PAPER A

Treasury Management Mid-Year Report 2022-23

Executive Member(s): Cllr Liz Leyshon
Local Member(s) and Division: All
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1. Summary / Background

1.1. In compliance with the requirements of the CIPFA Code of Practice this report provides Councillors with a summary report of the treasury management activity during the first six months of 2022-23. It gives a summarised account of Treasury Management activity and outturn for the first half of the year and ensures Somerset County Council (SCC) is embracing Best Practice in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) recommendations. All treasury activity was conducted within the benchmarks set as Prudential limits for prudent and sustainable capital plans, financing, and investment. A risk-averse approach has been taken in relation to investment activity with priority being given to security and liquidity over yield. This report is for information only.

Gross investment balances stood at £310.26m on 30th September, yielding an average rate of return of 2.04% as at that date. This figure includes approximately £24.43m of cash managed on behalf of the Local Enterprise Partnership (LEP), £13.59m of Earmarked Funds held on behalf of other decision-making bodies (e.g Somerset Rivers Authority, Somerset Waste Partnership, £80.4m held as a payment in advance for the NHS Clinical Commissioning Group (CCG) and £11.58m of other external bodies (e.g. Exmoor National Park (ENP), and South West Councils (SWC)).

During the six months, gross investment balances averaged £340.73m (£210.09m net of funds held for others), yielding 1.41% for the period including Pooled Funds. The cash return (net of Pooled Funds) of 1.17% was 0.11% lower than the average base rate, and 0.61% below the 3-month SONIA rate (a benchmark rate at which Banks will lend to each other). A below benchmark return is practically inevitable in a rapidly rising interest rate environment.

Income of £2,406,007 (£2,210,014 net of that apportioned to the LEP and external bodies) has been earnt in the period, against anticipated income of £746,690. This is £1,463,324 more than originally budgeted for, as interest rates have risen much faster than anticipated.

The cost of carry associated with long term borrowing compared to temporary investment returns meant that a passive borrowing strategy, borrowing funds as they are required had been the most appropriate for the beginning of the reporting period. The benefits of this strategy have been monitored and weighed against the risk of shorter-term rates rising.

All Treasury activities undertaken have been in full compliance with relevant legislation, codes, strategies, policies, and practices.

2. Recommendations

2.1. That the Executive endorses the Treasury Management Mid-Year Report for 2022-23 and recommends it is received and endorsed by Full Council at the next sitting of Full Council.

3. Reasons for recommendations

3.1 The Local Government Act 2003 requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services. The Code requires Full Council to receive as a minimum, an annual strategy and plan in advance of the year, a mid-year review, and an annual report after its close. This is the mid-year review for 2022-23.

4. Other options considered

4.1. Not applicable.

5. Links to County Vision, Business Plan and Medium-Term Financial Strategy

5.1. Effective Treasury Management provides support to the range of business and service level objectives that together help to deliver the Somerset County Plan.

6. Consultations and co-production

6.1. None

7. Financial and Risk Implications

7.1. There are no specific risks associated with this mid-year report. The risks associated with Treasury Management are dealt with in the Annual Treasury Management Strategy, Annual Investment Strategy, and Treasury Management Practice documents.

8. Legal and HR Implications

8.1. None.

9. Other Implications

9.1. Equalities Implications

None.

9.2. Community Safety Implications

None.

9.3. Sustainability Implications

None.

9.4. Health and Safety Implications

None.

9.5. Health and Wellbeing Implications

None.

9.6. Social Value

Not applicable

10. Scrutiny comments / recommendations:

10.1. The Audit Committee is the nominated body to provide scrutiny for Treasury Management.

11. Background

11.1. Economic Background

The ongoing conflict in Ukraine has continued to put pressure on global inflation and the economic outlook for UK and world growth remains weak. The UK political situation towards the end of the period following the 'fiscal event' increased uncertainty further.

UK inflation remained extremely high. Annual headline CPI hit 10.1% in July, the highest rate for 40 years, before falling modestly to 9.9% in August. The energy price cap was increased by 54% in April, with a further increase anticipated in October. The inflation effect of this was dampened by the UK government stepping in to provide financial support.

PAPER A

Central Bank rhetoric and action remained robust. The Bank of England, Federal Reserve, and the European Central Bank all pushed up interest rates over the period and committed to fighting inflation, even when the consequences were, in all likelihood, recessions in those regions.

