

Wiltshire Council

Cabinet

29 November 2022

Subject: Report on Treasury Management Strategy 2022/23
Half Year ended 30 September 2022

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

Key Decision: Non Key

Executive Summary

The Council adopted the Treasury Management Strategy and an Annual Investment Strategy for 2022/23 at its meeting on 22 February 2022.

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 2022 to 30 September 2022.

The Council has not taken out any new PWLB borrowing (loans) during 2022/23.

Against budget, there is a projected net underspend in respect of interest receivable and payable of £1.265m.

The Council has not breached any of its performance indicators for the half year 1 April 2022 to 30 September 2022.

During the year the Council breached the counterparty monetary limit for an investment held with Handelsbanken (35 day notice account). The monetary limit is £15.000m, and following automatic application of the quarterly interest, the investment balance was £15.013m (details can be found in paragraphs 49 - 52). Actions have been taken to mitigate the risk of reoccurrence of any such breach.

Proposals

Cabinet is asked to note:

- a) that the contents of this report are in line with the Treasury Management Strategy 2022/23.
- b) the performance of the Council's investments and borrowings against the parameters set out in the approved Treasury Management Strategy for 2022/23.

Reasons for Proposals

To give members an opportunity to consider the performance of the Council in the period to 30 September 2022 against the parameters set out in the approved Treasury Management Strategy for 2022/23.

Terence Herbert
Chief Executive

Andy Brown
Corporate Director of Resources & Deputy Chief Executive (s151 Officer)

Wiltshire Council

Cabinet

29 November 2022

**Subject: Report on Treasury Management Strategy 2022/23
Half Year ended 30 September 2022**

**Cabinet member: Cllr 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 2022/23 at its meeting on 22 February 2022, 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 2022/23 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 2022/23
 - A review of the Council's borrowing strategy for 2022/23
 - A review of compliance with treasury and prudential limits for 2022/23

Background

3. The Council operates a balanced budget, which 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 second quarter of this year saw bank rate rise by 100 basis points, taking it to 2.25%, with further rises yet to come.
6. The latest forecast from Link Group, the Council's treasury advisor, sets out a view that both short and long dated interest rates will be elevated for some time, 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 to protect households and businesses from the impact of high wholesale gas and electricity prices.
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.

| | 2022/23 | | 2023/24 | | | | 2024/25 | | | |
|------------------------|---------|------|---------|------|------|------|---------|------|------|------|
| | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Bank Rate | 4.00 | 5.00 | 5.00 | 5.00 | 4.50 | 4.00 | 3.75 | 3.25 | 3.00 | 2.75 |
| 3 Month Average | 4.50 | 5.00 | 5.00 | 5.00 | 4.50 | 4.00 | 3.80 | 3.30 | 3.00 | 2.80 |
| 6 Month Average | 4.70 | 5.20 | 5.10 | 5.00 | 4.60 | 4.10 | 3.90 | 3.40 | 3.10 | 3.00 |

8. Gilt yields and PWLB rates were generally on a rising trend throughout 2022, the exception being a short rally in gilts in July and August. However, they rose exceptionally sharply towards the end of September.
9. The 50 years PWLB target certainty rate for new long term borrowing started 2022/23 at 2.20% before increasing to 4.80% in September. Link Group forecast that PWLB rates will be on a downward trend through 2023 and 2024, falling back to 3.10% by the end of September 2015.
10. Below is an interest forecast table for PWLB certainty rates, provided by Link Group.

| | 2022/23 | | 2023/24 | | | | 2024/25 | | | |
|-----------------------|---------|------|---------|------|------|------|---------|------|------|------|
| | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| 25yr PWLB Rate | 5.10 | 4.90 | 4.80 | 4.50 | 4.30 | 4.10 | 3.90 | 3.70 | 3.60 | 3.60 |
| 50yr PWLB Rate | 4.80 | 4.60 | 4.50 | 4.20 | 4.00 | 3.80 | 3.60 | 3.40 | 3.30 | 3.30 |

11. In the last quarter,
 - GDP was revised upwards to 0.2% (quarter on quarter) from negative 0.1%
 - CPI inflation rose to 9.9% in August, having been 9.0% in April
 - The unemployment rate fell to 3.6%
 - The UK economy grew by 0.2% (quarter on quarter), though revisions to historic data left it below pre-pandemic levels.

