APPENDIX 1

SCOTTISH BORDERS COUNCIL

TREASURY MANAGEMENT MID-YEAR REPORT 2023/24

1. BACKGROUND

a) 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”.

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

c) 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. On occasion, where favourable conditions exist, any debt previously drawn may be restructured to meet Council risk or cost objectives.

d) **Annex A** contains a summary of the updated Prudential and Treasury Management Indicators for 2023/24 as highlighted throughout this report.

2 ECONOMIC POSITION

2.1 ECONOMIC UPDATE *(from Link Group)*

- The first half of 2023/24 saw:
  - Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
  - Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
  - A 0.5% m/m decline in real GDP in July, mainly due to more strikes.
  - CPI inflation falling from 8.7% in April to 6.7% in August, its lowest rate since February 2022, but still the highest in the G7.
  - Core CPI inflation declining to 6.2% in August from 7.1% in April and May, a then 31 years high.
  - A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose to 7.8% in August, excluding bonuses).
- The 0.5% m/m fall in GDP in July suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.

- The fall in the composite Purchasing Managers Index from 48.6 in August to 46.8 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0.2% q/q rise in real GDP in the period April to June, being followed by a contraction of up to 1% in the second half of 2023.

- The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.

- As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of- living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.

- The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.

- But the cooling in labour market conditions still has not fed through to an easing in wage growth. While the monthly rate of earnings growth eased sharply from an upwardly revised +2.2% in June to -0.9% in July, a lot of that was due to the one-off bonus payments for NHS staff in June not being repeated in July. The headline 3myy rate rose from 8.4% (revised up from 8.2%) to 8.5%, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England’s closely watched measure of regular private sector wage growth eased a touch in July, from 8.2% 3myy in June to 8.1% 3myy, it is still well above the Bank of England’s prediction for it to fall to 6.9% in September.

- CPI inflation declined from 6.8% in July to 6.7% in August, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.2%. That reverses all the rise since March and means the gap between the UK and elsewhere has shrunk (US core inflation is 4.4% and in the Euro-zone it is 5.3%). Core goods inflation fell from 5.9% to 5.2% and the further easing in core goods producer price inflation, from 2.2% in July to a 29-month low of 1.5% in August, suggests it will eventually fall close to zero. But the really positive development was the fall in services inflation from 7.4% to 6.8%. That also reverses most of the rise since March and takes it below the forecast of 7.2% the Bank of England published in early August.

- In its latest monetary policy meeting on 20 September, the Bank of England left interest rates unchanged at 5.25%. The weak August CPI inflation release, the recent loosening in the labour market and the downbeat activity surveys appear to have convinced the Bank of England that it has already raised rates far enough. The minutes show the decision was "finely balanced". Five MPC members (Bailey, Broadbent, Dhingra, Pill and Ramsden) voted for no change and the other four (Cunliffe, Greene, Haskel and Mann) voted for a 25bps hike.

- Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. The statement did not say that rates have peaked and once again said if there was evidence of more persistent inflation pressures "further tightening in policy would be required". Governor Bailey stated, "we'll be watching closely to see if further increases are needed". The Bank also retained the hawkish guidance that rates will stay "sufficiently restrictive for sufficiently long".

- This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates at the next meeting on 2nd November, or even pause in November and raise rates in December.

- The yield on 10-year Gilts fell from a peak of 4.74% on 17th August to 4.44% on 29th September, mainly on the back of investors revising down their interest rate expectations. But even after their recent pullback, the rise in Gilt yields has exceeded the rise in most other Developed Market government yields since the start of the year. Looking forward, once inflation falls back, Gilt yields are set to reduce further. A (mild) recession over the next couple of quarters will support this outlook if it helps to loosen the labour market (higher unemployment/lower wage increases).

- The pound weakened from its cycle high of $1.30 in the middle of July to $1.21 in late September. In the first half of the year, the pound bounced back strongly from the Truss debacle last autumn. That rebound was in large part driven by the substantial shift up in UK interest rate expectations. However, over the past couple of months, interest rate expectations have dropped sharply as inflation started to come down, growth faltered, and the Bank of England called an end to its hiking cycle.

- The FTSE 100 has gained more than 2% since the end of August, from around 7,440 on 31st August to 7,608 on 29th September. The rebound has been primarily driven by higher energy prices which boosted the valuations of energy companies. The FTSE 100's relatively high concentration of energy companies helps to explain why UK equities outperformed both US and Euro-zone equities in September. Nonetheless, as recently as 21st April the FTSE 100 stood at 7,914.

