

# TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2024/25 TO 2026/27

REPORT OF: DIRECTOR OF RESOURCES AND ORGANISATIONAL DEVELOPMENT  
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Wards Affected: All  
Key Decision: No  
Report to: Council  
13 December 2023

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## Purpose of Report

1. The report sets out the Council's rolling investment and borrowing strategy for the forthcoming three years and reports the counterparty list with which investments may be made. It also sets out the Prudential Limits that provide the parameters for approved future lending and borrowing, including the incidental cost of so doing. The strategy at Appendix A was approved by Audit Committee at its meeting of 28 November 2023 for recommendation to Council. Appendix 2 then sets out the Mid Year report (including Quarter 1) confirming practice has aligned to policy.
2. Following a discussion at Audit Committee it is proposed to formally document strengthening the commitment to investing with counterparties that meet our ESG (Environmental, Social and Governmental) ambitions, as per our Sustainable Economic Strategy. Thus clearer wording is proposed at paragraph 9 below.

## Summary

3. The lending is restricted to the same counterparties and within the same limits as in the previous strategy approved in February 2023 except for the following amendments:
  - (i) Add Lloyds Bank Corporate Markets to the list of approved counterparties.
  - (ii) Increase the counterparty limit for Lloyds Group Entities from £7m to £9m.

## Recommendations

4. Council is recommended to agree:
    - (i) the proposed Treasury Management Strategy Statement (TMSS) for 2024/25 and the following two years, including the additional clarity suggested at paragraph 9 below.
    - (ii) the Annual Investment Strategy (AIS) and the Minimum Revenue Provision Statement (MRP) as contained in Sections 4 and 2.3 respectively of the report;
    - (iii) the proposed amendments to the specified and non-specified investment appendices;
    - (iv) the Prudential Indicators contained within this report.
  5. Council is recommended to endorse the Treasury Management activity for the half year to 30 September 2023 as attached in Appendix 2
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## Background

6. The Council's approach to investments is to pursue a low-risk strategy which favours security over yield. There are some proposals in this report intended to increase yield with marginally more risk, however, these proposals diversify the portfolio and extend the spread of risk.
7. Other options are available, which may return higher yields such as not using the lowest common denominator method of selecting counterparties or extending the range of foreign banks, but these could potentially expose the Council to further risk.
8. The service provider endeavours to undertake due care when reviewing counterparties ESG credentials. This is an on-going process of monitoring existing counterparties. As an example, the service provider reviews the money market fund's investments and divests where considered appropriate. The market for the environmental aspect of ESG is in its early stages, however, the service provider will investigate authorities investing in sustainability projects and where appropriate recommend those as ESG investments, as well as continuing to actively talk to the market recommending investments deemed to have an appropriate balance of risk and yield.
9. Following a discussion at Audit Committee the Council is asked to approve clearer wording to be added to the strategy. This has been provisionally discussed and agreed with Adur Worthing. This will underline that the Council will actively seek to invest in organisations that minimise their impact on the environment in consideration of Environmental, Social and Governance factors when placing any investment with current or new counterparties. This includes, where possible, divesting of current counterparties which do not meet these goals, as has been undertaken with a review of foreign counterparties and transparency requirements. The Council, through the SLA agreement with Adur Worthing, will continue to actively monitor these emerging ESG markets for new investments. However, the Council will remain committed to ensuring any actions do not jeopardise the Council's capital invested, cause any other undue financial risk or adversely affect yields.
10. Aligned to the annual budget plan, the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in high-quality counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially, before considering investment return. This is consistent with national guidance which promotes security and liquidity above yield.
11. The second main function of the treasury management service is consideration of the funding of the Council's capital plans. These capital plans provide a guide to the borrowing needs of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations.
12. The contribution the treasury management function makes to the authority is critical to ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
13. CIPFA defines treasury management 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."*

14. Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

### **Policy Context**

15. Providing transparency and approval of the strategies contained in this report is an important part of the Council's statutory role. Treasury Management has become increasingly topical given the nature of the world's financial markets in recent years, and Members are expected to have a basic understanding of how the Council uses its reserves and cash flows which are in the stewardship of the Assistant Director Corporate Resources.

### **Other Options Considered**

16. This report is statutorily required.

### **Financial Implications**

17. This report has no quantifiable financial implications. Interest payable and interest receivable arising from treasury management operations, and annual revenue provisions for repayment of debt, form part of the revenue budget but are not required to support the provision of services.

### **Risk Management Implications**

18. This report has no specific implications for the risk profile of the Authority.

### **Equality and Customer Service Implications**

19. None.

### **Other Material Implications**

20. None.

### **Appendices**

- Appendix 1 - Treasury Management Strategy Statement & Annual Investment 2024/25 to 2026/27
- Appendix 2 – Review of Treasury Management Activity 1 April – 30 September 2023

### **Background Papers**

- Treasury Management Strategy Statement & Annual Investment Strategy 2023/24 to 2025/26 (February 2023)
- Annual Review of Treasury Management 2022-23 (September 2023)
- Review of Treasury Management Activity 1 April – 30 September 2023 (on this agenda)
- Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (CIPFA, December 2021) and CIPFA Treasury Management Guidance Notes 2021
- The Prudential Code for Capital Finance in Local Authorities (CIPFA, December 2021)
- Draft Corporate Plan 2024/25
- Link Asset Services report template 2023/24

## Treasury Management Strategy Statement & Annual Investment 2024/25 to 2026/27

### INTRODUCTION

#### 1.1 Reporting requirements

##### 1.1.1 Capital Strategy

The CIPFA revised 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this capital strategy is to ensure that all elected members on the Full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

##### 1.1.2 Treasury Management Reporting

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals:

**a. Prudential and treasury indicators and treasury strategy** (this report) - the first, and most important report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

The approval of the Treasury Management Strategy and Annual Investment Strategy is the function of the Council, however, the Assistant Director Corporate Resources (S151) shall also report to the Audit Committee on treasury management activity performance as follows:

**b. A mid year Treasury Management report** – This will update Members on the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision. The report will be submitted as soon after 30 September as practically possible.

**c. An annual treasury report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy. The report will be submitted no later than 30 September after the financial year end.

**d. Quarterly reports** – In addition to the three major reports detailed above, from 2023/24 quarterly reporting is also required. However, these additional reports do not have to be reported to Full Council but do require to be adequately scrutinised. It is intended to include this reporting as part of one of our existing reports.

#### 1.2 Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit Committee, which may make recommendations regarding any aspects of treasury management policy and practices it considers appropriate in fulfilment of its scrutiny role. Such recommendations, as may be made shall be incorporated within the above named reports and submitted to meetings of the Council for consideration at the next available opportunity. The Council's Scheme of Delegations is set out in Appendix E.

### 1.3 **Treasury Management Strategy for 2024/25**

The strategy for 2024/25 covers two main areas:

#### **Capital issues**

- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

#### **Treasury Management issues**

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

### 1.4 **Training**

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training. This especially applies to Members responsible for scrutiny. Training was supplied to Members by Link Asset Services on the 13<sup>th</sup> December 2022. Similar training is being arranged for January 2024. The training needs of the treasury management officers at Adur District Council, who provide the shared treasury service to Mid Sussex District Council, are periodically reviewed. Officers attend courses provided by appropriate trainers such as CIPFA and Link Asset Services. As of 1st April 2023, a log of training undertaken will be maintained by the Group Accountant responsible for the treasury function in compliance with the revised 2021 CIPFA Treasury Management Code.

### 1.5 **External Service Providers**

The Council obtains Treasury Management services under a Shared Services Arrangement (SSA) from the in-house treasury management team formed out of the partnership working between Adur District and Worthing Borough Councils. The operation for all three Councils' treasury management is based at Worthing Town Hall, utilising similar banking arrangements.

The SSA is provided under a Service Level Agreement (SLA) that commenced in October 2022 and which defines the respective roles of the client and provider authorities for a period of three years.

The SSA uses Link Group, Treasury Solutions as its external treasury management advisors. The Council recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources.

In making this arrangement the Council recognises that responsibility for Treasury Management decisions remains with the organisation at all times and will ensure that reliance beyond the terms and arrangements specified in the SLA is not placed upon the shared service providers. The Council will ensure that the terms of the appointment of the shared services providers, and the methods by which their value will be assessed, are properly agreed and documented and subjected to regular review.

## 2. THE CAPITAL PRUDENTIAL INDICATORS 2024/25 – 2026/27

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the Prudential Indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

### 2.1 Capital expenditure

This Prudential Indicator is a summary of the Council's capital expenditure plans, both those agreed previously and those forming part of this budget cycle. The figures exclude other long-term liabilities, such as leasing arrangements which already include borrowing instruments. These forecasts are based on the information which was available at the time and are intended to be indicative but changes to the Capital Strategy may have been approved by other committees.

Capital expenditure £m	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
General Fund	4.633	12.377	10.310	2.256	1.054

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital expenditure £m	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Capital receipts	0.746	2.981	0.413	0.299	0.079
Capital grants, Contributions & S106 receipts	2.837	5.701	8.664	1.882	0.900
General Reserves, Specific Reserves & Revenue Contributions	1.050	3.695	1.064	0.075	0.075
Net financing need for the year	0.000	0.000	0.000	0.000	0.000

### 2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so it's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility, so the Council is not required to separately borrow for these schemes. The Council currently has one finance lease taken out in 2018 and ending in 2028.

The Council is asked to approve the CFR projections below:

<b>Capital Financing Requirement £m</b>	<b>2022/23 Actual</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>
Total CFR at 31/03	6.114	5.714	5.307	4.894	4.481
Movement in CFR	(0.547)	(0.401)	(0.407)	(0.413)	(0.419)
<b>Movement in CFR represented by:</b>					
Net financing need for the year (above)	(0.000)	0.000	0.000	0.000	0.000
Less MRP and other financing movements	(0.547)	(0.401)	(0.407)	(0.413)	(0.419)
<b>Movement in CFR</b>	<b>(0.547)</b>	<b>(0.401)</b>	<b>(0.407)</b>	<b>(0.413)</b>	<b>(0.419)</b>

### 2.3 Liability Benchmark

A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). This is shown in the Mid-Year review elsewhere on the agenda.

