Appendix ‘A’

Treasury Management Update

Mid Term Report 2022/23
ended 30 September 2022

East Lindsey District Council

1 Background

1.1 Capital Strategy

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. These require all local authorities to prepare a Capital Strategy which is to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability.

1.2 Treasury Management

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly treasury management is defined as:

"The management of the local authority's borrowing, investments 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."

2 Introduction

This report has been written in accordance with the requirements of the CIPFA Code of Practice on Treasury Management (revised 2017).

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.

2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is Audit and Governance Committee.

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first half of the 2022/23 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2022/23;
- A review of the Council's borrowing strategy for 2022/23;
- A review of any debt rescheduling undertaken during 2022/23;
- A review of compliance with Treasury and Prudential Limits for 2022/23

There is a proposed change to the Treasury Management Strategy for 2022/23 which is detailed in paragraph 9.2.

3 Economics and Interest Rates (provided by Link Asset Services 7/10/22)

3.1 Economics Update

- The second quarter of 2022 saw:

  - Gross Domestic Product (GDP) revised upwards in Q1 2022/23 to +0.2% quarter on quarter (q/q) from -0.1%, which means the UK economy has avoided recession for the time being;
  - Signs of economic activity losing momentum as production fell due to rising energy prices;
  - Consumer Price Index (CPI) inflation ease to 9.9% year on year (y/y) in August, having been 9.0% in April, but domestic price pressures showing little sign of abating in the near-term;
  - The unemployment rate fall to a 48-year low of 3.6% due to a large shortfall in labour supply;
  - Bank Rate rise by 100 basis points (bps) over the quarter, taking Bank Rate to 2.25% with further rises to come;

- Gilt yields surge and sterling fall following the "fiscal event" of the new Prime Minister and Chancellor on 23 September.

- The UK economy grew by 0.2% q/q in Q1 2022/23, though revisions to historic data left it below pre-pandemic levels.

- There are signs of higher energy prices creating more persistent downward effects in economic activity. Both industrial production (-0.3% month on month (m/m) and construction output (-0.8% m/m) fell in July 2022 for a second month in a row. Although some of this was probably due to the heat wave at the time, manufacturing output fell in some of the most energy intensive sectors (e.g., chemicals), pointing to signs of higher energy prices weighing on production. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months.

- The fall in the composite Purchasing Managers' Index (PMI) from 49.6 in August to a 20-month low preliminary reading of 48.4 in September points to a fall in GDP of around 0.2% q/q in Q3 and consumer confidence is at a record low. Retail sales volumes fell by 1.6% m/m in August, which was the ninth fall in 10 months. That left sales volumes in August just 0.5% above their pre-Covid level and 3.3% below their level at the start of the year. There are also signs that households are spending their excess savings in response to high prices. Indeed, cash in households' bank accounts rose by £3.2bn in August, which was below the £3.9bn rise in July and much smaller than the 2019 average monthly rate of £4.6bn.

- The labour market remained exceptionally tight. Data for July and August provided further evidence that the weaker economy is leading to a cooling in labour demand. Labour Force Survey (LFS) employment rose by 40,000 in the three months to July (the smallest rise since February). But a renewed rise in inactivity of 154,000 over the same period meant that the unemployment rate fell from 3.8% in June to a new 48-year low of 3.6%. The single-month data showed that inactivity rose by 354,000 in July itself and there are now 904,000 more inactive people aged 16+ compared to before the pandemic in February 2020. The number of vacancies has started to level off from recent record highs but there have been few signs of a slowing in the upward momentum on wage growth. Indeed, in July, the 3my/y rate of average earnings growth rose from 5.2% in June to 5.5%.

- CPI inflation eased from 10.1% in July to 9.9% in August, though inflation has not peaked yet. The easing in August was mainly due to a decline in fuel prices reducing fuel inflation from 43.7% to 32.1%. With the oil price now just below $90 per barrel we would expect to see fuel prices fall further in the coming months.

