

Audit Committee

Date: 15 November 2023

Subject: Treasury Management Strategy Statement and Annual Investment Strategy
Mid-Year Review Report 2023/24

Report of: Steve Wilson, Treasurer

Purpose of Report

This report has been written in accordance with the requirements of CIPFA's Code of Practice on Treasury Management (revised 2021), and covers the following:

- a) An economic update for the first half of the 2023/24 financial year;
- b) A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- c) The Authority's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- d) A review of the Authority's investment portfolio for 2023/24;
- e) A review of the Authority's borrowing strategy for 2023/24;
- f) A review of any debt rescheduling undertaken during 2023/24;
- g) A review of compliance with Treasury and Prudential Limits for 2023/24.

Recommendations:

The Audit Committee is requested to:

- 1. Comment and note the report and treasury activity; and
- 2. Recommend its approval to the GMCA.

Contact Officers

Steve Wilson, GMCA Treasurer

Steve.Wilson@greatermanchester-ca.gov.uk

Rachel Rosewell

BOLTON
BURY

MANCHESTER
OLDHAM

ROCHDALE
SALFORD

STOCKPORT
TAMESIDE

TRAFFORD
WIGAN

Deputy Treasurer, GMCA

Rachel.Rosewell@greatermanchester-ca.gov.uk

Lindsey Keech

Head of Finance – Capital and Treasury Management

Lindsey.keech@greatermanchester-ca.gov.uk

Report authors must identify which paragraph relating to the following issues:

Equalities Impact, Carbon and Sustainability Assessment:

N/A

Risk Management

There are considerable risks to the security of the GMCA’s resources if appropriate Treasury Management strategies and policies are not adopted and followed. The GMCA has established good practice in relation to Treasury Management.

Legal Considerations

This report fulfils the statutory requirements to have the necessary prudential indicators to be included in a Treasury Management Strategy.

Financial Consequences – Revenue

Financial revenue consequences are contained within the body of the report.

Financial Consequences – Capital

Financial capital consequences are contained within the body of the report.

Number of attachments to the report:

None

Comments/recommendations from Overview & Scrutiny Committee

N/A

Background Papers

Treasury Management Strategy Statement 2023/24, GMCA 24 March 2023

Quarterly Treasury Management Update, Audit Committee 20 September 2023

GMCA Capital Update Quarter 2 2023/24, GMCA 27 October 2023

Tracking/ Process

Does this report relate to a major strategic decision, as set out in the GMCA Constitution

No

Exemption from call in

Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?

N/A

GM Transport Committee

N/A

Overview and Scrutiny Committee

N/A

1. Background

1.1. Capital Strategy

1.1.1 In December 2021, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. These require all local authorities to prepare a Capital Strategy which is to provide the following:

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

1.2. Treasury management

1.2.1 The Authority operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of 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.

1.2.2 The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning to ensure the Authority can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Authority risk or cost objectives.

1.2.3 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.”

2. Introduction

2.1 This report has been written in accordance with the requirements of CIPFA's Code of Practice on Treasury Management (revised 2021).

2.2 The primary requirements of the Code are as follows:

- a) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Authority's treasury management activities.
- b) Creation and maintenance of Treasury Management Practices which set out the manner in which the Authority will seek to achieve those policies and objectives.
- c) Receipt by the GMCA 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. (Quarterly reports are also required for the periods ending April to June and October to December but may be assigned to a designated committee or panel as deemed appropriate to meet the Treasury Management governance and scrutiny aspects of the Authority.)
- d) Delegation by the GMCA of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- e) Delegation by the GMCA of the role of scrutiny of treasury management strategy and policies to a specific named body. For the GMCA the delegated body is the Audit Committee.

3. Economics and Interest Rates

3.1. Economics Update

3.1.1 The first half of 2023/24 saw:

- a) Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
- b) Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
- c) A 0.5% month on month (m/m) decline in real Gross Domestic Product (GDP) in July 2023, mainly due to more strikes.
- d) Consumer Price Index (CPI) inflation falling from 8.7% in April 2023 to 6.7% in August 2023, its lowest rate since February 2022, but still the highest in the G7.

