Annex B

PROPOSED CHANGES TO THE CAPITAL PROGRAMME:

1.1 The proposed changes to the capital programme, detailed for each of the portfolio areas are listed below:

1.2 Leisure and Environment – 11 schemes affect the capital programme at Quarter 3:

(a) Northallerton Leisure Centre – Improvement Scheme – the sport England grant is to be received at £213,000 and this has been included at Quarter 3 in line with the original budget set in June 2016.

(b) Northallerton Leisure Centre – Improvements to External Decorations – a new scheme is required to prevent dilapidations and detrition of the fabric of the building at a cost of £22,820.

(c) Northallerton Leisure Centre – Improvement Scheme Further Works – in addition to the larger scheme a further £59,000 was required for further works to include poolside tiling, tank tiling, an improvement to the children's play feature and improvements to the ground floor toilets.

(d) Northallerton Leisure Centre – Reception desk scheme – additional works to the main reception area at Northallerton Leisure Centre Improvements of £24,993 made to reception area in keeping with the quality of the overall centre development.

(e) Northallerton Leisure Centre – Sand Filters – a new scheme for £17,983 is required due to poor water quality at the pool as it was necessary to repair the circulation pipework. The works are critical because if the filtration system fails the pool can't be used. This was originally a repairs and renewals scheme but due to unforeseen complications it became necessary to add it to the capital programme.

(f) Stokesley Leisure Centre – Underfloor Pipework – this scheme is now complete and an underspend of £1,219 to be returned to the fund.

(g) Stokesley Leisure Centre – Re-design of Reception Area – this scheme will be completed in 2018/19 but £600 is requested to be rolled back from 2018/19 as the design works for the new reception area has been completed.

(h) Stokesley Leisure Centre – Viewing area - Works to viewing area and swimming corridor fully funded by Sports England Grant of £15,000.

(i) Bedale Public Art - £25,000 is requested to be rolled forward to 2018/19 as delays in planning permission has delayed the scheme but it expected that this will be completed in May 2018.

(j) Thirsk & Sowerby Sports Village – it is requested to roll back £49,995 from 2018/19 as it has been necessary to do more technical design work on a bid to secure some European Funding.

(k) Waste and Street Scene – Northallerton Depot Roller Shutter Doors – this scheme is now complete with an underspend of £798 to be returned to the fund.

1.3 Economy and Planning – 16 schemes affect the capital programme at Quarter 3:

(a) Civic Centre Toilets Part 2 – A further £6,000 is required for further works that need to be done to meet the new regulations required for Legionella

(b) Civic Centre – Double Glazed Window Replacement Scheme - £12,000 is requested to be rolled forward to 2018/19 as the work has been rescheduled for completion in 2018/19.

(c) Civic Centre – External Woodwork Scheme (Dormers) - £10,000 is requested to be rolled forward to 2018/19 as the work has been rescheduled for completion in 2018/19.

(d) Civic Centre – External Woodwork Scheme (Stairwells) - £10,000 is requested to be rolled forward to 2018/19 as the works has been rescheduled for completion in 2018/19.

(e) Civic Centre – Disabled Access Doors & Ramps – additional work required to remove a slip hazard to the brick steps. £7,172 will be funded from an underspend in the Car Park Reinstatement Scheme.

(f) Civic Centre – UPS and Fire Suppression Replacement – this scheme is now complete with an underspend of £499 to be returned to the fund.

(g) Car Park Reinstatements - £62,552 is requested to be rolled forward to 2018/19. An underspend of £7,172 on this scheme will fund the overspend on the Civic Centre – Disabled Access Doors and Ramps.

(h) Adoptions – Electric Bollards (Thirsk & Northallerton) - £31,558 is requested to be rolled forward to 2018/19. Work will commence on this scheme in March 2018 subject to agreeing access with North Yorkshire County Council.

(i) Bedale Gateway Car Park - £521,145 is requested to be rolled forward to 2018/19 as further work assessment on scheme options and work with partners is required.

(j) Bedale Bridge and Cycle Scheme - £387,205 is requested to be rolled forward to 2018/19 as the highways department at North Yorkshire County Council has to review the scheme before it can progress further.

(k) St Mary's Closed Churchyard Wall Repairs - £10,000 is requested to be rolled forward to 2018/19. The start date has been rescheduled to June 2018 to allow for better weather for this scheme.

