Audit Committee

Date: 22 January 2025

Subject: Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report 2024/25

Report of: Steve Wilson, Treasurer

Purpose of Report

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

a) An economic update for the first half of the 2024/25 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 2024/25;

e) A review of the Authority's borrowing strategy for 2024/25;

f) A review of any debt rescheduling undertaken during 2024/25;

g) A review of compliance with Treasury and Prudential Limits for 2024/25.

Recommendations:

The Audit Committee is requested to:

1. Comment and note the report and treasury activity; and
2. Recommend its approval to the full Authority.

Contact Officers

Steve Wilson

Treasurer

Steve.Wilson@greatermanchester-ca.gov.uk

Claire Postlethwaite

Director of Operational Finance

Claire.Postlethwaite@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, GMCA 22 March 2024

Treasury Management Update Q1, Audit Committee 22 October 2024

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 full Authority 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 Authority 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 Authority of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Authority the delegated body is the Audit Committee.

3. Economics and Interest Rates

3.1. Economics Update

3.1.1 The third quarter of 2024 (July 2024 to September 2024) saw:

a) Gross Domestic Product (GDP) growth stagnating in July 2024 following downwardly revised Q2 figures (0.5% q/q).

b) A further easing in wage growth as the headline 3myy rate (including bonuses) fell from 4.6% in June 2024 to 4.0% in July 2024.

c) Consumer Price Indexation (CPI) inflation hitting its target in June 2024 before edging above it to 2.2% in July 2024 and August 2024.

d) Core CPI inflation increasing from 3.3% in July2024 to 3.6% in August 2024.

e) The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August 2024 and holding them steady in its September 2024 meeting.

f) 10-year gilt yields falling to 4.0% in September 2024.

3.1.2 The economy's stagnation in June 2024 and July 2024 points more to a mild slowdown in GDP growth than a sudden drop back into a recession. Moreover, the drop in September 2024's composite activity Purchasing Managers Index (PMI), from 53.8 in August 2024 to 52.9, was still consistent with GDP growth of 0.3%-0.4% for the summer months. This is in line with the Bank of England's view, and it was encouraging that an improvement in manufacturing output growth could be detected, whilst the services PMI balance suggests non-retail services output grew by 0.5% q/q in Q3. Additionally, the services PMI future activity balance showed an uptick in September 2024.

3.1.3 The 1.0% m/m jump in retail sales in August 2024 was stronger than the consensus forecast for a 0.4% m/m increase. The rise was reasonably broad based, with six of the seven main sub sectors recording monthly increases, though the biggest gains came from clothing stores and supermarkets, which the Office for National Statistics (ONS) reported was driven by the warmer-than-usual weather and end of season sales. As a result, some of that strength is probably temporary.

3.1.4 The government's plans to raise public spending by around £16bn a year (0.6% GDP) have caused concerns that a big rise in taxes will be announced in the Budget, which could weaken GDP growth in the medium-term. However, if taxes are raised in line with spending (i.e., by £16bn) that would mean the overall stance of fiscal policy would be similar to the previous government's plan to reduce the budget deficit. Additionally, rises in public spending tend to boost GDP by more than increases in taxes reduce it. Our colleagues at Capital Economics suggest GDP growth will hit 1.2% in 2024 before reaching 1.5% for both 2025 and 2026.

3.1.5 The further easing in wage growth will be welcomed by the Bank of England as a sign that labour market conditions are continuing to cool. The 3myy growth rate of average earnings fell from 4.6% in June 2024 to 4.0% in July 2024. On a three-month annualised basis, average earnings growth eased from 3.0% to 1.8%, its lowest rate since December 2023. Excluding bonuses, the 3myy rate fell from 5.4% to 5.1%.

3.1.6 Other labour market indicators also point to a further loosening in the labour market. The 59,000 fall in the alternative Pay As You Earn (PAYE) measure of the number of employees in August 2024 marked the fourth fall in the past five months. And the 77,000 decline in the three months to August 2024 was the biggest drop since November 2020. Moreover, the number of workforce jobs fell by 28,000 in Q2. The downward trend in job vacancies continued too. The number of job vacancies fell from 872,000 in the three months to July 2024 to 857,000 in the three months to August 2024. That leaves it 34% below its peak in May 2022, and just 5% above its pre-pandemic level. Nonetheless, the Bank of England is still more concerned about the inflationary influence of the labour market rather than the risk of a major slowdown in labour market activity.