- e) Core CPI inflation declining to 6.2% in August 2023 from 7.1% in April 2023 and May 2023, a then 31 years high.
- f) 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 2023, excluding bonuses).

- 3.1.2 The 0.5% m/m fall in GDP in July 2023 suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July 2023 was due to there being almost twice as many working days lost to strikes in July 2023 (281,000) than in June 2023 (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.
- 3.1.3 The fall in the composite Purchasing Managers Index from 48.6 in August 2023 to 46.8 in September 2023 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 2023 to June 2023, being followed by a contraction of up to 1% in the second half of 2023.
- 3.1.4 The 0.4% m/m rebound in retail sales volumes in August 2023 is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July 2023. Sales volumes in August 2023 were 0.2% below their level in May 2023, suggesting much of the resilience in retail activity in the first half of the year has faded.
- 3.1.5 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.
- 3.1.6 The tightness of the labour market continued to ease, with employment in the three months to July 2023 falling by 207,000. The further decline in the number of

job vacancies from 1.017m in July 2023 to 0.989m in August 2023 suggests that the labour market has loosened a bit further since July 2023. That is the first time it has fallen below 1m since July 2021. At 3.0% in July 2023, and likely to have fallen to 2.9% in August 2023, 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 2023 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 2023 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.

- 3.1.7 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 2023 to -0.9% in July 2023, a lot of that was due to the one-off bonus payments for National Health Service (NHS) staff in June 2023 not being repeated in July 2023. The headline 3myy rate rose from 8.4% (revised up from 8.2%) to 8.5%, which meant United Kingdom (UK) wage growth remains much faster than in the United States (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 2023, from 8.2% 3myy in June 2023 to 8.1% 3myy, it is still well above the Bank of England's prediction for it to fall to 6.9% in September 2023.
- 3.1.8 CPI inflation declined from 6.8% in July 2023 to 6.7% in August 2023, 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 2023 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 2023 to a 29-month low of 1.5% in August 2023, 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 2023 and takes it below the forecast of 7.2% the Bank of England published in early August 2023.
- 3.1.9 In its latest monetary policy meeting on 20 September 2023, the Bank of England left interest rates unchanged at 5.25%. The weak August 2023 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 Monetary Policy Committee (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.

- 3.1.10 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”.
- 3.1.11 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 2 November 2023, or even pause in November 2023 and raise rates in December 2023.
- 3.1.12 The yield on 10-year Gilts fell from a peak of 4.74% on 17 August 2023 to 4.44% on 29 September 2023, 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).
- 3.1.13 The pound weakened from its cycle high of \$1.30 in the middle of July 2023 to \$1.21 in late September 2023. 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.

3.1.14 The Financial Times Stock Exchange (FTSE) 100 has gained more than 2% since the end of August 2023, from around 7,440 on 31 August 2023 to 7,608 on 29 September 2023. 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 2023. Nonetheless, as recently as 21 April 2023 the FTSE 100 stood at 7,914.

3.2. Interest Rate Forecasts

3.2.1 The Authority has appointed Link Group as its treasury advisors and part of their service is to assist the Authority to formulate a view on interest rates. The Public Works Loan Board (PWLB) rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012.

3.2.2 The latest forecast on 25 September 2023 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.

3.2.3 Link's 25 September 2023 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 1 November 2012.

	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Bank Rate	5.25	5.25	5.25	5.00	4.5	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

4. Treasury Management Strategy Statement and Annual Investment Strategy Update

4.1 The Treasury Management Strategy Statement, (TMSS), for 2023/24 was approved by the GMCA on 24 March 2023. 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.