(l) Workspaces Health and Safety Aspects - £6,500 is requested to be rolled forward to 2018/19 for works to be completed in 2018/19.

(m) Boundary Signs - £10,000 to be rolled back from 2018/19 as the signs have

been replaced earlier than anticipated.

(n) Evolution Car Park – A further £1,719 is required to cover an overspend on this scheme due to CCTV work and block paving.

(o) Springboard Car Park Resurface with Tarmac – this scheme is now complete with an underspend of £525 to be returned to the fund.

(p) Disabled Facilities Grant - £50,000 HDC contribution to be rolled forward to 2018/19 due to a large application expected to come forward early next year as well as a roll forward of the grant of £222,720 to 2018/19.

1.4 Finance and Resources - 4 schemes affect the capital programme at Quarter 3:

(a) ICT improvements 2017/18 - £41,000 is requested to be rolled forward to 2018/19 as the asset life on the new server has been extended and also for changes to the BT telephone line due to a delay in BT acknowledging the notice period given. £15,000 is to be returned to the fund as it is no longer required.

(b) ICT – Gladstone GDPR Compliance – a new scheme is requested at a cost of £5,240 so that the Gladstone system upgrade is able to comply with General Data Protection Regulation.

(c) ICT Customer Excellence - £12,450 is requested to be rolled forward to 2018/19 as e-form development has been delayed due to a focus on the CRM system. £13,845 to be returned to the fund as project savings occurred due to writing ICT scripts internally.

(d) ICT Leisure Management System - £12,150 is requested to be rolled forward to 2018/19 due to delays in progressing the scheme.

1.5 Economic Development Fund - 9 schemes affect the capital programme at Quarter 3:

(a) Economic Development Infrastructure Dalton Bridge - £22,620 is requested to be rolled forward to 2018/19. This scheme is expected to complete in early 2018/19.

(b) Economic Development Infrastructure Central Northallerton – additional costs of £66,130 are required for this scheme. This is required for costs associated with the transfer of the Prison site to the joint venture company.

(c) Market Towns Investment Plans – Bedale – Vibrant Market Town budget has increased to £15,000 as per Cabinet report in December 2017. Due to certain parts of the project not being classed as capital, £1,000 has been transferred to the revenue budget and the remaining £14,000 is requested to be rolled forward to 2018/19.

(d) Market Towns Investment Plans – Easingwold – Vibrant Market Town budget has increased to £15,000 as per Cabinet report in December 2017. Due to certain parts of the project not being classed as capital, £1,000 has been transferred to the revenue budget and the remaining budget of £14,000 is requested to be rolled forward to 2018/19.

(e) Market Towns Investment Plans – Northallerton – Vibrant Market Town budget has increased to £15,000 as per the Cabinet report in December 2017. Due to certain parts of the project not being classed as capital, £1,000 has been transferred to the revenue budget and the remaining budget of £14,000 is requested to be rolled forward to 2018/19.

(f) Market Towns Investment Plans – Stokesley - Vibrant Market Town budget has increased to £15,000 as per the Cabinet report in December 2017. Due to certain parts of the project not being classed as capital, £1,000 has been transferred to the revenue budget and the remaining budget of £14,000 is requested to be rolled forward to 2018/19.

(g) Market Towns Investment Plans – Thirsk - Vibrant Market Town budget has increased to £15,000 as per the Cabinet report in December 2017. Due to certain parts of the project not being classed as capital, £1,000 has been transferred to the revenue budget and the remaining budget of £14,000 is requested to be rolled forward to 2018/19.

(h) Industrial Estates/Employment Land - £10,000 is requested to be rolled forward to 2018/19.

(i) Industrial Park Review - £150,000 is requested to be rolled forward to 2018/19 as there is no further worked expected on this scheme in 2017/18.

1.6 Finance –1 scheme affects the capital programme at Quarter 3:

(a) Dalton Bridge BID Payment - £100,000 is requested to be rolled forward to 2018/19 as this is when the payment is expected to be paid out.

1.7 Capital schemes are monitored on a monthly basis and reported to Cabinet quarterly, ensuring that the majority of schemes are held within budget or reported to Council at the earliest opportunity.

1.8 New Schemes added to the capital programme all have supporting Project Initiation Documentation to ensure projects are affordable, sustainable and prudent.

