Hackney

Title of Report	Treasury Management Update
For Consideration By	Audit Committee
Meeting Date	18th January 2023
Classification	Open
Ward(s) Affected	All Wards
Group Director	Ian Williams, Group Director Finance and Corporate Resources

1. Introduction

1.1 This report covers both the half year treasury activity for 2022/23 - the detailed update on the treasury activity for the first six months of the financial year (Appendix 1) and the Q3 treasury activity update for the period October 2022 to December 2022 (Appendix 2).

2. Recommendations

2.1 There are no specific recommendations arising from this report. Audit Committee is therefore recommended to note the treasury management activity reports at Appendices 1 and 2

3. Reason(s) for decision

3.1 The Treasury Management Half Year Report is required in order to comply with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") which the Council has adopted. The quarterly update at Appendix 2 is presented in accordance with the Council's Treasury Management Strategy.

4. Background

Policy Context

4.1 The CIPFA code of practice requires that those charged with oversight receive regular updates on the progress of Council's treasury strategy during the year. Members are being provided with the detailed report on the first six months activity (to September 2022) with an update of the primary treasury indicators along with the Treasury Management Report which provides details of activity during the months of October to December 2022.

Equality impact assessment

4.2 There are no equality impact issues arising from this report

Sustainability and climate change

4.3 There are no sustainability and climate changes issues arising from this report.

Consultations

4.4 No consultations are required in respect of this report.

Risk assessment

4.5 There are no risks arising from this report as it reports on past events. Clearly though the treasury management function is a significant area of potential risk for the Council if the function was not properly carried out and monitored by those charged with responsibility for oversight. Regular reporting on treasury management ensures that the Committee is kept informed.

5. Comments of the Group Director of Finance and Corporate Resources.

5.1 The half yearly Treasury Activity Report provides an update to this Committee on the treasury activities undertaken on behalf of the Council for the first six months of the current financial year 2022/23. There are no direct financial consequences arising from the report as it reflects the first half year's performance. The information contained in this report will assist Members of this Committee in monitoring the treasury management activities and enable better understanding of such operations.

5.2 The treasury update report covers the period from October 2022 to December 2022 and reflects the most recent treasury activity.

6. Comments of the Director of Legal, Democratic and Electoral Services

6.1 The Accounts and Audit Regulations place obligations on the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which includes arrangements for management of risk. In addition the Council's Constitution and Financial Procedure Rules require reporting on Treasury Management activity to be carried out during the year in line with the CIPFA Code of Practice on Treasury Management. This report demonstrates that Treasury Management is meeting these requirements and adapting to changes as they arise.

6.2 There are no immediate legal implications arising from the report.

7. BACKGROUND

7.1 The half yearly Treasury Activity Report (Appendix 1) provides a summary for the Committee on the economic background for the first six months of the current financial year 2022/23, whilst the quarterly update report provides details of treasury management activity covering the period October 2022 to December 2022 (Appendix 2).

7.2 The Council has an increasing Capital Financing Requirement due to the delivery of its capital programme and therefore may need to borrow in future years, depending on the actual level of capital expenditure, other capital resources, reserves and cash balances.

7.3 With regard to the investment portfolio, security of capital remains the prime consideration. The average rate of interest received on investments at the end of December 2022 was 1.75% compared to average rate of interest received in December 2021 of 0.4%. The Council has taken a longer term view of its cash balances and interest rates and invested an element of its core cash for a short duration in highly secure counterparties.

APPENDICES

The appendices to this report details the treasury management activities undertaken by the Council. It sets out in detail the economic background in which the treasury management function has had to operate since the beginning of the financial year and the treasury activities which have taken place in the first six months of the financial year to end of September 2022 and for the period October 2022 to December 2022.

Appendix 1 – Treasury Management Half Year Activity Report 2022/23

Appendix 2 – Treasury Management Activity Q3 Update Report 2022/23

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Appendix 1

TREASURY MANAGEMENT HALF YEAR ACTIVITY REPORT 2022/23 (6 MONTHS TO 30TH SEPTEMBER 2022)

1. Background

1.1 The Annual Treasury Management Report is a requirement of the Council's reporting procedures and this report covers the treasury activity for the first six months of the financial year 2022/23, 1st April 2022 to 30th September 2022.