2.2 INTEREST RATE FORECAST

a) 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 PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

b) The latest forecast on 25th September sets out a view that short, medium 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.

c) 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 1st November 2012.

Link Group Interest Rate View	25.09.23												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00
5 yr PWLB	5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50
10 yr PWLB	5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50
25 yr PWLB	5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80
50 yr PWLB	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60

3 TREASURY MANAGEMENT POLICY STATEMENT - UPDATE

i. The Treasury Management Policy Statement (the Statement) was approved by Council in April 2010. There have been no policy changes to the Statement. The details in this report update the position in light of updated economic position and budgetary changes.

ii. Treasury Management Strategy Statement (TMSS) for 2023/24 was approved by Council on 23 February 2023. There are no further policy changes to the Statement. The details in this report including Annexes A, B and C provides an update on Treasury Management activities, including Prudential and Treasury Management Indicators.

4 COUNCIL'S CAPITAL EXPENDITURE AND FINANCING 2023/24

4.1 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.

4.2 CAPITAL EXPENDITURE
(Prudential Indicator (PI-1)

a) The original capital plan for 2023/24 was approved on 23 February 2023. **Table 2** shows the current budgets for capital expenditure compared to the original estimates used in the Treasury Management Strategy report for 2023/24.

Table 2	**2023/24 Original Budget £m**	**2023/24 Current Approved Budget [1] £m**	**Variance Original to Current Approved £m**
Assets & Infrastructure	39.9	47.1	7.2
Other Corporate Services	11.1	13.9	2.8
Children & Young People	40.0	37.7	(2.3)
Culture & Sport	0.9	1.0	0.1
Economic Regeneration	18.8	15.2	(3.6)
Housing Strategy & Services	0.6	1.0	0.4
Social Care Infrastructure	14.1	1.6	(12.5)
Emergency & Unplanned Schemes	-1.7	-0.9	0.8
Total Capital Expenditure *(PI-1)*	**123.7**	**116.6**	**(7.1)**

[1] **Executive Committee 14 November 2023**

b) The current approved budget for 2023/24 is less than the original budget mainly due to timing movements in the Care Villages in Tweedbank and Hawick. Detailed explanations of the movements within the planned expenditure have been reported in the quarterly monitoring reports, the last of which was to the Executive Committee on 14 November 2023.

4.3 FINANCING OF THE CAPITAL PROGRAMME

a) **Table 3** draws together the main funding elements of the capital expenditure plans (see 4.2 above), comparing the original components of the funding strategy to those of the latest approved budget for the 2023/24 capital programme.

Table 3	**2023/24 Original Budget £m**	**2023/24 Current Approved Budget [1] £m**	**Variance Original to Current Approved £m**
Capital Expenditure (PI-1)	123.7	116.6	(7.1)
Other Relevant Expenditure	-	-	-
Total Expenditure	**123.7**	**116.6**	**(7.1)**
Financed by:			
Capital receipts	-	(1.6)	1.6
Capital from Revenue (CFCR)	(2.9)	(2.7)	(0.2)
Developer Contributions	(0.5)	(0.6)	0.1
Govt. General Capital Grant	(12.0)	(24.6)	12.6
Govt. Specific Capital Grant	(15.0)	(2.3)	(12.7)
Other Grants & Contributions	(20.8)	(21.5)	0.7
Replacement Funds	(2.4)	(5.8)	3.4
Total Financing	**(53.6)**	**(59.1)**	**5.5**
Net Financing Need for the Year	***70.1***	***57.5***	***(12.6)***

[1] Executive Committee 14 November 2023

b) The decrease in overall financing need is a combination of the reduced projected capital expenditure as detailed in table 2 above, along with a net increase in government grants.

4.4 CAPITAL FINANCING REQUIREMENT AND EXTERNAL DEBT INDICATORS

CAPITAL FINANCING REQUIREMENT (CFR) *(PI-2)*

i) **Table 4** below shows the CFR, which is the underlying need to incur external borrowing for a capital purpose.

ii) The CFR has been re-calculated in light of the changes to the capital plan and the fixed asset and reserve valuations in the Council's accounts for the year ending 31 March 2023; this has resulted in a variance of £18.8m in the CFR.

