AUDIT COMMITTEE
29 SEPTEMBER 2021

MID YEAR PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT MONITORING REPORT 2021/22

SUMMARY REPORT

Purpose of the Report

1. This report seeks approval of the revised Treasury Management Strategy, Prudential Indicators and provides a mid–yearly review of the Council's borrowing and investment activities. Audit Committee are requested to forward the revised Strategy and indicators to Cabinet and Council for their approval and note changes to the MTFP with regard to the Treasury Management Budget (Financing Costs).

Summary

2. The mandatory Prudential Code, which governs Council's borrowing, requires Council approval of controls, called Prudential Indicators, relating to capital spending and borrowing. Prudential Indicators are set in three statutory annual reports, a forward looking annual treasury management strategy, a backward looking annual treasury management report and this mid-year update. The mid-year update follows Council's approval in February 2021 of the 2021/22 Prudential Indicators and Treasury Management Strategy.

3. The key objectives of the three annual reports are:

(a) to ensure the governance of the large amounts of public money under the Council's Treasury Management activities:

   (i) Complies with legislation
   (ii) Meets high standards set out in codes of practice

(b) To ensure that borrowing is affordable,
(c) To report performance of the key activities of borrowing and investments.

4. The key proposed revisions to Prudential Indicators relate to:

(a) The Operational Boundary will reduce to £174.081m and the Authorised Limit to £237.156m which will allow for any additional cashflow requirement.

5. Investments include £30m in property funds which are expected to increase our net return on investments by around £0.700m in future years.

Recommendation

6. It is recommended that :

(a) The revised prudential indicators and limits within the report in Tables 1 to 6, 8, 10 and 12 to 17 are examined.

(b) The underspend in the Treasury Management Budget (Financing Costs) of £0.243m shown in Table 11 is noted.

(c) That this report is forwarded to Council via Cabinet with comments from this committee, in order for the updated prudential indicators to be approved.

Reasons

7. The recommendations are supported by the following reasons :-

(a) In order to comply with the Prudential Code for Capital Finance in Local Authorities;
(b) To inform Members of the performance of the Treasury Management function;
(c) To comply with the Local Government Act 2003;
(d) To enable further improvements to be made in the Council's Treasury Management function.

Elizabeth Davison
Group Director of Operations

Background Papers

(i) Capital Medium Term Financial Plan 2021/22
(ii) Prudential Indicators & Treasury Management Strategy 2021/22
(iii) Accounting records
(iv) The Prudential Code for Capital Finance in Local Authorities

Peter Carrick: Extension 5401

S17 Crime and Disorder	This report has no implications for S17 Crime and Disorder.
Health and Well Being	This report has no implications for the Council's Health and Well Being agenda.
Carbon Impact	There are no carbon impact implications in this report.
Diversity	There are no specific implications for the Council's diversity agenda.
Wards Affected	All Wards.
Groups Affected	All Groups.
Budget and Policy Framework	This report must be considered by Council.
Key Decision	This is not an executive decision.
Urgent Decision	For the purposes of call in this report is not an urgent decision.
One Darlington: Perfectly Placed	This report has no particular implications for the sustainable Community Strategy.
Efficiency	The report refers to actions taken to reduce costs and manage risks.
Impact on Looked After Children and Care Leavers	This report does not impact on Looked After Children or Care Leavers

MAIN REPORT

Information and Analysis

8. This mid-year review report meets the regulatory framework requirement of treasury management. It also incorporates the needs of the Prudential Code to ensure monitoring of the capital expenditure plans and the Council's prudential indicators (PIs). The Treasury Strategy and the PIs were previously reported to Council on 18 February 2021.

9. This report concentrates on the revised positions for 2021/22. Future year's indicators will be revised when the impact of the MTFP 2022/23 onwards is known.

10. A summary of the revised headline indicators for 2021/22 is presented in **Table 1** below**.** More detailed explanations of each indicator and any proposed changes are contained in the report. The revised indicators reflect the movement in the Capital MTFP since its approval in February 2021 and the means by which it is financed.

Table 1 Headline Indicators

	2021/22 Original Estimate	**2021/22 Revised Estimate**
	£m	£m
Capital Expenditure (Tables 2 and 3)	50.953	49.678
Capital Financing Requirement (Table 4)	229.504	225.863
Operational Boundary for External Debt (Table 4)	186.550	174.081
Authorised Limit for External Debt (Table 6)	240.979	237.156
Ratio of Financing Costs to net revenue stream- General Fund (Table 14)	2.73%	2.34%
Ratio of Financing Costs to net revenue stream- Housing Revenue Account (HRA)(Table 14)	12.78%	14.86%

11. The capital expenditure plans and prudential indicators for capital expenditure are set out initially, as these provide the framework for the subsequent treasury management activity. The actual treasury management activity follows the capital framework and the position against the treasury management indicators is shown at the end.

