

Wiltshire Council

Cabinet

14 November 2023

Subject: Report on Treasury Management Strategy 2023/24
Half Year ended 30 September 2023

Cabinet Member: Councillor Nick Botterill - Cabinet Member for Finance,
Development Management and Strategic Planning

Key Decision: Non Key

Executive Summary

The Council adopted the Treasury Management Strategy for 2023/24 at its meeting on 21 February 2023. This strategy is prepared in accordance with the CIPFA Code of Treasury Management in Public Services and includes Prudential and Treasury Indicators, Minimum Revenue Provision Policy and the Annual Investment Strategy.

In addition to an Annual Report, the Treasury Management Strategy requires a mid-year report reviewing the Treasury Management activities for the current year so far. This report covers the period from 1 April 2023 to 30 September 2023.

The Council has not taken out any new long term borrowing (loans) during 2023/24 and nor does it intend to during the remainder of the financial year.

There is a projected overall underspend in respect of interest receivable and interest payable of £2.109m.

The Council has not exceeded any of its prudential indicators for the half year 1 April 2023 to 30 September 2023.

Proposals

Cabinet is asked to note:

- a) that the contents of this report are in line with the Treasury Management Strategy 2023/24.
- b) the performance of the Council's investments and borrowings against the parameters set out in the approved Treasury Management Strategy for 2023/24.

Reasons for Proposals

To give members an opportunity to consider the performance of the Council in the period to 30 September 2023 against the parameters set out in the approved Treasury Management Strategy for 2023/24.

Terence Herbert
Chief Executive

Andy Brown
Deputy Chief Executive & Corporate Director of Resources

Lizzie Watkin
Director, Finance & Procurement (S151 Officer)

Wiltshire Council

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**Subject: Report on Treasury Management Strategy 2023/24
Half Year ended 30 September 2023**

**Cabinet Member: Councillor Nick Botterill - Cabinet Member for Finance,
Development Management and Strategic Planning**

Key Decision: Non Key

Purpose of Report

1. The Council adopted a Treasury Management Strategy for 2023/24 at its meeting on 21 February 2023, incorporating Prudential Indicators, Treasury Management Indicators and an Annual Investment Strategy, in accordance with the Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
2. The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly. This report, ensures Wiltshire Council is implementing best practice in accordance with the Code, and covers the following,
 - An economic update for the first half of the 2023/24 financial year
 - A review of the Treasury Management Strategy and Annual Investment Strategy
 - The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators
 - A review of the Council's investment portfolio for 2023/24
 - A review of the Council's borrowing strategy for 2023/24
 - A review of compliance with treasury and prudential limits for 2023/24

Background

3. The Council operates a balanced budget, which, from a treasury perspective broadly means that cash raised during the year will meet 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, before considering optimising investment return.
4. The second main function of the treasury management team is the funding of the Council's capital plans. The capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans or using longer term cashflow surpluses.

Economic Background and Interest Rate Forecast

5. The first half of 2023/24 saw bank rate rise by 100 basis points, taking it to 5.25%, and possibly, the peak in the interest rates set by the Bank of England's Monetary Policy Committee (MPC).
6. The latest forecast from Link Group, the Council's treasury advisor, sets out a view that both short, medium and long dated interest rates will be elevated for some time, as the Bank of England seeks to manage inflation.
7. Link Group have provided the following forecast for bank rate. The second and third rows of the table below are expected average earnings for cash investments by local authorities for three to six months. Rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.

	2023/24		2024/25				2025/2026			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Bank Rate	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75
3 Month Average	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80
6 Month Average	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90

8. Gilt yields and PWLB certainty rates were generally on a rising trend throughout the first half of 2023/24. At the beginning of April, the 5 year rate was the cheapest part of the yield curve at 4.14%, whilst the 25 year rate was relatively expensive at 4.58%.
9. In July 2023, short dated rates were at their most expensive. The 1 year rate spiked to 6.36% and the 5 year rate to 5.93%.
10. Link Group forecast rates to fall back over the next two to three years as inflation dampens and rates reduce. The 50 years PWLB target certainty rate for new long term borrowing is currently 5.45% and is forecast to stand at 3.90% by the end of September 2025.
11. Below is an interest forecast table for PWLB certainty rates, provided by Link Group.

	2023/24		2024/25				2025/26			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
25yr PWLB Rate	5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90
50yr PWLB Rate	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70

12. In the first half of 2023/24,
 - UK GDP fell 0.5% (month on month) in July
 - CPI inflation fell from 8.7% in April to 6.7% in August, its lowest rate since February 2022
 - Core CPI inflation declined to 6.2% in August from 7.1% in April /May, a then 31 year high.

