

EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Finance and Performance Management Cabinet Committee **Date:** Thursday, 14 September 2017

Place: Committee Room 1, Civic Offices, High Street, Epping **Time:** 7.00 - 7.29 pm

Members Present: Councillors G Mohindra (Chairman), S Stavrou, C Whitbread and J Philip

Other Councillors:

Apologies: A Lion

Officers Present: R Palmer (Director of Resources), D Bailey (Head of Transformation) and R Perrin (Democratic Services Officer)

14. Substitute Members

The Cabinet Committee noted that there were no substitute members for this meeting.

15. Declarations of Interest

There were no declarations of interest pursuant to the Council's Code of Member Conduct.

16. Minutes

RESOLVED:

That the minutes of the meeting held on 20 July 2017 be taken as read and signed by the Chairman as a correct record.

17. Key Performance Indicators - 2017/18 Quarter 1 Performance

The Director of Resources presented a report on the Key Performance Indicators for 2017/18 Quarter 1 Performance.

The Director of Resources advised that the Council was required to make arrangements to secure continuous improvement in the way in which its functions and services were exercised, having regard to a combination of economy, efficiency and effectiveness. As part of the duty to secure continuous improvement, a range of Key Performance Indicators (KPI) relevant to the Council's service priorities and key objectives, were adopted each year. Performance against all of the KPIs was reviewed on a quarterly basis.

A set of thirty-two (32) Key Performance Indicators (KPI) were adopted for 2017/18 in March 2017. The current KPIs had been considered appropriate with the following changes:

- RES009, RES010, and RES011 – the website indicators to be deleted;

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- COM006 - How many of the key building components required to achieve the Modern Homes Standard were renewed? would be deleted; and
- There were no new indicators recommended for 2017/18.

Progress in respect all of the KPIs was reviewed by Management Board and Overview and Scrutiny at the conclusion of each quarter, and the service directors reviewed KPI performance with the relevant portfolio holder(s) on an on-going basis throughout the year. The Select Committees were each responsible for the review of quarterly performance against specific KPIs within their areas of responsibility.

Improvement plans had been produced for KPIs, setting out actions to be implemented in order to achieve target performance, and to reflect changes in service delivery. In view of the corporate importance attached to the KPIs, the improvement plans were agreed by Management Board and were also subject to ongoing review between the relevant service director and Portfolio Holder over the course of the year.

The position with regard to the achievement of target performance for the KPIs at the end of quarter 1 (30 June 2017), was as follows:

- (a) 27 (84%) indicators had achieved the target;
- (b) 5 (16%) indicators had not achieved the target, although
- (c) 1 (3%) of the indicators had performed within the agreed tolerance for the indicator; and
- (d) 27 (84%) of indicators were currently anticipated to achieve year-end target and a further 1 (3%) was uncertain whether it would achieve year-end target.

Resolved:

- (1) That Quarter 1 performance for the Key Performance Indicators adopted for 2017/18 be noted; and
- (2) That there were no Key Performance Indicators for 2017/18 which required in-depth scrutiny or further reports on performance.

Reasons for Decision:

The KPIs provide an opportunity for the Council to focus attention on how specific areas for improvement would be addressed, and how opportunities would be exploited and better outcomes delivered. It was important that relevant performance management processes were in place to review and monitor performance against the key objectives, to ensure their continued achievability and relevance, and to identify proposals for appropriate corrective action in areas of slippage or under performance.

Other Options Considered and Rejected:

No other options were appropriate in this respect. Failure to review and monitor performance could mean that opportunities for improvement were lost and might have negative implications for judgements made about the progress of the Council.

18. Annual Outturn Report on the Treasury Management and Prudential Indicators 2016/17

The Director of Resources presented the Annual Outturn Report on the Treasury Management and Prudential Indicators for 2016/17.

The Director of Resources reported that annual treasury report was a requirement of the Council's reporting procedures and covered the treasury activity for 2016/17, and the actual Prudential Indicators for 2016/17. During the year, the Council had financed all of its capital activity through capital receipts, capital grants, other revenue reserves and revenue contributions. There had been no additional borrowing in the year to add to the £185.456m taken out previously through the Public Works Loan Board (PWLB) which financed the payment in relation to the self-financing of the HRA. The Council had achieved its targets for its treasury and prudential indicators and would be considered by the Audit and Governance Committee on 18 September 2017.

