

# Joint Audit and Governance Committee

Report of Interim Head of Finance

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

DATE: 26 November by Joint Audit and Governance Committee  
3 December (S) / 4 December (V) by Cabinet  
10 December (S) / 9 December (V) by Council



**AGENDA ITEM**

## Treasury management mid-year monitoring report 2020/21

### Recommendations

That Joint Audit and Governance Committee:

1. notes the treasury management mid-year monitoring report 2020/21.
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 2020/21 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 authority in accordance with the treasury management strategy will help to ensure that resources are available to deliver its services and meet the council's 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 manner in which 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 Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
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 2020/21 financial year;
  - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
  - A review of the Councils' investment portfolio for 2020/21;
  - A review of the Councils' borrowing strategy for 2020/21;
  - A review of compliance with Treasury and Prudential Limits for 2020/21.
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 council can lend, and this is the manifestation of its 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 Council, 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 2020/21 treasury management strategy was approved by each council in February 2020. This report summarises the treasury activity and performance for the first six months of 2020/21 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 activity

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

	South	Treasury investments £000	Non treasury loan £000	Sub Total £000	Property investment £000	Overall total £000
1	Average investment balance	160,759	15,000	175,759	7,763	183,522
2	Budgeted investment income	980	311	1,291		1,291
3	Actual investment income	785	312	1,097	379	1,476
4	surplus/(deficit) (3) - (2)	(195)	1	(194)		184
5	Annualised rate of return	0.98%	4.16%	1.25%	9.76%	1.61%

	Vale	Treasury investments £000	Property investment £000	Overall total £000
1	Average investment balance	108,860	6,201	115,061
2	Budgeted investment income	417		417
3	Actual investment income	575	109	684
4	surplus/(deficit) (3) - (2)	158		267
5	Annualised rate of return	1.06%	3.51%	1.19%

The forecast outturn position as at September 2020, 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	£2,582,720	£833,350
Forecast outturn	£2,304,489	£978,376
Variance against budget	(£278,231)	£145,026
Borrowing	Nil	Nil

<sup>1</sup> For property, the balance shown is the fair value of investment properties as at 31 March 2020.

11. The Councils remain restricted regarding financial institutions meeting their investment criteria. When it is possible, investments will be placed with highly rated institutions for a longer duration with a view to increasing the weighted average maturity of the portfolio, but this has meant that overall, there are less suitable counterparties available to the councils to deposit with.
12. **SODC.** The latest estimate is that income receivable on cash investments will be below budget by £0.3 million. This is due to the fall in interest rates since the coronavirus pandemic began.
13. **VWHDC.** The latest estimate is that income receivable on cash investments will be above budget by £0.1 million. This is due to investments made at higher interest rates than we have seen since the coronavirus pandemic began.
14. As SODC has more reserves to invest, it has more maturities during the year. This has resulted in reinvestment at much lower interest rates since April, unlike VWHDC, whose investments mature later in the year, and will therefore take advantage of the higher rates for longer.

### **Performance measurement**

15. A list of investments as at 30 September is shown in Appendices A1 and A2.
16. 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 10.
17. On 31 March 2020 the Interim Head of Finance waived financial procedure rule 53 and allowed the councils to over-ride their counter party limits for money market funds. This was to allow the councils to deal with the receipt of unprecedented levels of government grant funding to fund the business grant schemes administered by the councils on behalf of the government.
18. As a result of the levels of government grant funding and a postponement of capital projects due to the Covid-19 pandemic in the first six months of the year, the councils found their counterparty limits insufficient to place investments. Delegation 2.7 of the council constitutions allows the Interim Head of Finance, in consultation with the cabinet member for finance, to raise counterparty limits by £3,000,000 within a financial year.
19. During October the counterparty limits for the institutions in the table below were increased. These increased limits did not apply for the first six months of this year.

Counterparty	Amount required	
	£mil	£mil
	South	Vale
Skipton Building Society	0	3
West Bromwich Building Society	3	3
Newcastle Building Society	3	3
Nottingham Building Society	3	3
National Counties Building Society	3	3
Progressive Building Society	3	3
Monmouthshire Building Society	3	3
Furness Building Society	3	3

### 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 these limits are set to be 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 2020/21

21. During the first six months of 2020/21 there has been no need for either of the councils to borrow. The Interim 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 authority in order to achieve its service objectives.

