BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

TO: Joint Audit and Standards Committee	**REPORT NUMBER: JAC/23/12**
FROM: Melissa Evans, Director, Corporate Resources	**DATE OF MEETING: 27 November 2023**
OFFICER: Mike Hirst, Assistant Manager – Financial Accountant Sue Palmer, Senior Capital Finance Business Partner	**KEY DECISION REF NO. N/A**

HALF YEAR REPORT ON TREASURY MANAGEMENT 2023/24

1. PURPOSE OF REPORT

1.1 The report is part of the Councils' management and governance arrangements for Treasury Management activity under the CIPFA Code of Practice on Treasury Management ("the Code"). It provides Members with a comprehensive assessment of activities for the first six months of the financial year 2023/24.

1.2 The report specifically sets out the performance of the treasury management function, the effects of the decisions taken, and the transactions executed during the first six months of 2023/24 and any circumstances of non-compliance with the Councils' treasury management policy statement and treasury management practices.

2. OPTIONS CONSIDERED

2.1 This report fulfils the Councils' legal obligations to have regard to the Code and there are no other options to consider.

3. RECOMMENDATION TO BOTH COUNCILS

3.1 That the Treasury Management activity for the first six months of 2023/24 as set out in this report and Appendices be noted.

RECOMMENDATION TO BABERGH DISTRCIT COUNCIL

3.2 That it be noted that Babergh District Council's treasury management activity for the first six months of 2023/24 was in accordance with the approved Treasury Management Strategy, and that the Council has complied with all the Treasury Management Indicators for this period.

RECOMMENDATION TO MID SUFFOLK DISTRICT COUNCIL

3.3 That it be noted that Mid Suffolk District Council's treasury management activity for the first six months of 2023/24 was in accordance with the approved Treasury Management Strategy, and that, except for one occasion when the Council exceeded its daily bank account limit with Lloyds, as mentioned in Appendix C, paragraph 4.1, the Council has complied with all the Treasury Management Indicators for this period.

REASON FOR DECISION
It is a requirement of the Code of Practice on Treasury Management that full Council notes the Half-Year position.

4. KEY INFORMATION

4.1 The 2023/24 Treasury Management Strategy for both Councils was approved in February 2023.

4.2 The Strategy and activities are affected by several factors, including the regulatory framework, economic conditions, best practice and interest rate/liquidity risk. The attached appendices summarise the regulatory framework, economic background and information on key activities for the first six months of 2023/24.

4.3 The Joint Treasury Management outturn report for 2022/23 was presented to Members at the Joint Audit and Standards Committee on 31 July 2023.

4.4 The Section 151 Officer is pleased to report that all treasury management activities undertaken in the first half of the year complied fully with the CIPFA Code of Practice and the Councils' approved Treasury Management Strategy and that both Councils have complied with all the Treasury Management Indicators for this period.

4.5 The Treasury Management Indicators aim to ensure that the capital investments of local authorities are affordable, prudent, and sustainable and that treasury management decisions are taken in accordance with good professional practice.

4.6 Appendix D shows the position on key Treasury Management Indicators for the first six months of 2023/24.

4.7 Key points relating to activity for the first half of the year are set out below:

- The economic backdrop during the April 2023 to September 2023 continued to be characterised by ongoing high inflation and its impact on consumers' cost of living, high interest rates and flat GDP.

- July 2023 data showed that the unemployment rate increased to 4.3% (3mth/year) while the employment rate rose to 75.5%. Pay growth was 8.5% for total pay (including bonuses) and 7.8% for regular pay, which for the latter was the highest recorded annual growth rate. Adjusting for inflation, pay growth in real terms were positive at 1.2% and 0.6% for total pay and regular pay respectively.

- Consumer confidence continued to fall in October 2023, reaching -30 from -21 in September 2023, very low levels seen in that indicator as the outlook for the economy weakens over the coming years.

- In November 2023 the Monetary Policy Committee (MPC) decided to keep bank rates stable at 5.25%. With the decision being a majority 6-3 to maintain rates, this supports the view that we may now be at the peak for Bank Rate, but the MPC were keen to reemphasise that rates will likely remain high for the foreseeable future until inflation is closer to the 2% target.

- UK Inflation continued to fall from its peak as annual headline CPI declined to 6.7% in July 2023 from 6.8% in the previous month against expectations for a tick back up to 7.0%.
- Investment of surplus funds - As market conditions, credit ratings and bank ring-fencing have changed during the year, institutions that the Councils invest with, and the period of the investments have been reviewed.
- Credit risk scores were within the benchmark A- credit ratings.
- Babergh's overall debt reduced by £9.2m, mainly due to repaying short-term local authority loans.
- Mid Suffolk's overall debt reduced by £10.1m, due to receipts of money from Gateway 14 Ltd.

4.8 Money market funds, short-term deposits and call accounts are used to make short term investments on a daily basis.

4.9 Appendix A sets out the issues that are impacting on current and future treasury management activity.

5. LINKS TO JOINT CORPORATE PLAN

5.1 Ensuring that the Councils have the resources available underpins the ability to achieve the priorities set out in the Joint Corporate Plan.

6. FINANCIAL IMPLICATIONS

6.1 As outlined in this report and appendices.

7. LEGAL IMPLICATIONS

7.1 The legal status of the Treasury Management Code derives in England from regulations issued under the Local Government Act 2003 (the 2003 Act).

7.2 Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 1 of the 2003 Act.

7.3 The latest statutory guidance on local government investments was issued under section 15(1)(a) of the 2003 Act and effective for financial years commencing on or after 1 April 2018. Under that section local authorities "shall have regard to such guidance as the Secretary of State may issue".

8. RISK MANAGEMENT

8.1 The key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
If the Councils lose the investments this will impact on their ability to deliver services.	Highly Unlikely (1)	Bad (3)	Strict lending criteria for high credit rated institutions.
If the Councils achieve a poorer return on	Probable (3)	Noticeable (2)	Focus is on security and liquidity, and careful

Risk Description	Likelihood	Impact	Mitigation Measures
investments than planned, there will be fewer resources available to deliver services.			cash flow management in accordance with the TM Strategy is undertaken throughout the year.
If the Councils have liquidity problems, then they will be unable to meet their short-term liabilities.	Unlikely (2)	Noticeable (2)	As above.

9. CONSULTATIONS

9.1 Regular meetings have taken place with the Councils' treasury advisors, Arlingclose, who also provide important updates on treasury management issues as they arise.

10. EQUALITY ANALYSIS

10.1 An equality analysis has not been completed because the report content does not have any impact on the protected characteristics.

11. ENVIRONMENTAL IMPLICATIONS

11.1 On 25 September 2023 Joint Audit and Standards Committee received an update on Environmental, Social and Governance (ESG) and the Councils investments (Report JAC/23/09). It was agreed by this Committee that further work was needed to establish investment criteria that aligns with the Councils carbon reduction commitment. Options for consideration on this matter will be presented to both Councils in the 2024/25 Treasury Management Strategy.

11.2 The Joint Audit and Standards Committee recognised that any decision to withdraw funds should be balanced against financial prudence.

