

EXTRAORDINARY MEETING OF THE COUNCIL



Thursday, 13th October, 2022

8.00 pm

**Council Chamber
Thanet District Council
Margate**

**www.thanet.gov.uk
01843 577000**



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Date: 5 October 2022
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You are hereby summoned to attend the meeting of the Thanet District Council to be held in the Council Chamber, Council Offices, Cecil Street, Margate, Kent on Thursday, 13 October 2022 at 8.00 pm for the purpose of transacting the business mentioned below.

A handwritten signature in black ink, appearing to read "Sambler".

Interim Head of Legal and Monitoring Officer

To: The Members of Thanet District Council

FIRE ALARM PROCEDURES: If the fire alarm is activated, please vacate the offices via the stairs either through the security door to the left of the Chairman or opposite the lifts in the foyer. Please do not use the lifts. Please assemble in Hawley Square on the green. Officers will assist you and advise when it is deemed safe to return to the Chamber.

AGENDA

Item
No

1. **APOLOGIES FOR ABSENCE**
2. **DECLARATIONS OF INTEREST** (Pages 3 - 4)

To receive any declarations of interest. Members are advised to consider the advice contained within the Declaration of Interest advice attached to this Agenda. If a Member declares an interest, they should complete the [Declaration of Interest Form](#)

3. **ANNUAL TREASURY MANAGEMENT REVIEW 2021-22** (Pages 5 - 30)
4. **NOTICE OF MOTION**

To receive any Notices of Motion from Members of Council in accordance with the Council Procedure Rule 3.

- 4a **NOTICE OF MOTION REGARDING TEMPORARY ACCOMMODATION** (Pages 31 - 34)



Do I have a Disclosable Pecuniary Interest and if so what action should I take?

Your Disclosable Pecuniary Interests (DPI) are those interests that are, or should be, listed on your Register of Interest Form.

If you are at a meeting and the subject relating to one of your DPIs is to be discussed, in so far as you are aware of the DPI, you **must** declare the existence **and** explain the nature of the DPI during the declarations of interest agenda item, at the commencement of the item under discussion, or when the interest has become apparent

Once you have declared that you have a DPI (unless you have been granted a dispensation by the Standards Committee or the Monitoring Officer, for which you will have applied to the Monitoring Officer prior to the meeting) you **must**:-

1. Not speak or vote on the matter;
2. Withdraw from the meeting room during the consideration of the matter;
3. Not seek to improperly influence the decision on the matter.

Do I have a significant interest and if so what action should I take?

A significant interest is an interest (other than a DPI or an interest in an Authority Function) which:

1. Affects the financial position of yourself and/or an associated person; or
Relates to the determination of your application for any approval, consent, licence, permission or registration made by, or on your behalf of, you and/or an associated person;
2. And which, in either case, a member of the public with knowledge of the relevant facts would reasonably regard as being so significant that it is likely to prejudice your judgment of the public interest.

An associated person is defined as:

- A family member or any other person with whom you have a close association, including your spouse, civil partner, or somebody with whom you are living as a husband or wife, or as if you are civil partners; or
- Any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors; or
- Any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000;
- Any body of which you are in a position of general control or management and to which you are appointed or nominated by the Authority; or
- any body in respect of which you are in a position of general control or management and which:
 - exercises functions of a public nature; or
 - is directed to charitable purposes; or
 - has as its principal purpose or one of its principal purposes the influence of public opinion or policy (including any political party or trade union)

An Authority Function is defined as: -

- Housing - where you are a tenant of the Council provided that those functions do not relate particularly to your tenancy or lease; or
- Any allowance, payment or indemnity given to members of the Council;
- Any ceremonial honour given to members of the Council
- Setting the Council Tax or a precept under the Local Government Finance Act 1992

If you are at a meeting and you think that you have a significant interest then you **must** declare the existence **and** nature of the significant interest at the commencement of the matter, or when the interest has become apparent, or the declarations of interest agenda item.

Once you have declared that you have a significant interest (unless you have been granted a dispensation by the Standards Committee or the Monitoring Officer, for which you will have applied to the Monitoring Officer prior to the meeting) you **must**:-

1. Not speak or vote (unless the public have speaking rights, or you are present to make representations, answer questions or to give evidence relating to the business being discussed in which case you can speak only)
2. Withdraw from the meeting during consideration of the matter or immediately after speaking.
3. Not seek to improperly influence the decision.

Gifts, Benefits and Hospitality

Councillors must declare at meetings any gift, benefit or hospitality with an estimated value (or cumulative value if a series of gifts etc.) of £25 or more. You **must**, at the commencement of the meeting or when the interest becomes apparent, disclose the existence and nature of the gift, benefit or hospitality, the identity of the donor and how the business under consideration relates to that person or body. However you can stay in the meeting unless it constitutes a significant interest, in which case it should be declared as outlined above.

What if I am unsure?

If you are in any doubt, Members are strongly advised to seek advice from the Monitoring Officer or the Committee Services Manager well in advance of the meeting.

If you need to declare an interest then please complete the declaration of [interest form](#).

Annual Treasury Management Review 2021-22

Council	13 October 2022
Report Author	Chris Blundell, Acting Deputy Chief Executive and Section 151 Officer
Portfolio Holder	Councillor David Saunders, Cabinet Member for Finance
Status	For Decision
Classification	Unrestricted
Previously Considered by	Governance and Audit Committee Cabinet
Ward	Thanet Wide

Executive Summary:

This report summarises treasury management activity and prudential/ treasury indicators for 2021-22. However, the council's 2020-21 and 2021-22 accounts have not yet been audited and hence the figures in this report are subject to change. 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 2021-22 year-end position for treasury activities.

Key reporting items to consider include:

- 2021-22 capital expenditure on long term assets was £12.7m (2020-21: £23.5m), against a budget of £31.0m.
- The council's gross debt, also called the borrowing position, at 31 March 2022 was £20.2m (31 March 2021: £24.4m).
- The council's underlying need to borrow to finance its capital expenditure, also called the Capital Financing Requirement (CFR), was £51.7m at 31 March 2022 (31 March 2021: £56.7m).
- Therefore it can be reported the council has complied with the requirement to hold less gross debt than its CFR.
- The maximum debt held by the council during 2021-22 was £24.4m, which was well within the statutory authorised limit of £96.0m

- At 31 March 2022 the council's investment balance was £51.3m (31 March 2021: £31.3m).
- A marked reduction in GF capital receipts which has implications for funding the future capital programme.

Recommendation(s):

That Council:

1. Notes the actual 2021-22 prudential and treasury indicators in this report;
2. Approves this Annual Treasury Management Report for 2021-22.

