

Joint Audit and Governance Committee



Report of Head of Finance



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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 below¹.

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

	South	Treasury investments £000	Non treasury loan £000	Sub Total £000	Property investment £000	Overall total £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 £000	Property investment £000	Overall total £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

Deposits as at 30 September 2022						
Counterparty	Deposit		Start	Maturity	Rate (%)	
	Type	Principal	Date	Date		
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				
Total short term investments (<1 yr)		135,874,036				

South Oxfordshire Continued

Investments as at 30 September 2022						
Counterparty	Deposit		Start	Maturity	Rate (%)	
	Type	Principal	Date	Date		
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%	
Total long term cash deposits (>1 yr)		28,000,000				
CCLA Property Fund		7,602,919				
L&G Unit Trust		12,424,595				
Total Investments		183,901,550				

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

Vale of White Horse District Council

Deposits as at 30 September 2022					
Counterparty	Deposit		Start	Maturity	Rate (%)
	Type	Principal	Date	Date	
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%
Total short-term investments (<1 yr)		124,090,000			

Vale of White Horse continued

Investments as at 30 September 2022						
Counterparty	Deposit Type	Principal	Start Date	Maturity Date	Rate (%)	
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	
Total long term cash deposits (>1 yr)		31,000,000				
CCLA Property Fund		2,000,000				
Total Investments		157,090,000				

South Oxfordshire District Council

Investment returns achieved against benchmark				
	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

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

- 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

Investment returns achieved against benchmark				
	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

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

- 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

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

Vale of White Horse District Council

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