed's target of 2% during 2019. The Fed has continued on its series of increases in interest rates with another 0.25% increase in December to between 2.25% and 2.50%, this being the fifth increase in 2018 and the ninth in this cycle. However, they did also reduce their forecast for further increases from three to two. This latest increase compounded investor fears that the Fed is over doing the speed and level of increases in rates and that it is going to cause a US recession as a result. There is also much evidence in previous monetary policy cycles of the Fed's series of increases doing exactly that. Consequently, we have seen stock markets around the world falling under the weight of fears around the Fed's actions, the trade war between the US and China and an expectation that world growth will slow.

The tariff war between the US and China has been generating a lot of heat during 2018; it has the potential to significantly damage world growth if an agreement is not reached during the current three month truce declared by President Trump to hold off from any further tariff increases.

Eurozone. Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this was probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of its manufacturing exports e.g. cars. Current forward indicators for economic growth and inflation have now been on a downward trend for a significant period, which will make it difficult for the ECB to make any start on increasing rates until 2020 at the earliest. Indeed, the issue now is rather whether the ECB will have to resort to new measures to boost liquidity in the economy in order to support growth. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank ended all further purchases in December 2018. In its January 2019 meeting, it made a point of underlining that it will be fully reinvesting all maturing debt for an extended period of time past the date at which it starts raising the key ECB interest rates.

China. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

Japan - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

Emerging countries. Argentina and Turkey are currently experiencing major headwinds and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

Treasury management policy **Appendix 3**

1.1 Treasury management is defined as:

"*The management of the local authority's borrowing, 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*."

1.2 The Council regards the successful identification, monitoring and control of risk to be key to the effectiveness of its treasury management activities. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks.

1.3 The Council acknowledges that effective treasury management will support the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

Investment policy

2.1 The Council's investment policy has regard to the Local Government Investment (Scotland) Regulations (and accompanying finance circular) and the 2017 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). **The Council's investment priorities will be security first, liquidity second, and then return.**

2.2 The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low in order to give priority to security of its investments. The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

2.3 The Council's Treasury Management Consultants provide a creditworthiness matrix to aid the assessment of the risk involved in lending to individual counterparties.

2.4 The Council's detailed policies in relation to Investment instruments and counter-parties identified for use in the financial year are listed in **Appendices 5, 6, 7, 8 and 9** and explanatory notes on investment types and risks are detailed in **Appendix 10**.

Borrowing policy

3.1 The Council will ensure its strategy remains flexible, and will give consideration to new borrowing from the following sources based on prevailing market conditions:

- Short dated borrowing from non PWLB sources through the Sterling Money Market.
- Appropriately dated PWLB borrowing.
- Long term fixed rate market loans from the Sterling Money Market at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.
- Consideration of any government supported or promoted lending initiatives, which may offer attractive sources of finance e.g. low cost borrowing for specific energy efficiency projects.

Appendix 4

Permitted Investments – Common Good, Charitable, Educational and Other Trust Funds

The Council approves the following forms of investment instruments for use as permitted investments for these Funds as set out in the Table below (these include internally and externally managed funds):

Investments

<table>
<tr><th></th><th>Minimum Credit Criteria</th><th>Liquidity risk</th><th>Market risk</th><th>Max % of total investmt</th><th>Max. maturity period</th></tr>
<tr><td>Cash deposits – local authorities, banks, building societies and cash funds</td><td rowspan="5">Relevant parameters as per specific investment mandates and/or specific trust deeds</td><td>term</td><td>yes</td><td rowspan="5" colspan="2">Relevant parameters as per specific investment mandates and/or specific trust deeds</td></tr>
<tr><td>Equities – UK and Overseas</td><td>term</td><td>yes</td></tr>
<tr><td>Fixed Income, Index Linked Bonds, Unit Trusts</td><td>term</td><td>yes</td></tr>
<tr><td>War Stock</td><td>term</td><td>no</td></tr>
<tr><td>Alternative Investments - Property</td><td>term</td><td>yes</td></tr>
</table>