1.2 The Council's Treasury Management Strategy has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2017, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year.

1.3 The Code also recommends that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.

1.4 Treasury management is defined as: "The management of the local authority's investments, borrowings and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.5 The Authority's Treasury Management Strategy for 2022/23 was approved by the full Council on 2nd March 2022.

1.6 The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

2. Economic Background

2.1 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 referred to as mini budget' increased uncertainty further.

2.2 The 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. August's rise was voted by a majority of 8-1, with one MPC member preferring a more modest rise of 0.25%. the September vote was 5-4, with five votes for an 0.5% increase, three for an 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. 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% - 1% for all maturities with the rise most pronounced for shorter dated gilts. The swift rise in gilt yields left pension funds vulnerable, as it led to margin calls on their interest rate swaps and risked triggering large scale redemptions of assets across their portfolios to meet these demands. It became necessary for the Bank of England to intervene to preserve market stability through the purchase of long-dated gilts, albeit as a temporary measure, which has had the desired effect with 50-year gilt yields falling over 100 bps in a single day.

2.3 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% - 3.25%.

2.4 Eurozone CPI inflation reached 9.1% y/y in August, with energy prices the main contributor but also strong upward pressure from food prices. Inflation has increased steadily since April from 7.4%. 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%.

3. Debt Management

3.1 In the beginning of the year the Council had one external debt of £1.6m LEEF (London Energy Efficient Fund) loan from the European Investment Bank to fund housing regeneration. This loan is below market rate and was taken out in July 2014.

3.2 The Authority also had £70.5m of long term borrowing from PWLB at the beginning of the year. The PWLB long term borrowing was done during 2019-20 to finance part of the borrowing requirement within the Housing Revenue Account associated with the delivery of the housing capital programme, particularly in respect of regeneration. It will be repaid in equal instalments over a 25 year period. This new borrowing was entered into in order to take advantage of the low rates that were then available from PWLB, thereby locking these in and providing some certainty over financing costs for the future, whilst also taking account of the Council’s current liquidity position.

Table 1: Debt Portfolio positions as at 01/04/2022 and 30/09/2022

	Balance on 01/04/2022 £’000	**Balance on 30/09/2022 £’000**	**Avg Rate %**
Long Term Borrowing	72,100	69,850	1.93%
TOTAL BORROWING	**72,100**	**69,850**	
Other Long Term Liabilities	10,808	10,298	
TOTAL EXTERNAL DEBT	**82,908**	**80,148**	

Decrease in borrowing		**2,760**	

3.4 For the Council, the use of internal resources in lieu of borrowing has continued to be the most cost effective means of funding capital expenditure. However, this position was not sustainable over the medium term and therefore, the Council borrowed externally from PWLB to finance part of its housing capital regeneration programmes.

3.5 **PWLB Borrowing:** The Authority qualifies for borrowing at the 'Certainty Rate' (0.20% below the PWLB standard rate) for a 12 month period.

3.6 **Alternative borrowing sources:** Over the April-September period short term PWLB rates rose dramatically, particularly in late September after the Chancellor's 'mini-budget'. Over a twenty-four-hour period some PWLB rates increased to 6%, before the intervention had the desired effect, bringing rates back down by over 1% for certain maturities. This was an unprecedented period in fixed income markets, with a direct impact on PWLB rates. The Authority will evaluate and pursue lower cost alternative borrowing solutions and opportunities with its treasury advisor.

4. Investment Activity

4.1 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Cash flow forecasts indicated that during 2022/23 the Authority's investment balances would range between £50m and £150 million.

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

Table 2: Investment Portfolio positions as at 01/04/2022 and 30/09/2022

	Balance as at 01/04/2022 £'000	**Average Rate of Interest %**	**Balance as at 30/09/2022 £'000**	**Average Rate of Interest %**
Short term Investments*	15,045	-	20,049	-
Long term Investments	290	-	290	-
AAA-rated Stable Net Asset Value Money Market Funds	82,000	-	48,500	-
AAA rated Cash enhanced Variable Net Asset Value Money Market Funds	13,000	-	13,000	-
Housing Associations	15,000	-	15,000	-
	125,335	**0.7**	**96,839**	**1.49**

* *Less than one year*

4.2 Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement. Investments are currently held with the following below institutions:

- Other Local Authorities;
- AAA-rated Stable Net Asset Value Money Market Funds;
- AAA rated Cash enhanced Variable Net Asset Value Money Market Funds
- Deposits with UK Banks (Notice Accounts)
- UK Housing Associations

4.3 Counterparty credit quality is assessed and monitored with reference to Credit Ratings (the Council's minimum long-term counterparty rating of A- (or equivalent) across rating agencies Fitch, S&P and Moody's); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; sovereign support mechanisms /potential support from a well-resourced parent institution and share price.

