AUDIT COMMITTEE
20 NOVEMBER 2019

ITEM NO. ....

MID YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT 2019/20

SUMMARY REPORT

Purpose of the Report

1. This report seeks approval of the revised Treasury Management Strategy, Prudential Indicators and provides a half–yearly review of the Council's borrowing and investment activities. Audit Committee are requested to forward the revised Strategy and indicators to Cabinet and Council for their approval and note changes to the MTFP with regard to the Treasury Management Budget (Financing Costs).

Summary

2. The mandatory Prudential Code, which governs Council's borrowing, requires Council approval of controls, called Prudential Indicators, relating to capital spending and borrowing. Prudential Indicators are set in three statutory annual reports, a forward looking annual treasury management strategy, a backward looking annual treasury management report and this mid-year update. The mid-year update follows Council's approval in February 2019 of the 2019/20 Prudential Indicators and Treasury Management Strategy.

3. The key objectives of the three annual reports are:

(a) to ensure the governance of the large amounts of public money under the Council's Treasury Management activities:

   (i) Complies with legislation
   (ii) Meets high standards set out in codes of practice

(b) To ensure that borrowing is affordable,
(c) To report performance of the key activities of borrowing and investments.

4. The key proposed revisions to Prudential Indicators relate to:

(a) The Operational Boundary will reduce to £185.498m and the Authorised Limit to £194.673m to allow for any additional cashflow requirement.
(b) The facility to lend to Registered Social Landlords (RSL's) of £100m that was included in previous reports has been removed.

5. Investments now include £30m in property funds which are expected to increase our net return on investments by around £0.700m in future years.

Recommendation

6. It is recommended that :

(a) The revised prudential indicators and limits within the report in Tables 1 to 6, 8 and 15 to 18 are examined.

(b) The over-spend in the Treasury Management Budget (Financing Costs) of £0.033m shown in Table 12 is noted.

(c) That this report is forwarded to Council via Cabinet with comments from this committee, in order for the updated prudential indicators to be approved.

Reasons

7. The recommendations are supported by the following reasons :-

(a) In order to comply with the Prudential Code for Capital Finance in Local Authorities;
(b) To inform Members of the performance of the Treasury Management function;
(c) To comply with the Local Government Act 2003;
(d) To enable further improvements to be made in the Council's Treasury Management function.

Paul Wildsmith
Managing Director

Background Papers

(i) Capital Medium Term Financial Plan 2019/20
(ii) Accounting records
(iii) The Prudential Code for Capital Finance in Local Authorities

Peter Carrick: Extension 5401

S17 Crime and Disorder	This report has no implications for S17 Crime and Disorder.
Health and Well Being	This report has no implications for the Council's Health and Well Being agenda.
Carbon Impact	There are no carbon impact implications in this report.
Diversity	There are no specific implications for the Council's diversity agenda.
Wards Affected	All Wards.
Groups Affected	All Groups.
Budget and Policy Framework	This report must be considered by Council.
Key Decision	This is not an executive decision.
Urgent Decision	For the purposes of call in this report is not an urgent decision.
One Darlington: Perfectly Placed	This report has no particular implications for the sustainable Community Strategy.
Efficiency	The report refers to actions taken to reduce costs and manage risks.
Impact on Looked After Children and Care Leavers	This report does not impact on Looked After Children or Care Leavers

MAIN REPORT

Information and Analysis

8. This mid-year review report meets the regulatory framework requirement of treasury management. It also incorporates the needs of the Prudential Code to ensure monitoring of the capital expenditure plans and the Council's prudential indicators (PIs). The Treasury Strategy and the PIs were previously reported to Council on 21 February 2019.

9. This report concentrates on the revised positions for 2019/20. Future year's indicators will be revised when the impact of the MTFP 2020/21 onwards is known.

10. A summary of the revised headline indicators for 2019/20 is presented in **Table 1** below**.** More detailed explanations of each indicator and any proposed changes are contained in the report. The revised indicators reflect the movement in the Capital MTFP since its approval in February 2019 and the means by which it is financed.

Table 1 Headline Indicators

	2019/20 Original Estimate	**2019/20 Revised Estimate**
	£m	£m
Capital Expenditure (Tables 2 and 3)	34.149	38.658
Capital Financing Requirement (Table 4)	321.264	216.930
Operational Boundary for External Debt (Table 4)	310.498	185.498
Authorised Limit for External Debt (Table 6)	326.023	194.773
Ratio of Financing Costs to net revenue stream- General Fund (Table 15)	2.74%	2.57%
Ratio of Financing Costs to net revenue stream- Housing Revenue Account (HRA)(Table 15)	17.48%	17.11%

11. The capital expenditure plans and prudential indicators for capital expenditure are set out initially, as these provide the framework for the subsequent treasury management activity. The actual treasury management activity follows the capital framework and the position against the treasury management indicators is shown at the end.

