

Treasury Management Update

Mid Term Report 2022/23
ended 30 September 2022

South Holland 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 Governance and Audit 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 are no proposed changes to the Treasury Management Strategy for 2022/23.

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 23rd 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 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 3m/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 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 3 March 2022.

There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

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
Housing Revenue Account (HRA)	8,376	15,344	3,334	11,584
General Fund	8,795	12,820	6,056	19,768
Total	17,171	28,164	9,390	31,352

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
Housing Revenue Account (HRA)	8,376	15,344	3,334	11,584
General Fund	8,795	12,820	6,056	19,768
Total spend	17,171	28,164	9,390	31,352
Financed by:				
HRA Capital receipts	2,699	4,614	549	1,208
HRA Capital receipts – Land Sales	410	410	0	410
Capital grants and Contributions	2,238	2,961	5,362	10,791
Major Repairs Reserve	3,845	8,548	2,110	8,548
Direct Revenue Funding	3,506	4,796	678	4,594
Total financing	12,698	21,329	8,699	25,551
Borrowing need	4,473	6,835	691	5,801

The borrowing need shown in the above table relates to expenditure on vehicle purchases, Housing Infrastructure Funding, Capital Acquisitions re Growth and Commercialisation and additional investment in Welland Homes.

This capital expenditure has not been financed and therefore creates a borrowing requirement. Rather than take out external borrowing, the Council is utilising its cash balances and internally borrowing to finance the capital expenditure.

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

The following 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 – CFR				
CFR – housing	68,427	68,427	68,427	68,427
CFR – non housing	12,995	15,357	9,213	14,323
Total CFR	81,422	83,784	77,640	82,750
Net movement in CFR	4,291	6,653	509	5,619
Prudential Indicator – External Debt / Operational Boundary				
Borrowing	67,456	67,456	67,456	67,456
Other long term liabilities	0	0	0	0
Total debt 31 March	67,456	67,456	67,456	67,456
Approved Operational Boundary	87,000	87,000	87,000	87,000

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	67,456	67,456	67,456	67,456
Total Debt	67,456	67,456	67,456	67,456
CFR (year-end position)	81,422	83,784	77,640	82,750

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	90,000	90,000	90,000
Other long term liabilities	1,000	1,000	1,000
Total	91,000	91,000	91,000

6 Borrowing

The Council's capital financing requirement (CFR) for 2022/23 based on the latest approved capital programme is £83.784m. 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 Council has external borrowing of £67.456m at a fixed rate of 3.48% in respect of the Housing Revenue Account self-financing settlement. Interest costs for 2022/23 on this borrowing are £2,347,469.

The Council has utilised £16.328m 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 borrowing was undertaken during the half year ended 30 September 2022 and the table below shows the Councils external borrowing position at the quarter end.

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

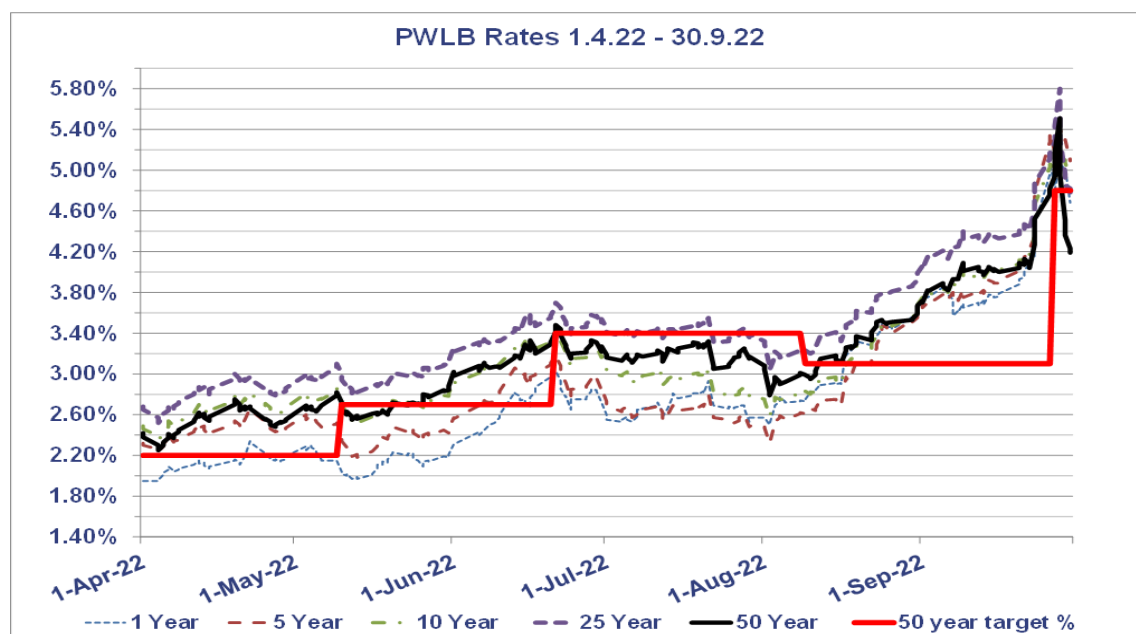
PWLB maturity certainty rates year to date to 30th September 2022