Permitted Investments – Non Treasury Investments **Appendix 5**

Definition of non-treasury investments

Regulation 9 of the Local Government Investment (Scotland) Regulations 2010 adds to the normal definition of investments the following categories: -

a) All shareholding, unit holding and bond holding, including those in a local authority owned company, is an investment;
b) Loans to a local authority company or other entity formed by a local authority to deliver services, is an investment;
c) Loans made to third parties are investments;
d) Investment property is an investment.

However, the following loans are excluded from the definition of investments: -

- Loans made by a local authority to another authority or harbour authority using powers contained in Schedule 3, paragraph 10 or 11 of the Local Government (Scotland) Act 1975.

Permitted Investments – Non-Treasury Investments

The Council approves the following forms of investment instruments for use as permitted investments for Non-Treasury Investments as set out in the Table below:

Investments

	Minimum Credit Criteria	**Liquidity risk**	**Market risk**	**Max % of total investments**	**Max. maturity period**
Loans to Companies, including Local Authority owned.	See Regulation Notes below	term	no	See Regulation requirements and current approvals below.	
Shares and Bonds in Companies, including Local Authority owned.		term	no		
Loans to Third Parties including investments in sub-ordinated debt (see note 1 and 2).		instant	no		
Local Authority Investment Properties.		term	no		
Other Investment Deposits (see note 3)		term	no		

Regulation 24. A local authority shall state the limits for the amounts which, at any time during the financial year, may be invested in each type of permitted investment, such limit being applied when the investment is made. The limits may be defined by reference to a sum of money or a percentage of the local authority's overall investments, or both. A local authority may state that a permitted investment is unlimited. Where a limit is not placed on any type of permitted investment the risk assessment must support that categorisation and an explanation provided as to why an unlimited categorisation is recommended.

Regulation 25. The local authority should identify for each type of permitted investment the objectives of that type of investment. Further, the local authority should identify the treasury risks associated with each type of investment, together with the controls put into place to limit those risks. Treasury risks include credit or security risk of default, liquidity risk – the risks associated with committing funds to longer term investments and market risk – the effect of market prices on investment value.

Regulation 32. The Strategy shall include details of the maximum value and maximum periods for which funds may prudently be invested. The Strategy shall set out the local authority objectives for holding longer term investments. The Strategy shall also refer to the procedures for reviewing the holding of longer term investments particularly those investments held in properties, shareholdings in companies or joint ventures.

The policy above, and requirements of regulations 24, 25 and 32, will be considered, and reported to members, as part of any report pertaining to new investment proposals.

In Part 1, section 12 of the Regulations, Consent includes as an investment any loan issued to a third party. Such loans are neither capital nor revenue transactions, but are often made for Service reasons and for which specific statutory provision exists. For Service reasons these loans may be offered at an interest rate below the market rate. All loans to third parties are classified as investments for the purposes of the Consent. Where the loan is advanced at less than a market interest rate there is an associated loss of investment return which would otherwise have been earned on these monies. The Council's Annual Accounts will recognise and present all loans to third parties as investments.

This Council will refrain from issuing loans to third parties at less than market rate. If, in exceptional circumstances, the Council agrees to issue a loan/s to third parties at less than market rate the associated loss of investment return will be chargeable to the budget of the sponsoring Service. In circumstances where investment risk is a predominant factor the rate chargeable will reflect the equivalent market rate where this is greater than the Council's Loans Fund's most recent actual average interest rate. In all other cases the interest rate chargeable will be the Council's Loans Fund's most recent actual average interest rate.

Current Approvals

Note 1 – Subordinated Debt – the Highland Council, on 25 October 2012, agreed to permit an investment, at a maximum level of £1m for all current and future investments, for a maximum maturity period of 25 years, in 'Hub Co' projects.