3.1.7 CPI inflation stayed at 2.2% in August 2024, but services inflation rose from a two-year low of 5.2% in July 2024 to 5.6%, significantly above its long-run average of 3.5%. Food and fuel price inflation exerted some downward pressure on CPI inflation, but these were offset by the upward effects from rising furniture/household equipment inflation, recreation/culture inflation and a surprisingly large rise in airfares inflation from -10.4% in July 2024 to +11.9% in August 2024. As a result, core inflation crept back up from 3.3% to 3.6%. CPI inflation is also expected to rise in the coming months, potentially reaching 2.9% in November 2024, before declining to around 2.0% by mid-2025.

3.1.8 The Bank initiated its loosening cycle in August 2024 with a 25bps rate cut, lowering rates from 5.25% to 5.0%. In its September 2024 meeting, the Bank, resembling the European Central Bank (ECB) more than the Fed, opted to hold rates steady at 5.0%, signalling a preference for a more gradual approach to rate cuts. Notably, one Monetary Policy Committee (MPC) member (Swati Dhingra) voted for a consecutive 25bps cut, while four members swung back to voting to leave rates unchanged. That meant the slim 5-4 vote in favour of a cut in August 2024 shifted to a solid 8-1 vote in favour of no change.

3.1.9 Looking ahead, CPI inflation will likely rise in the coming months before it falls back to its target of 2.0% in mid-2025. The increasing uncertainties of the Middle East may also exert an upward pressure on inflation, with oil prices rising in the aftermath of Iran’s missile attack on Israel on 1 October 2024. China’s recent outpouring of new fiscal support measures in the latter stages of September 2024 has also added to the upshift in broader commodity prices, which, in turn, may impact on global inflation levels and thus monetary policy decisions. In the second half of 2025, though, we think a more marked easing in inflation will prompt the Bank to speed up, resulting in rates eventually reaching 3.0%, rather than the 3.25-3.50% currently priced in by financial markets.

3.1.10 Looking at gilt movements in the first half of 2024/25, and you will note the 10-year gilt yield declined from 4.32% in May 2024 to 4.02% in August 2024 as the Bank's August 2024 rate cut signalled the start of its loosening cycle. Following the decision to hold the Bank Rate at 5.0% in September 2024, the market response was muted, with the 10-year yield rising by only 5bps after the announcement. This likely reflected the fact that money markets had priced in a 25% chance of a rate cut prior to the meeting. The yield had already increased by about 10bps in the days leading up to the meeting, driven in part by the Fed's "hawkish cut" on 18 September 2024. There is a possibility that gilt yields will rise near-term as UK policymakers remain cautious due to persistent inflation concerns, before declining in the longer term as rates fall to 3.0%.

3.1.11 The Financial Times Stock Exchange (FTSE) 100 reached a peak of 8,380 in the third quarter of 2024, but its performance is firmly in the shade of the US Standard & Poor's (S&P)500, which has breached the 5,700 threshold on several occasions recently. Its progress, however, may pause for the time being whilst investors wait to see who is elected the next US President, and how events in the Middle East (and Ukraine) unfold. The catalyst for any further rally (or not) is likely to be the degree of investors' faith in Artificial Intelligence (AI).

3.1.12 MPC meetings: 9 May 2024, 20 June 2024, 1 August 2024, 19 September 2024

On 9 May 2024, the Bank of England's MPC voted 7-2 to keep Bank Rate at 5.25%. This outcome was repeated on 20 June 2024. However, by the time of the August 2024 meeting, there was a 5-4 vote in place for rates to be cut by 25bps to 5%. However, subsequent speeches from MPC members have supported Governor Bailey's tone with its emphasis on "gradual" reductions over time. Markets thought there may be an outside chance of a further Bank Rate reduction in September 2024, following the 50bps cut by the Federal Open Market Committee (FOMC), but this came to nothing.

