

Joint Audit and Governance Committee



Report of Head of Finance
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 To: Joint Audit and Governance Committee
 Dates: 30 January 2024

Treasury management 2023/24 mid-year monitoring report

Recommendations

That Joint Audit and Governance Committee:

1. notes the treasury management mid-year monitoring report 2023/24.
2. is satisfied that the treasury activities are carried out in accordance with the treasury management strategy and policy, and

make any comments and recommendations to Cabinets as necessary.

Implications (further detail within the report)	Financial	Legal	Climate and Ecological	Equality and diversity
	Yes	No	No	No
Signing off officer				

Purpose of report

1. This report covers the treasury management activity for the first half of 2023/24 in compliance with the requirements of the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021. It provides an update on the mid-year position and prudential indicators with a view to the remainder of the year.

Corporate objectives

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

Background

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 2021) and covers the following:
 - An economic update for the first part of the 2023/24 financial year;
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - A review of the councils' investment portfolios for 2023/24;
 - A review of the councils' borrowing strategy for 2023/24;
 - A review of compliance with Treasury and Prudential Limits for 2023/24.
4. 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.
5. 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.
6. 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.”
7. The 2023/24 treasury management strategy was approved by each council in February 2023. This report summarises the treasury activity and performance for the first six months of 2023/24 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.

8. The councils continue to invest with regard to security, liquidity and yield, in that order.

Economic conditions during the period

9. The approved Treasury Management Strategies for 2023/24 were based on a Bank of England base rate forecast of 4.25 per cent from April 2023, rising to 4.5 per cent in June, with a fall to 4.0 per cent anticipated during the last quarter of the financial year.
10. At the beginning of the financial year UK base rate was 4.25 per cent; the Bank of England raised the rate by 0.25 per cent at its Monetary Policy Committee (MPC) meeting on 11th May, and by a further 0.50 per cent in June. UK base rate ended the first quarter of the financial year at 5.00 per cent.
11. In August base rate by rose by 0.25 per cent to end the first half of the financial year at 5.25 per cent. In its latest monetary policy meeting on 20 September, the Bank of England left interest rates unchanged at 5.25 per cent.

Interest rate forecasts

12. The councils' treasury advisor, Link Asset Services, provides a regular forecast of interest rates.
13. *'The latest forecast on 25 September sets out a view that short, medium and long dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy.'*
14. *'Our PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20bps).'*

Link Group Interest Rate View 25.09.23													
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00
5 yr PWLB	5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50
10 yr PWLB	5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50
25 yr PWLB	5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80
50 yr PWLB	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60

15. This forecast shows an expectation that base rate will remain at 5.25 per cent for the remainder of this financial year and the first quarter of 2024/25. PWLB forecasts are based on Link Group's view that markets have already built in nearly all the effects on gilt yields of likely increases in Bank Rate.

Treasury activity

16. The performance of the two councils for the first two quarters of the financial year is summarised in the tables below¹.

Quarter 1 to 30 June 2023

	South Qtr1 to 30 June 2023	Treasury investments £000	Non treasury loan £000	Sub Total £000	Property investment £000	Overall total £000
1	Average investment balance	180,053	15,000	195,053	8,557	203,610
2	Budgeted investment income	1,146	155	1,301	103	1,404
3	Actual investment income	1,527	155	1,682	106	1,788
4	surplus/(deficit) (3) - (2)	381	(0)	381	3	385
5	Annualised rate of return	3.40%	4.15%	3.46%	4.96%	3.51%

	Vale Qtr1 ro 30 June 2023	Treasury investments £000	Property investment £000	Overall total £000
1	Average investment balance	135,336	4,971	140,307
2	Budgeted investment income	832	54	886
3	Actual investment income	1,106	54	1,160
4	surplus/(deficit) (3) - (2)	274	0	274
5	Annualised rate of return	3.28%	4.39%	3.31%