Note 2 – Land banking Fund and Loan Advances to Registered Social Landlords (RSLs) – the Council has for many years operated a 'land bank fund'. The fund is used to provide loans and grants to partner organisations (including RSLs), enabling strategic sites to be secured or prepared for development of housing. The Land bank Fund is a revolving facility with loans repaid as land and property is resold or developed.

Note 3 – From May 2005 The Council has held £1.175m of unsecured loan stock in Inverness Airport Business Park Ltd (IABP). Under the Loan Stock Instrument IABP can exercise a right to defer the repayment due to be made to the Council in May 2010 and in May 2015. IABP have exercised this right on both repayment dates so the full amount of Loan Stock due to the council remains outstanding.

Permitted Investments – Treasury Investments **Appendix 6**

The Council's policy in relation to permitted investments is a three-stage process as summarised below.

1. Only use of permitted investments per the investment strategy is allowed. See Appendix 10 for definition of the different types of investment.
2. Credit-worthiness of counter-parties will be assessed having taken advice from the Council's treasury management advisers, Capita. Maximum maturity periods for individual counter-parties will be based upon advice from the Adviser, with limits on treasury investments > 365 days as per the prudential indicators, and shown below.
3. Counter-party limits, as set out within the investment strategy will be applied.

The following sections explain each aspect of the 3-stage process in further detail.

<u>Stage 1 - Permitted Investments</u>

The Council approves the following forms of investment instruments for use as permitted treasury management investments as set out in the Tables below. While there is a maximum permitted maturity period set out in the Tables, the actual maturity period will be based on an assessment of risk as part of the credit-worthiness assessment (see stage 2).

In relation to Money Market Funds, only AAA rated Sterling denominated funds will be used.

In relation to all other counter-parties, the Council will mainly use UK based institutions but where non-UK counterparties of high credit worthiness are available these may be used. In determining whether a counterparty is UK or non UK, entities are classified under where their primary regulator is based. The list of countries where the Council can invest are at **Appendix 7**. For example UK banks and building societies, UK Local Authorities, non UK banks and building societies of high credit worthiness, HMT Treasury Debt Management Office.

a. Deposits (UK institutions only)

	Minimum Credit Criteria	**Liquidity risk**	**Market risk**	**Max % of total investments** (Stage 2 Below)	**Max. maturity period**
Debt Management Agency Deposit Facility	UK sovereign rating	term	no	**100**	**6 mths**
Term deposits – local authorities	N/A	term	no	**100**	**2 yrs**
Term deposits – banks and building societies	See Stage 2 below	term	yes	**100**	**2 yrs**
Call accounts – banks and building societies	See Stage 2 below	instant	yes	**100**	**1 yr**

b. Deposits with counterparties currently in receipt of government support/ownership (UK institutions only)

	Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments (Stage 2 Below)	Max. maturity period
UK nationalised banks	See Stage 2 Below	term	limited	**100**	**2 yrs**
Term deposits – banks and building societies	See Stage 2 below	term	limited	**100**	**2 yrs**
UK Government support to the banking sector (implicit guarantee)	See Stage 2 below	term	limited	**100**	**2 yrs**

c. Collective investment schemes structured as Open Ended Investment Companies (OEICs) Sterling Deposits Only

	Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Government Liquidity Funds	AAA	Instant		**100**	**1 year**
Money Market Funds CNAV	AAA	Instant		**100**	**1 year**
Money Market Funds LVNAV	AAA	Instant		**100**	**1 year**
Money Market Funds VNAV	AAA	Instant		**100**	**1 year**

Note 1 – Money Market Funds: These funds invest across a wide spread of short term instruments such as Government/Treasury issues, short-term corporate paper and Certificates of Deposits. By keeping a short time-frame, these funds attempt to reduce risk. The objective of these Funds is to maintain the net asset value but they hold assets which can vary in value. Each Money Market Fund is treated as a single counter-party in relation to counter-party limits.