Prudential Indicator 2023/24	Budget	Revised Prudential Indicator
	£m	£m
Authorised Limit	2,771.458	2,692.716
Operational Boundary	2,652.122	2,576.816
Capital Financing Requirement	2,486.166	2,414.582

5. The Authority's Capital Position (Prudential Indicators)

5.1 This part of the report is structured to update:

- a) The Authority's capital expenditure plans;
- b) How these plans are being financed;
- c) The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- d) Compliance with the limits in place for borrowing activity.

5.2 Prudential Indicator for Capital Expenditure

5.2.1 This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Capital Expenditure by Service	2023/24 Original Estimate £m	2023/24 Revised Estimate £m
Transport	346.419	320.458
Economic Development & Regeneration	215.407	281.016
Fire & Rescue Service	23.177	18.175
Waste & Resources Service	6.780	3.793
Police and Crime Commissioner	-	0.203
Police Service	37.551	41.583
Total Capital Expenditure	629.334	665.228

5.3 Changes to the Financing of the Capital Programme

5.3.1 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 Authority 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.

Capital Expenditure	2023/24	2023/24
	Original Estimate	Revised Estimate
	£m	£m
Total capital expenditure	629.334	665.228
Financed by:		
Capital receipts	175.547	168.455
Capital grants	230.327	286.878
Revenue	45.916	46.467
Total financing	451.790	501.800
Borrowing requirement	177.544	163.428

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

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

	2023/24	2023/24
	Original Estimate	Revised Estimate
	£m	£m
Prudential Indicator – Capital Financing Requirement		
CFR	2,486.166	2,414.582
Net movement in CFR	78.325	68.607
Prudential Indicator – the Operational Boundary for external debt		
Borrowing	2,615.446	2,540.140
Other long-term liabilities	36.676	36.676

5.5 Limits to Borrowing Activity

5.5.1 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 next two financial years. This allows some flexibility for limited early borrowing for future years. The Authority has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2023/24 Original Estimate £m	2023/24 Revised Estimate £m
Borrowing	1,457.676	1,461.033
Other long-term liabilities	32.998	32.998
Total debt	1,490.674	1,494.031
CFR	2,486.166	2,414.582

5.5.2 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.

	2023/24 Original Indicator £m	2023/24 Revised Indicator £m
Borrowing	2,734.782	2,656.040
Other long-term liabilities	36.676	36.676
Total	2,771.458	2,692.716

