Mole Valley District Council

Agenda Item 8

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Ward(s) affected	The annual report covers the whole District

Subject	Treasury Management – Annual Report and Prudential Indicators – 2015/2016

RECOMMENDATIONS

That Audit Committee is asked to recommend to Council;

1. That the Treasury Management Annual Outturn report for 2015/2016 be noted.
2. That the actual Prudential Indicators reported for 2015/2016, as detailed in Appendix A to this report, be approved.

EXECUTIVE SUMMARY

Treasury management is the control and management of all the Council's cash, regardless of its source. It covers management of the daily cash position and investments. The Council currently has no borrowings. Officers carry out this function within the parameters set by the Council each year in the Treasury Management Strategy Report.

This report reviews the performance of the Prudential Indicators and Treasury Management Strategy and Annual Plan 2015/16 as agreed by Council on 17th February 2015.

The report meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003. The primary requirements of the Codes are the:

- Creation and maintenance of a Treasury Management Policy Statement (TMPS) that sets out the policies and objectives of the Council's treasury

management activities.

- Creation and maintenance of Treasury Management Practices (TMPs) that set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by Council of an annual strategy report for the year, a mid-year treasury update report and a subsequent annual review report (this report) after the end of the financial year.

Changes in recent years in the regulatory environment place a much greater onus on Members' for the review and scrutiny of treasury management policy and activity. This report is important in that respect, as it provides details of the outturn position for treasury management activities and highlights compliance with the Council's policies previously approved by Members.

Council have delegated the responsibilities for implementing and monitoring treasury management policies and practices to the Audit Committee and for the operation and administration of treasury management decisions to the Deputy Chief Executive (Section 151 Officer), who will act in accordance with the organisation's treasury management policy statement and TMP's, and CIPFA's Standard of Professional Practice on Treasury Management.

In summary, the Council's in-house team together with some externally managed funds achieved a rate of return on investments of 1.47%. The Council achieved an overall return of £481,475 in 2015/16 approximately £17,000 below budget. Investment balances at balance sheet dates decreased from £26.615m (31/03/15) to £21.247m (31/03/16). The 2015/16 financial year continued the challenging environment of previous years with low investment returns and continuing counterparty risk.

In conducting the treasury management activities of the Council there were no breaches of the agreed Strategy and the in-house team operated within the Prudential Indicators set by Council.

CORPORATE PRIORITY OUTCOMES

This report is an update on the Council's Prudential Indicators and treasury operations as contained in the Treasury Management Strategy for 2015/16.

1. BACKGROUND/INTRODUCTION

1.1 Treasury management is defined as:

"The management of the local authority's 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 annual treasury management outturn report for 2015/16 covers:

- The economy and interest rates
- The Council's capital expenditure and financing
- Investment rates
- Borrowing strategy
- Borrowing outturn
- Compliance with Prudential and Treasury Management Indicators (and Appendix A)
- Investment strategy
- Investment outturn
- Debt rescheduling
- Other issues

2. The economy and interest rates in 2015/16

Market expectations for the first increase in Bank Rate moved considerably during 2015/16, starting at quarter 3 2015 but soon moving back to quarter 1 2016. However, by the end of the year, market expectations had moved back radically to quarter 2 2018 due to many fears including concerns around China's economic growth, the potential destabilisation of some emerging market countries and the continuation of the collapse in oil prices during 2015. These factors together with continuing Eurozone growth uncertainties all contributed towards these fears.

These concerns have caused sharp market volatility in equity prices during the year with corresponding impacts on bond prices and bond yields due to safe haven flows. Bank Rate, therefore, remained unchanged at 0.5% for the seventh successive year. Economic growth (Gross Domestic Product (GDP)) in 2015/16 has been disappointing with growth falling steadily from an annual rate of 2.9% in quarter 1 2015 to 2.1% in quarter 4.

The sharp volatility in equity markets during the year was reflected in sharp volatility in bond yields. However, the overall dominant trend in bond yields since July 2015 has been for yields to fall to historically low levels as forecasts for inflation have repeatedly been revised downwards and expectations of increases in central rates have been pushed back. In addition, a notable trend in the year was that several central banks introduced negative interest rates as a measure to stimulate the creation of credit and hence economic growth.

The European Central Bank (ECB) commenced a full blown quantitative easing (QE) programme of purchases of Eurozone government and other bonds starting in March 2015 at €60bn per month. This put downward pressure on Eurozone bond yields. There was a further increase in this programme of QE in December 2015.

