GMCA GREATER MANCHESTER COMBINED AUTHORITY

Date: 27 January 2023

Subject: Mid-Year Treasury Management Report

Report of: Councillor David Molyneux, Portfolio Lead for Resources and Steve Wilson, Treasurer

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Purpose of Report

The Authority is required to consider the performance of the Treasury Management function in order to comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021). This report therefore sets out the key Treasury Management issues for Members' information and review.

The report will be presented to the Audit Committee on 25 January 2023 to enable it to have the opportunity to review and scrutinise the 2022/23 Treasury Management Mid-Year Review report prior to its presentation to the GMCA.

Recommendations:

The GMCA is requested to:

1. Note the Treasury Management Mid-Year Review Report for the first half of 2022/23 and the projected outturn position, revised Authorised Limit and Operational Boundary for external debt and the revised Capital Financing Requirement (CFR).

Contact Officers

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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

None

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: 0

Comments/recommendations from Overview & Scrutiny Committee

N/A

Background Papers

Treasury Management Strategy Statement and Annual Investment Strategy 2022/23, 11 February 2022

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 2017, 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; and
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 the CIPFA's Code of Practice on Treasury Management (revised 2017). 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.

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.

2.2 This mid-year report has been prepared in compliance with CIPFA’s Code of Practice on Treasury Management, and covers the following:

a) An economic update for the first half of the 2022/23 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 2022/23;

e) A review of the Authority’s borrowing strategy for 2022/23;

f) A review of any debt rescheduling undertaken during 2022/23; and

g) A review of compliance with Treasury and Prudential Limits for 2022/23.

3. Economics and Interest Rates

3.1 Economics Update

3.1.1 The second quarter of 2022/23 saw:

a) Gross Domestic Product (GDP) revised upwards in Q1 2022/23 to +0.2% q/q from -0.1%, which means the UK economy has avoided recession for the time being;

b) Signs of economic activity losing momentum as production fell due to rising energy prices;

c) Consumer Price Index (CPI) inflation rise to 9.9% y/y in August 2022, having been 9.0% in April 2022, but domestic price pressures showing little sign of abating in the near-term;

d) The unemployment rate fall to a 48-year low of 3.6% due to a large shortfall in labour supply;

e) Bank Rate rise by 100bps over the quarter, taking Bank Rate to 2.25% with further rises to come;

f) Gilt yields surge and sterling fall following the ‘fiscal event’ of the new Prime Minister and Chancellor on 23 September 2022.

3.1.2 The UK economy grew by 0.2% q/q in Q1 2022/23, though revisions to historic data left it below pre-pandemic levels.

3.1.3 There are signs of higher energy prices creating more persistent downward effects in economic activity. Both industrial production (-0.3% m/m) and construction output (-0.8% m/m) fell in July 2022 for a second month in a row. Although some of this was probably due to the heat wave at the time, manufacturing output fell in some of the most energy intensive sectors (e.g., chemicals), pointing to signs of higher energy prices weighing on production. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months.

3.1.4 The fall in the composite Purchasing Managers Index (PMI) from 49.6 in August 2022 to a 20-month low preliminary reading of 48.4 in September 2022 points to a fall in GDP of around 0.2% q/q in Q3 and consumer confidence is at a record low. Retail sales volumes fell by 1.6% m/m in August 2022, which was the ninth fall in 10 months. That left sales volumes in August 2022 just 0.5% above their pre-Covid level and 3.3% below their level at the start of the year. There are also signs that households are spending their excess savings in response to high prices. Indeed, cash in households’ bank accounts rose by £3.2bn in August 2022, which was below the £3.9bn rise in July 2022 and much smaller than the 2019 average monthly rate of £4.6bn.

3.1.5 The labour market remained exceptionally tight. Data for July 2022 and August 2022 provided further evidence that the weaker economy is leading to a cooling in labour demand. Labour Force Survey (LFS) employment rose by 40,000 in the three months to July 2022 (the smallest rise since February 2022). But a renewed rise in inactivity of 154,000 over the same period meant that the unemployment rate fell from 3.8% in June 2022 to a new 48-year low of 3.6%. The single-month data showed that inactivity rose by 354,000 in July 2022 itself and there are now 904,000 more inactive people aged 16+ compared to before the pandemic in February 2020. The number of vacancies has started to level off from recent record highs but there have been few signs of a slowing in the upward momentum on wage growth. Indeed, in July 2022, the 3my/y rate of average earnings growth rose from 5.2% in June 2022 to 5.5%.