### 2.4 Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP). Repayments included in finance leases are applied as MRP.

DLUHC regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options is provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:

The Council's policy for MRP relating to unfunded capital expenditure is to provide for MRP on an annuity basis over the life of the loans (except as detailed below for the Orchard Shopping Centre). As an annuity is a fixed annual sum comprising interest and principal, the MRP for repayment of debt will increase each year over the asset life as the proportion of interest calculated on the principal outstanding reduces as the debt is repaid.

The purchase of the Orchard Shopping Centre head lease in November 2016 increased the Capital Financing Requirement. However, due to capital receipts on Hurst Farm, MRP will only be provided on £5m. This will be done on a level basis of £100,000 per year.

## 3.0 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in

accordance with the relevant professional codes so that sufficient cash is available to meet the service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

### 3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2023 and for the position as at 30 September 2023 are shown below for both borrowing and investments.

Note: the investment balances are at a point in time indicated in the table but there can be considerable variations throughout the year, with peaks and troughs on the cash flow.

	Principal at 31.03.2023 £m	Actual 31.03.2023 %	Principal at 30.09.2023 £m	Actual 30.09.2023 %
<b>External Borrowing</b>				
PWLB	(0.000)	0%	(0.000)	0%
Finance lease	(1.676)	100%	(1.526)	100%
<b>TOTAL BORROWING</b>	<b>(1.676)</b>	<b>100%</b>	<b>(1.526)</b>	<b>100%</b>
<b>Treasury Investments:</b>				
Local Authority Property Fund	5.584	8%	5.512	6%
<b>In-house:</b>				
Banks	21.041	37%	27.360	31%
Building societies - unrated	27.500	15%	24.000	26%
Building societies - rated	11.000	24%	19.000	21%
Debt Management Office	18.000	7%	8.000	9%
Local authorities	8.000	11%	4.000	4%
Money market funds	4.230	6%	3.170	3%
<b>TOTAL INVESTMENTS</b>	<b>74.315</b>	<b>100%</b>	<b>91.042</b>	<b>100%</b>
<b>NET INVESTMENTS</b>	<b>72.639</b>		<b>89.516</b>	

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

External Debt £m	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Debt at 1 April	0.152	0.000	0.000	0.000	0.000
Expected change in Debt	(0.152)	(0.000)	(0.000)	(0.000)	0.000
Other long-term liabilities (OLTL)	1.970	1.676	1.375	1.069	0.756
Expected change in OLTL	(0.294)	(0.301)	(0.306)	(0.313)	(0.319)
Actual gross debt at 31 March	1.676	1.375	1.069	0.756	0.436
The Capital Financing Requirement	6.114	5.714	5.307	4.894	4.894
Under borrowed	4.438	4.339	4.238	4.138	4.458

The Council's only debt comprises of a finance lease categorised as "other long term liability".



Within the range of Prudential Indicators, there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Assistant Director of Corporate Resources reports that the Council complied with this Prudential Indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this report.

### 3.2 Treasury Indicators: limits to borrowing activity.

**The operational boundary** - This is the limit which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

<b>Operational Boundary</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Debt	£28.0m	£28.0m	£28.0m	£28.0m
Other long-term liabilities	£4.0m	£4.0m	£4.0m	£4.0m
<b>Total</b>	<b>£32.0m</b>	<b>£32.0m</b>	<b>£32.0m</b>	<b>£32.0m</b>

**The authorised limit for external debt** – This is a key Prudential Indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

The Council is asked to approve the authorised limit:

<b>Authorised Limit</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Debt	£30.0m	£30.0m	£30.0m	£30.0m
Other long-term liabilities	£4.0m	£4.0m	£4.0m	£4.0m
<b>Total</b>	<b>£34.0m</b>	<b>£34.0m</b>	<b>£34.0m</b>	<b>£34.0m</b>

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans or those of a specific council, although this power has not yet been exercised.

The Assistant Director of Corporate Resources has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of the Council at the earliest opportunity.

### 3.3 Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Refer to section 4 of the Mid Year review elsewhere on the agenda.

### **3.4 Borrowing for capital expenditure**

Link's long-term forecast (beyond 10 years) for Bank Rate is 2.50%. If the Council is not able to avoid borrowing to finance new capital expenditure, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost. However, there is currently no anticipated borrowing requirement.

### **3.5 Borrowing strategy**

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are good and counterparty risk is an issue that is kept under review.

Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Assistant Director Corporate Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

As stated, there are no current plans to borrow, but if this changes, it is most likely that fixed rate funding will be drawn for a short period until they return to lower rates.

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

### **3.6 Policy on borrowing in advance of need**

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism

### **3.7 Debt rescheduling**

The Council had one loan from the Public Works Loan Board, repaid by fixed annuities over the life of the loan, which ended in March 2023, therefore no debt rescheduling is anticipated.

### **3.8 New financial institutions as a source of borrowing and/or types of borrowing**

Currently, the PWLB Certainty Rate is set at gilts + 80 basis points for borrowing. However, if borrowing is required, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a "cost of carry" or to achieve refinancing certainty over the next few years).
- Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time).

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources if any borrowing is required.

#### 4.0 ANNUAL INVESTMENT STRATEGY

##### 4.1 Investment policy – management of risk

The Council's investment policy has regard to the following:

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

The Assistant Director Corporate Resources, under delegated powers, will undertake through the Shared Service Arrangement the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements, and Prudential Indicators. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed. For cash flow balances, the Councils will seek to use notice accounts, money market funds, call accounts and short-dated deposits to benefit from the compounding of interest.

If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.

Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

The proposed Specified and Unspecified investments will remain the same as for 2023/24 except for:

- i. Add Lloyds Bank Corporate Markets to the list of approved counterparties.
- ii. Increase the counterparty limit for Lloyds from £7m to £9m.

Investment instruments identified for use in the financial year are listed in Appendices C and D under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices.

The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

Minimum acceptable **credit criteria** are applied in order to generate a list of highly credit-worthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.

**Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets.

To achieve this consideration the Council will engage with the advisors to maintain a monitor on market pricing such as “credit default swaps” (a financial derivative or contract that allows an investor to “swap” or offset his or her credit risk with that of another investor) and overlay that information on top of the credit ratings.

**Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

This authority has defined the list of **types of investment instruments** that the Treasury Management team are authorised to use. There are two lists in appendices C and D under the categories of ‘specified’ and ‘non-specified’ investments.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.
- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

1. **Lending limits**, (amounts and maturity), for each counterparty are set out in Appendices C and D.
2. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 4.8).
3. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.5). The UK is excluded from this limit because it will be necessary to invest in UK banks and other institutions even if the sovereign rating is cut.
4. Through the shared service, this authority has access to **external consultants**, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
5. All investments will be denominated in **sterling**.
6. As a result of the change in accounting standards for 2022/23 under IFRS 9, this Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23, in December 2022 as a result of further consultation the implementation was further delayed until 31st of March 2025.

However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.14). Regular monitoring of investment performance will be carried out during the year.

#### 4.2 **Changes in risk management policy from last year**

The above criteria are unchanged from last year.

#### 4.3 **Creditworthiness policy**

The primary principle governing the Council's investment criteria through the Shared Services Arrangement (SSA) is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the SSA will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security and monitoring their security. This is set out in the specified and non-specified investment sections in Appendices C and D; and
- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's Prudential Indicators covering the maximum principal sums invested.

The SSA will maintain a counterparty list in compliance with the criteria in the Appendices and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

Credit rating information is supplied to the SSA by the Link Group, their treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), and rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to the SSA almost immediately after they occur, and this information is considered before dealing. For instance, a negative rating Watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

#### **4.4 Use of additional information other than credit ratings**

Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information will be applied to compare the relative security of differing investment opportunities.

The officers of the shared service recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets, the government support for banks, and the credit ratings of that government support. Accordingly, the shared service will exercise discretion to deviate from Link's suggested durational bands – for example, the Council approves the use of Building Societies as set out in the Appendices.

#### **4.5 Creditworthiness**

Following the Government's fiscal event on 23rd September 2022, both S&P and Fitch placed the UK sovereign debt rating on Negative Outlook, reflecting a downside bias to the current ratings in light of expectations of weaker finances and a challenging economic outlook. Nothing further has evolved in the first half of 2023/24.

#### **4.6 CDS prices**

Credit Default Swaps (CDS) are credit derivative contracts that enable investors to swap credit risk on a company with another counterparty. They are market indicators of credit risk.

Although CDS prices for UK banks spiked at the outset of the pandemic in 2020, they then subsequently returned to near pre-pandemic levels. However, sentiment can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the SSA has access to this information via its Link-provided Passport portal.

#### 4.7 **The Council's Minimum Investment Creditworthiness Criteria**

The minimum credit ratings criteria used by the Council generally will be a short term rating (Fitch or equivalents) of F1, and long term rating A-. There may be occasions when the counterparty ratings from one or more of the three Ratings Agencies are marginally lower than the minimum requirements of F1 Short term, A- Long term (or equivalent). Where this arises, the counterparties to which the ratings apply may still be used with discretion, but in these instances consideration will be given to the whole range of topical market information available, not just ratings.

The Council includes **Building Societies** with asset size in excess of £1 billion in its approved counterparty list. It is recognised that they may carry a lower credit rating than the Council's other counterparties or no rating, therefore the lending limits for the building societies shall be £4m each for the top 5 and £3m for the others.

#### 4.8 **Other limits**

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups, and sectors. The shared service has determined that it will only use approved counterparties from countries (other than the UK) with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if Fitch does not provide one). The list of countries that qualify using these credit criteria as at the date of this report is reflected in the counterparty approved lending list at Appendix C. This list will be added to, or deducted from, by officers should ratings change, in accordance with this policy. No more than 25% of investments shall be placed in non-UK financial institutions for more than 7 days.