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 Acting Deputy Chief Executive, and this report is helping to carry out that function.

Risk Management

Risk management is as per the provisions of the annual Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy.

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. Introduction and Background

- 1.1. 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.”
- 1.2. The council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the council’s low risk appetite, providing adequate liquidity initially before considering investment return.
- 1.3. 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 that the council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any existing debt may also be restructured to meet council risk or cost objectives.

2. Reporting Requirements

- 2.1. This council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2021-22. This report meets the requirements of both the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 2.2. During 2021-22 the minimum reporting requirements were that the full council should receive the following reports:
 - an annual treasury strategy in advance of the year (council 11-02-2021):
<https://democracy.thanet.gov.uk/documents/s71302/Treasury%20Mgmt%20Strategy%202021-22%20Council.pdf>
 - a mid-year treasury update report (council 12-01-2022):
<https://democracy.thanet.gov.uk/documents/s74953/Mid%20Year%20Report%20Council%202021-22%201.pdf>
 - an annual review following the end of the year describing the activity compared to the strategy (this report).

- 2.3. 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 2021-22 year-end position for treasury activities and highlights compliance with the council's policies previously approved by members.
- 2.4. This council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Governance and Audit Committee before they were reported to the full council. Member training on treasury management issues was last undertaken on 24 March 2022 in order to support members' scrutiny role, and further training will be arranged as required. The council's external treasury management advisor is Link Group, Treasury Solutions (Link).
- 2.5. The council's 2020-21 and 2021-22 accounts have not yet been audited and hence the figures in this report are subject to change

3. The Council's Capital Expenditure and Financing

- 3.1. The council undertakes capital expenditure on long-term assets. These activities may either be:
- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the council's borrowing need; or
 - If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure for the General Fund (GF) and the Housing Revenue Account (HRA) and how this was financed.

	2020-21 Provisional Actual £'000	2021-22 Budget £'000	2021-22 Provisional Actual £'000
Capital expenditure - GF	12,376	23,210	7,425
Capital expenditure - HRA	11,118	7,838	5,301
Capital expenditure - Total	23,494	31,048	12,726
Financed by:			
Capital receipts	3,259	6,140	933
Capital grants	4,169	11,715	5,660
Revenue and reserves	10,180	9,064	4,978
Borrowing	5,886	4,129	1,155
Total	23,494	31,048	12,726

- 3.2. Full details of capital expenditure and explanations of variances from budget will be reported within the Financial and Performance Monitoring Year-End Report to Cabinet in September. The council is committed to tackling the

significant level of slippage in the capital programme as per the following extract from section 5 of the council's Capital Strategy document:

“Slippage will not be an acceptable norm. Capital schemes will be at risk of having their council funding re-directed should there be delays that cannot be substantiated (schemes that are externally funded may require more flexibility however).”

4. The Council's Overall Borrowing Need

- 4.1. 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.
- 4.2. Part of the council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB], or the money markets) or utilising temporary cash resources within the council.
- 4.3. **Reducing the CFR** – the council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.
- 4.4. The total CFR can also be reduced by:
 - the application of additional capital financing resources (such as unapplied capital receipts); or
 - charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).
- 4.5. The Council's 2021-22 MRP Policy (as required by DLUHC Guidance) was approved as part of the Treasury Management Strategy Report for 2021-22 on 10 February 2022
- 4.6. The Council's CFR for the year is shown below, and represents a key prudential indicator. It includes any PFI and leasing schemes on the balance sheet, which increase the Council's borrowing need. No borrowing is actually required against any such schemes as a borrowing facility is included in the contract.

CFR - GF	31 March 2021 Provisional Actual £'000	31 March 2022 Budget £'000	31 March 2022 Provisional Actual £'000
Opening balance	30,422	28,449	28,449
Add unfinanced capital expenditure (as above)	1,609	3,468	627
Less MRP/VRP*	(3,582)	(5,878)	(5,911)
Less PFI & finance lease repayments	0	0	0
Closing balance	28,449	26,039	23,165

CFR - HRA	31 March 2021 Provisional Actual £'000	31 March 2022 Budget £'000	31 March 2022 Provisional Actual £'000
Opening balance	24,200	28,236	28,236
Add unfinanced capital expenditure (as above)	4,277	525	528
Less MRP/VRP*	(241)	(250)	(250)
Less PFI & finance lease repayments	0	0	0
Closing balance	28,236	28,511	28,514

* Includes voluntary application of capital receipts

Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

- 4.7 **Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the council should ensure that its gross external borrowing (borrowing undertaken with financial institutions or external organisations) does not, except in the short term, exceed the total of the CFR in the preceding year (2021-22) plus the estimates of any additional capital financing requirement for the current (2022-23) and next two financial years.
- 4.8 This essentially means that the council is only borrowing to fund capital expenditure and is not borrowing to support revenue expenditure. Under statutory requirements councils are not allowed to borrow to fund their revenue budget activities.

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- 4.9 By assessing this indicator over four years it allows the council some flexibility to borrow in advance of its immediate capital needs in 2021-22. The table below highlights the Council's gross borrowing position against the CFR and shows that the council has complied with this prudential indicator, as the council's gross debt of **£20.2m** is less than the **£51.679m** CFR at 31 March 2022.

	31 March 2021 Provisional Actual £'000	31 March 2022 Budget £'000	31 March 2022 Provisional Actual £'000
CFR GF	28,449	26,039	23,165
CFR HRA	28,236	28,511	28,514
Total CFR	56,685	54,550	51,679
Gross borrowing position	(24,394)	(34,455)	(20,216)
Underfunding of CFR	32,291	20,095	31,463

- 4.10 **The authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the council does not have the power to borrow above this level.
- 4.11 **The operational boundary** – the operational boundary is the expected borrowing position of the council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.
- 4.12 **Actual financing costs as a proportion of 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.
- 4.13 The table below shows that during 2021-22 the Council's maximum gross debt position was **£24.4m** and therefore it has maintained gross borrowing within its authorised limit and operational boundary.

