Mid Year Review 2020-21: Treasury Management and Annual Investment Strategy

Council	10 December 2020
Report Author	Tim Willis, Deputy Chief Executive & Section 151 Officer
Portfolio Holder	Councillor Rob Yates, Cabinet Member for Finance, Administration and Community Wealth Building
Status	For Decision
Classification	Unrestricted
Key Decision	No
Ward	Thanet Wide
Previously Considered by	Cabinet - 19 November 2020 Governance & Audit Committee - 25 November 2020

Executive Summary:

This report summarises treasury management activity and prudential/ treasury indicators for the first half of 2020-21.

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

"The management of the local authority's borrowing, 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."

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the 2020-21 mid-year position for treasury activities.

Key reporting items to consider include:

- 2020-21 mid-year capital expenditure on long term assets was £5.4m (2019-20 mid-year: £5.2m), against a full-year budget of £43.8m.
- The council's gross debt, also called the borrowing position, at 30 September 2020 was £24.7m (30 September 2019: £29.2m).
- The council's underlying need to borrow to finance its capital expenditure, also called the Capital Financing Requirement (CFR), is estimated to be £58.4m at 31 March 2021 (31 March 2020: £50.0m).

- The council has held less gross debt than its CFR and accordingly has complied with the requirement not to exceed its authorised borrowing limit of £74m.
- As at 30 September 2020 the council's investment balance was £42.3m (30 September 2020: £44.5m).
- It is proposed that the 2020-21 Treasury Management Strategy Statement be amended as described in section 3 of this report.

Recommendation(s):

That council:

- Makes comments on this report and annexes as appropriate.
- Approves this report and annexes, including the prudential and treasury indicators that are shown and the proposed changes to the 2020-21 Treasury Management Strategy Statement.

Corporate Implications

Financial and Value for Money

The financial implications are highlighted in this report.

Legal

Section 151 of the 1972 Local Government Act requires a suitably qualified named officer to keep control of the council's finances. For this council, this is the Deputy Chief Executive, and this report is helping to carry out that function.

Corporate

Failure to undertake this process will impact on the council's compliance with the Treasury Management Code of Practice.

Equalities Act 2010 & Public Sector Equality Duty

There are no equity and equalities implications arising directly from this report, but the council needs to retain a strong focus and understanding on issues of diversity amongst the local community and ensure service delivery matches these.

It is important to be aware of the council's responsibility under the Public Sector Equality Duty (PSED) and show evidence that due consideration had been given to the equalities impact that may be brought upon communities by the decisions made by council.

CORPORATE PRIORITIES

This report relates to the following corporate priorities: -

- Growth
- Environment

- Communities.

1 Background

1.1 Treasury management

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

> *"The management of the local authority's borrowing, 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."*

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.

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.

1.2 Capital Strategy

In December 2017, the Chartered Institute of Public Finance and Accountancy (CIPFA) issued revised Prudential and Treasury Management Codes. As from 2019-20, all local authorities have been required to prepare a Capital Strategy which is to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability.

2 Introduction

2.1 This report has been written in accordance with the requirements of the CIPFA Code of Practice on Treasury Management (revised 2017).

2.2 The primary requirements of the Code are as follows:

a) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.

b) Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.

c) 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 (this report) and an Annual Report (stewardship reports), covering activities during the previous year.

d) 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.

e) 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 the Governance and Audit Committee.

2.3 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first half of the 2020-21 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The council's capital expenditure (see also the Capital Strategy) and prudential indicators;
- A review of the council's investment portfolio for 2020-21;
- A review of the council's borrowing strategy for 2020-21;
- A review of any debt rescheduling undertaken during 2020-21;
- A review of compliance with Treasury and Prudential Limits for 2020-21.

3 Treasury Management Strategy Statement and Annual Investment Strategy Update

3.1 The Treasury Management Strategy Statement (TMSS) for 2020-21, which includes the Annual Investment Strategy, Capital Strategy and Non-Treasury Investment Report, was approved by the council on 6 February 2020.

