

# Chichester District Council

CABINET

5 September 2023

## 2022-23 Treasury Management outturn report

### 1. Contacts

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### 2. Executive Summary

This report provides a summary of the Council's treasury and investment activities for 2022-23. During the year, total Treasury investment balances decreased from £111m to £97m. Within this the Council's external pooled fund investments were increased from £34m to £40m.

Treasury income returns of £2.796m were £1.168m higher than the estimated budget performance for 2022-23.

Investment and borrowing transactions were in line with the principles approved in the 2022-22 Annual Treasury Strategy except for the exceptions disclosed in section 8.

The Council's investment property portfolio generated £886k rental income and incurred £144k direct costs leaving a surplus of £742k before any changes in fair value. Void levels were 14.70% in 2022-23.

### 3. Recommendation

- 3.1. **Cabinet is requested to consider the Treasury and Investment activity summarised in this report.**

### 4. Background and Outcomes

- 4.1. This is a summary of Treasury Management activity for the year to 31 March 2023. The objective is to demonstrate the effectiveness of Treasury activities undertaken and compliance with the Council's Treasury Management Strategy and Policy statement.

- 4.2. The Council's Corporate Governance and Audit Committee considered this report on 17 July 2023 and made no further comments to Cabinet.

## 5. Treasury management activity

- 5.1. On 31 March 2023, the Council had investments of £96.9m (table 1, below). Investment balances remained relatively high across the year, as the Council still held COVID funds which were returned to the Government when requested.

Table 1: Treasury Management Summary

<b>Investments £000</b>	<b>Balance 01/04/2022</b>	<b>Movement</b>	<b>Balance 31/03/2023</b>
Short term Investments	23,000	10,000	33,000
Money Market Funds	54,400	(30,500)	23,900
<b>Total liquid investments</b>	<b>77,400</b>	<b>(20,500)</b>	<b>56,900</b>
Long term Investments	-	-	-
Pooled Funds – External	24,000	6,000	30,000
Pooled funds – Local Authority	10,000	-	10,000
Property fund			
<b>Total investments</b>	<b>111,400</b>	<b>(14,500)</b>	<b>96,900</b>

Note: the figures in the table above exclude any movements in Fair value.

- 5.2. The challenge throughout the year in a rising interest market was the balance between liquidity achieved by using money market funds for short term investments. Against lending to other local authorities with fixed terms offered, with a growing trend to request deals in advance of the actual investment date. Ultimately in this type of environment, it can be a challenge to assess if the offered interest rate will be competitive at the date of the investment. Where deals were assessed as competitive in the latter part of the year greater use of lending to local authorities has taken place. The recent Base Rate rise in June 2023 underlines this point, as the market were only pricing in a 25bps increase, whereas the Bank of England sought to halt the inflationary pressures by increasing the rate by 50bps.
- 5.3. Also, as part of the approved strategy for the year the Council invested in longer term investments as a further £6m was invested in an external multi-asset pooled fund, following consultation with the s.151 Officer and the Cabinet Member for Finance. These investments were made in two tranches (April and September) in the CCLA Diversified Income Fund. This fund is a multi-asset actively managed fund which aims to provide growth in come and capital over the long-term from a diversified portfolio.
- 5.4. The Council maintained a balanced allocation of external investments throughout the financial year. The overall composition, performance and returns of our external pooled investments is shown in appendix A and summarised in the exhibits and tables below.