Resolved:

- (1) That the Treasury Management Outturn Report for 2016/17 be noted; and
- (2) That the outturn for Prudential Indicators shown within the appendices attached be noted.

Reasons for Decision:

The report was presented for noting as scrutiny was provided by the Audit and Governance Committee, who make recommendations on amending the documents, if necessary.

Other Options Considered and Rejected:

Members could ask for additional information about the CIPFA Codes or the Prudential Indicators.

19. Quarterly Financial Monitoring

The Director of Resources presented the first quarterly financial monitoring on key areas of income and expenditure for 2017/18, which covered the period from 1 April 2017 to 30 June 2017. The report provided details of the revenue budgets, the Continuing Services Budget and District Development Fund as well as the Capital budgets which included the Major Capital schemes.

A few points were highlighted as follows, as they were of particular interest;

- The salaries schedule showed an underspend of £144,000 or 2.5% compared to the first quarter last year the underspend was 3.6%;
- Investment interest had been broadly on target and money was primarily being held short term because of the significant capital commitments coming up.
- The Development Control income was down on expectations with fees and charges £49,000 lower than the budget to date and pre-application charges £7,000 higher than expected. There had been fewer major schemes come through so far this year, which could be due to developers awaiting the publishing of the Local Plan;
- The Building Control income was £33,000 higher than the budgeted and would be affected later, if at all by the Local Plan. The ring-fenced account had assumed a deficit of £129,000 for the amount of scanning work required, however based on income levels to date it looked likely to be better than expected;
- The Public Hire licence income and other licensing was above expectations, although the Public Hire figures included £27,000 which related to future years, so in reality income relating to 2016/17 was £7,000 down;
- The income from MOT's carried out by Fleet Operations was in line with expectations. The account was budgeted to show a deficit of around £62,000

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however this had included an estimate for business rates which had proved to be too high should reduce the deficit to less than £50,000. A report on options for joint occupation of the depot was going to Cabinet on 7 September 2017 and the Director of Neighbourhoods was completing a report on the overspend on the construction of the depot for Cabinet on 12 October 2017;

- Expenditure and income relating to Bed and Breakfast placements was increasing with most eligible for Housing Benefit and although some would be reimbursed by the Department for Work and Pensions, it would only be around 50%. Some new initiatives were being pursued in an effort to stem the increase and additional government funding in the form of a Flexible Homeless Grant, such as the Zinc Arts scheme in Ongar;
- The Council had collected a total of £9,995,028 and had made payments of £8,596,002, which had meant a benefit from holding £1,399,026 of cash from the effective collection of non-domestic rates for the Council.

The Cabinet Sub-Committee were still concerned by the income from the MOT's carried out by the Fleet Operations and advised that this would need to be kept under review.

Resolved:

- (1) That the revenue and capital financial monitoring report for the first quarter of 2017/18 be noted.

Reasons for Decision

To note the first quarter financial monitoring report for 2017/18.

Other Options Considered and Rejected:

No other options were available.

20. Risk Management - Corporate Risk Register

The Director of Resources presented a report regarding the Councils Corporate Risk Register.

The Corporate Risk Register and revised Risk Management Strategy had been considered by the Risk Management Group on 23 August 2017 and by Management Board on 30 August 2017. The reviews identified amendments to the Corporate Risk Register and Risk Management Strategy.

The following risks were updated as follows;

- (a) Risk 2 - Strategic Sites

The Effectiveness of controls/actions had been amended to advise the updated position for the key sites. Negotiations were taking place with potential tenants for retail space at the Winston Churchill site. Negotiations continue with Epping Town Council for the St John's Road site. The Langston Road site was now operational, although there were one or two units still to let. Waltham Abbey Leisure Centre was now managed by Places for People, planning permission had been granted for Hill House. July Cabinet agreed to dispose of the Pyrles Lane site; Nursery Services would be relocated to Town Mead.