3.2 The 2020-21 TMSS referred to in section 3.1 above requires revision in the light of economic and operational movements during the year. The proposed change is to amend the 2020-21 TMSS so that the council may use investment counterparties with a minimum long term credit rating from at least one of Fitch, Moody's and Standard and Poors (where rated) of A- (or equivalent), where this is currently given as A in the 2020-21 TMSS, that any such investments now be included as specified investments, and that the table of 'Time and Monetary Limits Applying to Investments' be updated as shown below:

	Fitch Long Term Rating (or equivalent)*	Money Limit	Time Limit (settlement period)
Level 1 (previously called Higher Quality)	**AA-**	**£6m per institution**	**370 days**
Level 2 (previously called Medium Quality)	**A**	**£5m per institution**	**370 days**
Level 3	**A-**	**£4m per institution**	**185 days**
Part nationalised	**N/A**	**£7m per institution**	**370 days**
Debt Management Account Deposit Facility	**UK sovereign rating**	**unlimited**	**6 months**
Money market funds, enhanced money market funds, bond funds	**AAA**	**£6m per fund**	**370 days**
Local authorities, parish councils, community councils, companies controlled by the council (either alone or with other public sector organisations), housing associations, supranational institutions etc	**N/A**	**£4m per institution**	**5 years**
Multi-asset funds	**N/A**	**£5m per fund**	**370 days**

**The institution must have this minimum credit rating from at least one of Fitch, Moody's, and Standard and Poors (where rated).*

3.3 The new category is shown as Level 3 in the table in section 3.2 and will help the council to continue to manage its investments effectively, given the actual and potential economic impact of factors such as the coronavirus pandemic and Brexit. It should be noted that A- is an investment grade credit rating, along with A, AA- and AAA shown in this table.

4 The Council's Capital Position (Prudential Indicators)

4.1 This part of the report is structured to update:

- The council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and

- Compliance with the limits in place for borrowing activity.

4.2 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

The revised budget includes net reprofiling of £10.022m General Fund and £8.889m HRA, reflecting unspent budgets from 2019-20 that have been slipped into 2020-21.

Capital Expenditure	2020-21 Original Budget £m	Current Position – Actual spend at 30-09-20 £m	2020-21 Revised Budget £m
General Fund	12.507	2.120	21.389
HRA	13.189	3.259	22.418
Total	**25.696**	**5.379**	**43.807**

General Fund 2020-21 budget: As at 30 September 2020 there had not yet been any spend on the following projects with budgets over £0.5m:

- Office Accommodation (£3m),
- Parkway Railway Station (£2m),
- Public Toilet Refurbishment (£0.75m),
- Westbrook Promenade Infrastructure Improvements (£0.75m).

HRA 2020-21 budget: As at 30 September 2020, actual spend for council dwelling major works/adaptations and purchase/development schemes was £1.563m (budget £12.064m) and £1.696m (budget £10.354m))respectively.

More detailed monitoring information on the capital programme at scheme level, including forecasts to the end of the financial year, is included in the quarterly Cabinet Budget Monitoring Reports.

4.3 Changes to the Financing of the Capital Programme

The table below takes the capital expenditure plans (as detailed in the previous table), and shows the expected financing arrangements of this capital expenditure.

The borrowing element of the table increases the underlying indebtedness of the council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2020-21 Original Budget £m Total	Current Position – Actual at 30-09-19 £m	2020-21 Revised Budget £m GF	2020-21 Revised Budget £m HRA	2020-21 Revised Budget £m Total
Total spend	**25.696**	**5.379**	**21.389**	**22.418**	**43.807**
Financed by:					
Capital receipts	2.344		6.442	2.223	8.665
Capital grants	6.073		7.708	0.719	8.427
Reserves	8.539		2.665	13.765	16.430
Revenue	0.700		0.104	0.548	0.652
Total financing	**17.656**		**16.919**	**17.255**	**34.174**
Borrowing need	**8.040**		**4.470**	**5.163**	**9.633**

The table above shows that the revisions to the 2020-21 capital programmes are largely being financed by capital receipts and reserves, with only a modest increase in borrowing.

4.4 Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary

The council's underlying need to borrow to fund its capital expenditure is termed the Capital Financing Requirement (CFR). The CFR can be thought of as the outstanding debt that still needs to be repaid in relation to the capital assets (buildings, vehicles etc) that the council has purchased or invested in. It can also be helpful to compare it to the outstanding balance that is still payable on a loan or a mortgage, in this case we are considering how much of the council's debt still needs to be paid for.