#### 4.9 **Investment strategy**

**In-house funds** - Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed. For cash flow balances, the shared service will seek to use notice accounts, money market funds and short-dated deposits to benefit from the compounding of interest.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

The Assistant Head Corporate Resources, through the shared service, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Decisions taken on the core investment portfolio will be reported to the meetings of the Audit Committee and the Council in accordance with the reporting arrangements. The shared service will take into account the ethical, social or climate change policies of counterparties.

#### 4.10 Investment Returns Expectations

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows.:

Average earnings in each year	
2023/24	4.30%
2024/25	5.00%
2025/26	3.00%
2026/27	2.30%
Long term later years	2.20%

#### 4.11 Investment treasury indicator and limit - principal funds invested for greater than 365 days

These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end. There are currently 3 fixed-term deposit investments with a remaining duration of more than 365 days, totalling £6m and the Local Authorities' Property Fund investment of £6m is expected to be held for more than 365 days.

The Council is asked to approve the following treasury indicator limit: -

Maximum proportion of principal sums invested > 365 days	2024/25	2025/26	2026/27
Principal sums invested > 365 days	50%	50%	50%

In any sustained period of significant stress in the financial markets, the default position is for investments to be placed with The Debt Management Account Deposit Facility of the Debt Management Office (DMO) of the UK central government. The rates of interest are usually below equivalent money market rates, however, the returns are an acceptable trade-off for the guarantee that the Council's capital is secure.

The Council's proposed investment activity for placing cash deposits in 2024/25 will be to use:

- AAA rated Money Market Funds with a Constant Net Asset Value (CNAV) or a Low Volatility Net Asset Value (LVNAV) under the new money market fund regulations
- other local authorities, parish councils etc.
- bank business reserve accounts and term deposits. These are primarily restricted to UK institutions that are rated at least A- long term.
- Building Societies with asset size in excess of £1 billion

#### 4.12 Other Options for Longer Term Investments

To provide the Council with options to enhance returns above those available for short term durations, it is proposed to retain the option to use the following for longer-term investments, as an alternative to cash deposits:

- a) **Supranational bonds** greater than 1 year to maturity
- b) **Gilt edged securities** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.
- c) **Building Societies** not meeting the basic security requirements under the specified investments, but on the list in Appendix C (b). The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings.
- d) Any **bank** that has a minimum long term credit rating of A- for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).
- e) Any **non-rated subsidiary** of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to a guarantee from the parent company, and exposure up to the limit applicable to the parent.
- g) **Property Investment Funds** for example the Local Authorities' Property Fund. The Councils will consult the Treasury Management Advisors and undertake appropriate due diligence before investment of this type is undertaken. Some of these funds are deemed capital expenditure – the Councils will seek guidance on the status of any fund considered for investment.
- h) Other **local authorities**, parish councils etc.
- i) Other investments listed in Appendices C and D - the Council will seek further advice on the appropriateness and associated risks with investments in these other categories as and when an opportunity presents itself.

The **accounting treatment** may differ from the underlying cash transactions arising from investment decisions made by the Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, the accounting implications of new transactions will be reviewed before they are undertaken.

The Council will not transact in any investment that may be deemed to constitute capital expenditure (e.g. Share Capital, or pooled investment funds other than Money Market Funds), without the resource implications being approved as part of the consideration of the Capital Programme or other appropriate Committee report.

#### 4.13 **Investment risk benchmarking**

The shared service will subscribe to Link's Investment Benchmarking Club to review the investment performance and risk of the portfolios.

At the end of the financial year, the Council will report on investment activity as part of the **Annual Treasury Report**.

#### 4.14 **External fund managers**

The Council does not use external fund managers, (other than the Local Authorities' Property Fund) but reserves the option to do so in future should this be deemed to be appropriate. Should consideration be given to exercising this option in the future, the relevant Committee will be advised of the reasons for doing so and the Council requested to consider whether it wishes to proceed with the selection and appointment of external fund managers.



#### 4.15 **The monitoring of investment counterparties**

The credit rating of counterparties will be monitored regularly. The shared service receives credit rating information (changes, rating watches and rating outlooks) from Link Group as and when ratings change, and counterparties are checked promptly. On occasion, ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the shared service, and if required, new counterparties which meet the criteria will be added to the list.

### **5. OTHER MATTERS**

#### 5.1 **2021 revised CIPFA Treasury Management Code and Prudential Code – changes which will impact on future TMSS/AIS reports and the risk management framework.**

CIPFA published the revised codes on 20th December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. The Councils have to have regard to these codes of practice when they prepare the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to the Full Councils for approval.

#### 5.2 **Treasury Management**

Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Following the revised codes, the following adaptations have been made in this report:

- Inclusion of the liability benchmark in the strategy as shown in 2.2. · An amendment to the Treasury Management Practices to address Environmental, Social and Governance policy within the treasury management risk framework; as included in Appendix B.
- Maintenance of the knowledge and skills register for individuals involved in the treasury management function as addressed in 1.4.
- The adoption of Quarterly reporting for the year 2023/24 as detailed in 1.1.

#### 5.3 **Balanced budget requirement**

The Council complies with the provisions of S32 of the Local Government Finance Act 1992 to set a balanced budget.

**1. THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2022/23 – 2026/27**

1.1 The Council’s capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the Prudential Indicators, which are designed to assist Members’ overview and confirm capital expenditure plans.

Capital expenditure	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
	£m	£m	£m	£m	£m
General Fund	4.633	12.593	10.115	2.233	1.054

**1.2 Affordability Prudential Indicators**

The previous sections cover the overall capital and control of borrowing Prudential Indicators, but within this framework, Prudential Indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council’s overall finances. The Council is asked to approve the following indicators:

**1.3 Ratio of financing costs to net revenue stream.**

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
	%	%	%	%	%
Ratio	-3.45%	-17.58%	-18.69	-6.23%	-5.67%

The estimates of financing costs include current commitments and the proposals in this budget report.

**1.4 Maturity structure of borrowing**

These gross limits are set to reduce the Council’s exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits. However as the Council currently has no loans.

The Council is asked to approve the following treasury indicators and limits:

Maturity structure of fixed interest rate borrowing 2024/25		
	Lower	Upper
Under 12 months	0%	80%
12 months to 2 years	0%	70%
2 years to 5 years	0%	80%
5 years to 10 years	0%	80%
Over 10 years	0%	60%

## **TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT**

The MHCLG (now DLUHC) issued Investment Guidance in 2018, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, which will apply to all investment activity. In accordance with the Code, the Council will comply with the treasury management practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.

**Annual investment strategy** - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of the annual treasury strategy for the following year, covering the identification and approval of the following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

**Strategy guidelines** – The main strategy guidelines are contained in the body of the treasury strategy statement.

**ESG** – The Council will consider Environmental, Social and Governance factors when placing any investment with current or new counterparties. Where matters for concern are identified for any specific counterparty the Councils will consider placing future investments with other counterparties. A process of ongoing monitoring is underway for existing counterparties using ESG tracking services and available indices of bribery and corruption for the countries of domicile for the proposed counterparties. This is maintained by the SSA's Group Accountant (Strategic Finance).

Whilst there are no concerns regarding our banker, for operational reasons the Councils' own banker Lloyds bank is required to be exempt from this approach as we are contractually bound to them for the duration of our banking contract. These factors will always be considered when the contract is renewed.

In line with the approved strategy, the service provider endeavours to undertake due care when reviewing counterparties ESG credentials. This is an on-going process of monitoring existing counterparties. As an example, the service provider reviews the money market fund's investments by geographical location, and it is in this regard the review highlighted that HSBC and Invesco had lent to The People's Republic of China. In consultation with the section 151 officer the decision was taken to disinvest from those funds. They still remain on the list of approved counterparties but will not be used until such a time as they meet the authority's requirements.

From time to time the authority invests in other local authorities as there is an active market for inter authority lending. The service provider will investigate authorities investing in sustainability projects and where appropriate recommend those as ESG investments.

The market for the environmental aspect of ESG is in its early stages; the service provider is actively talking to the market and will recommend investments deemed to have an appropriate balance of risk and yield.

The investment strategy keeps scope for investments with foreign counterparties very limited. Therefore, there is no likelihood for the Authority directly investing in countries with corrupt regimes or human right violations.

## **SPECIFIED AND NON SPECIFIED INVESTMENTS**

A variety of investment instruments will be used , subject to the credit quality of the institution and, depending on the type of investment made, it will fall into one of the categories below.

**Specified Investments** will be those that meet the criteria in the MHCLG Guidance, i.e. the investment

- is sterling denominated
- has a maximum maturity of 1 year or where the Council has the right to be repaid within 12 months or where the investment would have been classified as specified apart from originally being for a period longer than 12 months, once the remaining period to maturity falls to under 12 months
- meets the “high” credit criteria as determined by the Council or is made with the UK government or is made with a local authority in England, Wales and Scotland
- the making of which is not defined as capital expenditure under section 25(1)(d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).

These are considered low risk assets where the possibility of loss of principal or investment income is small.

### **“Specified” Investments identified for the Council’s use are:**

- The UK Government such as the Debt Management Account Deposit Facility – there is no limit for these investments.
  - Deposits with UK local authorities
  - Deposits with banks and building societies
  - \*Certificates of deposit with banks and building societies
  - \*Gilts : (bonds issued by the UK government)
  - \*Bonds issued by multilateral development banks
  - Pooled investment vehicles such as AAA Money Market Funds with a Constant Net Asset Value (Constant NAV) or appropriate Low Volatility Net Asset Value (LVNAV) that have been awarded an AAA rating by Standard and Poor’s, Moody’s and/or Fitch rating agencies.
  - Other Money Market Funds and Collective Investment Schemes– i.e. credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.
- \* Investments in these instruments will be on advice from the Shared Service’s treasury advisor.

### **Non Specified Investments**

These are any investments which do not meet the specified investment criteria. Where appropriate, the Council will seek further advice on the associated risks with non-specified investments.