Table 4	**2023/24 Original estimate £m**	**2023/24 Revised estimate £m**	**Variance £m**
CFR * *(PI-2)*	**444.4**	**425.6**	**18.8**

The CFR for this calculation includes current capital expenditure assumptions to 30 September 2023.

ACTUAL EXTERNAL DEBT *(PI-5)*

iii) Projected external debt for 2023/24 is shown in **Table 5** below and is estimated to remain within the operational boundary.

iv) **Table 5** also compares the current projected external borrowing estimate with the estimate in the Annual Strategy. In cash terms, the borrowing figure is lower than originally projected in line with the reduced net financing need as detailed above. A variance in cash levels held at the year-end compared to those projected also impact on the variance below.

v) Due to the overall financial position and the timing of the capital programme, there has been no new external borrowing undertaken so far this year.

Table 5	**2023/24 Original estimate £m**	**2023/24 Current Approved Budget £m**	**Variance £m**
Borrowing	262.8	208.3	(54.5)
Other long-term liabilities	110.3	110.3	-
Total External Debt (PI-5)	**373.1**	**318.6**	**(54.5)**

(UNDER)/OVER BORROWING AGAINST CFR *(PI-6)*

vi) A key control over treasury activity is a prudential indicator to ensure that, over the medium term, borrowing will only be for a capital purpose. Net 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 2023/24 and next two financial years. This allows some flexibility for limited early borrowing for future years.

vii) **Table 6** compares the prudential indicator for (under)/over borrowing against CFR versus the updated estimate for the year end and shows that the Council's actual debt levels are well within its capital financing requirement. This is primarily driven by the tactical measures which use the Council's surplus cash-flows to finance capital expenditure minimising the need to enter into additional debt financing arrangements.

Table 6	**2023/24 Original estimate £m**	**2023/24 Current Approved Budget £m**	**Variance £m**
Gross External Debt	**373.1**	**318.6**	**(54.5)**
CFR *	444.4	425.5	(18.9)
(Under)/Over Borrowing against CFR *(PI-6)*	**(71.3)**	**(106.9)**	**35.6**

** The CFR for this calculation includes the current and two future years projected capital expenditure.*

viii) No difficulties are envisaged for the current or future years in complying with this prudential indicator.

AUTHORISED LIMIT AND OPERATIONAL BOUNDARY *(PI-7 and PI-8)*

ix) Two further prudential indicators control the overall level of borrowing. These are:

(i) The **Authorised Limit** which represents the limit beyond which borrowing is prohibited and the expected maximum borrowing need for the Council. It needs to be set and revised by Members. The Authorised Limit is the statutory limit determined under the Local Government in Scotland Act 2003.

(ii) The **Operational Boundary** which shows the expected operational debt position for the period.

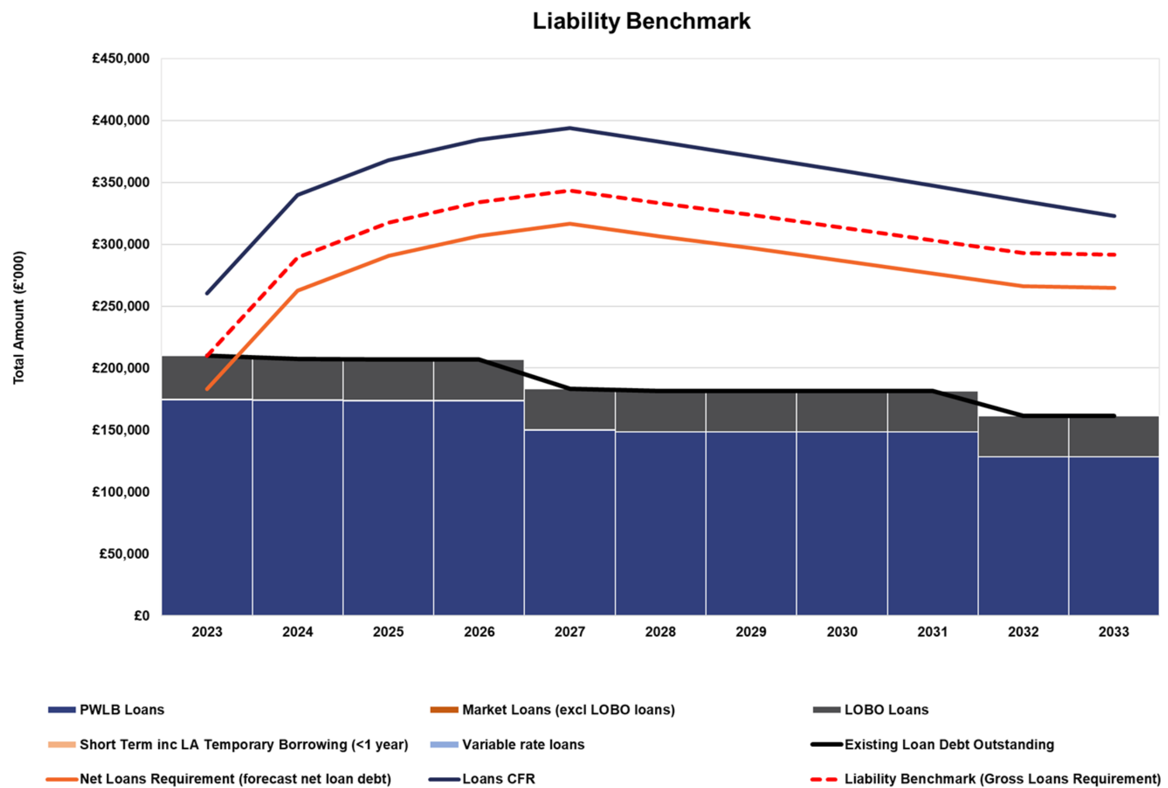
x) **Table 7** below shows revised estimates for the debt indicators for the 2023/24 financial year and compares them with the original estimates shown in the 2023/24 Treasury Management Strategy Report.