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 3 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 with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods 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 current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

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 £294k. At the end of September 2022 investment income earned was estimated to be approximately £341k.

The average level of funds available for investment purposes during the first half of the financial year was £52.5m including the loans to Welland Homes which are classified as long-term debtors.

Treasury investments achieved an average rate of 1.126% compared to the benchmark average 3-month Sterling Overnight Index Average (SONIA) rate of 1.701%.

The Welland Homes loans were issued at a rate of 3.50%.

The combined rate achieved on all investments is estimated to be approximately 1.295%.

An estimate for the outturn of investment income for 2022/23 has been calculated taking into consideration the future expectations for interest rates for the remainder of the financial year and projected cash balances. This estimate is £1.04m which would be £746k above budget. This estimated outturn will be monitored on a monthly basis to reflect changing market conditions and a further update will be provided to this committee in the Q3 Treasury Management Update Report.

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

The following table provides details of the cash investments held by the Council at 30 September 2022 excluding accrued interest.

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 South Holland District Council's own resources.

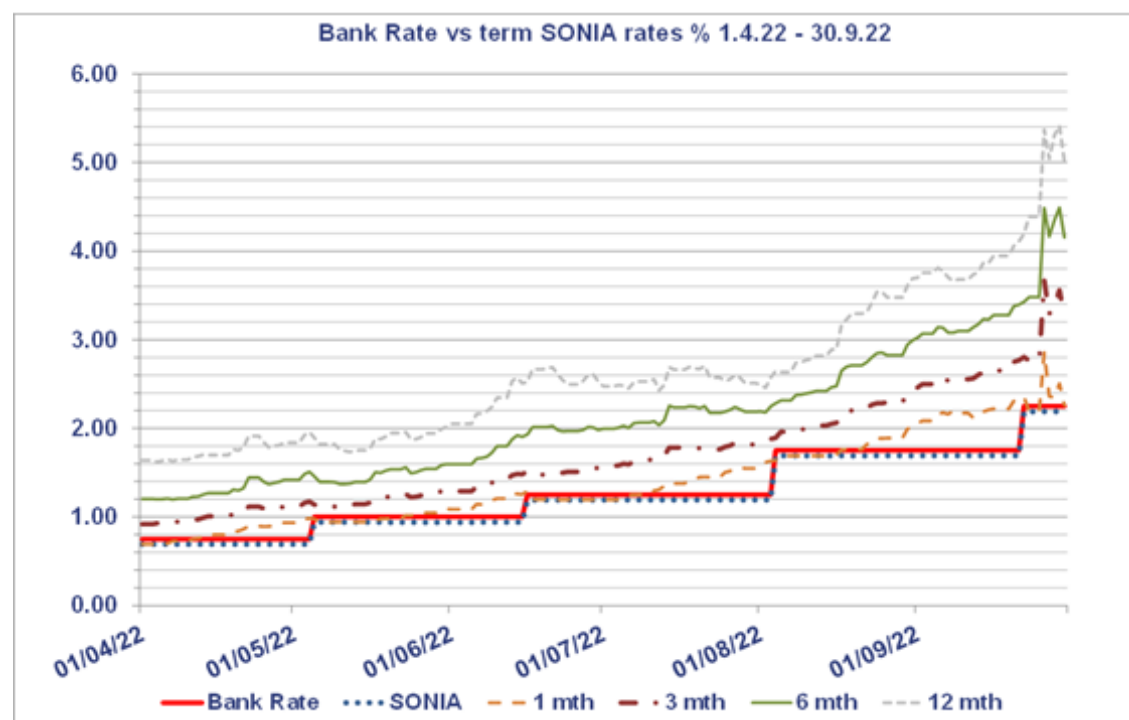
APPENDIX A

Institution	Investment Type	Start Date	Maturity Date	Rate/Return %	As at 31-03-22 £'000	As at 30-09-22 £'000
Lloyds Bank Current Account	Instant Access	n/a	n/a	2.15	1,142	300
Handelsbanken	Instant Access	n/a	n/a	2.08	4,993	2,503
CCLA Money Market Fund	Instant Access	n/a	n/a	1.955	5,600	5,200
Bayerische Landesbank	Time Deposit	07/10/21	07/04/22	0.19	3,000	0
Helaba Bank	Time Deposit	18/11/21	18/05/22	0.35	3,000	0
Close Brothers	Time Deposit	24/11/21	24/05/22	0.40	2,500	0
Standard Chartered	Time Deposit	02/12/21	01/06/22	0.30	3,000	0
Goldman Sachs Investment Bank	Time Deposit	31/12/21	30/06/22	0.495	5,000	0
Australia & New Zealand Bank	Time Deposit	07/02/22	08/08/22	1.05	2,500	0
Australia & New Zealand Bank	Time Deposit	16/08/21	15/08/22	0.18	2,500	0
Standard Chartered	Time Deposit	16/03/22	16/09/22	1.46	2,000	0
Close Brothers	Time Deposit	24/03/22	22/09/22	1.20	2,500	0
UK Debt Management Office	Time Deposit	30/09/22	07/10/22	1.87	0	2,600
Bayerische Landesbank	Time Deposit	07/07/22	07/10/22	1.57	0	3,000
Close Brothers	Time Deposit	24/05/22	24/11/22	1.30	0	2,500
Standard Chartered	Time Deposit	01/06/22	01/12/22	1.67	0	3,000
