PERFORMANCE SCRUTINY COMMITTEE **22 NOVEMBER 2018**

SUBJECT:	**TREASURY MANAGEMENT AND PRUDENTIAL CODE UPDATE REPORT – HALF YEAR ENDED 30 SEPTEMBER 2018**
DIRECTORATE:	**CHIEF EXECUTIVE & TOWN CLERK**
LEAD OFFICER:	**SARAH HARDY, GROUP ACCOUNTANT**

1. Purpose of Report

1.1 This report covers the Council's treasury management activity and the actual prudential indicators for the period April 1st to September 30th 2018. This is in accordance with the requirements of the Prudential Code.

2. Executive Summary

2.1 Treasury Management position and performance results for the 6 months ended 30th September 2018.

2.2 **Investment Portfolio**

The Council held £20.3 million of investments at 30th September 2018. The investment profile is shown in Appendix A.

Of this investment portfolio 100% was held in low risk specified investments, the requirement for the year being a minimum of 25% of the portfolio to be specified investments.

Liquidity – The Council seeks to maintain liquid short-term deposits of at least £5 million available with a week's notice. The weighted average life (WAL) of investments for the year was expected to be 0.45 years (164 days). At 30th September 2018 the Council held liquid short term deposits of £11.3 million and the WAL of the investment portfolio was 0.17 years (61 days). The decrease in the WAL of the investment portfolio is due to a larger proportion of the portfolio being placed in shorter term investments.

Security - The Council's maximum security risk benchmark for the portfolio as at 30th September 2018 was 0.009%, which equates to a potential loss of £0.001827m on an investment portfolio of £20.3m. This is slightly higher than budgeted maximum risk of 0.008% in the Treasury Management Strategy. It represents a very low risk investment portfolio.

Yield – The Council achieved an average return of 0.73% on its investment portfolio for the 6 months ended 30th September 2018. This compares favourably with the target 7 day average LIBID at 30th September of 0.59% and is higher than the budgeted yield of 0.52% for 2018/19 in the MTFS 2018-23.

2.3 **External Borrowing**

At 30th September 2018 the Council held £81.104 million of external borrowing, of which 100% were fixed rate loans (Appendix A).

For the 6 months ended 30th September 2018, the Council achieved an average rate of 3.90% on its external borrowing. This is slightly lower than the budgeted rate set in the MTFS 2018-23; there has been no change to external borrowing during the first 6 months of the year however further borrowing is planned in the second half of the year to finance asset purchases.

3. Background

3.1 The prudential system for capital expenditure is now well established. One of the requirements of the Prudential Code is to ensure adequate monitoring of the capital expenditure plans, prudential indicators (PIs) and treasury management response to these plans. This report fulfils that requirement and includes a review of compliance with Treasury and Prudential Limits and the Prudential Indicators at 30th September 2018. The Treasury Management Strategy and Prudential Indicators were previously reported to and approved by Council on 27 February 2018.

3.2 This Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates its treasury management service in compliance with this Code and the above requirements. These require that the prime objective of treasury management activity is the effective management of risk, and that its borrowing activities are undertaken in a prudent, affordable and sustainable basis.

3.3 This report highlights the changes to the key prudential indicators, to enable an overview of the current status of the capital expenditure plans. It incorporates any new or revised schemes previously reported to Members. Changes required to the residual prudential indicators and other related treasury management issues are also included.

4. Prudential Indicators

4.1 This part of the report is structured to provide an update on:

- 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.

4.2 Capital Expenditure

The table below summarises the changes to the capital programme that have been approved by or subject to Executive approval since Council approved the original budget in February 2018.

Capital Expenditure	2018/19 Original Estimate £000	2018/19 Revised Estimate £000	2019/20 Original Estimate £000	2019/20 Revised Estimate £000	2020/21 Original Estimate £000	2020/21 Revised Estimate £000
General Fund	14,209	16,867	500	771	500	500
HRA	25,805	33,048	14,529	11,359	11,386	11,601
Total	**40,014**	**49,915**	**15,029**	**12,130**	**11,886**	**12,101**

4.3 Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above) and the expected financing arrangements for this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council in the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt.