Table 7	**2023/24 Original estimate £m**	**2023/24 Revised estimate £m**	**Variance £m**
Gross External Debt *(PI-5)*	**373.1**	**318.6**	**(54.5)**
Authorised Limit inc. Long Term Liabilities*(PI-8a)*	**608.0**	**567.4**	**(39.6)**
Variance to External Debt Estimate	*234.9*	*248.8*	*8.9*
Operational Boundary inc. Long Term Liabilities *(PI-7a)*	**506.6**	**472.8**	**(34.1)**
Variance to External Debt Estimate	*133.5*	*154.2*	*20.7*

LIABILITY BENCHMARK

xi) A new prudential indicator for 2023/24 is the Liability Benchmark. The graph shows the current Liability Benchmark for 2022/23 plus ten years in line with the Capital Plan. This shows the impact of the current position plus approved capital programme (including prudential borrowing). It does not include any projected additional borrowing or requirement beyond that (albeit that borrowing may well be required depending on plans at the time).

xii) The graph shows the Council to be in an under-borrowed position with a requirement for further borrowing in future years.



4.5 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.

5 INVESTMENT ACTIVITY

5.1 INVESTMENTS

a) In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent 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.

b) The Council held £51.0m of balances in interest bearing accounts as at 30 September 2023 (£27.0m at 31 March 2023). As a result of current market uncertainties, the Council has been prioritising the security of deposits by investing surplus balances with money market funds and the UK Government's Debt Management Office (DMO).

c) The increase in the level of balances invested from March to September, highlighted above, are due to timing differences between the receipt of grant funding and corresponding capital expenditure, detailed in section 4.4 above.

d) The Council, due to the cashflow position and the requirement to manage the Pension Fund cash as well as the Council's, continues to explore opportunities to invest surplus balances in the short term.

Creditworthiness

e) The current list of countries that were approved in the Treasury Management Strategy are shown in Annex C. Fitch remain reporting 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 however Standard & Poors moved to Stable Outlook in April 23 following the government's decision to remove the budgetary proposals from September 2022 thus improving the fiscal outlook.

