RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2015-2016

COMMITTEE: FINANCE AND PERFORMANCE SCRUTINY COMMITTEE	AGENDA ITEM NO. 4
	TREASURY MANAGEMENT STRATEGY INCORPORATING INVESTMENT STRATEGY, PRUDENTIAL INDICATORS AND MRP STATEMENT for 2016/17

11th April 2016

REPORT OF :

THE GROUP DIRECTOR, CORPORATE AND FRONTLINE SERVICES
Chris Lee (01443) 424026

1.0 PURPOSE OF REPORT

1.1 This report constitutes the requirement to provide Members with the opportunity to scrutinise the Treasury Management Strategy approved by Council on 23rd March 2016. The Council report is attached at Appendix 1 and details:

- Treasury Management Strategy for 2016/17;
- Investment Strategy for 2016/17;
- Prudential and Treasury Indicators for 2015/16 (actuals to January 2016) and 2016/17, 2017/18 and 2018/19 and
- A revised Minimum Revenue Provision (MRP) Policy Statement.

2.0 RECOMMENDATIONS

It is recommended that Members:

2.1 Scrutinise and comment on the information provided.

2.2 Consider whether they wish to scrutinise in any greater depth, any matters contained in the report.

3.0 CONCLUSION

3.1 This report, together with Appendix 1 provides Members with the opportunity to scrutinise the Treasury Management Strategy for 2016/17.

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COMMITTEE:	***Item No:***
COUNCIL	**TREASURY MANAGEMENT STRATEGY INCORPORATING INVESTMENT STRATEGY, PRUDENTIAL INDICATORS and MRP STATEMENT for 2016/17**
23rd March 2016	

REPORT OF THE GROUP DIRECTOR CORPORATE AND FRONTLINE SERVICES

AUTHOR:- CHRIS LEE (01443) 424026

1.0 PURPOSE OF THE REPORT

1.1 The purpose of the report is to set out the Council's:-
- Treasury Management Strategy for 2016/17;
- Investment Strategy for 2016/17;
- Prudential and Treasury Indicators for 2015/16 (actuals to date) and 2016/17, 2017/18 and 2018/19; and
- Minimum Revenue Provision (MRP) Policy Statement.

2.0 RECOMMENDATIONS

It is recommended that Members:

2.1 Approve the Treasury Management Strategy, Investment Strategy, Prudential and Treasury Indicators as set out in the report;

2.2 Approve the amended MRP policy as set out in the report at paragraph 19 and detailed in Appendix 1 attached, effective from 2015/16 financial year; and

2.3 Grant the Section 151 Officer (or in his absence the Deputy Section 151 Officer) with delegated powers to exceed the fixed / variable limits, in the best financial interests of the Authority only, and if utilised, that this be reported to the next available meeting of Council (paragraph 18.6 of the report refers).

3.0 INTRODUCTION

3.1 CIPFA defines Treasury Management 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."

3.2 The Local Government Act 2003 and supporting regulations require the Council to have regard to the CIPFA Treasury Management Code of Practice and the CIPFA Prudential Code. The following report also meets the requirements of Welsh Government MRP Guidance and Welsh Government Investment Guidance.

3.3 This Treasury Management Strategy Statement details the expected activities of the Treasury Management function in the forthcoming financial year (2016/17). Its production and submission to Council is a requirement of the CIPFA Code of Practice on Treasury Management, as adopted by the Council on 6th March 2002. The 2001 Code was fully revised in 2009 with minor updates in 2011. We continue to adopt the revised Code. Adoption of the Code is one of the Prudential Indicators. We comply in this respect.

3.4 To supplement the CIPFA Code of Practice, the Welsh Government has issued Guidance on Local Government Investments which require local authorities to report their Investment Strategy. A key requirement of the guidance is to explain management of risk associated with Treasury Management activity. Reports on actual activity will be produced after the year end and also following a mid year review. Such reports, including this strategy are subject to Member scrutiny.

3.5 The Prudential Code came into effect from 2004/05 and was fully revised during 2009 with minor updates in 2011 and 2013. The Code is produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and is underpinned by the Local Government Act 2003 and the Capital Financing Regulations (Wales) 2004. The Code sets out a framework for self regulation of capital spending, in effect allowing Councils to invest in capital projects without any limit as long as they are <u>affordable</u>, <u>prudent</u> and <u>sustainable</u>.

3.6 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires revenue costs from capital financing decisions to be included in the budget requirement.

4.0 TREASURY MANAGEMENT STRATEGY 2016/17

4.1 The suggested Treasury Management Strategy for 2016/17 is based on officers' views on likely interest rates, supplemented with forecasts provided by the Council's independent treasury advisors. The strategy covers:

- Current Portfolio Position
- Prospects for Interest Rates
- Borrowing Strategy (including borrowing in advance of need)
- Debt Rescheduling Opportunities

4.2 Information is also provided on the use of Treasury Management advisors and the training that has taken place.

5.0 Current Portfolio Position

5.1 The Council's treasury portfolio position as at the end of January 2016 (Period 10) comprised:

		£M	£M	Av. Rate
Debt				
Fixed Rate	PWLB	109.297		4.81%
	Market	2.000		9.66%
	Market(LOBO)	85.500		4.82%
			196.797	4.85%
Investments				
Variable Rate	Public Bodies		8.110	0.27%

5.2 A LOBO is a financial instrument called a "Lender's Option Borrower's Option". It provides a lower rate of interest for the initial period and a higher rate for the rest of its term (reversionary period), albeit that the higher rate was comparable with interest rates prevailing at the time the loans were taken. At the end of the initial period and at six monthly intervals, the lender has the option to increase the interest rate payable. This provides the Council with the option to repay the loan if the terms are not acceptable.

6.0 Prospects for Interest Rates

6.1 The level of the Bank Rate (set by the MPC – Monetary Policy Committee) tends to be the main factor which determines the rate of interest the Council receives on its short term investments. During 2015/16 to date, the Bank Rate has remained at 0.5%.

6.2 The forward looking estimate of the Bank Rate, as provided by our Treasury Management advisors is for the rate to remain at 0.5% until an increase to 0.75% in September 2018.