12. APPENDICES

Title	Location
Background, Economy and Outlook	Appendix A
Borrowing Strategy	Appendix B
Investment Activity	Appendix C
Treasury Management indicators	Appendix D
Glossary of Terms	Appendix E

13. BACKGROUND DOCUMENTS

13.1 CIPFA’s Code of Practice on Treasury Management (“the Code”)

13.2 Joint Treasury Management Strategy 2023/24 (Paper JAC/21/42)

13.3 Environmental, Social and Governance (ESG) Update (JAC/23/09)

Background, Economy and Outlook

1. Introduction

1.1 In February 2012 both Councils adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Councils to approve treasury management half year and annual reports.

1.2 This report includes the new requirement in the 2021 Code, mandatory from 1st April 2023, of quarterly reporting of the treasury management prudential indicators. The non-treasury prudential indicators are incorporated in the Councils normal quarterly financial monitoring report.

1.3 The Joint Treasury Management Strategy for 2023/24 was approved at both full Councils in January 2023. Both Councils have borrowed and invested substantial sums of money and are therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Councils Treasury Management Strategy.

2. External Context

2.1 **Economic background:**

2.2 UK inflation remained stubbornly high over much the period compared to the US and euro zone, keeping expectations elevated of how much further the Bank of England (BoE) would hike rates compared to the regions. However, inflation data published in the latter part of the period undershot expectations, causing financial markets to reassess the peak in BoE Bank Rate. This was followed very soon after by the BoE deciding to keep Bank Rate on hold at 5.25% in September 2023, against expectation for another 0.25% rise.

2.3 Economic growth in the UK remained relatively weak over the period. In calendar Q2 2023, the economy expanded by 0.2%. However, monthly GDP data showed a 0.5% contraction in July, the largest fall to date in 2023 and worse than the 0.2% decline predicted which could be an indication the monetary tightening cycle is starting to cause recessionary or at the very least stagnating economic conditions.

2.4 July 2023 data showed the unemployment rate increased to 4.3% (3mth/year) while the employment rate rose to 75.5%. Pay growth was 8.5% for total pay (including bonuses) and 7.8% for regular pay, which for the latter was the highest recorded annual growth rate. Adjusting for inflation, pay growth in real terms were positive at 1.2% and 0.6% for total pay and regular pay respectively.

2.5 Inflation continued to fall from its peak as annual headline CPI declined to 6.7% in July 2023 from 6.8% in the previous month against expectations for a tick back up to 7.0%. The largest downward contribution came from food prices. The core rate also surprised on the downside, falling to 6.2% from 6.9% compared to predictions for it to only edge down to 6.8%

2.6 The Bank of England's Monetary Policy Committee continued tightening monetary policy over most of the period, taking Bank Rate to 5.25% in August 2023. Against expectations of a further hike in September 2023, the Committee voted 5-4 to maintain Bank Rate at 5.25%. Each of the four dissenters were in favour of another 0.25% increase.

2.7 Financial market Bank Rate expectations moderated over the period as falling inflation and weakening data gave some indication that higher interest rates were working. Expectations fell from predicting a peak of over 6% in June 2023 to 5.5% just ahead of the September 2023 MPC meeting, and to then expecting 5.25% to be the peak by the end of the period.

2.8 Following the September 2023 MPC meeting, Arlingclose, the Councils treasury adviser, modestly revised its interest forecast to reflect the central view that 5.25% will now be the peak in Bank Rate. In the short term the risks are to the upside if inflation increases again, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected.

2.9 The European Central Bank increased its key deposit, main refinancing, and marginal lending interest rates to 4.00%, 4.50% and 4.75% respectively in September 2023, and hinted these levels may represent the peak in rates but also emphasising rates would stay high for as long as required to bring inflation down to target.

2.10 Although continuing to decline steadily, inflation has been sticky, Eurozone annual headline CPI fell to 5.2% in August 2023 while annual core inflation eased to 5.3% having stuck at 5.5% in the previous two months. GDP growth remains weak, with recent data showing the region expanded by only 0.1% in the three months to June 2023, the rate as the previous quarter.

2.11 **Financial markets:**

2.12 Financial market sentiment and bond yields remained volatile, with the latter generally trending downwards as there were signs inflation, while still high, was moderating and interest rates were at a peak.

2.13 Gilt yields fell towards the end of the period. The 5-year UK benchmark gilt yield rose from 3.30% to peak at 4.91% in July 2023 before trending downwards to 4.29%, the 10-year gilt yield rose from 3.43% to 4.75% in August 2023 before declining to 4.45%, and the 20-year yield from 3.75% to 4.97% in August 2023 and then fell back to 4.84%. The Sterling Overnight Rate (SONIA) averaged 4.73% over the period.

2.14 **Credit background:**

2.15 Having completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues, in March 2023 Arlingclose reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days. This stance continued to be maintained at the end of the period.

2.16 During the second quarter of the period, Moody's revised the outlook on Svenska Handelsbanken to negative from stable, citing concerns around the Swedish real estate sector.

2.17 Having put the US sovereign rating on Rating Watch Negative earlier in the period, Fitch took further action in August, downgrading the long-term rating to AA+, partly around ongoing debt ceiling concerns but also an expected fiscal deterioration over the next couple of years.

2.18 Following the issue of a Section 114 notice, in September 2023 Arlingclose advised against undertaking new lending to Birmingham City Council, and later in the month cut its recommended duration on Warrington Borough Council to a maximum of 100 days

2.19 Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress and although no changes were made to recommended durations over the period, Northern Trust Corporation was added to the counterparty list.

2.20 Heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remains under constant review.

3 Outlook for the remainder of 2023/24: (based on data of 10th November 2023)

3.1 In November 2023 the MPC decided to keep bank rates stable at 5.25%. With the decision being a majority 6-3 to maintain rates, this supports the view that we may now be at the peak for Bank Rate, but the MPC were keen to reemphasise that rates will likely remain high for the foreseeable future until inflation is closer to the 2% target.

3.2 Arlingclose, believes that cuts in the Bank Rate will not come in until late 2024, with a caveat that a recession may increase pressure on the MPC to cut rates further, potentially as low as 3% depending on how the economy develops.

3.3 This decision came alongside an updated Monetary Policy Report, which documented the MPC's expectation that GDP will remain mostly flat until 2024 but well below the historic average in the medium term. Unemployment is expected to rise over the next few years with 5% being the central case but the risk range reaching as high as 8%. There is still significant uncertainty around the CPI forecast and how long it will take to return to the 2% target, but the MPC have suggested that it will not be before late 2024.

4 Background:

4.1 The UK Economy avoided falling into negative territory in Q3 by the smallest of margins. Despite this, September GDP grew by 0.2% - belying the downwards quarterly trend, led by widespread weakness in the domestic economy; consumer, Government and business spending all declined in Q3, while net trade increased.

4.2 The money supply contracted from -0.6% in August to -4.2% in September 2023 as the effects of higher Bank Rates weigh on activity. On the credit side of things, there was less mortgage lending than repayments made which means there was an overall fall in the amount of credit available in that sector. Consumer credit eased from £1.7bn in August 2023 to £1.4bn in September 2023.