12. The purpose of the report supports the objective in the revised CIPFA Code of Practice on Treasury Management and the Ministry of Housing, Communities and Local Government Investment Guidance which state that Members receive and adequately scrutinise the treasury service.

13. The underlying economic environment remains difficult for Councils and concerns over counterparty risk are still around. This background encourages the Council to

continue investing over the shorter term and with high quality counterparties, the downside is that investment returns remain low.

Key Prudential Indicators

14. This part of the report is structured to update:

(a) The Council's capital expenditure plans
(b) How these plans are financed
(c) The impact of the changes in the capital expenditure plans on the PI's and the underlying need to borrow
(d) Compliance and limits in place for borrowing activity
(e) Changes to the Annual Investment Strategy
(f) The revised financing costs budget for 2020/21

Capital Expenditure PI

15. **Table 2** shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the budget.

Table 2

Capital Expenditure by Service	2021/22 Original Estimate	2021/22 Revised Estimate
	£m	£m
General Fund	22.395	27.036
HRA	20.449	13.183
Total Estimated Capital Expenditure	**42.844**	**40.219**
Loans to Joint Ventures	8.109	9.459
Total	**50.953**	**49.678**

16. The changes to the 2021/22 capital expenditure estimates have been notified to Cabinet as part of the Capital Budget monitoring process (Quarterly Project Position Statement Report).

17. The current capital programme that has not already been financed now stands at £176.136m but this includes a number of schemes that will be spent over a number of years not just in 2021/22. A reduction of £126.458m has been allowed for schemes which are known will be finalised in future years, but it is likely that other schemes will also slip into future years.

Impact of Capital Expenditure Plans

Changes to the financing of the Capital Programme

18. **Table 3** draws together the main strategy elements of the capital expenditure plans shown above, highlighting the original elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element

(Borrowing Need) increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR). Borrowing need has reduced for 2021/22 due to schemes that have been estimated to have slipped into future years. This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Table 3

Capital Expenditure	2021/22 Original Estimate	2021/22 Revised Estimate
	£m	£m
General Fund	22.395	27.036
HRA	20.449	13.183
Loans to Joint Ventures	8.109	9.459
Total Capital expenditure	50.953	49.678
Financed By:		
Capital Receipts - Housing	0.303	0.303
Capital Receipts –General Fund	1.150	0.586
Capital grants	12.171	21.294
JV Repayments	7.627	7.727
HRA Revenue Contributions	6.761	12.835
HRA Investment Fund	4.982	0.000
Self-Financing - GF	0.250	0.000
Total Financing	33.244	42.745
Borrowing Need	**17.709**	**6.933**

The Capital Financing Requirement (PI), External Debt (PI) and the Operational Boundary

19. **Table 4** shows the Capital Financing Requirement (CFR), which is the underlying external need to borrow for capital purposes. It shows the expected actual debt position over the period. This is called the Operational Boundary. The reduction in Borrowing Need (Table 3) is around £10.8m and currently actual borrowing for the Council is £156.465m. The reduction is due to the Housing programme being delayed due to Covid 19. It is proposed to set an actual borrowing figure of £164.849m this will accommodate the additional borrowing need and any debt requirements for cash flow purposes. Other Long term liabilities (the PFI scheme) will be added to give the revised operational boundary for 2021/22.

Prudential Indicator- External Debt/ Operational Boundary

Table 4

	2021/22 Original Estimate	2021/22 Revised Estimate
	£m	£m
Prudential Indicator- Capital Financing Requirement		
Opening CFR- Post Audit of Accounts	**218.318**	**220.685**
CFR General Fund	129.802	135.801
CFR General Fund PFI/Leasing IFRS	9.232	9.232
CFR – Housing	77.189	67.709
CFR – Loans to Joint Ventures	13.281	13.121
Total Closing CFR	**229.504**	**225.863**
Net Movement in CFR	11.186	5.178
Borrowing	177.318	164.849
Other long-Term Liabilities	9.232	9.232
Total Debt 31 March- Operational Boundary	**186.550**	**174.081**

Limits to Borrowing Activity

20. The first key control over the treasury activity is a PI to ensure that over the medium term gross borrowing should not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and the next two financial years. As shown in **Table 5** below.