Note 2 - If forward deposits are to be made, the forward period plus the deal period will not exceed one year in aggregate.

<u>Stage 2 – Credit worthiness policy and assessment</u>

This Council uses the creditworthiness service provided by Link. This service employs a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments.

- All credit ratings are monitored from a weekly list which can be updated daily by Link. The Council is alerted to changes to ratings of all three agencies as these occur through its use of the Link creditworthiness service.
- if a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, immediate consideration will be given to whether funds should be withdrawn from this counterparty and the timescale for doing this.
- in addition to the use of Credit Ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a daily basis via its Passport website. Extreme market movements may result in downgrade of an institution or removal from the Councils lending list.

Based on the Link approach, the Council will therefore use counterparties within the following durational bands:

Yellow	5 years *
Dark pink	5 years for Enhanced cash funds (EMMFs) with a credit score of 1.25
Light pink	5 years for Enhanced cash funds (EMMFs) with a credit score of 1.5
Purple	2 years
Blue	1 year (only applies to nationalised or semi nationalised UK Banks)
Orange	1 year
Red	6 months
Green	100 days
No Colour	Not to be used

*Please note: the yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt.

Sole reliance will not be placed on the use of this external service. In addition the Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

In relation to Money Market Funds, the Council will use Link's weekly investment monitor, and other regular updates, to ensure its MMF counter-parties meet the minimum credit criteria described in the table above.

As set out within the Prudential Indicators, a limit is set on the value of Treasury Investments which can be invested for more than 365 days. The limit is £20m, which represents the maximum sum invested for longer than 365 days. Though the period of investment must be decided using Link credit ratings and maximum limits in permitted investments.

Stage 3 – Counter-party Limits

The limits described below apply to the Council's treasury management operations. Separate limits apply for the Highland Council Pension Fund, with Highland Council limits relating to all operations excluding the Pension Fund. If for unavoidable short term operational reasons, limits are breached this will be communicated to management immediately.

Due to market volatility in treasury management investments and varying levels of investment it is possible that at any time in the year one category of investment could represent 100% of the portfolio although it is likely that investments will carry greater diversification than this.

No more than £20m can be invested with any single counterparty, with the exception of the nationalised or semi nationalised UK banks (see section B above) where no more than £25m can be invested in each bank.

The Council will place overnight and call deposits with the Council's bankers irrespective of credit rating. The limit on placing call deposits with the Council's bankers is currently £10m for the Highland Council bank accounts.

The Highland Council Pension Fund will place overnight and call deposits with the Council's bankers irrespective of credit rating. The limit on placing call deposits with the Council's bankers is currently £10m. The Pension Fund may also use other suitable counterparties, with a £10m limit applying to each.

Appendix 7

Approved countries for investment (as at 12/02/19)

If a country rating is downgraded, this will be removed from our approved countries for investment.

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- Hong Kong
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- U.K.

AA-

- Belgium
- Qatar

Appendix 8

Current counter party list as at 31/12/2018

The following table is for use by the in house treasury management team and is a list of current counterparties used. However, the use of counterparties depends on credit ratings and the Council may stop using certain counterparty's and/or decide to use alternative counterparties within its permitted investments. If for unavoidable short term operational reasons, limits are breached this will be communicated to management immediately.

