PART 1	ITEM NO.

REPORT OF THE LEAD MEMBER FOR FINANCE AND SUPPORT SERVICES

TO COUNCIL ON 20 NOVEMBER 2019

TITLE: TREASURY MANAGEMENT STRATEGY MID YEAR REVIEW 2019/20

RECOMMENDATIONS:

It is recommended that City Mayor and Members note the contents of the report and approve the update to the prudential indicators.

EXECUTIVE SUMMARY:

This report provides a progress report on the treasury management strategy for 2019/20 and updates the prudential indicators. City Mayor and Members are requested to approve the update to the prudential indicators

BACKGROUND DOCUMENTS:
Various working papers in the Finance division including:

- Treasury management strategy 2019/20 reported to council on 27 February 2019
- Treasury management practices TMPs 1 to 12 and supporting schedules
- Treasury management in the public services, code of practice and cross-sectoral guidance notes (CIPFA), “CIPFA Code”
- Treasury management in the public services, guidance notes for local authorities including police authorities and fire authorities (CIPFA), “CIPFA guidance”

KEY DECISION: ~~YES /~~ NO

DETAILS: overleaf

1 BACKGROUND

1.1 The Council operates a balanced budget which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operation ensures this cash flow is adequately planned with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially longer term cash flow planning to ensure the Council can meet its capital spending schedule. This management of longer term cash may involve arranging long or short term loans or using longer term cash flow surpluses and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.3 Treasury management is defined as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks."

2 INTRODUCTION

2.1 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.
- 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.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to the Overview and scrutiny board.

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first part of the 2019/20 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;

- The Council's capital expenditure, as set out in the budget report, and prudential indicators;
- A review of the Council's investment portfolio for 2019/20;
- A review of the Council's borrowing strategy for 2019/20;
- A review of any debt rescheduling undertaken during 2019/20;
- A review of compliance with Treasury and Prudential Limits for 2019/20.

3 ECONOMIC UPDATE AND INTEREST RATES

3.1 Economics update

The first half of 2019/20 has seen UK economic growth fall due to the Brexit uncertainty and therefore the Monetary Policy Committee (MPC) has, so far, left Bank Rate unchanged at 0.75% throughout 2019and is expected to hold off on changes until there is some clarity on what is going to happen over Brexit. However, with the new Prime Minister making some significant promises on various spending commitments and a promised relaxation in the austerity programme, this will provide some support to the economy and, conversely, take some pressure off the MPC to cut Bank Rate to support growth.

As for inflation itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell to 1.7% in August and remained at this level in September. It is likely to remain close to 2% over the next two years and so it does not pose any immediate concern to the MPC at the current time. However, it is very difficult to estimate how the economy would react to a no deal Brexit with some estimates suggesting that inflation could rise towards 4%, primarily as a result of imported inflation on the back of a weakening pound.

With regard to the labour market, unemployment continued at a 44 year low of 3.8% on the Independent Labour Organisation measure. Whilst job vacancies fell for a seventh consecutive month after having previously hit record levels, employers are still having difficulty filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation increased to 3.8%, (3 month average regular pay, excluding bonuses). Given the UK economy is very much services sector driven, an 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.

3.2 Interest rate forecast

The Council's treasury advisor, Link Asset Services, has provided the following forecast:

Link Asset Services Interest Rate View											
	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	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60

Interest Rate Forecasts								
Bank Rate	**Dec-19**	**Mar-20**	**Jun-20**	**Sep-20**	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**
Link	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%
5Y PWLB RATE								
Link	2.30%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	3.00%
10Y PWLB RATE								
Link	2.60%	2.80%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%
25Y PWLB RATE								
Link	3.30%	3.40%	3.50%	3.60%	3.70%	3.70%	3.80%	3.90%
50Y PWLB RATE								
Link	3.20%	3.30%	3.40%	3.50%	3.60%	3.60%	3.70%	3.80%

It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% in 2019 due to the ongoing uncertainty over Brexit and concern for the outlook of the global and domestic economy. Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. If the UK was to exit the EU without a deal it is likely that there will be a cut or cuts in Bank Rate to help support economic growth.