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 Link's latest forecast on 28 May 2024 sets out a view that short, medium and long-dated interest rates will fall back over the next year or two, although there are upside risks in respect of the stickiness of inflation and a continuing tight labour market, as well as the size of gilt issuance.

3.2.3 Link's 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-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
Bank Rate	4.50	4.00	3.50	3.25	3.25	3.25	3.25	3.00	3.00	3.00
3 month ave earnings	4.50	4.00	3.50	3.30	3.30	3.30	3.30	3.00	3.00	3.00
6 month ave earnings	4.40	3.90	3.50	3.30	3.30	3.30	3.30	3.10	3.10	3.20
12 month ave earnings	4.30	3.80	3.50	3.40	3.40	3.40	3.40	3.20	3.30	3.40
5 yr PWLB	4.50	4.30	4.10	4.00	3.90	3.90	3.90	3.90	3.90	3.80
10 yr PWLB	4.60	4.40	4.30	4.10	4.10	4.10	4.00	4.00	4.00	3.90
25 yr PWLB	5.00	4.80	4.70	4.50	4.50	4.40	4.40	4.40	4.30	4.30
50 yr PWLB	4.80	4.60	4.50	4.30	4.30	4.20	4.20	4.20	4.10	4.10

4. Treasury Management Strategy Statement and Annual Investment Strategy Update

4.1 The Treasury Management Strategy Statement, (TMSS), for 2024/25 was approved by this Authority on 22 March 2024. 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 2024/25	Budget £m	Revised Prudential Indicator £m
Authorised Limit	2,682.7	2,740.8
Operational Boundary	2,556.4	2,622.5
Capital Financing Requirement	2,527.7	2,465.6

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	**2024/25 Original Estimate £m**	**2024/25 Revised Estimate £m**
Transport	303.1	289.5
Economic Development & Regeneration	343.0	261.0
Fire & Rescue Service	29.8	21.0
Waste & Resources Service	9.3	10.4
Police Service	37.6	42.7
Total Capital Expenditure	**722.8**	**624.6**

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	**2024/25 Original Estimate £m**	**2024/25 Revised Estimate £m**
Total capital expenditure	722.8	624.5
Financed by:		
Capital receipts	232.6	113.5
Capital grants	332.0	357.5
Revenue	0.2	0.2
External Contributions	2.5	7.9
Total financing	567.3	479.1
Borrowing requirement	**155.5**	**145.4**

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.

	2024/25 Original Estimate £m	2024/25 Revised Estimate £m
Prudential Indicator – Capital Financing Requirement		
CFR	2,527.7	2,465.6
Net movement in CFR	53.07	50.6
Prudential Indicator – the Operational Boundary for external debt		
Borrowing	2,527.7	2,593.8
Other long-term liabilities	28.6	28.7
Operational Boundary	**2,556.3**	**2,622.5**

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 2024/25 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.

	2024/25 Original Estimate £m	2024/25 Revised Estimate £m
Borrowing	1,457.7	1,374.3
Other long-term liabilities	28.6	28.6
Total debt	**1,486.3**	**1,402.9**
CFR	**2,527.7**	**2,465.6**

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.

Authorised limit for external debt	2024/25 Original Indicator £m	2024/25 Revised Indicator £m
Borrowing	2,654.1	2,712.2
Other long-term liabilities	28.6	28.6
Total	**2,682.7**	**2,740.8**

6. Borrowing

6.1 The Authority's capital financing requirement (CFR) for 2024/25 is £2,465.615m. 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 £1,402m and will utilise £1,063m 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 gilt yields remain elevated, particularly at the longer-end of the yield curve (25 to 50 years).

