

# Joint Audit and Governance Committee



Report of Head of Finance

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AGENDA ITEM 6

To: **Joint Audit and Governance Committee; Cabinet; Council**

DATE: 31 January by Joint Audit and Governance Committee

2 February (S) / 3 February (V) by Cabinet

16 February (S) / 15 February (V) by Council

## Treasury management mid-year monitoring report

### Recommendations

That Joint Audit and Governance Committee:

1. notes the treasury management mid-year monitoring report 2022/23.
2. is satisfied that the treasury activities are carried out in accordance with the treasury management strategy and policy.

That Cabinet:

3. considers any comments from Joint Audit and Governance Committee and recommends council to approve the report.

### Purpose of report

1. The report fulfils the legislative requirements to ensure the adequate monitoring of the treasury management activities and that each council's prudential indicators are reported to their respective council mid-year (i.e. as at 30 September). The report provides details of the treasury activities for the first six months of 2022/23 and an update on the current economic conditions with a view to the remainder of the year.

### Strategic objectives

2. Managing the finances of the authorities in accordance with the treasury management strategy will help to ensure that resources are available to deliver their services and meet the councils' strategic objectives.

## Background

### Treasury management

3. This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).
4. The primary requirements of the Code are as follows:
  - Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
  - Creation and maintenance of Treasury Management Practices which set out the way the Council will seek to achieve those policies and objectives.
  - Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-Year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.
  - Delegation by the Councils of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
  - Delegation by the Councils of the role of scrutiny of treasury management strategy and policies to a specific named body.
5. This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:
  - An economic update for the first part of the 2022/23 financial year;
  - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
  - A review of the Councils' investment portfolios for 2022/23;
  - A review of the Councils' borrowing strategy for 2022/23;
  - A review of compliance with Treasury and Prudential Limits for 2022/23.
6. The first main function of the treasury management service is to ensure the councils' cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity initially before considering optimising investment return. The Treasury Management Strategy determines to whom the councils can lend, and this is the manifestation of their risk appetite.
7. The second main function of the treasury management service is to ensure funding for the Councils' capital plans. These capital plans provide a guide to the borrowing need of the Councils, essentially the longer-term cash flow planning to ensure the Councils can meet their capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet risk or cost objectives.

8. Accordingly, treasury management is defined 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.”

9. The 2022/23 treasury management strategy was approved by each council in February 2022. This report summarises the treasury activity and performance for the first six months of 2022/23 against those prudential indicators and benchmarks set for the year. It also provides an opportunity to review and subsequently revise limits if required. Full council is required to approve this report and any amendments to the Treasury Management Strategy.

### **Treasury Strategy**

10. The approved Treasury Management Strategies for 2022/23 were based on a base rate forecast of 0.25 per cent from April rising to 0.5 per cent in June, with a further increase to 0.75 per cent in the last quarter of the financial year.
11. The global economy has changed significantly since the strategy was agreed. World central banks have increased base interest rates much faster than forecast in response to global inflation. At the beginning of the financial year UK base rate was 0.75 per cent; the Bank of England raised the rate by 0.25 per cent at both of its Monetary Policy Committee (MPC) meetings in May and June, with base rate at 1.25 per cent by the end of the first quarter of the financial year. Further rate increases of 0.5 per cent were agreed by the MPC in August and September, with base rate ending quarter 2 at 2.25 per cent.
12. In-house cash balances were deposited with institutions that met each council’s approved credit rating criteria with security of capital remaining the main objective.

### **Treasury activity**

13. The mid-year performance of the two councils is summarised in the tables below<sup>1</sup>.

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<sup>1</sup> For property, the balance shown is the fair value of investment properties as at 31 March 2022.

|   | South                       | Treasury investments<br>£000 | Non treasury loan<br>£000 | Sub Total<br>£000 | Property investment<br>£000 | Overall total<br>£000 |
|---|-----------------------------|------------------------------|---------------------------|-------------------|-----------------------------|-----------------------|
| 1 | Average investment balance  | 192,723                      | 15,000                    | 207,723           | 17,870                      | 225,593               |
| 2 | Budgeted investment income  | 579                          | 312                       | 891               | 579                         | 1,469                 |
| 3 | Actual investment income    | 799                          | 312                       | 1,111             | 563                         | 1,674                 |
| 4 | surplus/(deficit) (3) - (2) | 220                          | (0)                       | 220               | (15)                        | 205                   |
| 5 | Annualised rate of return   | 0.83%                        | 4.15%                     | 1.07%             | 6.30%                       | 1.48%                 |