	2021-22 £000
Authorised limit	96,000
Maximum gross borrowing position during the year	24,394
Operational boundary	86,000
Average gross borrowing position	22,119

	2021-22 %
Financing costs as a proportion of net revenue stream - GF	7.8
Financing costs as a proportion of net revenue stream -HRA	4.6

5. Treasury Position as at 31 March 2022

- 5.1. The council's treasury management debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the council's Treasury Management Practices. At the end of 2021-22 the council's treasury position (excluding any borrowing for PFI and finance leases) was as follows:

	31 March 2021 Principal £'000	Rate/ Return %	Average Life Years	31 March 2022 Principal £'000	Rate/ Return %	Average Life Years
Gross Debt Position						
GF debt	8,495	3.36%	14.9	7,629	3.44%	15.7
HRA debt	15,899	4.14%	7.6	12,587	4.24%	8.8
Total debt (all fixed rate)	24,394	3.86%	10.1	20,216	3.95%	11.4
CFR compared to Gross Debt						
GF CFR	28,449			23,165		
HRA CFR	28,236			28,514		
Total CFR	56,685			51,679		
Under- borrowing	32,291			31,463		
Net Debt / Investment						
Total debt	24,394	3.86%	10.1	20,216	3.95%	11.4
Total investments	(31,325)	0.23%		(51,308)	0.10%	
Net debt / (investment)	(6,931)			(31,092)		

- 5.2. This table shows that, as previously stated, gross debt was £20.216m and the CFR was £51.679m at the end of 2021-22. This means the Council is in an under borrowed position of £31.463m, as external gross debt is less than the CFR.
- 5.3. This table also shows that the council's investments totalled £51.308m at the 2021-22 year end and therefore was in a net investment position, as investments held exceeded gross debt by £31.092m.

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5.4. All of the debt is from the Public Works Loan Board (PWLB), which is a facility operated by the UK Debt Management Office on behalf of HM Treasury and provides loans to local authorities, apart from the following two GF loans (as at 31 March 2022):

- Market: £4.5m principal at 4.19% with an average life of 0.5 years.
- Salix: £4k principal at 0.00% with an average life of 0.0 years.

5.5. The maturity structure of the debt portfolio, or the timeline of when the council's debt is repayable, was as follows:

	31 March 2021 actual £000	2021-22 upper limits £000	31 March 2022 actual £000
Under 1 year	8,679	10,108	4,834
1 year to under 2 years	334	10,108	259
2 years to under 5 years	2,833	10,108	2,662
5 years to under 10 years	2,356	10,108	2,356
10 years to under 20 years	7,272	10,108	7,185
20 years to under 30 years	1,920	10,108	1,920
30 years to under 40 years	0	10,108	0
40 years to under 50 years	1,000	10,108	1,000
50 years and above	0	10,108	0
Total debt	24,394		20,216

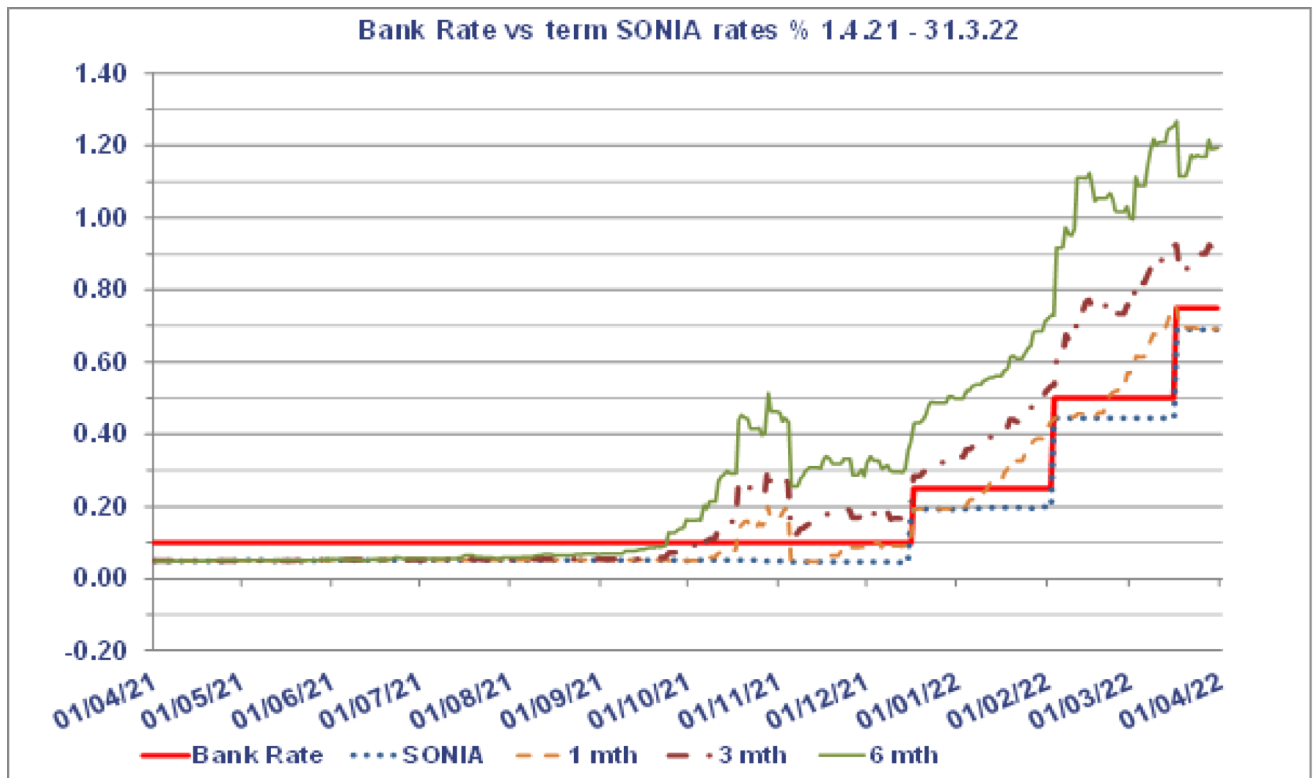
5.6. The following table shows the value of the type of investments the council was holding at year-end. All investments at the 2020-21 and 2021-22 year-end were for under one year. During 2021-22 £1.000m was deposited in a bond fund, which had a value of £0.999m as at 31 March 2022.

	31 March 2021 actual £000	31 March 2021 actual %	31 March 2022 actual £000	31 March 2022 actual %
Banks - Instant Access	29	0.09	30	0.06
Banks - Notice Accounts	8,154	26.03	4,055	7.90
Banks - Fixed Term Deposits	3,200	10.22	100	0.19
Money Market Funds	19,942	63.66	46,124	89.90
Bond Funds	0	0.00	999	1.95
Total Treasury Investments	31,325	100.00	51,308	100.00

6. The Strategy for 2021-22

6.1. Investment strategy and control of interest rate risk

6.1.1. The following chart tracks the Bank of England base rate of interest and the Sterling Overnight Index Average (SONIA) during 2021-22.



6.1.2 Investment returns remained close to zero for much of 2021-22. Most local authority lending managed to avoid negative rates and one feature of the year was the continued growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2021-22 was that Bank Rate would remain at 0.1% until it was clear to the Bank of England that the emergency level of rates introduced at the start of the Covid-19 pandemic were no longer necessitated.