	At time of investment use Link rating Current rating 31/12/18	Maximum Duration per TMSS	Investment limits	
			Highland Council	Highland Council Pension Fund (note 1)
Government Backed Deposits				
Debt Management Agency Deposit Facility	Yellow (5 years)	6 months	Unlimited	Not used
Deposits with Counterparties currently in receipt of Government Support/Ownership				
RBS	Blue (1 year)	2 years	£25m	£10m
Bank of Scotland	Orange (1 year)	2 years	£20m	Not used
Term deposits (*restricted to £20m invested >365 days*)				
Term deposits – local authorities	Purple (2 years)	2 years	£20m	Not used
Term deposits – banks and building societies (UK only)	Varies	2 years	£20m	Not used
Commonwealth Bank of Australia	Orange (1 year)	2 years	£20m	Not used
Coventry Building Society	Red (6 months)	2 years	£20m	Not used
DZ Bank	Orange (1 year)	2 years	£20m	Not used
Goldman Sachs	Red (6 months)	2 years	£20m	Not used
Nationwide	Red (6 months)	2 years	£20m	Not used
Certificates of deposit				
Standard Chartered	Red (6 months)	1 Year	£20m	Not used
Royal Bank of Scotland	Blue (1 year)	2 years	£20m	Not used

Call accounts				
Clydesdale Bank (Council's Banker)	No colour	1 year	£10m	£10m
Barclays	Red (6 months)	1 year	£20m	Not used
Santander	Red (6 months)	1 year	£20m	Not used
Svenska Handelsbanken	Orange (1 year)	1 year	£20m	£10m
Money Market Funds				
Aberdeen Asset Management	AAA	1 Year	£20m	Not used
Insight Asset Management	AAA	1 Year	£20m	Not used

Note 1 – the Pension Fund currently uses a limited number of counter-parties as shown above. In line with the limits detailed on **appendix 6**, additional counter-parties could be considered up to the limits stipulated.

Appendix 9 Treasury Management Practice 1 (TMP1) Credit and Counterparty Risk Management

Type of Permitted Investment	Treasury Risks	Mitigating Controls
a. Deposits with the Debt Management Account Facility (UK Government) (**Very low risk)**	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	Little mitigating controls required. As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.
b. Deposits with other local authorities or public bodies **(Very low risk)**	These are considered quasi UK Government debt and as such counterparty risk is very low, and there is no risk to value. Liquidity may present a problem as deposits can only be broken with the agreement of the counterparty, and penalties can apply. Deposits with other non-local authority bodies will be restricted to the overall credit rating criteria.	Little mitigating controls required for local authority deposits, as this is a quasi UK Government investment. Non-local authority deposits will follow the approved credit rating criteria.
c. Money Market Funds (MMFs) **(Very low risk)** CNAV, LVNAV, VNAV	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the MMFs have a “AAA” rated status from either Fitch, Moody’s or Standard and Poor’s.
d. Ultra short dated bond funds **(low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the bonds have a “AAA” rated status from either Fitch, Moody’s or Standard and Poor’s.
e. Call account deposit accounts with financial institutions (banks and building societies) **(Low risk depending on credit rating)**	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice.	The counterparty selection criteria approved above restricts lending only to high quality counterparties.

Type of Permitted Investment	Treasury Risks	Mitigating Controls
f. Term deposits with financial institutions (banks and building societies) **(Low to medium risk depending on period & credit rating)**	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.	The counterparty selection criteria approved above restricts lending only to high quality counterparties.
g. Government Gilts and Treasury Bills **(Very low risk)**	These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates (no loss if these are held to maturity).	Little counterparty mitigating controls are required, as this is a UK Government investment. The potential for capital loss will be reduced by limiting the maximum monetary and time exposures.
h. Certificates of deposits with financial institutions **(Low risk)**	These are short dated marketable securities issued by financial institutions and as such counterparty risk is low, but will exhibit higher risks than categories (a), (b) and (c) above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will normally be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties.
i. Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates etc.) **(Low to medium risk depending on period & credit rating)**	These tend to be medium to low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is very low and investments can only be broken with the agreement of the counterparty (penalties may apply).	The counterparty selection criteria approved above restricts lending only to high quality counterparties.
j. Corporate bonds **(Medium to high risk depending on period & credit rating)**	These are marketable securities issued by financial and corporate institutions. Counterparty risk will vary and there is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties.