|   | Vale                        | Treasury investments<br>£000 | Property investment<br>£000 | Overall total<br>£000 |
|---|-----------------------------|------------------------------|-----------------------------|-----------------------|
| 1 | Average investment balance  | 130,552                      | 7,121                       | 137,673               |
| 2 | Budgeted investment income  | 245                          | 71                          | 317                   |
| 3 | Actual investment income    | 652                          | 155                         | 807                   |
| 4 | surplus/(deficit) (3) - (2) | 407                          | 83                          | 490                   |
| 5 | Annualised rate of return   | 1.00%                        | 4.34%                       | 1.17%                 |

14. The forecast outturn position as at September 2022, based on known investments and maturities and an estimate for future earnings is shown in the table below:

|                           | South Oxfordshire District Council | Vale of White Horse District Council |
|---------------------------|------------------------------------|--------------------------------------|
| Annual budget as per MTFP | £1,776,730                         | £488,820                             |
| Forecast outturn          | £2,452,520                         | £1,131,303                           |
| Variance against budget   | £675,790                           | £642,483                             |
| Borrowing                 | Nil                                | Nil                                  |

15. **SODC.** The latest estimate is that income receivable on cash investments will be above budget by £0.68 million. This is due to frequent increases in interest rates that were unexpected when the budget was set.
16. **VWHDC.** The latest estimate is that income receivable on cash investments will be above budget by £0.64 million. This is due to frequent increases in interest rates that were unexpected when the budget was set.
17. The forecast outturn is based on the expectation of further interest rate rises in the second half of the financial year as the markets are factoring in further increases in Bank Rate in the autumn. The estimates may prove to be prudent, depending on the rate of increase and the council's ability to maximise opportunities to invest with appropriate counterparties at higher rates.

### Performance measurement

18. A list of investments as at 30 September 2022 is shown in **Appendices A1** and **A2**.
19. The councils' performance against benchmarks for the first six months of the year are detailed in **Appendices A3** and **A4**. All investments were with approved counterparties. The average return on these investments is shown above in the table at paragraph 13.

### Treasury management limits on activity

20. Each council is required by the Prudential Code to report on the limits set each year in their respective Treasury Management Strategies. The purpose of these limits is to ensure that the activity of the treasury functions remain within certain parameters, thereby mitigating risk and reducing the impact of an adverse movement in interest rates. However, if the limits set are too restrictive, they will impair the opportunities to reduce costs/improve performance. The performance against the limits for both councils are shown in **Appendices B1** and **B2**.

### Debt activity during 2022/23

21. During the first six months of 2022/23 there has been no need for either of the councils to borrow. The Head of Finance will continue to take a prudent approach to the councils' debt strategies. The prudential indicators and limits set out in **Appendices B1** and **B2** provide the scope and flexibility for either of the councils to borrow in the short-term up to the maximum limits, if ever such a need arose within the cash flow management activities of the councils in order to achieve their service objectives.

### Interest rate forecasts

22. The Councils' treasury advisor, Link Treasury Services, has provided the following forecast:
23. *'The latest forecast on 27 September sets out a view that both short and long dated interest rates will be elevated for a while, as the Bank of England seeks to squeeze inflation out of the economy, whilst the government is providing a package of fiscal loosening to try to protect households and businesses from the ravages of ultra-high wholesale gas and electricity prices.'*
24. *The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally but more so the disaffection investors have with the position of the UK public finances after September's 'fiscal event'. To that end, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control, but its job is that much harder now.'*
25. *Our PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20bps).'*