- However, utility price inflation is expected to add 0.7% to CPI inflation in October when the Ofgem unit price cap increases to, typically, £2,500 per household (prior to any benefit payments). But, as the government has frozen utility prices at that level for two years, energy price inflation will fall sharply after October and have a big downward influence on CPI inflation.

- Nonetheless, the rise in services CPI inflation from 5.7% y/y in July to a 30-year high of 5.9% y/y in August suggests that domestic price pressures are showing little sign of abating. A lot of that is being driven by the tight labour market and strong wage growth. CPI inflation is expected to peak close to 10.4% in November and, with the supply of workers set to remain unusually low, the tight labour market will keep underlying inflationary pressures strong until early next year.

- During the first half of 2022 there has been a change of both Prime Minister and Chancellor. The new team (Liz Truss and Kwasi Kwarteng) have made a step change in government policy. The government's huge fiscal loosening from its proposed significant tax cuts will add to existing domestic inflationary pressures and will potentially leave a legacy of higher interest rates and public debt. Whilst the government's utility price freeze, which could cost up to £150bn (5.7% of GDP) over 2 years, will reduce peak inflation from 14.5% in January next year to 10.4% in November this year, the long list of tax measures announced at the "fiscal event" adds up to a loosening in fiscal policy relative to the previous government's plans of £44.8bn (1.8% of GDP) by 2026/27. These included the reversal of April's national insurance tax on 6 November, the cut in the basic rate of income tax from 20p to 19p in April 2023, the cancellation of next April's corporation tax rise, the cut to stamp duty and the removal of the 45p tax rate, although the 45p tax rate cut announcement has already been reversed.

- Fears that the government has no fiscal anchor on the back of these announcements has meant that the pound has weakened again, adding further upward pressure to interest rates. Whilst the pound fell to a record low of $1.035 on the Monday following the government's "fiscal event", it has since recovered to around $1.12. That is due to hopes that the Bank of England will deliver a very big rise in interest rates at the policy meeting on 3 November and the government will lay out a credible medium-term plan in the near term. This was originally expected as part of the fiscal statement on 23 November but has subsequently been moved forward to an expected release date in October. Nevertheless, with concerns over a global recession growing, there are downside risks to the pound.

- The Monetary Policy Committee (MPC) has now increased interest rates seven times in as many meetings in 2022 and has raised rates to their highest level since the Global Financial Crisis. Even so, coming after the Fed and European Central Bank (ECB) raised rates by 75 bps in their most recent meetings, the Bank of England's latest 50 bps hike looks relatively dovish. However, the UK's status as a large importer of commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.

- Since the fiscal event on 23 September, we now expect the MPC to increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The combination of the government's fiscal loosening, the tight labour market and sticky inflation expectations means we expect the MPC to raise interest rates by 100bps at the policy meetings in November (to 3.25%) and 75 bps in December (to 4%) followed by further 50 bps hikes in February and March (to 5.00%). Market expectations for what the MPC will do are volatile. If Bank Rate climbs to these levels the housing market looks very vulnerable, which is one reason why the peak in our forecast is lower than the peak of 5.50% - 5.75% priced into the financial markets at present.

- Throughout 2022/23, gilt yields have been on an upward trend. They were initially caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May. The rises in two-year gilt yields (to a peak of 2.37% on 21st June) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. However, the upward trend was exceptionally sharply at the end of September as investors demanded a higher risk premium and expected faster and higher interest rate rises to offset the government's extraordinary fiscal stimulus plans. The 30-year gilt yield rose from 3.60% to 5.10% following the "fiscal event", which threatened financial stability by forcing pension funds to sell assets into a falling market to meet cash collateral requirements. In response, the Bank did two things. First, it postponed its plans to start selling some of its quantitative easing (QE) gilt holdings until 31 October. Second, it committed to buy up to £65bn of long-term gilts to "restore orderly market conditions" until 14 October. In other words, the Bank is restarting QE, although for financial stability reasons rather than monetary policy reasons.