- (b) Risk 4 - Finance Income

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The Key date had been updated to advise that the draft budget would be considered at Finance and Performance Management Committee on 18 January 2018.

(c) Risk 5 - Economic Development

The Existing Controls/Actions now advised that the Employment Study for the Local Plan had been completed and considered at Member workshops. The Key date had been amended to December 2017.

(d) Risk 6 - Data/Information

The Required further management action had been updated to advise that a working group was meeting monthly looking into the necessary changes for implementing General Data Protection Regulation (GDPR). The deadline date for GDPR, 25 May 2018, had been added as the Key date.

The Director of Resources advised that this Committee had undertaken the annual review of the Risk Management Terms of Reference, Strategy and Policy Statement in March 2017, with subsequent Cabinet approval on 15 June 2017. Since this approval the Chief Internal Auditor had produced a revision to the Risk Management Strategy, which had been developed to better explain the process, responsibilities and reporting of Risk Management.

The Cabinet Sub-Committee were in a agreement that the updated Risk Management Strategy document and description had been greatly improved and there should be a recommendation to the Overview & Scrutiny Committee and subsequent Select Committees to consider the Corporate Risk Register at the start of each year, so that they could review the risks and determine whether they had all been captured and scored appropriately.

Resolved:

- (1) That Effectiveness of controls/actions and Required further management action for Risk 2 be updated;
- (2) That the new Key date for Risk 4 be agreed;
- (3) That the Existing controls/actions to address risk for Risk 5 be updated;
- (4) That the Required further management action and Key date for Risk 6 be updated;

Recommended:

- (5) That the amended Corporate Risk Register be recommended to Cabinet for approval;
- (6) That the Revised Risk Management Strategy to Cabinet be adopted; and
- (7) That the Corporate Risk Register be considered at Overview & Scrutiny Committee and subsequent Select Committees at the start of each year to scrutinize whether all the risks identified had been captured and scored appropriately.

Reason for Decision:

It was essential that the Corporate Risk Register was regularly reviewed and kept up to date.

Other Options Considered and Rejected:

Members could suggest new risks for inclusion or changes to the scoring of existing risks.

21. Annual Governance Report

The Director of Resources presented a report regarding the Annual Governance Report. The International Standard on Auditing 260 required the External Auditor to report to those charged with governance on certain matters before they gave an opinion on the Statutory Statement of Accounts. The audit of the Council's Statutory Statement of Accounts for 2016/17 would be presented to the Audit and Governance Committee on 18 September 2017.

The audit report highlighted the key findings of the financial statements of the Council for the year ending 31 March 2017, and the director of Resources advised the Cabinet Sub-Committee of the following key findings:

(a) That the Property, Plant & Equipment valuations and Pension Liability assumptions had been classified as significant risks during the updated risk assessment. subsequent to the Planning Report on 10 March 2017;

(b) That the final materiality was £2,000,000, which had been increased by £100,000 based on the gross expenditure in the current year's draft financial statements;

(c) That there had been no other significant changes to the planned audit approach or any restrictions placed upon the audit;

(d) That the audit had not identified any material misstatements to date;

(e) That a number of presentational changes had been made to the draft financial statements as a result of the audit;

(f) That there had been no unadjusted audit differences;

(g) That there had been no significant deficiencies in internal controls;

(h) That subject to the successful resolution of outstanding matters, it had been anticipated that a modified opinion on the financial statements for the year ended 31 March 2017 would be issued;

(i) That there were no exceptions to report, in relation to the consistency of the annual governance statement;

(j) That an unmodified conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources was anticipated being issued; and

(k) That the Council was below the audit threshold for a full assurance review of the Whole of Government Accounts return and no other powers or duties under the Local Audit and Accountability Act 2014 had been exercised.

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Resolved:

- (1) That the External Auditor's Annual Governance Report be noted.

Reasons for Decisions:

To ensure that Members were informed of any significant issues arising from the audit of the Statutory Statement of Accounts.

Other Options Considered and Rejected:

The report was for noting, no specific actions were proposed.