| Link Group Interest Rate View | 27.09.22 |        |        |        |        |        |        |        |        |        |        |        |
|-------------------------------|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                               | Dec-22   | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 |
| BANK RATE                     | 4.00     | 5.00   | 5.00   | 5.00   | 4.50   | 4.00   | 3.75   | 3.25   | 3.00   | 2.75   | 2.75   | 2.50   |
| 3 month ave earnings          | 4.50     | 5.00   | 5.00   | 5.00   | 4.50   | 4.00   | 3.80   | 3.30   | 3.00   | 2.80   | 2.80   | 2.50   |
| 6 month ave earnings          | 4.70     | 5.20   | 5.10   | 5.00   | 4.60   | 4.10   | 3.90   | 3.40   | 3.10   | 3.00   | 2.90   | 2.60   |
| 12 month ave earnings         | 5.30     | 5.30   | 5.20   | 5.00   | 4.70   | 4.20   | 4.00   | 3.50   | 3.20   | 3.10   | 3.00   | 2.70   |
| 5 yr PWLB                     | 5.00     | 4.90   | 4.70   | 4.50   | 4.20   | 3.90   | 3.70   | 3.50   | 3.40   | 3.30   | 3.20   | 3.20   |
| 10 yr PWLB                    | 4.90     | 4.70   | 4.60   | 4.30   | 4.10   | 3.80   | 3.60   | 3.50   | 3.40   | 3.30   | 3.20   | 3.20   |
| 25 yr PWLB                    | 5.10     | 4.90   | 4.80   | 4.50   | 4.30   | 4.10   | 3.90   | 3.70   | 3.60   | 3.60   | 3.50   | 3.40   |
| 50 yr PWLB                    | 4.80     | 4.60   | 4.50   | 4.20   | 4.00   | 3.80   | 3.60   | 3.40   | 3.30   | 3.30   | 3.20   | 3.10   |

**Climate and ecological impact implications**

26. There are no climate or ecological implications arising from this report. As a responsible investor, the Council is committed to considering environmental, social, and governance (ESG) issues, and has a particular interest in taking action against climate change and pursuing activities that have a positive social impact.
27. As opportunities to support the climate ambitions of the Council arise, they will be considered. However, the treasury management function is controlled by statute and by professional guidelines and the first priorities of treasury must remain security, liquidity, and yield.

**Financial Implications**

28. These are covered in the body of the report.

**Legal implications**

29. There are no significant legal implications as a result of the recommendations in this report. Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services and the CLG Local Government Investment Guidance provides assurance that the councils' investments are, and will continue to be, within their legal powers.

**Conclusion**

30. This report provides details of the treasury management activities for the period 1 April 2022 to 30 September 2022 and the mid-year prudential indicators to each respective council.
31. This report also provides the monitoring information for joint audit and governance committee to fulfil its role of scrutinising treasury management activity at each council.

**Background papers**

- CIPFA Code of Practice on Treasury Management 2017
- CIPFA Prudential Code 2017
- CIPFA Treasury Management in the Public Services Guidance Notes 2018
- CIPFA statement 17.10.18 on borrowing in advance of need and investments in commercial properties
- CIPFA Bulletin 02 Treasury and Capital Management Update October 2018
- Statutory investment guidance where it has been updated in 2018 (English local authorities)
- Statutory MRP guidance where it has been updated in 2018 (English local authorities)
- Treasury Management Investment Strategy 2022/23 (South Oxfordshire & Vale of White Horse, February 2022)

**Appendices**

- A1 – SODC List of investments as at 30 September 2022
- A2 – VWHDC List of investments as at 30 September 2022

- A3 – SODC Performance against benchmark
- A4 – VWHDC Performance against benchmark
- B1 – SODC Prudential Indicators
- B2 – VWHDC Prudential Indicators
- C1 – Note on Prudential Indicators