### **All Investments**

For credit rated counterparties, the minimum criteria, excepting for the Council's own banker and the specified building societies, (see below) will be the short-term / long-term ratings assigned by various agencies which may include Moody's Investors Services, Standard and Poor's, Fitch Ratings, being:

Long-term investments (over 365 days): minimum: A- (Fitch) or equivalent

Or

Short-term investments (365 days or less): minimum: F1 (Fitch) or equivalent

For all investments the Shared Service will also take into account information on corporate developments of, and market sentiment towards, investment counterparties.

If the Council's own banker (currently Lloyds Bank) falls beneath the specified criteria, it will still be used for transactional purposes.

Where appropriate the Ring Fenced entities of banks will be used.

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies, as detailed below.

## **APPENDIX C**

### **APPROVED INVESTMENT INSTITUTIONS**

#### **Specified Investments identified for use by the Council.**

New specified investments will be made within the following limits:

(a) Banks

Major U.K. and Foreign Banks and their wholly owned subsidiaries meeting the Council's approved investment criteria. RFB refers to Ring Fenced Bank – the separate core retail banking service.

<b>Counterparty</b>	<b>Group</b>	<b>Maximum Sum</b>	<b>Maximum Period *</b>
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	DMADF, DMO (Government)	N/A	No limit	
1	HSBC UK Bank PLC (RFB)	N/A	£5m	5 years
2	NatWest/ Royal Bank of Scotland Group (RFB)	£5m	£5m	5 years
3	Lloyds/ Bank of Scotland Group	£9m	£9m	5 years
4	Barclays Bank UK PLC (RFB)	N/A	£5m	5 years
5	Santander UK PLC	N/A	£5m	5 years
6	Clydesdale Bank PLC	N/A	£4m	5 years
7	Handelsbanken PLC	N/A	£5m	1 year
8	Goldman Sachs International Bank	N/A	£5m	5 years
9	Close Brothers Ltd	N/A	£5m	5 years
10	Standard Chartered Bank	N/A	£5m	5 years
11	The Australia and New Zealand Banking Group	N/A	£3m	1 year

\*Specified investments are for a maximum period of 1 year, the maximum limits shown in this column are for non-specified investments with these institutions.

- (b) Building Societies  
Building Societies (Assets in excess of £1 billion):

Rank	Name of Counterparty	Individual	
		Sum	Period*
1	Nationwide	£4m	3 years
2	Coventry	£4m	3 years
3	Yorkshire	£4m	3 years
4	Skipton	£4m	3 years
5	Leeds	£4m	3 years
6	Principality	£3m	3 years
7	West Bromwich	£3m	3 years
8	Newcastle	£3m	3 years
9	Nottingham	£3m	3 years
10	Cumberland	£3m	3 years
11	National Counties (Family)	£3m	3 years
12	Progressive	£3m	3 years
13	Cambridge	£3m	3 years
14	Monmouthshire	£3m	3 years
15	Newbury	£3m	3 years
16	Saffron	£3m	3 years
17	Leek United	£3m	3 years
18	Furness	£3m	3 years

- (c) Money Market Funds

Counterparty	Sum	For Short Term Operational Cash Flow Purposes
Invesco Aim – Sterling	£3m	
Blackrock Institutional Sterling Liquidity Fund	£3m	
Goldman Sachs Sterling Liquidity Reserve Fund	£3m	
HSBC Global Liquidity Fund	£3m	
Fidelity Institutional Cash Fund plc – Sterling	£3m	
CCLA Public Sector Deposit Fund	£3m	
JP Morgan GBP Liquidity LVNAV Fund	£3m	
Federated Short-Term Sterling Prime Liquidity Fund	£3m	

The limit for investing in any one Money Market Fund is £3 million. Total investments in Money Market Funds shall not exceed the higher of £9m or 25% of the total investment portfolio, for more than one week at any one time.

- (d) Local Authorities

Details	Individual	
	Sum	Period*
All Local Authorities	£5m	1 year

\*Specified investments are for a maximum period of 1 year, the maximum period limits shown in (b) and (d) are for non-specified investments with these institutions. Local Authorities where there is Government intervention are excluded.

**APPENDIX D**

**NON-SPECIFIED INVESTMENTS DETERMINED FOR USE BY THE COUNCIL**

Having considered the rationale and risk associated with Non-Specified Investments, the following have been determined for the Council's use.

	In-house use	Use by Fund Managers	Maximum Maturity	Maximum % of portfolio or £m	Capital Expenditure?
<ul style="list-style-type: none"> <li>• Deposits with banks and building societies</li> <li>• Certificates of deposit with banks and building societies</li> </ul>	√	√	5 years	The higher of £10m or 50% of funds	No
<ul style="list-style-type: none"> <li>• Deposits with Local Authorities</li> </ul>	√		5 years	The higher of £10m or 50% of funds	No
<b>Gilts and Bonds:</b> <ul style="list-style-type: none"> <li>• Gilts</li> <li>• Bonds issued by multilateral development banks</li> <li>• Bonds issued by financial institutions guaranteed by the UK government</li> <li>• Sterling denominated bonds by non-UK sovereign governments</li> </ul>	√ √ √ (on advice from treasury advisor)	√ √ √ √	5 years	The higher of £3m or 25% of funds	No
Money Market Funds and Collective Investment Schemes (pooled funds which meet the definition of a collective investment scheme as defined in SI 2004 No. 534 and SI 2007, No. 573), but which are not credit rated.	√ (on advice from treasury advisor)	√	These funds do not have a defined maturity date.	The higher of £9m or 25% of funds	No
Government guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies	√ (on advice from treasury advisor)	√	5 years	The higher of £2m or 10% of funds	Subject to test
Property Funds approved by HM Treasury and operated by managers regulated by the Financial Conduct Authority – specifically the Local Authorities' Property Fund	√	√	These funds do not have a defined maturity date.	The higher of £6m or 25% of funds	No
Non-guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies	√ (on advice from treasury advisor)	√	5 years	The higher of £2m or 10% of funds	Subject to test



Collective Investment Schemes (pooled funds) which do not meet the definition of collective investment schemes in SI 2004 No. 534 or SI 2007, No. 573.	√ (on advice from treasury advisor)	√	These funds do not have a defined maturity date	The higher of £2m or 20% of funds	Subject to test
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## APPENDIX D- ANNEX 1

### APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link creditworthiness service.

#### Based on lowest available rating as at

##### AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

##### AA+

- Canada
- Finland
- U.S.A.

##### AA

- Abu Dhabi (UAE)
- France
- New Zealand

##### AA-

- Belgium
- U.K.

*NB Consideration will be given to other factors, including Environmental, Social and Governance standards when considering the destination country of Non-UK investments. As such countries with an appropriate sovereign rating will not be used where matters identified do not align with the respective Council's values.*

*NB As detailed in it has been determined that the UK will remain an approved country for investment regardless of its sovereign rating. This is due to the avoidance of such investments being operationally prohibitive.*

In determining the period to maturity of an investment, the investment is regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty.

The Council will seek further advice on the appropriateness and associated risks with investments in these Non-Specified investment categories, other than those which would be Specified other than for the duration of over 12 months (for example a 2-year fixed term deposits with a bank on the counterparty list).

## **Accounting treatment of investments**

The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

**The monitoring of investment counterparties** - The credit rating of counterparties will be monitored regularly. The Council's Shared Service receives credit rating information (changes, rating watches and rating outlooks) from Link as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Shared Service, and if required new counterparties which meet the criteria will be added to the list.

## TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) **Full Council**

- approval of annual Treasury Management strategy and Annual Investment Strategy
- approval of MRP Statement

(ii) **Executive Committee (e.g., Cabinet)**

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

(iii) **Audit Committee**

Receiving and reviewing the following, and making recommendations to the Cabinet

- regular monitoring reports on compliance with the Treasury Management Strategy, practices, and procedures.

(iv) **The S151 (responsible) officer**

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers.

## **REVIEW OF TREASURY MANAGEMENT ACTIVITY 1 APRIL – 30 SEPTEMBER 2023**

### **1. SUMMARY**

This report summarises the Council's treasury management for the half year to 30 September 2023. The presentation of this report fulfils the requirements under the Council's treasury management policy.

### **2. BACKGROUND**

#### **2.1 Capital Strategy**

The CIPFA revised 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this capital strategy is to ensure that all elected members on the full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

#### **2.2 Treasury Management**

The treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans, longer term cash flow planning to ensure the Council can meet its capital spending operations.

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.”

### **3. INTRODUCTION**

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).

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. 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.

4. 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. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit Committee.

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 2023/24 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure and prudential indicators;
- A review of the Council's investment portfolio for 2023/24;
- A review of the Council's borrowing strategy for 2023/24;
- A review of any debt rescheduling undertaken during 2023/24;
- A review of compliance with Treasury and Prudential Limits for 2023/24.

## 4. ECONOMICS AND INTEREST RATES

*The following commentary has been supplied by **Link Group**, the professional consultants for the Council's shared treasury management services provider. The context is significant as it describes the backdrop against which treasury management activity has been undertaken for the first half year.*

### 4.1 Economics update

#### 4.1.1 The first half of 2023/24 saw:

- Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
- Short, medium, and long-dated gilts remain elevated as inflation continually surprised to the upside.
- A 0.5% m/m decline in real GDP in July, mainly due to more strikes.
- CPI inflation falling from 8.7% in April to 6.7% in August, its lowest rate since February 2022, but still the highest in the G7.
- Core CPI inflation declining to 6.2% in August from 7.1% in April and May, a then 31 years high.
- A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose to 7.8% in August, excluding bonuses).
  - The 0.5% m/m fall in GDP in July suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.
  - The fall in the composite Purchasing Managers Index from 48.6 in August to 46.8 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0.2% q/q rise in real GDP in the period April to June, being followed by a contraction of up to 1% in the second half of 2023.
  - The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as

it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.