Treasury Management Strategy Statement and Annual Investment Strategy Update 2023/24

13. The Treasury Management Strategy Statement (TMSS) 2023/24, which includes the Annual Investment Strategy, was approved by Full Council on 21 February 2023.
14. 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.

The Council's Capital Position (Prudential Indicators)

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

Prudential Indicator – Capital Expenditure

16. The following table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed by Full Council on 21 February 2023.

Capital Expenditure	2023/24 Original Budget £m	2023/24 Forecast £m
General Fund	147.249	131.425
Housing Revenue Account (HRA)	30.580	44.722
Commercial Activities/Non-financial investments *	21.298	18.814
Total	199.127	194.961

* Commercial activities/non-financial investments relate to areas such as capital expenditure on investment properties, loans to third parties, such as Stone Circle

Changes to the Financing of the Capital Programme

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

Capital Expenditure	2023/24 Original Budget £m	2023/24 Forecast £m
Total Capital Expenditure	199.127	194.961
Financed by:		
Capital Receipts	1.725	2.836
Capital Grants	70.737	64.556
HRA	12.580	26.559
Revenue Contributions	0.00	1,300
Other (inc CIL/S106 Contributions)	7.716	3.961
Total Financing	92.758	99.212
Borrowing Requirement	106.369	95.749

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

Prudential Indicator – Capital Financing Requirement

19. The following table shows the CFR, which is the underlying need to borrow for a capital purpose.

Prudential Indicator – CFR	2023/24 Original Estimate £m	2023/24 Revised Estimate £m
CFR – General Fund	597.952	578.188
CFR – HRA	136.864	120.864
Total CFR	734.816	699.053

20. The revised CFR is lower than the original estimate due to the reduction in the external borrowing required to support the capital programme.

Prudential Indicator – Operational Boundary

21. The following table shows the operational boundary; this is the limit beyond which the external debt is not normally expected to exceed. The operational boundary is based on a prudent estimate of the most likely maximum level of external borrowing for both capital expenditure and cashflow purposes, which is consistent with other budget proposals. This was set in the TMSS 2023/24, which was approved by Full Council on 21 February 2023 and does not change throughout the year.

Prudential Indicator - Operational Boundary for External Debt	2023/24 Original Estimate £m
Borrowing	759.722
Other Long Term Liabilities*	0.200
Operational Boundary	759.922

* includes long term leases

Limits to Borrowing Activity

22. The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowing less investments) will only be for a capital purpose.
23. Gross external borrowing should not, except in the short term exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and the next two financial years. This allows some flexibility for limited early borrowing for future years.

	2023/24 Original Estimate £m	2023/24 Current Position £m	2023/24 Revised Estimate £m
Borrowing	501.664	396.110	387.295
Other Long Term Liabilities	0.200	0.200	0.200
Total Debt	501.864	396.310	387.495
CFR	734.816	699.053	699.053

Prudential Indicator – Authorised Limit

24. 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, is not sustainable in the long 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. The Authorised Limit was set in the TMSS 2023/24, which was approved by Full Council on 21 February 2023 and does not change throughout the year.

Authorised Limit for External Debt	2023/24 Original Estimate £m
Borrowing	775.294
Other Long Term Liabilities	0.200
Total Authorised Limit	775.494

Borrowing

25. The Council's Revised Capital Financing Requirement (CFR) for 2023/24 is forecast as £699.053m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is usually driven by market conditions.
26. The table in paragraph 23 shows the Council currently has borrowings of £396.310m and has currently utilised £302.743m of cash flow funds in lieu of borrowing. This

figure includes £54.817m PFI liability, which when accounted for, results in a net internal borrowing position of £247.926m.

27. As the capital programme is kept under regular review, the borrowing strategy will therefore also be regularly reviewed and revised if necessary, in order to achieve optimum value and minimise risk exposure in the long-term.
28. It is anticipated that no further borrowing will be undertaken this financial year due to the high interest rates and careful management of cash balances.
29. The current forecast for interest expenditure for 2023/24 against budget is a small overspend of £0.034m.
30. A summary of the Council's borrowing position as at 30 September 2023 is detailed at Appendix 1.