ANNEX C

TREASURY MANAGEMENT POSITION 2017/18 – QUARTER 3 UPDATE

1.0 LEGISLATIVE REQUIREMENT

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

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

1.3 Accordingly, treasury management is defined as:

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

1.4 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2011) was adopted by the Council.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is Scrutiny committee:

This report therefore ensures this Council is implementing best practice in accordance with the code.

1.5 The Treasury Management Strategy Statement (TMSS) for 2017/18 was approved by this Council on 21 February 2017, there are no policy changes to the TMSS.

1.6 The Council's capital expenditure plans at Quarter 3 are financed by external grants or contributions, capital receipts received in the year, capital reserves or borrowing.

1.7 The Council continues to have an underlying need to borrow for capital purposes and has external borrowing of £1,200,000 which was undertaken in September 2016 from the Public Works Loan Board at a rate of 1.05% over 5 years.

1.8 The capital financing requirement, which is the amount of borrowing required to support the capital expenditure programme, is set at £27,300,000. The capital expenditure of the Council is mainly supported by grants, contributions and reserves. The capital financing requirement refers to the amount of borrowing that could be taken to support the capital expenditure programme.

1.9 The following table shows the treasury management position as at 31 December 2017:-

	31 Dec 17 £000's	Rate %
Capital Financing Requirement	27,300	
Borrowing	1,200	1.05
Investments	6,660	0.24

Table 1: Borrowing and Investment position at 31 December 2017

1.10 The table shows that changes in the capital expenditure programme only affects the treasury management position through the surplus funds that are available to the Council to invest, to earn investment income.

2.0 <u>THE ECONOMY, INTEREST RATES AND TREASURY MANAGEMENT STRATEGY</u>:

2.1 The economic background and interest rate forecast, which sets the environment in which the Council's treasury management operates, is attached at Annex D.

3.0 <u>ANNUAL INVESTMENT STRATEGY 2017/18 – QUARTER 3</u>:

3.1 **Investment Policy** – the Council's investment policy is governed by the Department for Communities and Local Government guidance, which was implemented in the Treasury Management Strategy Statement (TMSS) for 2017/18, and includes the Annual Investment Strategy approved by Cabinet on 7 February 2017. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity;
- Yield

3.2 The Council's priority is security of its surplus funds when investing with financial institutions. However the Council will always aim to achieve the optimum return (yield) on investments in line with its risk appetite and which is commensurate with proper levels of liquidity and security. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months. Investment are placed with highly credit rated financial institutions, using the Council's treasury Management advisers – Link Asset Services - suggested creditworthiness approach including sovereign credit rating and Credit Default Swap (CDS) overlay information provided by Link Asset Services.

3.3 **Investments held by the Council** – The Council held £6,660,000 of investments as at 31 December 2017 and the investment portfolio yield for the 9 months of the year is 0.24%.

3.4 The average level of funds available for investment purposes during Quarter 3 – 31 December 2017 - was £6,626,982. The level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. The Council held £6,660,000 cash flow movement balances on 31 December 2017 due to the numerous capital projects that are currently ongoing within the Council.