**South Oxfordshire**

| <b>Deposits as at 30 September 2022</b>        |                |                    |              |                 |                 |  |
|--|----------------|--------------------|--------------|-----------------|-----------------|--|
| <b>Counterparty</b>                            | <b>Deposit</b> |                    | <b>Start</b> | <b>Maturity</b> | <b>Rate (%)</b> |  |
|  | <b>Type</b>    | <b>Principal</b>   | <b>Date</b>  | <b>Date</b>     |                 |  |
| Principality Building Society                  | Fixed          | 3,000,000          | 14/10/2021   | 14/10/2022      | 0.23%           |  |
| Progressive Building Society                   | Fixed          | 1,000,000          | 21/10/2021   | 21/10/2022      | 0.35%           |  |
| Progressive Building Society                   | Fixed          | 2,000,000          | 29/10/2021   | 28/10/2022      | 0.35%           |  |
| Goldman Sachs International Bank               | Fixed          | 4,000,000          | 29/10/2021   | 28/10/2022      | 0.82%           |  |
| Saffron Building Society                       | Fixed          | 2,000,000          | 02/11/2021   | 02/11/2022      | 0.35%           |  |
| Saffron Building Society                       | Fixed          | 1,000,000          | 05/11/2021   | 04/11/2022      | 0.35%           |  |
| National Counties Building Society             | Fixed          | 3,000,000          | 05/11/2021   | 04/11/2022      | 0.50%           |  |
| Skipton Building Society                       | Fixed          | 3,000,000          | 15/11/2021   | 15/11/2022      | 0.20%           |  |
| Furness Building Society                       | Fixed          | 3,000,000          | 19/11/2021   | 18/11/2022      | 0.50%           |  |
| Monmouthshire Building Society                 | Fixed          | 1,000,000          | 26/11/2021   | 25/11/2022      | 0.40%           |  |
| West Bromwich Building Society                 | Fixed          | 4,000,000          | 29/11/2021   | 28/11/2022      | 0.28%           |  |
| Saffron Building Society                       | Fixed          | 3,000,000          | 10/12/2021   | 09/12/2022      | 0.40%           |  |
| Blaenau Gwent CBC                              | Fixed          | 3,000,000          | 17/12/2021   | 16/12/2022      | 0.18%           |  |
| Blaenau Gwent CBC                              | Fixed          | 4,000,000          | 04/01/2022   | 03/01/2023      | 0.20%           |  |
| Skipton Building Society                       | Fixed          | 4,000,000          | 04/01/2022   | 04/01/2023      | 0.25%           |  |
| West Bromwich Building Society                 | Fixed          | 2,000,000          | 17/01/2022   | 16/01/2023      | 0.55%           |  |
| Thurrock Borough Council                       | Fixed          | 3,500,000          | 18/01/2022   | 17/01/2023      | 0.38%           |  |
| Cumberland Building Society                    | Fixed          | 2,000,000          | 26/01/2022   | 26/01/2023      | 0.62%           |  |
| Goldman Sachs International Bank               | Fixed          | 5,000,000          | 22/02/2022   | 21/02/2023      | 1.72%           |  |
| Wokingham BC                                   | Fixed          | 5,000,000          | 10/03/2022   | 09/03/2023      | 1.10%           |  |
| Principality Building Society                  | Fixed          | 2,000,000          | 23/03/2022   | 23/03/2023      | 1.23%           |  |
| West Bromwich Building Society                 | Fixed          | 2,000,000          | 23/03/2022   | 23/03/2023      | 1.15%           |  |
| Blaenau Gwent CBC                              | Fixed          | 3,000,000          | 08/04/2022   | 16/04/2023      | 0.28%           |  |
| Thurrock Borough Council                       | Fixed          | 5,000,000          | 19/04/2022   | 18/04/2023      | 0.75%           |  |
| National Counties Building Society             | Fixed          | 1,000,000          | 29/04/2022   | 28/04/2023      | 1.63%           |  |
| Thurrock Borough Council                       | Fixed          | 3,000,000          | 29/04/2022   | 28/04/2023      | 0.75%           |  |
| Thurrock Borough Council                       | Fixed          | 5,000,000          | 20/05/2022   | 19/05/2023      | 0.75%           |  |
| Blaenau Gwent CBC                              | Fixed          | 5,000,000          | 27/06/2022   | 26/06/2023      | 0.50%           |  |
| Monmouthshire Building Society                 | Fixed          | 2,000,000          | 08/08/2022   | 08/11/2022      | 1.65%           |  |
| Principality Building Society                  | Fixed          | 2,000,000          | 08/08/2022   | 08/11/2022      | 1.65%           |  |
| Principality Building Society                  | Fixed          | 1,500,000          | 09/05/2022   | 09/11/2022      | 1.75%           |  |
| Principality Building Society                  | Fixed          | 2,000,000          | 15/08/2022   | 15/11/2022      | 1.75%           |  |
| Furness Building Society                       | Fixed          | 2,000,000          | 18/08/2022   | 18/11/2022      | 1.75%           |  |
| Thurrock Borough Council                       | Fixed          | 3,500,000          | 22/08/2022   | 22/11/2022      | 2.04%           |  |
| National Counties Building Society             | Fixed          | 2,000,000          | 26/08/2022   | 28/11/2022      | 2.00%           |  |
| Principality Building Society                  | Fixed          | 2,000,000          | 26/08/2022   | 28/11/2022      | 2.00%           |  |
| Goldman Sachs International Bank               | Fixed          | 4,000,000          | 01/09/2022   | 01/09/2023      | 4.05%           |  |
| Goldman Sachs International Bank               | Fixed          | 2,000,000          | 13/09/2022   | 12/09/2023      | 4.04%           |  |
| Uttlesford District Council                    | Fixed          | 7,000,000          | 13/09/2022   | 12/09/2023      | 3.00%           |  |
| National Bank of Kuwait                        | Fixed          | 3,000,000          | 15/09/2022   | 15/09/2023      | 4.15%           |  |
| London Borough of Haringey                     | Fixed          | 5,000,000          | 27/09/2022   | 26/09/2023      | 3.00%           |  |
| Santander                                      | Call           | 410,170            |              |                 |                 |  |
| Royal Bank of Scotland                         | Call           | 98,866             |              |                 |                 |  |
| Goldman Sachs                                  | MMF            | 12,625,000         |              |                 |                 |  |
| Blackrock                                      | MMF            | 240,000            |              |                 |                 |  |
| <b>Total short term investments (&lt;1 yr)</b> |                | <b>135,874,036</b> |              |                 |                 |  |