Indicators 1 & 2	2018/19 Original Estimate £000	2018/19 Revised Estimate £000	2019/20 Original Estimate £000	2019/20 Revised Estimate £000	2020/21 Original Estimate £000	2020/21 Revised Estimate £000
Capital Expenditure						
Total Spend	**40,014**	**49,915**	**15,029**	**12,196**	**11,886**	**12,167**
Financed by:						
Capital receipts	6,912	12,206	3,969	1,720	900	900
Capital grants & contributions	670	1,683	300	300	300	300
Major Repairs Reserve (Depreciation)	16,631	21,835	10,710	9,640	10,486	10,701
Revenue	2,785	309	0	0	0	0
Net borrowing need for the year	**13,016**	**13,885**	**50**	**470**	**200**	**200**

The principal changes in the financing, from the original estimates approved in February 2018 are as a result of the re-profiling of expenditure.

4.4 The Capital Financing Requirement and External Debt

The table below shows the Council's Capital Financing Requirement (CFR), which is the Council's underlying need to borrow for a capital purpose. It also shows the expected debt position over the period.

Indicators 3 & 4	2018/19 Original	2018/19 Revised	2019/20 Original	2019/20 Revised	2020/21 Original	2020/21 Revised

	Estimate £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
General Fund	65,464	63,730	64,536	62,605	62,537	60,553
HRA	58,503	58,503	58,503	58,503	58,503	58,503
Total CFR	123,967	122,233	123,039	121,108	121,040	119,056
Net movement in CFR	**12,137**	**12,753**	**(929)**	**(1,125)**	**(1,998)**	**(2,052)**

Indicator 5	2018/19 Original Estimate £000	2018/19 Revised Estimate £000	2019/20 Original Estimate £000	2019/20 Revised Estimate £000	2020/21 Original Estimate £000	2020/21 Revised Estimate £000
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Borrowing	100,103	95,354	100,103	95,500	99,247	94,645
Other long term liabilities *	342	342	105	105	(0)	0
Total Debt 31 March	**100,445**	**95,696**	**100,208**	**95,605**	**99,247**	**94,645**

* Other long term liabilities includes Finance leases

The Council is currently under-borrowed against the CFR, as, whilst the Council has adequate cash balances, it is more advantageous to continue to employ internal resources until cash flow forecasts indicates the need for additional borrowing. PWLB borrowing rates are currently forecast to rise over the next year, but as investment rates are still very low, there is a cost of carry for external borrowing. It is anticipated that borrowing will need to be taken in 2018/19 (£18m) and in 2019/20 (£1m) - further borrowing will be dependent upon any additional capital programme requirements not anticipated at this point.

The HRA borrowing requirement has been considered independently from that of the General Fund and whilst, at some point it may be advantageous for the HRA to take advantage of low borrowing rates rather than employ internal balances this borrowing has been deferred as rates are forecast to remain low. Currently the 30 year HRA Business Plan does not currently anticipate borrowing however the government has recently lifted the HRA borrowing cap and any changes will be reflected in a revised 30 year business plan.

4.5 <u>Limits to Borrowing Activity</u>

The first key control over the Council's borrowing activity is a prudential indicator to ensure that over the medium term, net borrowing will only be for a capital purpose. Net 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 2019/20 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.

Indicator 6	**2018/19 Original Estimate £000**	**2018/19 Revised Estimate £000**	**2019/20 Original Estimate £000**	**2019/20 Revised Estimate £000**	**2020/21 Original Estimate £000**	**2020/21 Revised Estimate £000**
Gross Borrowing	100,103	95,354	100,103	95,500	99,248	94,645
Investments	14,600	14,600	21,000	21,000	19,000	19,000
Net Borrowing	85,503	80,754	79,103	74,500	80,248	75,645
CFR	**123,967**	**122,233**	**123,039**	**121,108**	**121,040**	**119,056**
Net borrowing is below CFR	38,464	41,479	43,936	46,608	40,792	43,411

The Chief Finance Officer reports that no difficulties are envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in this budget report.

