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AGENDA NO: 9a

INDEPENDENT AUDIT COMMITTEE - 17 JULY 2018

TREASURY MANAGEMENT OUTTURN 2017/18

REPORT BY NICOLA ALLEN

PURPOSE OF THE REPORT

The purpose of this report is to present the final outturn for treasury management in the financial year.

1. INTRODUCTION

1.1

1.2 The Office of the Police and Crime Commissioner (OPCC) has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the OPCC to approve a treasury management annual report after the end of each financial year.

1.3 This report fulfils the OPCC's legal obligation to have regard to the CIPFA Code.

1.4 The OPCC's treasury management strategy for 2017/18 was approved at the Resources Board on 22 March 2017. The OPCC has made a number of investments during the year and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the OPCC's treasury management strategy.

2. EXTERNAL CONTEXT

2.1 The 2017/18 external context reflects the latest data as at 9 April 2018 and has been provided by our Treasury Management Advisors, Arlingclose.

2.2 Economic commentary

2.2.1 2017/18 was characterised by the push-pull from expectations of tapering of Quantitative Easing (QE) and the potential for increased policy rates in the US and Europe and from geopolitical tensions, which also had an impact.

2.2.2 The UK economy showed signs of slowing with latest estimates showing GDP, helped by an improving global economy, grew by 1.8% in calendar 2017, the same level as in 2016. This was a far better outcome than the majority of forecasts following the EU Referendum in June 2016, but it also reflected the international growth momentum generated by the increasingly buoyant US economy and the re-emergence of the Eurozone economies.

2.2.3 The inflationary impact of rising import prices, a consequence of the fall in sterling associated with the EU referendum result, resulted in year-on-year CPI rising to 3.1% in November before falling back to 2.7% in February 2018. Consumers felt the squeeze as real average earnings growth, i.e. after inflation, turned negative before slowly recovering. The labour market showed resilience as the unemployment rate fell back to 4.3% in January 2018. The inherent weakness in UK business investment was not helped by political uncertainty following the surprise General Election in June and by the lack of clarity on Brexit, the UK and the EU only reaching an agreement in March 2018 on a transition which will now span Q2 2019 to Q4 2020. The Withdrawal Treaty is yet to be ratified by the UK parliament and those of the other 27 EU member states and new international trading arrangements are yet to be negotiated and agreed.

2.2.4 The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 0.25% in November 2017. It was significant in that it was the first rate hike in ten years, although in essence the MPC reversed its August 2016 cut following the referendum result. The February Inflation Report indicated the MPC was keen to return inflation to the 2% target over a more conventional (18-24 month) horizon with 'gradual' and 'limited' policy tightening. Although in March two MPC members voted to increase policy rates immediately and the MPC itself stopped short of committing itself to the timing of the next increase in rates, the minutes of the meeting suggested that an increase in May 2018 was highly likely.

2.2.5 In contrast, economic activity in the Eurozone gained momentum and although the European Central Bank removed reference to an 'easing bias' in its market communications and had yet to confirm its QE intention when asset purchases end in September 2018, the central bank appeared some way off normalising interest rates. The US economy grew steadily and, with its policy objectives of price stability and maximising employment remaining on track, the Federal Reserve Open Market Committee (FOMC) increased interest rates in December 2017 by 0.25% and again in March, raising the policy rate target range to 1.50% - 1.75%. The Fed is expected to deliver two more increases in 2018 and a further two in 2019. However, the imposition of tariffs on a broadening range of goods initiated by the US, which has led to retaliation by China, could escalate into a deep-rooted trade war having broader economic consequences including inflation rising rapidly, warranting more interest rate hikes.

2.3 **Financial markets:** The increase in Bank Rate resulted in higher money markets rates: 1-month, 3-month and 12-month LIBID rates averaged 0.32%, 0.39% and 0.69% and at 31st March 2018 were 0.43%, 0.72% and 1.12% respectively.

2.3.1 Gilt yields displayed significant volatility over the twelve-month period with the change in sentiment in the Bank of England's outlook for interest rates. The yield on the 5-year gilts which had fallen to 0.35% in mid-June rose to 1.65% by the end of March. 10-year gilt yields also rose from their lows of 0.93% in June to 1.65% by mid-February before falling back to 1.35% at year-end. 20-year gilt yields followed an even more erratic path with lows of 1.62% in June, and highs of 2.03% in February, only to plummet back down to 1.70% by the end of the financial year.