HM Treasury announced on 9th October 2019 an increase to the Public Works Loan Board (PWLB) rates by 1%. Previously the rates were calculated by adding a margin of 1% to gilt yields this has now been increased to 2%, the increases are reflected in the forecasts in the above table.

4 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY UPDATE

4.1 The Treasury Management Strategy Statement (TMSS) for 2019/20 was approved by the council on 27 February 2019. The council's Annual Investment Strategy, which is incorporated into the TMSS, outlines the council's investment priorities as *security of capital* and *liquidity*. The council also aims to achieve the optimum return (*yield*) in investments, commensurate with the proper levels of security and liquidity.

4.2 In the current economic climate it is considered appropriate to keep a significant proportion of investments short term (less than 1 year) and only invest with high credit rated financial institutions or those guaranteed by the UK government, using Link Asset Services' suggested creditworthiness approach, including sovereign credit rating and credit default swap (CDS) overlay information provided by Link Asset Services.

4.3 During the first half of 2019/20 the council had not taken out any long term borrowing. However, as the capital financing requirement for 2019/20 is forecast to rise by £72.7m as a consequence of the capital expenditure in the capital programme financed by unsupported borrowing, there are intentions to finance part of this increase with fixed rate, long term borrowing to minimise the council's interest rate risk exposure.

4.4 Investments and borrowing during the first six months of the year have been in line with the strategy. Currently the target is to hold £25m in callable investments in order to provide the necessary liquidity for the council's cash flow.

4.5 There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

5 THE COUNCIL'S CAPITAL POSITION (PRUDENTIAL INDICATORS)

5.1 Prudential Indicator for Capital Expenditure

Capital expenditure	2019/20 Original estimate £M	2019/20 Current position £M	2019/20 Revised estimate £M
General fund	105.7	34.5	143.7
HRA	0.0	0.0	0.0
Total	105.7	34.5	143.7

This table shows the revised estimates for capital expenditure since the capital programme was agreed at the Budget. The increase in forecast spend is due to schemes being reprofiled from the 2018/19 capital programme. Such schemes include 100 Embankment, tower block safety works, housing delivery and the social care management system replacement.

5.2 Changes to the Financing of the Capital Programme

Total capital expenditure financed by	2019/20 Original estimate £M	2019/20 Revised estimate £M
Grants	36.2	35.7
Borrowing requirement	69.5	108.0
Total	105.7	143.7

This table shows the funding of the capital expenditure plans. The borrowing requirement line of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision).

5.3 Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The table below shows the CFR, which is the underlying need to incur borrowing for a capital purpose. It also shows the Operational Boundary for external debt, The Operational Boundary for External Debt is based on the probable external debt during the course of the year. It is not a limit and actual borrowing could vary around this boundary for short times during the year. It acts as an early warning indicator to ensure the authorised limit is not breached. Similarly to the authorised limit it also provides scope for the Council to borrow in advance of need. The prudential indicators have been updated to reflect changes to the underlying need to borrow due to the changes in the forecast borrowing requirement. In addition, for other long term liabilities, the limit has reduced as the revised estimate takes into account that the new accounting standard IFRS16 Leases has been delayed for a year. More details on IFRS16 are detailed in section 9.

Prudential indicator CFR	2019/20 Original estimate £M	2019/20 Revised estimate £M
General fund	833.1	716.2
HRA	1.5	0.0
Total	**834.6**	**716.3**
annual change in CFR	113.6	72.7
Prudential indicator - operational boundary for external debt		
Borrowing	593.1	601.0
Other long term liabilities	335.1	208.8
Total debt (year end position)	928.2	809.8

5.4 Limits to Borrowing Activity

The first key control applied to treasury activity is a prudential indicator to ensure that, over the medium term, debt will only be for a capital purpose, so no borrowing to invest. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and next two financial years. As the total debt at the end of the year is forecast to be £706.0m and the forecast CFR is £716.3m this control has been complied with.