Treasury Management Strategy Statement and Annual Investment Strategy Update 2022/23

12. The Treasury Management Strategy Statement (TMSS) 2022/23, which includes the Annual Investment Strategy, was approved by Full Council on 22 February 2022.
13. 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)

14. 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 for Capital Expenditure

15. The following table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed by Full Council on 22 February 2022.

| Capital Expenditure | 2022/23 Original Budget £m | 2022/23 Q2 Revised Budget £m | Current Position £m |
|---|----------------------------------|------------------------------------|---------------------------|
| General Fund | 217.419 | 150.971 | 42.086 |
| Housing Revenue Account (HRA) | 45.159 | 26.954 | 6.832 |
| Commercial Activities/Non- financial investments * | 44.538 | 13.183 | 1.276 |
| Total | 307.116 | 191.108 | 50.194 |

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

Changes to the Financing of the Capital Programme

16. 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.
17. 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 | 2022/23 Original Budget £m | 2022/23 Q2 Revised Budget £m |
|----------------------------------|----------------------------------|------------------------------------|
| Total Capital Expenditure | 307.116 | 191.108 |
| | | |
| Financed by: | | |
| Capital Receipts | 3.439 | 4.537 |
| Capital Grants | 75.350 | 76.789 |
| HRA | 26.159 | 21.879 |
| Other | 0.000 | 9.083 |
| Total Financing | 104.948 | 112.288 |
| | | |
| Borrowing Requirement | 202.168 | 78.820 |

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

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

| Prudential Indicator – Capital Financing Requirement | 2022/23 Original Estimate £m | 2022/23 Revised Estimate £m |
|--|------------------------------------|-----------------------------------|
| CFR – General Fund | 670.466 | 539.445 |
| CFR – HRA | 118.864 | 118.864 |
| Total CFR | 789.330 | 658.309 |

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

20. 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 2021/22, which was approved by Full Council on 22 February 2022 and does not change throughout the year.

| Prudential Indicator - Operational Boundary for External Debt | 2022/23 Original Estimate £m |
|---|------------------------------------|
| Borrowing | 813.887 |
| Other Long Term Liabilities | 0.200 |
| Operational Boundary | 814.087 |

Limits to Borrowing Activity

21. 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.

22. 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

the next two financial years. This allows some flexibility for limited early borrowing for future years.

| | 2022/23 Original Estimate £m | 2022/23 Q2 Current Position £m | 2022/23 Revised Estimate £m |
|-----------------------------|---|---|--|
| Borrowing | 529.708 | 407.741 | 504.642 |
| Other Long Term Liabilities | 0.200 | 0.200 | 0.200 |
| Total Debt | 529.908 | 407.941 | 504.842 |
| | | | |
| CFR | 789.330 | 658.309 | 658.309 |

23. 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 2022/23, which was approved by Full Council on 22 February 2022 and does not change throughout the year.

| Authorised Limit for External Debt | 2022/23 Original Estimate £m |
|---|---|
| Borrowing | 831.263 |
| Other Long Term Liabilities | 0.200 |
| Total Authorised Limit | 831.463 |

Borrowing

24. The Council's Capital Financing Requirement (CFR) for 2022/23 is £658.309m. 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.
25. The table in paragraph 22 shows the Council has borrowings of £407.741m and has currently utilised £250.568m of cash flow funds in lieu of borrowing. This figure includes £59.858m PFI liability, which when accounted for, results in a net internal borrowing position of £190.710m. It is forecast that this under-borrowed position will decrease to £93.609m by 31 March 2023.
26. 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.
27. It is anticipated that no further borrowing will be undertaken this financial year.

28. Following the decision to borrow £80m in March 2022, there is a higher revised estimate of external interest payable. The current forecast for interest expenditure for 2022/23 against budget is an overspend of £1.326m.
29. A summary of the Council's borrowing position as at 30 September 2022 is detailed at Appendix 1.

Borrowing - Stone Circle

30. 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 2022 £m | 2022/23 Expenditure to date £m | 2022/23 Revised Expenditure to year end £m | 2022/23 Forecast Cumulative Expenditure £m |
|----------------------------|---|---|---|---|
| Loans to Stone Circle | 11.937 | 1.277 | 13.183 | 25.120 |

31. The Stone Circle loans have been funded entirely by borrowing, which will be funded by revenue savings generated through financial returns from the company, through mark up on the loans and through future dividends. As the Council has maintained an under borrowed position, this means that borrowing has not yet been undertaken to fund this element of the capital programme.
32. 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

33. 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 the PWLB borrowing rates since October 2010. Therefore, no debt rescheduling has been undertaken to date in the current financial year. However there may be better opportunities in the future, although only prudent and affordable debt rescheduling will be considered.

Compliance with Treasury and Prudential Limits

34. 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 2022, the Council has operated within the treasury and prudential indicators set out in the Council's TMSS 2022/23.

35. No future difficulties are envisaged for the current or future years in complying with these indicators.

Annual Investment Strategy

36. 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

37. Following the Government's fiscal event in September 2022, two ratings agencies (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 economic outlook.