2.3.2 The FTSE 100 had a strong finish to calendar 2017, reaching yet another record high of 7688, before plummeting below 7000 at the beginning of 2018 in the global equity correction and sell-off.

2.4 Credit background:

2.4.1 **Credit Metrics**

In the first quarter of the financial year, UK bank credit default swaps reached three-year lows on the announcement that the Funding for Lending Scheme, which gave banks access to cheaper funding, was being extended to 2018. For the rest of the year, CDS prices remained broadly flat.

2.4.1.1 The rules for UK banks' ring-fencing were finalised by the Prudential Regulation Authority and banks began the complex implementation process ahead of the statutory deadline of 1st January 2019. As there was some uncertainty surrounding which banking entities the OPCC would be dealing with once ring-fencing was implemented and what the balance sheets of the ring-fenced and non-ring-fenced entities would actually look like, in May 2017 Arlingclose advised adjusting downwards the maturity limit for unsecured investments to a maximum of 6 months. The rating agencies had slightly varying views on the creditworthiness of the restructured entities.

2.4.1.2 Barclays was the first to complete its ring-fence restructure over the 2018 Easter weekend; wholesale deposits including local authority deposits will henceforth be accepted by Barclays Bank plc (branded Barclays International), which is the non ring-fenced bank.

2.4.2 **Money Market Fund regulation:** The new EU regulations for Money Market Funds (MMFs) were finally approved and published in July and existing funds will have to be compliant by no later than 21st January 2019. The key features include Low Volatility Net Asset Value (LVNAV) Money Market Funds which will be permitted to maintain a constant dealing NAV, providing they meet strict new criteria and minimum liquidity requirements. MMFs will not be prohibited from having an external fund rating (as had been suggested in draft regulations). Arlingclose expects most of the short-term MMFs it recommends to convert to the LVNAV structure and awaits confirmation from each fund.

2.5 Credit Rating developments

2.5.1 The most significant change was the downgrade by Moody's to the UK sovereign rating in September from Aa1 to Aa2 which resulted in subsequent downgrades to sub-sovereign entities including local authorities.

2.5.2 Changes to credit ratings included Moody's downgrade of Standard Chartered Bank's long-term rating to A1 from Aa3 and the placing of UK banks' long-term ratings on review to reflect the impending ring-fencing of retail activity from investment banking (Barclays, HSBC and RBS were on review for downgrade; Lloyds Bank, Bank of Scotland and National Westminster Bank were placed on review for upgrade).

2.5.3 Standard & Poor's (S&P) revised upwards the outlook of various UK banks and building societies to positive or stable and simultaneously affirmed their long and short-term ratings, reflecting the institutions' resilience, progress in meeting regulatory capital requirements and being better positioned to deal with uncertainties and potential turbulence in the run-up to the UK's exit from the EU in March 2019. The agency upgraded Barclays Bank's long-term rating to A from A- after the bank announced its plans for its entities post ring-fencing.

2.5.4 Fitch revised the outlook on Nationwide Building Society to negative and later downgraded the institution's long-term ratings due to its reducing buffer of junior debt. S&P revised the society's outlook from positive to stable.

2.5.5 S&P downgraded Transport for London to AA- from AA following a deterioration in its financial position.

2.5.6 Moody's downgraded Rabobank's long-term rating due to its view on the bank's profitability and the long-term ratings of the major Canadian banks on the expectation of a more challenging operating environment and the ratings of the large Australian banks on its view of the rising risks from their exposure to the Australian housing market and the elevated proportion of lending to residential property investors. S&P also upgraded the long-term rating of ING Bank to A+.

2.6 Other developments:

2.6.1 In February, Arlingclose advised against lending to Northamptonshire County Council (NCC). NCC issued a section 114 notice in the light of severe financial challenge and the risk that it would not be in a position to deliver a balanced budget.

2.6.2 In March, following Arlingclose's advice, the OPCC have not considered investing in RBS plc and National Westminster Bank. This did not reflect any change to the creditworthiness of either bank, but a tightening in Arlingclose's recommended minimum credit rating criteria to A- from BBB+ for FY 2018-19. The current long-term ratings of RBS and NatWest do not meet this minimum criterion, although if following ring-fencing NatWest is upgraded, the bank would be considered by the OPCC.

2.7 Local Authority Regulatory Changes

2.7.1 **Revised CIPFA Codes**: CIPFA published revised editions of the Treasury Management and Prudential Codes in December 2017. The required changes from the 2011 Code are being incorporated into the 2018/19 Treasury Management Strategy.