6.3 These are the basis of our projections for interest receivable. Bank Rate underpins investment returns, and whilst there is a projected upward change in 2018/19, a gradual pace of increase is predicted. This is in line with the Bank of England expectations.

6.4 Generally, the Council borrows its long term funding from the Public Works Loans Board (PWLB). Long term PWLB rates increase and decrease in line with gilt yields (government bonds). The Council's Treasury Management advisors latest forecast of interest rates is as follows:

	5 yr	**10 yr**	**20 yr**	**50 yr**
2016/17	2.10%	2.80%	3.60%	3.65%
2017/18	2.50%	3.10%	3.70%	3.75%
2018/19	2.70%	3.30%	3.80%	3.85%

6.5 In the UK the economic growth rate for 2015 was 2.2% which was lower than the previous year. Economic activity remains reliant on the consumer, with household spending being the key for GDP growth through 2016. Consumption will continue to be supported by real wage and disposable income growth. Inflation has begun to rise but remains low, primarily due to falls in prices of energy, food and other imported goods.

6.6 There is uncertainty due to the looming EU referendum and this could lead to volatility in the financial markets. This could affect business and consumer confidence.

6.7 Investment returns are likely to remain low during 2016/17. With short term interest rates currently much lower than long term rates, it is more cost effective to borrow short term. By doing so the Authority is able to reduce borrowing costs (despite foregone investment income) and reduce overall treasury risk.

7.0 Borrowing Strategy (including borrowing in advance of need)

7.1 The Council's borrowing requirement for 2016/17 is currently £44.4m based on the current Capital Programme (subject to Council approval 23rd March 2016). The opportunities afforded by the Prudential Code increase the possibility of further borrowing being required during the year. The strategy and Prudential Limits may need to be refined accordingly in light of future decisions. Further details of Prudential Indicators and limits are in the Prudential Indicator section of this report.

7.2 Uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will continue to take a cautious approach to its treasury strategy.

7.3 The lowest cost borrowing will continue to be maximising "internal borrowing", running down cash balances and foregoing interest earned at historically low rates. This also minimises counterparty risk (risk that an investment may become irrecoverable). This is our favoured approach (referred to as maintaining an "underborrowed" position). This means that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt.

7.4 Temporary borrowing could be taken from the money market or other public bodies such as local authorities.

7.5 Shorter term fixed rates may provide lower cost opportunities in the short/medium term. However, in view of the overall forecast for long term borrowing rates to increase over the next few years, consideration will also be given to balancing the short term advantage of short term borrowing against potential long term costs if the opportunity is missed for taking loans at low long term rates which will be higher in future years.

7.6 There are uncertainties associated with the forecasts detailed above. Alternative approaches given different interest rate forecasts are below:

- Risk of sharp fall in long and short term rates – long term borrowing will be postponed and potential rescheduling from long term to short term borrowing could be considered.
- Risk of sharper than forecast rise in long and short term rates – fixed rate borrowing taken whilst rates still cheap.

7.7 The Group Director, Corporate and Frontline Services, as Section 151 Officer (or in his absence the Deputy Section 151 Officer), under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates and forecasts at the time, taking into account advice provided by our advisors and an assessment of risk. Members will be advised of borrowing activity during the year as part of the Council's quarterly performance reporting arrangements and the Treasury Management mid year review.

7.8 The revised Codes of Practice require Councils to specify their approach in terms of "Borrowing in Advance of Need". In line with the Prudential Code, Councils are able to borrow funds above their Capital Financing Requirement (ie its underlying borrowing requirement) for use in future years, thereby providing a degree of flexibility in terms of timing during the most favourable interest rate conditions. This Council's levels of debt have been and remain significantly lower than our CFR (see Prudential Code section) and it is not anticipated that borrowing in advance of need is a course of action that this Council would pursue in the short to medium term. Consequently, there is no need to set a limit in terms of value or period of time. Risks and opportunities associated with borrowing in advance of need will continue to be monitored during the year and reported in the mid year review of treasury management activities.

8.0 Debt Rescheduling Opportunities

8.1 Debt rescheduling refers to the premature repayment of existing debt and replacing it with cheaper borrowing.

8.2 The introduction by the PWLB in 2007 of a difference in rates applied to new borrowing and repayment of existing debt has been compounded since October 2010 by a further widening of the difference between new borrowing and repayment rates. This has meant that PWLB rescheduling is now less attractive. Consideration would have to be given to the large premiums which would be incurred on repaying debt early.

8.3 As short term borrowing rates will be considerably cheaper than long term rates, there may be potential to switch from long to short term debt. However, these savings will need to be considered in light of the premiums incurred, the short term nature of the savings, and the likely cost of refinancing those short term loans once they mature.

8.4 Early repayment of debt could also be considered. This would run down investment balances as short term rates on investments are likely to be lower than that on debt. However, premium costs may be expensive and our investment balance estimates for 2016/17 are low, therefore such a course of action is unlikely.

8.5 Any rescheduling and repayment of debt is likely to impact upon the Council's debt maturity profile and this will need to be considered in accordance with the relevant indicator.

8.6 The Council has previously taken advantage of maximising debt rescheduling opportunities. The reasons for any rescheduling to take place could include:

- the generation of savings, at minimum risk;
- to help fulfil the strategy outlined in section 7 above; or
- to enhance the balance of the long term portfolio (amend the maturity profile and/or the balance of volatility).

8.7 The Group Director Corporate and Frontline Services will monitor prevailing rates for any opportunities during the year based upon information provided by the Council's Treasury advisors.

9.0 Treasury Management Advisors

9.1 The Council's Treasury Management advisors are Arlingclose Ltd. The company provides a range of services including:

- Technical support on treasury matters, capital finance issues and suggested report formats;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing;
- Debt rescheduling advice on the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments;
- Credit ratings/market information service comprising the three main credit rating agencies.

9.2 Whilst the advisors provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on any treasury matter remains with the Council.

9.3 The Council ensures that quality of service is maintained via feedback at regular meetings with key contacts.

10.0 Member and Officer Training

10.1 During 2015/16, officers within the Treasury Management section have attended seminars facilitated by our advisors.

10.2 As part of continued professional development, officers will continue to keep up to date with emerging issues via seminars, research and regular information provided by advisors and other sources.