### Negative interest rates

22. While the Bank of England has said that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, as with our councils, the Government has provided large sums of grants to local authorities to help deal with the COVID crisis, causing sudden large increases in investment balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.
23. As for money market funds (MMFs), yields have continued to drift lower. Some managers have suggested that they might resort to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a glut of money swilling around at the very short end of the market. This has seen a number of market operators, now including the DMADF, offer nil or negative rates for very short term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions.

24. Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.
25. Although the Bank of England has seemingly ruled out using negative interest rates for now, it has recently written to all UK banks and building societies, as well as large international banks and insurers, asking them to identify any operational challenges associated with implementation of zero or negative bank rate. It suggested that while negative rates can work in some circumstances, it would be “less effective as a tool to stimulate the economy” at this time when banks are worried about future loan losses. It also has “other instruments available”, including quantitative easing (QE) and forward guidance.
26. A move to negative interest rates will see treasury investment income fall. We are predicting that South will not reach their budgeted income levels for this year due to the drop in interest rates already experienced, and both councils will see a reduction in investment income in future years that will need to be built into future years budgets.
27. There is a risk that the cash the councils hold short term for working capital will attract nominal interest charges. However, we will mitigate this risk by investing the remaining balances longer term where possible, and also potentially making more use of notice accounts.
28. We will continue to maintain a close dialogue with our treasury advisors (Link Treasury Services) and we will continue to work pro-actively in accordance with our treasury strategy to minimise any adverse impact on investment returns that may result in the event of bank rate becoming negative.

### Interest rate forecast and economic forecast

29. The Council’s treasury advisor, Link Treasury Services, has provided the following forecast:

Interest forecast September 2020								
	December 2020	March 2020	June 2021	September 2021	December 2021	March 2021	June 2022	September 2022
Bank rate	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month LIBID	0.10	0.10	0.10	0.10	0.10	0.10	-	-
12 month LIBID	0.20	0.20	0.20	0.20	0.20	0.20	-	-
5yr PWLB	1.90	2.00	2.00	2.00	2.00	2.00	2.10	2.10
10yr PWLB	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30
25 yr PWLB	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70
50 yr PWLB	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50

30. The fall in GDP in the first half of 2020, as a result of the COVID-19 pandemic, of 28 per cent was revised downwards to 23 percent. This is still one of the largest falls in output of any developed nation but is only to be expected as the UK economy is heavily skewed towards consumer facing services, which were particularly vulnerable to being damaged by lockdown.

31. The Monetary Policy Committee (MPC) still expects the £300 billion of QE purchases announced between the March and June meetings to continue until the “turn of the year”. This implies that the pace of purchases will slow further to about £4 billion a week, down from £14 billion a week at the height of the crisis and £7 billion more recently.
32. The pace of recovery is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. There will also be some painful longer-term adjustments as office space and travel by planes, trains and buses may not recover their previous level of use for several years or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown how vulnerable long-distance supply chains are. On the other hand, digital services is one area that has already seen huge growth.

### **Financial Implications**

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

### **Legal implications**

34. 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 council’s investments are, and will continue to be, within its legal powers.

### **Administration**

35. On 1 April 2020 the treasury management function was brought back in house. Prior to this, it was managed by Capita.

### **Conclusion**

36. This report provides details of the treasury management activities for the period 1 April 2020 to 30 September 2020 and the mid-year prudential indicators to each respective council.
37. 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 2020/21 (South Oxfordshire & Vale of White Horse, February 2020)

## **Appendices**

- A1 – SODC List of investments as at 30 September 2020
- A2 – VWHDC List of investments as at 30 September 2020
- 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**