6.1.3 The Bank of England and the Government also maintained various monetary and fiscal measures, supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the various lockdowns/negative impact on their cashflow. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates remained low until towards the turn of the year when inflation concerns indicated central banks, not just the Bank of England, would need to lift interest rates to combat

the second-round effects of growing levels of inflation (CPI was 6.2% in February).

- 6.1.4 While the council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.
- 6.1.5 Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing counterparty risk exposure, by having fewer investments placed in the financial markets.

6.2. **Borrowing strategy and control of interest rate risk**

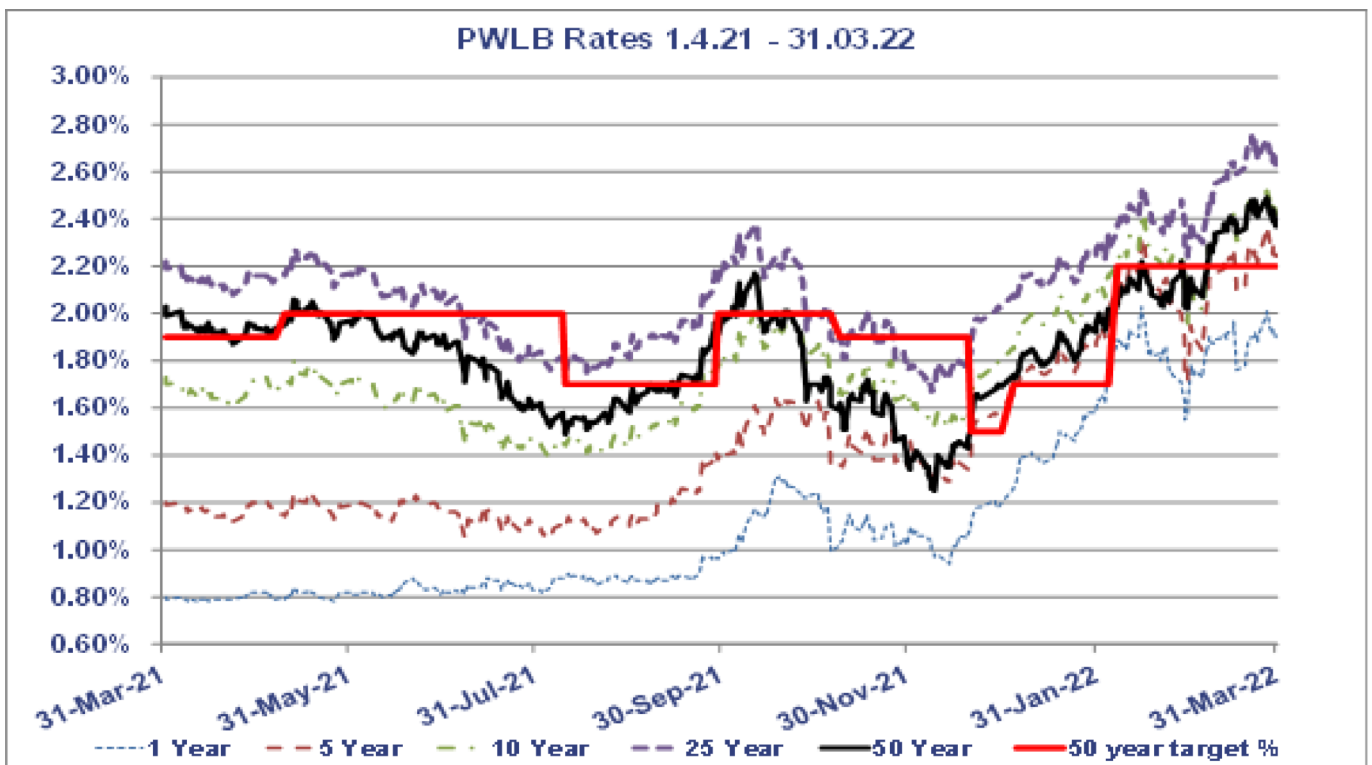
- 6.2.1. During 2021-22, the council maintained an under-borrowed position. This meant that the capital borrowing need (the Capital Financing Requirement) was not fully funded with loan debt, as cash supporting the council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.
- 6.2.2. A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.
- 6.2.3. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.
- 6.2.4. Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Section 151 Officer therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:
- if it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.
 - if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected (e.g. perhaps arising from an acceleration in the start date and in the rate of increase in central

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rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks), then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

- 6.2.5. Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2021-22 and the two subsequent financial years until the turn of the year, when inflation concerns increased significantly. Internal, variable, or short-term rates, were expected to be the cheaper form of borrowing until well into the second half of 2021-22.

Link Group Interest Rate View 7.2.22											Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25										
3 month av. earnings	0.80	1.00	1.00	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20										
6 month av. earnings	1.00	1.10	1.20	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30										
12 month av. earnings	1.40	1.50	1.60	1.70	1.70	1.60	1.60	1.50	1.40	1.40	1.40	1.40	1.40										
5 yr PWLB	2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30										
10 yr PWLB	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40										
25 yr PWLB	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60										
50 yr PWLB	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40										



- 6.2.6. PWLB rates are based on gilt (UK Government bonds) yields through H.M.Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have seen, over the last two years, many bond yields up to 10 years in the Eurozone turn negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. Recently, yields have risen since the turn of the year on the back of global inflation concerns.
- 6.2.7. Gilt yields fell sharply from the spring of 2021 through to September and then spiked back up before falling again through December. However, by January sentiment had well and truly changed, as markets became focussed on the embedded nature of inflation, spurred on by a broader opening of economies post the pandemic, and rising commodity and food prices resulting from the Russian invasion of Ukraine.
- 6.2.8. At the close of the day on 31 March 2022, all gilt yields from 1 to 5 years were between 1.11% – 1.45% while the 10-year and 25-year yields were at 1.63% and 1.84%.
- 6.2.9. Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -
- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
 - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
 - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)
- 6.2.10. There is likely to be a further rise in short dated gilt yields and PWLB rates over the next three years as Bank Rate is forecast to rise from 0.75% in March 2022 to 1.25% later this year, with upside risk likely if the economy proves resilient in the light of the cost-of-living squeeze. Medium to long dated yields are driven primarily by inflation concerns but the Bank of England is also embarking on a process of Quantitative Tightening when Bank Rate hits 1%, whereby the Bank's £895bn stock of gilt and corporate bonds will be sold back into the market over several years. The impact this policy will have on the market pricing of gilts, while issuance is markedly increasing, is an unknown at the time of writing.
- 6.3. **Change in strategy during the year** – the strategy adopted in the original Treasury Management Strategy Report for 2021-22 (approved by the council on 11 February 2021) was revised during 2021-22 in the mid-year treasury update report (approved by the council on 12 January 2022).