- Since the Bank's announcement on 28 September, the 30-year gilt yield has fallen back from 5.10% to 3.83%. The 2-year gilt yield dropped from 4.70% to 4.30% and the 10-year yield fell back from 4.55% to 4.09%.

- There is a possibility that the Bank continues with QE at the long-end beyond 14 October or it decides to delay quantitative tightening beyond 31 October, even as it raises interest rates. So far at least, investors seem to have taken the Bank at its word that this is not a change in the direction of monetary policy nor a step towards monetary financing of the government's deficit. But instead, that it is a temporary intervention with financial stability in mind.

- After a shaky start to the year, the Standard & Poors (S&P) 500 and Financial Times Stock Exchange (FTSE 100) climbed in the first half of Q2 2022/23 before falling to their lowest levels since November 2020 and July 2021 respectively. The S&P 500 is 7.2% below its level at the start of the quarter, whilst the FTSE 100 is 5.2% below it as the fall in the pound has boosted the value of overseas earnings in the index. The decline has, in part, been driven by the rise in global real yields and the resulting downward pressure on equity valuations as well as concerns over economic growth leading to a deterioration in investor risk appetite.

3.1 Interest rate forecasts

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The Public Works Loan Board (PWLB) rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012.

The latest forecast on 27 September sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, whilst the government is providing a package of fiscal loosening to try and protect households and businesses from the ravages of ultra-high wholesale gas and electricity prices.

The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally but more so the disaffection investors have with the position of the UK public finances after September's "fiscal event". To that end, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control, but its job is that much harder now.

Our PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1 November 2012.

Link Group Interest Rate View	27.09.22											
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

4 Treasury Management Strategy Statement and Annual Investment Strategy update

The Treasury Management Strategy Statement (TMSS) for 2022/23 was approved by Council on 2 March 2022.

There is a proposed change to the Treasury Management Strategy for 2022/23 which is detailed in paragraph 9.2.

The details in this report update the position in the light of the updated economic position and budgetary changes already approved.

5 The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

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

5.1 Prudential Indicator for Capital Expenditure

This table shows the original capital expenditure estimate and the latest approved capital programme. A full breakdown of the latest approved capital programme is shown at **'Appendix A1'**.

Capital Expenditure	2022-23 Original Programme £'000	2022-23 Latest Approved £'000	Actual As At 30-09-22 £'000	2022-23 Forecast Outturn £'000
Non Towns Fund Projects	12,488	19,665	5,822	20,461
Towns Fund Projects	40,674	49,870	1,409	22,936
Total	**53,162**	**69,535**	**7,231**	**43,397**

5.2 Changes to the Financing of the Capital Programme

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

(MRP)). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2022-23 Original Programme £'000	2022-23 Latest Approved £'000	Actual As At 30-09-22 £'000	2022-23 Forecast Outturn £'000
Non Towns Fund Projects	12,488	19,665	5,822	20,461
Towns Fund Projects	40,674	49,870	1,409	22,936
Total spend	**53,162**	**69,535**	**7,231**	**43,397**
Financed by:				
External Grants	41,806	50,120	3,502	32,365
Capital Reserves	2,988	4,788	191	2,713
Capital Receipts	1,235	3,105	500	3,105
Other Reserves	7,133	11,522	2,288	4,464
Total financing	**53,162**	**69,535**	**6,481**	**42,647**
Borrowing need	**0**	**0**	**750**	**750**

5.3 Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary

The table shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period which is termed the Operational Boundary.

Prudential Indicator – Capital Financing Requirement

We are on target to achieve the original forecast Capital Financing Requirement.