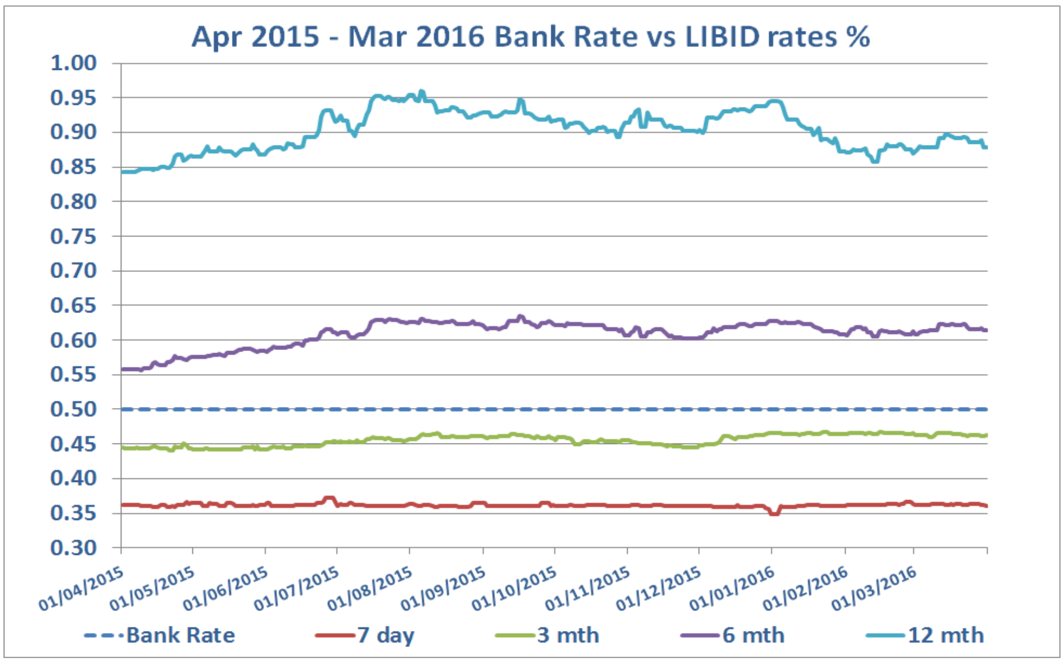
In America the economy has continued to grow healthily on the back of resilient consumer demand. The first increase in the central rate occurred in December 2015 since when there has been a return to caution as to the speed of further increases due to concerns around the risks to world growth.

The UK elected a majority Conservative Government in May 2015, removing one uncertainty but introducing another due to the promise of a referendum on the UK remaining part of the European Union. The government maintained its tight fiscal policy stance but the more recent downturn in expectations for economic growth has made it more difficult to return the public sector net borrowing to a balanced annual position within the period of this parliament.

The comments above relate to the financial year 2015/16 and were prior to the result of the Referendum on the UK membership of the European Union in June 2016.

Bank Rate remained at its historic low of 0.5% throughout the year, unchanged for seven years (since 5th March 2009). *The Base Rate has subsequently been reduced by 0.25% to 0.25% on 4th August 2016 (outside of this reporting period).* Deposit rates remained depressed during the whole of the year, primarily due to the effects of the Funding for Lending Scheme and due to the continuing weak expectations as to when the Bank Rate would start rising.

Bank Rate v London Interbank BID (LIBID) investment rates



3. Capital Expenditure and Financing 2015/16

3.1 The Council finances capital expenditure resulting in an increase in long-term assets. These may either be;

- Financed immediately through the application of capital receipts, capital grants or contributions from revenue expenditure, or
- If insufficient financing is available the expenditure will give rise to a borrowing need

3.2 The Council finances capital expenditure out of capital reserves and did not borrow during 2015/16.

3.3 The table below shows how capital expenditure was financed over the past two years. The decrease in actual expenditure over the estimate and subsequent financing was mainly as a result of slippage on minor works projects, Hope Springs Eternal, Leatherhead Youth Football Club, Pippbrook offices refurbishment and the Meadowbank Wellbeing Centre, Dorking. Members approved carry forward to 2016/17 of £582,000 capital minor works scheme provision at the Executive meeting on 19th July.