2.7.1.1 The 2017 Prudential Code introduces the requirement for a Capital Strategy which provides a high-level overview of the long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability. Where this strategy is produced and approved by full Council, the determination of the Treasury Management Strategy can be delegated to a committee. The Code also expands on the process and governance issues of capital expenditure and investment decisions. A Capital Strategy will be produced from 2018/19.

2.7.1.2 In the 2017 Treasury Management Code the definition of 'investments' has been widened to include financial assets as well as non-financial assets held primarily for financial returns such as investment property. These, along with other investments made for non-treasury management purposes such as loans supporting service outcomes and investments in subsidiaries, must be discussed in the Capital Strategy or Investment Strategy. Additional risks of such investments are to be set out clearly and the impact on financial sustainability is to be identified and reported.

2.8 **MHCLG Investment Guidance and Minimum Revenue Provision (MRP):** In February 2018 the MHCLG (Ministry of Housing, Communities and Local Government) published revised Guidance on Local Government and Investments and Statutory Guidance on Minimum Revenue Provision (MRP).

2.8.1 Changes to the Investment Guidance include a wider definition of investments to include non-financial assets held primarily for generating income return and a new category called "loans" (e.g. temporary transfer of cash to a third party, joint venture, subsidiary or associate). The Guidance introduces the concept of proportionality, proposes additional disclosure for borrowing solely to invest and also specifies additional indicators. Investment strategies must detail the extent to which service delivery objectives are reliant on investment income and a contingency plan should yields on investments fall.

2.8.2 The definition of prudent MRP has been changed to "put aside revenue over time to cover the CFR"; it cannot be a negative charge and can only be zero if the CFR is nil or negative. Guidance on asset lives has been updated, applying to any calculation using asset lives. Any change in MRP policy cannot create an overpayment; the new policy must be applied to the outstanding CFR going forward only.

2.9 **MiFID II:** As a result of the second Markets in Financial Instruments Directive (MiFID II), from 3rd January 2018 local authorities were automatically treated as retail clients but could "opt up" to professional client status, providing certain criteria was met which includes having an investment balance of at least £10 million and the person(s) authorised to make investment decisions on behalf of the OPCC have at least a year's relevant professional experience. In addition, the regulated financial services firms to whom this directive applies have had to assess that that person(s) has the expertise, experience and knowledge to make investment decisions and understand the risks involved.

2.9.1 The OPCC has met the conditions to opt up to professional status and has done so in order to maintain its erstwhile MiFID II status prior to January 2018. The OPCC's will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

2.10 <u>Local Context</u>

2.10.1 On 31st March 2018, the OPCC for Devon and Cornwall had net investments of £38m arising from its revenue and capital income and expenditure, a decrease on 2017 of £24m. The decrease can mainly be attributed to: 13 months of pension payments rather than 12, this is not an additional payment but a change in payment dates following the transfer of the pension administrator from Capita to Kier. Under the contract with Capita, a payment was made on the 1st working day of the month, this changed to the last day of the previous month, therefore in February there are 2 payments. The extra payment during the year amounted to £7m. Also, the creditors balance as at 31st March 2017 was £34m, this was an increase on the previous year by £9m. These creditors were paid in 2017/18, therefore increasing the cash outflows and decreasing the amount available to investment. There has been no additional borrowing or additional repayments of existing borrowing.

2.10.2 Although, the movement between the two financial years shows a decrease of £24m, there is in fact an investment of £7.5m sitting in the debtors account. The reason that this is classified as a debtor and not an investment is down to the investment being sold before year-end, but due to the notice period the funds were not received until April 2018. This amount is therefore derecognised as an investment and treated as a receivable over year end.

2.10.3 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors and the year-on-year change are summarised in the investment and debt portfolio position shown in Appendix A 1.

2.10.4 The OPCC strategy was to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position as at 31st March 2018 and the year-on-year change is shown in Appendix A 2.

2.11 Borrowing Activity

2.11.1 At 31st March 2018, the OPCC for Devon and Cornwall loans remained at the same level of £30.277m as reported at 31st March 2017.

2.11.2 The OPCC's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the OPCC's long-term plans change being a secondary objective.

2.11.3 For the majority of the year the "cost of carry" analysis performed by the OPCC's treasury management advisor Arlingclose did not indicate value in borrowing in advance for future years' planned expenditure and therefore none was taken.