5.2 INVESTMENT COUNTERPARTY CRITERIA

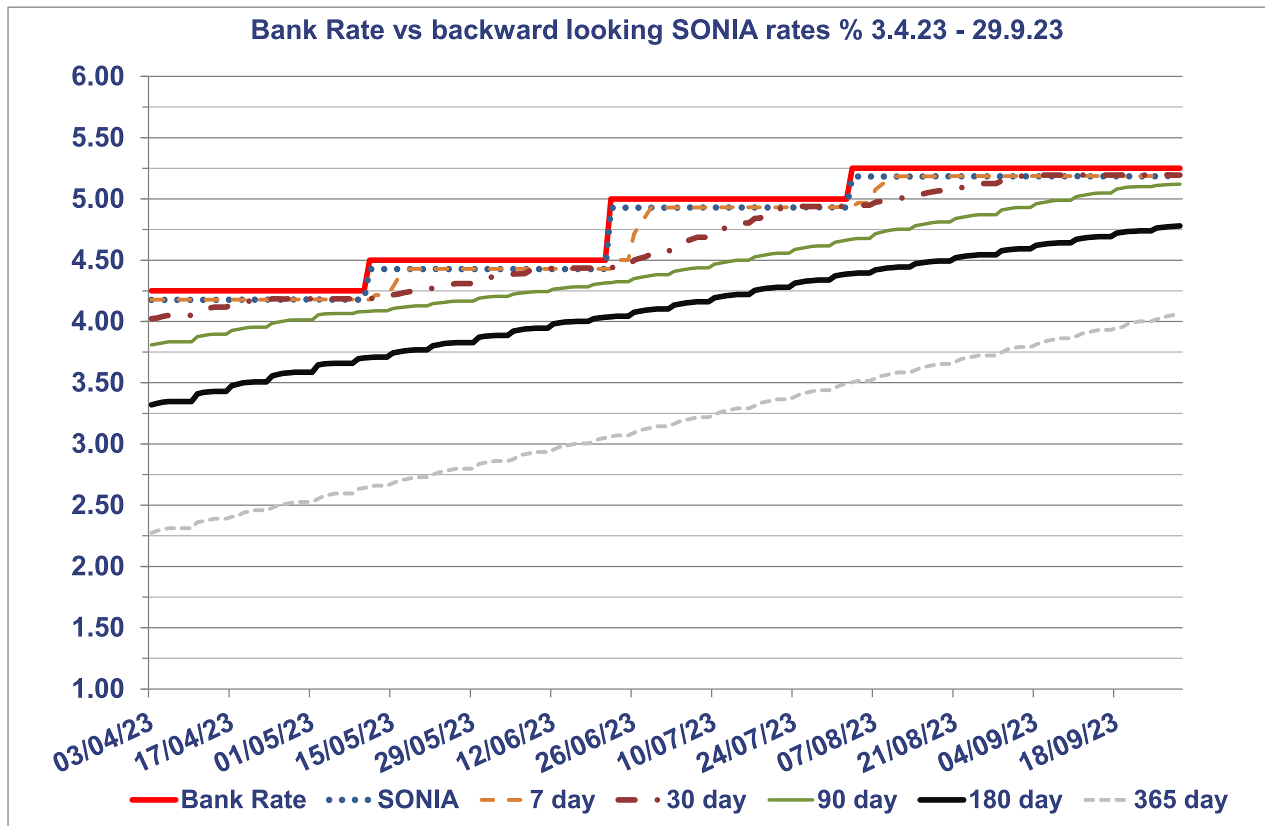
a) The current investment counterparty criterion, approved in the Treasury Management Strategy, represents a prudent approach to risk and the Council's concerns about security of investments. These prudent limits mean there are limited investment options when operating the cash-flow on a short term management basis. The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

b) Considering security, liquidity and yield of investment, priority is given to security. Daily updates and reports are received from Link Asset Services that allow officers to assess the continued credit worthiness of investment counter parties.

c) All investments undertaken are on a short term, highly liquid basis, allowing access to invested funds at 1 days notice. The investments held at 30th September 2023 are detailed in Annex B.

d) Interest rates are also monitored on a daily basis to ensure the best return is obtained. Target for internal return on cash investment is to be above the 365 day backward looking SONIA (Sterling Overnight Index Average) uncompounded rate. The return for six months to 30

September 2023 has averaged 4.74%, compared against an average 365 day backward looking SONIA (Sterling Overnight Index Average) uncompounded rate of 4.00%.



	Bank Rate	SONIA	7 day	30 day	90 day	180 day	365 day
High	5.25	5.19	5.19	5.20	5.12	4.78	4.06
High Date	03/08/2023	29/09/2023	04/09/2023	27/09/2023	29/09/2023	29/09/2023	29/09/2023
Low	4.25	4.18	4.18	4.02	3.81	3.32	2.27
Low Date	03/04/2023	04/04/2023	11/04/2023	03/04/2023	03/04/2023	03/04/2023	03/04/2023
Average	4.81	4.74	4.71	4.64	4.44	4.10	3.16
Spread	1.00	1.01	1.01	1.17	1.31	1.46	1.79

The table above covers the first half of 2023/24.