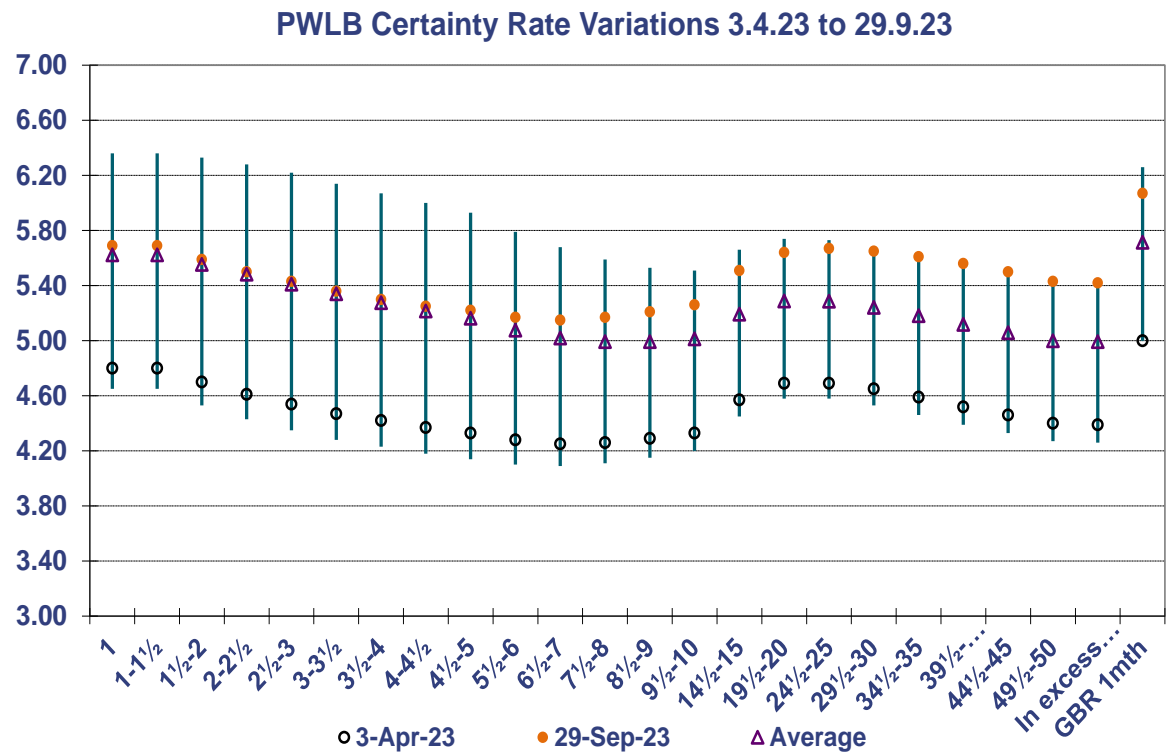
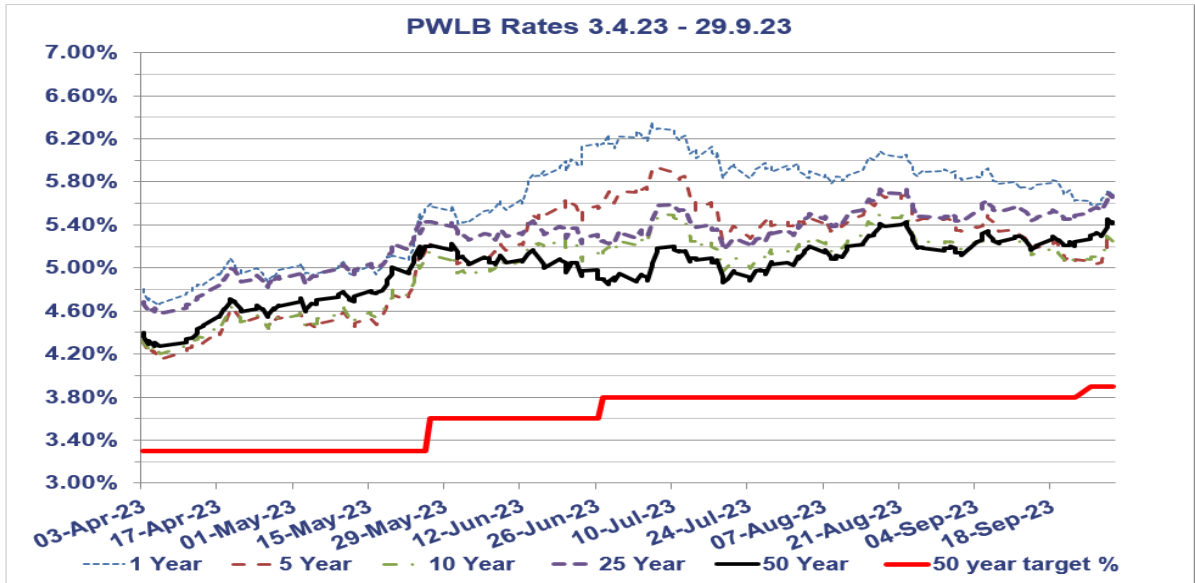
6. Borrowing

- 6.1 The Authority's capital financing requirement (CFR) for 2023/24 is £2,414.582m. The CFR denotes the Authority's underlying need to borrow for capital purposes. If the CFR is positive the Authority 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 5.5.1 shows the Authority is forecast to have borrowings of £1,494m and will utilise £921m of 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 if further upside risk to gilt yields prevails.
- 6.2 Due to the overall financial position and the underlying need to borrow for capital purposes (the CFR), the capital programme is being kept under regular review due to the effects of inflationary pressures, shortages of materials and labour. Our borrowing strategy will, therefore, also be regularly reviewed and then revised, if necessary, to achieve optimum value and risk exposure in the long-term.

