ITEM No …16……..…..

REPORT TO: **POLICY AND RESOURCES COMMITTEE – 22 APRIL 2019**

REPORT ON: **TREASURY MANAGEMENT STRATEGY 2019/2020**

REPORT BY: **EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

REPORT NO: **165-2019**

1 PURPOSE OF REPORT

This report introduces the Dundee City Council Treasury Management Strategy Statement and Annual Investment Strategy for 2019-2020, the preparation of which is a requirement of the Council's Treasury Policy Statement and the CIPFA Code of Practice on Treasury Management.

2 RECOMMENDATION

The Committee are asked to:

1 note that in terms of the Treasury Policy Statement, the Executive Director of Corporate Services is obliged to present the annual Treasury Management Strategy at the start of each financial year.

2 approve the strategy proposed by the Executive Director of Corporate Services for 2019/2020 as set out in the attached document "Treasury Management Strategy 2019/2020".

3 FINANCIAL IMPLICATIONS

There are no direct financial implications arising from the recommendations in this report. However, decisions made within the Treasury Management function will affect the cost of the Council's long and short-term borrowing in 2019/2020 and future years.

4 BACKGROUND

The Council's Treasury Policy Statement (Article XI of the Minute of Meeting of the Policy and Resources Committee of 23 April 2018, Report No 126-2018 refers) requires that the Policy and Resources Committee will receive and consider the Treasury Management Strategy at the start of each new financial year.

5 TREASURY MANAGEMENT STRATEGY 2019/2020

The Council's Treasury Management Strategy for 2019/2020 is set out in detail in the attached document. The net new borrowing required in 2019/20 is £59m. In light of this there is expected to be phased borrowing during the year. This will be based on cash flow and interest rate monitoring to determine the term and value of each loan taken.

In light of the continuing uncertainties in the finance market, lending transactions will be closely monitored to achieve maximum security of capital. This will involve using all available sources of information to assess the financial strength of any counterparties.

6 POLICY IMPLICATIONS

This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are no major issues.

7 CONSULTATION

The Council Management Team have been consulted in the preparation of this report.

8 BACKGROUND PAPERS

None

GREGORY COLGAN
EXECUTIVE DIRECTOR OF CORPORATE SERVICES **11 APRIL 2019**

Corporate Services

DUNDEE CITY COUNCIL

TREASURY MANAGEMENT STRATEGY 2019-2020

Executive Director of Corporate Services
April 2019

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1. INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

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 that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.2 Treasury Management Strategy for 2019/20

The strategy for 2019/20 covers two main areas:

Capital Planning

- the capital plans and the prudential indicators.

Treasury Management

- current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- borrowing strategy;
- debt rescheduling;
- investment strategy;

These elements cover requirements of the Local Government in Scotland Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and Scottish Government Investment Regulations not included in the Treasury Policy.

2. CAPITAL PRUDENTIAL INDICATORS 2019/20 – 2023/24

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans. The figures below are based on the latest approved version of the Capital Plan 2019-2024 (Article II of the Policy and Resources Committee of 10th December 2018, report 331-2018 refers).

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

Capital Programme Thematic Summary - Capital Plan 2019-2024 (£000's)									
Capital Investment Theme	**Overall Project Cost**	**Prior to 31/3/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Later Years**
Work and Enterprise	251,200	193,229	29,907	24,939	2,825	100	100	100	-
Children & Families	231,818	83,540	12,159	6,076	3,549	10,242	12,452	-	103,800
Health, Care & Wellbeing	85,735	12,314	25,028	16,761	12,323	6,020	2,546	4,693	6,050
Community Safety & Justice	137,705	70,519	14,958	19,895	12,910	7,968	6,000	5,275	180
Service Provision	167,880	81,521	22,578	16,561	12,489	10,378	11,479	12,674	200
Building Strong Communities	175,735	12,316	32,486	40,174	25,082	19,691	21,993	21,893	2,100
Total Gross Expenditure	1,050,073	453,439	137,116	124,406	69,178	54,399	54,570	44,635	112,330