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 30 September 2024

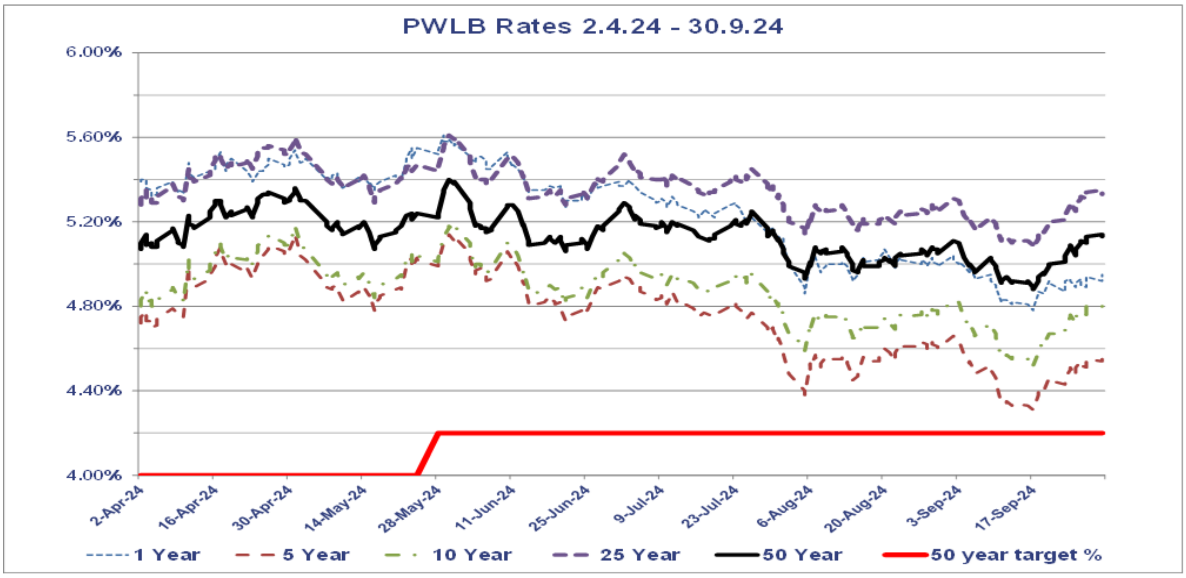
6.4.1 Gilt yields and PWLB certainty rates were less volatile than at this time last year. Overall, the 10, 25 and 50-year part of the curve endured a little volatility but finished September 2024 very much as it started in April 2024.

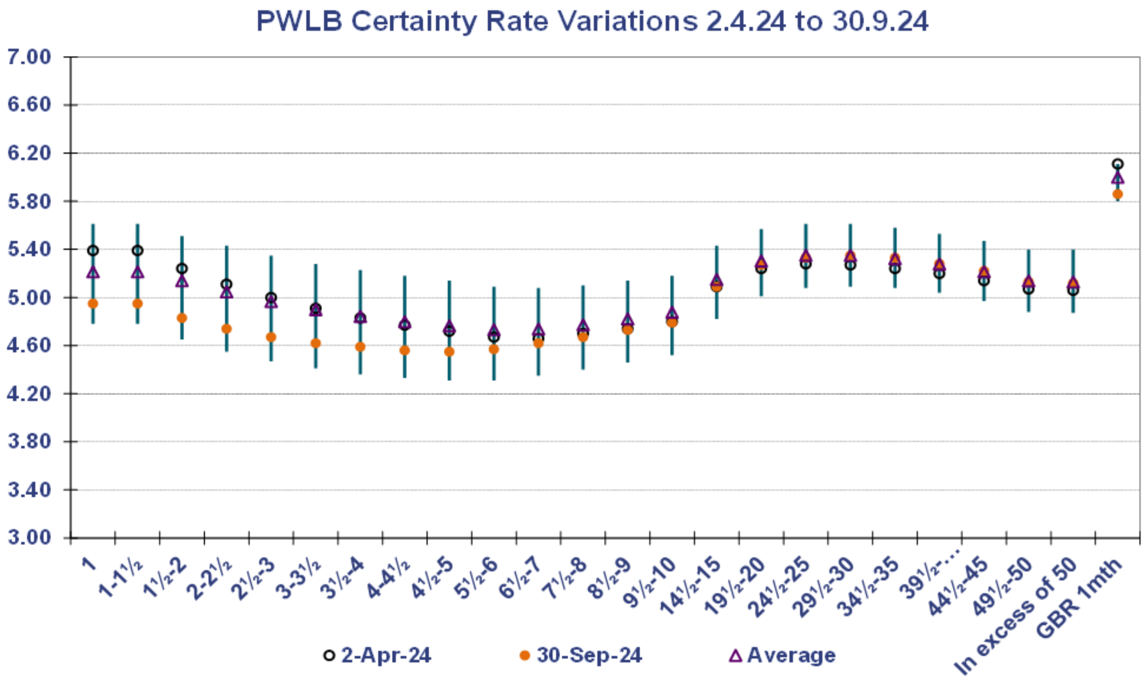
6.4.2 Where there was some movement downwards, this came in the shorter part of the curve as markets positioned themselves for Bank Rate cuts in the second half of 2024 and into 2025, although the continued stickiness of inflation and the prevailing tight labour market is a concern for those looking for more sizeable falls ahead.

