Cabinet	

Meeting Date	**3 February 2016**
Report Title	**Treasury Strategy 2016/17**
Cabinet Member	**Cllr. Duncan Dewar-Whalley, Cabinet Member for Finance**
SMT Lead	**Nick Vickers, Head of Finance**
Head of Service	**Nick Vickers, Head of Finance**
Lead Officer	**Olga Cole, Management Accountant**
Key Decision	**Yes**
Classification	**Open**
Forward Plan	**Reference number: 10**

Recommendations	1. To approve the Treasury Strategy 2016/17 and the Prudential and Treasury Management Indicators.

1. Purpose of Report and Executive Summary

1.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services and the Prudential Code require the Council to approve a Treasury Strategy and Prudential Indicators before the start of each financial year.

1.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) has defined Treasury Management as:

"The management of the organisation'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".

1.3 This report sets out and seeks approval of the proposed Treasury Management Strategy and Prudential and Treasury Management Indicators for 2016/17. It will be proposed to Council at the meeting on 17 February 2016.

2. Background

Borrowing Strategy

2.1 The Medium Term Financial Plan assumes that the Council remains free from external borrowing other than any borrowing necessary for short term cash flow reasons. The Council on 30 July 2014 agreed that borrowing would be allowed as part of the regeneration of the Sittingbourne town centre.

2.2 The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body;
- any institution approved for investments;
- any other bank or building society authorised to operate in the UK;
- UK public and private sector pension funds (except the Kent Pension Fund); and
- Capital market bond investors

Interest Rate Forecast and Market Outlook

2.3 The Council's treasury management adviser Arlingclose now forecasts the first rise in official interest rates with a 0.25% increase in the third quarter of 2016 and then rising by 0.5% per annum until stabilising between 2% and 3% in several years' time. Other forecasters now expect any rate rise to be in 2017. A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix I.

2.4 In last year's Treasury Strategy the impact of changes in banking legislation encompassing the concept of bail-in where investors and depositors take a share of any loss in the event of a bank failure was the major new factor for the Council to respond to. During the last year there has been an increase in the level of confidence in major financial institutions and this has been reflected in Arlingclose extending their recommended durations for unsecured deposits. At the current time unsecured bank deposits still provide the bedrock of the investment strategy despite rates staying stubbornly low.

2.5 Equity markets have seen significant falls over the last 12 months with the FTSE 100 some 10% off the peak reached in April 2015. The Council has therefore not invested in equity funds. Commercial Property has performed well with an anticipated return (income return plus capital appreciation) of around 15% expected in 2015. The investment in the CCLA Property Fund has performed well and the Council will look to add further to its current investment.

Investment Strategy

2.6 The Council holds invested funds, averaging in the year to date £36m with a maximum of £43m, representing income received in advance plus balances and reserves held. In common with most local authorities the actual level of funds available for investment has been increasing.

2.7 Both the CIPFA Code and the Department for Communities and Local Government's (DCLG) Guidance require the Council to invest its funds prudently, and have regard to the security and liquidity of its investments before seeking higher return.

2.8 The Council has had a risk averse investment strategy focussing deposits to major highly rated financial institutions and Money Market Funds.

2.9 The Council could make use of the following asset classes:

(1) Government: Loans, bonds and bills issued or guaranteed by national governments and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

(2) Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks with a minimum long term credit rating of A-. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. The only exceptions to this would be overnight deposits at the Council's current account provider if this was downgraded to BBB+, BBB or BBB- at some future point and RBS Group (current rating BBB) (see paragraph 2.16).

(3) Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the counterparty limit.

(4) Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent.

(5) Short-Term Money Market Funds: These are pooled investment funds managed by major financial institutions. Short-Term Money Market Funds offer same-day liquidity and will be used as an alternative to instant access bank accounts. We already make extensive use of Short-Term Money Market Funds.

(6) Investment Portfolio: Investments can be made in Pooled Funds including Property Funds, Absolute Return Funds, Equity Income Funds and Fixed Income Funds. These funds will be used for longer investment periods and have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee.

2.10 Credit ratings are obtained and monitored by the Council's treasury adviser, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

2.11 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

2.12 The Council understands that credit ratings are useful, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

2.13 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

2.14 The CLG Guidance defines specified investments as those:

- denominated in pound sterling;
- due to be repaid within 12 months of arrangement;
- not defined as capital expenditure by legislation; and
- invested with one of:
    - the UK Government,
    - a UK local authority, parish council or community council, or
    - a body or investment scheme of “high credit quality”.