- As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of-living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.
- The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.
- But the cooling in labour market conditions still has not fed through to an easing in wage growth. While the monthly rate of earnings growth eased sharply from an upwardly revised +2.2% in June to -0.9% in July, a lot of that was due to the one-off bonus payments for NHS staff in June not being repeated in July. The headline 3myy rate rose from 8.4% (revised up from 8.2%) to 8.5%, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular private sector wage growth eased a touch in July, from 8.2% 3myy in June to 8.1% 3myy, it is still well above the Bank of England's prediction for it to fall to 6.9% in September.
- CPI inflation declined from 6.8% in July to 6.7% in August, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.2%. That reverses all the rise since March and means the gap between the UK and elsewhere has shrunk (US core inflation is 4.4% and in the Euro-zone it is 5.3%). Core goods inflation fell from 5.9% to 5.2% and the further easing in core goods producer price inflation, from 2.2% in July to a 29-month low of 1.5% in August, suggests it will eventually fall close to zero. But the really positive development was the fall in services inflation from 7.4% to 6.8%. That also reverses most of the rise since March and takes it below the forecast of 7.2% the Bank of England published in early August.
- In its latest monetary policy meeting on 20 September, the Bank of England left interest rates unchanged at 5.25%. The weak August CPI inflation release, the recent loosening in the labour market and the downbeat activity surveys appear to have convinced the Bank of England that it has already raised rates far enough. The minutes show the decision was "finely balanced". Five MPC members (Bailey, Broadbent, Dhingra, Pill and Ramsden) voted for no change and the other four (Cunliffe, Greene, Haskel and Mann) voted for a 25bps hike.
- Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. The statement did not say that rates have peaked and once again said if there was evidence of more persistent inflation pressures "further tightening in policy would be required". Governor Bailey stated, "we'll be watching closely to see if further increases are needed". The Bank also retained the hawkish guidance that rates will stay "sufficiently restrictive for sufficiently long".
- This narrative makes sense as the Bank of England does not want the markets to

decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates at the next meeting on 2nd November, or even pause in November and raise rates in December.

- The yield on 10-year Gilts fell from a peak of 4.74% on 17th August to 4.44% on 29th September, mainly on the back of investors revising down their interest rate expectations. But even after their recent pullback, the rise in Gilt yields has exceeded the rise in most other Developed Market government yields since the start of the year. Looking forward, once inflation falls back, Gilt yields are set to reduce further. A (mild) recession over the next couple of quarters will support this outlook if it helps to loosen the labour market (higher unemployment/lower wage increases).
- The pound weakened from its cycle high of \$1.30 in the middle of July to \$1.21 in late September. In the first half of the year, the pound bounced back strongly from the Truss debacle last autumn. That rebound was in large part driven by the substantial shift up in UK interest rate expectations. However, over the past couple of months, interest rate expectations have dropped sharply as inflation started to come down, growth faltered, and the Bank of England called an end to its hiking cycle.
- The FTSE 100 has gained more than 2% since the end of August, from around 7,440 on 31st August to 7,608 on 29th September. The rebound has been primarily driven by higher energy prices which boosted the valuations of energy companies. The FTSE 100's relatively high concentration of energy companies helps to explain why UK equities outperformed both US and Euro-zone equities in September. Nonetheless, as recently as 21st April the FTSE 100 stood at 7,914.

## 4.2 Interest rate forecasts

- 4.2.1 The Council's shared treasury management services provider has appointed Link Group as its treasury advisors and part of their service is to assist them to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

The latest forecast on 25th 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.

Our PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1st November 2012.

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
<b>BANK RATE</b>	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

## 5. TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY UPDATE

The Treasury Management Strategy Statement (TMSS) for 2023/24 was approved by this Council on 1st March 2023. The details in this report update the actual and forecast expenditure in light of the updated economic position and budgetary changes already approved.

There are no policy changes to the TMSS; the details in this report update the position in the

light of the updated economic position and budgetary changes already approved.

## 6. THE COUNCIL'S CAPITAL POSITION (PRUDENTIAL INDICATORS)

This part of the report is structured to update:

- The Council's capital expenditure plans
- How these plans are being financed
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow
- Compliance with the limits in place for borrowing activity

### b Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget. The increase is made up of a number of capital variations which are detailed in the Budget Management Reports to Cabinet on 13 November 2023. The Capital Programme for 2023/24, as approved at Council on the 1<sup>st</sup> March 2023, amounted to £5.735m. This was increased to £12.337m following additions to the programme and rescheduling of the 2022/23 programme as detailed in the Capital Programme Update reports on 13 November 2023.

	2023/24 Original Estimate	Actual at 30 Sept 2023	2023/24 Revised Estimate
	£m	£m	£m
<b>Total capital expenditure</b>	5.735	2.728	12.377

### 6.2 Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

	2023/24 Original Estimate	2023/24 Revised Estimate
	£m	£m
Total Capital Expenditure	5.735	12.377
Financed by:		
Capital receipts	2.386	4.308
Capital grants, S106 etc.	2.032	4.737
Reserves and revenue contributions	1.317	3.332
Total financing	5.735	12.377
Borrowing requirement	0.000	0.000

### 6.3 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary



The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. The table also shows the expected debt position over the period, which is termed the Operational Boundary.

### Prudential Indicator – Capital Financing Requirement

There is no movement in the Capital Financing Requirement from the original.

### Prudential Indicator – the Operational Boundary for external debt

	2023/24 Original Estimate	Actual at 30 Sept 2023	2023/24 Revised Estimate
	£m	£m	£m
<b>Prudential Indicator: Capital Financing Requirement</b>			
CFR – non housing	5.714	5.510	5.714
Net movement in CFR	(0.400)	(0.200)	(0.400)
<b>Prudential Indicator: The Operational Boundary for External Debt</b>			
	<b>Op Boundary</b>	<b>Actual</b>	<b>Op Boundary</b>
Borrowing	28.000	0.000	28.000
Other long term liabilities*	4.000	1.526	4.000
<b>Total debt</b>	<b>32.000</b>	<b>1.526</b>	<b>32.000</b>

\*finance leases

## 6.4 Limits to Borrowing Activity: Debt Compared with the Capital Financing Requirement

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and the next two financial years. This allows some flexibility for limited early borrowing for future years. The PWLB borrowing was fully repaid in 2022/23. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent. The Head of Corporate Resources reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

	2023/24 Original Estimate	Actual at 30 Sept 2023	2023/24 Revised Estimate
	£m	£m	£m
Borrowing	0.00	0.000	0.00
Other long term liabilities*	1.375	1.526	1.375
<b>Total debt</b>	<b>1.375</b>	<b>1.526</b>	<b>1.375</b>
<b>CFR</b>	<b>5.714</b>	<b>5.510</b>	<b>5.714</b>

\*finance leases

## 6.5 Limits to Borrowing Activity: Debt Compared with the Authorised Limit

A further prudential indicator 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 desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

<b>Authorised Limit for external debt</b>	<b>2023/24 Original Indicator</b>	<b>Actual at 30 Sept 23</b>	<b>2023/24 Revised Indicator</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Borrowing	30.000	0.000	30.000
Other long term liabilities	4.000	1.526	4.000
<b>Total</b>	<b>34.000</b>	<b>1.526</b>	<b>34.000</b>

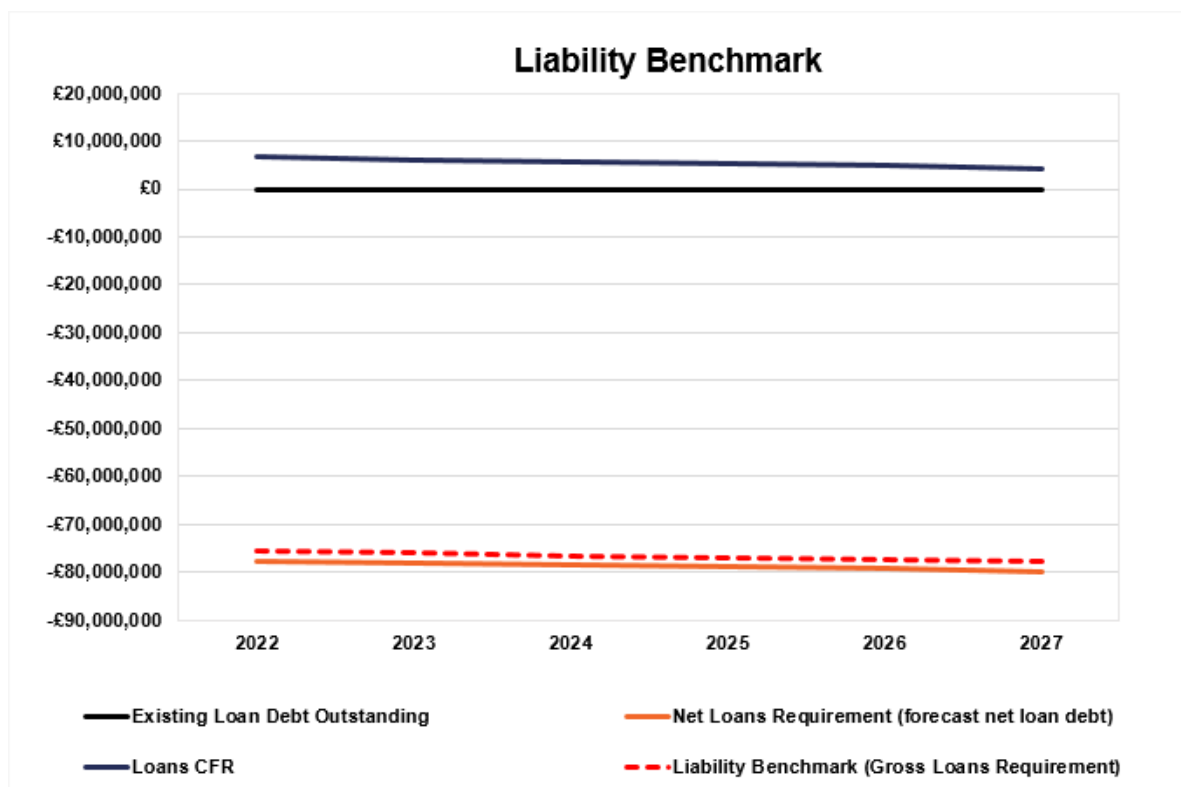
## 6.6 Liability Benchmark

A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

- Existing loan debt outstanding: the Authority's existing loans that are still outstanding in future years.
- Loans CFR: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
- Net loans requirement: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
- Liability benchmark (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

As the authority is effectively debt free, with the exception of the finance lease from 2023/24, the benchmark lacks relevance but is nevertheless a requirement.