Prudential Indicator – The Operational Boundary for external debt

	2022-23 Original Estimate For Year End £'000	2022-23 Latest Approved For Year End £'000	Position As At 30-09-22 £'000	2022-23 Forecast Outturn For Year End £'000
Prudential Indicator – Capital Financing Requirement				
CFR – housing	25,449	25,449	26,199	26,199
Total CFR	**25,449**	**25,449**	**26,199**	**26,199**
Net movement in CFR	**0**	**0**	**0**	**0**
Prudential Indicator – External Debt / Operational Boundary				
Borrowing	20,000	20,000	20,000	20,000
Other long term liabilities	0	0	0	0
Total debt 31 March	**20,000**	**20,000**	**20,000**	**20,000**
Approved Operational Boundary	**38,000**	**38,000**	**38,000**	**38,000**

The original estimate for the CFR for 2022/23 was set prior to the year-end accounts for 2021/22 being completed. The figures in the table above therefore take account of the actual figures in the 2021/22 financial statements.

5.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2022-23 Original Estimate For Year End £'000	2022-23 Revised Estimate For Year End £'000	Position As At 30/09/22 £'000	2022-23 Forecast Outturn For Year End £'000
Gross borrowing	20,000	20,000	20,000	20,000
Total Debt	**20,000**	**20,000**	**20,000**	**20,000**
CFR (year-end position)	**25,449**	**25,449**	**26,199**	**26,199**

The Deputy Chief Executive (Corporate Development) & Section 151 Officer reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, this needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2022-23 Original Estimate For Year End £'000	Position As At 30/09/22 £'000	2022-23 Revised Estimate For Year End £'000
Borrowing	39,000	39,000	39,000
Other long term liabilities	5,000	5,000	5,000
Total	**44,000**	**44,000**	**44,000**

6 Borrowing

The Council's capital financing requirement (CFR) for 2022/23 is £26.199m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The first table in paragraph 5.4 shows the Council has borrowings of £20m and has utilised £6.199m of cash flow funds in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring in the event that any upside risk to gilt yields prevails.

No new external borrowing was undertaken during the quarter ended 30 September 2022 and the table below shows the Councils external borrowing position at the quarter end.

Entity	**Amount (£)**	**Start Date**	**Maturity Date**	**Rate**
Public Works Loan Board	10,000,000	10/12/2018	10/12/2068	2.54%
Public Works Loan Board	10,000,000	13/12/2018	13/12/2068	2.39%
TOTAL	**20,000,000**			**2.465% Average**

Interest costs for 2022/23 on this borrowing are £493,000.