2.15 The Council defines “high credit quality” organisations as those having a credit rating of A- or higher that are domiciled in the UK or having a credit rating of A- or higher and are domiciled in a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

2.16 Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality.

3. Proposal

Proposed Counterparty banks and building societies

3.1 There are very limited changes proposed to the counterparties used. The changes proposed are:

(1) Reinstatement of RBS Group - initially for overnight call money only. This reflects an improved credit rating.

(2) Additional overseas banks which Arlingclose currently recommend reflecting their all-round strength.

(3) Remove the small building societies which the Council has not utilised.

(4) Increased limit on Money Market Funds from £1.5m to £3m as these often offer better diversification than unsecured bank deposits with little or no reduction in yield.

(5) Increased limit for Leeds Building Society and Close Brothers Bank from £1m to £1.5m.

(6) Introduction of Covered Bonds. These are investments which are underwritten by a pool of high quality assets, so if the bank was unable to repay the investment it would be met from the asset pool. These are secured deposits which are exempt from bail-in and may offer better returns than unsecured bank deposits. Arlingclose would advise on each specific investment.

(7) Introduction of Cash Plus Funds and Short-Dated Bond Funds. These are funds that generally invest in money market and capital market securities including gilts, treasury bills, sterling-denominated and non–UK sovereign and supranational bonds, commercial paper, term deposits, certificates of deposit (CDs), floating rate notes, asset backed securities, short and medium term bonds and collective investment schemes. They aim to provide an income and to grow the capital value over time. Short-Dated Bond Funds will generally look at longer-term investments and be subject to great price volatility compared to Cash Plus Funds.

3.2 The recommended counterparty limits are:

Debt Management Office (Debt Management Account Deposit Facility) and Treasury Bills	Unlimited
Major UK banks / building societies. (Barclays, HSBC, Lloyds Banking Group, RBS Group, Santander UK, Nationwide, Standard Chartered) unsecured deposits	£3m
Svenska Handelsbanken	£3m
Leeds Building Society unsecured deposits	£1.5m
Close Brothers unsecured deposits	£1.5m
Major overseas banks unsecured deposits (to be determined based upon Arlingclose advice) Netherlands: Bank Nederlande Gemeeten, Rabobank Singapore: OCBC, UOB, DBS Sweden: Nordea Bank Denmark: Danske Bank USA: JP Morgan Chase Australia: Australian and New Zealand Banking Group, Commonwealth Bank of Australia, National Australian Bank Ltd, Westpac Banking Corp Canada: Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Royal Bank of Canada, Toronto Dominion Bank	£1.5m limit per bank, £3m country limit
Short Term Money Market Funds	£3m each
CCLA LAMIT Local Authority Property Fund	£3m
Supranational Bonds	£6m in aggregate
Corporate Bond funds and Corporate Bonds	£3m in aggregate
Covered Bonds	£9m in aggregate with £3m limit per bank
Absolute return funds	£3m in aggregate
Equity income funds	£3m in aggregate
Cash Plus Funds and Short Dated Bond Funds	£1.5m each, £3m in aggregate

Duration of Investments

3.3 Currently the maximum duration for unsecured term deposits is 13 months. The Head of Finance in consultation with the Cabinet Member for Finance may consider longer duration depending on market conditions.

3.4 For bonds the maximum duration will be five years including, where applicable, the 5-year benchmark bond which may at the point of issue have a maturity a few months in excess of five years.

Treasury Adviser

3.5 Arlingclose is the Council's treasury adviser. Officers meet with Arlingclose on a quarterly basis.

4. Alternative Options

4.1 The alternative options would be to use different types of counterparties and limits from those proposed in paragraph 2.17 in the report.