10.3 A training session was held for Members during September 2015. This was facilitated by our advisors. If any further emerging issues arise, specific training sessions can be arranged.

10.4 The Councils Senior Accountant, Pension Fund and Treasury Management officer holds the Certificate in International Treasury Management – Public Finance, a professional qualification of CIPFA and the Association of Corporate Treasurers in the fundamentals of treasury management for the public service.

11.0 Reporting and Scrutiny

11.1 The Finance and Performance Scrutiny Committee will continue to undertake the required scrutiny function for treasury management activities. This will include:

- Quarterly updates (as part of the Council's Performance Reporting arrangements)

- Strategy report (as reported to full Council)
- Formal mid year review of treasury management (as reported to full Council)
- Annual review (as reported to full Council).

12.0 <u>INVESTMENT STRATEGY</u>

12.1 The Council's investment policy has regard to the Welsh Government's Guidance on Local Government Investments and the 2013 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes. The Council's investment priorities will be security first, liquidity second, then return.

12.2 The key requirements of both the Code and the investment guidance (issued by the Welsh Government) are to set an investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of the following:

- Specified investments the Council will use together with the minimum acceptable credit quality. These are high security (i.e. high credit quality, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.
- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.

12.3 The intention of the strategy is to provide security of investment and minimisation of risk.

12.4 Specified Investments

An investment is a Specified Investment if all of the following apply:

1. the investment is denominated in sterling
2. it is not long term
3. it is not defined as capital expenditure
4. it is of high credit quality or with one of the following public sector bodies:
    a. the UK government; or

b. a local authority in England or Wales (as defined in S23 of the 2003 Act) or similar body in Scotland or Northern Ireland

12.5 These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

- The UK Government (such as the Debt Management Account Deposit Facility, UK Treasury Bills or a Gilt with less than one year to maturity).
- Supranational bonds of less than one year's duration.
- A local authority, parish council or community council.
- A body that is considered of a high credit quality. This covers bodies with a minimum long term rating of A- (or the equivalent) as rated by Fitch rating agency or equivalent.
- Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies.

12.6 Credit Criteria for Specified Investments

12.7 It is at the discretion of the Local Authority to define what it considers to be a "high" credit quality. It is proposed that Members agree to limit the use of Specified Investments to those counterparties with a Short Term credit rating of at least "F1" and Long Term rating of at least "A-" (as defined by Fitch Credit Rating Agency). Equivalent ratings from other agencies are also used. Limits for each Counterparty will be set according to its credit rating. The Council uses the lowest common denominator method of selecting counterparties and applying limits. It is proposed that Members agree to set limits as follows:

Credit Criteria	£ Limit	Maturity Limit
Short Term Rating F1 or F1+ & Long Term Rating AAA	£20m	364 days
Short Term Rating F1 or F1+ & Long Term Rating AA or AA+	£15m	364 days
Short Term Rating F1 or F1+ & Long Term Rating AA-	£10m	6 mths
Short Term Rating F1 or F1+ & Long Term Rating A+,A or A-	£10m	3 mths

Investments with the Debt Management Office and other Public bodies shall have a maximum maturity of 364 days.

12.8 Unsecured investments in banks could be subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Under a bail-in regime the regulator can cancel a proportion of each eligible investors account to reduce bank liabilities and therefore increase its equity capital.

12.9 For Members information the scale of Short Term and Long Term Credit Ratings as defined by Fitch is as follows:

Short Term Ratings (less than 365 days)		
Decreasing strength of rating	F1+	Exceptional strong capacity for timely payment of financial commitments
	F1	Strong capacity for timely payment of financial commitments
	F2	Satisfactory capacity for timely payment of financial commitments
	F3	The capacity for timely payment of financial commitments is adequate
	B	Minimal capacity for timely payment of financial commitments, plus heightened vulnerability to short term adverse changes in financial and economic conditions.
	C	Default is a real possibility
	D	Actual or imminent payment default

Long Term (Issuer Default) Ratings (greater than 364 days)		
Decreasing strength of rating	AAA	Investment Grade – Highest Credit Quality, reliable and stable
	AA	Investment Grade – Very High Credit Quality
	A	Investment Grade – High Credit Quality , economic situation could affect finance
	BBB	Investment Grade – Satisfactory Credit Quality
	BB	Speculative Grade – Possibility of Credit Risk developing , more prone to changes in the economy
	B	Highly Speculative Grade – Significant Credit Present, financial situation varies noticeably
	CCC CC C	High Default Risk

12.10 The rating criteria use the lowest common denominator method of selecting counterparties and applying limits. This means that 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.

12.11 A Counterparty List will be maintained in accordance with the limits as defined above with one further over-riding principle. At the point of an investment being made with a counterparty, it will not exceed the higher of:

- o 10% of the Council's overall investment portfolio at the time of making the investment (accepting that during the course of the investment period it may exceed this as cash balances fluctuate); or
- o £2m

This limit shall not apply to the Debt Management Office (where all deposits are guaranteed by HM Government and therefore have the equivalent of the UK sovereign credit rating) nor AAA rated money market funds (which by their nature have in-built diversification), nor public bodies.

12.12 Although many of the banks on the Counterparty List originate from outside of the UK, the Council will only place deposits into their UK accounts.

12.13 The Council's Treasury Management advisors inform us immediately of any individual rating changes, and the counterparty list is updated accordingly. Any counterparty failing to meet the criteria, or those on a negative credit watch will be removed from the list immediately. An exception to this might be where the UK sovereign rating is on negative watch resulting in a wholesale application of negative watch to all UK counterparties. It must be noted that on occasion, ratings may be downgraded when an investment has already been made. New counterparties will be added to the list if they meet the defined criteria during the year.

12.14 In addition, limits will be applied to country, group and sector. These limits are applied to the portfolio at the time of investment.

- o The minimum credit rating of a bank's sovereign will be AA- (this is for non UK sovereign).
- o No more than 60% will be placed with any non UK country at any time
- o No more than the lower of 10% of total portfolio and £10m will be placed with a single group company
- o Sector limits are as follows:
  - o Banks 10%
  - o Building Societies 10%
  - o Debt Management Office 100%
  - o Other Public Bodies 100%

Included within the above will be the part nationalised UK banks, Lloyds Bank and Royal Bank of Scotland. These can be used if they meet the required criteria.