Quarter 2 to 30 September 2023

	South Qtr2 to 30 Sept 2023	Treasury investments £000	Non treasury loan £000	Sub Total £000	Property investment £000	Overall total £000
1	Average investment balance	181,047	15,000	196,047	8,557	204,604
2	Budgeted investment income	2,292	312	2,604	205	2,809
3	Actual investment income	3,546	312	3,858	215	4,073
4	surplus/(deficit) (3) - (2)	1,254	0	1,254	9	1,264
5	Annualised rate of return	3.91%	4.15%	3.92%	5.02%	3.98%

	Vale Qtr2 to 30 Sept 2023	Treasury investments £000	Property investment £000	Overall total £000
1	Average investment balance	139,473	4,971	144,444
2	Budgeted investment income	1,665	109	1,774
3	Actual investment income	2,578	109	2,687
4	surplus/(deficit) (3) - (2)	913	0	913
5	Annualised rate of return	3.69%	4.37%	3.72%

¹ For property, the balance shown is the fair value of investment properties as at 31 March 2023.

17. The forecast outturn position as at September 2023, 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	£5,205,754	£3,329,071
Forecast outturn	£7,970,000	£5,430,000
Variance against budget	£2,764,246	£2,100,929
Borrowing	Nil	Nil

18. **SODC.** The latest estimate is that income receivable on cash investments will be above budget by £2.7 million. This is due to interest rates being above those forecast when the budget was set and average balances deposited being higher than forecast.
19. **VWHDC.** The latest estimate is that income receivable on cash investments will be above budget by £2.1 million. This is predominantly due to higher than forecast balances and above budgeted interest rates achieved on new deposits.

Performance measurement

20. A list of investments as at 30 September 2023 is shown in **Appendices A1** and **A2**.
21. 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 16.

Treasury management limits on activity

22. 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 2023/24

23. During the first six months of 2023/24 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.

Financial Implications

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

Legal implications

25. 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 MHCLG Local Government Investment Guidance provides assurance that the councils' investments are, and will continue to be, within their legal powers.

Climate and ecological impact implications

26. There are no climate or ecological implications arising from this report, however the Council can make significant impact via future investment opportunities and operational changes. Numerous changes have already been made to ensure that climate is a key consideration in key documents and processes (such as the procurement strategy), and this will become more evident in future decision making. As opportunities to support the climate ambitions of the councils arise, they will be considered and appropriately weighted to include any climate or ecological impacts.
27. In order to comply with treasury management professional guidance, the council's investments must prioritise security, liquidity and yield in that order. Environmental, Social and Governance (ESG) factors represent a fourth consideration in the decision-making process and whilst this is something that the councils are exploring it is in the context of the need to comply with the priorities outlined in the guidance.
28. The councils had no direct investments during the financial year with companies engaged in environmentally harmful activities. The councils' externally managed pooled investment fund managers are founding members of the Net Zero Asset Managers Initiative.

Equalities implications

29. This report is for information only and therefore there are no equalities implications.

Risks

30. During the first six months of the financial year, the councils operated within the treasury limits and prudential indicators set out in their treasury management strategies approved by council in February 2023. Security of capital remains the main objective. The council has not made any significant changes to its investment approach or risk appetite during the period covered by this report.

Conclusion

31. This report provides details of the treasury management activities for the period 1 April 2023 to 30 September 2023 and the mid-year prudential indicators to each respective council.
32. 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

- Chartered Institute of Public Finance and Accounting (CIPFA) code of practice for treasury management in the public sector.
- DCLG Local Government Investment Guidance
- Treasury Management Investment Strategy 2023/24 (South Oxfordshire & Vale of White Horse, February 2023)

Appendices

- A1 – SODC List of investments as at 30 June and 30 September 2023
- A2 – VWHDC List of investments as at 30 June and 30 September 2023
- 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 District Council