The Bank of England increased the official Bank Rate to 2.25% over the period. From 0.75% in March, the Monetary Policy Committee (MPC) pushed through rises of 0.25% in each of the following two MPC meetings, before hiking by 0.50% in August and again in September. The September vote was 5-4, with five votes for a 0.5% increase, three for a 0.75% increase and one for an 0.25% increase. The Committee noted that domestic inflationary pressures are expected to remain strong and so given ongoing strong rhetoric around tackling inflation, further Bank Rate rises should be expected.

The labour market remained tight through the period but there was some evidence of easing demand and falling supply. The 3-month unemployment rate for April fell to 3.8% and declined further to 3.6% in July. Pay growth in July was 5.5% for total pay (including bonuses) and 5.2% for regular pay. Once adjusted for inflation, however, growth in total pay was -2.6% and –2.8% for regular pay.

Quarterly GDP fell 0.1% in the April-June quarter driven by a decline in services output, but slightly better than the 0.3% fall expected by the Bank of England.

On 23rd September the UK government, following a change of leadership, announced a raft of measures in a 'mini budget', loosening fiscal policy with a view to boosting the UK's trend growth rate to 2.5%. With little detail on how government borrowing would be returned to a sustainable path, financial markets reacted negatively. Gilt yields rose dramatically by between 0.7% and 1% for all maturities with the rise most pronounced for shorter dated gilts.

Bank of England policymakers noted that any resulting inflationary impact of increased demand created by the Government stimulus, would be met with monetary tightening, raising the prospect of much higher Bank Rate and consequential negative impacts on the housing market.

After hitting 9.1% in June, annual US inflation eased in July and August to 8.5% and 8.3% respectively. The Federal Reserve continued its fight against inflation over the period with a 0.5% hike in May followed by three increases of 0.75% in June, July and September, taking policy rates to a range of 3% to 3.25%.

Eurozone CPI inflation reached 9.1% in August, with energy prices the main contributor but also strong upward pressure from food prices. In July the European Central Bank increased interest rates for the first time since 2011, pushing its deposit rate from –0.5% to 0% and its main refinancing rate from 0.0% to 0.5%. This was followed in September by further hikes of 0.75% to both policy rates, taking the deposit rate to 0.75% and refinancing rate to 1.25%.

Uncertainty remained in control of financial market sentiment and bond yields remained volatile, continuing their general upward trend as concern over higher inflation and higher interest rates continued to dominate. Towards the end of September, volatility in financial markets was significantly exacerbated by the UK government's fiscal plans, leading to an acceleration in the rate of the rise in gilt yields and decline in the value of sterling.

Over the period the 5-year UK benchmark gilt yield rose from 1.41% to 4.40%, the 10-year gilt yield rose from 1.61% to 4.15%, the 20-year yield from 1.82% to 4.13% and the 50-year yield from 1.56% to 3.25%.
The Sterling Overnight Rate (SONIA) averaged 1.20% over the period.

Gilt yields have a direct correlation to Public Works Loan Board (PWLB) rates. Rates drifted sideways from April to June, and after a slight peak, returned to April rates in July. As the inflationary picture became clearer, rates climbed steeply at the back end of August and through September. This is clearly shown in Tables 2 and 3 and the graph in Appendix A.

Sterling Overnight Interbank Average (SONIA) money market rates moved up during the period, anticipating gradual base rate rises. As it became clear base rate would need to rise further and faster to combat inflation, rates rose rapidly from the last week in August. The 12-month figure moved from 3.20% on the 24th August, to 5.15% on the 28th September.

The 1-month, 3-month, 6-month, and 12-month SONIA rates averaged -1.38%, 1.78%, 2.21%, and 2.66% respectively over the period, and ended the period at 2.33%, 3.89%, 4.10%, and 4.95% respectively. A long way from the negative rates seen only the year before.

Lending rates between Local Authorities have remained suppressed, as supply has generally outstripped demand. The effect that economic conditions had on money market rates during the period, can be seen in Table 1, Appendix A.

11.2. Debt Management

The Council's need to borrow for capital purposes is determined by the capital programme. The Council's need to borrow for capital purposes is determined by the capital programme. Council Members are aware of the major projects identified by the 4-year capital medium-term financial plan (MTFP) where the capital strategy forecast £109m of expenditure during 2022/23. £46m was identified for highways maintenance, major engineering, and traffic management; £31m for the delivery of schools' basic need and schools' condition; £9m for Economic Development projects and £23m for other programmes. Much of this was to be funded by a combination of grant, contributions, and capital receipts. Although timings of capital expenditure may not be totally predictable, it was envisaged that potentially, borrowing of up to £41m may have been necessary.