12.15 The revised Code of Practice now requires Councils to not rely solely on credit ratings but to supplement it with other information. The other information referred to includes quality financial press, credit default swaps, share prices, annual reports, statements to markets, information on government support for banks, credit ratings of that government support, rates being paid, what other banks are saying, information provided by advisors, market price (and movement of market price) of existing debt securities issued by counterparties. This represents a significant pool of “other information”.

12.16 The review of all such information will be incorporated into the Council’s decision making processes although it will not be a simplistic and quick process and will need to be considered alongside the relative benefits of making one investment over another (eg versus DMO) and the relative risks of exposing the Council’s resources.

12.17 Members will also recall that all of the Council’s investments were transferred to the Debt Management Office DMADF (Debt Management Account Deposit Facility) upon the onset of the national and international economic crisis which started in 2008. Whilst there is a cost of this security in terms of a loss of interest (now reduced to approximately 0.23% being the difference between Bank Rate and our average interest rate received), this (along with other Government backed public sector bodies) is considered to be the safest course of action at this current time. These arrangements will be kept under constant review, especially given the financial impact on the General Fund through lost interest. This is estimated to be approximately £9.2k for every three months invested (based on average cash holdings equating to £16M).

12.18 Non-Specified Investments

Non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below.

Investment	**£ Limit**	**Maturity Limit**
Investments longer than 365 days with financial institutions and corporates as per the counterparty list, tiered as follows:	£10m	
long-term rating of A (or equivalent) and above		13 mths
long-term rating of A+ (or equivalent) and above		2 years
long-term of AA- (or equivalent) and above		3 years
long-term rating of AA (or equivalent) and above		4 years

long-term rating of AA+ (or equivalent) and above If the institutions or corporates are domiciled in foreign countries, the sovereign rating to be AA+ or higher		5 years
Gilt Edged Securities (Value of principal may fluctuate) (These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. The value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.)	£10m	3 years
Supranational Bonds greater than 1 year to maturity. (Value of principal may fluctuate)~~.~~ Supranationals which are highly credit rated and backed by several sovereigns. (The security of interest and principal on maturity is on a par with the Government and so very secure, and these bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.)	£10m	3 years
The Council's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	£5m	Overnight
Investment in other Pooled Funds(other than Money Market Funds). (The Council will seek advice from its treasury management advisor before investment in these funds.)	£10m	6 months
Money Market Funds	£10m	6 months

12.19 Investments in "Non Specified Investments" **in total** should be no greater than £15m. In addition, as per Specified Investments, at the time of making the investment, it should not be greater than the higher of 10% of the total portfolio or £2m. The Council will not use standalone financial derivatives such as swaps, forwards, futures and options.

12.20 Local Authority Mortgage Scheme

12.21 As approved by Council on 4th July 2012, during September 2012, the Council launched the Local Authority Mortgage Scheme which supports First Time Buyers in purchasing a home. The scheme is facilitated by Lloyds Bank and allows First Time buyers to access 95% loan to value mortgages on terms similar to 75% loan to value mortgages. The Bank is able to offer such loans where the Council guarantees the loan up to 20% of the value of the property. It is a requirement of the scheme that the Council places a deposit with the bank for the length of the indemnity. Therefore the Council has a deposit of £1m with Lloyds for 5 years.

12.22 This is not strictly an investment – its primary purpose is to support first time buyers, stimulate the housing market and any beneficial wider economic regeneration which goes with it. The deposit is classed as a service investment rather than a treasury management investment and is therefore outside of the Specified / Non Specified categories.

12.23 Notwithstanding this, it is a deviation from the Council’s normal treasury management operations. It will require a deposit to be placed with one or more institutions for a fixed period of 5 years. Clearly this exposes the Council to an element of Counterparty risk which is monitored by officers.

13.0 Risk Benchmarking

13.1 In accordance with the WG guidance (revised 2009), this Investment Strategy sets out the Council's policies for giving priority to firstly, the security of investments, secondly liquidity, and thirdly yield. It sets out the Council’s criteria for choosing investment counterparties and limiting the exposure of risk of loss.

13.2 The revised codes and statutory guidance require the consideration, approval and monitoring of security and liquidity benchmarks. Yield benchmarks are currently widely used and less subjective than those relating to security and liquidity.

13.3 The benchmarks for security, liquidity and yield are targets, not limits and as such, may be breached from time to time. The purpose of the benchmark is to monitor trends and act as early warning signals. Actual activity levels will be reported in the mid year and annual reports.

13.4 <u>Security</u>

13.5 Security had previously been evidenced solely by the application of minimum credit criteria to investment counterparties, through credit ratings supplied by one of the three rating agencies, Fitch, Moody’s and/or Standard & Poor’s. The revised Codes and regulations require the extension of security monitoring by applying historic default trends to our own investment portfolio.

13.6 The Council's maximum security risk benchmark for the whole portfolio, when compared to these historic default tables, is 0.00% historic risk of default when compared to the whole portfolio. This reaffirms the fact that the Council places security above yield.

13.7 Liquidity

13.8 This is defined as having adequate, though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities. The Council maintains a bank overdraft facility of £5m.

13.9 It is recommended that the Council sets limits for

- Liquid short term deposits available with a week's notice.
- Weighted Average Life benchmark and maximum. The shorter the weighted average life of the portfolio implies less risk.

As we are maintaining low levels of cash to minimise credit risk, the setting of such targets / limits is not appropriate.

13.10 Any investment for greater than 365 days will be made with a prudent approach to cashflow requirements and in accordance with above limits.

13.11 The minimum amount to be held during 2016/17 in investments less than 365 days is the lower of

- £20m; or,
- the total value of the Council's investment portfolio.

13.12 Yield

13.13 The benchmark used is 7 day LIBID. At the moment, as our operating strategy is to only invest in the Debt Management Office or other public bodies, it is unlikely we will meet this target.

14.0 Forecast for Investment Returns

14.1 Traditionally, investments which would have been invested longer would secure better returns, however uncertainty over counterparty creditworthiness suggests short dated investments in higher credit quality establishments will provide better security. The Council will continue to favour security above return.

14.2 Expectations on shorter-term interest rates, on which investment decisions are based, show the current 0.5% Bank Rate not rising until 2018. Our projected interest receipts will be prudent, reflecting our low risk strategy.