This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need if it is considered that this would be advantageous.

	2019/20 Original estimate £M	2019/20 Current position £M	2019/20 Revised estimate £M
Borrowing	553.6	426.9	527.2
Other long term liabilities	305.0	182.0	178.8
Total debt (year end position)	**858.6**	**608.9**	**706.0**
CFR (year end position)	834.6	834.6	716.3

Long term liabilities reduce as PFI schemes payments are made and as transferred debt (from the break up of Greater Manchester Council) is repaid. By the end of the year a further 6 months of payments will have been made, this will reduce the balance nearer to the revised estimate.

The Chief Finance Officer reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

A further prudential indicator 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 desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Authorised Limit is adjusted to reflect changes to the council's capital programme.

Prudential indicator - authorised limit for external debt	2019/20 Original estimate £M	2019/20 Current position £M	2019/20 Revised estimate £M
Borrowing	640.5	426.9	648.5
Other long term liabilities	365.1	182.0	238.8
Total debt (year end position)	1,005.6	608.9	887.3

Appendix 2 details the prudential and treasury indicators for the next 4 years.

6 INVESTMENT PORTFOLIO 2019/20

6.1 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. As shown by the forecasts in section 3.2, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the current 0.75% Bank Rate. Given the risks identified in section 3.2 and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.

6.2 The Council held £31.782m of investments as at 30 September 2019 (£69.480m at 31 March 2019) and the investment portfolio yield for the first 6 months of the year is 0.78% against current bank rate of 0.75%. The level of investments varies throughout the year but the March 2019 balance included investments earmarked to pay the employers pension contribution in advance (£18m).

6.3 The Chief Finance Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first 6 months of 2019/20.

6.4 The Council's budgeted investment return for 2019/20 is £0.309m, and performance for the year to date is in line with the budget.

6.5 The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function. It provides sufficient creditworthy counterparties for the council's investments.

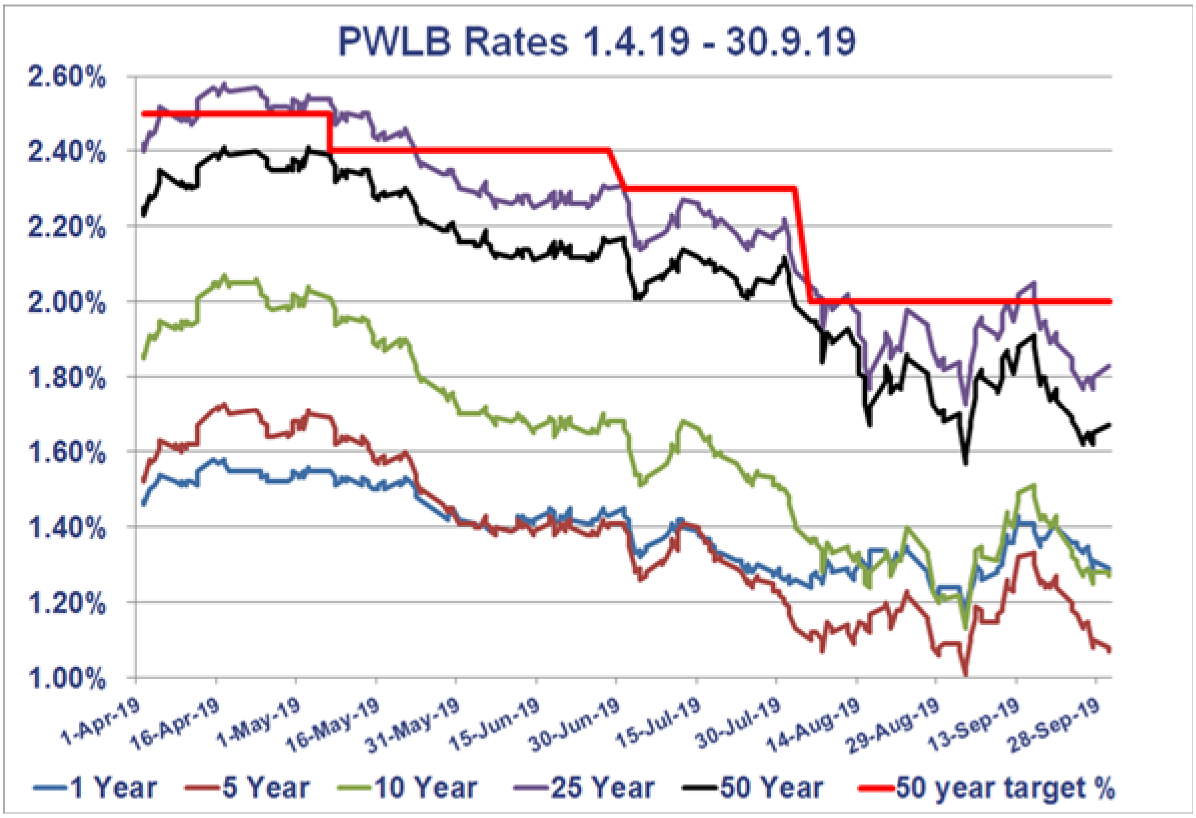
6.6 There has been no change in the council's risk appetite for investments.