## 7 BORROWING

7.1 The Council's capital financing requirement (CFR) for 2023/24 is £5.714m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. Table 6.4 shows the Council currently has borrowings of £1.375m. This will be below the CFR, with the balance of the CFR funded from cash flow funds in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring in the event that any upside risk to gilt yields prevails.

The Council has not taken out any new borrowing in 2023/24. There was some temporary borrowing from 10 days for cash flow reasons as a result of a minor dealing error on the TM side, this was at no detriment to the Council. Occasionally, where commitments have been made to fixed-term investment deals, there are points where the cash flow reaches a trough. The service provider endeavours to keep a safe buffer of liquidity. On this occasion, the buffer was exceeded due to some large rate refunds. Worthing Borough Council provided the borrowing at a rate commensurate with the market rates at the time.

### 7.2 PWLB maturity certainty rates (gilts plus 80bps) year to date to 30th September 2023

Gilt yields and PWLB certainty rates were on a generally rising trend throughout the first half of 2023/24. At the beginning of April, the 5-year rate was the cheapest part of the curve and touched 4.14% whilst the 25-year rate was relatively expensive at 4.58%.

July saw short-dated rates peak at their most expensive. The 1-year rate spiked to 6.36% and the 5-year rate to 5.93%. Although, in due course, short-dated rate expectations fell, the medium dates shifted higher through August and the 10-year rate pushed higher to 5.51% and the 25-year rate to 5.73%. The 50-year rate was 4.27% on 5th April but rose to 5.45% on 28th September.

We forecast rates to fall back over the next two to three years as inflation dampens. The CPI measure of inflation is expected to fall below 2% in the second half of 2024, and we forecast 50-year rates to stand at 3.90% by the end of September 2025. However, there is considerable

gilt issuance to be digested by the market over the next couple of years, as a minimum, so there is a high degree of uncertainty as to whether rates will fall that far.

- The current PWLB rates are set as margins over gilt yields as follows: -.
  - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
  - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
  - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

## 8 DEBT RESCHEDULING

Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

## 9 COMPLIANCE WITH TREASURY AND PRUDENTIAL LIMITS

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2023, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2023/24. The Director of Resources and Organisational Development reports that no difficulties are envisaged for the current or future years in complying with these indicators.

All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

## 10 ANNUAL INVESTMENT STRATEGY

- 10.1 The Council will aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short-term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit-rated financial institutions. The shared Treasury Service uses information supplied by the Treasury advisers, Link Asset Services, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

As shown by the interest rate forecasts in section 10.3, investment rates have continued to rise. There have been 4 meetings of the MPC in the 6 months to 30th September 2023, at each meeting the decision has been made to increase the base rate until the September meeting when the rate was held at 5.25%, its highest since 2008's Global Financial Crisis. It is anticipated that a first rate cut to 5.00% will be in Q3 2024, to be followed by further rate cuts through the remainder of 2024 and into 2025.

Our investments continue to follow a low risk and largely short term strategy, with emphasis placed on laddering investments to even out maturity dates. This increases our ability to respond to changes in market conditions and to changes in risk; which we continue to monitor closely.

### 10.2 Creditworthiness

Following the Government's fiscal event on 23rd September 2022, both S&P and Fitch placed the UK sovereign debt rating on Negative Outlook, reflecting a downside bias to the current ratings in light of expectations of weaker finances and a challenging economic outlook. Nothing further has evolved in the first half of 2023/24.

### 10.3 Investment Counterparty Criteria

The current investment counterparty criteria selection approved in the TMSS meets the requirement of the treasury management function.

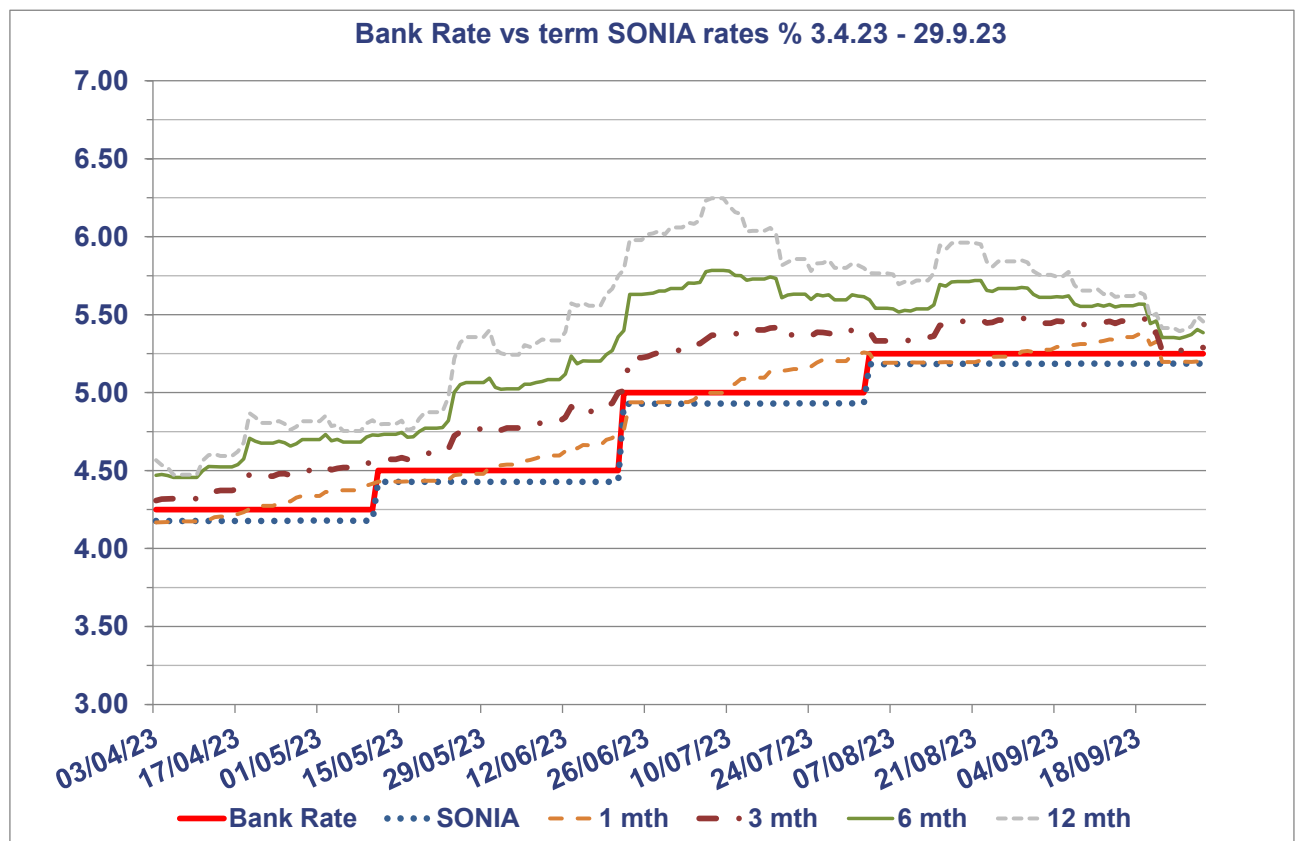
#### 10.4 Credit Default Swap Prices

Credit Default Swaps (CDS) are credit derivative contracts that enable investors to swap credit risk on a company with another counterparty. They are market indicators of credit risk. Although CDS prices for UK banks spiked at the outset of the pandemic in 2020, they then subsequently returned to near pre-pandemic levels. **However, sentiment can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.**

#### Investment balances

The average level of funds available for investment purposes during the 6 months, excluding the Council's £6m investment in the Local Authorities' Property Fund, was **£85.5m**. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme.

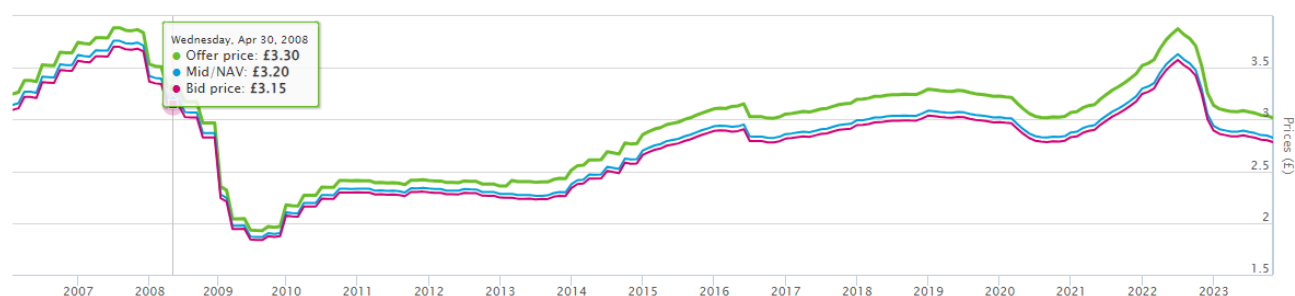
#### Investment rates during period ended 30<sup>th</sup> September 2023



#### 10.4 Investment performance year to date as at 30 September 2023

The Council earned £1,591,426 in investment income of which £123,534 was from market funds, call accounts and notice accounts. This total excludes interest from the Council's £6m investment in the Local Authorities' Property Fund.