3.1.6 CPI inflation eased from 10.1% in July 2022 to 9.9% in August 2022, though inflation has not peaked yet. The easing in August 2022 was mainly due to a decline in fuel prices reducing fuel inflation from 43.7% to 32.1%. And with the oil price now just below $90 per barrel, we would expect to see fuel prices fall further in the coming months.

3.1.7 However, utility price inflation is expected to add 0.7% to CPI inflation in October 2022 when the Ofgem unit price cap increases to, typically, £2,500 per household (prior to any benefit payments). But, as the government has frozen utility prices at that level for two years, energy price inflation will fall sharply after October 2022 and have a big downward influence on CPI inflation.

3.1.8 Nonetheless, the rise in services CPI inflation from 5.7% y/y in July 2022 to a 30-year high of 5.9% y/y in August 2022 suggests that domestic price pressures are showing little sign of abating. A lot of that is being driven by the tight labour market and strong wage growth. CPI inflation is expected to peak close to 10.4% in November 2022 and, with the supply of workers set to remain unusually low, the tight labour market will keep underlying inflationary pressures strong until early next year.

3.1.9 During the first half of 2022, there has been a change of both Prime Minister and Chancellor. The new team (Liz Truss and Kwasi Kwarteng) have made a step change in government policy. The government’s huge fiscal loosening from its proposed significant tax cuts will add to existing domestic inflationary pressures and will potentially leave a legacy of higher interest rates and public debt. Whilst the government’s utility price freeze, which could cost up to £150bn (5.7% of GDP) over

2 years, will reduce peak inflation from 14.5% in January 2023 next year to 10.4% in November 2022 this year, the long list of tax measures announced at the ‘fiscal event’ adds up to a loosening in fiscal policy relative to the previous government’s plans of £44.8bn (1.8% of GDP) by 2026/27. These included the reversal of April 2022’s national insurance tax on 6 November 2022, the cut in the basic rate of income tax from 20p to 19p in April 2023, the cancellation of April 2023’s corporation tax rise, the cut to stamp duty and the removal of the 45p tax rate, although the 45p tax rate cut announcement has already been reversed.

3.1.10 Fears that the government has no fiscal anchor on the back of these announcements has meant that the pound has weakened again, adding further upward pressure to interest rates. Whilst the pound fell to a record low of $1.035 on the Monday following the government’s ‘fiscal event’, it has since recovered to around $1.12. That is due to hopes that the Bank of England will deliver a very big rise in interest rates at the policy meeting on 3 November 2022 and the government will lay out a credible medium-term plan in the near term. This was originally expected as part of the fiscal statement on 23 November 2022 but has subsequently been moved forward to an expected release date in October 2022. Nevertheless, with concerns over a global recession growing, there are downside risks to the pound.

3.1.11 The Monetary Policy Committee (MPC) has now increased interest rates seven times in as many meetings in 2022 and has raised rates to their highest level since the Global Financial Crisis. Even so, coming after the Fed and European Central Bank (ECB) raised rates by 75bps in their most recent meetings, the Bank of England’s latest 50bps hike looks relatively dovish. However, the UK’s status as a large importer of commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.

3.1.12 Since the fiscal event on 23 September 2022, we now expect the MPC to increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The combination of the government’s fiscal loosening, the tight labour market and sticky inflation expectations means we expect the MPC to raise interest rates by 100bps at the policy meetings in November 2022 (to 3.25%) and 75bps in December 2022 (to 4%) followed by further 50bps hikes in February 2023 and March 2023 (to 5.00%). Market expectations for what the MPC will do are volatile. If Bank Rate climbs to these levels the housing market looks very vulnerable, which is one reason why the peak in our forecast is lower than the peak of 5.50% - 5.75% priced into the financial markets at present.