15.0 PRUDENTIAL CODE LIMITS FOR 2016/17

15.1 There is a statutory duty under the Local Government Act 2003 for the Council to determine and keep under review how much it can afford to borrow. The Council must have due regard to the **Prudential Code** when setting it's affordable borrowing limit ("Authorised Limit"). This requires the Council to ensure that total capital investment and borrowing remains affordable, sustainable and prudent.

15.2 To comply with both the Prudential Code and Treasury Management Code, the Council has to determine and set Prudential Indicators in relation to capital expenditure, external debt and treasury management activities. The purpose of the indicators is to provide a framework for Capital Expenditure decision making.

15.3 To comply with the Codes every Council is required to agree a set of Prudential indicators prior to the start of the financial year. These indicators must be prepared by the Chief Finance Officer and presented to Council, as part of the budget setting process. The indicators cover a three year period and must be monitored during the year.

15.4 The indicators are purely for internal use by the Council and are not intended for use as comparators (i.e. between Councils) nor should they be viewed individually. The real value will arise as a result of monitoring the movement in indicators over time.

15.5 Capital Expenditure is predominantly funded by Welsh Government support, capital grants and capital receipts. The remaining balance of expenditure will form a borrowing need. General capital funding from the Welsh Government takes the form of "supported borrowing". Any amounts of capital expenditure above these limits will be classed as unsupported and will have an impact on the Council Tax (unless extra borrowing costs are funded through existing budgets).

15.6 The following indicators are required (by the Prudential Code) to be approved:

- o Capital Expenditure
- o Capital Financing Requirement
- o External Debt (Gross)
- o Authorised Limit
- o Operational Boundary
- o Ratio of Financing Costs to Net Revenue Stream
- o Incremental Impact of capital investment decisions on Band D Council Tax

15.7 The following indicators are required (by the Treasury Management Code) to be approved:

- o Adoption of the CIPFA Code of Practice on Treasury Management

- o Interest Rate Exposure
- o Debt Maturity Profile
- o Funds invested for more than one year

16.0 Capital Expenditure and the Capital Financing Requirement

16.1 The Capital Expenditure plans of the Council will be financed through various sources such as capital receipts, grants, other contributions. The remaining element which cannot be immediately financed from resources will constitute our borrowing requirement. The estimated level of available capital resources is provided in summary as the Capital Expenditure Indicators below.

Indicator : Capital Expenditure

	2015/16 Projected Outturn £M	2016/17 Estimate £M	2017/18 Estimate £M	2018/19 Estimate £M
Supported spend	62.765	64.864	49.854	25.920
Unsupported spend	15.007	37.425	16.586	3.817
Total spend	77.772	102.289	66.440	29.737
Financed by:-				
Borrowing	21.948	44.366	23.797	10.758
Other Capital Resources (e.g. Grants, Capital Receipts)	55.824	57.923	42.643	18.979

16.2 The Capital Financing Requirement (CFR) represents the Council's underlying need to borrow for capital purposes. The CFR is capital expenditure that has not yet been paid for from either revenue or capital resources.

16.3 The expected movement in the CFR over the next three years is dependent on the level of supported and unsupported capital expenditure and decisions taken during the budgeting cycle.

16.4 The unsupported element of borrowing relates to the capital expenditure freedom allowed under the Prudential Code. The Prudential Code anticipates that these freedoms would enable Councils to enter into projects such as "spend to save" schemes or decisions to allocate additional resource from revenue to capital, to enable service enhancements. Members have already shown their willingness to use this option for schemes such as improvements in highways infrastructure and investment in schools.

16.5 The main factor limiting the Council's ability to undertake unsupported capital expenditure is whether the revenue resource is available to support in full the implications of capital expenditure, i.e. both borrowing costs and running costs. In other words, can the Council afford the implications of the unsupported capital expenditure?

16.6 The Council's expectations for the CFR in the next three years is shown below.

Indicator : Capital Financing Requirement (CFR)

	2015/16 31/03/16 Projected Outturn £M	2016/17 31/03/17 Estimate £M	2017/18 31/03/18 Estimate £M	2018/19 31/03/19 Estimate £M
CFR	397.474	430.109	441.990	440.315
Net movement in CFR		32.635	11.881	(1.675)

16.7 A key risk is that the level of Welsh Government support has been estimated and is, therefore, subject to change. Similarly, some of the estimates for other sources of funding, such as capital receipts, may also be subject to change over this time. Officers will continue to monitor the totality of capital resources and will report back to Members if further action is required.

16.8 As a result of the accounting changes in the Code of Practice on Local Authority Accounting 2009, the Private Finance Initiative (PFI) scheme at Garth Olwg is presented on the Council's balance sheet as a Fixed Asset. As a result our CFR includes payments falling due for the school and lifelong learning centre. Similarly, Finance Lease arrangements are also included in the calculation.

16.9 The expected external debt for each year is as detailed below.

Indicator : External Debt

	2015/16 31/03/16 Projected Outturn £M	2016/17 31/03/17 Estimate £M	2017/18 31/03/18 Estimate £M	2018/19 31/03/19 Estimate £M
Borrowing	204.015	251.970	287.325	319.679
Other long term liabilities	25.225	23.982	22.689	21.344
Total External Debt 31st March	229.240	275.952	310.014	341.023
Net movement in External Debt		46.712	34.062	31.009

16.10 Long Term Liabilities include the Council's obligation under the PFI scheme and future finance lease payments.

17.0 Limits to Borrowing Activity

17.1 The first key control over the Council's activity is to ensure that, over the medium term, borrowing will only be for a capital purpose. The Council needs to ensure that external borrowing does not exceed the total of the capital financing requirement in the preceding year plus the estimate of the additional capital financing requirement for the next three financial years. This allows some flexibility within a three-year period to deliver an effective treasury management strategy.

Borrowing Activity (Gross Borrowing)

	2015/16 31/03/16 Projected Outturn £M	2016/17 31/03/17 Estimate £M	2017/18 31/03/18 Estimate £M	2018/19 31/03/19 Estimate £M
Gross Borrowing	229.240	275.952	310.014	341.023
Capital Financing Requirement	397.474	430.109	441.990	440.315

17.2 As the above shows, gross borrowing is below the relevant CFR for current, and future years. This is termed "underborrowing". This view takes into account current commitments, existing plans, and the proposals in the budget report. Again, this indicator will be monitored and revised at Council, if necessary, during the three-year period.