	2014/15 Actual £000	**2015/16 Estimate £000**	**2015/16 Actual £000**
Total capital expenditure	**3,764**	**9,594**	**6,502**
Resourced by :			
Capital receipts	2,462	4,290	4,164
Capital grants	370	1,911	2,183
Capital reserves	932	117	155
Repairs & Renewals Fund	0	3,276	0
Total Resources Applied	**3,764**	**9,594**	**6,502**

4. Investment Rates in 2015/16

4.1 The market interest rates at the start and end of the year are shown below. As can be seen rates have stabilised albeit at historically low levels. The reduction in interest rates, including the effect of the introduction of the Funding for Lending Scheme by the Government, has had a significant bearing on the interest earnings of the Authority on internal investments and will do so moving forward.

Market Rates:

Notice	31/03/14	31/03/15	31/03/16
	%	%	%
Overnight	0.45	0.45	0.45
1 Week	0.48	0.48	0.48
1 Month	0.46	0.50	0.50
3 Months	0.55	0.60	0.60
6 Months	0.65	0.75	0.75
364 Day	0.90	1.10	1.10

5. Borrowing Strategy for 2015/16

5.1 The major objectives to be followed in 2015/16 if there had been an underlying borrowing requirement were:

- To forecast average future interest rates and movements in future interest rates
- To ensure that, where possible, the Council’s debt free status is retained
- To manage the Council’s short-term debt, if any so arises, ensuring prompt payment of interest and principal on the due dates

- To secure the cheapest cost for financing capital schemes commensurate with future risk

6. **Borrowing Outturn for 2015/16**

6.1 The Council did not raise any funds through the money market or through the Public Works Loans Board (PWLB), either in the short or long term, during 2015/16. This has been the case since 1997. The Council's last external loan was repaid in February 1997 and Mole Valley became debt free on 1st April 1997.

6.2 Whilst there was no need to borrow in 2015/16 the increased size of the capital programme in 2015/16 and 2016/17 means that the Council will be drawing heavily on its reserves. The planned level of capital expenditure in 2016/17 is expected to make borrowing a necessity. The position will be closely monitored.

7. **Compliance with Prudential and Treasury Management Indicators**

7.1 During the financial year the Council operated within the Prudential and Treasury Management Indicators 2015/16 – 2017/18 and Treasury Management Strategy and Plan 2015-16 as agreed by Council on 17th February 2015. The outturn for the Prudential and Treasury Management Indicators is detailed in Appendix A of this report.

8. **Investment Strategy for 2015/16**

8.1 The Investment Strategy's primary objectives are safeguarding the re-payment of the principal and interest of its investments on a timely basis first and ensuring adequate liquidity second, with the investment return being the third objective.

8.2 Members will recall that in recent Treasury Management Strategy Reports agreement was given to increased licence in terms of the scope and range of its investments. The change was required as work on the Medium Term Financial Strategy had demonstrated an imbalance between reducing funding sources and increased costs.

8.3 The focus of the revised Strategy remained primarily on safeguarding sufficient of the Council's balances in secure and liquid investments to ensure overall stability. However, it was recommended that between £8m and £12m could be diverted in the interests of securing a higher return and providing a more substantial income stream for the Council's revenue account. This was dependent on the options that became available. These options would include extending the investment portfolio (eg through longer term investments or property funds) and/or diverting part of the investment portfolio into property purchases.

8.4 The Council predominantly manages its investments in-house and invests with the institutions listed in the Council's approved lending list. The Council primarily invests for a range of periods less than one year dependent on the Council's cash flows, its interest rate view and the rates of interest on offer. The Base Rate remained at 0.50% for the duration of the financial year.

8.5 The expectation for interest rates within the Strategy for 2015/16 anticipated the Bank Rate remaining unchanged at 0.50%. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

8.6 No institutions in which investments were made during 2015/16 had any difficulty in repaying principal and interest in full during the year.

9. Investment Outturn for 2015/16

9.1 The Council's Investment Policy is governed by Communities and Local Government (CLG) guidance, which has been implemented in the annual investment strategy approved by the Council on 17th February 2015. This Policy sets out the approach for selecting investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data, such as rating outlooks, credit default swaps, bank share prices etc. Counterparties are selected and limits applied using rating criteria. The application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with the CIPFA Treasury Management Code of Practice. Credit rating information is supplied by our treasury management advisor (Capita Asset Services).

9.2 Detailed below is the result of the investment strategy undertaken by the Council.

Internally Managed Funds

9.3 The Council maintained its investment activities during the year, as agreed by Council on 17th February 2015.

9.4 During the year all investments were made in full compliance with the Council's treasury management policies and practices and the Council had no liquidity difficulties.

