PERFORMANCE SCRUTINY **21 NOVEMBER 2019**

SUBJECT:	**TREASURY MANAGEMENT AND PRUDENTIAL CODE UPDATE REPORT – HALF YEAR ENDED 30TH SEPTEMBER 2019**
REPORT BY:	**CHIEF EXECUTIVE**
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 2019. 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 2019.

2.1.1 Investment portfolio

The Council held £35.9 million of investments at 30th September 2019. 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 0.35 years (128 days). At 30th September 2019 the Council held liquid short term deposits of £16.9 million and the WAL of the investment portfolio was 0.22 years (81 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 2019 was 0.012%, which equates to a potential loss of £0.0043m on an investment portfolio of £35.9m. This is slightly higher than budgeted maximum risk of 0.005% in the Treasury Management Strategy. It represents a very low risk investment portfolio.

Yield – The Council achieved an average return of 0.85% on its investment portfolio for the 6 months ended 30th September 2019. This compares favourably with the target 7 day average LIBID at 30th September of 0.57% and is on par with the budgeted yield of 0.85% for 2019/20 in the MTFS 2019-24.

2.1.2 External borrowing

At 30th September 2019 the Council held £123.25 million of external borrowing, of which 100% were fixed rate loans (Appendix A).

As at 30th September 2019, the average rate of interest paid during quarters 1 and 2 on external borrowing was 3.6%. This is slightly lower than the budgeted rate set in the MTFS 2019-24; there has been an increase external borrowing during the first 6 months of the year to reschedule short term borrowing to long term and take advantage of low rates available.

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 2019. The Treasury Management Strategy and Prudential Indicators were previously reported to and approved by Council on 26 February 2019.

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 are subject to Executive approval since Council approved the original budget in February 2019.

Capital Expenditure	2019/20 Original Estimate £000	2019/20 Revised Estimate £000	2020/21 Original Estimate £000	2020/21 Revised Estimate £000	2021/22 Original Estimate £000	2021/22 Revised Estimate £000
General Fund	3,123	14,756	500	8,586	500	2,839
HRA	16,225	20,669	11,267	23,707	11,352	17,421
Total	**19,348**	**35,425**	**11,767**	**32,293**	**11,852**	**20,260**

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	2019/20 Original Estimate £000	2019/20 Revised Estimate £000	2020/21 Original Estimate £000	2020/21 Revised Estimate £000	2021/22 Original Estimate £000	2021/22 Revised Estimate £000
Capital Expenditure						
Total Spend	**19,348**	**35,425**	**11,767**	**32,293**	**11,852**	**20,260**
Financed by:						
Capital receipts	3,158	1,948	79	2,958	42	3,814
Capital grants & contributions	1,618	6,005	300	3,841	300	3,310
Major Repairs Reserve (Depreciation)	10,098	9,246	6,481	9,237	6,237	6,588
Revenue/Reserve Contributions	3,902	3,903	4,707	4,405	5,073	4,087
Net borrowing for the year	**572**	**14,323**	**200**	**11,852**	**200**	**2,461**

The principal changes in the financing, from the original estimates approved in February 2019 are as a result of the re-profiling of expenditure and schemes approved subsequently e.g. De Wint Court, Deacon Road, Western Growth Corridor and dwelling buy backs.

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	2019/20 Original Estimate £000	2019/20 Revised Estimate £000	2020/21 Original Estimate £000	2020/21 Revised Estimate £000	2021/22 Original Estimate £000	2021/22 Revised Estimate £000
General Fund	69,635	70,561	67,328	73,288	65,118	71,765
HRA	58,503	62,624	58,503	69,327	58,503	71,588
Total CFR	128,138	133,185	125,831	142,615	123,621	143,353
Net movement in CFR	**(838)**	**13,055**	**(2,307)**	**9,430**	**(2,210)**	**11,112**