3.1.13 Throughout 2022/23, gilt yields have been on an upward trend. They were initially caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the Unites States (US) in May 2022. The rises in two-year gilt yields (to a peak of 2.37% on 21 June 2022 and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. However, the upward trend was exceptionally sharply at the end of September 2022 as investors demanded a higher risk premium and expected faster and higher interest rate rises to offset the government's extraordinary fiscal stimulus plans. The 30-year gilt yield rose from 3.60% to 5.10% following the 'fiscal event', which threatened financial stability by forcing pension funds to sell assets into a falling market to meet cash collateral requirements. In response, the Bank did two things. First, it postponed its plans to start selling some of its quantitative easing (QE) gilt holdings until 31 October 2022. Second, it committed to buy up to £65bn of long-term gilts to 'restore orderly market conditions' until 14 October 2022. In other words, the Bank is restarting QE, although for financial stability reasons rather than monetary policy reasons.

3.1.14 Since the Bank's announcement on 28 September 2022, the 30-year gilt yield has fallen back from 5.10% to 3.83%. The 2-year gilt yield dropped from 4.70% to 4.30% and the 10-year yield fell back from 4.55% to 4.09%.

3.1.15 There is a possibility that the Bank continues with QE at the long-end beyond 14 October 2022 or it decides to delay quantitative tightening beyond 31 October 2022, even as it raises interest rates. So far at least, investors seem to have taken the Bank at its word that this is not a change in the direction of monetary policy nor a step towards monetary financing of the government's deficit. But instead, that it is a temporary intervention with financial stability in mind.

3.1.16 After a shaky start to the year, the S&P 500 and FTSE 100 climbed in the first half of Q2 2022/23 before falling to their lowest levels since November 2020 and July 2021 respectively. The S&P 500 is 7.2% below its level at the start of the quarter, whilst the FTSE 100 is 5.2% below it as the fall in the pound has boosted the value of overseas earnings in the index. The decline has, in part, been driven by the rise in global real yields and the resulting downward pressure on equity valuations as well as concerns over economic growth leading to a deterioration in investor risk appetite.

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 27 September 2022 sets out a view that both short 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, whilst the government is providing a package of fiscal loosening to try and protect households and businesses from the ravages of ultra-high wholesale gas and electricity prices.

3.2.3 The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally but more so the disaffection investors have with the position of the UK public finances after September 2022's 'fiscal event'. To that end, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control, but its job is that much harder now.

3.2.4 Our PWLB rate forecasts below from Link as at 27 September 2022 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 2022	**Mar 2023**	**Jun 2023**	**Sep 2023**	**Dec 2023**	**Mar 2024**	**Jun 2024**	**Sep 2024**	**Dec 2024**	**Mar 2025**	**Jun 2025**	**Sep 2025**
Bank Rate	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3-month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6-month ave earning	4.70	5..20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12-month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20

25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

4. Treasury Management Strategy Statement and Annual Investment Strategy Update

4.1 The Treasury Management Strategy Statement (TMSS) for 2022/23 was approved by this Authority on 11 February 2022. 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 2022/23	Original £m	Revised Prudential Indicator £m
Authorised Limit	2,773.153	2,767.479
Operational Boundary	2,647.101	2,641.685
Capital Financing Requirement	2,480.289	2,515.890

5. The Authority's Capital Position

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.

5.1 Prudential Indicator for Capital Expenditure

5.1.1 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	2022/23 Original Estimate £m	2022/23 Revised Estimate £m

Transport	232.254	298.125
Economic Development and Regeneration	156.820	236.254
Fire and Rescue Service	22.114	18.781
Waste Disposal	10.354	12.454
Police Service	17.013	17.013
Total capital expenditure	**438.555**	**582.627**

5.2 Changes to the Financing of the Capital Programme

5.2.1 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	**2022/23 Original Estimate £m**	**2022/23 Revised Estimate £m**
Total capital expenditure	438.555	582.627
Financed by:		
Capital receipts	94.377	93.465
Capital grants	168.091	308.390
Revenue	2.590	5.290
Total financing	173.497	407.145
Borrowing requirement	265.058	175.482

5.3 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. It also shows the expected debt position over the period, which is termed the Operational Boundary.