LOAN CHARGES

a) The **Loan Charges** Revenue Budget estimate contained in the Council's Financial Plans approved on 23 February 2023 was £19.3m. It is expected that charges for 2023/24 will be lower than the budgeted figure, in line with the actual and projected borrowing requirements for the year.

ANNEX A

Indicator Reference	Indicator	Page Ref.	2023/24 Original estimate	2023/24 Revised estimate
PRUDENTIAL INDICATORS				
Capital Expenditure Indicator				
PI-1	Capital Expenditure Limits (£m)	6	123.7	116.5
PI-2	Capital Financing Requirement (£m) (CFR)	8	444.4	425.5
Affordability Indicator				
PI-3	Ratio of Financing Costs to Net Revenue (inc PPP repayment costs)	N/A	8.5%	6.5%
PI-4	Incremental (Saving)/ Cost Impact of Capital Investment Decisions on Council Tax	N/A	£(0.01)	£(0.01)
External Debt Indicators				
PI-5	External Debt (£m)	9	373.1	318.6
PI-7a	Operational Boundary (inc. Other Long Term Liabilities) (£m)	9	506.6	472.8
PI-7b	Operational Boundary (exc. Other Long Term Liabilities) (£m)	N/A	366.3	362.5
PI-8a	Authorised Limit (inc. Other Long Term Liabilities) (£m)	9	608.0	567.4
PI-8b	Authorised Limit (exc. Other Long Term Liabilities) (£m)	N/A	496.7	457.1
Indicators of Prudence				
PI-6	(Under)/Over Net Borrowing against the CFR (£m)	9	(154.3)	(237.5)
TREASURY INDICATORS				
TI-1	Upper Limit to Fixed Interest Rates based on Net Debt (£m)		506.6	472.8
TI-2	Upper Limit to Variable Interest Rates based on Net Debt (£m)		177.3	165.5
TI-3	Maturity Structure of Fixed Interest Rate Borrowing		**Lower**	
	Under 12 months		0%	
	12 months to 2 years		0%	
	2 years to 5 years		0%	
	5 years to 10 years		0%	
	10 years and above		20%	
TI-4	Maximum Principal Sum invested greater than 364 days	12	20%	20%

ANNEX B

Treasury Deposits held as of 30th September 2023 compared to our counterparty list:

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default
MMF Aberdeen Standard Investments	5,000,000	5.35%		MMF	AAAm	
MMF Aviva	5,000,000	5.26%		MMF	AAAm	
MMF BlackRock	5,000,000	5.21%		MMF	AAAm	
MMF Federated Investors (UK)	5,000,000	5.39%		MMF	AAAm	
MMF LGIM	5,000,000	5.29%		MMF	AAAm	
DMO	2,000,000	5.20%	10/08/2023	20/10/2023	AA-	0.001%
DMO	1,000,000	5.20%	11/08/2023	20/10/2023	AA-	0.001%
DMO	1,500,000	5.28%	23/08/2023	20/10/2023	AA-	0.001%
DMO	2,000,000	5.29%	17/08/2023	30/10/2023	AA-	0.002%
DMO	1,500,000	5.29%	25/08/2023	30/10/2023	AA-	0.002%
DMO	2,500,000	5.28%	01/09/2023	30/10/2023	AA-	0.002%
DMO	1,500,000	5.28%	04/09/2023	30/10/2023	AA-	0.002%
DMO	1,000,000	5.29%	11/09/2023	30/10/2023	AA-	0.002%
DMO	2,500,000	5.17%	29/09/2023	30/10/2023	AA-	0.002%
DMO	2,500,000	5.30%	08/09/2023	10/11/2023	AA-	0.003%
DMO	2,000,000	5.32%	13/09/2023	22/11/2023	AA-	0.003%
DMO	1,000,000	5.36%	19/09/2023	29/11/2023	AA-	0.004%
DMO	1,500,000	5.30%	20/09/2023	29/11/2023	AA-	0.004%
DMO	1,000,000	5.20%	27/09/2023	29/11/2023	AA-	0.004%
DMO	2,500,000	5.20%	28/09/2023	29/11/2023	AA-	0.004%
Total Investments	£51,000,000	5.28%				0.002%

Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to those investments for which a counterparty has a counterparty credit rating and also does not include investments which are not rated.

ANNEX C: Approved countries for investments as of 30th September 2023

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)

AA-

- Belgium
- France (downgraded by Fitch on 9th May 2023)
- Qatar
- **U.K.**