Indicator 5	2019/20 Original Estimate £000	2019/20 Revised Estimate £000	2020/21 Original Estimate £000	2020/21 Revised Estimate £000	2021/22 Original Estimate £000	2021/22 Revised Estimate £000
Borrowing	101,353	118,500	100,498	126,100	99,643	127,500
Other long term liabilities *	105	105	0	0	0	0
Total Debt 31 March	**101,458**	**118,605**	**100,498**	**126,100**	**99,643**	**127,500**

* Other long term liabilities includes Finance leases

The Council is currently under-borrowed against the CFR, as, whilst the Council has adequate cash balances and employs internal resources until cash flow forecasts indicates the need for additional borrowing or rates are available that reduce the cost of carrying debt. PWLB borrowing rates have increased by 100bps (9/10/19) and are currently forecast to rise over the next year. Borrowing has been taken in 2019/20 (£23m) some of which has replaced short term borrowing (£15m) - further borrowing will be dependent upon any additional capital programme requirements not anticipated at this point.

The HRA borrowing requirement is considered independently from that of the General Fund and recent rates available have made it advantageous for the HRA to borrow rather than employ internal balances. Further borrowing is anticipated and will be reported as part of the MTFS and Treasury Management Strategy.

4.5 Limits to Borrowing Activity

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	**2019/20 Original Estimate £000**	**2019/20 Revised Estimate £000**	**2020/21 Original Estimate £000**	**2020/21 Revised Estimate £000**	**2021/22 Original Estimate £000**	**2021/22 Revised Estimate £000**
Gross Borrowing	101,353	118,500	100,498	126,100	99,643	127,500
Investments	(24,100)	(24,100)	(21,100)	(21,100)	(21,900)	(21,900)
Net Borrowing	77,253	94,400	79,398	105,000	77,743	107,100
CFR	**128,138**	**133,185**	**125,831**	**135,911**	**123,621**	**143,837**
Net borrowing is below CFR	50,885	38,785	46,433	30,911	45,878	36,737

*revised estimates as at 31 March

Due to changes in accounting practice the CFR in future years will include lease liabilities that are currently not recognised on the balance sheet. The council is engaged in establishing the amounts of these liabilities (previously treated as operating leases and treated as rental expenditure) and estimates will be made in the Treasury Management Strategy.

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 the 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	2019/20 Original Estimate £000	2019/20 Revised Estimate £000	2020/21 Original Estimate £000	2020/21 Revised Estimate £000	2021/22 Original Estimate £000	2021/22 Revised Estimate £000
Authorised limit for external debt*						
Borrowing	149,600	147,050	145,700	166,000	143,200	167,500
Other long term liabilities**	1,400	1,400	2,300	1,400	1,800	1,400
Total Authorised limit	**151,000**	**148,450**	**148,000**	**167,400**	**145,000**	**168,900**
Indicator 8	**2019/20 Original Estimate £000**	**2019/20 Revised Estimate £000**	**2020/21 Original Estimate £000**	**2020/21 Revised Estimate £000**	**2021/22 Original Estimate £000**	**2021/22 Revised Estimate £000**
Operational boundary for external debt*						
Borrowing	136,195	133,145	131,900	151,000	130,100	152,500
Other long term liabilities**	1,205	105	2,000	1,200	1,600	1,200
Total Operational Boundary	**137,400**	**133,250**	**133,900**	**152,200**	**131,700**	**153,700**

* The highest level of external debt during the first half of 2019/20 was £123.254m.

** 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 2019 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.

Other Prudential Indicators

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

5. Treasury Management Strategy 2019/20 to 2021/22 Update

5.1 Economic Update

5.1.1 The prolonged nature of the Brexit uncertainty, including the still real risk of a no-deal exit along with the political uncertainty of a General Election, together with a deterioration in global economic conditions are resulting in a weakening forecast for the UK's economy. Growth in 2018 at 1.4% was at its lowest since 2012, down from 1.8% in 2017. For 2019 growth improved slightly to 0.5% for the first quarter but then the second quarter showed the economy going into reverse with a contraction of 0.2%. Latest economic forecasts expect the economy to expand by 0.2% in the third quarter, avoiding a technical recession, defined as two consecutive quarters of economic decline. Growth expectations for the UK for 2019 are now estimated at 1.2%, a downgrade from earlier forecasts and reflective of a weaker outlook for trade, investment and productivity amid the continued lack of clarity over the outcome of Brexit and deteriorating global conditions.