The level of internal borrowing stood at £63.9m as at the 31st March 2022. With changes to the capital plan, and slippage, capital spend to be funded by borrowing in 2022/23 is now predicted to be £41.2m. This indicates a likely balance of internal borrowing by March 2023, of £105.1m.

There has been no need for additional external borrowing to fund the SCC Capital Programme to date, and with the impending coalescence of the 5 Council's debt and investment portfolios, it seemed appropriate to collate and analyse that information before deciding whether any new debt would be taken.

At the beginning of the period, the cost of carry associated with long term borrowing compared to temporary investment returns (borrowing costs largely stable, investment returns poor) meant that a passive borrowing strategy, borrowing funds as they were required remained appropriate for SCC. The benefits of this strategy have been monitored and weighed against the risk of shorter-term rates rising.

The overall rate paid on SCC loans remained unchanged for the PWLB portfolio of £159.05m, at 4.59%. The average Market Loan rate at 30th September (LOBOs + Barclays, total £165.5m) was also the same as at 31st March, at 4.74%. The combined average rate was 4.66% on £324.55m.

As there has been no change to the PWLB portfolio during the period, the average weighted maturity as at 30th September had decreased by six months to 21.7 years. The average duration of all Market Loans dropped to 29.5 years from 30.

11.3. Investment Activity

PAPER A

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

Security of capital remained the Council's main investment objective. This was achieved by following the counterparty policy as set out in the Annual Investment Strategy, and by the approval method set out in the Treasury Management Practices. Counterparties having approval for use during the period are listed in **Table 1** below. Those used during the first half of the year are denoted with a star. More Banks have been used during this period, as Arlingclose relaxed their maximum duration advice on some counterparties. There has been a slight decrease in the use of Local Authorities compared to the same period last year, as more banks came within Arlingclose criteria, and LA rates were not as attractive as those of banks.

Table.1 - Approved Counterparties

Bank or Building Society		**Bank or Building Society**	
Australia & NZ Bank	*	Santander UK	*
Bank of Scotland		Standard Chartered Bank	*
Bank of Montreal	*	Handelsbanken Plc	*
Bank of Nova Scotia		Toronto-Dominion Bank	*
Barclays Bank Plc		United Overseas Bank	
Canadian Imperial Bank of Commerce			
Close Brothers Ltd		**Sterling CNAV Money Market Funds**	
Commonwealth Bank of Australia		Deutsche MMF	*
DBS Bank Ltd	*	Invesco Aim MMF	*
DZ Bank	*	Federated Prime MMF	*
Goldman Sachs International Bank		Insight MMF	*
HSBC Bank	*	Aberdeen Standard MMF	*
Landesbank Hessen-Thuringen	*	LGIM MMF	*
Lloyds Bank	*	SSGA MMF	*
National Australia Bank		Aviva MMF	*
National Bank of Canada	*		
National Westminster	*		
Nationwide BS	*	**Other Counterparties**	
Nordea Bank	*	Other Local Authorities	*

		(Number of Deals)	(23)
OP Corporate Bank		Debt Management Office	
Oversea-Chinese Banking Corporation (Singapore Bank)		CCLA Property Fund	*
Rabobank		RLAM Credit Fund	*
Royal Bank of Scotland		M&G Corporate Bond Fund	*

SCC has continuously monitored counterparties, and all ratings of proposed counterparties have been subject to verification on the day, immediately prior to investment. Other indicators considered have been:

- Credit Default Swaps and Government Bond Spreads.
- GDP and Net Debt as a Percentage of GDP for sovereign countries.
- Likelihood and strength of Parental Support.
- Banking resolution mechanisms for the restructure of failing financial institutions i.e. bail-in.
- Share Price
- Market information on corporate developments and market sentiment towards the counterparties and sovereigns.

Counterparty Update

In July Fitch revised the outlook on Standard Chartered from negative to stable as it expected profitability to improve thanks to the higher interest rate environment.

In September Fitch revised the outlook on HSBC Bank from negative to stable as it expected profitability to improve thanks to the higher interest rate environment.