Investment Counterparty Criteria

38. The Council applies the creditworthiness service provided by Link Group. This service employs 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.
39. The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

Investment Portfolio 2022/23

40. As at 30/09/2022, the Council held £211.500m of cash investments. This compares to £209.529m as at 31/03/2022.
41. The average level of funds available for investment over the first six months of the year was £226.057m. The level of funds available was mainly dependant on the timing of payments, receipt of grants and progress on the capital programme.
42. A summary of the Council's investments as at 30 September 2022 are detailed at Appendix 2

Investment Performance 2022/23

43. The investment portfolio yield for the first six months of the year was 1.13% against a benchmark of 0.91% (90 day backward looking SONIA (Sterling Overnight Indexed Average) rate). Therefore, the Council outperformed the benchmark by 22 bps (basis points).
44. In sterling markets, the Sterling Overnight Indexed Average (SONIA) is the recommended replacement for the previous investment benchmark, LIBID. 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.

45. The current forecast for interest income for 2022/23 is an overachievement of £2.591m against budget. This is due to an increased level of cashflow and significantly increased interest rates. This also includes forecast loan interest from Stone Circle and Wiltshire College (loans given in previous financial years).
46. In respect of the total interest income and expenditure budget, there is a combined projected net underspend of £1.265m. This forecast has been included within the figures reported in the period 6 revenue budget monitoring report to Cabinet.

Fund Investments

47. In March 2022, the Council purchased £10m 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.
48. There was a cost to enter the property fund (of 6.32%), meaning that on entry the fund was valued at £0.632m less than the purchase price. This difference between the purchase price and the valuation, 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. 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.
49. Following its introduction, the statutory override was due to apply until 1 April 2023. In the last quarter, the Government has undertaken a consultation regarding its future. The Wiltshire Council response to the consultation made a case for the extension of the over-ride, to negate the impact of any potential unrealised gains on the Council's revenue account.
50. The current value of the property fund is £9.439m, an increase of £0.071m from its initial valuation. It has generated £0.196m of gross dividend income, which represents a gross return of 3.92%.
51. Once the investment income on the property fund has been adjusted for the associated fees, the net dividend income is £0.166m, which represents a net return of 3.31%.

Breach of Counterparty Limit – Handelsbanken

52. A notice account is held with Handelsbanken, which enables the Council to diversify its investments, using a counterparty with a high credit quality with a different type of

investment vehicle. The terms of this investment require the Council to give 35 days notice to withdraw funds. Interest is calculated by the bank and applied to the account automatically on a quarterly basis.

53. The monetary limit on this account is £15.000m, and in May 2022, the Council held £149.888m. When the interest (of £0.024m) was applied by Handelsbanken at the end of this month, the account balance was £15.013m, breaching the limit by £0.013m. On receipt of the interest, the Council immediately withdrew funds to bring the account balance to within the counterparty limit, subject to the 35 day notice restriction.
54. The error occurred following an unexpected increase in the interest rate offered by Handelsbanken, leading to a higher than expected quarterly interest figure.
55. The risk of the above situation recurring will be mitigated through a decreased level of balances held on this investment, to allow sufficient headroom for increased interest income. Additional work will also be undertaken to monitor interest receipts on this investment, especially in the current interest rate rising environment.

Overview & Scrutiny Engagement

56. Financial Planning Task Group will consider this report on 25 November 2022. Any comments from the Task Group will be reported verbally at the meeting of Cabinet.

Safeguarding Implications

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

Public Health Implications

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

Procurement Implications

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

Equalities Impact of the Proposal

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

Environmental and Climate Change Considerations

61. There are a small, but growing number of financial institutions and fund managers promoting “ESG” products (short term cash investments), which the Council considers alongside other investment options, and will chose these “ESG” investments where they at least match the yield of other investment options if they meet the critical principles of security, liquidity and yield set by the council’s TMSS. The Council also has £6.6m borrowing from Salix Finance who offer interest free loans to public sector organisations for heat decarbonisation and energy efficiency projects to reduce greenhouse gas emissions from public sector buildings.

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

62. 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

63. All investments have been at fixed rates during the period. The Council's current average interest rate on long term debt is 3.40%, which compares favourably with similar rates of other UK local authorities.

64. The primary management risks to which the Council is exposed are adverse movements in interest rates and the credit risk of counterparties.

65. Investment counterparty risk is controlled by assessing and monitoring the credit risk of borrowers as authorised by the Annual Investment Strategy.

Financial Implications

66. These have been examined and are implicit throughout the report.

Legal Implications

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

Workforce Implications

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

Proposals

69. Cabinet is asked to note:

- a) that the contents of this report are in line with the Treasury Management Strategy 2022/23.
- b) the performance of the Council's investments and borrowings against the parameters set out in the approved Treasury Management Strategy for 2022/23.