7. Borrowing Outturn for 2021-22

- 7.1. **Borrowing** – Due to investment concerns, both counterparty risk and low investment returns, no borrowing was undertaken during the year.
- 7.2. **Borrowing in advance of need** - The council has not borrowed more than, or in advance of, its needs purely in order to profit from the investment of the extra sums borrowed.
- 7.3. **Rescheduling** – No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.
- 7.4. **Repayments** – The council repaid £4.178m of maturing debt using investment balances, as below:

Lender	Principal £'000	Interest Rate	Repayment Date
Salix	4	0.00%	01-04-21
PWLB	43	3.08%	23-04-21
PWLB	50	2.48%	27-05-21
PWLB	72	1.28%	21-06-21
PWLB	3,840	3.31%	15-09-21
Salix	4	0.00%	01-10-21
PWLB	43	3.08%	25-10-21
PWLB	50	2.48%	29-11-21
PWLB	72	1.28%	20-12-21
Total	4,178		

- 7.5. **Summary of debt transactions** – The average interest rate on the debt portfolio increased from 3.86% to 3.95% during the year. This was due to the repayment of maturing debt as shown above.

8. Investment Outturn for 2021-22

- 8.1. **Investment Policy** – the council's investment policy is governed by DLUHC investment guidance, which has been implemented in the annual investment strategy approved by the council on 11 February 2021. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

- 8.2. The investment activity during the year conformed to the approved strategy, and the council had no liquidity difficulties.
- 8.3. **Resources** - the council's cash balances comprise revenue and capital resources and cash flow monies. The council's core cash resources comprised as follows:

Balance Sheet Resources	31 March 2021 Provisional £000	31 March 2022 Provisional £000
GF Balance	2,011	2,011
Earmarked Reserves	24,751	16,262
HRA Balance	7,749	6,365
Capital Receipts Reserve	6,316	7,396
Major Repairs Reserve	15,425	15,014
Capital Grants Unapplied	43	43
Total Usable Reserves	56,295	47,091

- 8.4. **Investments held by the council**
- The council maintained an average balance of £54.586m of internally managed funds.
 - The internally managed funds earned an average rate of return of 0.10%.
 - The comparable performance indicator to the end of 2021 was the average 7-day London Interbank Bid Rate (LIBID) rate, which was minus 0.07%. From 2022 it was the average 7 day SONIA compounded rate which was 0.37%. The average blended rate for these two indicators was 0.04%.
 - This compares with an original budget assumption of £23m investment balances earning an average rate of 0.10%.
 - Total investment income was £55k compared to a budget of £23k.
- 8.5. **Investments held by fund managers** – the council does not use external fund managers on a discretionary basis for any part of its investment portfolio.

9. Investment risk benchmarking

- 9.1. The following investment benchmarks were set in the council's 2021-22 annual treasury strategy:
- 9.1.1. **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).

9.1.2. **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 in the range of 0 to 1 years, with a maximum of 5 years.

9.1.3. **Yield** - local measures of yield benchmarks are:

- Investments – internal returns above the 7 day LIBID rate (7 day SONIA compounded rate from 2022).

9.1.4. The council kept to the above benchmarks during 2021-22.

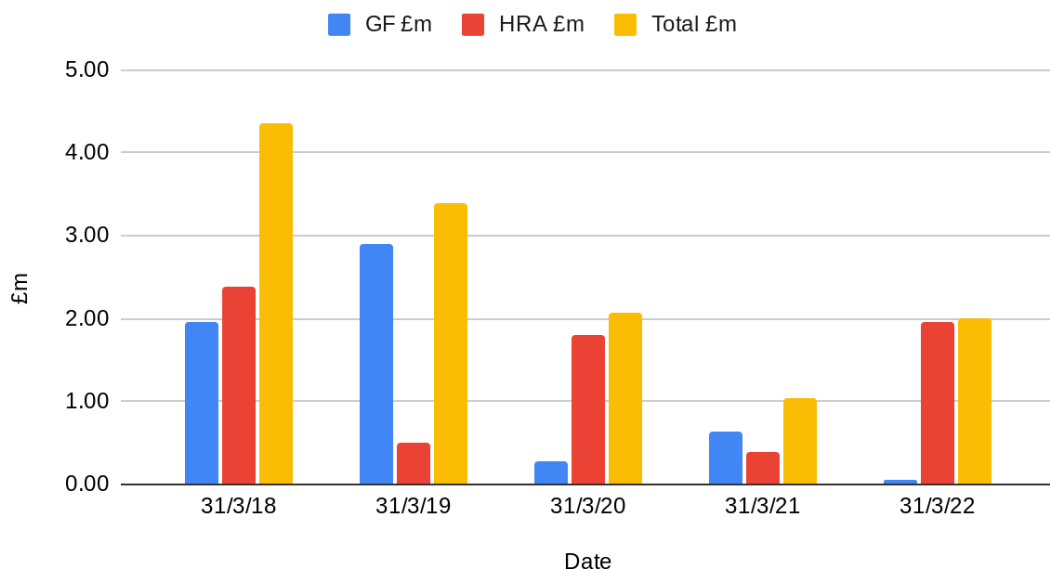
10. International Financial Reporting Standard 16 (IFRS 16)

10.1. The implementation of IFRS16 (bringing almost all lease liabilities onto the balance sheet together with the corresponding ‘right of use’ assets) has been delayed once more to 2024-25.

11. Capital Receipts

11.1 The chart below shows a 5 year summary of net capital receipts. It excludes the 2020-21 and 2021-22 capital receipts from the Dreamland disposal, as these have been used to reduce the council’s capital financing requirement (CFR) rather than finance the future capital programme.