Table 5

	2021/22 Original Estimate £m	2021/22 Revised Estimate £m	2022/23 Revised Estimate £m	2023/24 Revised Estimate £m
Gross borrowing	190.599	164.849	179.849	194.849
Plus Other Long Term Liabilities	9.232	9.232	8.117	7.011
Total Gross Borrowing	**199.831**	**174.081**	**187.966**	**201.860**
CFR* (year-end position)	229.504	225.863	243.522	256.931

* includes on balance sheet PFI schemes and finance leases

21. The Group Director of Operations reports that no difficulties are envisaged for the current and future years in complying with this PI.

22. A further PI controls the overall level of borrowing, this is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which while not desirable, could be afforded in the short term, but is not sustainable in the longer term. The

Authorised Limit is currently set 5% above the Capital Financing Requirement to allow for any additional cashflow needs, the revised figure for 2021/22 has been raised by 5% of the new CFR total. Whilst it is not expected that borrowing would be at these levels this would allow additional borrowing to take place should market conditions change suddenly and swift action was required. This is a Statutory limit determined under section 3 (1) of the Local Government Act 2003.

23. It is proposed to move the Authorised Limit in **Table 6** in line with the movement in the overall Capital Financing Requirement.

Table 6

Authorised Limit for External Debt	2021/22 Original Indicator £m	2021/22 Revised Indicator £m
Capital Financing Requirement	229.504	225.863
Additional headroom to Capital Financing Requirement	11.475	11.293
Total Authorised Limit for External Debt	240.979	237.156

Interest Rate Forecasts Provided by Link Asset Services (as at 10 August 2021)

Table 7

	Bank Rate	**PWLB rates for borrowing purposes***			
		5 year	10 year	25 year	50 year
	%	%	%	%	%
2021/22					
Sept 2021	0.10	1.20	1.60	1.90	1.70
Dec 2021	0.10	1.20	1.60	2.00	1.80
March 2022	0.10	1.20	1.70	2.10	1.90
2022/23					
June 2022	0.10	1.30	1.70	2.20	2.00
Sept 2022	0.10	1.30	1.80	2.30	2.10
Dec 2022	0.10	1.30	1.80	2.30	2.10
March 2023	0.10	1.40	1.90	2.30	2.10
2023/24					
June 2023	0.25	1.40	1.90	2.40	2.20
Sept 2023	0.25	1.40	1.90	2.40	2.20
Dec 2023	0.25	1.50	2.00	2.40	2.20
March 2024	0.50	1.50	2.00	2.50	2.30

*PWLB rates above are for certainty rates (which are provided for those authorities that have disclosed their borrowing/capital plans to the government. Darlington Borough Council will be able to access these certainty rates which are 0.2% below PWLB's normal borrowing rates.

24. The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent

meetings, although some forecasters had suggested that a cut into negative territory could have happened prior to more recent months when strong recovery started kicking in. However, the minutes of the Monetary Policy Committee in February 2021 made it clear that commercial banks could not implement negative rates within six months; by that time the economy would be expected to be recovering strongly and so there would be no requirement for negative rates. As shown in the forecast table above, one increase in Bank Rate from 0.10% to 0.25% has now been included in quarter 1 of 2023/24 and another increase to 0.50% in quarter 4 of 23/24, as an indication that the Bank of England will be starting monetary tightening during this year.

25. As the interest forecast table for PWLB certainty rates, (gilts plus 80bps), above shows, there is likely to be an unwinding of the currently depressed levels of PWLB rates and a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US.

26. There is likely to be **exceptional volatility and unpredictability in respect of gilt yields and PWLB rates** due to various factors: -

- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong will inflationary pressures turn out to be in both the US and the UK and so impact treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?
- How strongly will changes in gilt yields be correlated to changes in US treasury yields?

27. The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within our forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

28. The downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Mutations** of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, resulting in further national lockdowns or severe regional restrictions.
- **MPC** acts too quickly in unwinding QE or increasing Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate**.**
- The Government implements an **austerity programme** that supresses GDP growth.