It also shows the Operational Boundary, which is the limit beyond which external debt is not normally expected to exceed.

Prudential Indicator – Capital Financing Requirement

We are on target to achieve the forecast Capital Financing Requirement.

Prudential Indicator – the Operational Boundary for external debt

	2020-21 Original Estimate £m	Current Position – Actual at 30-09-20 £m	2020-21 Revised Estimate £m
Prudential Indicator – Capital Financing Requirement			
CFR –General Fund	31.676		29.076
CFR – housing	29.234		29.362
Total CFR	60.910		58.438
Net movement in CFR	**10.874**		**8.402**
	2020-21 Original Indicator £m	**Current Position – Actual at 30-09-20 £m**	**2020-21 Revised Indicator £m**
Prudential Indicator - the Operational Boundary for External Debt			
Borrowing	69.000	24.709	69.000
Other long term liabilities*	30.000	2.608	30.000
Total debt	**99.000**	**27.317**	**99.000**

** Any 'on balance sheet' PFI schemes and finance leases etc (including the leisure centre deferred credit). Both the Operational Boundary and Authorised Limit Indicators include an estimate for the recognition of leases under International Financial Reporting Standard 16 (IFRS 16). The impact of IFRS 16 has not been reflected in the Actual or elsewhere in this report, CIPFA having now deferred the implementation date to 1 April 2021.*

4.5 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, borrowing will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2020-21 and next two financial years. This allows some flexibility for limited early borrowing for future years. The council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2020-21 Original Estimate £m	Current Position – Actual at 30-09-20 £m	2020-21 Revised Estimate £m
Gross borrowing	45.848	24.709	41.025
Plus other long term liabilities*	1.121	2.608	2.438
Total gross borrowing	**46.969**	**27.317**	**43.463**
CFR (year end position)	60.910		58.438

The Section 151 Officer reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2020-21 Original Indicator £m	Current Position – Actual at 30-09-20 £m	2020-21 Revised Indicator £m
Borrowing	74.000	24.709	74.000
Other long term liabilities*	35.000	2.608	35.000
Total	**109.000**	**27.317**	**109.000**

** Any 'on balance sheet' PFI schemes and finance leases etc (including the leisure centre deferred credit). Both the Operational Boundary and Authorised Limit Indicators include an estimate for the recognition of leases under International Financial Reporting Standard 16 (IFRS 16). The impact of IFRS 16 has not been reflected in the Actual or elsewhere in this report, CIPFA having now deferred the implementation date to 1 April 2021.*

5 Annual Investment Strategy 2020-21

5.1 The Treasury Management Strategy Statement (TMSS) for 2020-21, which includes the Annual Investment Strategy, was approved by council on 6 February 2020. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

5.2 The council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the council's risk appetite. 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 with high credit rated financial institutions.

5.3 As shown by the interest rate forecasts in annex 1, it is now impossible to earn the level of interest rates commonly seen in previous decades as all investment rates are barely above zero now that Bank Rate is at 0.10%, while some entities (including more recently the Debt Management Account Deposit Facility (DMADF)) are offering negative rates of return in some shorter time periods. Given this risk environment and that increases in Bank

Rate are not forecast to occur before the end of the current forecast horizon of 31st March 2023, investment returns are expected to remain low.

5.4 **Negative investment rates**

While the Bank of England has said that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months from the end-date of this report (30 September 2020), some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the Covid crisis; this has caused some local authorities to have sudden large increases in investment balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

5.5 As for money market funds (MMFs), yields have continued to drift lower. Some managers have suggested that they might resort to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a glut of money at the very short end of the market. This has seen a number of market operators, now including the DMADF, offer nil or negative rates for very short term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions.