Other long term liabilities - The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital Resources Summary - Capital Plan 2019-2024 (£000's)						
Resource Descriptor	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Capital expenditure funded from borrowing	73,306	80,669	38,634	31,915	30,818	22,653
Capital element of General Capital Grant (net of Private Sector Housing Grant)	22,424	24,900	22,046	17,000	17,000	17,000
Capital grants & contributions - project specific	25,374	12,438	3,402	1,132	2,902	1,132
Capital Receipts - Sale of Assets	5,776	6,399	5,096	4,352	3,850	3,850
Capital financed from current revenue & programme slippage	10,236					
Total	137,116	124,406	69,178	54,399	54,570	44,635

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as prudent annual repayments from revenue need to be made which reflect the useful life of capital assets financed by borrowing. As agreed within the Council's Revenue Budget & Council Tax 2019/20 (Article II of the Minute of the Meeting of the Policy & Resources Committee of 21st February 2019, Report No. 72-2019 refers), the Council will be revising the method of calculation of loan repayments to ensure that its underlying debt liability reflects the consumption of the assets associated with that debt, and also reflects the period to which benefits are provided to the community now and in the future.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

The following table annotates the CFR projections*:

Capital Financing Requirement (£000's)			
Year	**Non-HRA**	**HRA**	**Total**
2018/19	428,000	180,000	608,000
2019/20	475,000	192,000	667,000
2020/21	487,000	199,000	686,000
2021/22	494,000	202,000	696,000
2022/23	498,000	206,000	704,000
2023/24	493,000	211,000	704,000

* The table above excludes PFI and finance leases

Analysis will be undertaken following the Loan Charge Review, and the CFR projections will be updated and reported to Committee if significantly impacted.

3. BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2018, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£000s	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
External Debt					
Debt at 1 April	569,790	606,700	686,626	743,314	759,591
Expected change in Debt	38,890	76,894	59,597	13,342	4,156
Expected change in Other long-term liabilities	-1,980	-3,032	-2,909	-2,935	-2,938
Total Gross debt at 31st March	606,700	686,626	743,314	759,591	766,685

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Executive Director of Corporate Services reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

Operational boundary

This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational Boundary (£000's)			
Year	**Borrowing**	**Other**	**Total**
2018/19	591,000	96,000	687,000
2019/20	651,000	93,000	744,000
2020/21	670,000	90,000	760,000
2021/22	680,000	87,000	767,000
2022/23	688,000	84,000	772,000
2023/24	688,000	81,000	769,000

Authorised limit for external debt

A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

a) This is the statutory limit (Affordable Capital Expenditure Limit) determined under section 35 (1) of the Local Government in Scotland Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

b) The Council is asked to approve the following authorised limit:

Authorised Limit (£000's)			
Year	**Borrowing**	**Other**	**Total**
2018/19	621,000	96,000	717,000
2019/20	681,000	93,000	774,000
2020/21	700,000	90,000	790,000
2021/22	710,000	87,000	797,000
2022/23	718,000	84,000	802,000
2023/24	718,000	81,000	799,000

3.3 Prospects for interest rates

A more detailed interest rate forecast and economic commentary are set out in appendix 5.2.

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The table overleaf gives their central view.

Bank Rate View	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Current Bank Rate	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%
3 Month LIBID	0.70%	0.80%	1.00%	1.10%	1.20%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	0.80%	0.90%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.00%	1.10%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
10yr PWLB Rate	2.20%	2.30%	2.40%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.00%
25yr PWLB Rate	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%

2018 Review

The year started with weak growth of only 0.1% which rebounded and strengthened throughout the year until the last quarter of the calendar year which was depressed by the cumulative weight of Brexit uncertainty and came in at only +0.2%. Growth is likely to continue being weak until the Brexit fog clears.

The Monetary Policy Committee (MPC) reiterated again that future bank rate increases would be gradual and would rise to a much lower equilibrium rate, giving a figure of around 2.5% in ten years' time, but declining to give a medium term forecast. While it would be expected that bank rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they could also raise the bank rate in the same scenario if there was a boost to inflation from increases in import prices, devaluation of sterling, and more expensive goods produced in the UK replacing cheaper goods previously imported. In addition, the Chancellor could provide fiscal stimulus to boost growth.