Having completed a full review of its credit advice on unsecured deposits at UK and non-UK banks, in May Arlingclose extended the maximum duration limit for five UK banks, four Canadian banks and four German banks to six months. The maximum duration for unsecured deposits with other UK and non-UK banks on Arlingclose's recommended list is 100 days. These recommendations were unchanged at the end of the period.

As a result of the UK Government's 'fiscal event' at the end of September, both S&P and Fitch changed the outlook for the UK from Stable to Negative, on the 3oth September and 5th October respectively.

As ever, the institutions and durations on the Council's counterparty list recommended by treasury management advisors Arlingclose remain under constant review.

11.4. Liquidity

In keeping with guidance from the Ministry of Housing, Communities, and Local Government (MHCLG) (now the Department for Levelling-Up, Housing and Communities) the Council maintained a sufficient level of liquidity through the use of call accounts, Money Market Funds, and short-term deposits.

92 cash deposits totalling nearly £574m (88 totalling £564m 2021-22) were made during the first half of the year. SCC did not need to borrow short-term money during the first half of 2022-23.

SCC, in managing an average of approximately £130.6m of money held on behalf of external bodies, has needed to retain more liquidity than normal, as forecasting and timing of Capital and LEP spending has been beyond its control. With rates expected to increase, investments were moved out of notice accounts and placed on term deposits to lock into anticipated rate rises. Deposits were kept relatively short, averaging about 3 months, in order to quicken reinvestment as rates rose. A proportion of the portfolio was lent to other Local Authorities for up to a year, as a hedge in case rates did not rise as expected, but also for diversification purposes.

11.5. Yield

There were four increases in Bank Rate over the period under review, and with the prospect of more increases to come, short-dated cash rates, which had ranged between 0.65% for overnight money, and 1.5% for 12-month money at the beginning of the period, rose by around 1.5% for overnight maturities and by nearly 3.5% for 12-month maturities.

By the end of September, the return on the Council's instant access Money Market Funds was between 2.08% and 2.12% p.a., whereas in early April they were 0.51% to 0.62%.

In order to place some deposits for longer maturities, some deposits have been placed with UK Local Authorities. Whilst their rates have been less than those paid by banks, they offered a relatively high rate.

Comfund

As at 30th September Comfund investment stood at £255m averaging just under £252m for the year-to-date (£205m and £182m respectively for 2021-22). The Comfund vehicle, which consists mainly of SCC Capital, Revenue Reserves, and money held on behalf of the Local Enterprise

Partnership (LEP), has an average return for the year-to-date of 1.17%, and has underperformed the benchmark by 0.09% as base rate has averaged 1.28% for the period. The weighted average maturity of the Comfund was approximately 3.75 months. This is slightly higher than the 3 months for this time last year, as Arlingclose duration advice has been extended. The return of 1.17% is 0.11% lower than the average base rate, and 0.61% below the 3-month SONIA rate (a benchmark rate at which Banks will lend to each other). A below benchmark return is practically inevitable in a rapidly rising interest rate environment.

A total of over £1.475m (£1.279m net of that paid to the LEP and external bodies) has been earned in Comfund interest in the first six months of the year (£244k gross 2021-22). Comfund administration charges and other Treasury Management fees brought in approximately £58k of income in the period.

Revenue

Revenue interest has contributed a further £253k of income, with an average revenue balance (general monthly working capital) of just over £44m (£24.5k and £72.8m respectively in 2021-22), and an average return of 1.14%, 0.06% below the SONIA overnight rate.

Pooled Funds

As at 31st March 2022 SCC held £45m in Pooled Funds. £15m was in the CCLA (Churches, Charities, Local Authorities) Property Fund, £15m in the Royal London Investment Grade Short-Dated Credit Fund (RLAM), and a further £15m in the M&G Strategic Corporate Bond Fund (M&G).

CCLA Property Fund: This Fund is an actively managed, diversified portfolio of UK Commercial Property with a stated investment objective "to provide investors with a high level of income and long-term capital appreciation".

As at 30th September 2022 the Net Asset Value of the SCC holding was £16,677,838 and a Bid Price (value at which investment could be sold) of £16,419,367. The value of the fund had increased from April before dropping back slightly from June. In the meantime, the average Property Fund yield of circa 3.66% net, was circa 2.49% above average cash yields, and has so far yielded income of £275k for the year to date.