**South Oxfordshire Continued**

| <b>Investments as at 30 September 2022</b>      |                |                    |              |                 |                 |  |
|---|----------------|--------------------|--------------|-----------------|-----------------|--|
| <b>Counterparty</b>                             | <b>Deposit</b> |                    | <b>Start</b> | <b>Maturity</b> | <b>Rate (%)</b> |  |
|   | <b>Type</b>    | <b>Principal</b>   | <b>Date</b>  | <b>Date</b>     |                 |  |
| Royal Bank of Scotland                          | Fixed          | 2,000,000          | 18/02/2019   | 20/02/2023      | 2.46%           |  |
| Places for People                               | Fixed          | 5,000,000          | 15/03/2021   | 15/03/2023      | 1.00%           |  |
| Places for People                               | Fixed          | 5,000,000          | 01/04/2021   | 03/04/2023      | 1.00%           |  |
| Places for People                               | Fixed          | 2,000,000          | 10/05/2021   | 10/05/2023      | 1.00%           |  |
| Places for People                               | Fixed          | 3,000,000          | 25/06/2021   | 23/06/2023      | 1.00%           |  |
| Gravesham Borough Council                       | Fixed          | 3,000,000          | 30/11/2021   | 24/04/2024      | 0.30%           |  |
| Gravesham Borough Council                       | Fixed          | 3,000,000          | 31/03/2022   | 31/03/2027      | 0.75%           |  |
| London Boro' - Barking & Dagenham               | Fixed          | 5,000,000          | 14/04/2022   | 14/04/2025      | 0.30%           |  |
| <b>Total long term cash deposits (&gt;1 yr)</b> |                | <b>28,000,000</b>  |              |                 |                 |  |
| CCLA Property Fund                              |                | <b>7,602,919</b>   |              |                 |                 |  |
| L&G Unit Trust                                  |                | <b>12,424,595</b>  |              |                 |                 |  |
| <b>Total Investments</b>                        |                | <b>183,901,550</b> |              |                 |                 |  |

Returns shown represent prevailing rates at end Q2 2022.  
Above figures exclude SOHA loan