22. Any Other Business

The Cabinet Sub-Committee noted that there was no urgent business for consideration.

CHAIRMAN

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Treasury Management Outturn Report 2016/17

Introduction

In April 2002 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management annual report after the end of each financial year.

The Authority's treasury management strategy for 2016/17 was approved by full Council on 18 February 2016. The Authority has borrowed and invested substantial sums of money 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 Authority's treasury management strategy.

External Context

Economic background: Politically, 2016/17 was an extraordinary twelve month period which defied expectations when the UK voted to leave the European Union and Donald Trump was elected the 45th President of the USA. Uncertainty over the outcome of the US presidential election, the UK's future relationship with the EU and the slowdown witnessed in the Chinese economy in early 2016 all resulted in significant market volatility during the year. Article 50 of the Lisbon Treaty, which sets in motion the 2-year exit period from the EU, was triggered on 29th March 2017.

UK inflation had been subdued in the first half of 2016 as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. However the sharp fall in the Sterling exchange rate following the referendum had an impact on import prices which, together with rising energy prices, resulted in CPI rising from 0.3% year/year in April 2016 to 2.3% year/year in March 2017.

In addition to the political fallout, the referendum's outcome also prompted a decline in household, business and investor sentiment. The repercussions on economic growth were judged by the Bank of England to be sufficiently severe to prompt its Monetary Policy Committee (MPC) to cut the Bank Rate to 0.25% in August and embark on further gilt and corporate bond purchases as well as provide cheap funding for banks via the Term Funding Scheme to maintain the supply of credit to the economy.

Despite growth forecasts being downgraded, economic activity was fairly buoyant and GDP grew 0.6%, 0.5% and 0.7% in the second, third and fourth calendar quarters of 2016. The labour market also proved resilient, with the ILO unemployment rate dropping to 4.7% in February, its lowest level in 11 years.

Following a strengthening labour market, in moves that were largely anticipated, the US Federal Reserve increased rates at its meetings in December 2016 and March 2017, taking the target range for official interest rates to between 0.75% and 1.00%.

Financial markets: Following the referendum result, gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. After September there was a reversal in longer-dated gilt yields which moved higher, largely due to the MPC revising its earlier forecast that Bank Rate would be dropping to near 0% by the end of 2016. The yield on the 10-year gilt rose from 0.75% at the end of September to 1.24% at the end of December, almost back at pre-referendum levels of 1.37% on 23rd June. 20- and 50-year gilt yields also rose in Q3 2017 to

1.76% and 1.70% respectively, however in Q4 yields remained flat at around 1.62% and 1.58% respectively.

After recovering from an initial sharp drop in Q2, equity markets rallied, although displaying some volatility at the beginning of November following the US presidential election result. The FTSE-100 and FTSE All Share indices closed at 7342 and 3996 respectively on 31st March, both up 18% over the year. Commercial property values fell around 5% after the referendum, but had mostly recovered by the end of March.

Money market rates for overnight and one week periods remained low since Bank Rate was cut in August. 1- and 3-month LIBID rates averaged 0.36% and 0.47% respectively during 2016-17. Rates for 6- and 12-months increased between August and November, only to gradually fall back to August levels in March, they averaged 0.6% and 0.79% respectively during 2016-17.

Credit background: Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune, although the fall in their share prices was less pronounced.

Fitch and Standard & Poor's downgraded the UK's sovereign rating to AA. Fitch, S&P and Moody's have a negative outlook on the UK. Moody's has a negative outlook on those banks and building societies that it perceives to be exposed to a more challenging operating environment arising from the 'leave' outcome.

None of the banks on the Authority's lending list failed the stress tests conducted by the European Banking Authority in July and by the Bank of England in November, the latter being designed with more challenging stress scenarios, although Royal Bank of Scotland was one of the weaker banks in both tests. The tests were based on banks' financials as at 31st December 2015, 11 months out of date for most. As part of its creditworthiness research and advice, the Authority's treasury advisor Arlingclose regularly undertakes analysis of relevant ratios - "total loss absorbing capacity" (TLAC) or "minimum requirement for eligible liabilities" (MREL) - to determine whether there would be a bail-in of senior investors, such as local authority unsecured investments, in a stressed scenario.