Type of Investment	Treasury Risks	Mitigating Controls
k. Investment properties	These are non-service properties which are being held pending disposal or for a longer term rental income stream. These are highly illiquid assets with high risk to value (the potential for property prices to fall or for rental voids).	In larger investment portfolios some small allocation of property based investment may counterbalance/compliment the wider cash portfolio. Property holding will be re-valued regularly and reported annually with gross and net rental streams.
l. Loans to third parties, including soft loans	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.
m. Loans to a local authority company	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each loan to a local authority company requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.
n. Shareholdings in a local authority company	These are service investments which may exhibit market risk and are likely to be highly illiquid.	Each equity investment in a local authority company requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.
o. Non-local authority shareholdings	These are non-service investments which may exhibit market risk, be only considered for longer term investments and will be likely to be liquid.	Any non-service equity investment will require separate Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.

The Monitoring of Investment Counterparties - The status of counterparties will be monitored regularly. The Council receives credit rating and market information from Link, including when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Depute Chief Executive/Director of Corporate Resources, and if required new counterparties which meet the criteria will be added to the list.

Use of External Fund Managers – It is the Council’s policy to use an external fund manager for the investment portfolio relating to the Common Good Funds and Benevolent Funds. The fund managers are contractually committed to keep to the Council’s investment strategy. The terms of the fund managers’ investment policies are set out in the Investment Management Agreement. The performance of each manager is reviewed at least quarterly at the Investment Sub Committee by the Depute Chief Executive/Director of Corporate Resources.

Appendix 10

Treasury Management Scheme of Delegation

(i) The Council

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy.

(ii) The Council’s Resources Committee

- approval of/amendments to the organisation’s adopted clauses, treasury management policy statement and treasury management practices;
- receiving and reviewing regular monitoring reports and acting on recommendations; including scrutiny/review of annual strategy, annual report and mid-year report;

(iii) Depute Chief Executive/Director of Corporate Resources

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.
- approval of the division of responsibilities;
- approving the selection of external service providers and agreeing terms of appointment.

The Treasury Management Role of the Section 95 Officer

The S95 (responsible) Officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit recommending the appointment of external service providers.
- preparation of a capital strategy from 2019/20 to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe (say 20+ years – to be determined in accordance with local priorities).
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long

term liabilities

- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed.

Appendix 11 Commitment to pay to repay loans fund advances (General Fund)