6.4 PWLB maturity certainty rates (gilts plus 80bps) year to date to 29 September 2023

- 6.4.1 Gilt yields and PWLB certainty rates were on a generally rising trend throughout the first half of 2023/24. At the beginning of April 2023, 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%.
- 6.4.2 July 2023 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 2023 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 5 April 2023 but rose to 5.45% on 28 September 2023.
- 6.4.3 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.

6.4.4 PWLB Rates 3 April 2023 – 29 September 2023



6.4.5 High/ Low/ Average PWLB Rates for 3 April 2023 – 29 September 2023

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.14%	4.20%	4.58%	4.27%
Date	6 April 2023	6 April 2023	6 April 2023	6 April 2023	5 April 2023

	1 Year	5 Year	10 Year	25 Year	50 Year
High	6.36%	5.93%	5.51%	5.73%	5.45%
Date	6 July 2023	7 July 2023	22 August 2023	17 August 2023	28 September 2023
Average	5.62%	5.16%	5.01%	5.29%	5.00%
Spread	1.71%	1.79%	1.31%	1.15%	1.18%

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 (GF)** is gilt plus 80 basis points (G+80bps)
- **PWLB Local Infrastructure Rate** is gilt plus 60 basis points (G+60bps)
- **PWLB Certainty Rate (HRA)** is gilt plus 40bps (G+40bps)

The **UK Infrastructure Bank** will lend to local authorities that meet its scheme criteria at a rate currently set at gilt plus 40bps (G+40bps).

7. Debt Rescheduling

7.1 Debt rescheduling opportunities have increased over the course of the past six months and will be considered if giving rise to long-term savings. However, no debt rescheduling has been undertaken to date in the current financial year.

8. Compliance with Treasury and Prudential Limits

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

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

9. Annual Investment Strategy

9.1. The Treasury Management Strategy Statement (TMSS) for 2023/24, which includes the Annual Investment Strategy, was approved by the Authority on 24 March 2023. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Authority's investment priorities as being:

- a) Security of capital
- b) Liquidity
- c) Yield

9.2 The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Authority'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 quality financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

9.3 Creditworthiness

9.3.1 Following the Government's fiscal event on 23 September 2022, both Standard & Poor 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.

9.4 Investment Counterparty criteria

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

9.4.2 The Authority operates a pooled arrangement with its subsidiary, Transport for Greater Manchester (TfGM), for cash balances. This prevents the risk of both organisations investing in the same counterparty. The Authority does not treat TfGM as needing a criteria as a counterparty for treasury investment purposes.