RLAM: This Fund is an actively managed, diversified Investment Grade Short-Dated Credit Fund. £15m has been invested, As at 30th September 2022 the Bid value (value at which investment could be sold) of the SCC holding was £14,881,539. Income of £175k has been earned, and at period-end it was yielding 2.55%.

M&G: This Fund is an actively managed, diversified Strategic Corporate Bond Fund. £15m had been invested. As at 30th September 2022 the Bid value (value at which investment could be sold) of the SCC holding was £11,430,360. Income of £218k has been earned and at period-end it was yielding 2.90%.

The combined yield of all 3 Pooled Funds as at 30th September was 3.03%.

Combined

Combined return for the period has been 1.41% on an average balance of £340.73m. This figure includes approximately £25.6m of cash managed on behalf of the Local Enterprise Partnership (LEP), £12.7m of Earmarked Funds held on behalf of other decision-making bodies, £80.4m held as a payment in advance for the CCG, and £12.0m of other external bodies (e.g. Exmoor National Park (ENP), and South West Councils (SWC)). Total investment income was just over £2.4m (£2.21m net of external investors).

Initial budgeted income for the year to date was £747k, meaning an extra £1.46m (net of that paid to external bodies) has been earnt.

The combined gross return for the same period in 2021-22 was 0.55% on an average balance of £313.4, or approximately £859k in monetary terms.

Figures below highlight investment balances and returns over the period - Table 2, investment balances by type – Table 3, and a breakdown of investment balances by source – Table 4: -

PAPER A

Table.2 – Investment figures and returns for period

	Balance 31 March 2022 £m	Rate of Return at 31 March 2022 %	Balance as at 30 Sept 2022 £m	Rate of Return at 30 Sept 2022 %	Average Balance April to Sept £m	Average Rate April to Sept %
Short-Term Balances (Variable)	49.00	0.59	10.26	2.11	44.04	1.14
Comfund (Fixed)	245.00	0.60	255.00	1.86	251.69	1.17
Pooled Funds	45.00	2.78	45.00	3.03	45.00	3.00
Total Lending	**339.00**	**0.89**	**310.26**	**2.04**	**340.73**	**1.41**

Table.3 – Investment balances by type

	31 March 2022 £m	30 Sept 2022 £m	Change £m
Money Market Funds	24.00	10.26	-13.74
Bank Call Accounts	0.00	0.00	0.00
Bank Notice Accounts	80.00	20.00	-60.00
Time Deposits – Banks	85.00	155.00	+70.00
Time Deposits – LAs	105.00	80.00	-25.00
Pooled Funds	45.00	45.00	0.00
Total Investments	**339.00**	**310.26**	**-28.74**

PAPER A

Table.4 – Breakdown of investment balances by source

	31 March 2022 £m	30 Sept 2022 £m	Change £m
ENPA / SWC (Daily cash)	1.83	0.25	-1.58
Organisations in the Comfund	10.05	11.33	+1.28
LEP	31.70	24.43	-7.27
Earmarked Funds held on behalf of other decision-making bodies	11.82	13.59	+1.77
CCG Prepayment	80.40	80.40	0.00
Total external	**135.80**	**130.00**	**-5.80**
SCC	203.20	180.26	-22.94
Total	**339.00**	**310.26**	**-28.74**

11.6. Compliance and Prudential Indicators

All treasury management activities undertaken during the first 6-months have complied fully with the CIPFA Code of Practice and the Councils approved Treasury Management Strategy.

SCC has continuously proactively assessed and implemented mitigation for the risks that have materialised in the new investment environment. Controls/procedures are constantly being assessed and introduced/adapted where needed and embedded into practices to further mitigate risks to SCC investment and borrowing portfolios.

SCC has complied with its Prudential Indicators for 2022-23. Those indicators agreed by Full Council and actual figures as at 30th September are included below:

	2022-23 £m	As at 30-09 £m
Authorised limit (borrowing only)	452	336

Operational boundary (borrowing only)	407	336

Maturity structure of borrowing

	Upper Limit	Lower Limit	As at 30-09-22
Under 12 months	50%	15%	28.2%
>12 months and within 24 months	25%	0%	1.5%
>24 months and within 5 years	25%	0%	15.1%
>5 years and within 10 years	20%	0%	3.4%
>10 years and within 20 years	20%	5%	8.9%
>20 years and within 30 years	20%	0%	5.9%
>30 years and within 40 years	45%	15%	37.0%
>40 years and within 50 years	15%	0%	0.0%
50 years and above	5%	0%	0.0%

	2022-23 £m	As at 30-09 £m
Prudential Limit for principal sums invested for periods longer than 365 days	75	50

Credit Risk Indicator

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating / credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk (in conjunction with Arlingclose) and will be calculated quarterly.