3.5

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
7 day	0.17%	0.24%	£11,806

Table 2: Investment performance for Quarter 3 at 31 December 2017

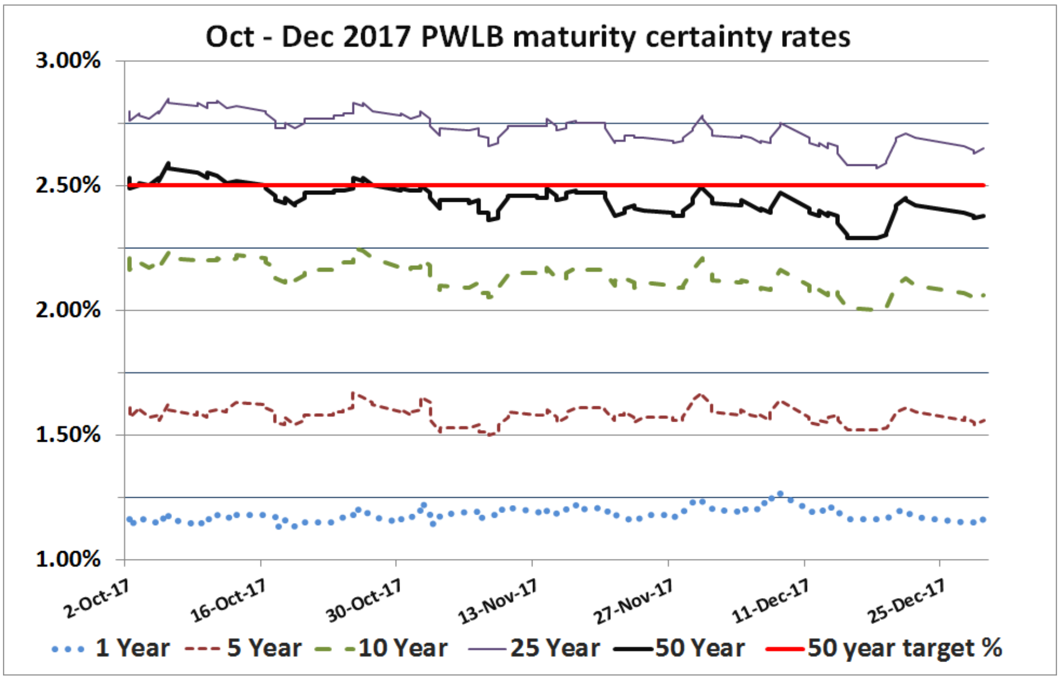
3.6 The table shows that the Council monitors its cash flow investments against the 7 day rate. The Council outperformed the 7 day benchmark by 0.07%.

3.7 The Council's budgeted investment return for 2017/18 was approved at £19,000. This was reduced by £13,000 in Quarter 1 to £6,000. This was due to very low interest rates available to the Council for investment. In Quarter 3 monitoring it has been reported that due to the increase in Base Rate the investment rates available to the council has also increased resulting in an estimated £7,610 additional income making the budget £13,610.

4.0 BORROWING 2017/18 – QUARTER 3 UPDATE

4.1 Public Works Loan Board (PWLB) rates jumped up sharply after the 14 September Monetary Policy Committee meeting but then fell back somewhat during the quarter, except for the 1 year rate which peaked in early December 2017. During the quarter, the 50 year PWLB target (certainty) rate for new long term borrowing was unchanged at 2.50%.

4.2 The graph and table below show the movement in Public Works Loan Board certainty rates for Quarter 3 2017/18:



Graph 1: Public Works Loan Board (PWLB) Interest rates for Quarter 3 of 2017/18

4.3 The table below shows the Public Works Loans Board interest rates which were available for loans during Quarter 3 of 2017/18. The Public Works Loans Board is the mechanism by which the Government allows local authorities to borrow at slightly lower interest rates than are available to other institutions. Certainty rates, as detailed in the table, are interest rates available to local authorities if they inform the Government of their borrowing requirements at the beginning of the financial year and are 0.02% (or 20 basis points) below Public Works Loans Board rates. This was introduced by the Government in October 2012.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.13%	1.50%	2.00%	2.57%	2.29%
Date	02/10/2017	08/11/2017	18/12/2017	18/12/2017	15/12/2017
High	1.27%	1.67%	2.25%	2.85%	2.59%
Date	08/12/2017	25/10/2017	25/10/2017	06/10/2017	06/10/2017
Average	1.18%	1.58%	2.13%	2.73%	2.44%

Table 3: Public Works Loan Board (PWLB) certainty rates, quarter ended 31 December 2017

4.4 **Treasury Borrowing** – Due to the overall financial position and the underlying need to borrow for capital purposes, external borrowing of £1,200,000 was undertaken in September 2016 from the Public Works Loan Board at a rate of 1.05% over 5 years. The Council did not undertake any new borrowing during Quarter 3, 2017/18.

4.5 It is anticipated that further borrowing will be required in Quarter 4 of 2017/18 to support the overall Capital Programme.

4.6 **Rescheduling of Borrowing** – the Council had no debt that could be rescheduled in Quarter 3 of 2017/18 under the regulations.

4.7 **Repayment of Borrowing** – the Council did not have any borrowing to repay during Quarter 3 of 2017/18

5.0 COMPLIANCE WITH PRUDENTIAL AND TREASURY INDICATORS:

5.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) were approved in the Treasury Management Strategy Statement by Council on 21 February 2017 and are in compliance with the Council's Treasury Management Practices. No changes have been made or are required to be made to date in 2017/18 to the Prudential and Treasury Indicators that were set prior to the beginning of the financial year.

5.2 During the financial year to date the Council has operated within the Treasury and Prudential Indicators approved which are attached at Annex E.