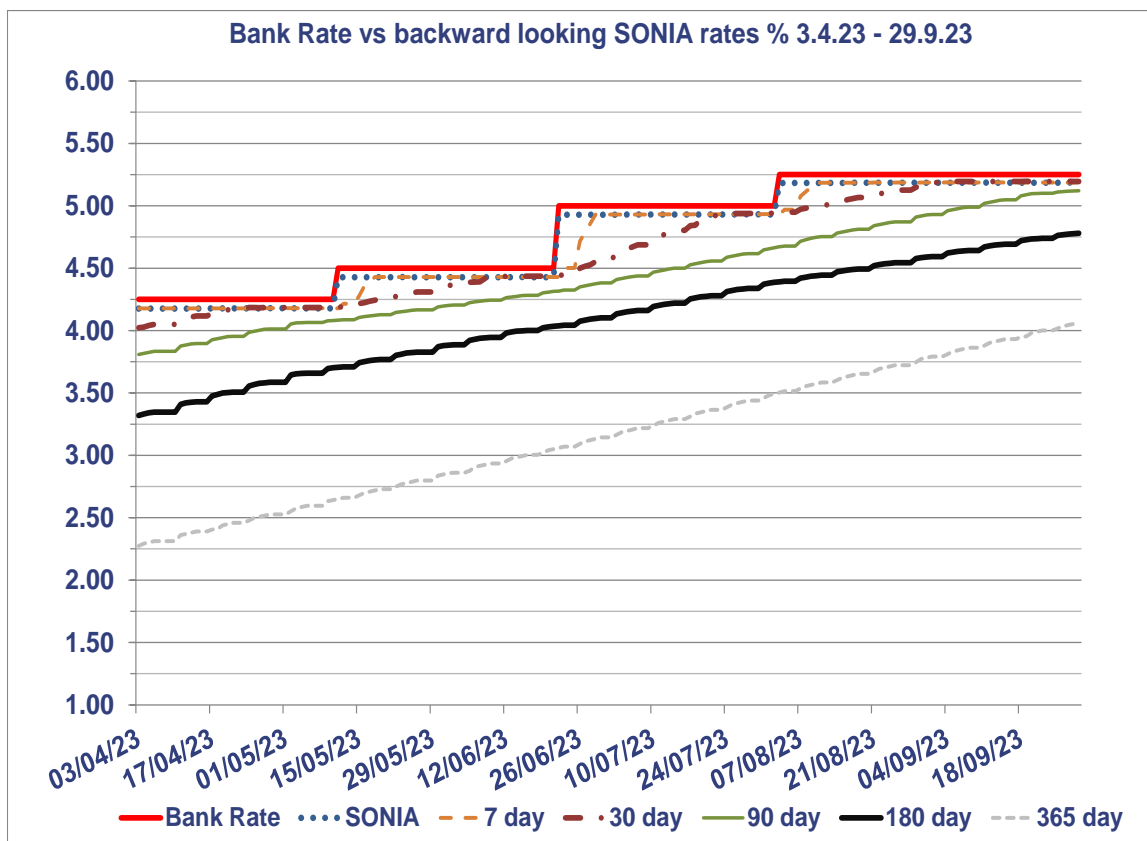
9.5 CDS prices

9.5.1 It is noted that sentiment in the current economic climate can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

9.6 Investment balances

9.6.1 The average level of funds available for investment purposes during the first half of the financial year was **£366.3m**. 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.

9.6.2 Investment performance year to date as of 29 September 2023



	Bank Rate	SONIA	7 day	30 day	90 day	180 day	365 day
High	5.25%	5.19%	5.19%	5.20%	5.12%	4.78%	4.06%
High date	3 August 2023	29 September 2023	4 September 2023	27 September 2023	29 September 2023	29 September 2023	29 September 2023
Low	4.25%	4.18%	4.18%	4.02%	3.81%	3.32%	2.27%
Low date	3 April 2023	4 April 2023	11 April 2023	3 April 2023	3 April 2023	3 April 2023	3 April 2023
Average	4.81%	4.74%	4.71%	4.64%	4.44%	4.10%	3.16%
Spread	1.00%	1.01%	1.01%	1.17%	1.31%	1.46%	1.79%