Net Capital Receipts - GF/HRA (5 Year Summary)



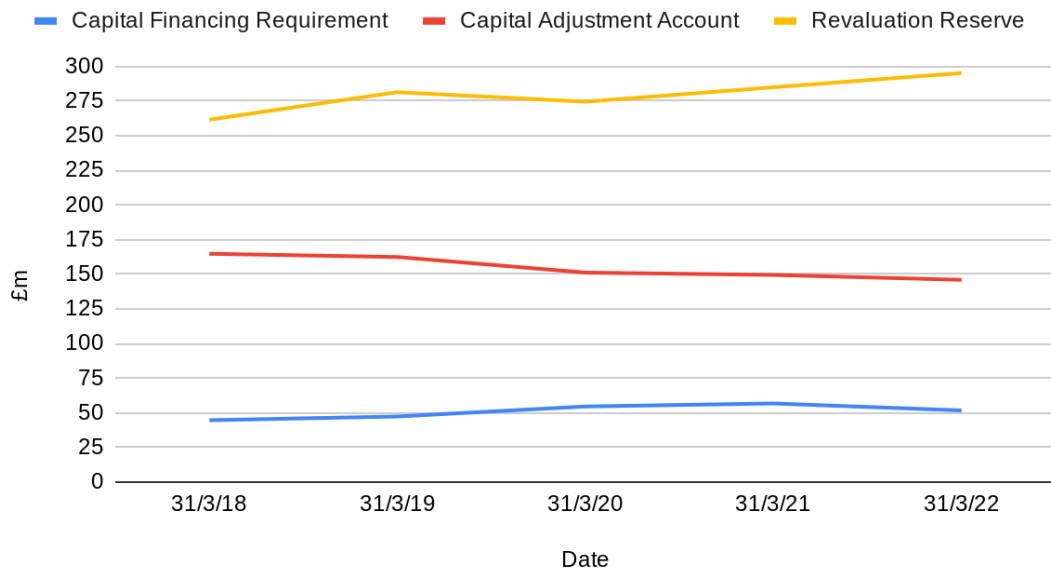
11.2 As can be seen from this chart, there has been a marked reduction in GF capital receipts which has implications for funding the future capital programme.

12. Capital Financing

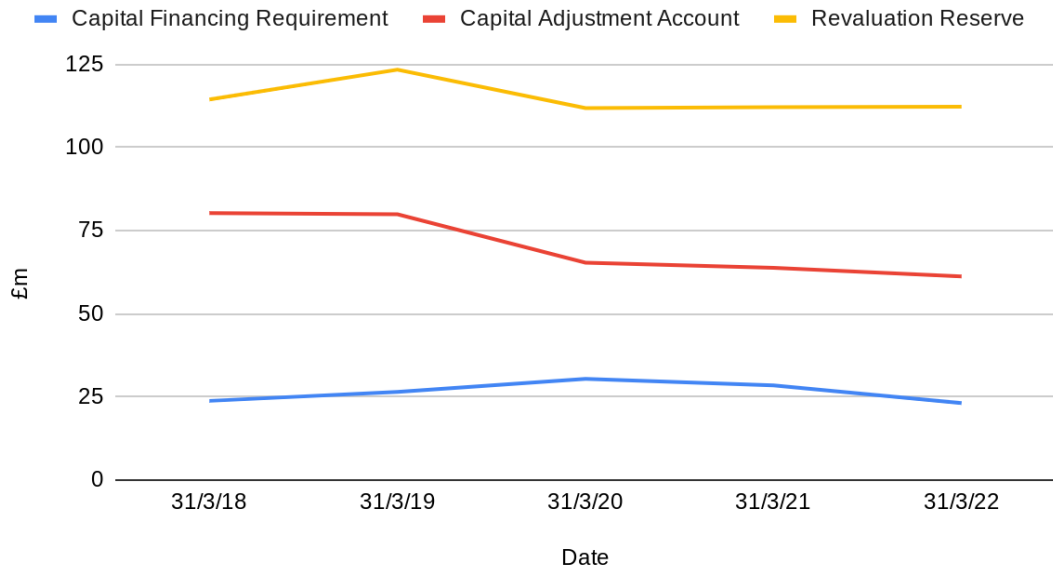
12.1 The charts below show how much of the council's capital / long-term assets had yet to be funded (CFR), how much had effectively been paid off or funded (Capital Adjustment Account), and the aggregate increase in value of these assets since acquisition by the council (Revaluation Reserve).

12.2 Capital Asset Financing - 5 Year Summary

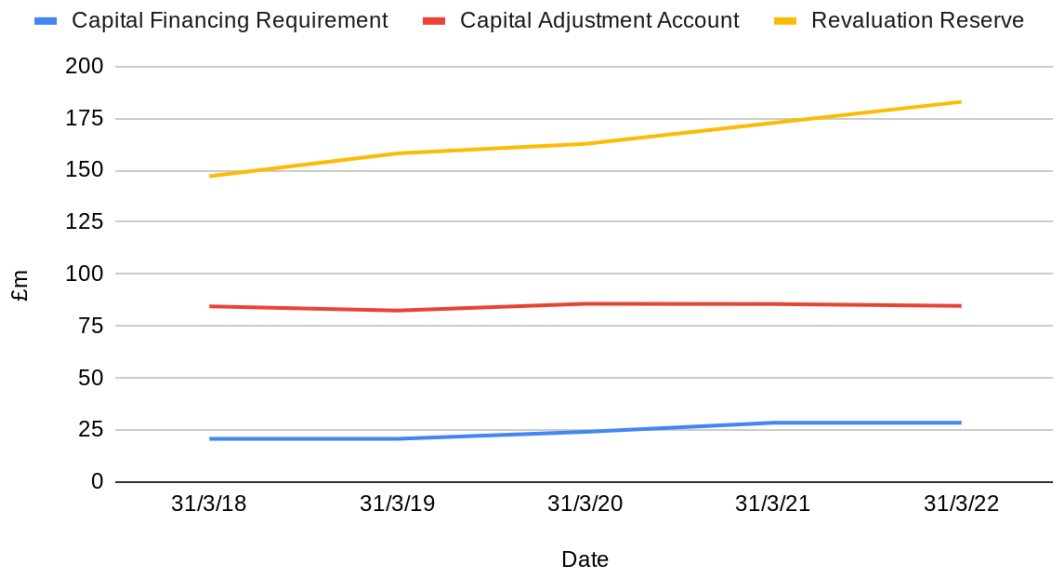
Capital Asset Financing - Total (5 Year Summary)



Capital Asset Financing - GF (5 Year Summary)