5.3 Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 31 December 2017.

6.0 OTHER

6.1 Revised CIPFA Codes:

In December, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued a revised Treasury Management Code and Cross Sectoral Guidance Notes, and a revised Prudential Code.

A particular focus of these revised codes was how to deal with local authority investments which are not treasury type investments e.g. by investing in purchasing property in order to generate income for the authority at a much higher level than can be attained by treasury investments. One recommendation was that local authorities should produce a new report to members to give a high level summary of the overall capital strategy and to enable members to see how the cash resources of the authority have been apportioned between treasury and non-treasury investments. Officers will report to members when the implications of these new codes have been assessed as to the likely impact on this authority.

6.2 Markets in Financial Instruments Directive II (MIFID II)

The European Union has now set a deadline of 3 January 2018 for the introduction of regulations under Markets in Financial Instruments Directive II (MIFID II). These regulations will govern the relationship that financial institutions conducting lending and borrowing transactions will have with local authorities from that date. This will have little effect on this Council apart from having to fill in forms sent by each institution dealing with the Council and for each type of investment instrument used, apart from for cash deposits with banks and building societies.

The Council has completed all forms and has had confirmation from all institutions that it will be treated as an Elective Professional Client. This will allow the Council access to a broader range of financial instruments.

Economic Update

United Kingdom. After the United Kingdom economy surprised on the upside with strong growth in 2016, growth in 2017 was disappointingly weak in the first half of the year; Quarter 1 came in at only +0.3% (+1.7% y/y) and Quarter 2 was +0.3% (+1.5% y/y), which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012.

The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 75% of Gross Domestic Product, has seen weak growth as consumers cut back on their expenditure.

However, growth picked up in Quarter 3 to 0.4% and in Quarter 4 there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the European Union, our main trading partner, has improved significantly over the last year.

However, this sector only accounts for around 11% of Gross Domestic Product so expansion in this sector will have a much more muted effect on the average total Gross Domestic Product growth figure for the United Kingdom economy as a whole. Growth in Quarter 4 is expected to be around 0.4% again which would see annual growth in 2017 coming in at around 1.7 – 1.8%, almost as strong as the recently upwardly revised figure for 2016 of 1.8%, (which meant that the United Kingdom was equal to Germany as having the strongest Gross Domestic Product growth figure for the G7 countries in 2016).

The Monetary Policy Committee meeting of 14 September 2017 surprised markets and forecasters by suddenly switching to a much more aggressive tone in its words warning that Bank Rate will need to rise. Recent Bank of England Inflation Reports have flagged up that they expected Consumer Price Index inflation to peak at just over 3% in late 2017, before falling back to near to its target rate of 2% in two years' time. Inflation actually came in at 3.1% in November.

The reason why the Monetary Policy Committee became so aggressive with its wording in September and November around increasing Bank Rate was due to an emerging view that with unemployment falling to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action.

In addition, the Monetary Policy Committee took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of increasing globalisation. This effectively means that the United Kingdom labour faces competition from overseas labour e.g. in outsourcing work to third world countries, and this therefore depresses the negotiating power of United Kingdom labour. However, the Bank was also concerned that the withdrawal of the United Kingdom from the European Union would effectively lead to a decrease in such globalisation pressures in the United Kingdom, and so would be inflationary over the next few years.

It was therefore no surprise that the Monetary Policy Committee increased Bank Rate by 0.25% to 0.5% in November. However, their forward guidance of two more increases of 0.25% by 2020 was viewed as being more dovish than markets had expected. However, some forecasters are flagging up that they expect growth to improve significantly in 2018, as the fall in inflation will bring to an end the negative impact on consumer spending power while a strong export performance will compensate for weaker services sector growth. If this scenario were to materialise, then the Monetary Policy Committee would have added reason to embark on more than one increase in Bank Rate during 2018. While there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two years will pan out.

European Union Economic growth in the European Union, (the United Kingdom's biggest trading partner), had been lack lustre for several years after the financial crisis despite the European Central Bank eventually cutting its main rate to -0.4% and embarking on a massive programme of Quantitative Easing. However, growth picked up in 2016 and now looks to have gathered ongoing substantial strength and momentum thanks to this stimulus. Gross Domestic Product growth was 0.6% in Quarter 1 (2.1% y/y), 0.7% in Quarter 2 (2.4% y/y) and 0.6% in Quarter 3 (2.6% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in November inflation was only 1.2%. It is therefore unlikely to start on an upswing in rates until possibly towards the end of 2019.