4.3 Consumer confidence continued to fall in October 2023, reaching -30 from -21 in September 2023, very low levels seen in that indicator as the outlook for the economy weakens over the coming years.

4.4 Elsewhere in the world the US's Federal Reserve chose to keep the interest rate stable at its November 2023 meeting, in line with decisions made by the UK and the ECB. Although the USA has a much lower rate of inflation as they are less beholden to external supply factors putting upward pressure on inflation, there is still work to be done after a string of strong economic data and labour market indicators.

4.5 Arlingclose – Forecast rates (based on data of 8th November 2023**)**

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

5 Local Context

5.1 On 31 March 2023, Babergh had a net borrowing requirement of £112m and Mid Suffolk had a net borrowing requirement of £106m arising from revenue and capital income and expenditure.

5.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 that follows.

5.3 **Table 1: Balance Sheet Summary**

Balance Sheet Summary	31.03.23 Babergh £m	31.03.23 Mid Suffolk £m
General Fund CFR	75.646	85.198
HRA CFR	94.419	105.839
Total CFR	**170.065**	**191.037**
(Less): Usable reserves	(51.169)	(76.513)
(Less) / Add: Working capital	(6.632)	(8.791)
Net borrowing requirement	**112.264**	**105.733**

5.4 Higher official interest rates have increased the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing. The current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

5.5 The treasury management position on 30 September 2023 and the change during the half year is shown in Table 2.

5.6 **Table 2: Treasury Management Summary**

Babergh	31.03.23 Balance £m	Movement £m	30.9.23 Balance £m	30.9.23 Rate %
Long-term borrowing	93.843	(0.280)	93.562	3.21%
Short-term borrowing	31.000	(9.000)	22.000	4.45%
Total borrowing	**124.843**	**(9.280)**	**115.562**	
Long-term investments	11.055	(0.017)	11.038	4.89%
Short-term investments	3.000	(2.500)	0.500	4.87%
Cash and Cash equivalents	1.716	(0.285)	1.431	4.66%
Total Investments	**15.771**	**(2.802)**	**12.970**	
Net borrowing	**109.071**		**102.593**	

Mid Suffolk	31.03.23 Balance £m	Movement £m	30.9.23 Balance £m	30.9.23 Rate %
Medium / Long-term borrowing	98.729	(8.061)	90.668	2.64%
Short-term borrowing	24.000	(2.000)	22.000	4.00%
Total borrowing	**122.729**	**(10.061)**	**112.668**	
Long-term investments	11.056	(0.009)	11.047	4.90%
Short-term investments	5.000	(2.000)	3.000	4.74%
Cash and Cash equivalents	1.597	0.296	1.892	4.62%
Total Investments	**17.653**	**(1.713)**	**15.939**	
Net borrowing	**105.076**		**96.729**	

1 Borrowing Strategy

1.1 On 30 September 2023 Babergh held £115.6m of loans, a decrease of £9.3m and Mid Suffolk held £112.7m of loans, a decrease of £10.1m since 31 March 2023.

1.2 Babergh has reduced net overall borrowing by making repayments on long term Public Works Loan Board (PWLB) loans and by repaying short-term local authority loans.

1.3 Mid Suffolk has reduced net overall borrowing by making repayments on long term PWLB loans and repaying both medium-term and short-term loans with other local authorities.

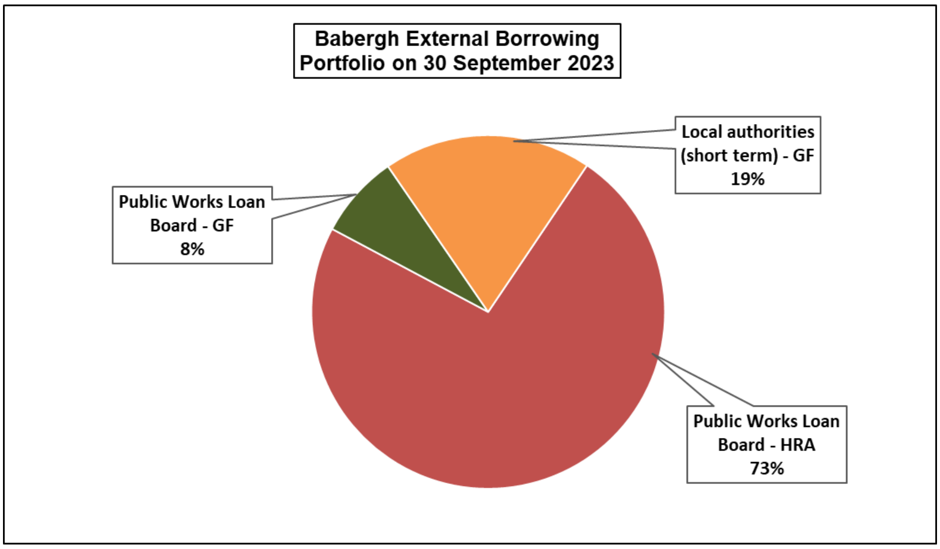
1.4 The borrowing position on 30 September 2023 is shown in Table 3.

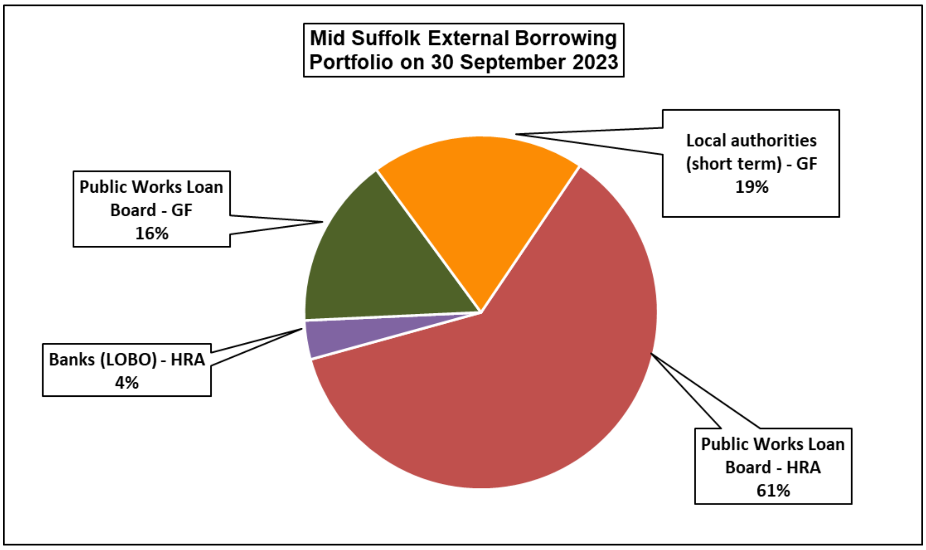
1.5 **Table 3: Borrowing Position**

Babergh	31.03.23 Balance £m	Movement £m	30.09.23 Balance £m	30.09.23 Weighted Average Rate %
Public Works Loan Board - HRA	84.747	0.000	84.747	3.30%
Public Works Loan Board - GF	9.096	(0.280)	8.815	2.33%
Local authorities (short term)	31.000	(9.000)	22.000	4.45%
Total borrowing	**124.843**	**(9.280)**	**115.562**	