7 BORROWING

7.1 The Council's capital financing requirement (CFR) for 2019/20 is forecast to be £716.3m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. Table 5.4 shows the Council has borrowings of £608.9m.

7.2 Due to the overall financial position and the underlying need to borrow for capital purposes (the capital financing requirement - CFR), it is anticipated that further borrowing will be undertaken during this financial year in order to take advantage of low fixed rates to fund the capital expenditure in the 2019/20 capital programme and the associated forecast rise in the CFR. This will include an assessment of the different sources of funding available to the council.

7.3 The graph and table below show the movement in PWLB certainty rates for the first six months of the year to date:



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.17%	1.01%	1.13%	1.73%	1.57%
Date	03/09/2019	03/09/2019	03/09/2019	03/09/2019	03/09/2019
High	1.58%	1.73%	2.07%	2.58%	2.41%
Date	15/04/2019	17/04/2019	17/04/2019	17/04/2019	17/04/2019
Average	1.40%	1.37%	1.62%	2.20%	2.07%

PWLB rates have been on a falling trend during this period and longer rates have almost halved to reach historic lows. The 50 year PWLB target (certainty) rate for new long term borrowing fell from 2.50% to 2.00% during this period. However, as mentioned in 3.2 above, HM Treasury recently announced an increase in PWLB rates by 1%. This might reduce the attractiveness of PWLB as a borrowing option compared to the market.

8 DEBT RESCHEDULING

8.1 No debt rescheduling has been undertaken to date in the current financial year.

9 OTHER

IFRS16 accounting standard

9.1 This accounting standard will come into effect from 1 April 2020 and be implemented in the 2020/21 financial accounts. It specifies the principles for recognition, measurement, presentation and disclosure of leases as a response to concerns about the lack of transparency in information. For any leases the council has entered or enters into as a lessee, the assets and liabilities arising with a term of more than 12 months are to be recognised in the financial statements unless they are of low value (less than £5k).

The impact on the council is likely to be the recognition of additional assets on the balance sheet leading to a significant increase in the CFR, due to the expected level of leases the council has entered into of this nature. The prudential indicators table in appendix 2 reflects an initial estimate based on information readily available. An exercise to review all the council's lease contracts is due to take place over the next year.

Changes in risk appetite

9.2 The 2018 CIPFA Codes and guidance notes have placed enhanced importance on risk management. Where an authority changes its risk appetite e.g. for moving surplus cash into or out of certain types of investment funds or other types of investment instruments, this change in risk appetite and policy should be brought to members' attention in treasury management update reports. There has been no change in the council's risk appetite for investments.