5.6 Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

5.7 **Creditworthiness**

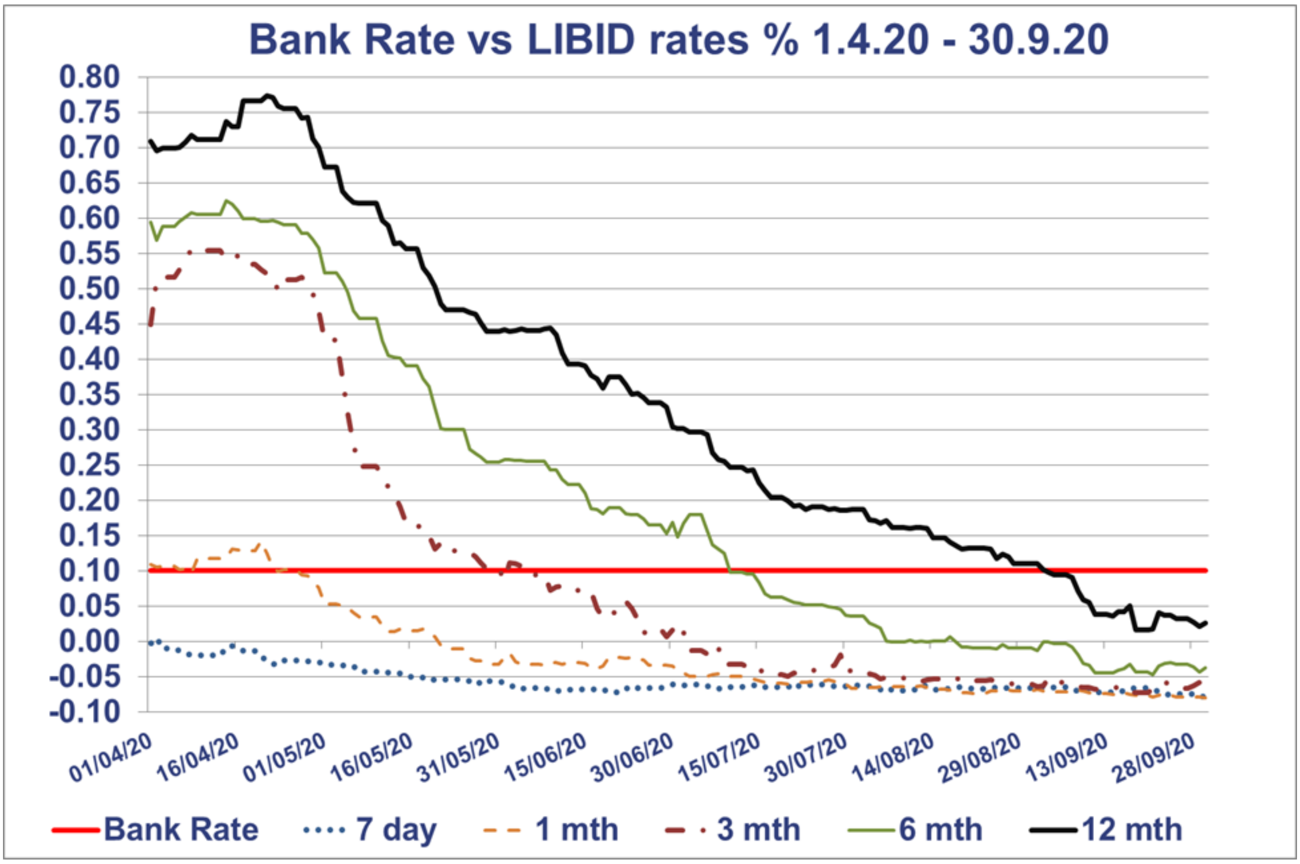
Although the credit rating agencies changed their outlook on many UK banks from stable to negative outlook during the quarter ended 30th June 2020 due to upcoming risks to banks' earnings and asset quality during the economic downturn caused by the pandemic, the majority of ratings were affirmed due to the continuing strong credit profiles of UK banks. However, during Q1 and Q2 2020, banks made provisions for expected credit losses and the rating changes reflected these provisions. As we move into the quarters ahead, more information will emerge on actual levels of credit losses. (Quarterly performance is normally announced in the second half of the month following the end of the quarter.) This has the potential to cause rating agencies to revisit their initial rating adjustments earlier in the current year. These adjustments could be negative or positive, although it should also be borne in mind that UK banks went into this pandemic with strong balance sheets. Indeed, the Financial Policy Committee (FPC) report on 6th August revised down their expected credit losses for the banking sector to "somewhat less than £80bn". They stated that in their assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

5.8 All three rating agencies have reviewed banks around the world with similar results in many countries of most banks being placed on negative watch, but with a small number of actual downgrades.