Mid Suffolk	31.03.23 Balance £m	Movement £m	30.09.23 Balance £m	30.09.23 Weighted Average Rate %
Public Works Loan Board - HRA	69.037	0.000	69.037	3.57%
Banks (LOBO) - HRA	4.000	0.000	4.000	4.21%
Public Works Loan Board - GF	18.192	(0.561)	17.631	2.33%
Local authorities (Med / Long term)	7.500	(7.500)	0.000	0.38%
Local authorities (short term)	24.000	(2.000)	22.000	4.00%
Total borrowing	**122.729**	**(10.061)**	**112.668**	

Table 3 - Charts - The Councils' Borrowing Portfolios on 30 September 2023:





1.6 The Councils chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with the secondary objective of having flexibility to renegotiate loans should the Councils' long-term plans change. The Councils borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

1.7 There was a substantial rise in the cost of both short- and long-term borrowing over the last 18 months. Bank Rate rose by 1% from 4.25% at the beginning of April to 5.25% at the end of September 2023. Bank Rate was 2% higher than at the end of September 2022.

1.8 UK gilt yields were volatile, mainly facing upward pressure since early April following signs that UK growth had been more resilient, inflation stickier than expected, and that the Bank of England saw persistently higher rates through 2023/24 as key to dampening domestic demand. Gilt yields, and consequently PWLB borrowing rates, rose and broadly remained at elevated levels. On 30th September 2023, the PWLB certainty rates for maturity loans were 5.26% for 10-year loans, 5.64% for 20-year loans and 5.43% for 50-year loans. Their equivalents on 31st March 2023 were 4.33%, 4.70% and 4.41% respectively.

1.9 A new PWLB HRA rate which is 0.4% below the certainty rate was made available from 15th June 2023. Initially available for a period of one year, this discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans.

1.10 The Treasury Management Strategy shows that, as at 31st March 2023 Babergh's CFR has continued to increase when compared to the previous year whilst Mid Suffolk's has decreased in the same period. The estimated net borrowing requirements for both councils are outlined at various points further on in this document.

1.11 Both Councils repaid medium-term and short-term borrowing in the period.

1.12 LOBO loans: Mid Suffolk continues to hold £4m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the first half of 2023/24.

2 Borrowing Update

2.1 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Councils.

2.2 PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield. The Councils are not planning to purchase any investment assets primarily for yield within the next three years and so are able to fully access the PWLB.

2.3 Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing, and treasury management.

2.4 Competitive market alternatives may be available for authorities with or without access to the PWLB. However, the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders.

Revised PWLB Guidance

2.5 HM Treasury published further guidance on PWLB borrowing in August 2021 providing additional detail and clarifications predominantly around the definition of an ‘investment asset primarily for yield’. The principal aspects of the new guidance are:

- Capital expenditure incurred or committed to before 26 November 2020 is allowable even for an ‘investment asset primarily for yield’.

- Capital plans should be submitted by local authorities via a DELTA return. These open for the new financial year on 1 March and remain open all year. Returns must be updated if there is a change of more than 10%.

- An asset held primarily to generate yield that serves no direct policy purpose should not be categorised as service delivery.

- Further detail on how local authorities purchasing investment assets primarily for yield can access the PWLB for the purposes of refinancing existing loans or externalising internal borrowing.

- Additional detail on the sanctions which can be imposed for inappropriate use of the PWLB loan. These can include a request to cancel projects, restrictions to accessing the PLWB and requests for information on further plans.

1 Treasury Investment Activity

1.1 CIPFA revised TM Code defines treasury management investments as those which arise from the Councils cash flows or treasury risk management activity that ultimately represents balances which need to be invested until the cash is required for use in the course of business.

1.2 Babergh and Mid Suffolk hold invested funds, representing income received in advance of expenditure plus balances and reserves held. During the first half of 2023/24, Babergh's investment balances ranged between £12.5m and £23.3m. Mid Suffolk's investment balances ranged between £11.2m and £25.1m. These movements are due to timing differences between income and expenditure.

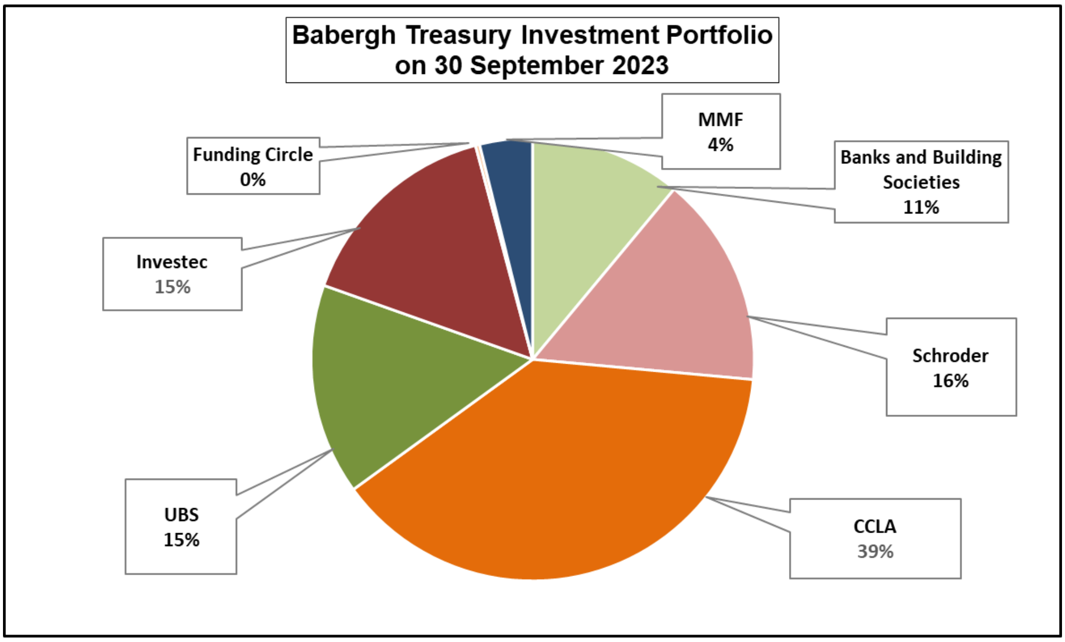
1.3 The investment position and weighted average rates during the first six months of the year is shown in Table 4.