Credit risk indicator (Number to be below target)	**Target**	**Actual**
Portfolio average credit rating (score)	A (6)	A+ (4.65)

CIPFA no longer recommends setting upper limits on fixed and variable rate exposures, so these are no longer calculated for this paper.

11.7. Outlook for Quarters 3 & 4

Arlingclose expects Bank Rate to rise further during 2022-23 to reach 5% by the end of the financial year.

The MPC is particularly concerned about the demand implications of fiscal loosening, the tight labour market, sterling weakness and the willingness of firms to raise prices and wages.

The MPC may therefore raise Bank Rate more quickly and to a higher level to dampen aggregate demand and reduce the risk of sustained higher inflation. Arlingclose now expects Bank Rate to peak at 5.0%, with 200 basis points of increases this calendar year. A basis point (bp) is one hundredth of one per cent.

This action by the MPC will slow the economy, necessitating cuts in Bank Rate later in 2024.

Gilt yields will face further upward pressure in the short term due to lower confidence in UK fiscal policy, higher inflation expectations and asset sales by the BoE. Given the recent sharp rises in gilt yields, the risks are now broadly balanced to either side. Over the longer term, gilt yields are forecast to fall slightly over the forecast period.

Monetary policymakers are behind the curve having only raised rates by 50bps in September. This was before the “Mini-Budget”, poorly received by the markets, triggered a rout in gilts with a huge spike in yields and a further fall in sterling. In a shift from recent trends, the focus now is perceived to be on supporting sterling whilst also focusing on subduing high inflation. The MPC is therefore likely to raise Bank Rate higher than would otherwise have been necessary given already declining demand. A prolonged economic downturn could ensue.

Uncertainty on the path of interest rates has increased dramatically due to the possible risk from unknowns which could include for instance another Conservative leadership contest, a general election, or further tax changes including implementing windfall taxes.

The government's blank cheque approach to energy price caps, combined with international energy markets priced in dollars, presents a fiscal mismatch that has contributed to significant decline in sterling and sharp rises in gilt yields which will feed through to consumers' loans and mortgages and business funding costs.

The UK economy already appears to be in recession, with business activity and household spending falling. The short- to medium-term outlook for the UK economy is relatively bleak.

Global bond yields have jumped as investors focus on higher US policy rates.

The rise in UK government bond yields has been sharper, due to both an apparent decline in investor confidence and a rise in interest rate expectations, following the UK government's shift to borrow to loosen fiscal policy. Gilt yields will remain higher unless the government's plans are perceived to be fiscally responsible.

The housing market impact of increases in the Base Rate could act as a "circuit breaker" which stops rates rising much beyond 5.0%, but this remains an uncertainty.

Table 6 – Base Rate forecast to 2024

	Dec 22	Mar 23	Jun 23	Sep 23	Dec 23	Mar 24
Upside Risk	0.50	0.75	0.75	1.00	1.00	1.00
Base Rate	4.25	5.00	5.00	5.00	5.00	5.00
Downside Risk	-1.00	-1.00	-0.75	-0.50	-0.50	-0.50

	Jun 24	Sep 24	Dec 24	Mar 25	Jun 25	Sept 25
Upside Risk	1.00	1.00	1.00	1.00	1.00	1.00
Base Rate	5.00	5.00	4.75	4.25	3.75	3.25
Downside Risk	-0.75	-1.25	-1.50	-1.75	-1.75	-1.75

11.8. Amalgamation of 5 Council's Debt and Investment Portfolios

Whilst the 5 Council's continue to manage day to day treasury activities separately, work is ongoing regarding the amalgamation of the 5 Councils' Debt and Treasury Investment portfolios from vesting day. This work will be incorporated in the 2023/24 Treasury Management Strategy to be reported to Council in February 2023.