5.9 **Credit Default Swap (CDS) prices**

Although CDS prices (these are market indicators of credit risk) for UK banks spiked upwards at the end of March / early April due to the liquidity crisis throughout financial markets, CDS prices have returned to more average levels since then, although they are still elevated compared to end-February. Pricing is likely to remain volatile as uncertainty continues. However, sentiment can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

5.10 Investment rates, half year ended 30th September 2020



	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.10	0.00	0.14	0.56	0.62	0.77
High Date	01/04/2020	02/04/2020	20/04/2020	08/04/2020	14/04/2020	21/04/2020
Low	0.10	-0.07	-0.07	-0.06	-0.01	0.11
Low Date	01/04/2020	19/06/2020	21/08/2020	28/08/2020	25/08/2020	28/08/2020
Average	0.10	-0.05	-0.01	0.14	0.25	0.41
Spread	0.00	0.08	0.22	0.62	0.63	0.66

5.11 The council held £42.347m of investments as at 30 September 2020 (£33.904m at 31 March 2020) and the investment portfolio yield for the first six months of the year is 0.34% against a benchmark (average 7-day LIBID rate) of negative 0.05%. The constituent investments are:

Sector	**Country**	**Up to 365 days £m**	**366 days – 370 days £m**	**Total £m**
Banks	UK	14.123	0.000	14.123
Money Market Funds	UK	28.224	0.000	28.224
Total		**42.347**	**0.600**	**42.347**

5.12 The Section 151 Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2020-21 for investment balances.

5.13 As reported in the 2019-20 Annual Treasury Management Review, from 1 April 2020 to 15 April 2020 inclusive, the council maintained balances with its own banker which exceeded the £7m investment limit stipulated in the council's investment policy; the highest daily deposit account balance being £26.764m. However, these balances were for operational/transactional purposes (to help deal with the coronavirus pandemic) rather than for investment. The council received an exceptional amount of coronavirus related grant funding (£40m) from the Government on 1 April 2020 and (given the very short notice) was unable to fully absorb this within its various money market funds (MMFs), given MMF facility limits and MMFs available at that time.

5.14 The council's budgeted investment return for 2020-21 is £0.330m (£0.165m half-year) and performance for the first half of the financial year is below budget at £0.086m. This reflects the reductions in Bank Rate (from 0.75% to 0.25% on 11 March 2020 and to 0.10% on 19 March 2020) and the use of internal borrowing (see section 6.1). The revised estimate for 2020-21 is £0.103m.

5.15 Investment Risk Benchmarking

Investment risk benchmarks were set in the 2020-21 Treasury Management Strategy Statement (TMSS) for security, liquidity and yield. The mid-year position against these benchmarks is given below.

5.15.1 Security

The council's maximum security risk benchmark for the current portfolio, when compared to historic default tables, is:

- 0.05% historic risk of default when compared to the whole portfolio (excluding unrated investments).

The security benchmark for each individual year is (excluding unrated investments):

	1 year	2 years	3 years	4 years	5 years
Maximum	**0.05%**	**0.05%**	**0.05%**	**0.05%**	**0.05%**

Note: This benchmark is an average risk of default measure, and would not constitute an expectation of loss against a particular investment.

The Section 151 Officer can report that the investment portfolio was maintained within this overall benchmark for the first half of this financial year.

5.15.2 Liquidity

In respect of this area the council seeks to maintain:

- Liquid short term deposits of at least £10m available with a week's notice.
- Weighted Average Life benchmark is expected to be 0.5 years, with a maximum of 1.0 year.

The Section 151 Officer can report that liquidity arrangements were adequate for the first half of this financial year.

This authority does not currently place investments for more than 370 days due to the credit, security and counterparty risks of placing such investments.

5.15.3 Yield

Local measures of yield benchmarks are:

- Investments – Internal returns above the 7 day LIBID rate

The Section 151 Officer can report that the yield on deposits for the first half of the financial year is 0.34% against a benchmark (average 7-day LIBID rate) of negative 0.05%

5.16 Investment Counterparty criteria

It is proposed to amend the current investment counterparty criteria selection approved in the TMSS as described in section 3 above.