Standard Chartered – Sustainable Deposit	Time Deposit	30/09/22	30/12/22	3.53	0	2,000
Lloyds Bank (notice served)	95 Day Notice	n/a	13/01/23	0.70	4,997	5,001
CIC (CD)	Certificate of Deposit	31/08/22	01/03/23	3.20	0	3,000
National Westminster Bank (CD)	Certificate of Deposit	17/03/22	17/03/23	1.71	5,000	5,000
Close Brothers	Time Deposit	23/09/22	23/03/23	3.35	0	2,500
Rabobank (CD)	Certificate of Deposit	31/08/22	31/05/23	3.53	0	3,000
DNB Bank (CD)	Certificate of Deposit	31/08/22	31/08/23	3.90	0	4,000
Toronto Dominion Bank	Certificate of Deposit	28/09/22	28/09/23	5.40	0	5,000
Welland Homes	Long Term Debtor	n/a	>12 Months	3.50	3,738	3,738
TOTAL					51,470	52,342

In addition to the above investments, the Council's equity stake in Welland Homes based on fair value was at £3.672m as at 31 March 2022. No further equity investments have been made to 30 September 2022.

Also, the Council's equity stake in South Holland Community Housing Company based on fair value was £1.169m as at 31 March 2022. No further equity investments have been made to 30 September 2022.

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



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 3 March 2022.

2022/23 Capital Programme and Q2 Forecast Outturn				
Scheme	Revised Budget 2022/23 £'000	Actual 30 September 2022 £'000	Forecast Outturn 2022/23 £'000	Variance (under)/over £'000
ICT Infrastructure	365	7	365	-
Shared Public Protection software	-	6	6	6
Office ICT Equipment Refresh	66	-	66	-
PSPS Transformation	113	25	113	-
AIM Upgrade	20	-	20	-
Member IT Equipment Refresh	50	-	50	-
Technology Refresh for Meeting Rooms	27	27	27	-
Priory Road Projects	149	67	142	(7)
South Holland Centre Projects	77	-	77	-
Castle Sports Boiler	34	-	-	(34)
Swimming Pool Boiler	58	27	58	-
Castle Sports Pool Fire Alarm	9	-	40	31
Castle Sports Hot Water Pressurisation Replace	24	-	24	-
West Marsh Road Fire Alarm	13	-	13	-
West Marsh Road Electrical Rewiring	43	-	43	-
West Marsh Road Projects	85	-	85	-
Ayscoughfee Hall	209	158	209	-
Temporary Accommodation	31	-	31	-
Industrial Units	63	-	63	-
Bus Depot Resurfacing	75	-	100	25
Car Park Resurfacing	70	-	70	-
Footway Lighting	55	-	55	-
Spalding Cemetery	25	-	5	(20)
Moulton Park Play Area Development	100	-	100	-
New Sheep Market Toilets	200	-	200	-
Clear Old swimming pool Area	15	9	15	-
Changing Places	150	-	150	-
Capital Acquisitions	3,138	320	3,138	-
Electric Vehicle Charging	29	-	29	-
NSAP Property Acquisitions	84	4	84	-
RSAP Property Acquisitions	254	97	254	-
Kings Road Land Acquisition	105	78	105	-
Crease Drove Industrial Units	1,350	9	1,350	-
South Western Relief Road	1,000	-	1,000	-
Garden Waste	431	379	431	-
Grounds Maintenance	85	-	85	-
Environmental Services Operational	36	10	36	-
Fleet Maintenance Vehicles	69	37	69	-
Street Cleansing	35	109	109	74
Disabled Facilities Grants	1,522	283	1,522	-