5.5. The position for all funds by asset class on 31 March 2023 is shown below.

Exhibit 1: External Funds: Asset class breakdown

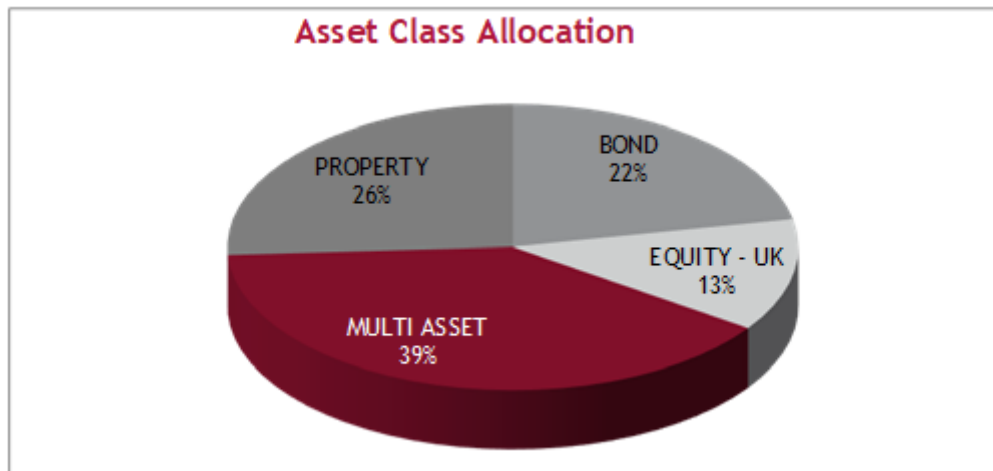


Exhibit 2: External investment performance (cumulative)

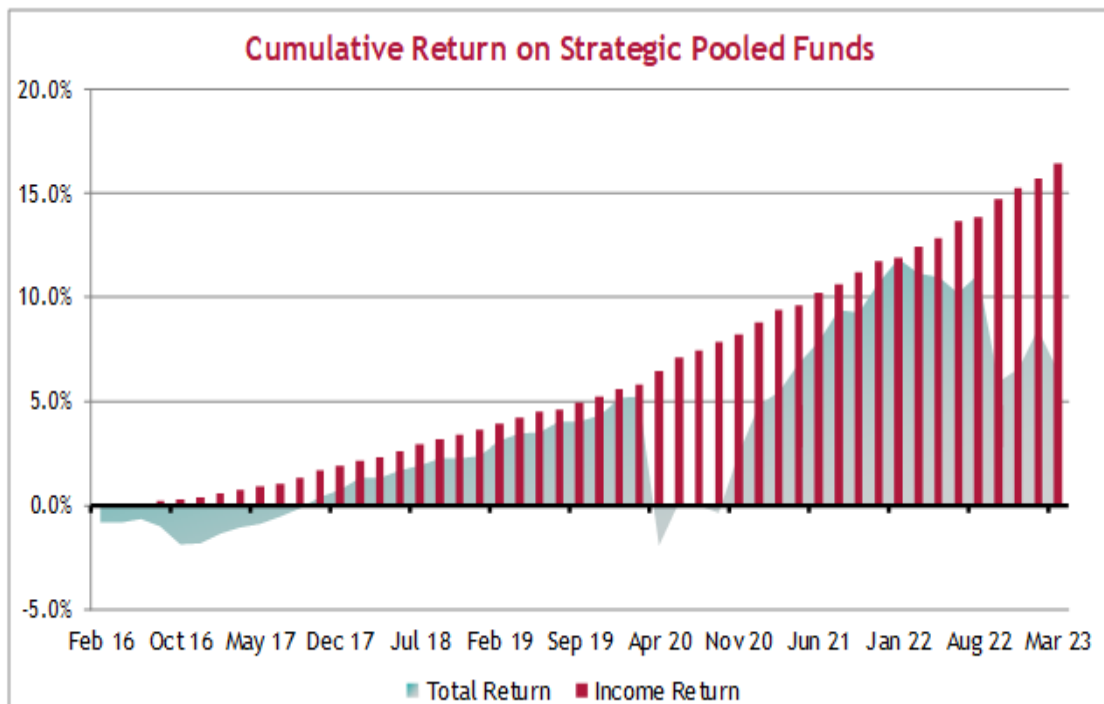


Table 2: External investment performance

	Since purchase £000	Annualised %	2022-23 £000	Annual %
Income return	6,833	3.69	1,579	3.95
Capital return	(4,143)	-	(4,147)	-
Volatility		3.80		6.00