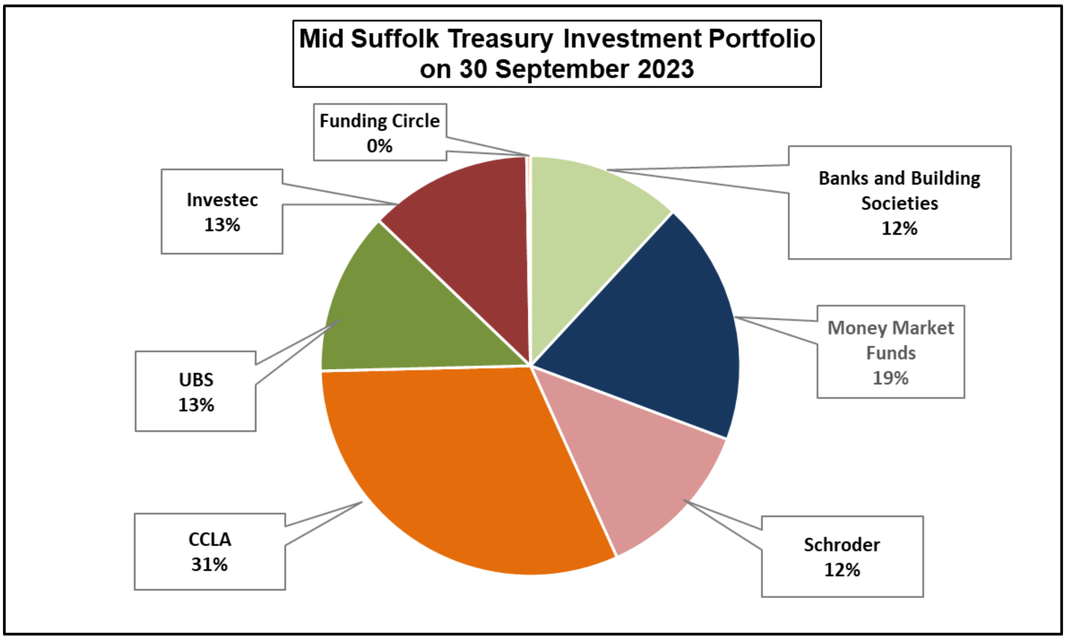
1.4 **Table 4: Treasury Investment Position**

Babergh	31.03.23 Balance £m	Movement £m	30.09.23 Balance £m	30.09.23 Weighted Average Rate %
Banks and Building Societies	1.716	(0.285)	1.431	4.66%
Money Market Funds	3.000	(2.500)	0.500	4.87%
Other Pooled Funds	11.055	(0.017)	11.038	4.89%
Total Investments	**15.771**	**(2.802)**	**12.970**	

Mid Suffolk	31.03.23 Balance £m	Movement £m	30.09.23 Balance £m	30.09.23 Weighted Average Rate %
Banks and Building Societies	1.597	0.296	1.892	4.62%
Money Market Funds	3.000	0.000	3.000	4.77%
Other Pooled Funds	11.056	(0.009)	11.047	4.90%
Other Local Authorities	2.000	(2.000)	0.000	3.89%
Total Investments	**17.653**	**(1.713)**	**15.939**	

1.5 The Councils' Investment Portfolios on 30 September 2023:





1.6 Both the CIPFA Code and government guidance requires the Councils to invest their funds prudently, and to have regard to the security and liquidity of their treasury investments before seeking the optimum rate of return, or yield. The Councils objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

1.7 Bank Rate increased by 1%, from 4.25% at the beginning of April 2023 to 5.25% by the end of September 2023. Short-dated cash rates rose commensurately, with 3-month rates rising to around 5.25% and 12-month rates to nearly 6%.

1.8 The rates on DMADF deposits also rose, ranging between 4.8% and 5.4% by the end of June 2023 and Money Market Rates between 3.98% and 4.09% in April and between 5.19% and 5.35% by the end of September 2023.

1.9 Neither Council made further investments in strategic pooled funds (e.g.pooled property, multi asset and equity funds) during the period.

1.10 The average rate of return is significantly higher than the comparable average returns of Arlingclose's other clients, as shown in Table 5. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking.

1.11 **Table 5: Investment Benchmarking – Treasury investments managed in-house.**

Babergh	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return
31.03.2023	4.90	A+	100%	1	4.35%
30.06.2023	4.96	A+	100%	1	4.68%
30.09.2023	4.93	A+	100%	1	4.94%

Mid Suffolk	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return
31.03.2023	4.85	A+	100%	1	4.22%
30.06.2023	4.75	A+	100%	1	4.55%
30.09.2023	4.77	A+	100%	1	4.84%

Arlingclose Benchmarks for 30.09.23	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return
Similar LAs	4.43	AA-	56%	63	4.71%
All LAs	4.47	AA-	59%	13	4.79%

1.12 Bail-in involves the shareholders and creditors of a failing financial institution meeting the costs, instead of the government. Babergh and Mid Suffolk have a higher proportion of investments in strategic pooled funds compared to total investments, so their bail-in exposure is proportionately higher than the local authorities in Arlingclose's benchmarking group. Babergh and Mid Suffolk have chosen to adopt a strategy of generating higher returns by investing funds available in banks and strategic pooled funds.

1.13 Each Council has £11m of externally managed strategic pooled equity, property and multi assets funds where short-term security and liquidity are lesser considerations, and the primary objectives instead are regular revenue income and long-term price stability. Since the date of the initial investments, these have generated a total income return, used to support service provision, of £3.68m for Babergh and £3.53m for Mid Suffolk. Both Councils have achieved an average rate of return for the period of 3.93%.

1.14 These pooled funds have no defined maturity date but are available for withdrawal after a notice period. Their performance and continued suitability in meeting the Councils' investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years, but with the confidence that over a three to five-year period total returns will exceed cash interest rates. Investment in these funds has been maintained during the first six months of the year.

1.15 Since 2018/19, the International Financial Reporting Standards for pooled funds states that changes in valuations must be taken through the general fund. A statutory override was granted until 2022/23 so these changes will have no impact on the "bottom line" until 2023/24.

1.16 The Department for Levelling Up, Housing and Communities (DLUHC) undertook a consultation on the status of the statutory override between August and October 2022. Under the override, fair value movements in the value of pooled funds are recorded by local authorities in an unusable reserve rather than in the general fund.

1.17 DLUHC announced the outcome of the consultation on 6th April 2023. The override was extended until 31st March 2025, but no other changes were made. Whether the override will be extended beyond the new end date is unknown but in the commentary to the consultation outcome the following statement suggests that may not be the case: "The government expects authorities to carefully consider their current and future investments, including whether volatility and risk can be managed without detriment to service delivery and sustainability, while complying with proper accounting practices". The Councils will keep their investment position under review.

1.18 It would be prudent to set aside any increases in valuation to a reserve to mitigate future potential losses. These pooled funds are long term investments, and the Councils should not consider selling the units whilst their value is less than the original investment.

2 Long Term investments – Pooled Fund Performance

2.1 Financial market conditions were volatile during the six-month period. Global bond yields rose and remained elevated as it became apparent that policymakers were looking to keep rates high for some time amid persistently higher core inflation and tight labour markets.

2.2 The UK, Euro area and US equity markets were initially helped by resilient growth data and diminishing talk of recession. A weaker currency and better-than-expected fundamentals were broadly supportive for UK equities. However, the global outlook was clouded by the slowdown in China. The FTSE All Share index fell marginally from 4157 on 31st March 2023 to 4127 on 30th September 2023, whilst the MSCI World Index rose from 2791 to 2853 over the same period. The changes in equity valuations are reflected in the equity and multi-asset income funds.