On the advice of Arlingclose, new investments with Deutsche Bank and Standard Chartered Bank were suspended in March 2016 due to the banks' relatively higher credit default swap (CDS) levels and disappointing 2015 financial results. The Authority's deposits with Standard Chartered Bank matured in May 2016. Standard Chartered was reintroduced to the counterparty list in March 2017 following its strengthening financial position, but Deutsche Bank was removed altogether from the list.

Local Context

On 31st March 2017, the Authority had net borrowing of £144.18m arising from its revenue and capital income and expenditure, an increase on 2016 of £10m. 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 table 1 below.

Table 1: Balance Sheet Summary

	31.3.16 Actual £m	2016/17 Movement £m	31.3.17 Actual £m
General Fund CFR	29.6	0	29.6
HRA CFR	155.1	0	155.1
Total CFR	184.7	0	184.7
Less: Usable reserves	-46.9	3	-43.9
Less: Working capital	-4.0	2	-2
Net Worth	133.8	5	138.8

Table 2: Treasury Management Summary

	31.3.16 Balance £m	2016/17 Movement £m	31.3.17 Balance £m	31.3.17 Rate %
Long-term borrowing	185.5	0	185.5	2.97
Total borrowing	185.5	0	185.5	
Short-term investments	37.7	-12.7	25.0	0.37
Cash and cash equivalents	14.0	2.3	16.3	0.27
Total investments	51.7	-10.4	41.3	
Net Borrowing	133.8	-10.4	144.2	

Note: the figures in the table are from the balance sheet in the Authority's statement of accounts.

Net borrowing has increased due to falls in usable reserves and working capital. As investment balances were used to fund the capital programme no additional borrowing was required.

The Authority's current strategy is to maintain a minimum investment balance of £10m with a view to borrowing to fund the rest of the house building programme probably later in 2017. The treasury management position as at 31st March 2017 and the year-on-year change in show in table 2 above.

Borrowing Activity

At 31st March 2017, the Authority held £185.5m of loans, this has remained static over the year as slippage in the capital programme has meant the need to borrow has not materialised. The year-end borrowing position and the year-on-year change in show in table 3 below.

Table 3: Borrowing Position

	31.3.16 Balance £m	2016/17 Movement £m	31.3.17 Balance £m	31.3.17 Rate %	31.3.17 WAM* years
Public Works Loan Board	185.55	0	185.55	2.97	19.95

*Weighted average maturity

The Authority'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 Authority's long-term plans change being a secondary objective.

In furtherance of these objectives, no new borrowing was undertaken in 2016/17, as the capital programme has been funded using available internal resources. This strategy enabled the Authority to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

Investment Activity

The Authority holds significant invested funds, representing balances and reserves held. During 2016/17, the Authority's investment balances have been falling due to funding the capital programme. The year-end investment position and the year-on-year change in show in table 4 below.

Table 4: Investment Position

	31.3.16 Balance £m	2016/17 Movement £m	31.3.17 Balance £m	31.3.17 Rate %	31.3.17 WAM* days
Banks & building societies (unsecured)	21.7	-5.4	16.3	0.42	124.5
Government (incl. local authorities)	18.5	-3.5	15.0	0.33	137.4
Money Market Funds	11.5	-1.5	10.0	0.27	1.0
Other Pooled Funds					
Total investments	51.7	-10.4	41.3	0.34	94.74

*Weighted average maturity

Both the CIPFA Code and government guidance require the Authority 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 Authority'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.

In furtherance of these objectives, and given the increasing risk and falling returns from short-term unsecured bank investments, the Authority has kept investment balances short term in line with the cash flow so as to enable funds to be available when required by operational and capital requirements.

Risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in table 5 below.

Table 5: Investment Benchmarking

	Credit Score	Credit Rating	Bail-in Exposure	WAM* (days)	Rate of Return
31.03.2016	3.80	AA-	66%	53	1.04%
30.06.2016	3.89	AA-	64%	57	0.99%
30.09.2016	4.03	AA-	66%	54	0.88%
31.12.2016	3.96	AA-	64%	50	0.79%
31.03.2017	3.97	AA-	60%	47	0.99%
All LAs	4.01	AA-	58%	137	1.31%

*Weighted average maturity.