12. Background Papers

12.1. Treasury Management Strategy Statement and appendices.

PAPER A

Report Sign-Off

		Signed-off
Legal Implications	Honor Clarke	26/10/22
Governance	Scott Woodridge	21/10/22
Corporate Finance	Jason Vaughan	29/10/22
Human Resources	Chris Squire	7/11/22
Property	Paula Hewitt	25/10/22
Procurement	Claire Griffiths	26/10/22
Senior Manager	Stephen Morton	01/11/22
Commissioning Development	Sunita Mills	21/10/22
Local Member	N/A	
Executive Member	Cllr Liz Leyshon	30/10/22
Opposition Spokesperson	Cllr Mandy Chilcott	Sent 07/11/22
Audit Chair	Cllr Dean Ruddle	Sent 07/11/22
Scrutiny Chair	Cllr Gwil Wren	Sent 07/11/22

Appendix A

Money Market Data and PWLB Rates

The average low and high rates correspond to the rates during the financial year-to-date, rather than those in the tables below.

Table 1: Bank Rate, Money Market Rates -SONIA (Sterling Overnight Interbank Rates)

Date	Bank Rate	O/N SONIA	7-day SONIA	1-month SONIA	3-month SONIA	6-month SONIA	12-month SONIA
01/04/2022	0.75	0.65	0.67	0.60	1.10	1.33	1.57
30/04/2022	0.75	0.68	0.85	0.94	1.25	1.40	1.80
31/05/2022	1.00	0.90	0.92	1.02	1.42	1.71	1.95
30/06/2022	1.25	1.07	1.23	1.24	1.60	2.20	2.70
31/07/2022	1.25	1.20	1.22	1.49	1.90	2.40	2.88
31/08/2022	1.75	1.57	1.70	1.89	2.30	2.95	3.60
30/09/2022	2.25	2.15	2.22	2.32	3.89	4.10	4.95
Average	**1.28**	**1.20**	**1.28**	**1.38**	**1.78**	**2.21**	**2.66**
Minimum	**0.75**	**0.57**	**0.67**	**0.60**	**0.96**	**1.17**	**1.57**
Maximum	**2.25**	**2.17**	**2.50**	**2.86**	**3.89**	**4.76**	**5.15**
Spread	**1.50**	**1.60**	**1.83**	**2.26**	**2.93**	**3.59**	**3.58**

PAPER A

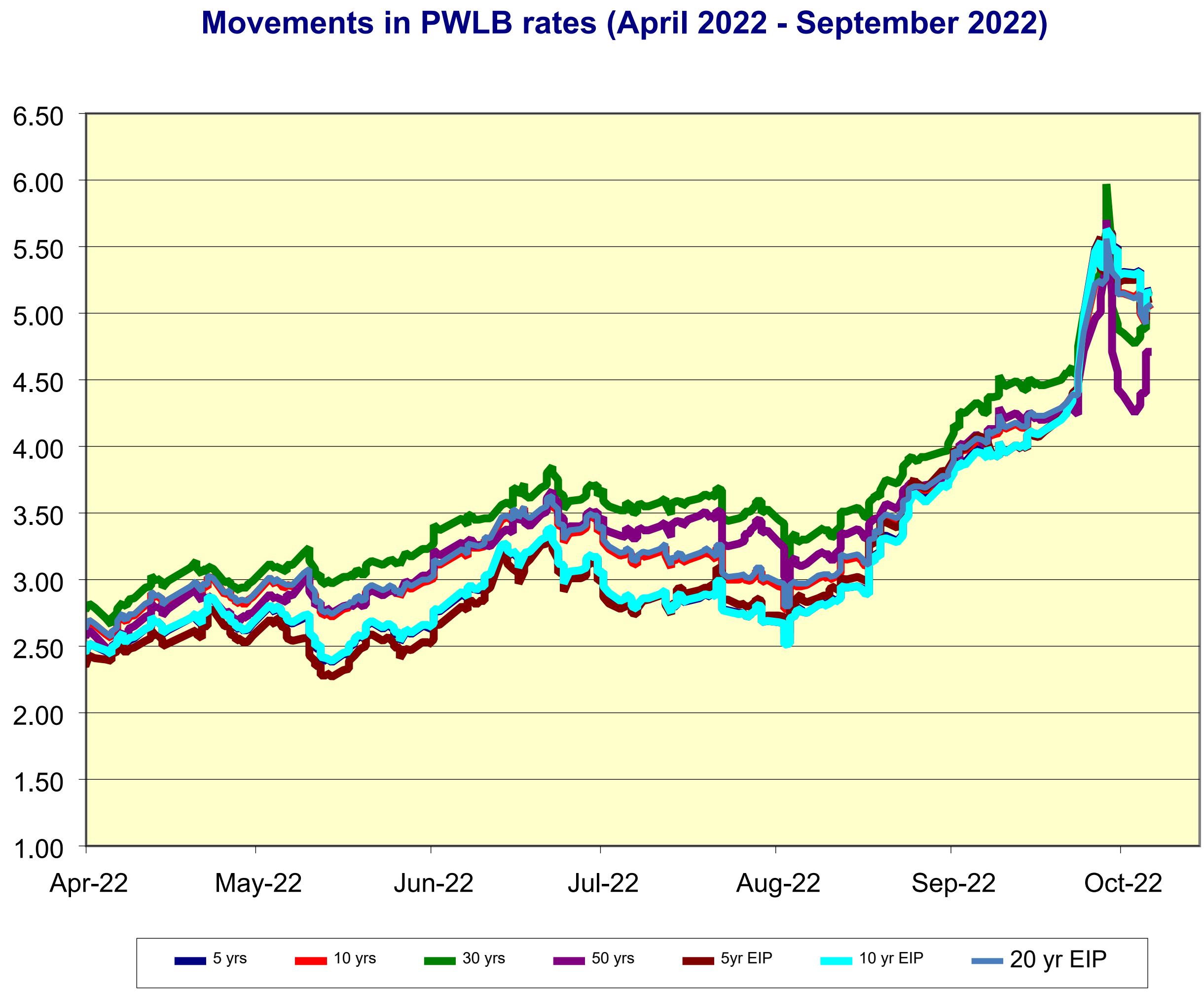
Table 2: PWLB Borrowing Rates – Fixed Rate, Equal Instalment of Principal (EIP) Loans