A breakdown of the loans and investments profile is provided in Appendix A.

A further two prudential indicators control the overall level of borrowing. These are:

1. **The Authorised Limit** – This 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.

2. **The Operational Boundary** – This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. CIPFA anticipate that this should act as an indicator to ensure the authorised limit is not breached.

Indicator 7	2018/19 Original Limit £000	2018/19 Revised Estimate £000	2019/20 Original Limit £000	2019/20 Revised Estimate £000	2020/21 Original Limit £000	2020/21 Revised Estimate £000
Authorised limit for external debt*						
Borrowing	134,000	134,000	133,000	133,000	131,000	131,000
Other long term liabilities**	1,800	1,800	1,300	1,300	800	800
Total Authorised limit	**135,800**	**135,800**	**134,300**	**134,300**	**131,800**	**131,800**
Indicator 8	**2018/19 Original Limit £000**	**2018/19 Revised Estimate £000**	**2019/20 Original Limit £000**	**2019/20 Revised Estimate £000**	**2020/21 Original Limit £000**	**2020/21 Revised Estimate £000**
Operational boundary for external debt*						
Borrowing	126,400	126,400	125,900	125,900	124,300	124,300
Other long term liabilities**	1,600	1,600	1,100	1,100	700	700
Total Operational Boundary	**128,000**	**128,000**	**127,000**	**127,000**	**125,000**	**125,000**

* The highest level of external debt during the first half of 2018/19 was £81.138m.

** Other long term liabilities include Finance leases.

There have been revisions to the capital programme since the Medium Term Financial Strategy was set in February 2018 which have impacted on authority's capital financing requirement and as a result, to the figures calculated for the operational boundary for borrowing. The limits for the Operational Boundary allow for previous use of internal borrowing to be replaced by external borrowing should the Chief Finance Officer decide that it is appropriate and prudent to do so.

4.6 Other Prudential Indicators

Appendix B details the updated position on the remaining prudential indicators and the local indicators.

5. Treasury Management Strategy 2018/19 to 2020/21 Update

5.1 Economic Update

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 following paragraphs and the table in paragraph 5.1.6 give *Link's views* on economic prospects and interest rates.**

5.2 **UK** - The first half of 2018/19 has seen UK **economic growth** post a modest performance, but sufficiently robust for the Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase **Bank Rate** on 2nd August from 0.5% to 0.75%. Although growth looks as if it will only be modest at around 1.5% in 2018, the Bank of England's August Quarterly Inflation Report forecast that growth will pick up to 1.8% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.

Some MPC members have expressed concerns about a build-up of **inflationary pressures**, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation rose unexpectedly from 2.4% in June to 2.7% in August due to increases in volatile components, but is expected to fall back to the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019.

As for the **labour market,** unemployment has continued at a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 2.9%, (3 month average regular pay, excluding bonuses) and to a one month figure in July of 3.1%. This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 0.4%, near to the joint high of 0.5% since 2009. (The previous high point was in July 2015.) Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC were right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy. However, the MPC will need to tread cautiously before increasing Bank Rate again, especially given all the uncertainties around Brexit.

In the **political arena**, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

5.3 **USA** -President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2, but also an upturn in inflationary pressures. With inflation moving towards 3%, the Fed increased rates another 0.25% in September to between 2.00% and 2.25%, this being four increases in 2018, and indicated they expected to increase rates four more times by the end of 2019. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US, (China in particular), could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Fed in the second half of 2019.

5.4 **Eurozone** - Growth was unchanged at 0.4% in quarter 2, but has undershot early forecasts for a stronger economic performance in 2018. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of 2% for 2018, the horizon is less clear than it seemed just a short while ago.