6.4.3 At the beginning of April 2024, the 5-year certainty rate was the cheapest part of the curve at 4.72% whilst the 25-year rate was relatively expensive at 5.28%. May 2024 saw yields at their highest across the whole curve. Conversely, 17 September 2024 saw the low point for the whole curve, with the 5-year certainty rate falling to 4.31% before rebounding to 4.55% by the end of the month. Similarly, the 50-year certainty rate fell to 4.88% but finished the month at 5.13%, slightly higher than at the start of April 2024.

6.4.4 At this juncture, Link still forecast rates to fall back over the next two to three years as inflation dampens, although there is upside risk to our Bank Rate forecast at present. The CPI measure of inflation is expected to fall below 2% in the second half of 2025, however, and we forecast 50-year rates to stand at 4.20% by the end of September 2026. The major caveats are that there is considerable gilt issuance to be digested by the market over the next couple of years, and geo-political uncertainties – which are generally negative for inflation prospects – abound in Eastern Europe and the Middle East, in particular.

6.4.5 PWLB Rates 2 April 2024 – 30 September 2024





6.4.6 High/ Low/ Average PWLB Rates for 2 April 2024 – 30 September 2024

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.78%	4.31%	4.52%	5.08%	4.88%
Date	17 Sept 2024	17 Sept 2024	17 Sept 2024	17 Sept 2024	17 Sept 2024
High	5.61%	5.14%	5.18%	5.61%	5.40%
Date	29 May 2024	01 May 2024	01 May 2024	01 May 2024	01 May 2024
Average	5.21%	4.76%	4.88%	5.35%	5.14%
Spread	0.83%	0.83%	0.66%	0.53%	0.52%

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 2024, the Authority has operated within the treasury and prudential indicators set out in the Authority’s Treasury Management Strategy Statement for 2024/25. 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 2024/25, which includes the Annual Investment Strategy, was approved by the Authority on 22 March 2024. 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 The UK's sovereign rating has proven robust through the first half of 2024/25. The new Labour Government is expected to outline in detail its future fiscal proposals in the Budget scheduled for 30 October 2024.

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.