6 Borrowing

6.1 The council's capital financing requirement (CFR) revised estimate for 2020-21 is £58.438m. The CFR denotes the council's underlying need to borrow for capital purposes. If the CFR is positive the council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The council has borrowings of £24.709m (table 4.5) and has utilised an estimated £33.729m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevails.

6.2 No new external borrowing was undertaken from the PWLB during the first half of this financial year.

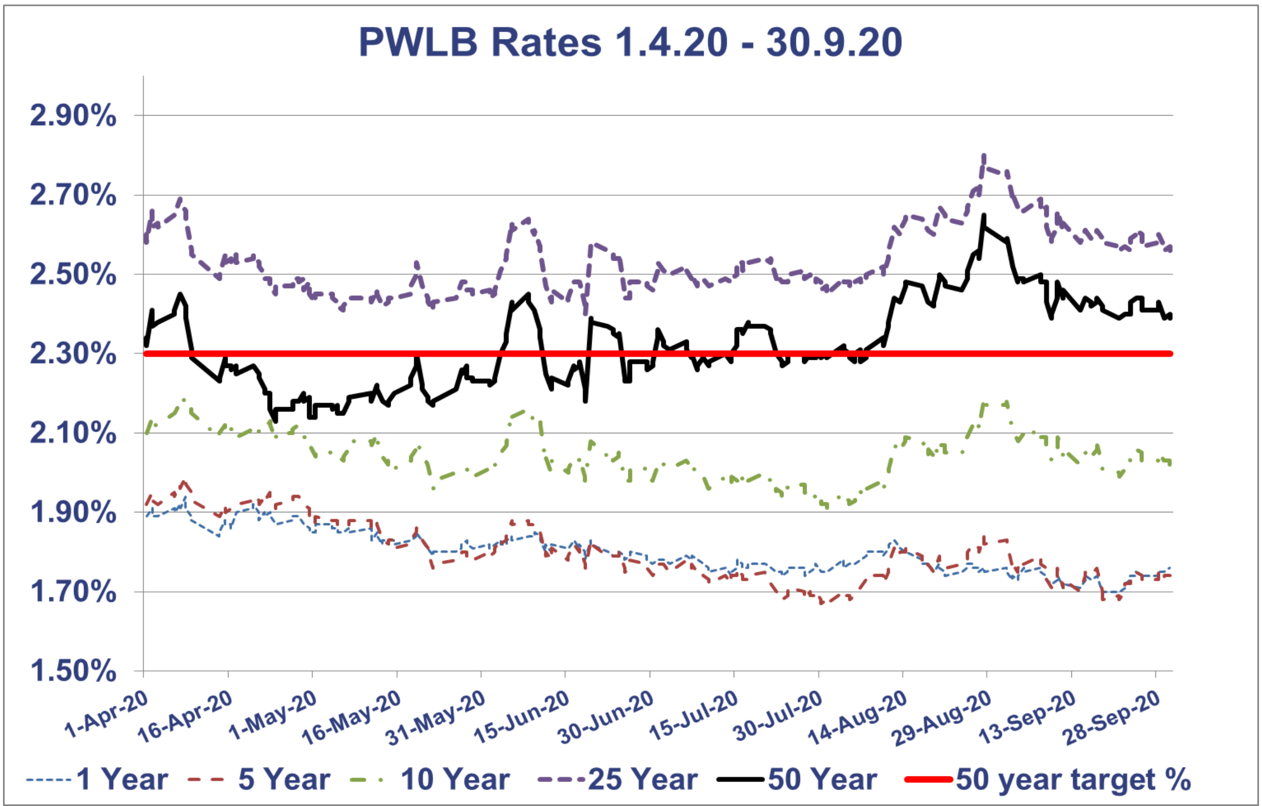
6.3 The council repaid £0.315m of maturing debt during the first half of this financial year using investment balances, as below:

Lender	Principal £'000	Interest Rate	Repayment Date
Salix	4	0.00%	01-04-20
PWLB	43	3.08%	23-04-20
PWLB	50	2.48%	27-05-20
PWLB	146	1.97%	27-05-20
PWLB	72	1.28%	20-06-20
Total	**315**		

6.4 Borrowing may be undertaken during the second half of this financial year and options will be reviewed in due course in line with market conditions.