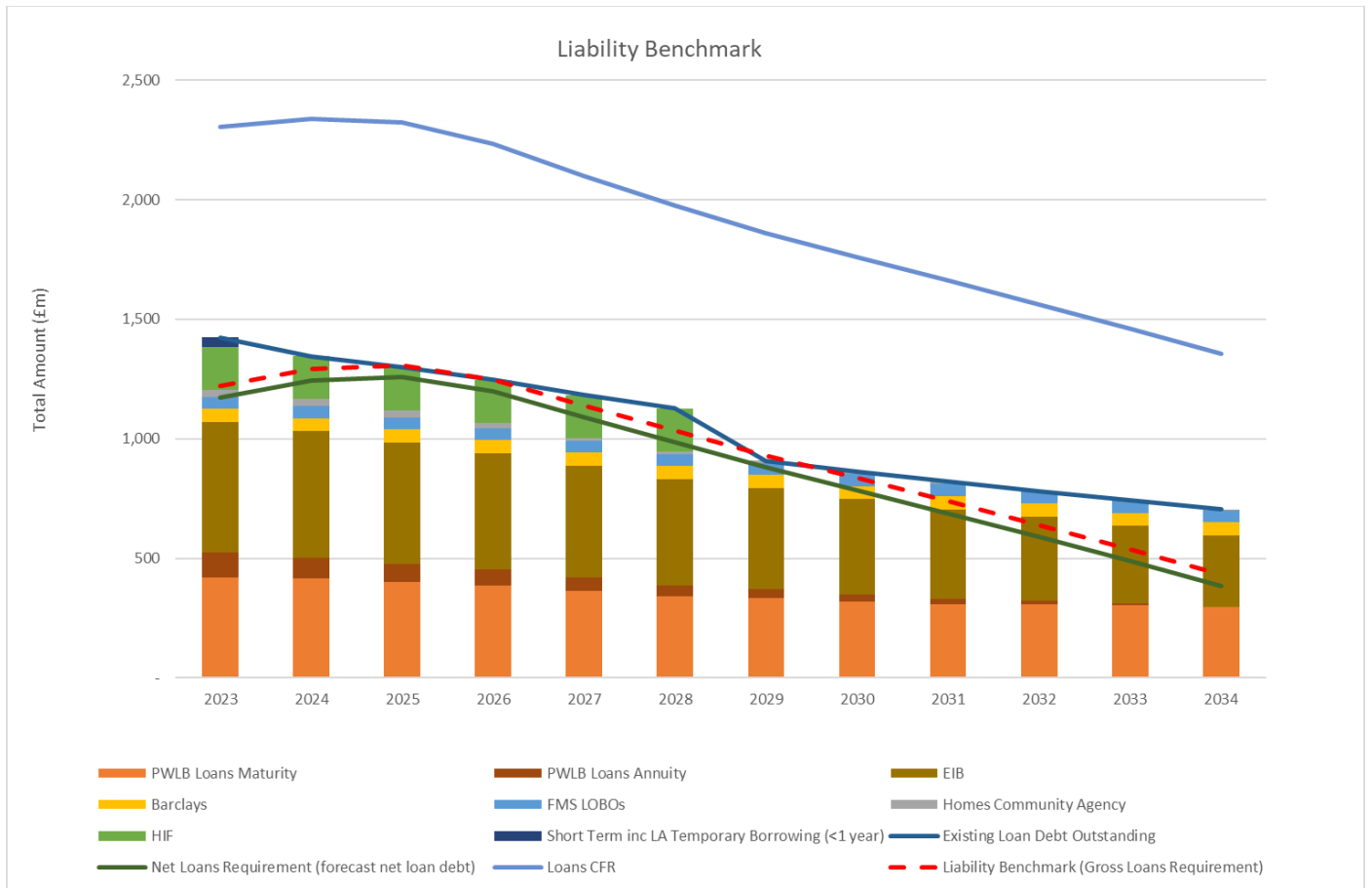
9.7 Investment performance year to date as of 30 September 2023

9.7.1 The Authority underperformed the benchmark by 6 bps. The Authority's budgeted investment return for 2023/24 is £2.257m, and performance for the year to date is £6.319m above budget.