17.3 The Authorised Limit represents the limit beyond which borrowing is prohibited, and needs to be set, monitored and revised by Members. It reflects the maximum level of borrowing to fund existing capital commitments, which could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need, with some added headroom for unexpected movements.

17.4 This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Council's plans, or those of a specific Council. The government has not yet exercised this control.

Indicator : The Authorised Limit

	2015/16 31/03/16 Projected Outturn £M	2016/17 31/03/17 Estimate £M	2017/18 31/03/18 Estimate £M	2018/19 31/03/19 Estimate £M
Gross Borrowing Limit	284.315	406.000	419.000	418.000
Other long term liabilities	25.225	24.000	23.000	22.000
Authorised Limit	309.540	430.000	442.000	440.000

17.5 The Operational Boundary is based on the probable external debt during the course of the year; actual borrowing could vary around this boundary, for short times, during the year. It should act as an indicator to ensure the Authorised Limit is not breached.

Indicator : The Operational Boundary

	2014/15 31/03/15 Projected Outturn £M	2015/16 31/03/16 Estimate £M	2016/17 31/03/17 Estimate £M	2017/18 31/03/18 Estimate £M
Gross Borrowing Limit	204.015	252.000	290.000	320.000
Other long term liabilities	25.225	24.000	23.000	22.000
Operational Boundary	229.240	276.000	313.000	342.000

18.0 Affordability Prudential Indicators

18.1 Previous sections have covered overall capital and control of borrowing indicators, but there is also a requirement to assess the affordability of capital investment plans. This provides an indication of the impact of the capital investment plans on the overall Council finances.

18.2 The Ratio of Financing Costs to Net Revenue Stream identifies the trend in the cost of capital (borrowing costs net of interest and investment income) against the "net revenue stream". The net revenue stream for the General Fund is the amount collectable from Council Tax payers added to the Council's Rate Support Grant (RSG) and Non Domestic Rates (NDR). The key use of this indicator is to compare trends in the ratio of financing costs to the net revenue stream, over time.

Indicator : Ratio of Financing Costs to Net Revenue Stream

	2015/16 Comparator	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
General Fund	4.43%	4.62%	4.92%	5.14%

18.3 The Incremental Impact Indicator identifies the revenue costs associated with proposed changes to the three year capital programme compared to the Council's existing commitments and current plans.

18.4 Capital Investment by its very nature has a knock-on effect into the General Fund Revenue Account. For example, capital investment in our infrastructure assets should result in a reduced revenue maintenance burden etc.

Indicator : Incremental impact of capital investment decisions on the Band D Council Tax

	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Annual Impact on Council Tax - Band D	£1.00	£0.00	-£0.07
Annual Impact on Council Tax - Band A	£0.67	£0.00	-£0.04
Percentage Impact on Council Tax Band D	0.08%	0.00%	0.00%

18.5 The first Treasury Management indicator is that the Council has adopted the CIPFA Treasury Management Code of Practice. This Council adopted the Code during March 2002. The Code has been fully revised in 2009 with minor changes in 2011. We continue to adopt the revised version.

18.6 The Code requires limits to be set for :

I. Upper limits on variable rate exposure – this indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments.

II. Upper limits on fixed rate exposure – similar to the above indicator this covers a maximum limit on fixed interest rates.

There may be occasion where markets are such that borrowing might be in the best financial interest of the Authority but will be outside of the fixed / variable limits. It is therefore proposed to grant the Section 151 Officer (or in his absence the Deputy Section 151 Officer) with delegated powers to exceed the fixed / variable limits, in the best financial interests of the Authority only, and if utilised, that this be reported to the next available meeting of Council.

Indicator : Interest Rate Exposure

	2015/16 Projected Outturn	2015/16	2016/17	2017/18	2018/19
Borrowing					
Limits on fixed rates	100%	55%-100%	55%-100%	55%-100%	55%-100%
Limits on variable rates	0%	0%-45%	0%-45%	0%-45%	0%-45%
Investments					
Limits on fixed rates	0%	0%-25%	0%-25%	0%-25%	0%-25%
Limits on variable rates	100%	75%-100%	75%-100%	75%-100%	75%-100%
Net Borrowing					
Limits on fixed rates	100%	55%-125%	55%-125%	55%-125%	55%-125%
Limits on variable rates	0%	-25%-45%	-25%-45%	-25%-45%	-25%-45%

18.7 For monitoring interest rate exposure purposes, LOBO's are included as fixed rate debt. Although not a requirement of the Prudential Code, an internal limit of LOBO debt is set as follows:

	£M	% of Debt Portfolio
LOBO limits	100	45

The amount of LOBO debt held in 2015/16 is £85.5m being 39% of our total debt portfolio. This internally set limit may be temporarily exceeded as a consequence of debt restructuring activities.

18.8 The maturity structure indicator sets gross limits to reduce the Council's exposure to large fixed rate sums falling due for refinancing annually.

The 2011 CIPFA Treasury Management Code has revised the maturity structure indicator guidance. As a result, LOBO loans are deemed to have a maturity date of the next call date.

Indicator : Maturity Structure

	2015/16 Projected Outturn	Upper Limit	Lower Limit
Under 12 months	37%	60%	0%
12 months to 2 years	4%	60%	0%

2 years to 5 years	1%	60%	0%
5 years to 10 years	0%	70%	0%
10 years to 20 years	12%	90%	0%
20 years to 30 years	0%	90%	0%
30 years to 40 years	44%	90%	0%
40 years to 50 years	2%	90%	0%

18.9 In order to maximise investment returns there may be opportunities for sums to be invested for longer than one year. This would only be undertaken with a prudent view of the primary considerations of security and liquidity.

18.10 The following indicator takes account of projected resources available for investment and cashflow forecasts.

Indicator : Total principal funds invested for periods longer than 364 days

Maximum principal sums invested over 1 year	£15M

18.11 During 2015/16, there have been no investments with a maturity of greater than 1 year, with the exception of the LAMS investment, refer to para. 12.20, which is deemed a service investment as opposed to a treasury investment. Given the circumstances and objectives outlined in the Investment Strategy, it is unlikely the Council will invest for periods greater than one year.