The key points from the MPC and the Inflation Report were as follows:

- MPC voted 9-0 for no change in Bank Rate and quantitative easing. But "an ongoing tightening of monetary policy over the forecast period, at a gradual pace and to a limited extent, would be appropriate."
- GDP growth 2019 cut to 1.2% from 1.7%, the weakest rate of growth for ten years. For 2020, growth was cut from 1.7% to 1.5% and for 2021 was increased from 1.7% to 1.9%. By the start of 2020, the MPC is forecasting that the economy is likely to be running slightly below capacity rather than above it.
- This explains why the forecast for CPI inflation in two years' time was trimmed slightly from 2.12% to 2.07%, but still slightly above their 2% target. However, excess demand was forecast to return in 2022 so the forecast for inflation in 2022 was upped from 2.03% to 2.11%.
- Unemployment rate to rise slightly from 3.9% to 4.1% over the next three years.
- Wage inflation continuing at over 3% over the next three years.

The balance of risks to the UK

- That economic growth in the UK is probably neutral.
- That increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

One risk that has both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for ten years since 2008. This means that the neutral rate of interest in an economy is difficult to determine, although central banks have made statements that they expect it to be much lower than before 2008.

Downside risks to current forecasts for UK gilt yields and PWLB rates

- Brexit – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- Bank of England takes action too quickly, or too far, over the next three years to raise the bank rate, causing UK economic growth, and increases in inflation, to be weaker than currently anticipated.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- Brexit – if both sides were to agree a compromise that removed all threats of economic and political disruption.
- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.
- Little strength and slow pace of increases in bank rate allows inflation pressures to build up too strongly within the UK economy, which would then necessitate a later rapid series of increases in bank rate faster than currently expected.
- Misjudged pace and strength of increases in interest rates in the US causing a sudden shock in financial markets resulting in a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

Link Asset Services Forecasts

- Link do not currently think that the MPC will increase Bank Rate before any clearing of the fog on Brexit. They have taken a more cautious view on the likely pace of progress on Brexit and pushed back their first increase in Bank Rate from May to August 2019. Their forecast for the end of the three year forecast period is unchanged at 2.0%.
- Financial markets are now expecting a first increase in February 2020 and the next one in February 2022.
- PWLB rates have fallen over the last three months and this is reflected in their latest forecasts. Forecasts for average investment earnings beyond the three year time horizon will be heavily dependent on economic and political developments.
- Gilt yields and PWLB rates
    - Volatility in bond yields enduring
    - Gilt yields and PWLB rates to rise over the longer term
    - US Fed Rate likely to rise more quickly and strongly than Bank Rate in the UK.

Link Asset Services forecasts are predicated on an assumption that there is no break-up of the Eurozone or EU, (apart from the departure of the UK), within their forecasting time period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and China / North Korea and Iran, which have a major impact on international trade and world GDP growth. However, the current round of increases in tariff rates sparked by President Trump, both actual and threatened, are causing increasing concern around the potential impact on world growth and also on inflationary pressures, e.g. in the US.

3.4 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Executive Director of Corporate Services will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- ***if it was felt that there was a significant risk of a further FALL in long and short term rates*** (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast*,* perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years. All relevant activities will be reported to Committee.

3.5 Debt rescheduling

As short term borrowing rates vary against longer term fixed interest rates, there may be potential opportunities to generate savings by moving between long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt. All relevant activities will be reported to Committee.

4. ANNUAL INVESTMENT STRATEGY

4.1 Investment strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Investment returns expectations. Bank Rate is forecast to stay flat at 0.75% until the first quarter of 2020 with a revised forecast of 1.0%. The following are revised Bank Rate forecasts for financial year ends (March):

Bank Rate	Now	Previous
Q1 2019	0.75%	0.75%
Q1 2020	1.00%	1.25%
Q1 2021	1.50%	1.50%
Q1 2022	2.00%	2.00%

The revised suggested budgeted investment earnings rates for returns on investments placed for periods up to 3 months during each financial year are as follows:

Average Earnings in each year	Now	Previous
2018/19	0.75%	0.75%
2019/20	1.00%	1.00%
2020/21	1.25%	1.50%
2021/22	1.75%	1.75%
2022/23	2.00%	1.75%
2023/24	2.25%	2.00%
Later years	2.50%	2.50%

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to100 days) in order to benefit from the compounding of interest.

4.2 Investment interest risk

The Council holds relatively low levels of cash which helps limit borrowing costs. The table below details projections for investment cash balance (31 March), the average investment cash balance, investment interest.