9.5 The limit to be placed, with each counterparty, remained at £7.5 million. The Council also operated a 'group limit', whereby the collective investment exposure to individual banks within the same banking group was restricted to a group total set also at £7.5 million.

9.6 The analysis below shows the activity undertaken on internally managed funds during 2015/16.

	£
Balance outstanding 01/04/15	26,615,000
Investments made during the year	145,611,000
Upward revaluation of CCLA Property Fund investment (at 31/03/16)	341,000
	172,567,000
Less: Investments maturing during the year	151,320,000

Balance outstanding 31/03/16	21,247,000

9.7 These investments generated interest of approximately £481,000 in the year (£507,000 in 2014/15), gross of all associated charges against a budget of £498,000. As referred to in paragraph 8.3 agreement was given to increased licence in terms of the scope and range of Council investments. During 2015/16 funds were moved from short-term investments where interest rates were performing at historically low levels. These funds were re-invested in, better performing, property purchases that generated a rental income but meant that there was less to invest in financial instruments. This would help to explain the variation in actual outturn and estimate for investment interest earnings. The majority of income is received from short-term investments (investments that mature in, or are held for, 12 months or less) but the increase over the budget has been achieved by investing some funds longer-term (investments that are placed for a period longer than 12 months). In particular attractive yields were still being achieved on a 'cap and collar' investment (arrangements where limits are placed on the minimum and maximum coupon rates receivable against a benchmark). This investment matured on 29th September 2015. Also good returns are still being achieved on the investment of £5m that was made in the CCLA Property Fund on 30th June 2013 (refer to paragraph 9.10). During the reporting period there was no movement in the Base Rate.

	Original Estimate 2015/16 £	**Actual Outturn 2015/16 £**	**Variance 2015/16 £**
Internally Managed Funds	498,000	481,475	16,525

9.8 Mole Valley achieved a rate of return of 1.47% on its internally managed funds during the year, this was based on an average fund value of approximately £32,673,000. The formal method used to compare performance is to contrast the rate of return against the average uncompounded 7-day LIBID (London Interbank BID) rate (0.361% for 2015/16). The long-term 'cap and collar' investments previously alluded to have in part enhanced the return on internally managed funds when compared to the benchmark. This investment matured during the reporting period (29/09/15).

9.9 Detailed below is the result of the investment strategy undertaken by the Council.

Funds	**Average Fund Value**	**Rate of Return**	**Benchmark Return ***
Internally / Externally Managed	£32,673,000	1.47%	0.361%

* 7-day LIBID uncompounded 0.361%

The uncompounded rates are for internally managed funds and exclude the roll-up of principal and interest. Upon maturity of the investment, interest is paid over with the original principal sum.

Externally Managed Funds – Churches, Charities and Local Authorities (CCLA)

9.10 On 30th June 2013 the Council invested £5m in the Charities, Churches and Local Authorities (CCLA) Property Fund. To realise the full potential of this investment it should be considered as a medium to long term placement. Income is received quarterly and in the current economic climate good yields are still being achieved.

9.11 The Fund offers all of the advantages of a professionally managed property portfolio, with broadly diversified exposure to high quality properties in the strongest areas of the market. The Fund is a high quality, well diversified commercial and industrial property portfolio. There is a focus on delivering attractive income returns and the Fund is actively managed to add value.

9.12 CCLA has been appointed by the Local Authorities' Mutual Investment Trust (LAMIT) to manage and administer the Local Authorities' Property Fund. LAMIT was established approximately 30 years ago to provide investment services for local authorities in the UK. It is controlled by Members and Officers appointed by the Associations of Local Authorities in the United Kingdom and by Trust Members representing the Funds' unit holders.

9.13 Excellent returns of 5.57% were achieved from this Fund during the year. With the property market remaining buoyant it is anticipated that these returns will continue during 2016/17.

10. **Debt rescheduling**

10.1 The Council did not raise any funds through the money market or through the Public Works Loans Board (PWLB) during the year. The last external loan was repaid in February 1997 and Mole Valley became debt free on 1st April 1997. Therefore, debt rescheduling was not an issue.

11. **Other issues**

11.1 The Treasury Management Strategy Report for 2017/18 to 2019/20 will be presented to the November Audit Committee.

12. **Financial Implications** – are covered in the body of this report.

13. **Legal Implications** - The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance:

- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity.

- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (no restrictions were made in 2015/16).
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act.
- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities. The Prudential Code required indicators to be set, some of which are limits, for a minimum of three forthcoming years.
- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services.
- Under the Act the DCLG has issued Investment Guidance to structure and regulate the Council's investment activities. Updated guidance became available on 1st April 2010. The emphasis of the Guidance is on the security and liquidity of investments.