12. The purpose of the report supports the objective in the revised CIPFA Code of Practice on Treasury Management and the Ministry of Housing, Communities and Local Government Investment Guidance which state that Members receive and adequately scrutinise the treasury service.

13. The underlying economic environment remains difficult for Councils and concerns over counterparty risk are still around. This background encourages the Council to continue investing over the shorter term and with high quality counterparties, the downside is that investment returns remain low.

Key Prudential Indicators

14. This part of the report is structured to update:

(a) The Council's capital expenditure plans
(b) How these plans are financed
(c) The impact of the changes in the capital expenditure plans on the PI's and the underlying need to borrow
(d) Compliance and limits in place for borrowing activity
(e) Changes to the Annual Investment Strategy
(f) The revised financing costs budget for 2019/20

Capital Expenditure PI

15. **Table 2** shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the budget.

Table 2

Capital Expenditure by Service	2019/20 Original Estimate	2019/20 Revised Estimate
	£m	£m
General Fund	7.615	17.280
HRA	22.534	10.834
Total Estimated Capital Expenditure	**30.149**	**28.114**
Loans to Joint Ventures	4.000	10.544
Total	**34.149**	**38.658**

16. The changes to the 2019/20 capital expenditure estimates have been notified to Cabinet as part of the Capital Budget monitoring process (Quarterly Project Position Statement Report).

17. The current capital programme, that has not already been financed, now stands at £87.520m. The expenditure against these schemes will fall over a number of years and not just during 2019/20. A reduction of £49.000m has been allowed for schemes where it is known completion will be in 2020/21 onwards, however by the very nature of capital schemes it is likely that others will also slip into future years.

Impact of Capital Expenditure Plans

Changes to the financing of the Capital Programme

18. **Table 3** draws together the main strategy elements of the capital expenditure plans shown above, highlighting the original elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element (Borrowing Need) increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR). Borrowing need has increased for 2019/20 due to slipped

schemes from previous years being completed this financial year. This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Table 3

Capital Expenditure	2019/20 Original Estimate	2019/20 Revised Estimate
	£m	£m
General Fund	7.615	17.280
HRA	22.534	10.834
Loans to Joint Ventures	4.000	10.544
Total Capital expenditure	34.149	38.658
Financed By:		
Capital Receipts - Housing	0.200	0.200
Capital Receipts –General Fund	1.686	1.705
Capital grants	5.929	14.753
Revenue Contributions – Housing	10.634	10.634
Total Financing	18.449	27.292
Borrowing Need	**15.700**	**11.366**

The Capital Financing Requirement (PI), External Debt (PI) and the Operational Boundary

19. **Table 4** shows the Capital Financing Requirement (CFR), which is the underlying external need to borrow for capital purposes. It also shows the expected actual debt position over the period which is called the Operational Boundary. The reduction in Borrowing Need (Table 3) is around £4.3m and currently actual borrowing for the Council is £171.761m, it is proposed to set an actual borrowing figure of £174.000m this will accommodate the additional borrowing need and any debt requirements for cash flow purposes. Other Long term liabilities (the PFI scheme) will be added to give the revised operational boundary for 2019/20.

Prudential Indicator- External Debt/ Operational Boundary

Table 4

	2019/20 Original Estimate	2019/20 Revised Estimate
	£m	£m
Prudential Indicator- Capital Financing Requirement		
Opening CFR- Post Audit of Accounts	307.348	307.348
Closing CFR	321.264	216.930
CFR General Fund	131.799	125.921
CFR General Fund PFI/Leasing IFRS	11.498	11.498
CFR – Housing	68.967	68.967
CFR – Loans to RSL’s	100.000	0.000
CFR – Loans to Joint Ventures	9.000	10.544
Total Closing CFR	**321.264**	**216.930**
Net Movement in CFR	13.916	(90.418)
Borrowing	299.000	174.000
Other long Term Liabilities	11.498	11.498
Total Debt 31 March- Operational Boundary	**310.498**	**185.498**

Limits to Borrowing Activity

20. The first key control over the treasury activity is a PI to ensure that over the medium term gross borrowing should not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the next two financial years. As shown in table 5 below.