5.5 Current medium term interest rate forecasts (not anticipating an increase in BoE rates in November) are shown below:

Link Asset Services Interest Rate View											
	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
3 Month LIBID	0.75%	0.80%	0.80%	0.90%	1.10%	1.10%	1.20%	1.40%	1.50%	1.60%	1.60%
6 Month LIBID	0.85%	0.90%	0.90%	1.00%	1.20%	1.20%	1.30%	1.50%	1.60%	1.70%	1.70%
12 Month LIBID	1.00%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%	1.60%	1.70%	1.80%	1.80%
5yr PWLB Rate	2.00%	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
10yr PWLB Rate	2.40%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%

5.6 <u>Borrowing Activity</u>

5.7 The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy.

5.8 Long-term fixed interest rates are currently low but expected to rise over the three-year treasury management planning period. The Chief Finance Officer, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. The approved funding of the current capital programme does require borrowing to be taken during 2018/19 and 2019/20. In addition to this there has been internal borrowing (i.e. using cash balances), to fund previous years' capital expenditure, which may need to be replaced at some point in the future with external borrowing. The current key challenge is anticipating the optimum point at which any future borrowing should be taken. Any future borrowing will increase cash holding at a time when counterparty risk remains high and investment returns are low. In this scenario, borrowing is likely to be postponed until cash flow need is more apparent.

5.9 Opportunities for debt restructuring will be continually monitored. Action will be taken when the Chief Finance Officer feels it is most advantageous.

5.10 Investment Strategy 2018/19 to 2020/21

5.11 The objectives of the Council's investment strategy are the safeguarding of the re-payment of the principal and interest of its investments on time first, and ensuring adequate liquidity second – the investment return being a third objective. Following on from the economic background above, the current investment climate is one of over-riding risk consideration i.e. that of counterparty security risk. As a result of these underlying concerns, officers continue to implement an operational investment strategy, which tightens the controls already in place in the approved investment strategy.

5.12 The Council held £20.3 million of investments at 30th September 2018 and the investment profile is shown in Appendix A.

5.13 Risk Benchmarking

The Investment Strategy for 2018/19 includes the following benchmarks for liquidity and security. Yield benchmarks are contained within section 6.

5.14 *Liquidity* – The Council has no formal overdraft facility and seeks to maintain liquid short-term deposits of at least £5 million available with a weeks notice.

The weighted average life (WAL) of investments for the year was expected to be 0.45 years (164 days). At 30th September 2018 the Council held liquid short term deposits of £11.3 million and the WAL of the investment portfolio was 0.17 years (61 days). The decrease in the WAL of the investment portfolio is due to investments being held in shorter term accounts to service internal borrowing requirements in a lower return environment.

The Chief Finance Officer can report that liquidity arrangements were adequate during the year to date

5.15 *Security* – The Council's maximum security risk benchmark for the portfolio as at 30th September 2018 was 0.009%, which equates to a potential loss of £0.001827m on an investment portfolio of £20.3m. This is slightly higher than the budgeted maximum risk of 0.008% in the Treasury Management Strategy. It represents a very low risk investment portfolio which carries a very much lower level of risk than Link's model portfolio and other local authorities within our benchmarking group.

The target set within the 2018/19 Strategy is that a minimum of 25% of the portfolio must be held in low risk specified investments. The Chief Finance Officer can report that the investment portfolio was maintained within this overall benchmark during the year to date. At 30th September 2018, 100% of the investment portfolio was held in low risk specified investments.

5.16 *Security* – The Council invests in Money Market Funds which allows easy access to funds for cashflow purposes whilst providing a small variable rate of interest. These have been C-NAV (Constant Net Asset Value) funds – this means that funds invested maintain a constant value. The Money Market Fund sector is in the final stages of converting these funds to LVNAV (Low Volatility Net Asset Value) pricing which does not guarantee a constant net asset value however, as the name suggests there is low levels of volatility in these funds. It is the view of the Council's Treasury advisors that this change does not present high levels of risk to the security of the council's funds and they will continue to represent a secure investment opportunity whilst allowing easy access to funds.