Borrowing - Stone Circle

31. Included in the planned capital and borrowing programme are loans made to Stone Circle. The amounts are as follows.

Capital Expenditure	Loans Outstanding as at 31 March 2023 £m	2023/24 Revised Expenditure to year end £m	2023/24 Forecast Cumulative Expenditure £m
Loans to Stone Circle	23.257	18.815	42.072

32. The Stone Circle loans have been funded entirely by borrowing, which will be funded by income from interest on the loans as well as financial returns from the company through future dividends.
33. Borrowing undertaken to fund capital expenditure, including the loans to Stone Circle, is owned and financed by the Council, regardless of whether any income is received from third party investments. This creates additional credit risk for the Council.

Debt Rescheduling

34. 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 this financial year.

Compliance with Treasury and Prudential Limits

35. It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2023, the Council has operated within the treasury and prudential indicators set out in the Council's TMSS 2023/24.
36. No future difficulties are envisaged for the current or future years in complying with these indicators.

Annual Investment Strategy

37. The Council will aim to achieve the optimum return on its investments commensurate with proper security and liquidity levels, consistent with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods of up to 12 months with high credit rated institutions, using the Link Group creditworthiness approach.

Creditworthiness

38. Following the Government's fiscal event in September 2022, two ratings agencies (Standard & Poors 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 economic outlook. Nothing further has evolved in the first half of 2023/24

Investment Counterparty Criteria

39. The Council applies the creditworthiness service provided by Link Group. This service uses a sophisticated modelling approach, combining credit ratings, credit watches and credit outlooks in a weighted scoring system. This produces a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments.
40. The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

Investment Portfolio 2023/24

41. As at 30/09/2023, the Council held £144.865m of cash investments and £20m of property fund investments with the CCLA. This compares to total investments of £197.220m as at 31/03/2023.
42. The average level of funds available for investment over the first six months of the year was £183.727m. The level of funds available was mainly dependant on the timing of payments, receipt of grants and progress on the capital programme.
43. A summary of the Council's investments as at 30 September 2023 are detailed at Appendix 2

Investment Performance 2023/24

44. The investment portfolio yield for the first six months of the year was 4.87% against a benchmark of 4.44% (90 day backward looking SONIA (Sterling Overnight Indexed Average) rate). Therefore, the Council outperformed the benchmark by 0.43%.
45. In sterling markets, the SONIA is the recommended replacement for the previous investment benchmark, LIBID (London Interbank Bid Rate). SONIA is administered by the Bank of England, who take responsibility for its calculation and publication. It is based on actual transactions and reflects the average of the interest rates that banks

pay to borrow overnight sterling from other financial institutions and other institutional investors.

46. The current forecast for interest receivable for 2023/24 is an overachievement of £2.143m against budget. This is due to an increased level of cashflow balances held and significantly increased interest rates from those originally forecast. This position also includes forecast loan interest from Stone Circle.
47. In respect of the total interest receivable and interest payable budget, there is a combined projected net underspend of £2.109m. This forecast has been included within the figures reported in the Quarter 2 Revenue Budget Monitoring report to Cabinet.

Property Fund Investments

48. The Council holds £20m of units in the CCLA property fund. The fund is designed for local authorities seeking exposure to UK commercial property for longer term investments. The aim of this investment is to provide a higher level of investment income, together with long term capital appreciation.
49. Due to a fall in property prices, the fund is currently valued at £17.358m. This difference does not represent a cost to the Council, as it is not charged to the Council's revenue account but held in a separate unusable reserve (until such time that the investment is sold (realised) or the statutory over-ride no longer applies). This is due to an accounting directive (IFRS9) which over-rides general accounting practice, which otherwise would see the entry cost charged to revenue in the year in which it was incurred.
50. Following a consultation undertaken by the Department of Levelling Up, Housing and Communities on IFRS 9, the Government has extended the mandatory statutory override to 31st March 2025.
51. Once the investment income on the property fund has been adjusted for the associated fees, the net dividend income for the first quarter is £0.202m, which represents a net return of 4.06%.

Breach of Counterparty Limit – HSBC

52. A money market fund is held with Aberdeen Investments, which enables the Council to diversify its investments, whilst maintaining a high level of liquidity.
53. In June 2023 an investment was arranged with Aberdeen Investments for £24.5m, leaving a balance of approximately £0.260m remaining in the Council's bank account. However, due to a communication and training issue, the payment to Aberdeen Investments was not prepared and not sent.
54. The monetary limit on the Council's bank account with HSBC is £10m, but as the above money market fund payment was not made, the funds in the account overnight totalled £24.760m, breaching the limit by £14.760m. The position was rectified the following day, when the previous day's investment was cancelled and replaced with another

money market fund investment, and the bank account balance was reduced to a level within the counterparty limits.