4.4. Given the very low returns from short-term unsecured bank investments, the Authority will look to diversify into more secure and/or higher yielding asset classes during 2022/23, providing security of capital can be maintained. A proportion of the Authority's cash remains invested in short-term unsecured bank deposits, and money market funds.

5. Credit Risk

5.1 Counterparty credit quality remains an important factor in the Council's assessment of approved counterparties. The Council continuously monitors the overall credit quality of its investment portfolio and this is clearly demonstrated by the Credit Score Analysis summarised below. The credit scores are based on the Council's quarter-end in-house investment position.

Table 3: Credit Score Analysis

Date	Value Weighted Average – Credit Risk Rating	Value Weighted Average – Credit Score	Time Weighted Average – Credit Risk Rating	Time Weighted Average – Credit Score
30/06/2022	A+	5.0	A	5.9
31/07/2022	A+	5.1	A	6.0
31/08/2022	A+	5.1	A	6.0
30/09/2022	A+	5.3	A	6.1

Scoring:
-Value weighted average reflects the credit quality of investments according to the size of the deposit

-Time weighted average reflects the credit quality of investments according to the maturity of the deposit
-AAA = highest credit quality = 1
- D = lowest credit quality = 27
-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

6. Counterparty Update

6.1 On 23rd May 2022, the Chief Finance Officer of Northumberland Council issued a report under section 114(2) of the Local Government Finance Act 1988. S&P has affirmed Greater London Authority's long and short-term ratings at AA and A-1+ respectively, revising the outlook to Stable from Negative. In July 22 an article by the Bureau of Investigative Journalism published over the weekend makes serious allegations over Thurrock Borough Council's investments in the renewable energy sector. S&P has affirmed Greater London Authority's long and short-term ratings at AA and A-1+ respectively, revising the outlook to Stable from Negative.

7. Compliance with Prudential Indicators

7.1 The Council can confirm that it has to date complied with its Prudential Indicators for 2022/23, which were set in March 2022 as part of the Council's Treasury Management Strategy Statement.

Compliance with these Indicators is detailed below -

- **Capital Financing Requirement**

Estimates of the Council's cumulative maximum external borrowing requirement for 2021/22 to 2024/25 are shown in the table below. The numbers for 2021/22 to 2024/25 are provisional, ahead of February's annual budget report, and may be subject to change.

	31/03/22 Actuals £m	**31/03/23 Estimated £m**	**31/03/24 Estimated £m**	**31/03/25 Estimated £m**
Gross CFR	467	492	696	938
Less: Other Long Term Liabilities	11	10	9	7
Borrowing CFR	**456**	**482**	**687**	**931**
Less: Existing Profile of Borrowing	72	67	63	59
Gross Borrowing Requirement/Internal Borrowing	**384**	**415**	**624**	**872**
Balance Sheet Resources	510	480	450	420
Net Borrowing Requirement/(Investment Capacity)	**-126**	**-66**	**174**	**452**

- **Gross Debt and the Capital Financing Requirement**

In the Prudential Code Amendment (November 2012), it states that the chief finance officer should make arrangements for monitoring with respect to gross debt and the capital financing requirement such that any deviation is reported to him/her, since any such deviation may be significant and should lead to further investigation and action as appropriate.

This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with gross external debt.

	31/03/22 Actuals £m	**31/03/23 Estimated £m**	**31/03/24 Estimated £m**	**31/03/25 Estimated £m**
CFR	467	492	696	938
Gross Debt	72	67	63	59
Borrowed in excess of CFR? (Yes/No)	**No**	**No**	**No**	**No**

The Group Director of Finance and Corporate Resources reports that the Authority had no difficulty meeting this requirement to date, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

- **Estimates of Capital Expenditure**

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels. The numbers for 2021/22 to 2024/25 are provisional, ahead of February's annual budget report, and may be subject to change.