**Vale of White Horse District Council**

| <b>Deposits as at 30 September 2022</b>        |                |                    |              |                 |                 |
|--|----------------|--------------------|--------------|-----------------|-----------------|
| <b>Counterparty</b>                            | <b>Deposit</b> |                    | <b>Start</b> | <b>Maturity</b> | <b>Rate (%)</b> |
|  | <b>Type</b>    | <b>Principal</b>   | <b>Date</b>  | <b>Date</b>     |                 |
| Thurrock Borough Council                       | Fixed          | 5,000,000          | 27/09/2021   | 26/09/2022      | 0.20%           |
| Saffron Building Society                       | Fixed          | 3,000,000          | 01/10/2021   | 30/09/2022      | 0.20%           |
| Cambridge Building Society                     | Fixed          | 2,000,000          | 01/10/2021   | 30/09/2022      | 0.25%           |
| Furness Building Society                       | Fixed          | 3,000,000          | 29/10/2021   | 28/10/2022      | 0.30%           |
| Goldman Sachs International Bank               | Fixed          | 3,000,000          | 04/11/2021   | 03/11/2022      | 0.91%           |
| Monmouthshire Building Society                 | Fixed          | 2,000,000          | 05/08/2022   | 07/11/2022      | 1.65%           |
| West Bromwich Building Society                 | Fixed          | 3,500,000          | 11/08/2022   | 11/11/2022      | 1.71%           |
| National Counties Building Society             | Fixed          | 3,000,000          | 15/08/2022   | 15/11/2022      | 1.85%           |
| Metropolitan Housing Trust Ltd                 | Fixed          | 3,000,000          | 16/11/2020   | 16/11/2022      | 1.10%           |
| Cambridge Building Society                     | Fixed          | 1,000,000          | 17/08/2022   | 17/11/2022      | 1.85%           |
| West Bromwich Building Society                 | Fixed          | 2,500,000          | 29/11/2021   | 28/11/2022      | 0.36%           |
| Merthyr Tydfil County Borough Council          | Fixed          | 5,000,000          | 26/08/2022   | 28/11/2022      | 1.62%           |
| Monmouthshire Building Society                 | Fixed          | 3,000,000          | 07/12/2021   | 06/12/2022      | 0.38%           |
| Principality Building Society                  | Fixed          | 2,000,000          | 13/12/2021   | 12/12/2022      | 0.38%           |
| Goldman Sachs International Bank               | Fixed          | 5,000,000          | 28/01/2022   | 28/12/2022      | 1.09%           |
| Progressive Building Society                   | Fixed          | 3,000,000          | 04/01/2022   | 03/01/2023      | 0.35%           |
| Thurrock Borough Council                       | Fixed          | 3,000,000          | 04/01/2022   | 03/01/2023      | 0.25%           |
| Close Brothers Ltd                             | Fixed          | 3,000,000          | 21/01/2022   | 20/01/2023      | 0.90%           |
| Cumberland Building Society                    | Fixed          | 2,000,000          | 26/01/2022   | 25/01/2023      | 0.62%           |
| Goldman Sachs International Bank               | Fixed          | 3,000,000          | 16/02/2022   | 15/02/2023      | 1.68%           |
| Blackpool Council                              | Fixed          | 4,000,000          | 22/02/2022   | 23/01/2023      | 0.40%           |
| Goldman Sachs International Bank               | Fixed          | 2,000,000          | 01/03/2021   | 01/03/2023      | 0.37%           |
| Close Brothers Ltd                             | Fixed          | 2,000,000          | 07/03/2022   | 06/03/2023      | 1.50%           |
| Nat Bank of Kuwait International               | Fixed          | 5,000,000          | 14/03/2022   | 13/03/2023      | 1.65%           |
| Southern Housing Group                         | Fixed          | 5,000,000          | 19/03/2021   | 20/03/2023      | 1.00%           |
| Thurrock Borough Council                       | Fixed          | 2,000,000          | 24/03/2022   | 23/03/2023      | 1.17%           |
| Newcastle Building Society                     | Fixed          | 3,000,000          | 09/06/2022   | 08/06/2023      | 1.65%           |
| Furness Building Society                       | Fixed          | 3,000,000          | 24/06/2022   | 23/06/2023      | 2.50%           |
| National Counties Building Society             | Fixed          | 1,000,000          | 24/06/2022   | 23/06/2023      | 2.40%           |
| Nat Bank of Kuwait International               | Fixed          | 5,000,000          | 29/06/2022   | 28/06/2023      | 2.88%           |
| Newcastle Building Society                     | Fixed          | 2,500,000          | 30/06/2022   | 29/06/2023      | 2.10%           |
| Progressive Building Society                   | Fixed          | 3,000,000          | 06/07/2022   | 05/07/2023      | 2.40%           |
| National Counties Building Society             | Fixed          | 1,000,000          | 25/07/2022   | 24/07/2023      | 2.45%           |
| Saffron Building Society                       | Fixed          | 3,000,000          | 01/09/2022   | 31/08/2023      | 2.75%           |
| National Counties Building Society             | Fixed          | 1,000,000          | 08/09/2022   | 07/09/2023      | 2.98%           |
| Principality Building Society                  | Fixed          | 3,000,000          | 08/09/2022   | 07/09/2023      | 2.98%           |
| Goldman Sachs Money Market Fund                | MMF            | 4,590,000          |              |                 | 1.670%          |
| LGIM Money Market Fund                         | MMF            | 14,000,000         |              |                 | 1.670%          |
| <b>Total short-term investments (&lt;1 yr)</b> |                | <b>124,090,000</b> |              |                 |                 |