Counterparty	Deposit Type	Principal £m as at 30/06/2023	Principal £m as at 30/09/2023	Start Date	Maturity Date	Rate %
Gravesham Borough Council	Fixed	3.0	3.0	30-Nov-21	24-Apr-24	0.30
Gravesham Borough Council	Fixed	3.0	3.0	31-Mar-22	31-Mar-27	0.75
London Borough of Barking & Dagenham	Fixed	5.0	5.0	14-Apr-22	13-Apr-25	0.50
Goldman Sachs International Bank	Fixed	4.0	0.0	01-Sep-22	01-Sep-23	4.05
Goldman Sachs International Bank	Fixed	2.0	0.0	13-Sep-22	12-Sep-23	4.04
Uttlesford District Council	Fixed	7.0	0.0	13-Sep-22	12-Sep-23	3.00
National Bank of Kuwait	Fixed	3.0	0.0	15-Sep-22	15-Sep-23	4.15
London Borough of Haringey	Fixed	5.0	0.0	27-Sep-22	26-Sep-23	3.00
Cheshire West & Chester Council	Fixed	1.0	1.0	21-Oct-22	20-Oct-23	4.05
North Lanarkshire Council	Fixed	5.0	5.0	14-Nov-22	13-Nov-23	4.00
Goldman Sachs International Bank	Fixed	3.0	3.0	18-Nov-22	17-Nov-23	4.53
Goldman Sachs International Bank	Fixed	1.0	1.0	20-Jan-23	19-Jan-24	4.35
Rushmoor Borough Council	Fixed	5.0	0.0	31-Jan-23	31-Jul-23	3.90
Birmingham City Council	Fixed	5.0	0.0	27-Feb-23	29-Aug-23	4.20
West Dumbartonshire Council	Fixed	5.0	5.0	14-Mar-23	12-Mar-24	4.70
London Borough of Southwark	Fixed	5.0	5.0	20-Mar-23	18-Mar-24	4.45
Lancashire	Fixed	5.0	5.0	18-Apr-23	16-Apr-24	4.70
Plymouth City Council	Fixed	5.0	0.0	24-Apr-23	24-Aug-23	4.37
Lancashire	Fixed	3.0	3.0	28-Apr-23	27-Apr-24	4.70
Bath & North East Somerset D.C.	Fixed	5.0	5.0	28-Apr-23	26-Apr-24	4.45
London Borough of Barking & Dagenham	Fixed	3.0	0.0	28-Apr-23	29-Aug-23	4.40
Highland Council	Fixed	4.0	4.0	09-May-23	09-Nov-23	4.42
North Lanarkshire Council	Fixed	5.0	5.0	15-May-23	14-Mar-24	4.40
Rushmoor Borough Council	Fixed	3.0	3.0	16-May-23	16-Feb-24	4.50
PCC Merseyside	Fixed	3.0	3.0	18-May-23	19-Feb-24	4.55
Uttlesford District Council	Fixed	4.0	4.0	23-May-23	21-May-24	4.60
PCC Merseyside	Fixed	2.0	2.0	26-May-23	24-May-24	4.57
London Borough of Barking & Dagenham	Fixed	3.0	0.0	01-Jun-23	20-Jul-23	4.50
Aberdeen City Council	Fixed	6.0	6.0	02-Jun-23	28-Mar-24	4.50
Surrey County Council	Fixed	5.0	5.0	08-Jun-23	08-Dec-23	4.55
Surrey County Council	Fixed	5.0	5.0	13-Jun-23	13-Dec-23	4.55
Wokingham BC	Fixed	3.0	3.0	19-Jun-23	17-Jun-24	5.00
Central Bedfordshire Council	Fixed	5.0	5.0	20-Jun-23	20-Dec-23	4.50
North Lanarkshire Council	Fixed		3.0	03-Jul-23	03-Apr-24	4.60
Goldman Sachs International Bank	Fixed		3.0	07-Jul-23	05-Jul-24	6.48
Rushmoor Borough Council	Fixed		5.0	31-Jul-23	29-Jul-24	4.85
Lloyds Bank	Fixed		5.0	11-Aug-23	09-Aug-24	6.17
Nottingham Building Society	Fixed		5.0	15-Aug-23	13-Aug-24	5.95
Nottingham Building Society	Fixed		2.0	18-Aug-23	16-Aug-24	5.96
National Counties Building Society	Fixed		2.0	18-Aug-23	16-Aug-24	6.00
Plymouth City Council	Fixed		5.0	24-Aug-23	22-Aug-24	5.80
Manchester CC	Fixed		5.0	04-Sep-23	02-Sep-24	5.65
London Borough of Haringey	Fixed		5.0	06-Sep-23	04-Sep-24	5.65
Goldman Sachs International Bank	Fixed		2.5	12-Sep-23	10-Sep-24	6.15
Uttlesford District Council	Fixed		7.0	12-Sep-23	10-Sep-24	5.70
Leeds City Council	Fixed		5.0	25-Sep-23	10-Oct-23	5.35
London Borough of Haringey	Fixed		5.0	26-Sep-23	24-Sep-24	5.80
Goldman Sachs Money Market Fund	MMF	22.2	9.1			
Blackrock Money Market Fund	MMF	0.2	0.2			
Royal Bank of Scotland	Call	0.1	0.1			
Santander	Call	0.2	0.0			
Total deposits		153.7	157.9			
Legal and General Unit Trust		13.0	13.0			
CCLA property fund		6.3	6.3			
Total Investments		173.1	177.2			