Capital Expenditure	**31/03/22 Actuals £m**	**31/03/23 Estimated £m**	**31/03/24 Estimated £m**	**31/03/25 Estimated £m**
HRA	102	69	148	133
Non-HRA	52	95	158	223
Total	**154**	**164**	**306**	**356**

Capital expenditure will be financed or funded as follows:

Capital Financing	31/03/22 Actuals £m	31/03/23 Estimated £m	31/03/24 Estimated £m	31/03/25 Estimated £m
Prudential Borrowing	9	60	192	246
RCCO	44	45	49	46
Capital receipts	51	27	21	28
Grants	22	16	24	32
S106/CIL	6	8	9	4
Reserves	22	8	11	0
Total Financing	**154**	**164**	**306**	**356**

The table above shows that the capital expenditure plans of the Authority cannot be funded entirely from sources other than external borrowing.

- **Capital Financing Requirement**

The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and financing.

Capital Financing Requirement	31/03/22 Actuals £m	31/03/23 Estimated £m	31/03/24 Estimated £m	31/03/25 Estimated £m
Total CFR	467	492	696	938

- **Authorised Limit and Operational Boundary for External Debt**

The Local Government Act 2003 requires the Council to set an **Authorised Borrowing Limit**, irrespective of their indebted status. This is a statutory limit which should not be breached.

The Council's **Authorised Borrowing Limit** was set at **£598m for 2022/23**.

The **Operational Boundary** is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit.

The **Operational Boundary for 2022/23 was set at £568m.**

The Group Director of Finance and Corporate Resources confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the year.

	Authorised Limit (Approved) 2022/23 £m	Operational Boundary (Approved) 2022/23 £m	Actual External Debt as at 30/09/2022 £m
Borrowing	580	550	73
Other Long-term Liabilities	18	18	11
Total	598	568	84

- **Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure**

  These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

  The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2022/23 £'000
Upper limit on one-year revenue impact of a 1% rise in interest rates	500
Compliance with Limits:	**Yes**
Upper limit on one-year revenue impact of a 1% fall in interest rates	500
Compliance with Limits:	**Yes**

- **Maturity Structure of Fixed Rate Borrowing**

  This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates. Limits were set to have maximum flexibility in managing existing borrowing while the current portfolio remains relatively small.

Maturity Structure of Fixed Rate Borrowing	**Lower Limit %**	**Upper Limit %**	**Actual Fixed Rate Borrowing as at 30/09/22**	**% Fixed Rate Borrowing as at 30/09/22**	**Compliance with Set Limits?**
under 12 months	0	100	4,500	1.92%	Yes
12 months and within 24 months	0	100	4,500	1.92%	Yes
24 months and within 5 years	0	100	12,900	1.92%	Yes
5 years and within 10 years	0	100	16,750	1.93%	Yes
10 years and within 20 years	0	100	26,000	2.02%	Yes
20 years and within 30 years	0	100	5,200	2.02%	Yes

- **Total principal sums invested for periods longer than 364 days**

This indicator allows the Council to manage the risk inherent in investments longer than 364 days.

The limit for 2021/22 was set at £90m.

During the reporting period, the Council had a total of £15.29m in a fixed term investment over 364 years.

- **Credit Risk**

This indicator has been incorporated to review the Council's approach to credit risk. The Council confirms it considers security, liquidity and yield, in that order, when making investment decisions.

Credit ratings remain an important element of assessing credit risk, but they are not the sole feature in the Authority's assessment of counterparty credit risk. The authority considers the following tools to assess credit risk:

- Published credit ratings of the financial institution and its sovereign;
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum.

The Council can confirm that all investments were made in line with minimum credit rating criteria set in the 2021/22 TMSS.

10. Summary

10.1 In compliance with the requirements of the CIPFA Code of Practice this report provides Members with a summary report of the treasury management activity during the first two quarters of 2022/23. As indicated in this report none of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

Appendix 2

TREASURY MANAGEMENT UPDATE 2022/23
(October 2022 to December 2022)

1. **Economic Highlights in 2022/23**

- **Growth**: UK gross domestic product (GDP) is estimated to have fallen by 0.3% in the third Quarter of 2022. This was a downward revision on the first estimate of a 0.2% fall. The level of savings increased from 6.7% in Q2 to 9.2% in Q3 while real incomes decreased by 0.5%.