The Council has complied with all of the above relevant statutory and regulatory requirements that limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach.

14. CORPORATE IMPLICATIONS

Monitoring Officer commentary – The Monitoring Officer confirms that all relevant legal implications have been taken into account.

S151 Officer commentary - The S151 Officer confirms that all financial implications have been taken into account.

Risk Implications - The Council considers security, liquidity and yield, in that order, when making investment decisions:

Security – counterparty credit quality was assessed and monitored with reference to credit ratings, credit default swaps, gross domestic product (GDP) of the country in which the institution operates, the country's net debt as a percentage of GDP, any potential support mechanisms and share price. The minimum long-term counterparty credit rating determined for 2015/16 was A/A3/A (Fitch/Moody's/Standard and Poors).

Liquidity – the Council maintained a sufficient, though not excessive, level of liquidity during the year using various call accounts and short-term, fixed-rate, deposits.

Yield – the Council sought to optimise returns commensurate with its objectives of security and liquidity. Short-term money market rates remained at very low levels throughout the year which had a significant impact on investment income.

A high reliance on investment income can place the Council at significant risk of budget variation as interest rates rise and fall, which has an impact upon future

Council Tax levels. The Council's Medium Term Financial Strategy addresses this risk and seeks to reduce this reliance over time.

Locking significant investments into long-term fixed-rate deals means the Council has a potential disadvantage in a rising interest market, especially if the interest rate rises above the assumption made when the long-term deal was placed.

To mitigate this, the Council's in-house team predominantly invest up to periods of three months only, hence advantage can be taken of prevailing interest rates upon the investments maturity. This minimises the disadvantage whilst maintaining certainty over the level of future return and stability in planned future Council Tax levels. With interest rates remaining at historically low levels the Authority has made some longer term investments that are higher yielding, although less liquid. This has proved to be a good decision as interest rates have remained at low levels throughout the year.

The Council will continue to look to diversify its investment portfolio and the 2016/17 Treasury Management Strategy provides for alternative investment funds should the opportunity arise.

Equalities Implications – There are no equalities implications arising as a direct consequence of this report.

Employment Issues - None within the report.

Sustainability Issues - None within the report.

Consultation – A number of meetings were convened during the year involving Capita Asset Services, Members and Officers.

15. BACKGROUND PAPERS

CIPFA Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes (2011 edition).

CIPFA Treasury Management in the Public Services – Guidance Notes for Local Authorities including Police Authorities and Fire Authorities (2011 edition).

CIPFA the Prudential Code for Capital Finance in Local Authorities (2013 edition).

Treasury Management Annual Strategy Report 2015-16 and Prudential Indicators 2015-16 to 2017-18.

Performance management information from Capita Asset Services.

2015/16 final accounts working papers.

APPENDIX A

1. **PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS AND COMPLIANCE ISSUES**

1.1 The treasury management service is an important part of the overall financial management of the Council's affairs. Whilst the Prudential Indicators consider the affordability and impact of capital expenditure decisions, the treasury management service covers the effective funding of these decisions.

1.2 The 2003 Prudential Code for Capital Finance in Local Authorities required that actual prudential indicators be reported after the year-end. The table below summarises the key prudential indicator performance for 2015/16.

1.3 The Council at its meeting on 17th February 2015 adopted the prudential indicators for 2015/16.

PRUDENTIAL INDICATORS

2014/15 Actual	PRUDENTIAL INDICATOR	2015/16 Estimate	2015/16 Actual
	CAPITAL EXPENDITURE / AFFORDABILITY		
	Capital Expenditure Plans– Prudential Indicator 1		
£000's	**Capital Expenditure**	**£000's**	**£000's**
3,764	General Fund	7,402	6,502
3,764	**Total**	**7,402**	**6,502**
	Capital Financing Requirement (CFR) – Prudential Indicator 2		
£000's	**Capital Financing Requirement**	**£000's**	**£000's**
2,791	General Fund	2,585	2,676
2,791	**Total**	**2,585**	**2,676**
	Ratio of Financing Costs to Net Revenue Stream – Prudential Indicator 3		
%	**Ratio of Financing Costs to Net Revenue Stream**	**%**	**%**
5.04	General Fund	5.0	4.79
5.04	**Total**	**5.0**	**4.79**
	Incremental Impact of Capital Investment Decisions on the Band D Council Tax – Prudential Indicator 4		
£p	**Increase in Council Tax (Band D) per annum**	**£p**	**£p**
0.05		0.88	0.35
	TREASURY MANAGEMENT		
	Borrowing and the Capital Financing Requirement (CFR) – Prudential Indicator 5		
£000's	**External Debt**	**£000's**	**£000's**
0	General Fund	0	0