Financial year	HISTORIC DEBT Opening Balance £000	Instalment £000	NEW DEBT Opening Balance £000	Instalment £000	New Borrowing £000	Total GF LF debt
2018-19	672,947	29,778	0	0	53.789	696,958
2019-20	643,169	29,723	65,723	859	63,193	729,569
2020-21	613,446	29,631	123,167	1,581	33,267	731,624
2021-22	583,815	29,066	154,482	1,868	19,007	719,697
2022-23	554,749	28,600	171,251	2,329	14,121	702,889
2023-24	526,149	28,083	182,673	2,687	2,493	674,612
2024-25	498,066	27,204	182,107	2,816	-501	644,091
2025-26	470,862	26,375	178,419	2,903	-850	613,963
2026-27	444,487	25,658	174,296	2,983	-856	584,466
2027-28	418,829	25,068	170,086	3,067	-874	555,457
2028-29	393,761	24,394	165,774	3,155	0	527,908
2029-30	369,367	23,188	162,248	3,272	0	501,448
2030-31	346,179	22,671	158,606	3,393	0	475,384
2031-32	323,508	21,894	154,842	3,520	0	449,970
2032-33	301,614	20,698	150,952	3,650	0	425,622
2033-34	280,916	19,917	146,930	3,788	0	401,917
2034-35	260,999	18,377	142,771	3,930	0	379,610
2035-36	242,622	16,015	138,471	4,078	0	359,517
2036-37	226,607	12,947	134,023	4,230	0	342,340
2037-38	213,660	11,099	129,421	4,390	0	326,851
2038-39	202,561	9,498	124,659	2,868	0	314,485
2039-40	193,063	9,094	121,420	2,596	0	302,795
2040-41	183,969	8,704	118,824	2,494	0	291,597
2041-42	175,265	8,278	116,330	2,571	0	280,748
2042-43	166,987	8,068	113,759	2,569	0	270,111
2043-44	158,919	7,929	111,190	2,600	0	259,582
2044-45	150,990	7,589	108,590	2,697	0	249,296
2045-46	143,401	7,209	105,893	2,791	0	239,296
2046-47	136,192	6,685	103,101	2,892	0	229,719
2047-48	129,507	5,908	100,210	2,996	0	220,815
2048-49	123,599	5,156	97,214	2,231	0	213,428
2049-50	118,443	4,996	94,982	2,030	0	206,402
2050-51	113,447	4,979	92,952	2,006	0	199,417
2051-52	108,468	4,994	90,947	2,067	0	192,356
2052-53	103,474	5,079	88,880	2,132	0	185,145
2053-54	98,395	5,175	86,747	2,201	0	177,769
2054-55	93,220	4,849	84,546	2,273	0	170,647
2055-56	88,371	5,039	82,274	2,347	0	163,261
2056-57	83,332	4,863	79,927	2,430	0	155,968
2057-58	78,469	4,748	77,497	2,517	0	148,703
2058-59	73,721	4,721	74,980	2,517	0	141,465
2059-60	69,000	4,723	72,462	2,547	0	134,195
2060-61	64,277	4,737	69,916	2,619	0	126,839
2061-62	59,540	4,796	67,296	2,704	0	119,339
2062-63	54,744	4,789	64,593	2,785	0	111,765
2063-64	49,955	4,792	61,808	2,870	0	104,103
2064-65	45,163	4,895	58,938	2,965	0	96,243
2065-66	40,268	5,025	55,974	3,064	0	88,154
2066-67	35,243	4,907	52,910	3,167	0	80,080
2067-68	30,336	4,028	49,742	3,275	0	72,777
2068-69	26,308	3,918	46,467	3,387	0	65,472

Financial year	HISTORIC DEBT Opening Balance £000	Instalment £000	NEW DEBT Opening Balance £000	Instalment £000	New Borrowing £000	Total GF LF debt
2069-70	22,390	3,927	43,081	3,503	0	58,042
2070-71	18,463	3,932	39,578	3,624	0	50,486
2071-72	14,531	3,451	35,953	3,750	0	43,285
2072-73	11,080	2,881	32,203	3,882	0	36,522
2073-74	8,199	2,562	28,321	4,019	0	29,941
2074-75	5,637	2,125	24,303	4,161	0	23,655
2075-76	3,512	1,955	20,142	4,309	0	17,391
2076-77	1,557	1080	15,833	4,463	0	11,848
2077-78	477	477	11,370	4,624	0	6,747
2078-79	0	0	6,746	3,611	0	3,136
2079-80	0	0	3,136	1,900	0	1,236
2080-81	0	0	1,236	524	0	712
2081-82	0	0	712	524	0	188
2082-83	0	0	189	237	0	-49
2083-84	0	0	-49	20	0	-69
2084-85	0	0	-69	-27	0	-42
2085-86	0	0	-42	-21	0	-21
2086-87	0	0	-21	-14	0	-7
2088-89	0	0	-7	-7	0	0
2089-90	0	0	0	0	0	0
		672,947		182,789	182,789	0

Appendix 12 Commitment to pay to repay loans fund advances (HRA)