5.3.1 Prudential Indicator – Capital Financing Requirement

We are on target to achieve the original forecast Capital Financing Requirement.

5.3.2 Prudential Indicator – the Operational Boundary for external debt

	2022/23 Original Estimate £m	**2022/23 Revised Estimate £m**
CFR	2,480.289	2,515.890
Net movement in CFR	76.016	78.001
Prudential Indicator – the Operational Boundary for external debt		
Borrowing	2,604.304	2,598.888
Other long-term liabilities	42.797	42.797
Total debt	2,647.101	2,641.685

5.4 Limits to Borrowing Activity

5.4.1 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 2022/23 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.

	2022/23 Original Estimate £m	**2022/23 Revised Estimate £m**
Borrowing	1,348.328	1,303.906
Other long-term liabilities	36.677	36.677
Total debt	1,385.005	1,340.583
CFR	2,480.289	2,515.890

5.4.2 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	**2022/23 Original Indicator**	**2022/23 Revised Indicator**
Borrowing	2,728.318	2,722.644
Other long-term liabilities	44.835	44.835
Total	2,773.153	2,767.479

6. Borrowing

6.1 The Authority's revised capital financing requirement (CFR) for 2022/23 is £2,515.890m. 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. The table at 5.4.1 shows the Authority is forecast to have borrowings of £1,340.583m and will have utilised £1,175.307m 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 in the event that any upside risk to gilt yields prevails.

6.2 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, in order to achieve optimum value and risk exposure in the long-term. If new PWLB / market borrowing has been undertaken, provide full details of dates borrowing taken, amounts, rates and loan periods).

6.3 It is anticipated that borrowing will not be undertaken during this financial year.

6.4 PWLB maturity certainty rates (gilts plus 80bps) year to date to 30 September 2022

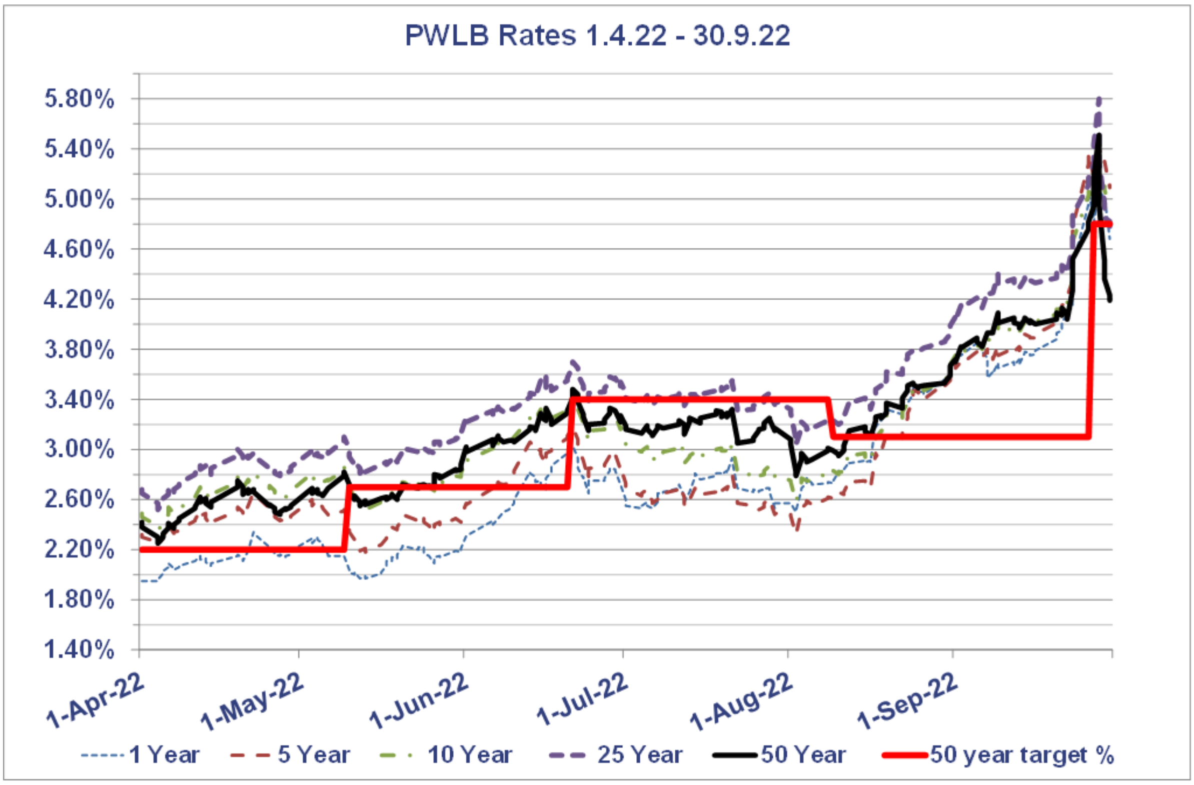
Gilt yields and PWLB rates were on a generally rising trend throughout the first half of 2022, the exception being a short rally in gilts in July/August 2022. However, they rose exceptionally sharply towards the end of September 2022.