Capital Financing Requirement (CFR)

1.4 The CFR is derived from the Authority's balance sheet and measures its underlying need to borrow for a capital purpose. This Authority fully finances its capital expenditure (including the value of assets acquired under finance leases) without borrowing. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement, a measure of the capital expenditure incurred historically by the Authority that has yet to be finalised.

1.5 In accordance with best practice this Authority does not associate borrowing with particular items or types of expenditure, in day-to-day cash management no distinction can be made between capital cash and revenue cash. Any external borrowing would arise as a consequence on all financial transactions whereas this measure reflects the Authority's underlying need to borrow for a capital purpose only.

Net Borrowing and the CFR

1.6 In order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2015/16 plus the expected changes to the CFR over 2016/17 and 2017/18. The Council has complied with this prudential indicator.

TREASURY MANAGEMENT INDICATORS

The Operational Boundary – <u>Prudential Indicator 6</u>

1.7 The Operational Boundary is the expected borrowing position of the Council during the year, and periods where the actual position is either below or over the Operational Boundary is acceptable subject to the Authorised Limit not being exceeded. The Operational Boundary does not allow for additional headroom as is the case with the Authorised Limit. A limit of £4m was used for the Operational Boundary. The actual outturn was £2.8m (£3.0m in 2014/15) for finance lease liabilities. There was no borrowing during 2015/16.

The Authorised Limit – <u>Prudential Indicator 7</u>

1.8 The Authorised Limit is the 'Affordable Borrowing Limit' required by S3 of the Local Government Act 2003 irrespective of the Authority's indebted status. The limit is the maximum amount of external debt that can be outstanding at any one time during the financial year. The Authorised Limit also provides some headroom for unexpected cash movements. The introduction of International Financial Reporting Standards (IFRS) required finance leases to be included under other long-term liabilities on the balance sheet. A limit of £5.5m was used for the Authorised Limit. The actual outturn was £2.8m (£3.0m in 2014/15) for finance lease liabilities. There was no borrowing during 2015/16.

Actual financing costs as a proportion of net revenue stream

1.9 This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. Since the Council is a debt free Authority this indicator is not relevant.

1.10 A 'debt free' Authority does not incur financing costs because it does not have any long-term debt. Instead, this indicator measures the investment income earned by the Council as a percentage of the Council Tax budget requirement, so as to show the level by which investment income is being used to underpin the Council's operational budget. See table at paragraph 1.3 (Appendix A).

Investment Activity

1.11 The purpose of the following indicators is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates.

1.12 **Maximum principal sums invested > 364 days – <u>Prudential Indicator 8</u>**

Maximum principal sums invested > 364 days			
	2014/15 Actual	**2015/16 Estimate**	**2015/16 Actual**
Principal sums invested > 364 days	£5.7m	£12m	£6.0m

1.13 **Interest rate exposure – <u>Prudential Indicator 9</u>**

Interest rate exposures	**2014/15 Actual**	**2015/16 Estimate**	**2015/16 Actual**
	Upper	**Upper**	**Upper**
Limits on fixed interest rates: (investments only)	62.25%	100%	66.89%
Limits on variable interest rates: (investments only)	37.75%	35%	33.11%

1.14 **Maturity structure of fixed interest rate borrowing 2015/16 – <u>Prudential Indicator 10</u>**

Maturity structure of fixed interest rate borrowing 2015/16		
	Lower	**Upper**
Under 12 months	0%	0%
12 months to 2 years	0%	0%
2 years to 5 years	0%	0%
5 years to 10 years	0%	0%
10 years and above	0%	0%

1.15 The Council has been debt free since 1st April 1997. These indicators have therefore not moved from 0% in the estimate or the actual outturn.

Adoption of the CIPFA Treasury Management Code

1.16 This indicator demonstrates that the Council has adopted the principles of best practice.

1.17 The Council approved the adoption of the CIPFA Treasury Management Code at its full Council meeting on 20th January 2004.

1.18 The Council has incorporated the changes from the revised CIPFA Treasury Management Code of Practice into its treasury policies, procedures and practices. Council approved the revised Treasury Management Policy on 17th February 2015.