Financial year	HISTORIC DEBT Opening Balance £000	HISTORIC DEBT Instalment £000	NEW DEBT Opening Balance £000	NEW DEBT Instalment £000	New Borrowing £000	Total HRA LF debt
2018-19	243,769	7,611	0	0	24,481	
2019-20	236,158	9,652	24,481	287	28,500	
2020-21	226,506	9,563	52,694	623	29,300	
2021-22	216,943	10,659	81,371	986	29,800	
2022-23	206,284	10,133	110,185	1,686	30,500	
2023-24	196,151	10,770	138,999	2,491	0	
2024-25	185,381	10,091	136,508	2,536	0	
2025-26	175,290	10,363	133,972	2,582	0	
2026-27	164,927	10,413	131,390	2,631	0	
2027-28	154,514	10,534	128,759	2,681	0	
2028-29	143,980	10,783	126,078	2,734	0	
2029-30	133,197	11,150	123,344	2,790	0	
2030-31	122,047	11,123	120,554	2,848	0	
2031-32	110,924	10,875	117,706	2,908	0	
2032-33	100,049	10,634	114,798	2,972	0	
2033-34	89,415	9,898	111,826	3,038	0	
2034-35	79,517	8,739	108,788	3,107	0	
2035-36	70,778	7,356	105,681	3,179	0	
2036-37	63,422	4,713	102,502	3,255	0	
2037-38	58,709	3,851	99,247	3,334	0	
2038-39	54,858	2,757	95,913	3,416	0	
2039-40	52,101	2,736	92,497	3,034	0	
2040-41	49,365	2,667	89,463	2,556	0	
2041-42	46,698	2,624	86,907	2,041	0	
2042-43	44,074	2,546	84,866	1,692	0	
2043-44	41,528	2,519	83,174	1,336	0	
2044-45	39,009	2,327	81,838	1,363	0	
2045-46	36,682	2,251	80,475	1,390	0	
2046-47	34,431	2,219	79,085	1,419	0	
2047-48	32,212	2,044	77,666	1,449	0	
2048-49	30,168	1,902	76,217	1,480	0	
2049-50	28,266	1,632	74,737	1,513	0	
2050-51	26,634	1,322	73,224	1,548	0	
2051-52	25,312	1,152	71,676	1,583	0	
2052-53	24,160	1,025	70,093	1,621	0	
2053-54	23,135	920	68,472	1,660	0	
2054-55	22,215	707	66,812	1,701	0	
2055-56	21,508	657	65,111	1,744	0	
2056-57	20,851	599	63,367	1,789	0	
2057-58	20,252	512	61,578	1,836	0	
2058-59	19,740	491	59,742	1,884	0	
2059-60	19,249	496	57,858	1,935	0	
2060-61	18,753	517	55,923	1,989	0	
2061-62	18,236	535	53,934	2,045	0	
2062-63	17,701	558	51,889	2,103	0	
2063-64	17,143	583	49,786	2,164	0	
2064-65	16,560	1,271	47,622	2,228	0	
2065-66	15,289	1,328	45,394	2,294	0	
2066-67	13,961	1,639	43,100	2,364	0	
2067-68	12,322	1,419	40,736	2,437	0	
2068-69	10,903	1,482	38,299	2,513	0	
2069-70	9,421	1,546	35,786	2,592	0	

Financial year	HISTORIC DEBT Opening Balance £000	Instalment £000	NEW DEBT Opening Balance £000	Instalment £000	New Borrowing £000	Total HRA LF debt
2070-71	7,875	1,743	33,194	2676	0	
2071-72	6,132	1,647	30,518	2762	0	
2072-73	4,485	1,504	27,756	2853	0	
2073-74	2,981	1,247	24,903	2948	0	
2074-75	1,734	751	21,955	3047	0	
2075-76	983	402	18,908	3151	0	
2076-77	581	374	15,757	3259	0	
2077-78	207	207	12,498	3373	0	
2078-79	0	0	9,125	3491	0	
2079-80	0	0	5,634	2724	0	
2080-81	0	0	2,910	1775	0	
2081-82	0	0	1,135	754	0	
2082-83	0	0	381	381	0	
2083-84	0	0	0	0	0	
2084-85	0	0	0	0	0	
		243,769		142,581	142,581	