55. In addition to the breach, the Council did not meet its contractual obligations under the investment made with Aberdeen Investments. However, given the long standing and good working relationship the Council holds with Aberdeen Investments, no additional charges were levied on the Council.
56. The risk of the above situation recurring has been mitigated through additional training and review, for both dealers and authorisers. The daily documentation has been improved to include guidance notes and checklists, which are more complete and unambiguous.

Overview & Scrutiny Engagement

57. Financial Planning Task Group will consider this report on 10 November 2023. Any comments from the Task Group will be reported verbally at the meeting of Cabinet.

Safeguarding Implications

58. None have been identified as arising directly from this report.

Public Health Implications

59. None have been identified as arising directly from this report.

Procurement Implications

60. None have been identified as arising directly from this report.

Equalities Impact of the Proposal

61. None have been identified as arising directly from this report.

Environmental and Climate Change Considerations

62. None have been identified as arising directly from this report.

Risks that may arise if the proposed decision and related work is not taken

63. None have been identified as arising directly from this report.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

64. All investments have been at fixed rates during the period. The Council's current average interest rate on long term debt is 3.43%, which compares favourably with similar rates of other UK local authorities.

65. The primary management risks to which the Council is exposed are adverse movements in interest rates and the credit risk of counterparties.
66. Investment counterparty risk is controlled by assessing and monitoring the credit risk of borrowers as authorised by the Annual Investment Strategy.

Financial Implications

67. These have been examined and are implicit throughout the report.
68. As explained within the report the council has, and continues to hold, a significantly under-borrowed position, which results in reduced borrowing costs. This position will not be able to be maintained indefinitely and with the current higher interest rates a careful balance is being managed to mitigate the need for borrowing. If there is a need for borrowing advice will be sought on short-term and long-term options to ensure interest rate exposure is limited.
69. The council has responded to government consultations on the IFRS9 statutory override and maintains a 'watching brief' on this override to ensure any change which would result in a financial impact is managed effectively and included in all financial plans.

Legal Implications

70. None have been identified as arising directly from this report.

Workforce Implications

71. None have been identified as arising directly from this report.

Proposals

72. Cabinet is asked to note:
- a) that the contents of this report are in line with the Treasury Management Strategy 2023/24.
 - b) the performance of the Council's investments and borrowings against the parameters set out in the approved Treasury Management Strategy for 2023/24.

Andy Brown
Deputy Chief Executive & Corporate Director of Resources

Lizzie Watkin
Director, Finance & Procurement (S151 Officer)

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10 October 2023

Appendices

Appendix 1 Borrowing Portfolio

Appendix 2 Investment Portfolio

Background Papers

None

Borrowing Portfolio as at 30 September 2023

Lender	Start Date	Maturity Date	Amount £m	Rate %	Annual Interest £m
Public Works Loan Board (PWLB)					
PWLB	28/03/2012	28/03/2024	8.000	2.70	0.216
PWLB	15/02/2010	01/06/2024	2.000	4.49	0.090
PWLB	28/03/2012	28/03/2025	8.000	2.82	0.226
PWLB	14/08/2001	01/12/2025	0.123	4.875	0.006
PWLB	28/03/2012	28/03/2026	10.000	2.92	0.292
PWLB	15/02/2010	01/06/2026	2.000	4.54	0.091
PWLB	28/03/2012	28/03/2027	8.000	3.01	0.241
PWLB	21/08/2002	01/06/2027	4.000	4.75	0.190
PWLB	08/02/2022	01/02/2028	20.000	1.95	0.390
PWLB	28/03/2012	28/03/2028	6.000	3.08	0.185
PWLB	29/07/1999	01/06/2028	1.000	4.75	0.048
PWLB	15/02/2010	01/06/2028	2.000	4.56	0.091
PWLB	08/02/2022	01/02/2029	20.000	1.98	0.396
PWLB	28/03/2012	28/03/2029	7.000	3.15	0.221
PWLB	29/07/1999	01/06/2029	1.000	4.75	0.048
PWLB	28/03/2012	28/03/2030	8.000	3.21	0.257
PWLB	29/07/1999	01/06/2030	1.000	4.75	0.048
PWLB	20/05/2005	01/06/2030	2.000	4.45	0.089
PWLB	05/12/2005	18/03/2031	5.000	4.25	0.213
PWLB	28/03/2012	28/03/2031	2.000	3.26	0.065
PWLB	29/07/1999	01/06/2031	1.000	4.75	0.048
PWLB	20/05/2005	01/06/2031	2.000	4.45	0.089
PWLB	21/11/2005	18/09/2031	2.000	4.25	0.085
PWLB	28/03/2012	28/03/2032	5.000	3.30	0.165
PWLB	20/05/2005	01/06/2032	2.000	4.45	0.089
PWLB	04/11/1999	01/12/2032	1.500	4.625	0.069
PWLB	28/03/2012	28/03/2033	6.000	3.34	0.200
PWLB	20/05/2005	01/06/2033	2.000	4.45	0.089
PWLB	15/11/1999	19/09/2033	1.000	4.25	0.043
PWLB	28/03/2012	28/03/2034	7.000	3.37	0.236
PWLB	20/05/2005	01/06/2034	2.000	4.45	0.089
PWLB	15/11/1999	18/09/2034	1.000	4.25	0.043
PWLB	21/11/2005	18/09/2034	5.000	4.25	0.213
PWLB	28/03/2012	28/03/2035	2.000	3.40	0.068
PWLB	14/06/2005	14/06/2035	5.000	4.35	0.218
PWLB	15/11/1999	18/09/2035	1.000	4.25	0.042
PWLB	21/11/2005	18/09/2035	5.000	4.25	0.213
PWLB	15/11/1999	18/09/2036	0.500	4.25	0.021
PWLB	15/11/1999	18/09/2036	0.500	4.25	0.021
PWLB	28/03/2012	28/03/2037	9.000	3.44	0.310