2.12 Other Debt Activity

2.12.1 Although not classed as borrowing, the OPCC for Devon and Cornwall Police held a finance lease of £0.234m as at 31st March 2017. The lease contract was due to end in October 2017 but was extended for another year. Therefore, the amount of £0.234m due to be written down in full has been adjusted to reflect the extension of the contract. Instead, £0.176m was written down leaving a liability as at 31st March 2018 of £0.113m.

2.13 Investment Activity

2.13.1 The OPCC holds invested funds, representing income received in advance of expenditure plus balances and reserves. During 2017/18, the OPCC's investment balance ranged between £5m and £72m for Devon and Cornwall. These wide ranges are due to timing differences between income and expenditure. The year-end investment position and the year-on-year change is show in Appendix B 1.

2.13.2 Both the CIPFA Code and government guidance require the OPCC's to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The OPCC's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

2.13.3 The OPCC's investments are reviewed quarterly and benchmarked against other similar organisations by Arlingclose as shown in Appendix C1.

2.14 Performance Report

2.14.1 The OPCC's measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in Appendix D 1.

2.14.2 The overall forecast for interest earned on investments is £9k below the budgeted level, this is a very good result given the halving of the base rate in August 2016.

2.14.3 There Cost of Borrowing for Capital Investment was £57k higher than the budget. This is due to a revision of the interest payable calculation.

2.14.4 The Minimum Revenue Provision (MRP) charged to revenue in the year relates to the previous years' capital financing requirement. The MRP is set at budget setting stage but is updated when the accounts are finalised. This update has resulted in an increase in MRP of £23k.

2.15 Compliance Report

2.15.1 In June 2017 a breach occurred when an investment was made for £7.5m on a fixed term basis for a longer period than that stated in the Treasury Management Strategy. The risk of breaching the threshold was assessed by the Treasurer at the time, Duncan Walton. It was determined that the additional risk that arose from breaching the limit did not justify the sale of the investment and for this reason the risk was tolerated and the position monitored. The breach occurred due to conflicting information presented by Arlingclose. This was reported to the Force Resources Board on the 9th August 2017.

2.15.2 Regarding all other treasury management activities undertaken during 2017/18, the Treasurer is pleased to report that the CIPFA Code of Practice and the OPCC's approved Treasury Management Strategy has been complied with.

2.15.3 Compliance with specific investment limits is demonstrated in Appendix E 1.

2.15.4 Compliance with the authorised limit and operational boundary for external debt is demonstrated in Appendix E 2.

2.16 <u>Treasury Management Indicators</u>

2.16.1 The OPCC measures and manages its exposures to treasury management risks using the following indicators.

2.17 Security: The OPCC has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk. The portfolio average credit rating for 2017/18 A+.

2.18 Liquidity: The OPCC has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling 31 days duration, without additional borrowing. Please see Appendix F 1.

2.19 Interest Rate Exposures: This indicator is set to control the OPCC's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as a percentage of net interest payable. Please see Appendix F 2.

2.19.1 Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

2.20 Maturity Structure of Borrowing: This indicator is set to control the OPCC's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing are shown in Appendix F 3.

2.20.1 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

2.20.2 There were no principal sums invested for periods longer than 364 days.

2.21 Prudential indicators

2.21.1 The OPCC's planned capital expenditure and financing is shown in Appendix G1.

2.21.2 The Capital Financing Requirement (CFR) measures the OPCC's underlying need to borrow for a capital purpose is shown in Appendix G2.

3. CONCLUSION

4. RECOMMENDATIONS

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Appendix A

Appendix A 1

Investment and Debt Portfolio Position

OPCC for Devon and Cornwall	31st March 2017 Actual Portfolio £'000	31st March 2018 Actual Portfolio £'000	Year on Year Change £'000
External Borrowing:			
PWLB	(30,277)	(30,277)	0
Total External Borrowing	**(30,277)**	**(30,277)**	**0**
Treasury Investments:			
Banks and building societies	6,500	14,100	7,600
Money Market Funds	22,719	4,580	(18,139)
Covered Bonds	13,475	0	(13,475)
Corporate Bonds	121	0	(121)
Certificates of Deposit	6,700	7,500	800
Local Authorities	8,000	8,000	0
Pooled Funds	4,000	4,000	0
Total Treasury Investments	**61,515**	**38,180**	**(23,335)**
Net Investments	**31,238**	**7,903**	**(23,335)**