6.5 The graph and table below show the movement in PWLB borrowing rates for the first six months of the year to 30 September 2020.

6.6 PWLB borrowing rates, half year ended 30th September 2020



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.70%	1.67%	1.91%	2.40%	2.13%
Date	18/09/2020	30/07/2020	31/07/2020	18/06/2020	24/04/2020
High	1.94%	1.99%	2.19%	2.80%	2.65%
Date	08/04/2020	08/04/2020	08/04/2020	28/08/2020	28/08/2020
Average	1.80%	1.80%	2.04%	2.54%	2.33%

6.7 PWLB rates varied within a relatively narrow range between April and July but the longer end of the curve rose during August. This increase came in two periods; the first in the second week of the month was on the back of hopes for fresh US stimulus. This saw investors switch monies out of government bonds and into equities. The second shift higher at the longer end of the curve came in the latter stages of the month as investors reacted to the announcement of the tweak to the Federal Reserve's (Fed) inflation target. Despite moves further out in the yield curve, the short end remained anchored on the basis of no fundamental change to the interest rate outlook.

6.8 Link's 50-year PWLB target rate for new long-term borrowing was unchanged at 2.30%.

6.9 Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates, and following the various increases in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year. The council is currently under-borrowed to address investment counterparty risk and the differential between borrowing and investment interest rates. This position is carefully monitored.

6.10 The council's budgeted debt interest payable for 2020-21 is £1.577m (£0.788m half-year) and performance for the first half of the financial year is below budget at £0.477m, reflecting the use of internal borrowing (see section 6.1). The revised estimate for 2020-21 is £1.062m.

7 Treasury Management Indicators

7.1 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.

%	2020-21 Original Indicator	2020-21 Revised Indicator
GF	13.2%	9.2%
HRA	6.3%	5.0%

7.2 Maturity Structures of Borrowing

These gross limits are set to reduce the council's exposure to large fixed rate sums falling due for refinancing.

	2020-21 Original Upper Limit	Current Position – Actual at 30-09-20	2020-21 Revised Upper Limit
Maturity structure of fixed rate borrowing			
Under 12 months	50%	36%	50%
1 year to under 2 years	50%	1%	50%
2 years to under 5 years	50%	12%	50%
5 years to under 10 years	50%	9%	50%
10 years to under 20 years	50%	30%	50%
20 years to under 30 years	50%	8%	50%
30 years to under 40 years	50%	0%	50%
40 years to under 50 years	50%	4%	50%
50 years and above	50%	0%	50%

The current position shows the actual percentage of fixed rate debt the authority has within each maturity span. None of the upper limits have been breached.

8 Options

8.1 The recommended option (to ensure regulatory compliance as set out in section 1 of this report) is that council:

- Makes comments on this report and annexes as appropriate.
- Approves this report and annexes (including the prudential and treasury indicators that are shown and the proposed changes to the 2020-21 Treasury Management Strategy Statement).

8.2 Alternatively, council may decide not to do this and advise the reason(s) why.

9 Disclaimer

9.1 This report (including annexes) is a technical document focussing on public sector investments and borrowings and, as such, readers should not use the information contained within the report to inform personal investment or borrowing decisions. Neither Thanet District Council nor any of its officers or employees makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein (such information being subject to change without notice) and shall not be in any way responsible or liable for the contents hereof and no reliance should be placed on the accuracy, fairness or completeness of the information contained in this document. Any opinions, forecasts or estimates herein constitute a judgement and there can be no assurance that they will be consistent with future results or events. No person accepts any liability whatsoever for any loss howsoever arising from any use of this document or its contents or otherwise in connection therewith.

Contact Officer: Tim Willis, Deputy Chief Executive & Section 151 Officer
Reporting to: Madeline Homer, Chief Executive

Annex List

Annex 1: Economic Update, Interest Rate Forecast and Debt Maturity
Annex 2: Guidance on the Treasury Management Strategy Statement and Annual Investment Strategy – Mid Year Review Report 2020-21

Corporate Consultation Undertaken

Finance: Chris Blundell, Director of Finance and Deputy Section 151 Officer
Legal: Tim Howes, Director of Corporate Governance & Monitoring Officer