2.3 The capital value of the property fund is slightly below that on 31 March 2023. Market values of all the pooled funds on 31 March 2023 and 30 September 2023 are as shown in the tables 6.1 to 6.5.

2.4 The Councils objective is to retain these investments in pooled funds to generate an income return. These are long-term investments and would only be redeemed when capital growth had been achieved. Table 6 that follows is a summary of performance by fund from initial investment date until the most recent return valuation available and details of interest received.

2.5 **Pooled Fund Performance**

2.6 Both Councils invested £5m each into the CCLA Local Authority Property Fund. Babergh purchased 1.657m units on 31 August 2015 and Mid Suffolk 1.632m units on 29 October 2015. The valuations are based on the number of units owned.

2.7 **Table 6.1 CCLA Performance**

CCLA	Babergh				
	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m	6 months Movement £m	30.9.23 Balance £m
Amount invested	5.000		5.000		5.000
Investment Valuation	5.631	(0.928)	4.703	(0.006)	4.697
Cumulative Net Interest received from date of initial investment	**1.413**	**0.199**	**1.612**	**0.107**	**1.718**
Annual Performance					
Net Interest received in year	**0.182**		**0.199**		**0.107**
Average Rate of Return for year	**3.64%**		**3.97%**		**4.26%**

CCLA	Mid Suffolk				
	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m	6 months Movement £m	30.9.23 Balance £m
Amount invested	5.000		5.000		5.000
Investment Valuation	5.544	(0.914)	4.630	(0.006)	4.624
Cumulative Net Interest received from date of initial investment	**1.357**	**0.196**	**1.553**	**0.105**	**1.658**
Annual Performance					
Net Interest received in year	**0.179**		**0.196**		**0.105**
Average Rate of Return for year	**4.12%**		**3.91%**		**4.19%**

2.8 Both Councils invested £2m each into the Schroder Income Maximiser Fund on 10 February 2017.

2.9 **Table 6.2 Schroder Performance**

Schroder Maximiser Fund	Babergh				
	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m	6 months Movement £m	30.9.23 Balance £m
Amount invested	2.000		2.000		2.000
Investment Valuation	1.707	(0.091)	1.616	(0.096)	1.520
Cumulative Net Interest received from date of initial investment	**0.665**	**0.126**	**0.791**	**0.063**	**0.854**
Annual Performance					
Net Interest received in year	**0.110**		**0.126**		**0.063**
Average Rate of Return for year	**5.49%**		**6.28%**		**6.32%**

Schroder Maximiser Fund	Mid Suffolk				
	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m	6 months Movement £m	30.9.23 Balance £m
Amount invested	2.000		2.000		2.000
Investment Valuation	1.707	(0.091)	1.616	(0.096)	1.520
Cumulative Net Interest received from date of initial investment	**0.665**	**0.126**	**0.791**	**0.063**	**0.854**
Annual Performance					
Net Interest received in year	**0.110**		**0.126**		**0.063**
Average Rate of Return for year	**5.49%**		**6.28%**		**6.32%**

2.10 Babergh invested £2m in the UBS Multi Asset Income Fund on 26 November 2015, whilst Mid Suffolk invested £2m on 28 March 2017.

2.11 **Table 6.3 UBS Performance**

UBS	Babergh 31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m	6 months Movement £m	30.9.23 Balance £m
Amount invested	2.000		2.000		2.000
Investment Valuation	1.736	(0.288)	1.448	(0.030)	1.418
Cumulative Net Interest received from date of initial investment	**0.535**	**0.094**	**0.629**	**0.052**	**0.681**
Annual Performance					
Net Interest received in year	**0.083**		**0.094**		**0.052**
Average Rate of Return for year	**4.15%**		**4.72%**		**5.14%**

UBS	Mid Suffolk 31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m	6 months Movement £m	30.9.23 Balance £m
Amount invested	2.000		2.000		2.000
Investment Valuation	1.733	(0.287)	1.446	(0.030)	1.416
Cumulative Net Interest received from date of initial investment	**0.439**	**0.099**	**0.538**	**0.051**	**0.589**
Annual Performance					
Net Interest received in year	**0.083**		**0.099**		**0.051**
Average Rate of Return for year	**4.14%**		**4.96%**		**5.13%**

2.12 Both Councils invested £2m each in the Investec Ninety-One Diversified Income I Fund on 24 May 2019. This fund aims to provide monthly income with the opportunity for long-term capital growth, investing in equities, fixed income investments (e.g. corporate or government bonds) as well as cash and money market funds.

2.13 **Table 6.4 Investec Ninety-One Performance**

Investec Ninety One Series i Diversified Income Fund	Babergh 31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m	6 months Movement £m	30.9.23 Balance £m
Amount invested	2.000		2.000		2.000
Investment Valuation	1.898	(0.102)	1.796	(0.026)	1.770
Cumulative Net Interest received from date of initial investment	**0.221**	**0.062**	**0.283**	**0.040**	**0.323**
Annual Performance					
Net Interest received in year	**0.071**		**0.062**		**0.040**
Average Rate of Return for year	**3.57%**		**3.12%**		**3.96%**

Investec Ninety One Series i Diversified Income Fund	Mid Suffolk				
	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m	6 months Movement £m	30.9.23 Balance £m
Amount invested	2.000		2.000		2.000
Investment Valuation	1.898	(0.102)	1.796	(0.026)	1.770
Cumulative Net Interest received from date of initial investment	**0.221**	**0.062**	**0.283**	**0.040**	**0.323**
Annual Performance					
Net Interest received in year	**0.075**		**0.062**		**0.040**
Average Rate of Return for year	**3.75%**		**3.12%**		**3.96%**

2.14 Both Councils invested in Funding Circle on 1 November 2015 and have now withdrawn their investments. However, there are still bad debts which will continue to be pursued and recovered.

2.15 **Table 6.5 Funding Circle Performance**

Funding Circle	Babergh				
	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m	6 months Movement £m	30.9.23 Balance £m
Amount Invested - National	0.105	(0.050)	0.055	(0.016)	0.039
Total Amount Invested	**0.105**	**(0.050)**	**0.055**	**(0.016)**	**0.039**
Bad debts to date	(0.044)	0.002	(0.042)	0.003	(0.039)
Accrued Interest	0.002	(0.002)	0.000	(0.000)	0.000
Valuation	**0.063**	**(0.050)**	**0.013**	**(0.013)**	**0.000**
Income received	0.121	0.000	0.121	0.000	0.121
Servicing costs	(0.014)	(0.000)	(0.014)	(0.000)	(0.014)
Cumulative Net Interest received from date of initial investment	**0.107**	**0.000**	**0.107**	**0.000**	**0.107**
Annual Performance					
Net Interest received in year	**0.002**		**0.000**		**0.000**
Average Rate of Return	**4.30%**		**0.00%**		**0.00%**

Funding Circle	Mid Suffolk				
	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m	6 months Movement £m	30.9.23 Balance £m
Amount Invested - National	0.101	(0.045)	0.056	(0.009)	0.047
Total Amount Invested	**0.101**	**(0.045)**	**0.056**	**(0.009)**	**0.047**
Bad debts to date	(0.047)	0.000	(0.046)	(0.001)	(0.047)
Accrued Interest	0.001	(0.001)	0.000	0.000	0.000
Valuation	**0.055**	**(0.045)**	**0.010**	**(0.010)**	**(0.000)**
Income received	0.121	0.000	0.121	0.000	0.121
Servicing costs	(0.014)	0.000	(0.014)	(0.000)	(0.014)
Cumulative Net Interest received from date of initial investment	**0.106**	**0.000**	**0.107**	**(0.000)**	**0.107**
Annual Performance					
Net Interest received in year	**0.001**		**0.000**		**(0.000)**
Average Rate of Return	**4.20%**		**0.00%**		**0.00%**

3 Non-Treasury Holdings and Other Investment Activity

3.1 The definition of investments in CIPFA's revised 2021 Treasury Management Code covers all the financial assets of the Councils as well as other non-financial assets which the Councils hold primarily for financial return.