Beyond 2019, the latest outlook indicates that the UK economy is set to stumble down an ever more sluggish growth path over the near term, unless decisive action is taken. The latest forecast for UK growth is a fall back to 0.8% in 2020 before increasing back to 1.2% in 2021. There are however still considerable downside risks to these growth projections given the uncertainties associated with the outcome of the General Election and Brexit (and the possibilities of trade wars), but there are also upside possibilities if a Brexit deal is negotiated.

CPI forecasts are that it is likely to fall back further during 2019 and 2020, remaining below the Government's target rate until late 2020.

Members of the Bank's MPC voted unanimously to keep rates at their current level of 0.75%. The Bank signalled that prolonged Brexit uncertainty will keep interest rates lower for longer, however it stressed that interest rates could move up or down if the UK left the EU without a deal.

The longer the uncertainty around the General Election and Brexit continues, particularly against the background of a weak global economy, the more likely that growth and also inflation will slow reducing the need for the Bank of England to raise interest rates.

5.1.2 Current medium term interest rate forecasts are shown below:

Link Asset Services Interest Rate View	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	2.30	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00	3.10
10yr PWLB Rate	2.60	2.80	2.90	3.00	3.00	3.10	3.20	3.30	3.30	3.40
25yr PWLB Rate	3.30	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00
50yr PWLB Rate	3.20	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90

This forecast includes the increase in margin over gilt yields of 100bps introduced on 9th October 2019.

5.2 <u>Borrowing activity</u>

5.2.1 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.

5.2.2 Long-term fixed interest rates are currently low, although have increased following a government increase of 1% on all PWLB borrowing. Interest rates are 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 2019/20 and 2020/21. 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.

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

5.3 Investment Strategy 2019/20 to 2021/22

5.3.1 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.

5.3.2 The Council held £35.9 million of investments at 30th September 2019 and the investment profile is shown in Appendix A.

5.4 Risk Benchmarking

The Investment Strategy for 2019/20 includes the following benchmarks for liquidity and security. Yield benchmarks are contained within section 6.

5.4.1 *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 0.35 years (128 days). At 30th September 2019 the Council held liquid short term deposits of £16.9 million and the WAL of the investment portfolio was 0.22 years (81 days). The shorter length in the WAL of the investment portfolio is due to investments being held in shorter term accounts to service cash flow requirements and a lower return environment.

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

5.4.2 *Security* – The Council's maximum security risk benchmark for the portfolio as at 30th September 2019 was 0.012%, which equates to a potential loss of £0.0043m on an investment portfolio of £35.9m. This is slightly higher than the budgeted maximum risk of 0.005% 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 2019/20 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 2019, 100% of the investment portfolio was held in low risk specified investments.

6. Yield Benchmarking

6.1 The Council participates in a benchmarking group run by our Treasury Management advisors (Link). To 30th September 2019 the benchmarking group achieved average yields of 0.92% on an average portfolio of investments of £80.1m compared to City of Lincoln's yield of 0.85% on £35.9m of investments.

7. Strategic Priorities

7.1 High Preforming Services - 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.

8.2 Legal - The Treasury Management Strategy and Prudential Indicators meet the requirements under legislation and code of practice.

9. Recommendations

9.1 It is recommended that members note the Prudential and Local Indicators and the actual performance against the Treasury Management Strategy 2019/20 for the half-year ended 30th September 2019.