- **Labour and material shortages** do not ease over the next few months and further stifle economic recovery.
- The lockdowns cause major long-term **scarring of the economy.**
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues
- A resurgence of the Eurozone sovereign debt crisis. The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for "weaker" countries. In addition, the EU agreed a €750bn fiscal support package which has still to be disbursed. These actions will help shield weaker economic regions in the near-term. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.
- Weak capitalisation of some **European banks**, which could be undermined further depending on the extent of credit losses resulting from the pandemic.
- **German minority government & general election in September 2021.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, because of the rise in popularity of the anti-immigration AfD party. Subsequently, the CDU has done badly in state elections, but the SPD has done even worse. Angela Merkel has stepped down from being the CDU party leader but remains as Chancellor until the general election in 2021. Her appointed successor has not attracted wide support from voters and the result of the general election could well lead to some form of coalition government, though there could be a question as to whether the CDU will be part of it which, in turn, could then raise an issue over the tenure of her successor. This then leaves a question mark over who the major guiding hand and driver of EU unity will be.
- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile and, therein, impact market confidence/economic prospects and lead to increasing safe-haven flows.
- **Major stock markets** e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the "moral hazard" risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.
- **Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe-haven flows.

29. The upside risks to current forecasts for UK gilts and PWLB rates are:

- Longer term **US treasury yields** rise strongly and pull UK gilt yields up higher than forecast.
- **Vaccinations** are even more successful than expected and eradicate hesitancy around a full return to normal life, which leads into a stronger than currently expected recovery in UK and/or other major developed economies
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

Treasury Management Strategy 2021/22 and Annual Investment Strategy Update

30. The Treasury Management Strategy Statement, (TMSS), for 2021/22 was approved by this Council on 18 February 2021.

31. There are no policy changes to the TMSS.

32. The details in this report update the position in the light of the updated economic position and budgetary changes already approved.

Debt Activity during 2021/22

33. The expected net borrowing need is set out in **Table 8**

Table 8

	2021/22 Original Estimate £m	**2021/22 Revised Estimate £m**
CFR (year-end position) from Table 4	229.504	225.863
Less other long term liabilities PFI and finance leases	9.232	9.232
Net adjusted CFR (net year end position)	**220.272**	**216.631**
Expected Borrowing	177.318	164.849
(Under)/ Over borrowing	**(42.954)**	**(51.782)**
Expected Net movement in CFR	11.186	5.178

34. The Council hasn't taken on any new debt in the current year to date.

35. The amount borrowed by the Council now stands at £156.465m, this excludes any additional cashflow loans which may be required.

36. There will still be an element of under-borrowing by the Council at the end of March 2022.

Debt Rescheduling

37. Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

Annual Investment Strategy 2021/22

Investment Portfolio

38. In accordance with the Code, it is the Council's priority to ensure security of Capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. It is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous years as rates are very low and in line with the current 0.10% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis together with other risks which could impact on the creditworthiness of banks prompts a low risk strategy. Given this risk environment investment returns are likely to remain low.

Treasury Management Activity from 1 April 2021 to 31 August 2021

39. Current investment position – The Council held £75.399m of investments at 31/08/2021 and this is made up of the following types of investment.

Table 9

Sector	Country	Up to 1 year
		£m
Banks	UK	16.000
AAA Money Market Funds	Sterling Funds	19.400
Other Local Authorities	UK	10.000
Property Funds - CCLA	UK	10.000
Hermes		10.000
Lothbury	UK	9.999
Total		**75.399**

Short Term Cashflow Investments

40. Cash balances are invested on a daily basis to maximise the benefit of temporary surplus funds. These include investments in Money Market Funds, the Government's Debt Management Office and bank short term notice accounts. A total of 59 investments were made in the period 1 April 2021 to 31 August 2021 totalling c£162m these were for short periods of up to 100 days and earned interest of £0.012m on an average balance of £37.996m which equated to an annual average interest rate of 0.06%.

Investment returns measured against the Service Performance Indicators

41. The target for our investment returns is to better or at least match a number of external comparators, this performance indicator is also known as yield benchmarking. As can be seen from Table 10, the short term investment achievements (up to 6 months) are above market expectations.

Table 10

	Cashflow Investments %
Darlington Borough Council - Actual	**0.06%**
External Comparators	
London Interbank Bid Rate 7 day	(0.08%)
London Interbank Bid Rate 1 month	(0.07%)
London Interbank Bid Rate 3 months	(0.05%)
London Interbank Bid Rate 6 months	(0.02%)

Treasury Management Budget

42. There are three main elements within the Treasury Management Budget:-

(a) Longer term capital investments interest earned – a cash amount of which earns interest and represents the Councils revenue balances, unused capital receipts, reserves and provisions, this will now include Property Funds.

(b) Cash flow interest earned – the authority has consistently had a positive cash flow. Unlike long term capital investments it does not represent any particular sum but it is the consequence of many different influences such as receipt of grants, the relationship between debtors and creditors, cashing of cheques and payments to suppliers.

(c) Debt serving costs – this is the principal and interest costs on the Council's long term debt to finance the capital programme.