3.2 Investments that do not meet the definition of treasury management investments (i.e., management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

3.3 Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) also includes within the definition of investments all such assets held partially or wholly for financial return.

Investment Property

3.4 On 5 August 2016 Babergh purchased Borehamgate Shopping centre in Sudbury for £3.56m. This has been classified as an investment property and at 31 March 2023, it was assessed at Fair Value of £2.60m.

Trading Companies

3.5 Babergh holds £5m of equity in Babergh Holdings Ltd and Mid Suffolk holds the same in Mid Suffolk Holdings Ltd.

3.6 The Capital Investment Fund Company (CIFCO Ltd) is a jointly owned subsidiary of both Babergh Holdings Ltd and Mid Suffolk Holdings Ltd (50% each) and both Councils have loans of £44.7m in CIFCO Ltd. These loans have generated £9.16m (gross) of investment income for each Council since the start of trading.

3.7 Mid Suffolk also holds £1.622m of equity and £3.08m of loans in another subsidiary of Mid Suffolk Holdings Ltd, Gateway 14 Ltd, which has generated £5.01m of investment income since 13 August 2018. Gateway 14 Ltd is on track to repay fully its loan facility in December 2023 and it is anticipated that no further lending will be required.

3.8 Mid Suffolk holds £1.26m of loans in another subsidiary of Mid Suffolk Holdings Ltd, Mid Suffolk Growth Ltd.

3.9 Further details are shown in Table 7.

3.10 Table 7: Trading Companies activity

Babergh	Trading Companies - Loans 31.3.22 Balance £m	2022/23 Movement £m	31.3.23 Balance £m	2023/24 Movement £m	30.9.23 Balance £m
CIFCO Ltd					
Interest Receivable	(5.870)	(2.198)	(8.068)	(1.093)	(9.161)
Interest Payable	0.970	0.526	1.496	0.614	2.110
Cumulative Net Interest received from date of investments	**(4.900)**	**(1.672)**	**(6.572)**	**(0.479)**	**(7.051)**

Mid Suffolk	Trading Companies - Loans 31.3.22 Balance £m	2022/23 Movement £m	31.3.23 Balance £m	2023/24 Movement £m	30.9.23 Balance £m
Interest Receivable					
CIFCO Ltd	(5.870)	(2.198)	(8.068)	(1.093)	(9.161)
Gateway 14 Ltd	(3.642)	(1.218)	(4.860)	(0.157)	(5.017)
Total Interest Receivable	**(9.512)**	**(3.416)**	**(12.928)**	**(1.250)**	**(14.178)**
Interest Payable					
CIFCO Ltd	1.800	0.738	2.538	0.744	3.282
Gateway 14 Ltd	0.620	0.064	0.684	0.174	0.858
Total Interest Payable	**2.420**	**0.802**	**3.222**	**0.918**	**4.140**
Net Interest					
CIFCO Ltd	(4.070)	(1.460)	(5.530)	(0.349)	(5.879)
Gateway 14 Ltd	(3.022)	(1.154)	(4.176)	0.017	(4.159)
Cumulative Net Interest received from date of investments	**(7.092)**	**(2.614)**	**(9.706)**	**(0.332)**	**(10.038)**

4 Compliance Report

4.1 The Section 151 Officer can report that all treasury management activities undertaken complied fully with the CIPFA Code of Practice and the Councils approved Treasury Management Strategy, except for one occasion, on 5 July 2023, when Mid Suffolk's bank account balance went above the limit by £967k due to an unexpected capital receipt received too late in the day for the additional balance to be invested.

5 Table 8: Debt Limits

5.1 Compliance with the authorised limit and operational boundary for external debt is demonstrated in the table that follows.

Borrowing	Actual Maximum	30.09.23 Actual	2023/24 Operational Boundary	2023/24 Authorised Limit	Complied
Babergh	£125m	£115m	£185m	£200m	✓
Mid Suffolk	£123m	£113m	£233m	£248m	✓

5.2 Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

5.3 Compliance with specific investment limits is demonstrated in Table 9.

5.4 **Table 9: Investment Limits**

Babergh	Actual Maximum	30.09.23 Actual	2023/24 Limit	Complied
Lloyds Bank	£1.727m	£1.431m	£2m	✓
Money market funds	45.60%	3.85%	50%	✓
DMADF	£1m	Nil	No limit	✓
CCLA	£5m	£5m	£5m	✓
UBS	£2m	£2m	£5m	✓
Investec	£2m	£2m	£5m	✓
Schroder	£2m	£2m	£5m	✓
Funding Circle	£0.055m	£0.039m	£1m	✓

Mid Suffolk	Actual Maximum	30.09.23 Actual	2023/24 Limit	Complied
Lloyds Bank	£2.967m	£1.392m	£2m	☒
Barclays Bank	£0.500m	£0.500m	£2m	✓
Money market funds	31.89%	18.82%	50%	✓
DMADF	£6.5m	Nil	No limit	✓
CCLA	£5m	£5m	£5m	✓
UBS	£2m	£2m	£5m	✓
Investec	£2m	£2m	£5m	✓
Schroder	£2m	£2m	£5m	✓
Funding Circle	£0.056m	£0.047m	£1m	✓

5.5 It should be noted that both Councils treasury management activity for the first six months of 2023/24 was in accordance with the approved Treasury Management Strategy, and that, both Councils have complied with all the Treasury Management Indicators for this period.

1 Treasury Management Indicators

1.1 The Councils measure and manage their exposure to treasury management risks using the following indicators.

1.2 **Security:** The Councils have adopted a voluntary measure of exposure to credit risk by monitoring the value-weighted average credit score of their investment portfolios. 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.

Portfolio Average Credit Score	30.09.2023 Actual	2023/24 Target	Complied
Babergh	4.93	7.0	✓
Mid Suffolk	4.77	7.0	✓

1.3 **Liquidity:** The Councils have adopted a voluntary measure of exposure to liquidity risk by monitoring the amount they can borrow each period without giving prior notice.