**Local Authorities' Property Fund** – the Council has invested £6m with the Local Authorities' Property Fund. Since 31<sup>st</sup> March the Property Fund has declined in value by £73k. This reflects the general decline in property prices in the UK. The fund should be viewed as long term. Losses occurred in 2008 from which the fund recovered. The fund has consistently provided good dividends and earned £140k in dividend income in for the first half of 2023/24.



## 10.5 Approved limits and Counterparties

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the period to 30 September 2023.

10.6 The current difficult economic situation has had a severe impact on the majority of Councils, but some are less well placed to manage the additional pressures caused by rising interest rates and general inflationary increases in wages, utilities and other costs. The service provider continues to monitor and take due care when recommending investments with other Local Authorities.

## 10.7 Investments at 30 September 2023

Counterparty	Issue Date	Maturity Date	Principal	Current Interest Rate	Long Term Rating
Close Brothers Limited	11/09/2023	04/03/2024	£1,000,000	5.75%	A-
Close Brothers Limited	26/09/2023	04/03/2024	£1,000,000	5.75%	A-
Close Brothers Limited	26/09/2023	04/03/2024	£1,000,000	5.75%	A-
Close Brothers Limited	30/03/2023	30/09/2024	£2,000,000	4.75%	A-
Clydesdale Bank Plc	11/08/2023	09/08/2024	£2,000,000	5.65%	A-
Goldman Sachs International Bank	02/03/2023	01/03/2024	£1,500,000	4.65%	A+
Goldman Sachs International Bank	06/03/2023	05/03/2024	£1,000,000	4.69%	A+
Goldman Sachs International Bank	31/03/2023	28/03/2024	£1,500,000	4.96%	A+
Handlesbanken Fixed Term Deposit	06/04/2023	05/04/2024	£1,000,000	4.82%	AA
Handlesbanken Fixed Term Deposit	08/08/2023	08/08/2024	£3,000,000	5.54%	AA
Lloyds Bank Plc (Rfb)	31/03/2023	/ /	£360,000	5.14%	A+
National Westminster Bank Plc (Rfb)	05/04/2023	05/04/2024	£1,000,000	4.65%	A+
National Westminster Bank Plc (Rfb)	29/06/2023	28/06/2024	£2,000,000	6.11%	A+
National Westminster Bank Plc (Rfb)	30/06/2023	30/11/2023	£1,000,000	5.64%	A+
National Westminster Bank Plc (Rfb)	04/07/2023	02/07/2024	£1,000,000	6.20%	A+
Standard Chartered Bank	31/03/2023	29/12/2023	£1,000,000	4.82%	A+
Standard Chartered Bank	31/03/2023	28/03/2024	£2,000,000	4.90%	A+
Standard Chartered Bank	05/04/2023	04/04/2024	£1,000,000	4.77%	A+
Standard Chartered Bank	28/07/2023	26/07/2024	£1,000,000	6.24%	A+
Cambridge Building Society	05/07/2023	05/12/2023	£1,000,000	5.50%	Unrated
Cambridge Building Society	05/07/2023	04/07/2024	£1,000,000	5.90%	Unrated
Cambridge Building Society	05/07/2023	28/02/2024	£1,000,000	5.70%	Unrated
Coventry Building Society	31/05/2023	30/05/2024	£1,000,000	5.01%	A-
Coventry Building Society	14/06/2023	13/06/2025	£1,000,000	5.26%	A-
Coventry Building Society	09/08/2023	09/08/2024	£1,000,000	5.49%	A-
Coventry Building Society	18/08/2023	16/01/2024	£1,000,000	5.46%	A-

Furness Building Society	27/04/2023	26/04/2024	£1,000,000	5.00%	Unrated
Furness Building Society	15/05/2023	15/05/2024	£1,000,000	5.00%	Unrated
Leeds Building Society	16/06/2023	16/10/2023	£1,000,000	4.77%	A-
Leeds Building Society	16/06/2023	20/11/2023	£1,000,000	4.89%	A-
Leeds Building Society	11/08/2023	09/08/2024	£2,000,000	5.69%	A-
Monmouthshire Building Society	07/08/2023	07/08/2024	£3,000,000	5.75%	Unrated
National Counties Building Society	06/04/2023	05/04/2024	£1,000,000	4.34%	Unrated
National Counties Building Society	26/05/2023	27/05/2025	£1,000,000	5.10%	Unrated
National Counties Building Society	29/06/2023	28/06/2024	£1,000,000	5.80%	Unrated
Newcastle Building Soc.	19/07/2023	19/07/2024	£2,000,000	5.85%	Unrated
Newcastle Building Soc.	01/08/2023	01/08/2024	£1,000,000	5.85%	Unrated
Nottingham Building Soc.	26/07/2023	25/07/2024	£2,000,000	6.05%	Unrated
Nottingham Building Soc.	08/08/2023	20/05/2024	£1,000,000	5.87%	Unrated
Nationwide Building Society	30/06/2023	29/02/2024	£1,000,000	5.58%	A
Nationwide Building Society	08/08/2023	08/08/2024	£3,000,000	5.55%	A
Principality Building Soc	09/06/2023	07/06/2024	£3,000,000	5.09%	BBB+
Progressive Building Society	06/04/2023	05/04/2024	£2,000,000	4.50%	Unrated
Progressive Building Society	05/07/2023	05/07/2024	£1,000,000	6.00%	Unrated
Saffron Building Society	26/05/2023	24/05/2024	£1,000,000	5.15%	Unrated
Saffron Building Society	04/07/2023	03/07/2024	£2,000,000	5.91%	Unrated
West Bromwich Building So	05/07/2023	03/01/2024	£1,000,000	5.40%	BB-
Yorkshire Building Society	22/06/2023	22/01/2024	£1,000,000	5.30%	A-
Yorkshire Building Society	26/07/2023	26/07/2024	£2,000,000	5.63%	A-
Debt Management Office	06/07/2023	12/10/2023	£2,000,000	5.20%	N/A
Debt Management Office	03/08/2023	02/02/2024	£2,000,000	5.43%	N/A
Cheshire East Council	26/09/2023	05/01/2024	£2,000,000	5.38%	AA-
Lancashire County Council	25/04/2023	24/04/2024	£1,000,000	4.70%	AA-
North Lanarkshire Council	22/08/2023	19/08/2024	£5,000,000	5.75%	AA-
Blackrock	03/04/2023	/ /	£10,000	5.23%	AAA mmf
Ccla Investment Management Limited	06/02/2020	/ /	£10,000	5.20%	AAA mmf
Federated Investors (Uk) Llp	15/02/2023	/ /	£3,000,000	5.35%	AAA mmf
Invesco Liquidity Funds Plc	01/09/2023	/ /	£150,000	5.33%	AAA mmf
Lloyds Bank Plc (Rfb)	05/04/2023	07/04/2025	£2,000,000	4.10%	A+
Furness Building Society	27/04/2023	25/04/2025	£1,000,000	5.10%	Unrated
<b>TOTAL</b>			<b>£85,530,000</b>		

## 11 OTHER

### 11.1 Changes in risk appetite

The 2021 CIPFA Codes and guidance notes place importance on risk management. Where an authority changes its risk appetite e.g., for moving surplus cash into or out of certain types of investment funds or other types of investment instruments, this change in risk appetite and policy should be brought to members' attention in treasury management update reports.

### 11.2 Sustainability and Ethical Policies of Counterparties

Following the concerns expressed by Members, the Shared Treasury Service in consultation with the Assistant Director Corporate Resources gives due consideration to environmental, social, and corporate governance issues. Some of the policies of the banks and building societies that the Council is currently using are linked below.

<https://www.cambridgebs.co.uk/more/about-us/community-detail>

<https://www.ccla.co.uk/our-policies/climate-change-and-investment-policy>

<https://www.closebrothers.com/sustainability-and-environment>

<https://www.coventrybuildingsociety.co.uk/member/sustainability/environment-policy.html>

<https://www.cumberland.co.uk/about/corporate-governance>

<https://www.federatedinvestors.com/resources/resource-centers/responsible-investing-center.do?hint=class>

<https://www.goldmansachs.com/investor-relations/corporate-governance/sustainability-reporting/>

<https://www.handelsbanken.com/en/sustainability/climate-impact>

<https://www.invesco.com/corporate/about-us/esg/environmental-sustainability>

<https://www.leedsbuildingsociety.co.uk/knowledge-base/members/continuing-to-reduce-our-carbon-footprint/>

<https://www.lloydsbankinggroup.com/our-group/responsible-business/financing-a-green-future-together/reducing-our-own-environmental-footprint/>

<https://www.monbs.com/blog/valuer-project/>

<https://www.ncbs.co.uk/about-us/corporate-information>

<https://investors.natwestgroup.com/esg-disclosures>

<https://www.newcastle.co.uk/about-us/governance/corporate-governance/>

<https://www.nationwide.co.uk/about-us/responsible-business/>

<https://www.principality.co.uk/about-us/our-community/csr>

<https://theprogressive.com/your-society/our-responsibilities/progressive-and-the-environment>

<https://www.saffronbs.co.uk/about/community/green-hub/going-green-saffron>

<https://www.santandercb.co.uk/why-santander/sustainability>

[https://www.sc.com/en/sustainability/?gclid=Cj0KCQjw18WKBhCUARIsAFiW7Jw9h9XtzcULNMBFfdOMiAEC0Lkjinwv5QBGzPyHH7ftV08AuVuZm3hYaAmJmEALw\\_wcB&gclsrc=aw.ds](https://www.sc.com/en/sustainability/?gclid=Cj0KCQjw18WKBhCUARIsAFiW7Jw9h9XtzcULNMBFfdOMiAEC0Lkjinwv5QBGzPyHH7ftV08AuVuZm3hYaAmJmEALw_wcB&gclsrc=aw.ds)

<https://www.westbrom.co.uk/suppliers/supplier-code-of-conduct>

<https://www.ybs.co.uk/your-society/environment/index.html>



## **1st Quarter Treasury Management Update Report** **Quarter ended 30th June 2023**

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommends that members be updated on treasury management activities at least quarterly. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

### **1. Economic Backdrop**

1.1 The following are relevant economic events disclosed here since they occurred during Quarter one of the 2023/24 year:

- CPI inflation fell from 10.1% to 8.7% in April, but remained at 8.7% in May, this was the highest of the G7 nations;
- Core CPI inflation rose in both April and May reaching a 31-year high of 7.1%;
- The labour market remained tight with 3 month-year average earnings growth rising from 6.1% to 6.5% in April data;
- The Bank of England Base rate has risen a further 75 bps over the quarter from 4.25% to 5.00%;
- Gilt yields, an instrument which underpins PWLB borrowing costs for councils, are nearing the peaks of the “mini budget”. Caused by higher than anticipated core inflation figures.