Table 5

	2019/20 Original Estimate £m	2019/20 Revised Estimate £m	2020/21 Revised Estimate £m	2021/22 Original Estimate £m
Gross borrowing	299.000	171.760	176.760	176.760
Plus Other Long Term Liabilities	11.498	11.498	10.358	9.232
Total Gross Borrowing	310.498	183.258	187.118	185.992
CFR* (year-end position)	321.264	216.930	215.729	210.519

* includes on balance sheet PFI schemes and finance leases

21. The Assistant Director Resources reports that no difficulties are envisaged for the current and future years in complying with this PI.

22. A further PI 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 desirable, could be afforded in the short term, but is not sustainable in the longer term. The Authorised Limit for 2019/20 is currently set 5% above the

Operational Boundary to allow for any additional cashflow needs. Whilst it is not expected that borrowing would be at these levels this would allow additional borrowing to take place should market conditions change suddenly and swift action was required. This is a Statutory limit determined under section 3 (1) of the Local Government Act 2003.

23. It is proposed to move the Authorised Limit in **Table 6** in line with the movement in the overall Capital Financing Requirement.

Table 6

Authorised Limit for External Debt	2019/20 Original Indicator £m	2019/20 Revised Indicator £m
Operational Boundary	310.498	185.498
Additional headroom to Capital Financing Requirement	15.525	9.275
Total Authorised Limit for External Debt	326.023	194.773

Interest Rate Forecasts Provided by Link Asset Services

Table 7

	Bank Rate	**PWLB rates for borrowing purposes***			
		5 year	10 year	25 year	50 year
	%	%	%	%	%
2019/20					
Dec 2019	0.75	2.30	2.60	3.30	3.20
March 2020	0.75	2.50	2.80	3.40	3.30
2020/21					
June 2020	0.75	2.60	2.90	3.50	3.40
Sept 2020	0.75	2.70	3.00	3.60	3.50
Dec 2020	1.00	2.70	3.00	3.70	3.60
March 2021	1.00	2.80	3.10	3.70	3.60
2021/22					
June 2021	1.00	2.90	3.20	3.80	3.70
Sept 2021	1.00	3.00	3.30	3.90	3.80
Dec 2021	1.00	3.00	3.30	4.00	3.90
March 2022	1.25	3.10	3.40	4.00	3.90

*****PWLB rates above are for certainty rates (which are provided for those authorities that have disclosed their borrowing/capital plans to the government. Darlington Borough Council will be able to access these certainty rates which are 0.2% below PWLB's normal borrowing rates.

24. The above forecasts have been based on an assumption that there will be an agreed deal on Brexit at some point in time. Given the current level of uncertainties, this is a huge assumption and so forecasts may need to be materially reassessed in the light of events over the next few weeks or months.

25. It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit. In its meeting on 1 August, the MPC became more dovish as it was more concerned about the outlook for both the global and domestic economies. That's shown in the policy statement, based on an assumption that there is an agreed deal on Brexit, where the suggestion that rates would need to rise at a "gradual pace and to a limited extent" is now also conditional on "some recovery in global growth". Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. If there were a no deal Brexit, then it is likely that there will be a cut or cuts in Bank Rate to help support economic growth. The September MPC meeting sounded even more concern about world growth and the effect that prolonged Brexit uncertainty is likely to have on growth.

26. The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similar to the downside.

27. The downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Brexit – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- Bank of England takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the Eurozone sovereign debt crisis. In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new unlikely alliance of two very different parties will endure.
- Weak capitalisation of some European banks, particularly Italian banks.
- German minority government. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD had a major internal debate as to whether it could continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018. However, this makes little practical difference as she has continued as Chancellor, though more recently concerns have arisen over her health.
- Other minority EU governments. Austria, Sweden, Spain, Portugal, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile.

- Italy, Austria, the Czech Republic and Hungary now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- There are concerns around the level of US corporate debt which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- Geopolitical risks, for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

28. The upside risks to current forecasts for UK gilts and PWLB rates are:

- Brexit – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Treasury Management Strategy 2019/20 and Annual Investment Strategy Update

29. The Treasury Management Strategy Statement, (TMSS), for 2019/20 was approved by this Council on 21 February 2019.

30. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

Debt Activity during 2019/20

31. The expected net borrowing need is set out in table 8

Table 8

	2019/20 Original Estimate £m	2019/20 Revised Estimate £m
CFR (year-end position) from Table 4	321.264	216.930
Less other long term liabilities PFI and finance leases	11.498	11.498
Net adjusted CFR (net year end position)	309.766	205.432
Expected Borrowing	299.000	174.000
(Under)/ Over borrowing	(10.766)	(31.432)
Expected Net movement in CFR	13.916	(90.418)
Expected Net Movement in CFR represented by		
Net financing need for the year from table 3	15.700	11.366
Less MRP General Fund	0.000	0.000
Less MRP Housing	0.629	0.629
Less MRP relating to finance leases including PFI	1.155	1.155
Less RSL's removed	0.000	100.000
Movement in CFR (Net Borrowing Need)	13.916	(90.418)