5. Consultation Undertaken or Proposed

5.1 Consultation has been taken with Arlingclose.

6. Implications

Issue	**Implications**
Corporate Plan	Good management of the Council's cash balances assists the overall financial position of the Council and this helps meet its objectives.
Financial, Resource and Property	The low risk, low return investment strategy is reflected in investment income assumptions in the 2016/17 budget.
Legal and Statutory	DCLG and CIPFA requirements complied with.
Crime and Disorder	Not applicable
Sustainability	Not applicable
Health and Wellbeing	Not applicable
Risk Management and Health and Safety	Risk is controlled through adherence to specific guidance included in CIPFA's Treasury Management Code of Practice and Cross-Sectoral Guidance Notes. The principle of security of funds over-rides investment performance considerations.
Equality and Diversity	Not applicable

7. Appendices

7.1 The following appendices are published with this report and form part of the report.

- Appendix I Arlingclose interest rate forecast
- Appendix II Prudential and Treasury Management Indicators

8. Background Papers

8.1 Working papers held in the Finance Department.

Appendix I

ARLINGCLOSE INTEREST RATE FORECAST

Interest Rate Forecast

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Average
Official Bank Rate														
Upside risk		0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.33
Arlingclose Central Case	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75	1.08
Downside risk				0.25	0.25	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	0.75
3-month LIBID rate														
Upside risk	0.20	0.30	0.30	0.30	0.35	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.35
Arlingclose Central Case	0.55	0.60	0.70	0.80	0.95	1.05	1.15	1.30	1.40	1.55	1.65	1.80	1.85	1.18
Downside risk	0.10	0.20	0.30	0.45	0.55	0.65	0.80	0.90	1.05	1.10	1.20	1.20	1.20	0.75
1-yr LIBID rate														
Upside risk	0.25	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.45	0.45	0.45	0.45	0.45	0.40
Arlingclose Central Case	1.10	1.20	1.35	1.45	1.55	1.70	1.80	1.95	2.00	2.10	2.15	2.15	2.15	1.74
Downside risk	0.15	0.25	0.35	0.50	0.60	0.70	0.85	0.95	1.10	1.15	1.25	1.25	1.25	0.80
5-yr gilt yield														
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.55
Arlingclose Central Case	1.50	1.55	1.60	1.70	1.80	1.90	2.00	2.10	2.20	2.25	2.30	2.35	2.35	1.97
Downside risk	0.35	0.45	0.55	0.60	0.70	0.80	0.90	1.00	1.10	1.15	1.20	1.25	1.25	0.87
10-yr gilt yield														
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.55
Arlingclose Central Case	2.00	2.05	2.10	2.20	2.30	2.40	2.50	2.60	2.65	2.70	2.75	2.80	2.80	2.45
Downside risk	0.35	0.45	0.55	0.60	0.70	0.80	0.90	1.00	1.10	1.15	1.20	1.25	1.25	0.87
20-yr gilt yield														
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.55
Arlingclose Central Case	2.45	2.50	2.55	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	2.95	2.95	2.71
Downside risk	0.30	0.40	0.50	0.55	0.65	0.75	0.85	0.95	1.05	1.10	1.15	1.20	1.20	0.82
50-yr gilt yield														
Upside risk	0.40	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.55
Arlingclose Central Case	2.45	2.50	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	2.95	3.00	3.00	2.75
Downside risk	0.25	0.35	0.45	0.50	0.60	0.70	0.80	0.90	1.00	1.05	1.10	1.15	1.15	0.77

Underlying assumptions:

- UK economic growth softened in Q3 2015 but remained reasonably robust; the first estimate for the quarter was 0.5% and year-on-year growth fell slightly to 2.3%. Negative construction output growth offset fairly strong services output, however survey estimates suggest upwards revisions to construction may be in the pipeline.
- Household spending has been the main driver of GDP growth through 2014 and 2015 and remains key to growth. Consumption will continue to be supported by real wage and disposable income growth.
- Annual average earnings growth was 3.0% (including bonuses) in the three months to August. Given low inflation, real earnings and income growth continue to run at relatively strong levels and could feed directly into unit labour costs and households' disposable income. Improving productivity growth should support pay growth in the

ARLINGCLOSE INTEREST RATE FORECAST

medium term. The development of wage growth is one of the factors being closely monitored by the MPC.

- Business investment indicators continue to signal strong growth. However the outlook for business investment may be tempered by the looming EU referendum, increasing uncertainties surrounding global growth and recent financial market shocks.
- Inflation is currently very low and, with a further fall in commodity prices, will likely remain so over the next 12 months. The CPI rate is likely to rise towards the end of 2016.
- China's growth has slowed and its economy is performing below expectations, which in turn will dampen activity in countries with which it has close economic ties; its slowdown and emerging market weakness will reduce demand for commodities. Other possible currency interventions following China's recent devaluation will keep sterling strong against many global currencies and depress imported inflation.
- Strong US labour market data and other economic indicators suggest recent global turbulence has not knocked the American recovery off course. Although the timing of the first rise in official interest rates remains uncertain, a rate rise by the Federal Reserve seems significantly likely in December given recent data and rhetoric by committee members.
- Longer term rates will be tempered by international uncertainties and weaker global inflation pressures.