10 CONCLUSION AND RECOMMENDATIONS

10.1 The council has not taken any new borrowing so far in this financial year but intends at some point in the year to part fund the increase in the CFR with fixed rate, longer term borrowing. It has however continued to manage a portfolio of short term borrowing to take advantage of the low interest rates currently available in the market.

10.2 The council has stayed within prudential limits in the review period.

10.3 City Mayor and Members are requested to approve the changes to the prudential indicators detailed in appendix 2.

Joanne Hardman
–Chief Finance Officer

KEY COUNCIL POLICIES: Treasury management strategy; budget strategy.

EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS: Not applicable

ASSESSMENT OF RISK:

The monitoring and control of risk underpins all treasury management activities. The main risks are of adverse or unforeseen fluctuations in interest rates and security of capital sums.

LEGAL IMPLICATIONS Supplied by: Tony Hatton, Principal Solicitor

The Treasury Management Strategy sets out the Council's policies for managing its investments which includes giving priority to security and liquidity.

The Local Government Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the Chartered Institute of Public Finance and Accountancy's (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 Management Strategy at the start of each new financial year and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act); this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The Council is also required to "determine for the current financial year an amount of Minimum Revenue Provision (MRP) that it considers to be prudent." It is also required to submit a statement on the Council's policy for its annual MRP to the Council for approval before the start of the financial year to which the provision will relate.

The Treasury Strategy Management 2019/20 was set out in a report to Council and approved by them on the 20 February 2019. This complied with the relevant requirements of the Local Government Act 2003 and the CIPFA Treasury Management Code. This further report to Council provides a progress report on the Treasury Management Strategy for 2019/20.

FINANCIAL IMPLICATIONS: This report has been prepared by the Finance division of the Service Reform service group. The costs of borrowing: minimum revenue provision, interest and debt management expenses, are borne by the corporate capital financing budget.

PROCUREMENT IMPLICATIONS provided by: Not applicable

HR IMPLICATIONS provided by: Not applicable

OTHER SERVICE GROUPS CONSULTED: Not applicable

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WARDS TO WHICH REPORT RELATES: None specifically.

APPENDIX 1

Glossary of Terms

Base rate – the rate at which the Bank of England offers loans to the wholesale banks, thereby controlling general interest rates in the economy.

Capital financing requirement – reflects the local authority underlying need to borrow for a capital purpose.

Consolidated rate of interest (CRI) – is the average rate of interest for external borrowing during the year.

Fixed rate funding - a fixed rate of interest throughout the time of the loan. The rate is fixed at the start of the loan and therefore does not affect the volatility of the portfolio, until the debt matures and requires replacing at the interest rates relevant at that time.

Gilts - The loan instruments by which the government borrows. Interest rates will reflect the level of interest shown by investors when the government auctions gilts.

LOBO – "Lender offer, borrower option", a financial instrument where the lender may choose to vary the interest rate at certain break points. Only if the lender chooses to vary the interest rate, the borrower has an option to terminate the arrangement at no penalty.

Market - The private sector financial institutions - banks, building societies etc.

Maturity profile - an illustration of when debts are due to mature, and either have to be renewed or money found to pay off the debt. A high concentration in one year will make the council vulnerable to current interest rates in that year.

Monetary Policy Committee (MPC) – the independent body which determines base rate.

PWLB - Public Works Loan Board. An institution managed by the government to provide loans to public bodies at rates which reflect the rates at which the government is able to sell gilts.

Variable rate funding - The rate of interest either continually moves reflecting interest rates of the day, or can be tied to specific dates during the loan period. Rates may change on a monthly, quarterly or annual basis.

Volatility - The degree to which the debt portfolio is affected by current interest rate movements. The more debt that matures in the year and needs replacing, and the more debt subject to variable interest rates, the greater the volatility.

Yield curve - A graph of the relationship of interest rates to the length of the loan. A normal yield curve will show interest rates relatively low for short term loans compared to long term loans. An inverted yield curve is the opposite of this.