Investments as at 30 September 2020						
Counterparty	Deposit type	Investment date	Maturity date	Remaining investment duration in days	Principal	Rate (%)
Cambridge BS	Fixed	02-Oct-19	01-Oct-20	1	3,000,000	1.15%
Progressive Building Society	Fixed	22-Oct-19	21-Oct-20	21	1,000,000	1.10%
Cambridge BS	Fixed	01-Nov-19	30-Oct-20	30	2,000,000	1.15%
Progressive Building Society	Fixed	01-Nov-19	30-Oct-20	30	2,000,000	1.10%
Newbury Building Society	Fixed	04-Nov-19	03-Nov-20	34	1,000,000	1.10%
West Bromwich Building Society	Fixed	06-Nov-19	05-Nov-20	36	2,000,000	1.03%
West Bromwich Building Society	Fixed	08-Nov-19	06-Nov-20	37	2,000,000	1.03%
Close Brothers	Fixed	27-Nov-19	29-Nov-21	425	3,000,000	1.30%
Nottingham Building Society	Fixed	13-Dec-19	11-Dec-20	72	3,000,000	0.90%
Goldman Sachs International Bank	Fixed	18-Dec-19	16-Dec-20	77	2,000,000	1.02%
Close Brothers	Fixed	16-Mar-20	16-Mar-21	167	2,000,000	1.00%
Close Brothers	Fixed	18-Mar-20	18-Mar-21	169	2,000,000	1.00%
Coventry CC	Fixed	02-Apr-20	01-Apr-21	183	5,000,000	0.95%
Wokingham BC	Fixed	02-Apr-20	01-Apr-21	183	5,000,000	1.90%
National Counties Building Society	Fixed	02-Apr-20	01-Apr-21	183	2,500,000	1.18%
Close Brothers	Fixed	03-Apr-20	06-Apr-21	188	2,000,000	1.00%
Close Brothers	Fixed	09-Apr-20	09-Apr-21	191	2,000,000	1.00%
National Counties Building Society	Fixed	01-May-20	30-Apr-21	212	1,000,000	1.16%
National Counties Building Society	Fixed	25-Jun-20	24-Jun-21	267	2,000,000	0.57%
West Bromwich Building Society	Fixed	01-Jul-20	01-Jul-21	274	4,000,000	0.50%
Principality Building Society	Fixed	01-Jul-20	01-Jul-21	274	4,000,000	0.38%
Principality Building Society	Fixed	02-Jul-20	16-Feb-21	139	4,000,000	0.29%
Principality Building Society	Fixed	02-Jul-20	11-Mar-21	162	5,000,000	0.30%
West Bromwich Building Society	Fixed	08-Jul-20	08-Jul-21	281	2,000,000	0.50%
Monmouthshire Building Society	Fixed	09-Jul-20	09-Jul-21	282	1,000,000	0.40%
Progressive Building Society	Fixed	15-Jul-20	15-Jul-21	288	2,500,000	0.42%
Monmouthshire Building Society	Fixed	17-Jul-20	16-Jul-21	289	2,000,000	0.37%
Newcastle Building Society	Fixed	06-Aug-20	11-Mar-21	162	4,000,000	0.34%
Nottingham Building Society	Fixed	12-Aug-20	16-Feb-21	139	3,000,000	0.18%
Furness Building Society	Fixed	19-Aug-20	19-Aug-21	323	2,000,000	0.45%
Thurrock BC	Fixed	19-Aug-20	19-Jan-21	111	3,500,000	0.20%
Nottingham Building Society	Fixed	21-Aug-20	21-Feb-21	144	2,000,000	0.17%
Newcastle Building Society	Fixed	28-Aug-20	27-Aug-21	331	2,000,000	0.40%
Newcastle Building Society	Fixed	28-Aug-20	27-Aug-21	331	2,000,000	0.40%