Above figures exclude SOHA loan

Vale of White Horse District Council

Counterparty	Deposit Type	Principal £m as at 30/06/2023	Principal £m as at 30/09/2023	Start Date	Maturity Date	Rate %
Rushmoor Borough Council	Fixed	5.0		03-Jan-23	03-Jul-23	3.75
Progressive Building Society	Fixed	3.0		06-Jul-22	05-Jul-23	2.40
National Counties Building Society	Fixed	1.0		25-Jul-22	24-Jul-23	2.45
North Lanarkshire Council	Fixed	5.0		23-Nov-22	23-Aug-23	3.70
Saffron Building Society	Fixed	3.0		01-Sep-22	31-Aug-23	2.75
National Counties Building Society	Fixed	1.0		08-Sep-22	07-Sep-23	2.98
Principality Building Society	Fixed	3.0		08-Sep-22	07-Sep-23	2.98
Bournemouth, Christchurch & Poole Council	Fixed	5.0		14-Mar-23	14-Sep-23	4.00
London Borough of Haringey	Fixed	5.0		27-Sep-22	26-Sep-23	3.00
Eastleigh Borough Council	Fixed	5.0	5.0	06-Oct-22	05-Oct-23	4.20
Lancashire County Council	Fixed	5.0	5.0	14-Apr-23	16-Oct-23	4.60
Birmingham City Council	Fixed	5.0	5.0	27-Jan-23	27-Oct-23	4.00
LB Barking & Dagenham	Fixed		5.0	28-Sep-23	30-Oct-23	5.40
Goldman Sachs International Bank	Fixed	3.0	3.0	03-Nov-22	02-Nov-23	4.53
National Counties Building Society	Fixed	3.0	3.0	15-Nov-22	14-Nov-23	4.15
Goldman Sachs International Bank	Fixed	5.0	5.0	28-Dec-22	21-Dec-23	4.75
Wrexham County Borough Council	Fixed	5.0	5.0	27-Jun-23	02-Jan-24	4.85
Aberdeen City Council	Fixed		5.0	11-Jul-23	11-Jan-24	5.48
Conwy County Borough Council	Fixed	5.0	5.0	16-Jan-23	15-Jan-24	3.95
Ashford Borough Council	Fixed	5.0	5.0	24-Jan-23	23-Jan-24	4.00
North Lanarkshire Council	Fixed	5.0	5.0	03-Feb-23	02-Feb-24	3.95
Wrexham County Borough Council	Fixed	5.0	5.0	30-May-23	15-Feb-24	4.55
Goldman Sachs International Bank	Fixed	2.0	2.0	01-Mar-23	28-Feb-24	4.75
Lancashire County Council	Fixed	5.0	5.0	22-Jun-23	14-Mar-24	4.60
Newcastle Building Society	Fixed	3.0	3.0	08-Jun-23	19-Mar-24	4.65
Close Brothers Ltd	Fixed	5.0	5.0	18-Apr-23	16-Apr-24	5.00
Gravesham Borough Council	Fixed	3.0	3.0	28-Oct-21	24-Apr-24	0.30
Moray Council	Fixed	5.0	5.0	28-Apr-23	26-Apr-24	4.50
Rotherham MBC	Fixed	5.0	5.0	25-Jun-21	25-Jun-24	escalator
London Borough of Haringey	Fixed		5.0	26-Sep-23	26-Jun-24	5.75
Newcastle Building Society	Fixed	3.0	3.0	29-Jun-23	27-Jun-24	5.25
Rushmoor Borough Council	Fixed		5.0	03-Jul-23	01-Jul-24	4.70
Rushmoor Borough Council	Fixed		2.5	01-Aug-23	30-Jul-24	5.85
Lloyds Bank Corporate Markets (NRFB)	Fixed		5.0	15-Aug-23	13-Aug-24	6.17
Nottingham Building Society	Fixed		3.0	16-Aug-23	14-Aug-24	6.00
Goldman Sachs International Bank	Fixed		5.0	23-Aug-23	21-Aug-24	6.32
National Counties Building Society	Fixed		3.0	07-Sep-23	05-Sep-24	6.00
Nottingham Building Society	Fixed		3.0	07-Sep-23	05-Sep-24	5.95
Manchester City Council	Fixed		5.0	27-Sep-23	25-Sep-24	5.70
Worcestershire County Council	Fixed		5.0	27-Jul-23	28-Oct-24	5.75
Kirklees Metropolitan Council	Fixed	5.0	5.0	18-Mar-22	18-Mar-25	0.80
LB Barking & Dagenham	Fixed	5.0	5.0	14-Apr-22	14-Apr-25	escalator
Gravesham Borough Council	Fixed	3.0	3.0	16-May-22	17-May-27	escalator
Goldman Sachs Money Market Fund	MMF	11.7	1.7			
LGIM Money Market Fund	MMF	5.0	5.0			
Total deposits		142.7	153.2			
CCLA property fund		2.5	2.5			
Total Investments		145.2	155.7			