9.8 Approved limits

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

APPENDIX 1: the CFR, Liability Benchmark and Borrowing



APPENDIX 2: Investment Portfolio

Investments held as of 30 September 2023 compared to our counterparty list:

	Borrower	Principal £m	Interest Rate	Start Date	Maturity Date	Lowest LT/ Fund Rating	Historic Risk of Default
	Barclays Bank Plc (NRFB)	7.240	4.80%		Call	A+	0.000%
	MMF Aberdeen Standard Investments	24.950	5.35%		MMF	AAAm	
	MMF Aviva	25.000	5.26%		MMF	AAAm	
	MMF BlackRock	25.000	5.21%		MMF	AAAm	
	MMF CCLA	24.620	5.07%		MMF	AAAm	
	MMF Federated Investors (UK)	25.000	5.39%		MMF	AAAm	
	Cornwall Council	10.000	5.18%	31-Aug-23	02-Oct-23	AA-	0.000%
	DMO	15.000	5.25%	20-Sep-23	02-Oct-23	AA-	0.000%
	SMBC Bank International Plc	10.000	5.32%	18-Aug-23	02-Oct-23	A-	0.000%
	Cornwall Council	10.000	4.20%	05-Apr-23	05-Oct-23	AA-	0.000%
	DMO	5.630	5.17%	29-Sep-23	05-Oct-23	A-	0.000%
	Eastleigh Borough Council	15.000	5.25%		Call7	AA-	0.000%
	Eastleigh Borough Council	5.000	5.25%		Call7	AA-	0.000%
	Leeds City Council	10.000	5.25%		Call7	AA-	0.000%
	Plymouth City Council	10.000	4.25%	13-Apr-23	13-Oct-23	AA-	0.000%
	West Midlands Combined Authority	20.000	5.30%	15-Sep-23	13-Oct-23	AA-	0.001%
	Stockport Metropolitan Borough Council	10.000	5.30%	21-Sep-23	16-Oct-23	AA-	0.001%
	Lloyds Bank Plc (RFB)	6.500	4.87%	18-Apr-23	18-Oct-23	A+	0.002%
	Standard Chartered Bank (ESG)	10.000	4.71%	18-Apr-23	18-Oct-23	A+	0.002%
	Lancashire County Council	5.000	4.25%	21-Apr-23	23-Oct-23	AA-	0.001%
	Ashford Borough Council	6.000	4.25%	24-Apr-23	24-Oct-23	AA-	0.001%
	Central Bedfordshire Council	10.000	4.21%	27-Apr-23	27-Oct-23	AA-	0.002%
	Lancashire County Council	15.000	4.45%	28-Apr-23	30-Oct-23	AA-	0.001%
	Leeds City Council	10.000	5.50%	22-Sep-23	03-Nov-23	AA-	0.002%
	Central Bedfordshire Council	10.000	5.37%	24-Aug-23	24-Nov-23	AA-	0.003%
	London Borough of Barking & Dagenham	5.000	5.35%	26-Sep-23	27-Nov-23	AA-	0.004%
	Wirral Metropolitan Borough Council	5.000	5.35%	29-Sep-23	30-Nov-23	AA-	0.004%
	SMBC Bank International Plc	10.000	5.64%	18-Aug-23	18-Dec-23	A-	0.010%
	Standard Chartered Bank (ESG)	10.000	5.51%	18-Sep-23	18-Dec-23	A+	0.010%
	National Westminster Bank plc (RFB)	10.000	5.59%	19-Sep-23	19-Dec-23	A+	0.010%
	SMBC Bank International Plc	5.000	5.59%	21-Sep-23	21-Dec-23	A-	0.010%
	Standard Chartered Bank (ESG)	5.000	5.59%	06-Sep-23	05-Jan-24	A+	0.012%
	Santander UK PLC	10.000	5.40%	26-Sep-23	01-Feb-24	A	0.015%
	National Westminster Bank plc (RFB)	10.000	5.44%	25-Sep-23	26-Feb-24	A+	0.018%
	Transport for Greater Manchester	13.957	0.00%		Call		
	Total Investments	408.897	5.14%				0.004%

APPENDIX 3: Approved Countries for Investments as of 30 September 2023

Based on lowest available rating

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)

AA-

- Belgium
- France (downgraded by Fitch on 9 May 2023)
- Qatar
- U.K.