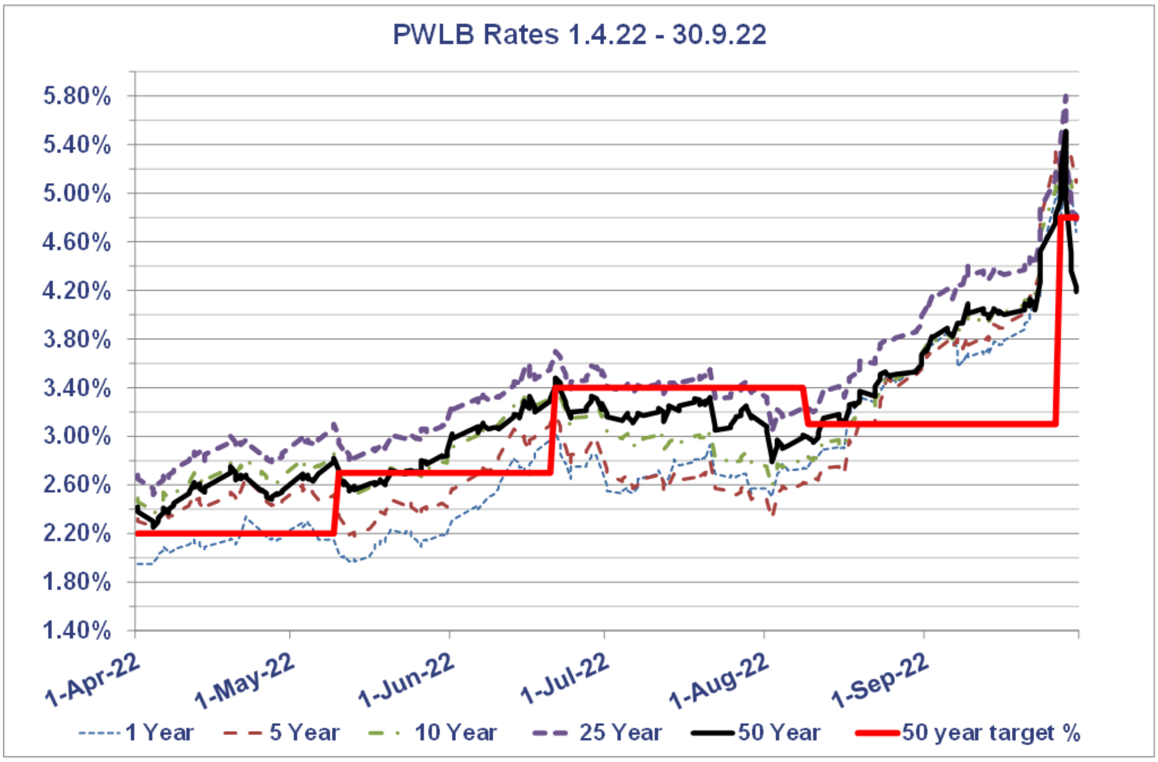
It is anticipated that further borrowing will not be undertaken during this financial year, but this may be subject to review.

PWLB maturity certainty rates year to date to 30 September 2022

Gilt yields and PWLB rates were on a rising trend between 1 April and 30 September. The 50-year PWLB target certainty rate for new long-term borrowing started 2022/23 at 2.20% before increasing to 4.80% in September. (Please note, however, that PWLB rates are projected to trend downwards through 2023 and 2024.)

The following table and graph shows the movement in PWLB certainty rates for the first six months of the year to date:

	1 Year	**5 Year**	**10 Year**	**25 Year**	**50 Year**
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/22	13/05/22	04/04/22	04/04/22	04/04/22
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/22	28/09/22	28/09/22	28/09/22	28/09/22
Average	2.81%	3.26%	2.99%	3.28%	3.26%



7 Debt Rescheduling

Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year. However, now that the whole of the yield curve has shifted higher there may be better opportunities in the future, although only prudent and affordable debt rescheduling will be considered.

8 Compliance with Treasury & Prudential Indicators

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved Treasury Management Strategy Statement.

During the quarter ended 30 September 2022 the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement.

9 Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2022/23, which includes the Annual Investment Strategy, was approved by the Council on 2 March 2022. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and within the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

9.1 Creditworthiness

Following the Government's fiscal event on 23 September, both S&P and Fitch have placed the UK sovereign debt rating on Negative Outlook, reflecting a downside bias to the current ratings in light of expectations of weaker finances and the economic outlook.

9.2 Investment Counterparty Criteria

The Council has a higher level of surplus funds available for investment following the receipt of New Towns Funding. In addition to this, there are less counterparties currently available to the Council. As a result, it is becoming increasingly difficult to invest short term funds for longer durations at higher rates.

It is therefore recommended that the Sovereign Country Limit be increased from £5m to £10m (excluding the UK which has no limit). The bank group or individual limit will remain at £5m. This will enable the Council to achieve higher returns with high credit rated institutions and diversify its portfolio further.

This recommended change to the Treasury Management Strategy will require approval by Council.

9.3 Credit Default Swap Prices

It is noted that sentiment in the current economic climate can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

9.4 Investment Performance Year to Date as at 30 September 2022

The Council's 2022/23 budget for investment income is £1.304m net of fees. At the end of September 2022 investment income earned was estimated to be approximately £829k. This figure is still an estimate as the actual returns on all property funds to September 2022 are not likely to be known until December 2022.