Table 11 - Changes to the Financing Costs Budget 2021/22

	£m	£m
Original Financing Costs Budget 2021/22		**0.823**
Less reduced debt costs	(0.018)	
Less increased returns on Property Funds	(0.225)	
Total adjustments		**(0.243)**
Revised Treasury Management Budget 2021/22		**0.580**

43. This statement concludes that the Treasury Management budget is forecast to underspent by £0.243m in 2021/22, these have been reflected in the current MTFP projections.

Risk Benchmarking

44. A regulatory development is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance and these are shown in Table 12. Discrete security and liquidity benchmarks are also requirements of member reporting.

45. The following reports the current position against the benchmarks originally approved.

46. **Security** – The Council's maximum security risk benchmarks for the current portfolio of investments, when compared to historic default tables were set as follows;

0.077% historic risk of default when compared to the whole portfolio

Table 12

Maximum	**Benchmark 2021/22**	**Actual May**	**Actual July**
Year 1	0.077%	0.012%	0.010%

N.B. this excludes Property Funds

47. The counterparties that we use are all high rated therefore our actual risk of default based on ratings attached to counterparties is very low.

48. **Liquidity** – In respect of this area the Council set liquidity facilities/ benchmark to maintain

(i) Bank overdraft - £0.100M
(ii) Liquid short term deposits of a least £3.000M available within a weeks notice
(iii) Weighted Average Life benchmark is expected to be 0.4 years with a maximum of 1 year

49. The Group Director of Operations can report that liquidity arrangements have been adequate for the year to date as shown in Table 14

Table 13

	Benchmark 2021/22	**Actual May**	**Actual July**
Weighted Average Life	0.4 – 1 year	0.41 years	0.41 years

50. The figures are for the whole portfolio of cash flow investments deposited with Money Market funds on a call basis (i.e. can be drawn on without notice) as well as call accounts that include a certain amount of notice required to recall the funds.

Treasury Management Indicators

51. **Actual and estimates of the ratio of financing costs to net revenue stream** – This indicator identifies the trend in the cost of capital (financing costs net of interest and investment income) against the net revenue stream. The reduction in % relates to reduced financing costs for General Fund of £0.243m.

Table 14

	2021/22 Original Indicator	2021/22 Revised Indicator
General Fund	**2.73%**	**2.34%**
HRA	**12.78%**	**14.86%**

Treasury Management Prudential indicators

52. **Upper Limits on Variable Rate Exposure –** This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments.

53. **Upper Limits on Fixed Rate Exposure –** Similar to the previous indicator this cover a maximum limit on fixed interest rates

54. Historically for a number of years this Council has used these percentages; together they give flexibility to the treasury management strategy allowing the Council to take advantage of both fixed and variable rates in its portfolio whilst ensuring that its exposure to variable rates is limited.

Table 15

	2021/22 Original Indicator	2021/22 Revised Indicator
Limits on fixed interest rates	100%	100%
Limits on variable interest rates	40%	40%

55. **Maturity Structures of Borrowing -** These gross limits are set to reduce the Council's exposure to large fixed rate loans (those instruments which carry a fixed interest for the duration of the instrument) falling due for refinancing. The higher limits for longer periods reflect the fact that longer maturity periods give more stability to the debt portfolio.

Table 16 - Maturity Structures of Borrowing

	2021/22 Original indicator	2021/22 Actual to Date	2021/22 Revised Indicator
Under 12 months	25%	17%	30%
12 months to 2 years	40%	6%	40%
2 years to 5 years	60%	12%	60%
5 years to 10 years	80%	9%	80%
10 years and above	100%	57%	100%

56. **Total Principal Funds Invested –** These limits are set having regard to the amount of reserves available for longer term investment and show the limits to be placed on investments with final maturities beyond 1 year. This limit allows the authority to invest for longer periods if they give better rates than shorter periods. It also allows some stability in the interest returned to the Authority.

Table 17 - Principal Funds Invested

	2021/22 Original Indicator	2021/22 Revised Indicator
Maximum principal sums invested greater than 1 year	£50m	£50m

Conclusion

57. The prudential indicators have been produced to take account of the Council's borrowing position. The key borrowing indicator (the Operational Boundary) is £174.081m. The Council's return on investments has been good, exceeding both of the targets. Based on the first six months of 2021/22 the Council's borrowing and investments is forecast to underspend by £0.243m on the approved 2021/22 budget.

58. The Council's treasury management activities comply with the required legislation and meet the high standards set out in the relevant codes of practice.

Outcome of Consultation

59. No consultation was undertaken in the production of this report.