32. The following new borrowing has been taken to date.

Table 9

Date Taken	Term	Amount £m	Interest Rate	Purpose	Lender
24/05/2019	1 year	2	1.02	Property Funds	Other Local Authority
24/05/2019	1 year	3	1.02	Property Funds	Other Local Authority
27/09/2019	1 year	5	0.83	Property Funds	Other Local Authority
03/10/2019	2 years	5	0.87	General	Other Local Authority
17/10/2019	3 months	5	0.70	General	Other Local Authority

33. The amount borrowed by the Council now stands at £175.661m, this excludes any additional cashflow loans which may be required.

34. There will still be an element of under-borrowing by the Council at the end of March 2020.

Increase in the cost of borrowing by the PWLB

35. On 9 October 2019 the Treasury and PWLB announced an increase in the margin over gilt yields of 100bps on top of the current margin of 80 bps which this authority has paid prior to this date for new borrowing from the PWLB. There was no prior warning that this would happen and it now means that every local authority has to fundamentally reassess how to finance their external borrowing needs and the financial viability of capital projects in their capital programme due to this unexpected increase in the cost of borrowing. Representations are going to be made to HM Treasury to suggest that areas of capital expenditure that the Government are keen to see move forward e.g. housing, should not be subject to such a large increase in borrowing.

36. Whereas this authority has previously relied on the PWLB as its main source of long-term funding, it now has to fundamentally reconsider alternative cheaper sources of borrowing. At the current time, this is a developmental area as this event has also taken the financial services industry by surprise. We are expecting that various financial institutions will enter the market or make products available to local authorities. Members will be updated as this area evolves.

37. The 100bps increase in PWLB rates from 09/10/2019 only applied to new borrowing rates, not to premature repayment rates.

Debt Rescheduling

38. Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates, and following the increase 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.

Annual Investment Strategy 2019/20

Investment Portfolio

39. In accordance with the Code, it is the Council's priority to ensure security of Capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. It is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous years as rates are very low and in line with the current 0.75% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis together with other risks which could impact on the creditworthiness of banks prompts a low risk strategy. Given this risk environment investment returns are likely to remain low.

Treasury Management Activity from 1 April 2019 to 22 October 2019

40. Current investment position – The Council held £59.499m of investments at 22/10/2019 and this is made up of the following types of investment.

Table 10

Sector	Country	Up to 1 year
		£m
Banks	UK	9.000
AAA Money Market Funds	Sterling Funds	20.500
Property Funds - CCLA	UK	10.000
Hermes		10.000
Lothbury	UK	9.999
Total		**59.499**

Short Term Cashflow Investments

41. Cash balances are invested on a daily basis to maximise the benefit of temporary surplus funds. These include investments in Money Market Funds, the Government's Debt Management Office and bank short term notice accounts. A total of 42 investments were made in the period 1 April 2019 to 30 September 2019 totalling c£79m these were for short periods of up to 100 days and earned interest of £108k on an average balance of £28.171m which equated to an annual average interest rate of 0.75%

Investment returns measured against the Service Performance Indicators

42. The target for our investment returns is to better or at least match a number of external comparators, this performance indicator is also known as yield benchmarking. As can be seen from Table 11, the short and long term investment achievements are above market expectations.

Table 11

	Cashflow Investments %
Darlington Borough Council - Actual	**0.75**
External Comparators	
London Interbank Bid Rate 7 day	0.57
London Interbank Bid Rate 3 months	0.70
London Interbank Bid Rate one year	1.00

Treasury Management Budget

43. There are three main elements within the Treasury Management Budget:-

(a) Longer term capital investments interest earned – a cash amount of which earns interest and represents the Councils revenue balances, unused capital receipts, reserves and provisions, this will now include Property Funds.

(b) Cash flow interest earned – since becoming a unitary council in 1997, the authority has consistently had a positive cash flow. Unlike long term capital investments it does not represent any particular sum but it is the consequence of many different influences such as receipt of grants, the relationship between debtors and creditors, cashing of cheques and payments to suppliers.