The average level of funds available for investment purposes during the first half of the financial year was £61.3m excluding property fund investments.

Treasury investments achieved an average rate of 1.34% compared to the benchmark average 3-month Sterling Overnight Index Average (SONIA) rate of 1.701%.

Property fund investments are estimated to have achieved an average net rate of 3.35%.

The combined rate achieved on all investments is estimated to be approximately 1.92%.

Due to increased balances available for investment resulting from additional grant money being received and recent rises in interest rates on new investments, the forecast for the outturn of investment income is £2.23m. This is £926k above budget. This will be monitored on a monthly basis to reflect changing market conditions.

During the financial year the Council has made investments in line with the agreed Treasury Management Strategy.

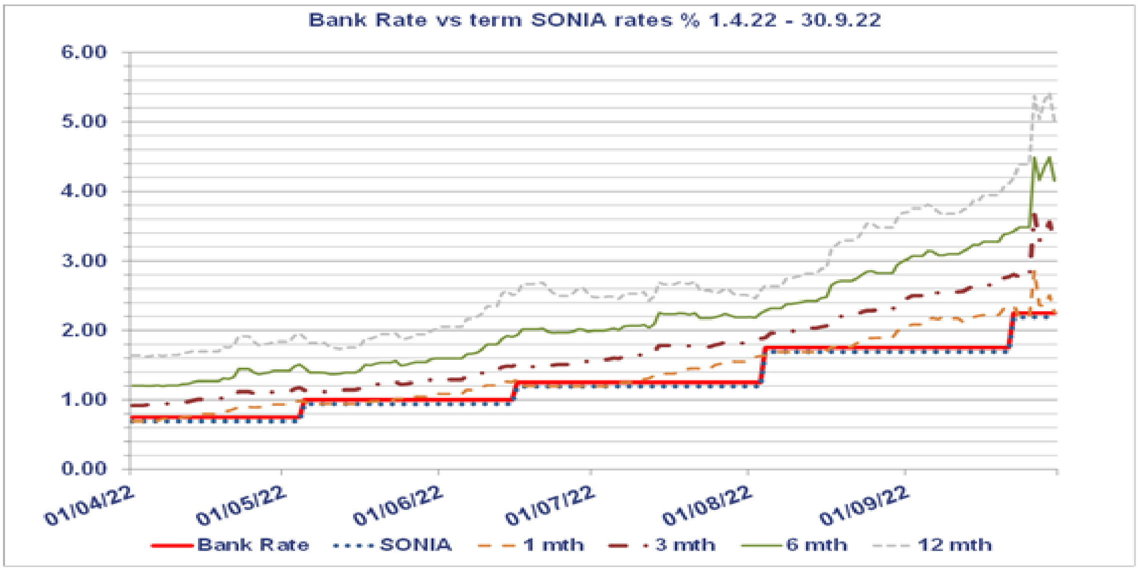
The table below provides details of the cash investments held by the Council at 30 September 2022.

Note this represents the position at this one point in time. The peaks and troughs in cash flow are managed on a daily basis. Because the Council collects money on behalf of other organisations which are paid out at future dates (e.g. Council Tax and Business Rates) the value of investments held at any point in time does not represent the value of East Lindsey District Council's own resources.