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2022	127/22	2.43	2.52	2.70	2.86	2.90	2.87
30/04/2022	164/22	2.58	2.68	2.88	3.05	3.09	3.05
31/05/2022	206/22	2.55	2.67	3.03	3.28	3.34	3.32
30/06/2022	246/22	3.00	3.06	3.40	3.68	3.76	3.73
31/07/2022	288/22	2.73	2.69	3.02	3.42	3.58	3.58
31/08/2022	331/22	3.83	3.73	3.81	4.08	4.16	4.11
30/09/2022	374/22	5.25	5.30	5.15	5.14	5.09	4.96
	Low	**2.27**	**2.39**	**2.57**	**2.72**	**2.75**	**2.72**
	High	**5.60**	**5.63**	**5.56**	**5.76**	**5.94**	**6.00**
	Average	**3.10**	**3.12**	**3.35**	**3.59**	**3.67**	**3.64**
	Spread	**3.33**	**3.24**	**2.99**	**3.04**	**3.19**	**3.28**

Table 3: PWLB Borrowing Rates – Fixed Rate, Maturity Loans

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2022	127/22	2.52	2.69	2.90	2.82	2.70	2.62
30/04/2022	164/22	2.67	2.87	3.09	2.99	2.84	2.75
31/05/2022	206/22	2.66	3.01	3.34	3.27	3.16	3.07
30/06/2022	246/22	3.06	3.38	3.76	3.68	3.55	3.47
31/07/2022	288/22	2.69	3.00	3.58	3.53	3.42	3.37
31/08/2022	331/22	3.82	3.88	4.23	4.10	3.94	3.87
30/09/2022	374/22	5.29	5.15	5.12	4.88	4.61	4.43
	Low	**2.38**	**2.56**	**2.75**	**2.66**	**2.52**	**2.44**
	High	**5.64**	**5.55**	**5.94**	**5.97**	**5.83**	**5.70**
	Average	**3.12**	**3.33**	**3.67**	**3.58**	**3.45**	**3.37**
	Spread	**3.26**	**2.99**	**3.19**	**3.31**	**3.31**	**3.26**

PAPER A



Movements in PWLB rates (April 2022 - September 2022)
6.50
6.00
5.50
5.00
4.50
4.00
3.50
3.00
2.50
2.00
1.50
1.00
Apr-22
May-22
Jun-22
Jul-22
Aug-22
Sep-22
Oct-22
5 yrs
10 yrs
30 yrs
50 yrs
5yr EIP
10 yr EIP
20 yr EIP