

27 June 2017

Dear Shareholder

Statement of Intent 2017/18

Please find attached the Statement of Intent (SOI) for the 2017/18 year.

LGFA is focused on delivering strong results for both our council borrowers and shareholders.

For our borrowing councils we seek to optimize funding terms and conditions by

- Achieving savings in borrowing costs
- Provide longer dated funding and
- Provide certainty of access to markets.

For our shareholders we are focused on

- Delivering a strong financial performance
- Monitoring asset quality and
- Enhancing our approach to treasury and risk management.

The following points regarding the 2017/18 SOI are worth noting

- The SOI performance targets are similar to the previous year's targets except that we now include short dated lending in the volume and pricing measures.
- There is some uncertainty within the SOI forecasts relating to both Local Government loans and LGFA bonds outstanding as councils will be working through their borrowing assumptions underlying their 2018/28 Draft LTPs in the coming months. We are also unsure what impact the Housing Infrastructure Fund will have on those eligible council's borrowing requirements over the forecast period. Hence we have adopted a conservative approach to forecasting borrowing demand.
- At the request of the Shareholders Council we have added an additional objective that LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market.

Please feel free to contact me if you have any questions or require further clarification on anything relating to the SOI or LGFA in general.

Yours sincerely



Mark Butcher
Chief Executive