`APPENDIX A`

Financial Institution	Amount (£)	Start Date	Maturity Date	Yield
Barclays Bank Current Account	63,894	30/09/22	01/10/22	0.00%
Barclays Bank	2,197,462	30/09/22	01/10/22	2.00%
Handelsbanken Plc	174	30/09/22	01/10/22	1.50%
CCLA Money Market Fund	7,500,000	30/09/22	01/10/22	1.96%
UK Debt Management Office	13,000,000	30/09/22	07/10/22	1.87%
Qatar National Bank	5,000,000	14/07/22	14/10/22	1.97%
Standard Chartered Bank	5,000,000	18/05/22	18/11/22	1.61%
First Abu Dhabi Bank	2,500,000	15/06/22	15/12/22	2.11%
National Bank of Kuwait	5,000,000	15/06/22	15/12/22	1.92%
National Bank of Canada	5,000,000	17/06/22	16/12/22	2.13%
Credit Industriel et Commercial	5,000,000	01/09/22	01/03/23	3.20%
Helaba Bank	5,000,000	16/08/22	16/05/23	2.95%
Australia & New Zealand Bank	5,000,000	16/08/22	16/05/23	2.98%
Rabobank	5,000,000	31/08/22	31/05/23	3.53%
First Abu Dhabi Bank	2,500,000	28/07/22	28/07/23	2.93%
DNB Bank ASA	5,000,000	31/08/22	31/08/23	3.90%
TOTAL	**72,761,530**			

The graph below shows that longer term investment rates have been on a rising trend during the first half of the financial year.



The Council has purchased property fund units and the following table provides a breakdown in relation to the purchase of these units:

Fund	**Net Asset Value at Purchase £**	**Premium/ (Discount) on Purchase £**	**Premium/ (Discount) on Purchase %**	**Total Cost £**
Federated Hermes Property Unit Trust	3,893,003	106,948	2.75	3,999,951
Schroder UK Real Estate Fund	4,819,418	(19,381)	(0.40)	4,800,037
Threadneedle Property Unit Trust	4,653,444	145,543	3.13	4,798,987
BlackRock UK Property Fund	4,734,550	65,482	1.38	4,800,032
M&G Investments UK Property Fund	1,029,800	105,707	2.25	1,135,507
AEW UK Core Property Fund	4,505,538	294,462	6.54	4,800,000
TOTAL	**23,635,753**	**698,761**	**2.54**	**24,334,514**

The following table provides details in relation to the performance and valuation of these funds as at 30 September 2022.

	Purchase Cost (£)	Estimated Revenue Received 2022/23 (£)	Projected Annualised Distribution Yield 2022/23	Net Asset Value (£)	Total Gain/ (Loss) Since Purchase (£)	2022/23 Quarterly Gain/ (Loss) (£)	2022/23 Annualised Fund Capital Gain/(Loss) Since 1/4/22	2022/23 Estimated Combined Return	Voluntary Revenue Provision
Federated Hermes Property Unit Trust	3,999,951	62,080	3.10% Estimate	4,717,582	717,631	(280,823)	(2.72%)	0.38%	0
Schroder UK Real Estate Fund	4,800,037	93,945	3.90% Estimate	5,758,352	958,315	(223,839)	(4.41%)	(0.51%)	0
Threadneedle Property Unit Trust	4,798,987	87,644	3.65% Estimate	4,958,584	159,597	(277,479)	(2.95%)	0.70%	0
BlackRock UK Property Fund	4,800,032	64,267	2.75% Estimate	5,294,000	493,968	(281,015)	(5.73%)	(2.98%)	0
M&G Investments UK Property Fund	1,135,507	14,042	1.10% Estimate	1,302,339	166,832	(23,649)	N/A	N/A	(360,649)
AEW UK Core Property Fund	4,800,000	94,964	3.95% Estimate	4,857,597	57,597	(177,222)	(0.86%)	3.09%	0
TOTAL	**24,334,514**	**416,942**		**26,888,454**	**2,553,940**	**(1,264,027)**			**(360,649)**

The Projected Annualised Distribution Yield is the projected yield for the year based on dividends already received during the current financial year.

The 2022/23 Annualised Fund Capital Gain/Loss is the projected gain/loss in the capital value of the fund since the start of the financial year calculated by reference to the change in the Net Asset Value from 31 March 2022 to the period end.

The estimated combined return is the total of the Projected Dividend Distribution Yield and the Annualised Fund Capital Gain/Loss.