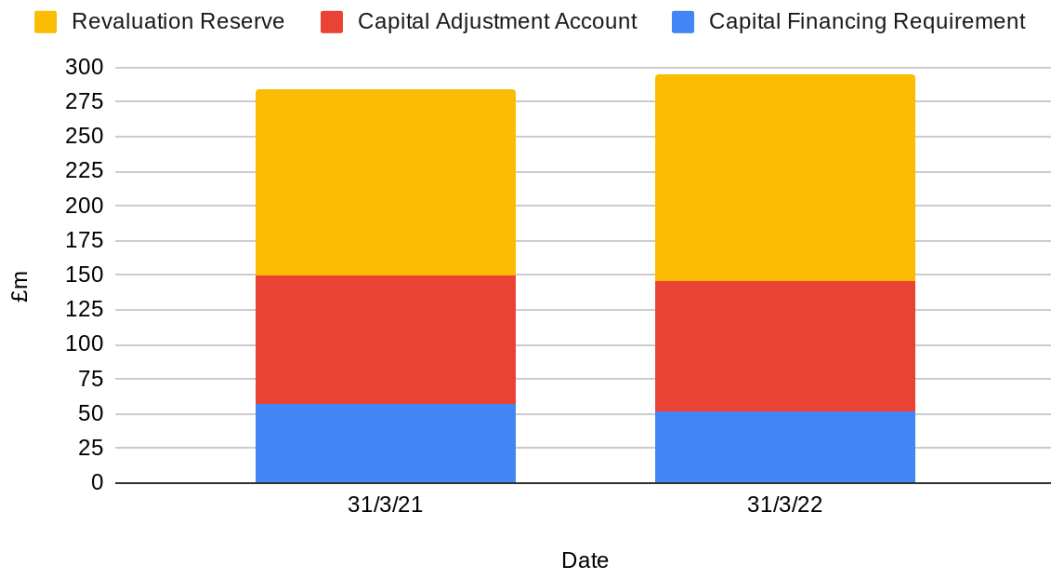


Capital Asset Financing - HRA (5 Year Summary)

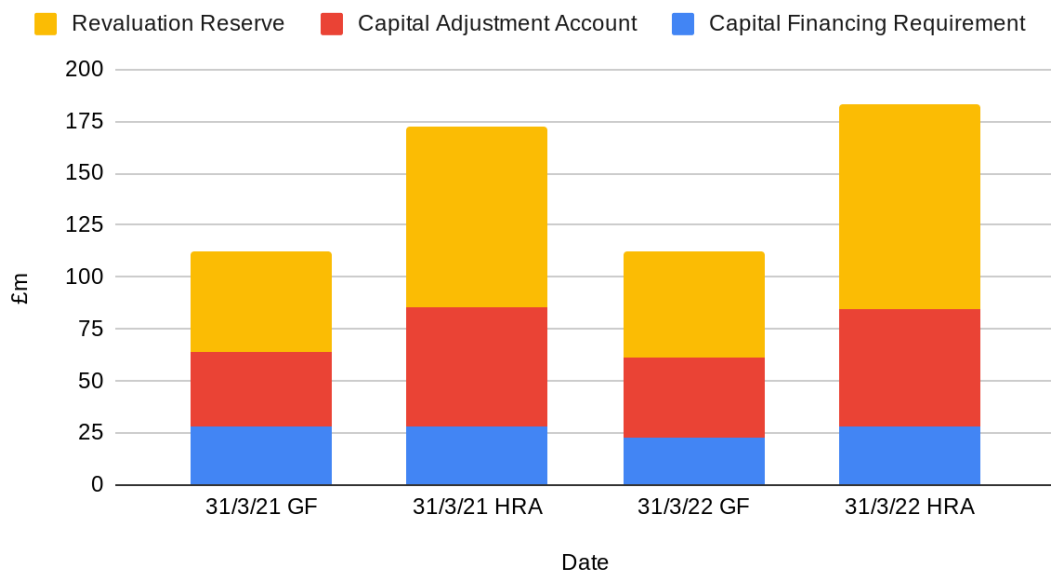


12.3 Capital Asset Financing - Current and Prior Year

Capital Asset Financing - Total (Current and Prior Year)



Capital Asset Financing - GF/HRA (Current and Prior Year)



13. Options

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

- Notes the actual 2021-22 prudential and treasury indicators in this report.
- Approves this Annual Treasury Management Report for 2021-22.

13.2 Alternatively, Council may decide not to do this and provide reason(s) why.

14. Disclaimer

- 14.1 This report 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: Chris Blundell, Acting Deputy Chief Executive and Section 151 Officer

Reporting to: Colin Carmichael, Interim Chief Executive

Annex List

Annex 1: Report Guidance

Annex 2: Abbreviations and Definitions

Corporate Consultation Undertaken

Finance: n/a

Legal: Estelle Culligan, Director of Law and Democracy

ANNUAL TREASURY MANAGEMENT REVIEW 2021-22

Annex 1: Report Guidance

Capital Expenditure and Financing

This section includes the council's debt and Capital Financing Requirement (CFR) split between its General Fund (GF) and Housing Revenue Account (HRA). The HRA is a 'ring-fenced' account for local authority housing.

The CFR represents the council's aggregate borrowing need (the element of the capital programme that has not been funded). The council's debt should not normally be higher than its CFR as explained in the report.

Borrowing Need

PWLB is the Public Works Loan Board which is a statutory body operating within the UK Debt Management Office, an Executive Agency of HM Treasury. PWLB's function is to lend money from the National Loans Fund to local authorities, and to collect the repayments.

The council has the following types of fixed rate loan with the PWLB:

- Annuity: fixed half-yearly payments to include principal and interest.
- Equal Instalments of Principal: equal half-yearly payments of principal together with interest on the outstanding balance.
- Maturity: half-yearly payments of interest only with a single payment of principal at the end of the term.

Financing Costs as a Proportion of Net Revenue Stream

This shows (separately for HRA and GF) the percentage of the council's revenue stream that is used to finance the CFR (net interest payable and Minimum Revenue Provision (MRP)).

MRP is the annual resource contribution from revenue which must be set against the CFR so that it does not increase indefinitely.

Borrowing and Investments

Borrowing limits – there are various general controls on the council's borrowing activity (operational boundary, authorised limit and maturity profiles).

General controls on the council's investment activity, to safeguard the security and liquidity of its investments, include:

- Creditworthiness of investment counterparties.
- Counterparty money limits.
- Counterparty time limits.
- Counterparty country limits.

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ANNUAL TREASURY MANAGEMENT REVIEW 2021-22

Annex 2: Abbreviations and Definitions

- ALMO** An Arm's Length Management Organisation is a not-for-profit company that provides housing services on behalf of a local authority. Usually an ALMO is set up by the authority to manage and improve all or part of its housing stock.
- LG** Link Group, Treasury solutions – the council's treasury management advisers.
- CE** Capital Economics - is the economics consultancy that provides Link Group, Treasury solutions, with independent economic forecasts, briefings and research.
- CFR** Capital Financing Requirement - the council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.
- CIPFA** Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.
- CPI** Consumer Price Inflation – the official measure of inflation adopted as a common standard by countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.
- ECB** European Central Bank - the central bank for the Eurozone.
- EU** European Union.
- EZ** Eurozone - those countries in the EU which use the euro as their currency.
- Fed** The Federal Reserve, often referred to simply as "the Fed," is the central bank of the United States. It was created by Congress to provide the nation with a stable monetary and financial system.
- FOMC** The Federal Open Market Committee – this is the branch of the Federal Reserve Board which determines monetary policy in the USA by setting interest rates and determining quantitative easing policy. It is composed of 12 members -- the seven members of the Board of Governors and five of the 12 Reserve Bank presidents.
- GDP** Gross Domestic Product – a measure of the growth and total size of the economy.
- G7** The group of seven countries that form an informal bloc of industrialised democracies--the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom--that meets annually to discuss issues such as global economic governance, international security, and energy policy.
- Gilts** Gilts are bonds issued by the UK Government to borrow money on the financial markets. Interest paid by the Government on gilts is called a coupon and is at a rate that is fixed for the duration until maturity of the gilt (unless a gilt is index linked to inflation). While the coupon rate is fixed, the yields will change inversely to the price of gilts, i.e. a rise in the price of a gilt will mean that its yield will fall.
- HRA** Housing Revenue Account.