£000s	Actual 2017/18	Estimate 2018/19	Estimate 2019/20	Estimate 2020/21	Estimate 2021/22
Investment cash balance (31 March)	4,200	20,460	5,000	5,000	5,000
Average investment cash balance	12,309	14,125	10,000	10,000	10,000
Investment interest	36	93	75	75	75
Average interest rate	0.29%	0.66%	0.75%	0.75%	0.75%

The above investment interest is generated from call accounts and Money Market Funds. We are currently budgeting for £75,000 of income each year based on an average interest rate of 0.75% and an average cash balance of £10m.

5. APPENDICES

5.1 CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2018/19 – 2021/22

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital expenditure

The figures below are based on the latest approved Capital Plan 2019-2024 (Article II of the Policy and Resources Committee of 10th December 2018, report 331-2018 refers)

Capital Programme Thematic Summary - Capital Plan 2019-2024 (£000's)									
Capital Investment Theme	**Overall Project Cost**	**Prior to 31/3/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Later Years**
Work and Enterprise	251,200	193,229	29,907	24,939	2,825	100	100	100	-
Children & Families	231,818	83,540	12,159	6,076	3,549	10,242	12,452	-	103,800
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Building Strong Communities	175,735	12,316	32,486	40,174	25,082	19,691	21,993	21,893	2,100
Total Gross Expenditure	1,050,073	453,439	137,116	124,406	69,178	54,399	54,570	44,635	112,330

Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2018/19 Estimate	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**
Non-HRA	**7.7%**	**7.5%**	**8.0%**	8.0%
HRA	**39.3%**	**39.7%**	**37.8%**	38.3%

The estimates of financing costs include current commitments and the proposals in this budget report.

Treasury indicators for debt

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

<table>
<tr><th colspan="4">Interest rate exposures</th></tr>
<tr><td></td><td>Upper</td><td>Upper</td><td>Upper</td></tr>
<tr><td>Limits on fixed interest rates based on net debt</td><td>100%</td><td>100%</td><td>100%</td></tr>
<tr><td>Limits on variable interest rates based on net debt</td><td>30%</td><td>30%</td><td>30%</td></tr>
<tr><th colspan="4">Maturity structure of fixed interest rate borrowing 2019/20</th></tr>
<tr><td colspan="2"></td><td>Lower</td><td>Upper</td></tr>
<tr><td colspan="2">Under 12 months</td><td>0%</td><td>10%</td></tr>
<tr><td colspan="2">12 months to 2 years</td><td>0%</td><td>15%</td></tr>
<tr><td colspan="2">2 years to 5 years</td><td>0%</td><td>25%</td></tr>
<tr><td colspan="2">5 years to 10 years</td><td>0%</td><td>25%</td></tr>
<tr><td colspan="2">10 years plus</td><td>50%</td><td>95%</td></tr>
<tr><td colspan="2">Upper limit for total principal sums invested for longer than 365 days</td><td>n/a</td><td>No sums will be invested longer than 365 days</td></tr>
</table>

5.2 INTEREST RATE FORECASTS 2019-2022

The table below shows Link Asset Services view on UK Interest Rates

Bank Rate	NOW	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Link Asset Services	**0.75%**	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%
Capital Economics	**0.75%**	0.75%	1.00%	1.00%	1.00%	1.00%	1.25%	1.50%	-	-	-	-	-

5yr PWLB Rate	NOW	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Link Asset Services	**1.53%**	1.90%	2.00%	2.10%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
Capital Economics	**1.53%**	1.70%	1.80%	1.90%	1.90%	2.10%	2.30%	2.40%	-	-	-	-	-

10yr PWLB Rate	NOW	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Link Asset Services	**1.86%**	2.30%	2.40%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.00%
Capital Economics	**1.86%**	2.00%	2.10%	2.20%	2.20%	2.30%	2.50%	2.60%	-	-	-	-	-

25yr PWLB Rate	NOW	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Link Asset Services	**2.42%**	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%
Capital Economics	**2.42%**	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	-	-	-	-	-

50yr PWLB Rate	NOW	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Link Asset Services	**2.25%**	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
Capital Economics	**2.25%**	2.40%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	-	-	-	-	-

Please note – The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

5.3 MATURITY PROFILE OF EXTERNAL BORROWING

The tables below shows a maturity profile of the Council's external borrowing portfolio as at 31 March 2019. The profile comprises of loans from Public Works Loan Board (PWLB), Lender Option Borrower Option loans (LOBOs) from Banks and temporary loans from other Local Authorities.