**Vale of White Horse continued**

| <b>Investments as at 30 September 2022</b>      |                     |                    |                   |                      |                 |  |
|---|---------------------|--------------------|-------------------|----------------------|-----------------|--|
| <b>Counterparty</b>                             | <b>Deposit Type</b> | <b>Principal</b>   | <b>Start Date</b> | <b>Maturity Date</b> | <b>Rate (%)</b> |  |
| Yorkshire Housing Ltd                           | Fixed               | 5,000,000          | 29/04/2021        | 28/04/2023           | 1.00%           |  |
| Places for People Homes Ltd                     | Fixed               | 2,000,000          | 17/06/2021        | 16/06/2023           | 1.00%           |  |
| Gravesham Borough Council                       | Fixed               | 3,000,000          | 28/10/2021        | 24/04/2024           | 0.30%           |  |
| Rotherham MBC                                   | Fixed               | 5,000,000          | 25/06/2021        | 25/06/2024           | escalator       |  |
| Places for People Homes Ltd                     | Fixed               | 1,000,000          | 29/10/2021        | 27/10/2023           | 1.00%           |  |
| Places for People Homes Ltd                     | Fixed               | 2,000,000          | 21/02/2022        | 21/02/2024           | 1.00%           |  |
| Kirklees Council                                | Fixed               | 5,000,000          | 18/03/2022        | 18/03/2025           | 0.80%           |  |
| LB Barking & Dagenham                           | Fixed               | 5,000,000          | 14/04/2022        | 14/04/2025           | escalator       |  |
| Gravesham Borough Council                       | Fixed               | 3,000,000          | 16/05/2022        | 17/05/2027           | escalator       |  |
| <b>Total long term cash deposits (&gt;1 yr)</b> |                     | <b>31,000,000</b>  |                   |                      |                 |  |
| CCLA Property Fund                              |                     | <b>2,000,000</b>   |                   |                      |                 |  |
| <b>Total Investments</b>                        |                     | <b>157,090,000</b> |                   |                      |                 |  |

**South Oxfordshire District Council**

| <b>Investment returns achieved against benchmark</b>                   |                  |               |                                |                       |
|--|------------------|---------------|--------------------------------|-----------------------|
|  | Benchmark Return | Actual Return | Growth (Below)/above Benchmark | Benchmarks            |
| Bank & Building Society deposits - internally managed (6mths to 30/09) | 1.70%            | 1.19%         | (0.51)%                        | 3 Month SONIA         |
| L&G UK Index Trust (12mths to 30/09)                                   | -4.41%           | -4.35%        | 0.06%                          | FTSE All Shares Index |

- Fixed rate deposits arranged prior to the start of the financial year achieved prevailing market rates at the time of arrangement, which were lower than the market rates available during the first half of 2022-23. Following rises in the base rate during the period some new deposits achieved returns above benchmark, however existing unmatured loans caused a below average benchmark return for the in-house portfolio.

**CCLA**

| <b>Annualised total return performance</b> |               |              |              |
|--|---------------|--------------|--------------|
| Performance to 30 September 2022           | 1 year        | 3 years      | 5 years      |
| The local authorities property fund        | <b>14.59%</b> | <b>8.80%</b> | <b>7.69%</b> |
| Benchmark - IPD property index             | <b>13.30%</b> | <b>7.56%</b> | <b>6.97%</b> |

- The CCLA investment is a long-term holding. The above table shows the performance of the fund as a whole and the longer term performance should be used as a guide to returns achievable in the medium term.
- South invested £5 million into the fund at inception and in the first six months of 2022/23, earned dividends of £136,806.46.

**Vale of White Horse District Council**

| <b>Investment returns achieved against benchmark</b>                   |                  |               |                                |               |
|--|------------------|---------------|--------------------------------|---------------|
|  | Benchmark return | Actual return | Growth (below)/above benchmark | Benchmarks    |
| Internally managed - Bank & Building Society deposits (6mths to 30/09) | 1.70%            | 1.04%         | (0.66)%                        | 3-month SONIA |

- Fixed rate deposits arranged prior to the start of the financial year achieved prevailing market rates at the time of arrangement, which were lower than the market rates available during the first half of 2022-23. Following rises in the base rate during the period some new deposits achieved returns above benchmark, however existing unmatured loans caused a below average benchmark return for the in-house portfolio.