**South Oxfordshire Continued**

Investments as at 30 September 2020						
Counterparty	Deposit type	Investment date	Maturity date	Remaining investment duration in days	Principal	Rate (%)
Furness Building Society	Fixed	07-Sep-20	07-Sep-21	342	2,000,000	0.45%
Skipton Building Society	Fixed	10-Sep-20	16-Feb-21	139	2,000,000	0.15%
Skipton Building Society	Fixed	15-Sep-20	14-Sep-21	349	2,000,000	0.30%
Monmouthshire Building Society	Fixed	16-Sep-20	16-Sep-21	351	3,000,000	0.35%
Skipton Building Society	Fixed	15-Sep-20	15-Sep-21	350	2,000,000	0.30%
Furness Building Society	Fixed	25-Sep-20	27-Sep-21	362	2,000,000	0.45%
Santander	Call *				401,256	0.10%
Royal Bank of Scotland	Call *				2,361	0.10%
Royal Bank of Scotland	Call *				96,483	0.10%
Goldman Sachs	MMF *				12,022,000	0.01%
Blackrock	MMF *				690,000	0.01%
<b>Total short term cash investments (&lt;1 yr duration)</b>					<b>113,712,100</b>	
Metropolitan Housing Trust Ltd	Fixed	12-Jul-19	12-Jan-21	104	2,000,000	1.45%
Kingston upon Hull City Council	Fixed	15-Jan-14	15-Jan-21	107	2,000,000	2.50%
Close Brothers	Fixed	14-Mar-19	15-Mar-21	166	3,000,000	1.50%
Close Brothers	Fixed	29-Mar-19	29-Mar-21	180	1,000,000	1.50%
Royal Bank of Scotland	Fixed	08-Apr-19	08-Apr-21	190	3,000,000	1.75%
Metropolitan Housing Trust Ltd	Fixed	11-Apr-19	12-Apr-21	194	3,000,000	1.70%
Royal Bank of Scotland	Fixed	15-Apr-19	15-Apr-21	197	3,000,000	1.78%
Places for People	Fixed	10-May-19	10-May-21	222	2,000,000	1.70%
Places for People	Fixed	25-Jun-19	25-Jun-21	268	3,000,000	1.70%
Bury MBC	Fixed	18-Jul-16	19-Jul-21	292	5,000,000	1.50%
Lloyds Bank	Fixed	23-Jul-19	23-Jul-21	296	2,000,000	1.30%
Royal Bank of Scotland	Fixed	18-Feb-19	20-Feb-23	873	2,000,000	2.46%
<b>Total long-term cash investments (&gt;1 yr duration)</b>					<b>31,000,000</b>	
CCLA	Property				6,830,639	Variable
Legal & General Equities	Unit Trust				10,742,510	Variable
<b>Total Investments</b>					<b>162,285,249</b>	

\* Rates are variable. Returns shown represent prevailing rates at end Q2 2020.

\*\* Above figures exclude balance outstanding from Kaupthing Singer and Friedlander and SOHA loan

\*\*\*Last year total investments: £157 million

**Vale of White Horse District Council**

Investments as at 30 September 2020						
Counterparty	Deposit type	Investment date	Maturity date	Remaining investment duration in days	Principal	Rate (%)
Cambridge Building Society	Fixed	02/10/2019	01/10/2020	1	2,000,000	1.15%
Goldman Sachs International Bank	Fixed	29/10/2019	29/10/2020	29	2,000,000	0.95%
Principality Building Society	Fixed	15/11/2019	13/11/2020	44	1,500,000	0.95%
West Bromwich Building Society	Fixed	15/11/2019	13/11/2020	44	1,500,000	1.03%
Monmouthshire Building Society	Fixed	29/11/2019	30/11/2020	61	1,500,000	1.05%
Principality Building Society	Fixed	29/11/2019	30/11/2020	61	500,000	1.00%
West Bromwich Building Society	Fixed	29/11/2019	30/11/2020	61	1,000,000	1.00%
Newcastle Building Society	Fixed	05/12/2019	07/12/2020	68	1,500,000	1.20%
Skipton Building Society	Fixed	10/12/2019	10/12/2020	71	5,000,000	0.91%
Principality Building Society	Fixed	13/12/2019	14/12/2020	75	2,000,000	1.00%
Skipton Building Society	Fixed	03/01/2020	31/12/2020	92	2,000,000	0.90%
Kingston upon Hull City Council	Fixed	15/01/2014	15/01/2021	107	2,000,000	2.50%
North Tyneside Council	Fixed	17/01/2020	15/01/2021	107	2,500,000	0.95%
Lloyds Bank	Fixed	28/01/2020	28/01/2021	120	10,000,000	1.10%
Newcastle Building Society	Fixed	14/02/2020	15/02/2021	138	1,500,000	1.20%
Nottingham Building Society	Fixed	17/08/2020	16/02/2021	139	3,000,000	0.18%
Cambridgeshire County Council	Fixed	28/02/2019	26/02/2021	149	2,000,000	1.45%
Cumberland Building Society	Fixed	15/07/2020	11/03/2021	162	3,000,000	0.24%
West Bromwich Building Society	Fixed	08/09/2020	11/03/2021	162	500,000	0.20%
Southern Housing Group	Fixed	19/03/2019	19/03/2021	170	5,000,000	1.60%
Newbury Building society	Fixed	30/09/2020	22/03/2021	173	3,000,000	0.35%
National Counties Building Society	Fixed	26/06/2020	25/06/2021	268	1,000,000	0.55%
Furness Building Society	Fixed	26/06/2020	25/06/2021	268	3,000,000	0.65%
Progressive Building Society	Fixed	26/06/2020	25/06/2021	268	3,000,000	0.55%
National Counties Building Society	Fixed	27/07/2020	26/07/2021	299	1,000,000	0.55%
Cambridge Building Society	Fixed	19/08/2020	18/08/2021	322	1,000,000	0.43%
National Counties Building Society	Fixed	10/09/2020	09/09/2021	344	1,000,000	0.45%
Monmouthshire Building Society	Fixed	10/09/2020	09/09/2021	344	1,000,000	0.35%
Principality Building Society	Fixed	10/09/2020	09/09/2021	344	3,000,000	0.22%
Skipton Building Society	Fixed	17/09/2020	17/09/2021	352	3,000,000	0.30%
LGIM	MMF *				220,000	0.01%
Goldman Sachs	MMF *				13,900,000	0.01%
<b>Total short term cash investments (&lt;1 yr duration)</b>					<b>84,120,000</b>	
Metropolitan Housing Trust Ltd	Fixed	11/04/2019	12/04/2021	194	2,000,000	1.70%
Places for People Homes Ltd	Fixed	17/06/2019	17/06/2021	260	2,000,000	1.70%
Metropolitan Housing Trust Ltd	Fixed	28/06/2019	28/06/2021	271	2,000,000	1.70%
Metropolitan Housing Trust Ltd	Fixed	29/07/2019	29/07/2021	302	1,000,000	1.60%
Close Brothers Ltd	Fixed	27/09/2019	27/09/2021	362	2,000,000	1.30%
Places for People Homes Ltd	Fixed	31/10/2019	29/10/2021	394	1,000,000	1.70%
Close Brothers Ltd	Fixed	18/11/2019	18/11/2021	414	2,000,000	1.30%
Worthing Borough Council	Fixed	18/11/2019	18/11/2021	414	3,000,000	1.30%
Close Brothers Ltd	Fixed	21/01/2020	21/01/2022	478	4,000,000	1.30%
Places for People Homes Ltd	Fixed	19/02/2020	21/02/2022	509	2,000,000	1.80%
Close Brothers Ltd	Fixed	05/03/2020	07/03/2022	523	2,000,000	1.30%
<b>Total long-term cash investments (&gt;1 yr duration)</b>					<b>23,000,000</b>	
CCLA	Property				2,529,312	variable
<b>Total Investments</b>					<b>109,649,312</b>	