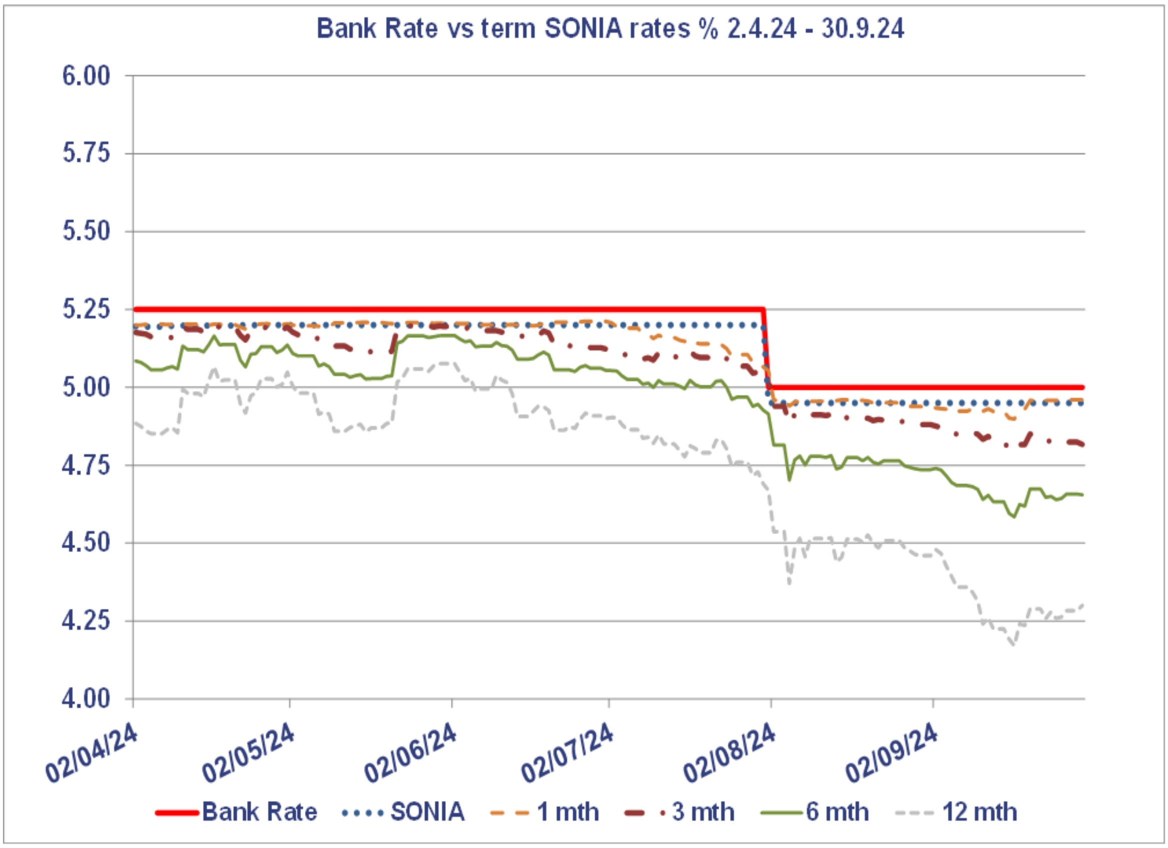
9.5 CDS prices

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 **£417.5m**. 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.

9.6.2 Investment performance year to date as of 30 September 2024



	Bank Rate	SONIA	30 day	90 day	180 day	365 day
High	5.25%	5.20%	5.21%	5.20%	5.17%	5.08%
High date	2 April 2024	3 May 2024	27 June 2024	17 April 2024	31 May 2024	30 May 2024
Low	5.00%	4.95%	4.90%	4.79%	4.58%	4.17%
Low date	1 August 2024	1 August 2024	17 September 2024	17 September 2024	17 September 2024	17 September 2024
Average	5.17%	5.12%	5.11%	5.06%	4.96%	4.75%
Spread	0.25%	0.25%	0.31%	0.41%	0.58%	0.91%