Agenda Item 3

Annex 2

- IMF** International Monetary Fund - the lender of last resort for national governments which get into financial difficulties.
- LIBID** The London Interbank Bid Rate is the rate bid by banks on deposits, i.e. the rate at which a bank is willing to borrow from other banks. It is the "other end" of the LIBOR (an offered, hence "ask" rate, the rate at which a bank will lend). These benchmarks ceased on 31st December 2021 and have, generally, been replaced by SONIA, the Sterling Overnight Index Average.
- MHCLG** The Ministry of Housing, Communities and Local Government - the Government department that directs local authorities in England.
- MPC** The Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.
- MRP** Minimum Revenue Provision - a statutory annual minimum revenue charge to reduce the total outstanding CFR (the total indebtedness of a local authority).
- PFI** Private Finance Initiative – capital expenditure financed by the private sector i.e. not by direct borrowing by a local authority.
- PWLB** Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.
- QE** Quantitative Easing – is an unconventional form of monetary policy where a central bank creates new money electronically to buy financial assets, like government bonds (but may also include corporate bonds). This process aims to stimulate economic growth through increased private sector spending in the economy and also aims to return inflation to target. These purchases increase the supply of liquidity to the economy; this policy is employed when lowering interest rates has failed to stimulate economic growth to an acceptable level and to lift inflation to target. Once QE has achieved its objectives of stimulating growth and inflation, QE will be reversed by selling the bonds the central bank had previously purchased, or by not replacing debt that it held which matures. The aim of this reversal is to ensure that inflation does not exceed its target once the economy recovers from a sustained period of depressed growth and inflation. Economic growth, and increases in inflation, may threaten to gather too much momentum if action is not taken to 'cool' the economy.
- RPI** The Retail Price Index is a measure of inflation that measures the change in the cost of a representative sample of retail goods and services. It was the UK standard for measurement of inflation until the UK changed to using the EU standard measure of inflation – CPI. The main differences between RPI and CPI is in the way that housing costs are treated and that the former is an arithmetical mean whereas the latter is a geometric mean. RPI is often higher than CPI for these reasons.
- SONIA** The Sterling Overnight Index Average. Generally, a replacement set of indices (for LIBID) for those benchmarking their investments. The benchmarking options include using a forward-looking (term) set of reference rates and/or a backward-looking set of reference rates that reflect the investment yield curve at the time an investment decision was taken.
- TMSS** The annual Treasury Management Strategy Statement report that all local authorities are required to submit for approval by the full council before the start of each financial year.
- VRP** A Voluntary Revenue Provision to repay debt, in the annual budget, which is additional to the annual MRP charge (see above definition).

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NOTICE OF MOTION REGARDING TEMPORARY ACCOMMODATION

Council:	13 October 2022
Report Author	Nick Hughes, Committee Services Manager
Portfolio Holder	Cllr Jill Bayford, Cabinet Member for Housing
Status	For Decision
Classification:	<i>Unrestricted</i>
Ward:	All Wards

Executive Summary:

This Council will consider a notice of motion requesting that the Council acknowledge and recognise the need for the purchase and creation of further temporary housing units, urging Cabinet to bring forth these plans before further inflation makes necessary growth of housing provision difficult.

Recommendation(s):

With reference to the options in section 2.0 of the report, Council is invited to consider the motion.

Corporate Implications:

Financial and Value for Money

There are no financial implications arising directly from this report.

Any proposal for the acquisition of additional temporary housing units should be subject to the appropriate governance arrangements. Ideally, such a scheme would be considered as part of the annual process for setting the council's capital programme, however, alternatively if it is necessary to consider a proposal outside of subject to thorough process then the acquisition or creation of units must be subject to a thorough financial appraisal and business case review.

Legal

Council Procedure Rule 3.7 states that: "the Member whose name appears first on the notice will move the motion during his or her speech and call for a seconder. If seconded, a Member from the controlling political group will be entitled to a reply, after which the motion shall stand referred without further discussion to the Cabinet or appropriate committee for determination or report unless the Council decides to debate the motion in accordance with

Rule 16" (*rules of debate*)

Corporate

Council Procedure Rule 3 provides the opportunity for Councillors to give advance notice of motions to be put to Council.

Equality Act 2010 & Public Sector Equality Duty

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

There are no specific equalities issues arising from this report.

CORPORATE PRIORITIES

This report relates to the following corporate priorities: -

- Communities

1.0 Introduction and Background

1.1 The following motion has been received from Councillor Whitehead in accordance with Council Procedure Rule No. 3:

"As we are all aware there is a spiralling housing crisis in Thanet, and levels of private sector evictions are increasing, especially within low income households.

In light of this rise in evictions, and the impossibility of finding and maintaining a private rental property on the current LHA allowance, our need for temporary housing to keep families in area is continually growing. As a Council we acknowledge and recognise the need for purchase and creation of further temporary housing units now, before further inflation makes the necessary growth of our in house provision impossible, and urge Cabinet to bring forward such plans."

2.0 Options

- 2.1 A Member moves the motion and if it is seconded by another Member, the motion stands referred to Cabinet without debate as this relates to an Executive/Cabinet function, unless Council decides to debate the motion.
- 2.2 If Council does decide to debate the motion, at the end of the debate Council can only refer the motion to Cabinet, as the subject of this motion is an Executive/Cabinet function.
- 2.3 Members may choose not to support or second the motion, in which case it falls.

3.0 Decision Making Process

- 3.1 It is for Council to refer a motion to Cabinet if the subject matter is about an executive/cabinet function, either with or without a debate.

Contact Officer: Nick Hughes, Committee Services Manager
Reporting to: Sameera Khan, Interim Head of Legal and Monitoring Officer

Annex List

There are no annexes with this report.

Background Papers

There are no background papers with this report.

Corporate Consultation

Finance: Chris Blundell, Acting Deputy Chief Executive & Section 151 Officer

Legal: Sameera Khan (Interim Head of Legal & Monitoring Officer)

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