Is this a key decision?	No
Do the exempt information categories apply?	No
Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?	No
How many appendices does the report contain?	Two
List of Background Papers:	Treasury Management Strategy 2019/20 (Approved by Council February 2019)
Lead Officer:	Sarah Hardy, Group Accountant (Technical and Exchequer) Telephone (01522) 873839

Appendix A

Borrowing Profile at 30th September 2019

	Long term borrowing	
	Fixed rate	**Variable rate**
	£ 000	**£ 000**
PWLB loans	94,693	0
Other Market loans	16,000	0
Local Authority loans	12,000	
3% stock	561	0
TOTAL	**123,254**	**0**

Investment Profile at 30th September 2019

	Total Principal invested	**Short term**	
		Fixed rate	**Variable rate**
	£ 000	**£ 000**	**£ 000**
UK Banks & Building societies (including Call accounts)	**19,000**	19,000	0
UK Money Market Funds	**16,900**	0	16,900
TOTAL	**35,900**	**19,000**	**16,900**

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	2019/20 Original Estimate £000	2019/20 Revised Estimate £000	2020/21 Original Estimate £000	2020/21 Revised Estimate £000	2021/22 Original Estimate £000	2021/22 Revised Estimate £000
General Fund	24.4%	19.7%	26.6%	27.2%	24.4%	29.4%
HRA	30%	31.4%	29.1%	28.8%	28.4%	28.2%

The General Fund ratio is expected to increase in 2020/21 and 2021/22 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 2019/20 and are expected to decrease slightly in future years as the four year period of a 1% annual reduction in rents comes to an end.

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	2019/20 Limit (Upper) £million	2019/20 Max Q1 & Q2 £million	2019/20 Min Q1 & Q2 £million
Upper limits on interest rate exposures			
Upper limits on fixed interest rates	112.1	104.3	104.3
Upper limits on variable interest rates	47.3	0	0

	2019/20 Limit %	2019/20 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%	53%
Limits on variable interest rates	75%	47%

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	2019/20 Original Estimate %	2019/20 Revised Estimate %	2020/21 Original Estimate %	2020/21 Revised Estimate %	2021/22 Original Estimate %	2021/22 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 2019 the maturity structure of borrowing during the first half of the year was as follows:

Indicator 13 Maturity Structure of fixed borrowing	At 30/9/2019 %	At 31/3/2020 %
Under 12 months	4	8
2 years to 5 years	12	5
5 years to 10 years	6	8

10 years to 15 years	11	14
15 years to 25 years	23	19
25 years to 30 years	3.5	4
30 years to 40 years	17	17
40 years and over	23.5	25

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	2019/20 Original Estimate £000	2019/20 Revised Estimate £000	2020/21 Original Estimate £000	2020/21 Revised Estimate £000	2021/22 Original Estimate £000	2021/22 Revised Estimate £000
Maximum principal sums invested > 1 year	£5m	£0m	£5m	£0m	£5m	£0m

As at 30th September 2019, 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

	2019/20 Target %	2019/20 Actual – 30th September %	2020/21 Target %	2021/22 Target %
Debt – borrowing rate achieved (i.e. temporary borrowing of loans less then 1 year)	Less than 7 day LIBOR	No temporary loans taken 7 day LIBOR rate 0.69%	Less than 7 day LIBOR	Less than 7 day LIBOR

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

	2019/20 Target %	2019/20 Actual – 30th September %	2020/21 Target %	2021/22 Target %
Interest rate achieved	Greater than 7 day LIBID	Achieved 0.85% compared to 0.57% LIBID (+0.28%)	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).

	2019/20 Target %	2019/20 Average Q1&Q2 %	2020/21 Target %	2021/22 Target %
Average rate of interest paid on Council debt	4.75%	3.6%	4.75%	4.75%

The average rate on debt outstanding at 30 September is 3.55%, the average rate paid during quarters 1 and 2 is 3.6% and the average rate expected for 2019/20 to be paid is 3.65%.

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.