Andy Brown

Corporate Director of Resources & Deputy Chief Executive (s151 Officer)

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10 November 2022

Appendices

Appendix 1 Borrowing Portfolio

Appendix 2 Investment Portfolio

Borrowing Portfolio as at 30 September 2022

| Lender | Start Date | Maturity Date | Amount £m | Rate % | Annual Interest £m |
|---------------------------------------|------------|---------------|--------------|-----------|--------------------------|
| Public Works Loan Board (PWLB) | | | | | |
| PWLB | 28/03/2012 | 28/03/2023 | 8.000 | 2.56 | 0.205 |
| PWLB | 15/02/2010 | 01/06/2023 | 2.000 | 4.45 | 0.089 |
| 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 | 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 | 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 | 01/02/2028 | 20.000 | 1.95 | 0.390 |
| PWLB | 08/02/2022 | 01/02/2029 | 20.000 | 1.98 | 0.396 |
| 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 | | | 340.123 | | 11.221 |

| 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 |
| Beyern 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 | 0.620 | 0.00 | 0.000 |
| Loan 2 | 01/03/2020 | 01/04/2026 | 3.283 | 0.00 | 0.000 |
| Loan 3 | 01/07/2021 | 01/01/2027 | 2.715 | 0.00 | 0.000 |
| Total Salix Loans | | | 6.618 | | 0.000 |
| Total - All Loans | | | 407.741 | | 12.807 |

Appendix 2

Investment Portfolio as at 30 September 2022 (compared to the counterparty list)

| Borrower | Amount (£m) | Interest Rate (%) | Start Date | Maturity | Link Credit Rating (see next page for explanatory key) |
|---|----------------|-------------------|------------|------------|--|
| Bayerische Landesbank London | 10.000 | 1.58 | 07/07/2022 | 07/10/2022 | Red – 6 months |
| National Bank of Kuwait (International) | 10.000 | 1.73 | 18/07/2022 | 18/10/2022 | Red – 6 months |
| Qatar National Bank | 10.000 | 2.585 | 20/07/2022 | 20/01/2023 | Red – 6 months |
| Landesbank Hessen-Thuringen | 10.000 | 2.06 | 20/07/2022 | 20/12/2022 | Red – 6 months |
| Coventry Building Society | 10.000 | 1.62 | 22/07/2022 | 22/11/2022 | Red – 6 months |
| Yorkshire Building Society | 10.000 | 1.50 | 25/07/2022 | 25/10/2022 | Green – 100 days |
| Goldman Sachs International Bank | 10.000 | 1.78 | 03/08/2022 | 03/11/2022 | Red – 6 months |
| Clydesdale Bank | 10.000 | 1.93 | 12/08/2022 | 18/11/2022 | Green – 100 days |
| Landesbank Baden-Wuerttemberg | 10.000 | 2.27 | 18/08/2022 | 18/11/2022 | Red – 6 months |
| Standard Chartered Bank | 10.000 | 2.57 | 07/09/2022 | 07/12/2022 | Red – 6 months |
| ANZ Banking Group | 10.000 | 2.75 | 08/09/2022 | 08/12/2022 | Orange – 12 months |
| First Abu Dhabi Bank | 10.000 | 2.86 | 09/09/2022 | 09/01/2022 | Orange - 12 months |
| National Bank of Canada | 10.000 | 2.16 | 08/09/2022 | 10/10/2022 | Red – 6 months |
| DBS Bank | 10.000 | 3.55 | 23/09/2022 | 23/03/2023 | Orange - 12 months |
| Close Brothers | 10.000 | 3.20 | 26/09/2022 | 24/03/2023 | Red – 6 months |
| Handelsbanken (35 Day Notice Account) | 14.889 | 1.95 | * | * | Orange - 12 months |
| Black Rock Money Market Fund | 0.004 | 1.93 | * | * | AAA |
| Federated Money Market Fund | 27.904 | 2.04 | * | * | AAA |
| Goldman Sachs Money Market Fund | 0.016 | 1.91 | * | * | AAA |
| Aberdeen Investments Money Market Fund | 18.677 | 2.01 | * | * | AAA |
| BNP Money Market Fund | 0.010 | 2.11 | * | * | AAA |
| Total | 211.500 | | | | |

* Money Market Funds/HSBC Overnight Investment Account/Call 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 September 2022

| Counterparty | Amount £m | Dividend Rec'd ** £m | Start Date | Current Valuation £m | Notes |
|----------------------|---------------|-------------------------|------------|-------------------------|---|
| CCLA – Property Fund | 10.000 | 0.196 | 31/03/2022 | 9.439 | Current valuation unrealised – no impact on revenue |
| Total | 10.000 | 0.196 | | 9.439 | |

** Dividends received quarterly

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