2022/23 Capital Programme and Q2 Forecast Outturn				
Scheme	Revised Budget 2022/23 £'000	Actual 30 September 2022 £'000	Forecast Outturn 2022/23 £'000	Variance (under)/over £'000
Decent Homes	75	-	75	-
Welland Homes	2,234	-	1,200	(1,034)
Total	12,573	1,652	11,614	(959)

2022/23 Additional Grant Funded Schemes				
Scheme	Revised Budget 2022/23 £'000	Actual 30 September 2022 £'000	Forecast Outturn 2022/23 £'000	Variance (under)/over £'000
Grants for Growth	247	605	1,242	995
South Western Relief Road	-	3,799	6,912	6,912
Total	247	4,404	8,154	7,241

2022/23 Combined Capital Programme				
Total	Revised Budget 2022/23 £'000	Actual 30 September 2022 £'000	Forecast Outturn 2022/23 £'000	Variance (under)/over £'000
Total	12,820	6,056	19,768	6,948

2022/23 Capital Funding and Q2 Forecast Outturn				
Scheme	Revised Budget 2022/23 £'000	Actual 30 September 2022 £'000	Forecast Outturn 2022/23 £'000	Variance (under)/over £'000
Borrowing	(6,835)	(691)	(5801)	1,034
HRA Capital Receipts	(410)	-	(410)	-
Grants & Contributions	(2,074)	(4,687)	(9,904)	(7,830)
Direct Revenue Financing	(3,501)	(678)	(3,653)	(152)
Total	(12,820)	(6,056)	(19,768)	(6,948)

2022/23 HRA Capital Programme and Q2 Forecast Outturn				
Scheme	Revised Budget 2022/23 £'000	Actual 30 September 2022 £'000	Forecast Outturn 2022/23 £'000	Variance (under)/over £'000
Central Heating	905	538	975	70
Kitchen/Bathroom	1,296	343	1,271	(25)
Electrical Upgrade	150	-	150	-
Renewable Energy	1,105	899	1,120	15
Smoke Alarms	183	(2)	159	(24)
Roofs and Gutters	969	285	980	11
Doors and Windows	12	-	-	(12)
Flat Entrance Doors Sheltered Schemes	561	7	561	-
Chimneys	218	178	250	32
Paths and Drives	129	4	136	7
Boundary Walls	178	25	104	(74)
Fees	219	-	219	-
Sewerage Treatment Plant	645	44	645	-
The Square	1,254	2	1,254	-
Car Parks	142	-	142	-
ICT Strategy / Infrastructure	257	17	201	(56)
Housing IT Systems Upgrade	12	1	12	-
Replacement Laptops	44	-	44	-
Technology Refresh for Meeting Rooms	18	11	18	-
PSPS Transformation		17	17	17
Major Adaptions	701	371	701	-
Sheltered Alarm Upgrade	785	45	785	-
Grounds Maintenance	21	-	21	-
South Holland Maintenance	65	-	65	-
Weston Development Scheme	13	-	13	-
Wignal's Gate S106	1,077	313	1,077	-
Albion street Crowland	263	236	263	-
Scheme Subject to detailed approval	4,122	-	401	(3,721)
Total	15,344	3,334	11,584	(3,760)

2022/23 HRA Capital Funding and Q2 Forecast Outturn				
Scheme	Approved Budget 2022/23 £'000	Actual 30 September 2022 £'000	Forecast Outturn 2022/23 £'000	Variance (under)/over £'000
Capital Receipts	(4,614)	(549)	(1,208)	3,406
Grants and Contributions	(887)	(675)	(887)	-
Major Repairs Reserve	(8,548)	(2,110)	(7,789)	759
Direct Revenue Financing	(1,295)	-	(1,700)	(405)
Total	(15,344)	(3,334)	(11,584)	3,760