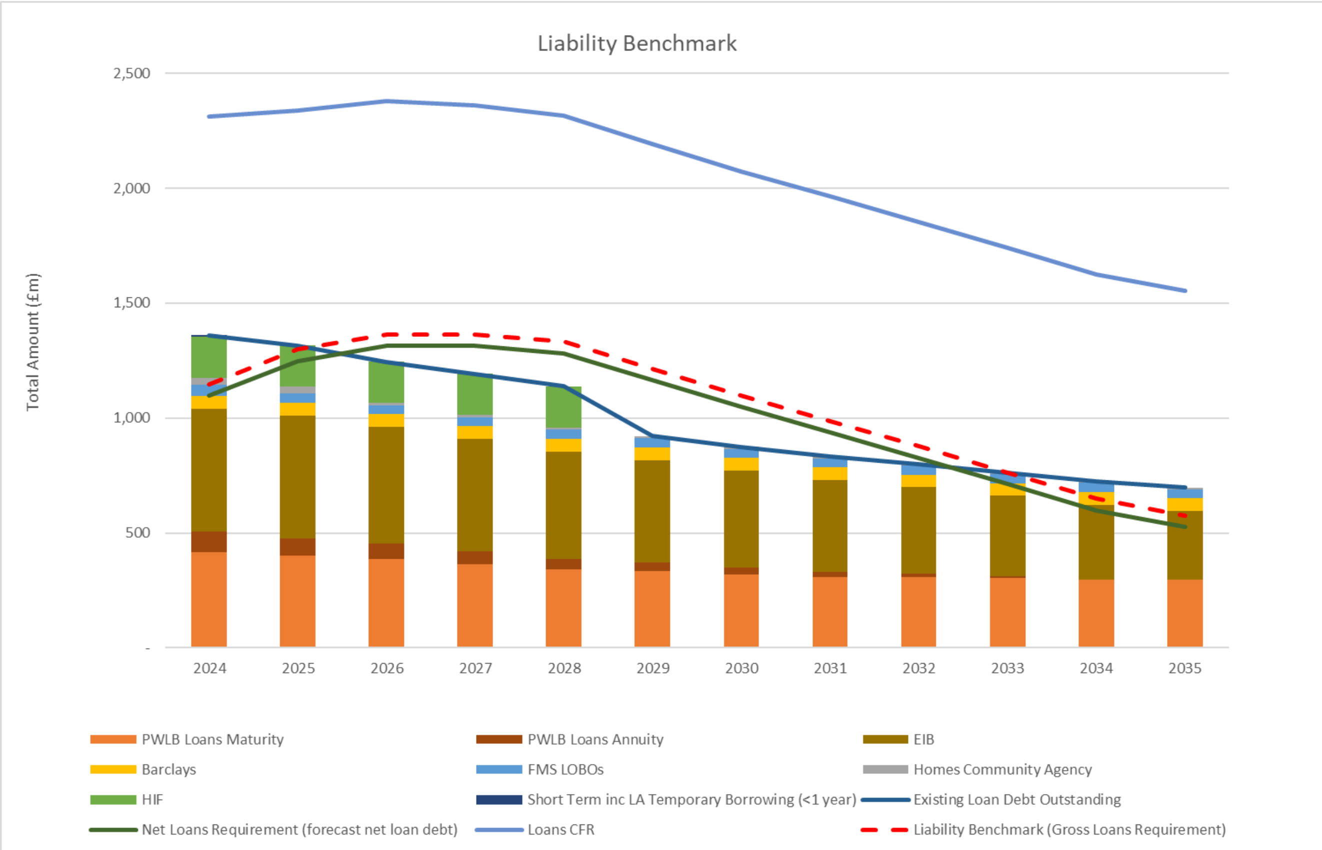
9.7 Investment performance year to date as of 30 September 2024

9.7.1 The Authority outperformed the benchmark by **0.15 bps**. The Authority’s budgeted investment return for 2024/25 is **£2.257m**, and performance for the year to date is **£11.673m** 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 2024.