19.0 THE MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT

19.1 In accordance with legislative requirements applicable to local government (Local Government Act 2003), there is a requirement to charge an amount to revenue each year in respect of capital expenditure. This charge is known as the "Minimum Revenue Provision (MRP)".

19.2 The implementation of the Prudential Code in 2004 (and subsequent updates) provided greater flexibilities for Councils to borrow to fund capital projects over and above their previous level of capital approvals - referred to as prudential or unsupported borrowing.

19.3 In 2008, and to complement the flexibilities afforded by the Prudential Code, Welsh Government amended the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (the 'Regulations') to provide for a number of differing options for charging to revenue costs incurred in respect of Capital Expenditure. The regulations also required the approval by full Council of this MRP Policy Statement.

19.4 Supported Borrowing – A review of the method of charging MRP on supported borrowing has been undertaken, and this is attached at Appendix 1. The conclusion of the review is to propose an amended policy effective from financial year 2015/16. The new method will be straight line over 40 years, linked (broadly) to the lives of the Council's assets. Please refer to Appendix 1 for further details.

19.5 Unsupported Borrowing - The historic 4% MRP has been removed as an option for unsupported (Prudential) borrowing and replaced with 3 alternatives :

- Charge in equal instalments (or to match the benefits derived) over the life of the asset created (asset life must be applied for any expenditure capitalised under a Capitalisation Direction);
- Annuity method; or
- Charge in accordance with the depreciation of the asset.

19.6 It is my view that each of these methods might be appropriate depending on the type of asset being created / funded by Prudential borrowing. It is also feasible that an alternative method might be appropriate (for example, linked to a payback period) - this is also recognised in the relevant Welsh Government guidance. The Regulations also allow for the commencement of MRP to be in line with the asset being brought into use. Accordingly, I am of the view that a decision upon the relevant method to apply should be made as part of the option appraisal decision to proceed with any Prudential borrowing on a project by project basis.

19.7 PFI and Finance lease schemes - MRP is equivalent to the principal value of repayments as permitted by regulations.

20.0 CONCLUSIONS

20.1 This report provides the Council's Treasury Management Strategy and Annual Investment Strategy for 2016/17, and details the Prudential Indicators for the 3 year period 2016/17 to 2018/19. It also includes an amendment to the Council's policy statement on the Minimum Revenue Provision (MRP) with effect from 2015/16.

20.2 With regards to the Treasury Management Strategy, a cautious approach will continue to be followed. The Section 151 Officer (or in his absence the Deputy Section 151 Officer) will monitor the interest rate environment and adopt a pragmatic approach to any changing circumstances, in consultation with the Council's independent treasury advisors.

20.3 With regards to the Prudential Indicators, these will be monitored throughout the financial year with details reported to Members as part of the Council's quarterly performance reporting framework and scrutiny process.

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APPENDIX 1

REVIEW OF MINIMUM REVENUE PROVISION (MRP)

1. PURPOSE OF THE REVIEW

1.1 This paper provides Council with details of the outcome of a review of the basis upon which Capital Expenditure is charged to revenue through the Minimum Revenue Provision (MRP) and provides an option to amend the basis going forward in compliance with regulatory requirements.

2. THE MINIMUM REVENUE PROVISION (MRP)

2.1 Capital expenditure is defined as expenditure on assets which have a life expectancy of more than one year e.g. buildings or infrastructure improvements. Capital expenditure is funded from a combination of capital receipts, revenue contributions, specific grants and borrowing. Borrowing can be either:

- Supported borrowing, that is funding provided by the Welsh Government to cover the debt repayment costs as included in the Council's Revenue Support Grant (RSG).

- Unsupported borrowing (prudential borrowing) where the Council determines that it can meet the borrowing costs itself from existing revenue resources or from savings which will arise (such as invest to save). The Welsh Government provides no funding for this.

2.2 Local Authorities have a statutory duty to set aside each year part of their revenue budget as a provision for the repayment of this borrowing and this is known as the Minimum Revenue Provision (MRP).

2.3 This report deals with the Councils MRP policy in relation to supported borrowing. The MRP policy in relation to unsupported borrowing will remain, subject to Council approval, unchanged for 2016/17.

3. MINIMUM REVENUE PROVISION – STATUTORY REQUIREMENT

3.1 In accordance with the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (as amended) the Council is required to:

"…calculate for the current year an amount of minimum revenue provision which it considers to be prudent"

3.2 The Welsh Government have also issued guidance in relation to the setting of MRP policy. The Council is required by Section 21(B) of the above mentioned regulation to "have regard" to this guidance.

3.3 The guidance states that the broad aim of prudent provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by the Welsh Government reasonably commensurate with the period implicit in the determination of that grant.

3.4 The following is an extract from the Welsh Government's informal commentary on the guidance:

'*OPTIONS FOR PRUDENT PROVISION*

Four ready-made options are included in the guidance (and there are two alternatives under Option 3). The options are those likely to be most relevant for the majority of authorities but other approaches are not meant to be ruled out, provided they are fully consistent with the statutory duty to make prudent revenue provision. Authorities must always have regard to the guidance, but having done so, may in some cases consider that a more individually designed MRP approach is justified.

…the decision on what is prudent is for the Authority and it is not for the Welsh Government to say in particular cases whether any proposed arrangement is consistent with the statutory duty.'

3.5 The current system of local government finance has evolved considerably in recent years and it is now difficult to relate the element of Welsh Government's Revenue Support Grant for debt repayment. Since 2008 when the current ability to borrow monies to fund capital expenditure on the basis of prudence, affordability and local decisions came into effect, the Welsh Government now only provides financial support to fund their "supported capital funding decisions".

3.6 The previous link between government support for debt repayment and the annual MRP charge has been further eroded due to the reduction in overall Council funding levels resulting from the recent austerity measures. Therefore in relation to the notion that the Council should link its MRP policy to the support provided within the RSG grant settlement it is felt that this is no longer relevant.