- **Inflation:** Year-on-year CPI decreased from 11.1% in October to 10.7% in November. An usual occurrence; the CPI inflation rate coming in below expectations. Driven primarily by lower transport-related inflation (petrol and second hand cars), there were also signs of easing price pressures in other areas, such as alcohol and tobacco, clothing, and reaction and culture (mainly games, toys and hobbies). While food and restaurants placed some upward pressure on the 12 month rate, the wide ranging areas of downward pressure suggest that weak consumer demand is weighing on pricing power. However, the MPC is unlikely to look too favourably at one data point, especially with CPI remaining five times the target amid signs of strengthening wage growth. Bank Rate will therefore continue to rise over the next few months.

- **Monetary Policy:** The Bank of England's Monetary Policy Committee on the 14th December 2022 voted by a majority of 6-3 to increase the official Bank Rate by 0.50 percentage points, to 3.5%. Two members preferred to maintain Bank Rate at 3.0% and one member preferred an increase of 0.75 percentage points.

2. **Borrowing & Debt Activity**

2.1 The Authority currently has £1.2m in long-term external borrowing. This is made up of a single London Energy Efficiency Fund (LEEF) loan from the European Investment Bank to fund housing regeneration.

2.2 In addition, the Authority had £67.15m long term borrowing from PWLB. The PWLB long term borrowing is being used to finance part of the borrowing requirement within the Housing Revenue Account associated with the delivery of the housing capital programme, particularly in respect of regeneration. It will be repaid in equal instalments over a 25 year period. This new borrowing was entered into in order to take advantage of the low rates currently available from PWLB, thereby locking these in and providing some certainty over financing costs for the future, whilst also taking account of the Council's current liquidity position.

3. **Investment Policy and Activity**

3.1 The Council held average cash balances of £91 million during the two month period, compared to £124 million for the same period last financial year.

Table 1: Movement in Investment Balances 01/10/22 to 31/12/22

	Balance as at 01/10/2022 £'000	**Average Rate of Interest %**	**Balance as at 31/12/2022 £'000**	**Average Rate of Interest %**
Short term Investments*	20,049	-	20,049	-
Long term Investments	290	-	290	-
AAA-rated Stable Net Asset Value Money Market Funds	48,500	-	34,800	-
AAA rated Cash enhanced Variable Net Asset Value Money Market Funds	13,000	-	13,000	-
Housing Associations	15,000	-	15,000	-
	96,839	**1.49**	**83,139**	**1.75**

*deposits less than one year

3.2 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.

3.3 The Council's specific policy objective is to invest its surplus funds prudently. The Council's investment priorities are:

- security of the invested capital; liquidity of the invested capital; and,
- an optimum yield which is commensurate with security and liquidity.

3.4 The ongoing investment strategy remained cautious but counterparty credit quality remains strong, as can be demonstrated by the Credit Score Analysis summarised below:

Table 3: Credit Score Analysis

Date	Value Weighted Average – Credit Risk Rating	Value Weighted Average – Credit Score	Time Weighted Average – Credit Risk Rating	Time Weighted Average – Credit Score
31/10/2022	A+	5.3	A	6.2
30/11/2022	A+	5.3	A	6.2
31/12/2022	A+	5.4	A	6.3