PWLB	11/01/2006	01/12/2037	4.000	4.00	0.160
PWLB	11/01/2006	01/12/2038	4.000	4.00	0.160
PWLB	15/02/2010	01/06/2041	2.000	4.57	0.091
PWLB	11/08/2006	01/12/2041	3.000	4.35	0.131
PWLB	15/02/2010	01/06/2042	2.000	4.57	0.091
PWLB	11/08/2006	01/12/2042	2.000	4.35	0.087
PWLB	11/08/2006	01/12/2043	2.000	4.35	0.087
PWLB	06/09/2006	01/12/2044	3.000	4.25	0.128
PWLB	06/09/2006	01/12/2045	3.000	4.25	0.128
PWLB	29/06/2006	18/09/2046	4.000	4.45	0.178
PWLB	30/08/2006	01/12/2046	2.000	4.25	0.085
PWLB	29/06/2006	18/09/2047	4.000	4.45	0.178
PWLB	30/08/2006	01/12/2047	2.000	4.25	0.085
PWLB	09/10/1998	18/09/2048	1.000	4.50	0.045
PWLB	29/06/2006	18/09/2048	3.500	4.45	0.156
PWLB	30/08/2006	01/12/2048	2.000	4.25	0.085
PWLB	09/10/1998	18/09/2049	1.000	4.50	0.045
PWLB	29/06/2006	18/09/2049	3.000	4.45	0.134
PWLB	30/08/2006	01/12/2049	2.000	4.25	0.085
PWLB	30/08/2006	01/06/2050	5.000	4.25	0.213
PWLB	17/09/1998	18/09/2050	1.000	5.125	0.051
PWLB	17/09/1998	18/09/2051	1.000	5.125	0.051
PWLB	07/03/2007	01/06/2052	2.000	4.25	0.085
PWLB	23/07/1998	03/06/2052	1.000	5.50	0.055
PWLB	07/03/2007	01/06/2053	2.000	4.25	0.085
PWLB	23/07/1998	02/06/2053	1.000	5.50	0.055
PWLB	19/06/1998	01/06/2054	1.000	5.375	0.054
PWLB	19/06/1998	01/06/2055	1.000	5.375	0.054
PWLB	21/06/2006	01/06/2055	2.000	4.30	0.086
PWLB	22/06/2006	18/09/2055	4.000	4.35	0.174
PWLB	19/06/1998	01/06/2056	1.500	5.375	0.081
PWLB	21/06/2006	01/06/2056	3.000	4.30	0.129
PWLB	22/06/2006	01/06/2056	6.000	4.35	0.261
PWLB	02/10/1997	25/09/2057	1.500	6.625	0.099
PWLB	13/03/2019	13/03/2063	10.000	2.36	0.236
PWLB	13/03/2019	13/03/2064	10.000	2.36	0.236
PWLB	13/03/2019	13/03/2065	10.000	2.36	0.236
PWLB	08/02/2022	31/03/2071	20.000	2.00	0.400
PWLB	08/02/2022	01/01/2072	20.000	2.00	0.400
Total PWLB Loans			330.123		10.927