Treasury Management and Prudential Indicators

1. Background

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

2. Gross Debt and the Capital Financing Requirement (CFR)

This is a key indicator of prudence. In order to ensure that over the medium term net debt will only be for a capital purpose, the local authority should ensure that the net debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.

Gross Debt and the Capital Financing Requirement	**2015/16 Revised £'000**	**2016/17 Estimate £'000**	**2017/18 Estimate £'000**	**2018/19 Estimate £'000**
Gross CFR	5,106	4,374	4,000	3,619
Less: Other Long Term Liabilities	(774)	(382)	(181)	(24)
Borrowing CFR	**4,332**	**3,992**	**3,819**	**3,595**
Less: External Borrowing	0	0	0	0
Cumulative Maximum External Borrowing Requirement.	**4,332**	**3,992**	**3,819**	**3,595**

3. Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax.

Capital Expenditure and Financing	**2015/16 Revised £'000**	**2016/17 Estimate £'000**	**2017/18 Estimate £'000**	**2018/19 Estimate £'000**
Total Expenditure	**2,231**	**2,739**	**50**	**15**
Capital receipts	164	605	35	0
Grants	1,702	2,104	0	0
Revenue contributions	365	30	15	15
Total Financing	**2,231**	**2,739**	**50**	**15**

Treasury Management and Prudential Indicators

4. Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability, highlighting the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2015/16 Revised %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %
Total	**1.73**	**1.51**	**1.58**	**1.66**

5. Incremental Impact of Capital Investment Decision

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact on Council Tax is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement from the capital programme proposed.

Incremental Impact of Capital Investment Decisions	2016/17 Estimate £	2017/18 Estimate £	2018/19 Estimate £
Increase/(Decrease) in Band D Council tax	(0.04)	0.00	0.00

6. Estimates of Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Council’s underlying need to borrow for a capital purpose.

Capital Financing Requirement	2015/16 Revised £’000	2016/17 Estimate £’000	2017/18 Estimate £’000	2018/19 Estimate £’000
Total CFR	5,106	4,374	4,000	3,619

7. Authorised Limit for External Debt

The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e., not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e., long and short-term borrowing, overdrawn bank balances and long-term liabilities). This Prudential Indictor separately identifies borrowing from other long-term liabilities such as finance leases. It is consistent with the Council’s existing commitments, its proposals for capital expenditure and financing, and its approved treasury management policy statement and practices.

The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

Treasury Management and Prudential Indicators

The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

Authorised Limit for External Debt	2015/16 Revised £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
Borrowing	7,000	7,000	7,000	7,000
Other Long-term Liabilities	2,000	2,000	2,000	2,000
Total	**9,000**	**9,000**	**9,000**	**9,000**

8. Operational Boundary for External Debt

The operational boundary is based on the Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease and other liabilities that are not borrowing.

Operational Boundary	2015/16 Revised £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
Borrowing	6,000	6,000	6,000	6,000
Other Long-term Liabilities	774	382	181	24
Total	**6,774**	**6,382**	**6,181**	**6,024**

9. Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the Council has adopted the principles of best practice.

The Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* on 22 February 2012.

10. Interest Rate Exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

Limit	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Upper Limit on Fixed Interest Rate Exposure	100%	100%	100%
Upper Limit on Variable Interest Rate Exposure	100%	100%	100%

Treasury Management and Prudential Indicators

11. 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 will be:

Maturity Structure of Borrowing	Lower Limit %	Upper Limit %
Under 12 months	0	100
12 months and within 24 months	0	100
24 months and within 5 years	0	100
5 years and within 10 years	0	100
10 years and above	0	100

12. 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 will be:

	2016/17 £'000	2017/18 £'000	2018/19 £'000
Limit on principal invested longer than 364 days	10,000	10,000	10,000

13. Other Items

Investment Training: The needs of the Authority's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA.

Investment of Money Borrowed in Advance of Need: The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks. The total amount borrowed will not exceed the authorised borrowing limit of £9 million.