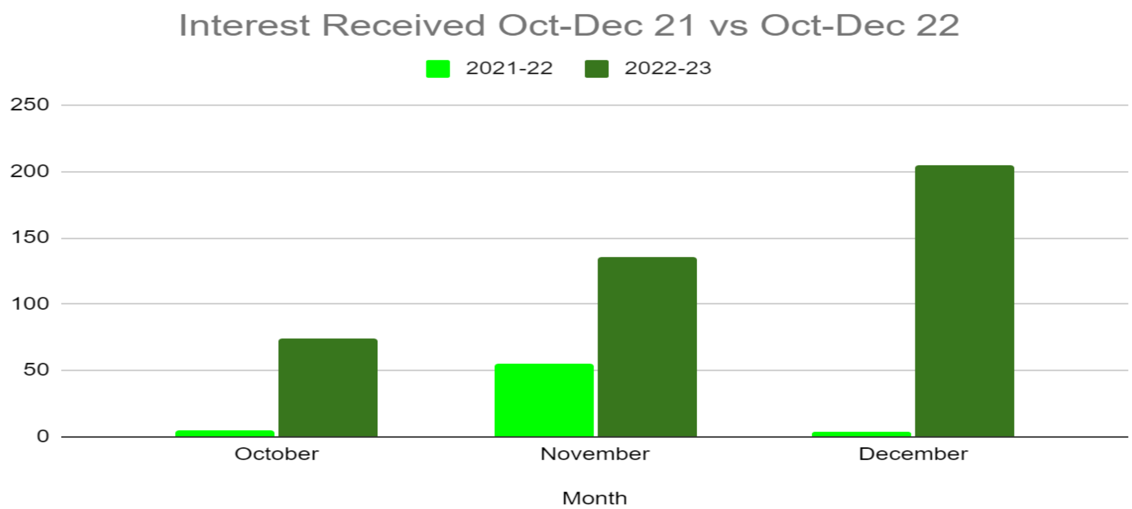
-Value we-weighted average reflects the credit quality of investments according to the size of the deposit
-Time weighted average reflects the credit quality of investments according to the maturity of the deposit
-AAA = highest credit quality = 1
- D = lowest credit quality = 27
-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

3.5 The Council continues to utilise AAAmmf/Aaa/AAAm rated Money Market Funds for its very short, liquidity-related surplus balances, together with high credit rated call accounts. This type of investment vehicle has continued to provide very good security and liquidity, although yield has suffered in recent months.

4. Comparison of Interest Earnings

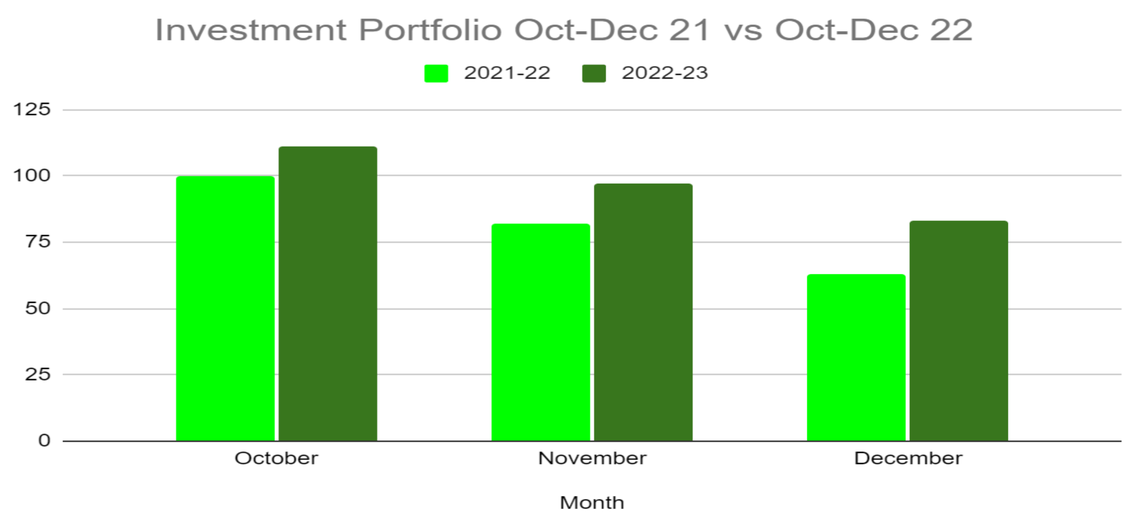
4.1 The Council continues to adopt a fairly cautious strategy in terms of investment counterparties and periods. Due to the volatility of available creditworthy counterparties, investments are placed in highly rated UK Government institutions, thus ensuring creditworthiness whilst increasing yields through the duration of the deposits.

4.2 The graph below provides a comparison of interest earnings for 2022/23 against the same period for 2021/22. Average interest received for the period October to December 2022 was £138k compared to £25k for the same period last financial year.



5. Movement in Investment Portfolio

5.1 Average investment levels for the period October to December 22 were £97 million in comparison to the same period last year of £82 million.



7. Summary

7.1 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during the above period of the financial year 2022/23. As indicated in this report, a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.