6. Yield Benchmarking

6.1 The Council participates in a benchmarking group run by our Treasury Management advisors (Link). To 30th September 2018 the benchmarking group achieved average yields of 0.78% on an average portfolio of investments of £30.078m compared to City of Lincoln's yield of 0.73% on £20.3m of investments.

7. Strategic Priorities

7.1 Develop a fit for purpose Council –Through its Treasury Management Strategy the Council seeks to reduce the amount of interest it pays on its external borrowing and maximise the interest it achieves on its investments.

8. Organisational Impacts

8.1 Finance – The financial implications are covered in the main body of the report.

9. Recommendations

9.1 It is recommended that members note the Prudential and Local Indicators and the actual performance against the Treasury Management Strategy 2018/19 for the half-year ended 30th September 2018 and the change to the use of LVNAV Money Market Funds

List of Background Papers: Treasury Management Strategy 2018/19 (Approved by Council February 2018)

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Appendix A

Borrowing Profile at 30th September 2018

	Long term borrowing	
	Fixed rate	Variable rate
	£ 000	£ 000
PWLB loans	58,793	0
Other Market loans	16,000	0
Local Authority loans	5,750	
3% stock	561	0
TOTAL	**81,104**	**0**

Investment Profile at 30th September 2018

	Total Principal invested	Short term	
		Fixed rate	Variable rate
	£ 000	£ 000	£ 000
UK Banks & Building societies (including Call accounts)	**9,000**	9,000	0
UK Money Market Funds	**11,300**	0	11,300
TOTAL	**20,300**	**9,000**	**11,300**

Appendix B

Updated Position on the Remaining Prudential and Local Indicators

Affordability Prudential Indicators

Actual and estimates of the ratio of financing costs to net revenue stream – This indicator identifies the trend in the cost of capital (borrowing costs net of interest and investment income) against the net revenue stream.

Table 5. Ratio of Financing Costs to Net Revenue Stream

Indicators 9 & 10	2018/19 Original Estimate £000	2018/19 Revised Estimate £000	2019/20 Original Estimate £000	2019/20 Revised Estimate £000	2020/21 Original Estimate £000	2020/21 Revised Estimate £000
General Fund	13.3%	14.1%	20.1%	20.7%	21.8%	21.6%
HRA	44.1%	46.4%	43.1%	45.8%	42.5%	44.5%

The General Fund ratio has increased in 2018/19 and is expected to increase in 2019/20 and 2020/21 as a result of additional interest and MRP payments on the borrowing that is taken to finance the capital programme. The HRA ratios have increased in 2018/19 and are expected to improve slightly in future years due to anticipated reduced debt costs and the end of the four year period of a 1% annual reduction in rents.

Treasury Management Prudential Indicators

The first treasury indicator requires the adoption of the CIPFA Code of practice on Treasury Management. This Council adopted the Revised Code of Practice on Treasury Management on 1st March 2011, and as a result adopted a Treasury Management Policy & Practices statement (1st March 2011).
There are four further indicators:

Upper Limits On Variable Rate Exposure – This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments.

Upper Limits On Fixed Rate Exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates.

These indicators are complemented by four local indicators:

- Limit on fixed interest rate investments
- Limit on fixed interest rate debt
- Limit on variable rate investments
- Limit on variable rate debt

During the first half of the year the highest and lowest exposure to fixed and variable rates were as follows:

Indicators 11 & 12	**2018/19 Limit (Upper) £million**	**2018/19 Max Q1 & Q2 £million**
Upper limits on interest rate exposures		
Upper limits on fixed interest rates	96.5	72.3
Upper limits on variable interest rates	40	30.9

	2018/19 Limit %	**2018/19 Max Q1 & Q2 %**
Local indicator limits based on debt only		
Limits on fixed interest rates	100%	100%
Limits on variable interest rates	40%	0%
Local indicator limits based on investments only		
Limits on fixed interest rates	100%	51%
Limits on variable interest rates	75%	73%

Maturity Structures Of Borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate loans (those instruments which carry a fixed interest rate for the duration of the instrument) falling due for refinancing.