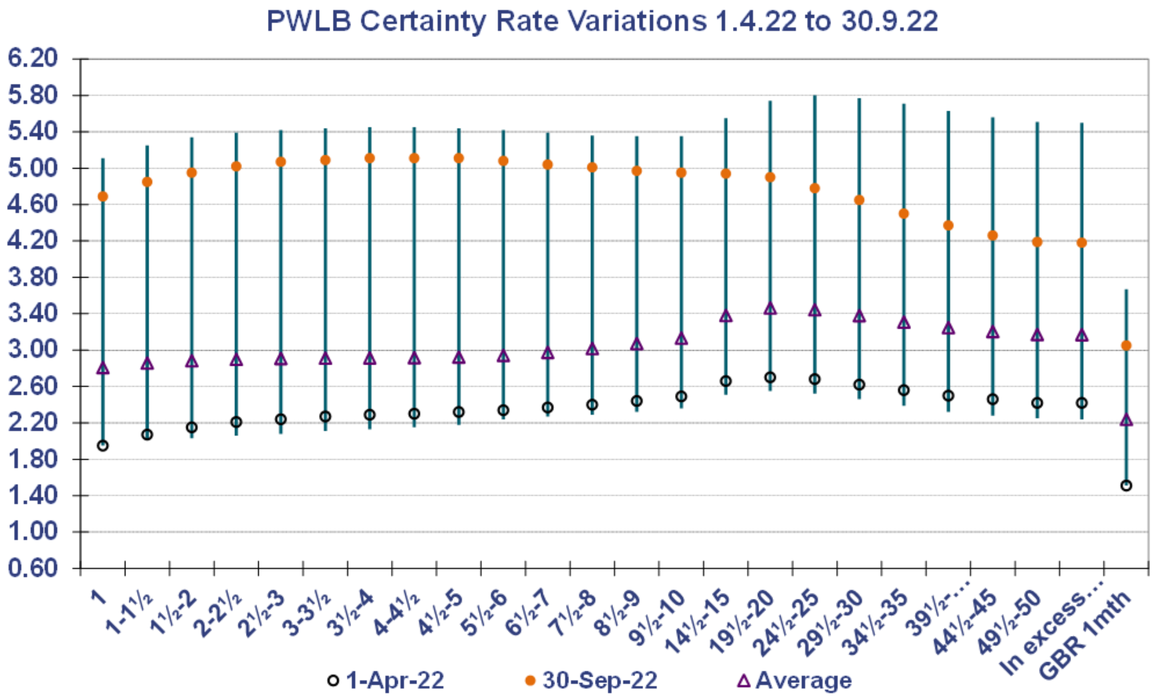
The 50-year PWLB target certainty rate for new long-term borrowing started 2022/23 at 2.20% and finished the half year at 4.80%, albeit we forecast rates to fall back to 3.10% by the end of September 2025.