\*Last year total investments: £100 million

**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	0.11%	0.98%	0.87%	3 Month LIBID
Equities	5.63%	7.45%	1.82%	FTSE All Shares Index

- All benchmarks managed by the treasury team were met in the first six months of the year.

**CCLA**

<b>Annualised total return performance</b>			
Performance to 28 September 2020	1 year	3 years	5 years
The local authorities property fund	-3.47%	3.64%	4.79%
Benchmark - IPD property index	-3.08%	3.59%	5.04%

- 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 and in the first six months of 2020/21, achieved a return of 4.48 per cent calculated as a ratio of income over the market value held as at 30 September 2020. This is not the same basis upon which the performance of the fund above is calculated.

**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	0.11%	1.06%	0.95%	3 month LIBID

- All benchmarks managed by the treasury team were met in the first six months of the year.

**CCLA**

<b>Annualised total return performance</b>				
Performance to 28 September 2020	1 year	3 years	5 years	
The local authorities property fund	<b>-3.47%</b>	<b>3.64%</b>	<b>4.79%</b>	
Benchmark - IPD property index	<b>-3.08%</b>	<b>3.59%</b>	<b>5.04%</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 and in the first six months of 2020/21, achieved a return of 4.48 per cent calculated as a ratio of income over the market value held as at 30 September 2020. This is not the same basis upon which the performance of the fund above is calculated.

**South Oxfordshire District Council**

<b>Prudential indicators as at 30th September 2020</b>		
	<b>2020/21 Original Estimate £m</b>	<b>Actual as at 30-Sep £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%	81%
Limits on variable interest rates	50	13
<b>Principal sums invested &gt; 364 days</b>		
Upper limit for principal sums invested >364 days	70	31

**Vale of White Horse District Council**

<b>Prudential indicators as at 30th September 2020</b>		
	<b>2020/21 Original estimate £m</b>	<b>Actual as at 30-Sep £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%	85%
Limits on variable interest rates	50	14
<b>Principal sums invested &gt; 364 days</b>		
Upper limit for principal sums invested >364 days	40	23

### **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.