(c) Debt serving costs – this is the principal and interest costs on the Council's long term debt to finance the capital programme.

Table 12 - Changes to the Financing Costs Budget 2019/20

	£m	£m
Original Financing Costs Budget 2019/20		**(0.702)**
Add reduced Repayment of Principal	(0.105)	
Add increased Interest payments paid on debt	(0.077)	
Less reduced interest earned on Investments	0.089	
Less reduced returns on Property Funds and Commercial Ventures	0.126	
Total adjustments		**0.033**
Revised Treasury Management Budget 2019/20		**(0.669)**

44. This statement concludes that the Treasury Management budget is forecast to overspend by £0.033m in 2019/20 due to a combination of less than expected returns on Commercial Ventures and investments and reduced interest/principal repayments, these have been reflected in the current MTFP projections.

Risk Benchmarking

45. A regulatory development is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance and these are shown in Table 10. Discrete security and liquidity benchmarks are also requirements of member reporting.

46. The following reports the current position against the benchmarks originally approved.

47. **Security** – The Council's maximum security risk benchmarks for the current portfolio of investments, when compared to historic default tables were set as follows;

0.077% historic risk of default when compared to the whole portfolio

Table 13

Maximum	**Benchmark 2019/20**	**Actual July**	**Actual September**
Year 1	0.077%	0.002%	0.002%

N.B. this excludes Property Funds

48. The counterparties that we use are all high rated therefore our actual risk of default based on ratings attached to counterparties is very low.

49. **Liquidity** – In respect of this area the Council set liquidity facilities/ benchmark to maintain

    (i) Bank overdraft - £0.100M
    (ii) Liquid short term deposits of a least £3.000M available within a weeks notice
    (iii) Weighted Average Life benchmark is expected to be 0.4 years with a maximum of 1 year

50. The Assistant Director Resources can report that liquidity arrangements have been adequate for the year to date as shown in Table 13

Table 14

	Benchmark 2019/20	Actual June	Actual September
Weighted Average Life	0.4 – 1 year	0.10 years	0.12 years

51. The figures are for the whole portfolio of cash flow investments deposited with Money Market funds on a call basis (i.e. can be drawn on without notice) as well as call accounts that include a certain amount of notice required to recall the funds.

Treasury Management Indicators

52. **Actual and estimates of the ratio of financing costs to net revenue stream** – This indicator identifies the trend in the cost of capital (financing costs net of interest and investment income) against the net revenue stream. The reduction in % relates to reduced financing costs for General Fund of £0.140m.

Table 15

	2019/20 Original Indicator	2019/20 Revised Indicator
General Fund	**2.74%**	**2.57%**
HRA	**17.48%**	**17.11%**

Treasury Management Prudential indicators

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

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

55. Historically for a number of years this Council has used these percentages; together they give flexibility to the treasury management strategy allowing the

Council to take advantage of both fixed and variable rates in its portfolio whilst ensuring that its exposure to variable rates is limited.

Table 16

	2019/20 Original Indicator	2019/20 Revised Indicator
Limits on fixed interest rates	100%	100%
Limits on variable interest rates	40%	40%

56. **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 for the duration of the instrument) falling due for refinancing. The higher limits for longer periods reflect the fact that longer maturity periods give more stability to the debt portfolio.

Table 17

Maturity Structures of Borrowing

	2019/20 Original indicator	2019/20 Actual to Date	2019/20 Revised Indicator
Under 12 months	25%	17%	30%
12 months to 2 years	40%	6%	40%
2 years to 5 years	60%	12%	60%
5 years to 10 years	80%	9%	80%
10 years and above	100%	57%	100%

57. **Total Principal Funds Invested –** These limits are set having regard to the amount of reserves available for longer term investment and show the limits to be placed on investments with final maturities beyond 1 year. This limit allows the authority to invest for longer periods if they give better rates than shorter periods. It also allows some stability in the interest returned to the Authority.

Table 18

Principal Funds Invested

	2019/20 Original Indicator	2019/20 Revised Indicator
Maximum principal sums invested greater than 1 year	£50m	£30m

Conclusion

58. The prudential indicators have been produced to take account of the Council's borrowing position. The key borrowing indicator (the Operational Boundary) is £185.498m. The Council's return on investments has been good, exceeding both of the targets. Based on the first six months of 2019/20 the Council's borrowing and investments is forecast to overspend by £0.033m on the approved 2019/20 budget.

59. The Council's treasury management activities comply with the required legislation and meet the high standards set out in the relevant codes of practice.

Outcome of Consultation

60. No consultation was undertaken in the production of this report.