South Oxfordshire District Council

Treasury investment returns achieved against benchmark				
	Benchmark Return	Actual Return	Growth (Below)/above Benchmark	Benchmarks
Bank & Building Society deposits - internally managed (6mths to 30/9)	5.03%	3.91%	(1.12%)	3 Month SONIA
L&G UK Index Trust (6mths to 30/09) *	2.36%	2.31%	(0.05%)	FTSE All Shares Index
CCLA Property Fund *	-0.35%	1.17%	1.52%	IPD balanced property unit trust index

Fixed rate deposits arranged during the first quarter of the financial year earned interest rates from 4.37 to 5.0 per cent. During quarter two from July to September new fixed rate deposits achieved returns of between 4.6 and 6.48 per cent. Longer-term deposits arranged prior to the start of the current financial year at rates from 0.3 per cent and short-term liquidity funds reduced the average return for the internally managed portfolio to 3.91 per cent for the first half of the year.

Vale of White Horse District Council

Treasury investment returns achieved against benchmark				
	Benchmark Return	Actual Return	Growth (Below)/above Benchmark	Benchmarks
Bank & Building Society deposits - internally managed (6mths to 30/9)	5.03%	3.69%	(1.34%)	3 Month SONIA
CCLA Property Fund *	-0.35%	1.17%	1.52%	IPD balanced property unit trust index

* Returns include income & capital movements

Fixed rate deposits arranged during the first quarter of the financial year earned interest rates from 4.5 to 5.25 per cent. During quarter two from July to September new fixed rate deposits achieved returns of between 5.4 and 6.32 per cent. Longer-term deposits arranged prior to the start of the current financial year at rates from 0.3 per cent and short-term liquidity funds reduced the average return for the internally managed portfolio to 3.69 per cent for the first half of the year.

South Oxfordshire District Council

Prudential indicators as at 30th September 2023		
	2023/24 Original Estimate £m	Actual as at 30-Sep £m
Debt		
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%	82%
Limits on variable interest rates	100	33.4
Principal sums invested > 364 days		
Upper limit for principal sums invested >364 days	55	28

Vale of White Horse District Council

Prudential indicators as at 30th September 2023		
	2023/24 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%	94%
Limits on variable interest rates	100	6%
Principal sums invested > 364 days		
Upper limit for principal sums invested >364 days	45	18

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.