The table above shows how the Council is performing with its investments, and as can be seen performance is commensurate with other Local Authorities, with the exception of the Rate of Return. This is due to this Council keeping investments shorter, 47 days invested against other Local Authorities 137 days, which gives rise to lower interest rates received.

The Council set itself targets of 7 or below for the credit score and A- or higher for the credit rating and the table above shows both these targets were achieved.

Performance Report

The Authority 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 table 6 below.

Table 6: Performance

	Actual £'000	Budget £'000	Over/ Under £'000	Actual %	Benchmark %
Temporary Loans Interest	(156.9)	(178.1)	21.2	0.50	0.57
Money Market Funds Interest	(62.3)	(57.8)	(4.5)	0.58	0.48
Total investment income	(219.2)	(235.9)	16.7	0.52	0.55
Fixed Rate Loans Interest	5,348.0	5,348.0	0.0	3.48	3.48
Variable Rate Loans Interest	183.1	214.0	(30.9)	0.58	0.67
Total debt expense	5,531.1	5,562.0	(30.9)	2.97	3.00
GRAND TOTAL	5,311.9	5,326.1	(14.2)	n/a	n/a

Temporary loan interest receivable has under achieved over the year. This is because the Council has been investing for shorter periods as cash is being used to support the capital programme. The variable rate of loan interest is more favourable as the benchmark is set based upon the previous years actual and any subsequent falls in the rate from the lender are borne in this year.

Compliance Report

The Director of Resources is pleased to report that all treasury management activities undertaken during 2016/17 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

Table 7: Investment Limits

	2016/17 Limit	31.3.17 Actual	Complied
Any single organisation, except UK Government	£5m	£5m (Lloyds and Santander)	✓
UK Central Government	Unlimited	£15m	✓
Any group of funds under the same management	£5m per group	£5m (Lloyds)	✓
Any group of pooled funds under the same management	£5m per manager	Nil	✓
Negotiable instruments held in a broker's nominee account	£15m per broker	£11m ICAP and £4m BGC	✓
Foreign countries	£5m per country	Nil	✓
Registered Providers	£5m in total	Nil	✓
Unsecured investments with Building Societies	£5m in total	Nil	✓
Loans to unrated corporates	£5m in total	Nil	✓
Money Market Funds	£15m in total	£10m	✓

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 8 below.

Table 8: Debt Limits

	31.3.17 Actual	2016/17 Operational Boundary	2016/17 Authorised Limit	Complied
Borrowing	£185.55m	£230.00m	£240.00m	✓

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Treasury Management Indicators

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

Security: The Authority 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.

	31.3.17 Actual	2016/17 Target	Complied
Portfolio average credit rating	AA-	A-	✓

Liquidity: The Authority 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 three month without additional borrowing.

	31.3.17 Actual	2016/17 Target	Complied
Total cash available within 3 months	£26m	£15m	✓

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as proportion of net principal borrowed was:

	31.3.17 Actual	2016/17 Limit	Complied
Upper limit on fixed interest rate exposure on debt	82.86%	100%	✓
Upper limit on fixed interest rate exposure on investments	(71.43%)	(100%)	✓
Upper limit on variable interest rate exposure on debt	17.14%	25%	✓
Upper limit on variable interest rate exposure on investments	(28.57%)	(75%)	✓

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.

Maturity Structure of Borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

	31.3.17 Actual £m	Lower limit	Upper Limit	Complied
Under 12 months	0%	0%	100%	✓
12 months and within 24 months	0%	0%	100%	✓
24 months and within 5 years	0%	0%	100%	✓
5 years and within 10 years	0%	0%	100%	✓
10 years and above	100%	0%	100%	✓

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.

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2016/17	2017/18	2018/19
Actual principal invested beyond year end	£0m	£0m	£0m
Limit on principal invested beyond year end	£15m	£5m	£5m
Complied	✓	tbc	tbc