1.2 The UK economy has continued to weather the pressures of rising inflation and the drag of increased interest rates, showing surprising resilience. The 0.2% month on month GDP rise in April will further raise hopes that the UK economy may avoid recession this year.

### **1.3 MPC Meetings During Quarter 1**

#### **11th of May 2023 - 0.25% rise.**

At the 11th May, the Bank of England’s Monetary Policy Committee (MPC) increased the Bank Rate by 25 basis points to 4.50%.

#### **22nd of June 2023 - 0.50% rise.**

At the 22nd June meeting, the MPC moved rates up a further 50 basis points to 5.00%.

Both increases reflected a split vote – seven members voting for an increase and two for none.

### **2. Interest Rate Forecast**

2.1 The latest forecast, made on the 26th of June, sets the view that both short and long-dated interest rates will be elevated for some while. In part due to the Bank of England's efforts to bring inflation within the economy under control, against a backdrop of a stubbornly robust economy and strong labour market.

2.2 Below are the current Bank Rate and PWLB rate forecasts. There have been a number of upward revisions between each PWLB forecast. This is representative of the continued surprise upsides in data releases and increased domestic inflationary pressures which have driven markets to demand higher returns on fixed income instruments such as Gilts which have a direct impact on the cost of PWLB borrowing for local authorities.

Link Group Interest Rate View		26.06.23											
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
BANK RATE	5.00	5.50	5.50	5.50	5.25	4.75	4.25	3.75	3.25	2.75	2.75	2.50	2.50
3 month ave earnings	5.30	5.60	5.50	5.30	5.00	4.50	4.00	3.50	3.00	2.70	2.60	2.50	2.50
6 month ave earnings	5.80	5.90	5.70	5.50	5.10	4.60	4.00	3.50	3.00	2.70	2.60	2.60	2.60
12 month ave earnings	6.30	6.20	6.00	5.70	5.30	4.80	4.10	3.60	3.10	2.80	2.70	2.70	2.70
5 yr PWLB	5.50	5.60	5.30	5.10	4.80	4.50	4.20	3.90	3.60	3.40	3.30	3.30	3.20
10 yr PWLB	5.10	5.20	5.00	4.90	4.70	4.40	4.20	3.90	3.70	3.50	3.50	3.50	3.40
25 yr PWLB	5.30	5.40	5.20	5.10	4.90	4.70	4.50	4.20	4.00	3.90	3.80	3.80	3.70
50 yr PWLB	5.00	5.10	5.00	4.90	4.70	4.50	4.30	4.00	3.80	3.60	3.60	3.50	3.50

### 3. Annual Investment Strategy

3.1 The Treasury Management Strategy Statement (TMSS) for 2023/24, which includes the Annual Investment Strategy, was approved by Full Council on 1st of March 2023. In accordance with the CIPFA Treasury Management Code of Practice, it sets the Council's investment priorities as being security of capital, liquidity, and yield in that order.

#### 3.2 Creditworthiness

There have been no changes in credit ratings for institutions which are considered significant during quarter 1. However, the shared service officers continue to monitor rating agency releases and other subjective measures of creditworthiness to ensure that only appropriate counterparties are considered for investment purposes.

#### 3.2 Investment Counterparty Criteria

The current investment counterparty criteria selection approved in the Treasury Management Strategy Statement (TMSS) is meeting the operational requirements of the treasury management function.

#### 3.3 Investment Balances

Below is a summary of the portfolio as at 30th June 2023. The portfolio balances have decreased during the quarter, this is a strategic decision, intended to extend gaps between when borrowing is needed, shielding the Council from elevated borrowing rates. Capital expenditure in the quarter has been financed by internal borrowing where possible meaning the cash balances of the council have been utilised in lieu of borrowing.

#### Portfolio position as at 30th June 2023:

Counterparty	Issue Date	Maturity Date	Principal	Current Interest Rate	Long Term Rating
BLACKROCK	03/04/2023	/ /	£120,000.00	4.751	AAA mmf
Cambridge Building Society	09/07/2021	05/07/2023	£1,000,000.00	0.400	*
Cambridge Building Society	05/07/2021	05/07/2023	£2,000,000.00	0.400	*
CCLA Investment Management Limited	06/02/2020	/ /	£1,800,000.00	4.782	AAA mmf
Cheshire East Council	23/03/2023	26/09/2023	£2,000,000.00	4.300	AA-
Close Brothers Limited	05/09/2022	05/09/2023	£2,000,000.00	2.800	A-
Close Brothers Limited	08/09/2022	11/09/2023	£1,000,000.00	3.900	A-

Close Brothers Limited	30/03/2023	30/09/2024	£2,000,000.00	4.750	A-
Clydesdale Bank PLC	10/08/2022	11/08/2023	£4,000,000.00	2.820	A-
Coventry Building Society	10/08/2022	09/08/2023	£1,000,000.00	2.320	A-
Coventry Building Society	18/08/2022	18/08/2023	£1,000,000.00	2.700	A-
Coventry Building Society	31/05/2023	30/05/2024	£1,000,000.00	5.010	A-
Coventry Building Society	14/06/2023	13/06/2025	£1,000,000.00	5.260	A-
Federated Investors (UK) LLP	15/02/2023	/ /	£280,000.00	4.728	AAA mmf
Furness Building Society	27/04/2023	26/04/2024	£1,000,000.00	5.000	*
Furness Building Society	15/05/2023	15/05/2024	£1,000,000.00	5.000	*
Furness Building Society	27/04/2023	25/04/2025	£1,000,000.00	5.100	*
Goldman Sachs International Bank	02/03/2023	01/03/2024	£1,500,000.00	4.650	A+
Goldman Sachs International Bank	06/03/2023	05/03/2024	£1,000,000.00	4.685	A+
Goldman Sachs International Bank	31/03/2023	28/03/2024	£1,500,000.00	4.955	A+
Goldman Sachs International Bank	06/04/2023	05/04/2024	£1,000,000.00	4.820	A+
Handelsbanken plc	08/08/2022	08/08/2023	£3,000,000.00	2.480	AA
HSBC ESG MMF	14/04/2022	/ /	£2,460,000.00	4.703	AAA mmf
Invesco Liquidity Funds Plc	04/05/2023	/ /	£10,000.00	4.704	AAA mmf
Lancashire County Council	25/04/2023	24/04/2024	£1,000,000.00	4.700	AA-
Leeds Building Society	16/06/2023	16/10/2023	£1,000,000.00	4.770	A-
Leeds Building Society	16/06/2023	20/11/2023	£1,000,000.00	4.890	A-
Lloyds Bank Plc (RFB)	31/03/2023	/ /	£3,030,000.00	4.900	AA
Lloyds Bank Plc (RFB)	05/04/2023	07/04/2025	£2,000,000.00	4.100	AA
Monmouthshire Building Society	02/08/2021	07/08/2023	£3,000,000.00	0.350	*
National Counties Building Society	06/04/2023	05/04/2024	£1,000,000.00	4.340	*
National Counties Building Society	26/05/2023	27/05/2025	£1,000,000.00	5.100	*
National Counties Building Society	29/06/2023	28/06/2024	£1,000,000.00	5.800	*
National Westminster Bank PLC (RFB)	05/04/2023	05/04/2024	£1,000,000.00	4.650	A+
National Westminster Bank PLC (RFB)	29/06/2023	28/06/2024	£2,000,000.00	6.110	A+

National Westminster Bank PLC (RFB)	30/06/2023	30/11/2023	£1,000,000.00	5.640	A+
Nationwide Building Society	08/08/2022	08/08/2023	£3,000,000.00	2.430	*
Nationwide Building Society	30/06/2023	29/02/2024	£1,000,000.00	5.580	*
Principality Building Soc	09/06/2023	07/06/2024	£3,000,000.00	5.090	BBB+
Progressive Building Society	05/07/2022	05/07/2023	£1,000,000.00	2.400	*
Progressive Building Society	06/04/2023	05/04/2024	£2,000,000.00	4.500	*
Saffron Building Society	26/05/2023	24/05/2024	£1,000,000.00	5.150	*
Standard Chartered Bank	29/07/2022	28/07/2023	£1,000,000.00	2.790	A+
Standard Chartered Bank	31/03/2023	29/12/2023	£1,000,000.00	4.820	A+
Standard Chartered Bank	31/03/2023	28/03/2024	£2,000,000.00	4.900	A+
Standard Chartered Bank	05/04/2023	04/04/2024	£1,000,000.00	4.770	A+
Surrey Heath Borough Council	26/09/2022	26/09/2023	£3,000,000.00	2.700	AA-
West Bromwich Building So	05/07/2022	05/07/2023	£2,000,000.00	2.100	BB-
West Bromwich Building So	05/07/2022	05/07/2023	£1,000,000.00	2.100	BB-
Yorkshire Building Society	26/07/2022	26/07/2023	£3,000,000.00	2.520	A-
Yorkshire Building Society	22/06/2023	22/01/2024	£1,000,000.00	5.300	A-
TOTAL			£77,700,000.00		

### 3.4 Approved Limits

The chief financial officer can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30th June 2023.

### 3.5 Prudential Indicators

During the quarter ended 30th June 2023, there has been no material changes or re-profiling of the capital programme which give rise to a review of prudential indicators. Members will be updated in subsequent quarterly reports if material changes occur. In the meantime, members are encouraged to review the current and projected indicators given in the above end of year treasury management review.