<u>Appendix A continued</u>

Appendix A 2

Treasury Management Summary

OPCC for Devon and Cornwall	31.3.17 Balance £'000	2017/18 Movement £'000	31.3.18 Balance £'000	31.3.18 Average Rate %
Long-term borrowing	(30,277)	0	(30,277)	4.28
Short-term borrowing	0	0	0	0
Total borrowing	**(30,277)**	**0**	**(30,277)**	**4.28**
Long-term investments	0	0	0	0
Short-term investments	37,525	3,925	33,600	0.65
Cash and cash equivalents	23,990	(19,410)	4,580	0.38
Total investments	**61,515**	**(15,485)**	**38,180**	**0.52**
Net investments	**31,238**	**(15,485)**	**7,903**	

Note: the figures in the table are from the balance sheet in the OPCC statement of accounts, but adjusted to exclude operational cash, accrued interest and other accounting adjustments

Appendix B

Appendix B 1

Investment Position

OPCC for Devon and Cornwall	31.3.17 Balance £'000	2017/18 Movement £'000	31.3.18 Balance £'000	31.3.18 Average Rate %
Banks and building societies	6,500	7,600	14,100	0.61
Money Market Funds	22,719	(18,139)	4,580	0.38
Covered Bonds	13,475	(13,475)	0	0
Corporate Bonds	121	(121)	0	0
Certificates of Deposit	6,700	800	7,500	0.69
Local Authorities	8,000	0	8,000	0.73
Pooled Funds	4,000	0	4,000	0.85
	61,515	**(23,335)**	**38,180**	

Appendix C

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Appendix C 1

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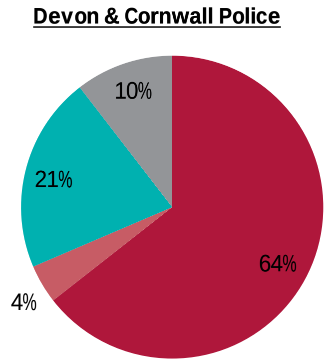
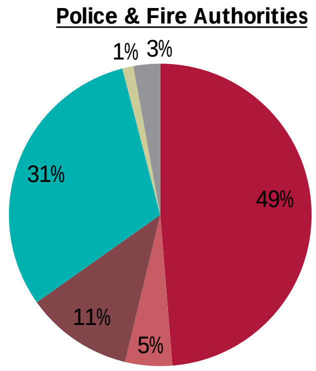
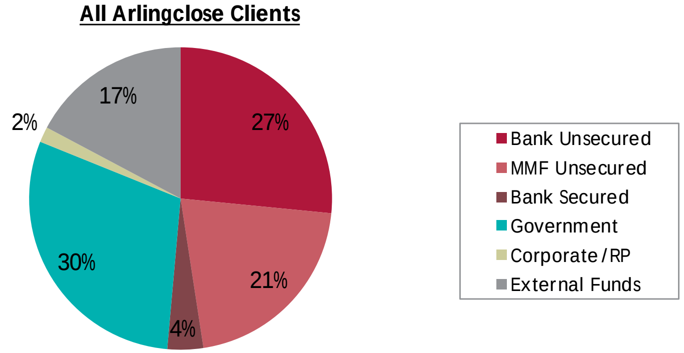
Investment Benchmarking

31 March 2018

	Devon & Cornwall Police	12 Police & Fire Authorities Average	135 LAs Average
Internal Investments	£34.2m	£18.9m	£57.1m
External Funds	£4.0m	£2.4m	£10.2m
TOTAL INVESTMENTS	**£38.2m**	**£19.9m**	**£67.4m**
Security			
Average Credit Score	4.71	4.11	4.24
Average Credit Rating	A+	AA-	AA-
Average Credit Score (time-weighted)	5.14	3.81	4.03
Average Credit Rating (time-weighted)	A+	AA-	AA-
Number of Counterparties / Funds	11	9	15
Proportion Exposed to Bail-in	77%	55%	55%
Liquidity			
Proportion Available within 7 days	22%	51%	42%
Proportion Available within 100 days	100%	81%	69%
Average Days to Maturity	52	90	35
Market Risks			
Average Days to Next Rate Reset	54	70	58
External Fund Volatility	1.0%	0.8%	2.1%
Yield			
Internal Investment Return	0.63%	0.50%	0.63%
External Funds - Income Return	0.09%	3.39%	3.22%
External Funds - Capital Gains/Losses	0.05%	0.86%	0.19%
External Funds - Total Return	0.14%	4.24%	3.41%
Total Investments - Income Return	0.57%	0.58%	1.05%
Total Investments - Total Return	**0.58%**	**0.61%**	**1.08%**







Notes

- Unless otherwise stated, all measures relate to internally managed investments only, i.e. excluding external pooled funds.
- Averages within a portfolio are weighted by size of investment, but averages across authorities are not weighted.
- Credit scores are calculated as AAA = 1, AA+ = 2, etc.
- Volatility is the standard deviation of weekly total returns, annualised.