6.5 PWLB maturity certainty rates year to date to 30 September 2022

Gilt yields and PWLB rates were on a rising trend between 1 April 2022 and 30 September 2022.

The 50-year PWLB target certainty rate for new long-term borrowing started 2022/23 at 2.20% before increasing to 4.80% in September 2022. (Please note, however, that we see PWLB rates trending downwards through 2023 and 2024.)





6.6 High/ Low/ Average PWLB Rates for 1 April 2022 to 30 September 2022

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	1 April 2022	13 May 2022	4 April 2022	4 April 2022	4 April 2022
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28 September 2022	28 September 2022	28 September 2022	28 September 2022	28 September 2022
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

6.7 The current PWLB rates are set as margins over gilt yields as follows: -.

a) PWLB Standard Rate is gilt plus 100 basis points (G+100bps)

b) PWLB Certainty Rate is gilt plus 80 basis points (G+80bps)

c) Local Infrastructure Rate is gilt plus 60bps (G+60bps)

7. Debt Rescheduling

7.1 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.

However, now that the whole of the yield curve has shifted higher there may be better opportunities in the future, although only prudent and affordable debt rescheduling will be considered.

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 2022, the Authority has operated within the treasury and prudential indicators set out in the Authority’s Treasury Management Strategy Statement for 2022/23. 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 2022/23, which includes the Annual Investment Strategy, was approved by the Authority on 11 February 2022. 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 rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

9.3 Creditworthiness

Following the Government’s fiscal event on 23 September 2022, both Standard & Poors and Fitch have 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 the economic outlook.