USA. Growth in the American economy has been volatile in 2015 and 2016. 2017 followed that path again with Quarter 1 coming in at only 1.2% but Quarter 2 rebounding to 3.1% and Quarter 3 coming in at 3.2%, the first time since 2014 that two successive quarters have been over 3%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1% in November, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on an upswing in rates with four increases since December 2016 to lift the central rate to 1.25 – 1.50%. There could then be another four more increases in 2018. In October, the Fed became the first major western central bank to make a start on unwinding quantitative easing by phasing in a start to a gradual reduction of reinvesting maturing debt.

Chinese economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus and medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

Japan. Gross Domestic Product growth has been gradually improving during 2017 to reach an annual figure of 2.1% in Quarter 3. However, it is still struggling to get inflation anywhere near to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

INTEREST RATE FORECAST

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

Link Asset Services Interest Rate View	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB rate	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB rate	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB rate	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

Table 4: Interest Rate Forecasts

Link Asset Services undertook its last review of interest rate forecasts on 7 November 2017 after the quarterly Bank of England Inflation Report and Monetary Policy Committee meeting. As expected, the Monetary Policy Committee policy raised Bank Rate by 0.25% to 0.50%. The Monetary Policy Committee also gave forward guidance that they expected to raise Bank Rate by 0.25% only twice more in the next two years to reach 1.0% by 2020. This was very much in line with previous guidance that Bank Rate would only go up very gradually and to a limited extent.

The overall balance of risks to economic recovery in the United Kingdom is probably currently to the downside due to the uncertainties around Brexit; however, given those uncertainties, there is a wide diversity of possible outcomes for the strength of economic growth and inflation, and the corresponding speed with which Bank Rate could go up.

ANNEX 'E'

PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits – the Authorised Limit and the Operational Boundary - as detailed below. The Council approved the Treasury and Prudential Indicators (affordability limits), for the 2017/18 financial year at Council on 21 February 2017 in the Treasury Management Strategy Statement.

The main purpose of the indicators is to control how much a Council needs to borrow. In 2017/18, The Treasury Management Strategy Statement approved the capital financing requirement at £36.2 million which gives the Council the ability to either use surplus funds to support the capital expenditure requirement or to take external borrowing.

The Prudential and Treasury Indicators are detailed below as approved at Council prior to the beginning of the 2017/18 financial year – Original Budget - and at Q3 Actual:

1. PRUDENTIAL INDICATORS	2017/18	2017/18
Extract from budget and rent setting report	**Original Budget**	**Actual Q3**
	£'000	**£'000**
Capital Expenditure	14,886	6,088
Ratio of financing costs to net revenue stream	Nil	Nil
Net borrowing requirement General Fund		
brought forward 1 April	10,200	1,100
carried forward 31 March	24,690	1,100
in year borrowing requirement	14,490	0
Capital Financing Requirement 31 March 2018	36,200	27,300
Incremental impact of capital investment decisions	£	£
Increase in Council Tax (band D) per annum	Nil	Nil

2. TREASURY MANAGEMENT INDICATORS	2017/18	2017/18
	Original Budget	**Actual Q3**
	£'000	**£'000**
Authorised Limit for external debt -		
borrowing	£40,000	£40,000
other long term liabilities	£1,000	£1,000
TOTAL	£41,000	£41,000
Operational Boundary for external debt -		
borrowing	£39,000	£29,800
other long term liabilities	£600	£600
TOTAL	£39,600	£35,800
Actual external debt	£24,690	£1,200

Upper Limit on fixed interest rates based on net debt	104%	104%
Upper Limit on variable interest rates based on net debt	-4%	-4%
Upper limit for total principal sums invested for over 364 days (per maturity date)	£1,000	£1,000

Maturity structure of fixed rate borrowing during 2017/18	Lower limit	Upper limit
Under 12 months	**0%**	**100%**
12 months to 2 years	**0%**	**100%**
2 years to 5 years	**0%**	**100%**
5 years to 10 years	**0%**	**100%**
10 years to 20 years	**0%**	**100%**
20 years to 30 years	**0%**	**100%**
30 years to 40 years	**0%**	**20%**
40 years to 50 years	**0%**	**20%**