Lender	Start Date	Maturity Date	Amount £m	Rate %	Annual Interest £m
Market Loans – Fixed Rate					
Barclays Bank	03/12/2004	03/12/2054	10.000	4.45	0.445
Barclays Bank	31/08/2005	31/08/2055	5.000	3.99	0.199
Barclays Bank	31/07/2007	01/08/2067	6.000	4.21	0.253
			21.000		0.897
Market Loans - LOBOs					
FMS Wermanagement	07/12/2004	08/12/2053	10.000	4.45	0.445
PBB Deutsche Pfandbriefbank	10/12/2004	10/12/2052	10.000	4.45	0.445
Dexia Credit Local	10/12/2004	11/12/2051	10.000	4.45	0.445
Dexia Credit Local	20/02/2006	18/02/2066	6.000	4.45	0.267
Bayern LB	05/03/2007	07/03/2067	4.000	4.20	0.168
			40.000		1.770
Total Market Loans			61.000		2.667
Salix Loans					
Loan 1	01/11/2019	01/04/2025	0.413	0.00	0.000
Loan 2	01/03/2020	01/04/2026	2.462	0.00	0.000
Loan 3	01/07/2021	01/07/2027	2.112	0.00	0.000
Total Salix Loans			4.987		0.000
Total - All Loans			396.110		13.594

Appendix 2

Investment Portfolio as at 30 September 2023 (compared to the counterparty list)

Borrower	Amount (£m)	Interest Rate (%)	Start Date	Maturity	Link Credit Rating (see next page for explanatory key)
HSBC Bank (Overnight Investment Account)	0.690	5.04			
Somerset Council	10.000	4.65	17/03/2023	17/10/2023	
National Bank of Kuwait (International)	10.000	4.88	18/04/2023	18/10/2023	Red – 6 months
ANZ Banking Group	10.000	5.05	15/05/2023	15/02/2024	Orange – 12 months
National Bank of Canada	10.000	5.17	09/06/2023	08/12/2023	Red – 6 months
Landesbank Baden-Wuerttemberg	10.000	5.90	03/07/2023	03/01/2024	Red – 6 months
Lloyds plc	10.000	5.98	05/07/2023	05/01/2024	
First Abu Dhabi Bank	10.000	6.73	10/07/2023	05/07/2024	Orange - 12 months
Sumitomo Mitsui Banking Corporation Europe Ltd	10.000	5.84	14/07/2023	12/01/2024	
Standard Chartered Bank	10.000	5.74	17/07/2023	15/12/2023	Red – 6 months
Qatar National Bank	10.000	6.045	22/07/2023	22/01/2024	Red – 6 months
Goldman Sachs International Bank	10.000	5.965	21/08/2023	21/02/2024	Red – 6 months
Close Brothers	10.000	5.60	25/09/2023	25/03/2024	Red – 6 months
Federated Money Market Fund	24.165	5.35	*	*	AAA
BNP Money Market Fund	0.010	5.28	*	*	AAA
Total	144.865				

* Money Market Funds/HSBC Overnight Investment Account – cash can be invested and withdrawn on a daily basis (subject to maximum investment limits) so there is no start date or maturity date for the purposes of this report.

Long Term Investment Portfolio as at 30 June 2023 (Q2 information to be received)

Counterparty	Amount £m	Dividend Rec'd ** £m	Current Valuation £m	Notes
CCLA – Property Fund	20.000	0.229	17.358	Current valuation unrealised – no impact on revenue
Total	20.000	0.229	17.358	

** Dividends received quarterly (up to 30 June 2023)

Link Group provide a creditworthiness service, which employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- a) credit watches and credit outlooks from credit rating agencies;
- b) CDS spreads to give early warning of likely changes in credit ratings;
- c) sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- a) Yellow – 5 years for AAA rated Government debt or its equivalent, including an investment instrument – collateralised deposits, where the investment is secured only against local authority debt, namely LOBOs, making them effectively government exposure;
- b) Dark pink – 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
- c) Light pink – 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.5
- d) Purple – 2 years;
- e) Blue – 1 year (only applies to nationalised or semi nationalised UK Banks and their subsidiaries);
- f) Orange – 1 year;
- g) Red – 6 months;
- h) Green – 100 days; and
- i) No Colour – not to be used.

The advisor's creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's rating