Indicator 13	2018/19 Original Estimate %	2018/19 Revised Estimate %	2019/20 Original Estimate %	2019/20 Revised Estimate %	2020/21 Original Estimate %	2020/21 Revised Estimate %
Maturity Structure of fixed borrowing (Upper Limits)						
Under 12 months	40%	40%	40%	40%	40%	40%
12 months to 2 years	40%	40%	40%	40%	40%	40%
2 years to 5 years	60%	60%	60%	60%	60%	60%
5 years to 10 years	80%	80%	80%	80%	80%	80%
10 years and above	100%	100%	100%	100%	100%	100%
Maturity Structure of fixed borrowing (Lower Limits)						
Under 12 months	0%	0%	0%	0%	0%	0%
12 months to 2 years	0%	0%	0%	0%	0%	0%
2 years to 5 years	0%	0%	0%	0%	0%	0%
5 years to 10 years	0%	0%	0%	0%	0%	0%
10 years and above*	10%	10%	10%	10%	10%	10%

As at 30th September 2018 the maturity structure of borrowing during the first half of the year was as follows:

Indicator 13 **Maturity Structure of fixed borrowing**	**2018/19 Half year Lower** **%**	**2018/19 Half year Upper** **%**
Under 12 months	5	5
12 months to 2 years	6	6
2 years to 5 years	6	6
5 years to 10 years	10	10
10 years and above	73	73

Total Principal Funds Invested – These limits are set to reduce the need for early sale of an investment, and are based on the availability of investments after each year-end.

Indicator 14	2018/19 Original Estimate £m	2018/19 Revised Estimate £m	2019/20 Original Estimate £m	2019/20 Revised Estimate £m	2020/21 Original Estimate £m	2020/21 Revised Estimate £m
Maximum principal sums invested > 1 year	£5m	£0m	£5m	£0m	£5m	£0m

As at 30th September 2018, there were no principal funds invested over 1 year.

Local Prudential Indicators

In addition to the statutory and local indicators listed above the Director of Resources has set four additional local indicators aimed to add value and assist in the understanding of the main indicators. These are:

1. Debt – Borrowing rate achieved against average 7 day LIBOR

	2018/19 Target %	**2018/19 Actual – 30th September %**	**2019/20 Target %**	**2020/21 Target %**
Debt – borrowing rate achieved (i.e. temporary borrowing of loans less then 1 year)	Less than 7 day LIBOR	No loans taken 7 day LIBOR rate 0.71%	Less than 7 day LIBOR	Less than 7 day LIBOR

2. Investments – Investment rate achieved against the average 7 day LIBID

	2018/19 Target %	**2018/19 Actual – 30th September %**	**2019/20 Target %**	**2020/21 Target %**
Interest rate achieved	Greater than 7 day LIBID	Achieved 0.73% compared to 0.59% LIBID (+0.14%)	Greater than 7 day LIBID	Greater than 7 day LIBID

The interest rate achieved on investments compares favourably to the 7 day LIBID due to the use of fixed term, fixed rate investments, plus the greater use of semi-fixed rate call accounts and money market funds which pay a premium over the LIBID rate.

3. Average rate of interest paid on the Council's debt during the year (this will evaluate performance in managing the debt portfolio to release revenue savings)

	2018/19 Target %	2018/19 Actual – 30th September %	2019/20 Target %	2020/21 Target %
Average rate of interest on Council debt	Less than 4.25	3.90	Less than 4.25	Less than 4.25

4. The amount of interest on debt as a percentage of gross revenue expenditure. The results against this indicator will be reported at the year-end.