**CCLA**

| <b>Annualised total return performance</b> |               |              |              |  |
|--|---------------|--------------|--------------|--|
| Performance to 30 September 2022           | 1 year        | 3 years      | 5 years      |  |
| The local authorities property fund        | <b>14.59%</b> | <b>8.80%</b> | <b>7.69%</b> |  |
| Benchmark - IPD property index             | <b>13.30%</b> | <b>7.56%</b> | <b>6.97%</b> |  |

- The CCLA investment is a long-term holding. The above table shows the performance of the fund as a whole and the longer-term performance should be used as a guide to returns achievable in the medium term.
- Vale invested £2 million into the fund at inception, and in the first six months of 2022/23 earned dividends of £54,727.49.

**South Oxfordshire District Council**

| <b>Prudential indicators as at 30th September 2022</b> |   |                                       |
|--|---|---------------------------------------|
|  | <b>2022/23<br/>Original<br/>Estimate<br/>£m</b> | <b>Actual as at<br/>30-Sep<br/>£m</b> |
| <b>Debt</b>  |   |                                       |
| <b>Authorised limit for external debt</b>              |   |                                       |
| Borrowing  | 30  | 0                                     |
| Other long-term liabilities                            | 0   | 0                                     |
|  | <b>30</b>                                       | <b>0</b>                              |
| <b>Operational boundary for external debt</b>          |   |                                       |
| Borrowing  | 25  | 0                                     |
| Other long-term liabilities                            | 0   | 0                                     |
|  | <b>25</b>                                       | <b>0</b>                              |
| <b>Interest rate exposures</b>                         |   |                                       |
| Maximum fixed rate borrowing                           | 100%  | <b>0</b>                              |
| Maximum variable rate borrowing                        | 100%  | <b>0</b>                              |
| <b>Investments</b>                                     |   |                                       |
| <b>Interest rate exposures</b>                         |   |                                       |
| Limits on fixed interest rates                         | 100%  | 82%                                   |
| Limits on variable interest rates                      | 50  | 33.4                                  |
| <b>Principal sums invested &gt; 364 days</b>           |   |                                       |
| Upper limit for principal sums invested >364 days      | 70  | 28                                    |

**Vale of White Horse District Council**

| <b>Prudential indicators as at 30th September 2022</b> |   |                                       |
|--|---|---------------------------------------|
|  | <b>2020/21<br/>Original<br/>estimate<br/>£m</b> | <b>Actual as at<br/>30-Sep<br/>£m</b> |
| <b>Authorised limit for external debt</b>              |   |                                       |
| Borrowing  | 30  | 0                                     |
| Other long-term liabilities                            | 5   | 0                                     |
|  | <b>35</b>                                       | <b>0</b>                              |
| <b>Operational boundary for external debt</b>          |   |                                       |
| Borrowing  | 25  | 0                                     |
| Other long-term liabilities                            | 5   | 0                                     |
|  | <b>30</b>                                       | <b>0</b>                              |
| <b>Interest rate exposures</b>                         |   |                                       |
| Maximum fixed rate borrowing                           | 100%  | <b>0</b>                              |
| Maximum variable rate borrowing                        | 100%  | <b>0</b>                              |
| <b>Investments</b>                                     |   |                                       |
| <b>Interest rate exposures</b>                         |   |                                       |
| Limits on fixed interest rates                         | 100%  | 87%                                   |
| Limits on variable interest rates                      | 100   | 20.59                                 |
| <b>Principal sums invested &gt; 364 days</b>           |   |                                       |
| Upper limit for principal sums invested >364 days      | 45  | 31                                    |

## **Prudential indicators – explanatory note**

### **Debt**

There are two limits on external debt: the ‘Operational Boundary’ and the ‘Authorised Limit’. Both are consistent with the current commitments, existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices. They are both based on estimates of most likely, but not worst-case scenario.

The key difference is that the Authorised Limit cannot be breached without prior approval of the Council. It therefore includes more headroom to take account of eventualities such as delays in generating capital receipts, forward borrowing to take advantage of attractive interest rates, use of borrowing in place of operational leasing, “invest to save” projects, occasional short term borrowing to cover temporary revenue cash flow shortfalls as well as an assessment of risks involved in managing cash flows.

The Operational Boundary is a more realistic indicator of the likely position.

### **Interest rate exposures**

The maximum proportion of interest on borrowing which is subject to fixed/variable rate of interest.

### **Investments**

#### **Interest rate exposure**

The purpose of these indicators is to set ranges that will limit exposure to interest rate movement. The indicator required by the Treasury Management Code considers the net position of borrowing and investment and is based on principal sums outstanding.

#### **Principal sums invested**

This indicator sets a limit on the level of investments that can be made for more than 364 days.