4. MRP - REVIEW

4.1 This Council has, to date, repaid supported borrowing debt using Option 2 of the above guidance, referred to as the Capital Financing Requirement (CFR) Method. Under this method the amount of debt is written down annually by 4% on a reducing balance basis. As at 31st March 2015, the Council has a total amount of supported borrowing debt outstanding (that is, the CFR) of £265M which provides an annual revenue cost of £10.598M in 2015/16.

4.2 Budget provision for this amount is set within our Capital Financing budget, which for 2015/16 amounts to £23.364M (note this also includes costs associated with unsupported borrowing plus interest costs on our outstanding loans).

4.3 A review of the current basis of providing for MRP on Supported Borrowing has been undertaken and options considered for amending the basis in line with the guidance as referenced above. It is also worthy of note that a number of other councils are likewise reviewing their basis of providing for MRP.

4.4 The current method has been determined to not constitute the most prudent provision for the repayment of debt. This is due to the fact that by using the reducing balance method it will take 250 years to reduce the outstanding debt to a level of less than £10k, and over 300 years to reduce the level to £1k (and 605 years to fully extinguish the debt).

4.5 The reducing balance method of repayment is unique to local government finance and is not a method which is adopted across wider sectors and nor is it in line with accounting standards outside of local government.

4.6 As the Council is free to determine its own method for making the prudent provision for repayment of debt, it is now proposed that it would be appropriate, affordable and reasonable for the Council to amend its MRP policy through a revision to the CFR method so that a fixed amount of the outstanding balance is repaid each year. This would ensure that debt is repaid in a fixed timescale and does not remain un-extinguished for a period well beyond the useful life of the assets which have been created or enhanced.

5. PROPOSED APPROACH

5.1 It is proposed that it is more prudent for outstanding debt to be written down through MRP over a fixed period of 40 years, in preference to the current reducing balance basis. The attraction of a straight line write off is that both current and future generations pay an equal and consistent amount of MRP. A period of 40 years also equates broadly to the life of council assets (estimated at 43 years).

5.2 The introduction of this proposed MRP policy has the effect of reducing the Councils MRP charges for the first 12 years and increasing the charges thereafter until the debt is fully paid off at year 40.

5.3 Table 1 below shows the savings which the proposed revised policy will have in terms of base budget savings over the next 5 years.

Year	**Saving**
	£'000
2015-16	(3,974)
2016-17	(3,550)
2017-18	(3,143)
2018-19	(2,753)
2019-20	(2,378)
	(15,798)

5.4 A full 40 year analysis of the implications is shown at appendix 1. This demonstrates that there are additional costs in the latter years but also takes into account the £51.8M of debt which would remain outstanding under the current method. When all of these savings and costs are discounted to allow for the time value of money it results in a positive Net Present Value of £5.7M.

5.5 The MRP savings in the first 12 years results in lower cash balances therefore there is an interest cost. Conversely in later years, the higher MRP results in interest savings. Over the 40 year period the net impact is a cost of £239k, the implications of which will be factored into future cash-flow and interest cost computations..

6. CONCLUSIONS

6.1 This review presents an option to amend the basis on which the Council repays it debt and to introduce a method which is more prudent and ensures that the debt it is fully extinguished over the life of the assets which it has been used to acquire and / or enhance.

6.2 It provides for short term revenue savings over the first 12 years with longer term increased costs which, when taking into account the remaining outstanding debt at the end of the 40 year period results in a positive NPV.

Appendix 1 - MRP 40 Year Straight Line

Yr	Year	CFR	Current Repayment	Proposed Repayment	(Saving) / Cost	Total (Saving) / Additional Cost	(Saving) / Additional Cost NPV
		£'000	£'000	£'000	£'000	£'000	£'000
1	2015-16	264,943	10,598	6,624	(3,974)		
2	2016-17	254,345	10,174	6,624	(3,550)		
3	2017-18	244,171	9,767	6,624	(3,143)		
4	2018-19	234,405	9,376	6,624	(2,753)		
5	2019-20	225,028	9,001	6,624	(2,378)		
6	2020-21	216,027	8,641	6,624	(2,018)		
7	2021-22	207,386	8,295	6,624	(1,672)		
8	2022-23	199,091	7,964	6,624	(1,340)		
9	2023-24	191,127	7,645	6,624	(1,022)		
10	2024-25	183,482	7,339	6,624	(716)		
11	2025-26	176,143	7,046	6,624	(422)		
12	2026-27	169,097	6,764	6,624	(140)	(23,127)	(20,701)
13	2027-28	162,333	6,493	6,624	130		
14	2028-29	155,840	6,234	6,624	390		
15	2029-30	149,606	5,984	6,624	639		
16	2030-31	143,622	5,745	6,624	879		
17	2031-32	137,877	5,515	6,624	1,108		
18	2032-33	132,362	5,294	6,624	1,329		
19	2033-34	127,068	5,083	6,624	1,541		
20	2034-35	121,985	4,879	6,624	1,744		
21	2035-36	117,105	4,684	6,624	1,939		
22	2036-37	112,421	4,497	6,624	2,127		
23	2037-38	107,924	4,317	6,624	2,307		
24	2038-39	103,607	4,144	6,624	2,479		
25	2039-40	99,463	3,979	6,624	2,645		
26	2040-41	95,485	3,819	6,624	2,804		
27	2041-42	91,665	3,667	6,624	2,957		
28	2042-43	87,999	3,520	6,624	3,104		
29	2043-44	84,479	3,379	6,624	3,244		
30	2044-45	81,100	3,244	6,624	3,380		
31	2045-46	77,856	3,114	6,624	3,509		
32	2046-47	74,741	2,990	6,624	3,634		
33	2047-48	71,752	2,870	6,624	3,754		
34	2048-49	68,882	2,755	6,624	3,868		
35	2049-50	66,126	2,645	6,624	3,979		
36	2050-51	63,481	2,539	6,624	4,084		
37	2051-52	60,942	2,438	6,624	4,186		
38	2052-53	58,504	2,340	6,624	4,283		
39	2053-54	56,164	2,247	6,624	4,377		
40	2054-55	53,918	2,157	6,624	4,467	74,888	28,067
	CFR O/S	51,761		-	(51,761)	(51,761)	(13,073)
						0	(5,708)

The above table excludes the impact of interest as detailed in paragraph 5.5.