Total sum borrowed in the past 3 months without prior notice	30.09.23 Actual	2023/24 Target	Complied
Babergh District Council	Nil	£5m	✓
Mid Suffolk District Council	Nil	£5m	✓

1.4 **Interest Rate Exposures:** This indicator is set to control the Councils exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest was:

Upper impact on Revenue of a 1% increase in rates	30.09.23 Actual	2023/24 Target	Complied
Babergh District Council	£0.025m	£0.038m	✓
Mid Suffolk District Council	£0.004m	£0.039m	✓

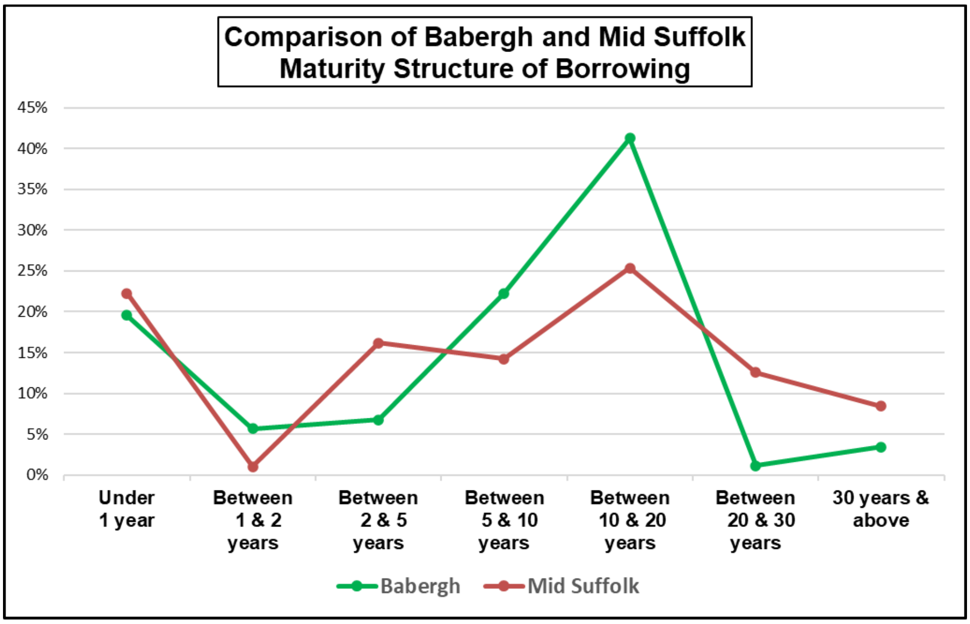
1.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

1.6 **Maturity Structure of Borrowing:** This indicator is set to control the Councils exposure to refinancing risk. This indicator covers the risk of replacement loans being unavailable, not interest rate risk. The upper and lower limits on the maturity structure of all borrowing are shown in the following table:

1.7 Table to show Maturity Structure of Borrowing:

Age Profile of Maturity	Babergh 30.09.23 Actual	Mid Suffolk 30.09.23 Actual	Lower Limit	Upper Limit	Complied
Under 1 year	19.53%	22.26%	0%	50%	✓
Between 1 & 2 years	5.69%	1.01%	0%	50%	✓
Between 2 & 5 years	6.75%	16.15%	0%	50%	✓
Between 5 & 10 years	22.23%	14.22%	0%	100%	✓
Between 10 & 20 years	41.24%	25.38%	0%	100%	✓
Between 20 & 30 years	1.14%	12.56%	0%	100%	✓
30 years & above	3.42%	8.43%	0%	100%	✓

1.8 Chart to show the Maturity Structure of Borrowing:



1.9 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

1.10 **Principal Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Councils exposure to the risk of incurring losses by seeking early repayment of their investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

Actual Principal invested beyond year end	2023/24	2024/25	2025/26
Babergh Actual	Nil	Nil	Nil
Mid Suffolk Actual	Nil	Nil	Nil
Limit on principal invested beyond year end	**£2m**	**£2m**	**£2m**
Babergh Complied	✓	✓	✓
Mid Suffolk Complied	✓	✓	✓

Glossary of Terms

BPS	Base Points. A unit of percentage measure equal to 0.01%. Basis points are commonly used when discussing changes to interest rates, equity indices, and fixed-income securities.
CDS	Credit Default Swap. In effect, insurance against non-payment. Through a CDS, the buyer can mitigate the risk of their investment by shifting all or a portion of that risk onto an insurance company or other CDS seller in exchange for a periodic fee. In this way, the buyer of a credit default swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the debt security.
CFR	Capital Financing Requirement. The underlying need to borrow to finance capital expenditure.
CIPFA	The Chartered Institute of Public Finance and Accountancy. This is the leading professional accountancy body for public services.
CPI	Consumer Price Index. This measures changes in the price level of consumer goods and services purchased by households.
CPIH	Consumer Price Index Housing. A measure of consumer price inflation including a measure of owner occupiers' housing costs (OOH).
CCLA	Churches, Charities and Local Authority Property Fund
DLUHC	A Government department – The Department for Levelling Up, Housing and Communities (formerly known as the MHCLG)
DMADF	Debt Management Account Deposit Facility.
Funding Circle	Accounts set up to lend money to local and national businesses at competitive rates
GDP	Gross Domestic Product. This is the market value of all officially recognised goods and services produced within a country in a given period of time.
HRA	Housing Revenue Account. The statutory account to which revenue costs are charged for providing, maintaining and managing Council dwellings. These costs are financed by tenants' rents.
Investec Ninety-One	Investec Ninety-One Diversified Income Fund
LIBID	London Interbank Bid Rate. The interest rate at which banks bid to take short-term deposits from other banks in the London interbank market.
LOBO	Lender's Option Borrower's Option. This is a loan where the lender has certain dates when they can increase the interest rate payable and, if they do, the Council has the option of accepting the new rate or repaying the loan.
LVNAV	Low Volatility Net Asset Value. A new type of Low Volatility Net Asset Value Money Market Fund - a new fund category introduced as part of a new regulatory reform of the sector in Europe.

MHCLG	A Government department – The Ministry of Housing, Communities and Local Government
MiFID	The Markets in Financial Instruments Directive (2014/65/EU) (MiFID II). The EU legislation that regulates firms who provide services to clients linked to 'financial instruments' (shares, bonds, units in collective investment schemes and derivatives), and the venues where those instruments are traded.
MPC	Monetary Policy Committee. A committee of the Bank of England which decides the Bank of England's Base Rate and other aspects of the Government's Monetary Policy.
MRP	Minimum Revenue Provision. Local authorities are required to make a prudent provision for debt redemption on General Fund borrowing
NAV	Net Asset Value. The NAV is the value of a fund's assets less the value of its liabilities on a per unit basis.
PWLB	Public Works Loan Board - offers loans to local authorities below market rates.
QE	Quantitative Easing. The purchase of Government bonds by the Bank of England to boost the money supply.
Schroder	Schroder Income Maximiser Fund
SONIA	Sterling Overnight Index Average. The average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.
T Bills	Treasury Bill. A short-term Government Bond.
UBS	UBS Multi Asset Income Fund (UK) – a pooled fund.