APPENDIX 2
Revised Prudential and Treasury Indicators

Prudential Indicators	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
	£M	£M	£M	£M	£M
Capital Expenditure					
Non-HRA	84.5	143.7	68.4	30.4	20.0
HRA	0.0	0.0	0.0	0.0	0.0
Total	84.5	143.7	68.4	30.4	20.0
Capital financing requirement (CFR)					
Non-HRA	642.1	714.8	840.8	820.1	791.4
HRA	1.5	1.5	1.5	1.5	1.5
Total	643.6	716.3	842.3	821.6	792.9
Annual Change in CFR					
Non-HRA	63.0	108.0	163.8	27.4	20.0
HRA	0.0	0.0	0.0	0.0	0.0
Debt repayment provision MRP	-38.4	-35.3	-37.7	-48.1	-48.7
Total	24.6	72.7	126.0	-20.7	-28.7

Treasury Indicators	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Estimate	Estimate	Estimate	Estimate
Operational boundary for external debt	£M	£M	£M	£M	£M
Borrowing	596.3	601.0	597.2	583.2	567.8
Other long term liabilities	215.2	208.8	332.5	318.4	285.1
Total	811.6	809.8	929.7	901.6	852.9

Treasury Indicators	2018/19	2019/20	2020/21	2021/22	2022/23
	Estimate	Estimate	Estimate	Estimate	Estimate
Authorised limit for external debt	£M	£M	£M	£M	£M
Borrowing	657.3	648.5	637.2	603.2	567.8
Other long term liabilities	245.2	238.8	362.5	348.4	295.1
Total	902.6	887.3	999.7	951.6	862.9

Treasury Indicators					
					Estimated position at year end
		All Years			
Maturity structure for fixed rate borrowing		**Upper Limit**	**Lower Limit**	%	£M
Under 12 months		75%	0%	33%	233.9
12 and within 24 months		50%	0%	5%	35.0
24 months and within 5 years		50%	0%	18%	127.7
5 years and within 10 years		50%	0%	4%	30.7
10 years and above		100%	25%	39%	278.9
Maturity structure for variable rate borrowing		**Upper Limit**	**Lower Limit**	%	£M
Under 12 months		10%	0%	0%	0.0
12 and within 24 months		0%	0%	0%	0.0
24 months and within 5 years		0%	0%	0%	0.0
5 years and within 10 years		0%	0%	0%	0.0
10 years and above		0%	0%	0%	0.0
	2019/20	**2020/21**	**2021/22**		**Estimated position at year end**
Upper Limit for Investments beyond 365 days	£40m	£40m	£40m		£0

The operational boundary limits for external debt reflect the estimate of the most likely, prudent, but not worst case, scenario without the additional headroom included within the authorised limit.

These indicators should be considered together. Whilst all the council's borrowing is fixed, the amount due to mature in the next 12 months looks high at £233.9m, this is partly explained because the figure includes £83m of LOBO loans that are callable in 2020/21, it is unlikely that LOBO loans will be called over the next few years as the LOBO interest rates already exceed current market rates and the option to change lies with the banks. The forecast £140.9m of temporary borrowing due for renewal within 12 months; is in-line with the council's current strategy.

Following the increase in the margin in the PWLB rates by an additional 1%, the differential is 1.47% between short term rates (1% for 1 year) and 10 year maturity PWLB rate (2.47%). Although the current strategy is to utilise very low short term rates, as rates start to rise the case for switching from short term debt will need to be considered. With £140.9m of forecasted temporary borrowing, the additional call on the revenue budget of switching from temporary borrowing to a 10 year fix would be £2.07m per year. Each 0.25% rise in base rate increases the annual interest cost on a total of £140.9m in temporary borrowing by £0.352m.

For exceptional reasons only, such as a large scale voluntary transfer of assets, the indicators may be temporarily flexed to allow repayment and rescheduling of borrowing.