APPENDIX 1: the CFR, Liability Benchmark and Borrowing



APPENDIX 2: Investment Portfolio

Investments held as of 30 September 2024 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)	7.510	4.40%		Call	A+	0.000%
TfGM	50.326	0.00%		Call	AA-	0.000%
MMF Aberdeen Standard Investments	25.000	5.02%		MMF	AAAm	
MMF Aviva	25.000	5.00%		MMF	AAAm	
MMF BlackRock	23.730	4.97%		MMF	AAAm	
MMF CCLA	22.360	4.92%		MMF	AAAm	
MMF Federated Investors (UK)	25.000	5.02%		MMF	AAAm	
Cornwall Council	15.000	5.25%	01-Jul-24	01-Oct-24	AA-	0.000%
DMO	19.680	4.94%	25-Sep-24	01-Oct-24	AA-	0.000%
Stockport Metropolitan Borough Council	5.000	5.00%	30-Aug-24	03-Oct-24	AA-	0.000%
Lloyds Bank Plc (RFB)	7.500	5.25%	07-Jun-24	07-Oct-24	AA-	0.001%
Kingston Upon Hull City Council	10.000	5.25%	08-Jul-24	08-Oct-24	AA-	0.000%
Cheltenham Borough Council	5.000	5.25%	12-Jul-24	14-Oct-24	AA-	0.001%
Stockport Metropolitan Borough Council	15.000	4.95%	20-Sep-24	15-Oct-24	AA-	0.001%
Bristol City Council	10.000	4.94%	16-Aug-24	16-Oct-24	AA-	0.001%
Lloyds Bank Plc (RFB)	10.000	5.22%	18-Jul-24	18-Oct-24	A+	0.002%
Denbighshire County Council	5.000	5.20%	22-Jul-24	22-Oct-24	AA-	0.001%
London Borough of Barking & Dagenham	10.000	5.15%	23-Jul-24	23-Oct-24	AA-	0.001%
Surrey County Council	5.000	5.15%	25-Jul-24	25-Oct-24	AA-	0.002%
Kingston Upon Hull City Council	15.000	5.12%	31-Jul-24	31-Oct-24	AA-	0.002%
SMBC Bank International Plc	6.200	5.23%	03-Jul-24	04-Nov-24	A-	0.004%
Lloyds Bank Plc (RFB)	7.500	4.91%	07-Aug-24	07-Nov-24	A+	0.005%
Bristol City Council	10.000	4.93%	16-Aug-24	18-Nov-24	AA-	0.003%
Central Bedfordshire Council	10.000	4.95%	17-Sep-24	18-Nov-24	AA-	0.003%
London Borough of Barking & Dagenham	10.000	4.95%	17-Sep-24	18-Nov-24	AA-	0.003%
Central Bedfordshire Council	10.000	4.90%	19-Aug-24	19-Nov-24	AA-	0.003%
Surrey County Council	10.000	5.25%	27-Jun-24	27-Nov-24	AA-	0.004%
Lincolnshire County Council	5.000	5.05%	30-Sep-24	29-Nov-24	AA-	0.004%
London Borough of Barking & Dagenham	5.000	4.90%	30-Sep-23	29-Nov-24	AA-	0.004%
SMBC Bank International Plc	5.000	5.13%	31-Jul-24	29-Nov-24	A-	0.008%
Stockton-on-Tees Borough Council	10.000	5.00%	29-Aug-24	29-Nov-24	AA-	0.004%
Surrey County Council	10.000	5.20%	05-Aug-24	29-Nov-24	AA-	0.004%
Blackpool Borough Council	13.000	5.10%	30-Aug-24	02-Dec-24	AA-	0.004%
Central Bedfordshire Council	5.000	4.93%	30-Aug-24	02-Dec-24	AA-	0.004%
Plymouth City Council	5.000	5.15%	11-Jul-24	02-Dec-24	AA-	0.004%
Standard Chartered Bank	10.000	4.87%	07-Aug-24	06-Dec-24	A+	0.008%
Cornwall Council	5.000	5.05%	12-Aug-24	17-Dec-24	AA-	0.005%
West Dunbartonshire Council	10.000	5.05%	23-Jul-24	17-Dec-24	AA-	0.005%
Dundee City Council	10.000	4.92%	28-Aug-24	20-Dec-24	AA-	0.005%
Aberdeen City Council	5.000	4.88%	30-Sep-24	23-Dec-24	AA-	0.005%

Borrower	Principal £m	Interest Rate	Start Date	Maturity Date	Lowest LT/ Fund Rating	Historic Risk of Default
Folkestone & Hythe District Council	5.000	4.90%	24-Sep-24	23-Dec-24	AA-	0.005%
Lancashire County Council	5.000	4.90%	30-Sep-24	23-Dec-24	AA-	0.005%
Liverpool City Council	10.000	4.95%	27-Sep-24	02-Jan-25	AA-	0.006%
National Westminster Bank (RFB)	10.000	4.83%	07-Aug-24	07-Jan-25	A+	0.013%
Standard Chartered Bank	10.000	4.83%	07-Aug-24	07-Jan-25	A+	0.013%
SMBC Bank International Plc	8.800	4.88%	30-Sep-24	27-Jan-25	A-	0.015%
Aberdeen City Council	5.000	4.80%	07-Aug-24	07-Feb-25	AA-	0.008%
National Westminster Bank Plc (RFB)	10.000	4.81%	07-Aug-24	07-Feb-25	A+	0.016%
SMBC Bank International Plc	5.000	4.92%	30-Aug-24	28-Feb-25	A-	0.019%
Total Investments	**541.606**	**4.54%**				**0.004%**

Duration	
60 Months	Y
24 Months	P
12 Months	B
12 Months	O
6 Months	R
100 Days	G
0 Months	N/C

APPENDIX 3: Approved Countries for Investments as of 30 September 2024

Based on lowest available rating

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- Qatar (upgrades from AA- 20/03/2024)

AA-

- Belgium
- France
- **U.K.**