Appendix D

Appendix D 1

Investment Benchmarking

OPCC for Devon and Cornwall	Credit Score	Credit Rating	Bail-in Exposure	WAM* (days)	Rate of Return
30.06.2017	4.86	A+	93%	91	0.47%
30.09.2017	5.08	A+	94%	78	0.38%
31.12.2017	5.03	A+	92%	64	0.43%
31.03.2018	4.71	A+	77%	52	0.58%

*Weighted average maturity

Impact on Revenue

OPCC for Devon and Cornwall	Budget £'000	Actual £'000	Variance £'000
Interest Receipts	(323)	(314)	9
Cost of Borrowing for Capital Investment	1,216	1,273	57
Minimum Revenue Provision	1,542	1,565	23
Total	2,435	2,524	89

Appendix E

Appendix E 1

Investment Limits

OPCC for Devon and Cornwall	2017/18 Maximum	31.3.18 Actual Maximum	Complied
Any single organisation, except the UK Central Government	£15m each (£7.5m unsecured funds)	£7.5m unsecured funds	✓
Any group of organisations under the same ownership	**£15m per group** (£7.5m unsecured funds)	**0**	✓
Any group of pooled funds under the same management	**£7.5m per manager**	**£7.5m**	✓
Negotiable instruments held in a broker's nominee account	**£12m per broker**	**0**	✓
Foreign countries	**£15m per country**	**0**	✓
Registered Providers	**£20m in total**	**0**	✓
Unsecured investments with Building Societies	**£15m in total**	**£1.1m**	✓
Money Market Funds	**£40m in total**	**£4.6m in total**	✓

Appendix E continued

Appendix E 2

Debt Limits

OPCC for Devon and Cornwall	2017/18 Target £'000	31.3.18 Actual £'000	2017/18 Operational Boundary £'000	2017/18 Authorised Limit £'000	Complied
Borrowing	41,091	38,747	51,208	54,208	✓
Finance Leases	117	113			✓
Total debt	**41,208**	**38,860**	**51,208**	**54,208**	✓

Appendix F

Appendix F 1

Treasury Management Indicators: Liquidity

OPCC for Devon and Cornwall	2017/18 Target	31.3.18 Actual	Complied
Total cash available within 31 days	£12m	£12m	✓
Total sum borrowed in past 31 days without prior notice	0	0	✓

Appendix F 2

Treasury Management Indicators: Interest Rate Exposure

OPCC for Devon and Cornwall	2017/18 Target	31.3.18 Actual	Complied
Upper limit on fixed interest rate exposure	100%	100%	✓
Upper limit on variable interest rate exposure	30%	30%	✓

Appendix F 3

Maturity Structure of Borrowing

OPCC for Devon and Cornwall	31.3.18 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	0%	10%	0%	✓
12 months and within 2 years	0%	15%	0%	✓
2 years and within 5 years	0%	25%	0%	✓
5 years and within 10 years	4%	40%	0%	✓
10 years and above	96%	100%	60%	✓

Appendix G

Appendix G1

Prudential Indicators

Capital Expenditure

Capital Expenditure and Financing	**2017/18 Budget as per the MTFS £'000**	**2017/18 Actual £'000**	**Variance £'000**
Total Expenditure	**13,958**	**10,428**	**(3,530)**
Capital Receipts	5,652	2,583	(3,069)
Government Grants	1,076	2,515	1,439
Reserves and Revenue	4,793	4,663	(130)
Borrowing	2,437	667	(1,770)
Total Financing	**13,958**	**10,428**	**(3,530)**

Appendix G2

Capital Financing Requirement

Capital Financing Requirement	**2017/18 Target as per MTFS £'000**	**2017/18 Actual £'000**	**Variance £'000**
Opening CFR	**40,346**	**39,934**	**(412)**
Capital expenditure to be funded by borrowing	2,437	667	(1,770)
Finance Lease	0	0	0
Less: Minimum Revenue Provision	(1,575)	(1,565)	10
Less: Finance Lease	(117)	(121)	(4)
Closing CFR	**41,091**	**38,915**	**(2,176)**