Please note that this is the position as of 30 September 2022 and the capital values will fluctuate year on year.

An analysis of dividend distributions received since the purchase of the property funds to 30 September 2022 can be found in the table below:

Financial Institution	Actual Dividend Distributions Received Pre 2022/23	Original Budgeted Distribution for 2022/23	Estimated Dividend Distributions Received 2022/23	Total Distributions Received Since Purchase
Federated Hermes Property Unit Trust	727,525	64,576	62,080	789,605
Schroder UK Real Estate Fund	779,317	77,492	93,945	873,262
Threadneedle Property Unit Trust	703,245	107,792	87,644	790,889
BlackRock UK Property Fund	531,654	79,417	64,267	595,921
M&G Investments UK Property Fund	581,963	89,525	14,042	596,005
AEW UK Core Property Fund	742,212	108,055	94,964	837,176
Total Revenue	**4,065,916**	**526,857**	**416,942**	**4,482,858**

10 Other

10.1 Changes in Risk Appetite

The 2018 CIPFA Codes and guidance notes have placed enhanced importance on risk management. Where an authority changes its risk appetite e.g. for moving surplus cash into or out of certain types of investment funds or other types of investment instruments, this change in risk appetite and policy should be brought to members' attention in treasury management update reports.

There has been no change in risk appetite since the Treasury Management Strategy Statement for 2022/23 was approved on 2 March 2022.

During the period ended 30 September 2022 the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement.

Investment balances and market rates will continue to be monitored with a view to lengthening the duration of the investment portfolio and maximising investment returns.

2022/23 Capital Programme and Q2 Forecast Outturn

Project (all figures in £'000)	Original 2022/23	Revised Budget 2022/23	Actuals 2022/23	Forecast 2022/23
Capitalised Planned Enhancements	199	518	2	518
Car Park Resurfacing	250	250	69	250
Gibraltar Rd Wall Collapse		153		153
London Road Astro Turf	175	175		175
Disabled Facilities Grants	1,562	1562	633	1,562
Pride in East Lindsey		64		64
Fitness Suite Refurbishment		276	322	322
Changing Places Toilets		300		300
IT Investment	794	1,187	480	1,187
Pumping Works on Foreshore		146		146
Vehicle Purchases		27		27
Community Housing Fund		653		653
Traveller Site Purchase	165	690		690
PSPS Investment		249		249
Horncastle Land Purchase	2,088	4006	2333	4,006
Green Homes Grant		2031	908	2,031
Kingfisher Enhancement		109	3	109
Green Homes Grant - Phase 2		-52	120	- 52
INVEST			750	750
Sustainable Warmth - BEIS	7,255	7321	202	7,321
Non Towns Fund Project Total	**12,488**	**19,665**	**5,822**	**20,461**

Towns Fund - Station Sports Investment				
Towns Fund - Sutton on Sea Colonnade	5,035	6015	81	6,015
Towns Fund - Skegness Foreshore	2,250	4726	105	100
Towns Fund - Skegness Railway Station	2,105	2099		1,811
Towns Fund - Skegness Town Centre Transfomation	612	661	61	661
Towns Fund - Skegness Police Training Centre	8	2105		2,105
Towns Fund - Skegness Multi User Trail		1427	292	1,427
Towns Fund - Skegness Learning Campus	10,860	11854	720	1,397
Towns Fund - Skegness Cultural	1,000	1401	31	1,401
Towns Fund - Mablethorpe Campus for Future Living	6,200	6035		3,462
Towns Fund - Mablethorpe Leisure and Learning Hub	7,925	8853	119	2,258
Towns Fund - Mablethorpe Sandilands	2,980	2974		1,980
Towns Fund - Mablethorpe Mobihub	1,410	1401		
Towns Fund - Mablethorpe High Street	289	319		319
Towns Fund Total	40,674	49,870	1,409	22,936
GRAND TOTAL	**53,162**	**69,535**	**7,231**	**43,397**