9.4 Investment Counterparty criteria

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

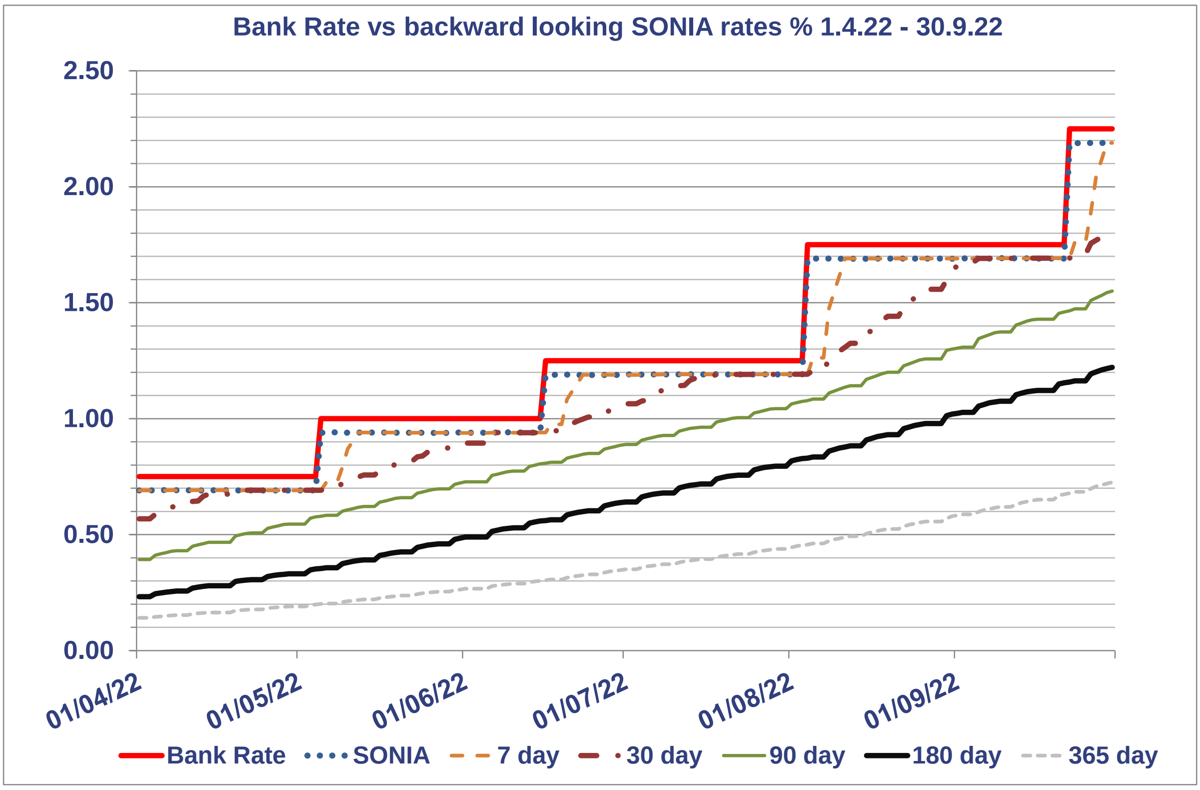
9.5 CDS prices

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

The average level of funds available for investment purposes during the first half of the financial year was £396m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept and levy payments, receipt of grants and progress on the capital programme. The Authority does not hold core cash balances for investment purposes (i.e. funds available for more than one year).

9.7 Investment performance year to date as of 30 September 2022



	Bank Rate	SONIA	7 day	30 day	90 day	180 day	365 day
High	2.25	2.19	2.19	1.82	1.55	1.22	0.73

High Date	22 Sept 2022	30 Sept 2022	30 Sept 2022	30 Sept 2022	30 Sept 2022	30 Sept 2022	30 Sept 2022
Low	0.75	0.69	0.69	0.57	0.39	0.23	0.14
Low Date	1 April 2022	28 April 2022	29 April 2022	1 April 2022	1 April 2022	1 April 2022	1 April 2022
Ave	1.28	1.22	1.19	1.11	0.91	0.67	0.374
Spread	1.50	1.50	1.50	1.26	1.16	0.9	0.58

9.8 Investment performance year to date as of 30 September 2022

The Authority's investment return for the first half of 2022/23 is £2.396m with an average rate of 1.19%.

9.9 Approved limits

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the period ended 30 September 2022.

9.10 Treasury Investments as at 30 September 2022

Borrower	Principal £m	Interest Rate	Start Date	Maturity Date
Barclays	7.270	1.45%	Call	
Aberdeen MMF	25.000	2.13%	Call	
Aviva MMF	14.100	1.94%	Call	
Black Rock MMF	13.900	1.95%	Call	
Federated MMF	25.000	2.08%	Call	
DMO	20.000	1.26%	23 May 2022	21 November 2022
DMO	25.900	1.56%	12 July 2022	14 November 2022
DMO	26.000	1.81%	12 July 2022	12 January 2023
Lloyds Bank	10.000	2.18%	16 August 2022	16 December 2022
Lloyds Bank	5.000	1.75%	5 July 2022	7 November 2022
National Westminster Bank	10.000	1.55%	31 May 2022	30 November 2022
Sumitomo Mitsui Bank	10.000	2.12%	10 August 2022	10 November 2022
Sumitomo Mitsui Bank	15.000	1.79%	14 July 2022	14 October 2022
Santander Bank	13.000	1.69%	5 July 2022	5 October 2022
Santander Bank	10.000	2.73%	20 September 2022	20 December 2022

Standard Chartered Bank	10.000	1.66%	14 July 2022	14 October 2022
Lloyds Bank	5.000	3.00%	5 September 2022	7 February 2023
Standard Chartered Bank	10.000	3.19%	5 September 2022	6 March 2023
Birmingham Council	10.000	1.88%	26 July 2022	26 January 2023
Cheshire East Council	10.000	1.74%	29 July 2022	10 February 2023
Cornwall Council	5.000	2.41%	22 September 2022	22 December 2022
Plymouth Council	10.000	1.68%	25 August 2022	25 November 2022
Stockport Council	10.000	1.08%	6 May 2022	6 February 2023
Surrey Council	10.000	1.20%	20 June 2022	20 December 2022
Thurrock Council	10.000	1.35%	29 April 2022	31 October 2022
Warrington Council	10.000	1.40%	16 June 2022	16 December 2022
Wirral Council	10.000	2.16%	21 September 2022	21 November 2022
Wrexham Council	10.000	1.65%	24 June 2022	24 November 2022
Wrexham Council	10.000	1.99%	25 July 2022	25 January 2023
Total	**360.170**			