Note 1: Annualised return since purchase

- 5.6. The current value of the portfolio is showing a capital paper loss of £4.1m for 2022-23, whereas the value at outturn for 2021-22, was broadly the same as the original investment value. This underlines the current economic turmoil in the market and the volatility being experienced in investment values. Under the current regime for assets that are assessed on fair value there is a government approved statutory override until 31 March 2025. This means that movements in the capital value assessed at the year end does not impact the Council's revenue outturn position in the Comprehensive Income and Expenditure Account bottom line but is reflected in a specific unusable reserve.
- 5.7. Despite this the income from these pooled investment types remains stable at around 4% per annum. In total our external pooled funds have generated over £6.8m for Council services and are expected to continue to generate over £1m a year going forwards. Therefore, in line with the agreed long term investment policy the Council will continue to hold these investment assets as the income return remains stable, and it has no need to crystallise the losses as the funds are not currently required for its spending plans.
- 5.8. Benchmarks and red/ amber/ green risk ratings across a series of indicators focussed on measuring security, liquidity and return are reported at appendix B with a short commentary against each.
- 5.9. The main themes impacting the market is the continued military action by Russia in Ukraine, the cost of living crisis and inflationary pressures which has meant that the Bank of England has continued to act by raising the base rate throughout the year.
- 5.10. At the start of the financial year the Bank of England Base Rate was 0.75% (set 17 March 2022), since then it has been increasing to the current level of 5.25% (August 2023). This is because of UK inflation and wage growth remains elevated, despite an unexpectedly large fall in July's inflation data. Core CPI also fell slightly. This still resulted in a further 0.25% increase in the Base Rate to 5.25% in August, nearing the expected peak, but that wholly depends on the data in the coming months. Current expectation in the market ranges from a peak at 5.50% to 6%, as strong inflation data in August and September could result in further rises before the end of the year. The Council's latest advice (August 2023, exhibit 3) indicates a further increase is expected in September 2023.

Exhibit 3: Interest Rate Forecast – August 2023

	Current	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
<b>Official Bank Rate</b>													
<b>Upside risk</b>	0.00	0.50	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>Central Case</b>	5.25	5.50	5.50	5.50	5.50	5.25	4.75	4.50	4.25	3.75	3.50	3.25	3.00
<b>Downside risk</b>	0.00	-0.50	-0.50	-0.50	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

- 5.11. Originally it was intended that a further £5m would be invested in long term multi-asset funds during 2022-23. However, due to the rising interest rates and the continued uncertainty regarding the outcome of the statutory override for fair

value investments, this additional investment did not proceed. The funds available continued to be managed inhouse instead.

- 5.12. To lessen the potential financial impact of the fair value movement of certain external investments, the Council maintains an investment risk reserve. This reserve is to mitigate the risk to the Council's General Fund of adverse fair value movements. The balance of this reserve was £2.886m as at 31.3.2023. With investments of £35.8m and volatility of 6% (appendix A), this amount was expected to cover potential annual losses 85% of the time. Based on the position as at 31 March the capital loss was in the remaining 15%, and so insufficient. The capital position will be important when the budget is set for 2025-26, as any shortfall against the reserve will need to be funded from council tax or reserves.

## 6. Treasury Budget

- 6.1. The Council's 2022-23 budget was set against a very different economic background than that experienced throughout the year. The budget figures were not representative of the actual interest paid due to the continued raising of the Base Rate by the Bank of England, as set out in paragraph 5.10. The income received was also impacted by other factors including the fiscal and economic outlook, the fund's sectoral asset allocation, securities held/bought/sold, and in the case of equities, the enforced or voluntary dividend cuts or deferrals. Plus, further investments in pooled funds made during the Autumn of 2022, were also not factored into the projections.
- 6.2. The outturn budget performance for 2022-23 is £1.168m more favourable than the original budget, as shown in table 3 below.

Table 3: Treasury Income budgets

	BUDGET 2022-23 £000s	ACTUAL 2022-23 £000s	BUDGET 2023-24 £000s
Internally managed	78	995	807
Property Fund dividends	420	470	400
External fund dividends and interest	1,130	1,331	1,275
<b>TOTAL</b>	<b>1,628</b>	<b>2,796</b>	<b>2,482</b>

- 6.3. The 2023-24 budget was set with a view that the increase in the Bank Base Rate would slow down, with rates peaking at 4.50%. Now due to the continued increases it is expected that the forecast for internally managed funds will be understated, considering the unexpectedly stubborn inflation means that rates actually achieved in year will be higher. Any significant variance arising will be reported to members as part of the quarterly in-year monitoring.

## 7. Other Non-Treasury Holdings and Activity

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

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

- 7.2. The Authority continues to hold approximately £15m of investments assessed as being for a commercial purpose, which comprise the Council's directly owned investment properties. Further information on the performance of the Council's Commercial investments in contained in appendix D.
- 7.3. The Council has a very limited portfolio of service investments as shown in Table 4.

Table 4: Service investments

	£000s
Car Loans	137
Private Sector Renewal Loans	177
St James Industrial Estate Loans	4

*Figures above are as at 31.3.2023.*

- 7.4. Given the size of these non-Treasury loans, and the low level of financial risk associated with them, officers intend a very light touch response to satisfy the additional Regulatory requirements described from paragraph 8.5 onwards.

## **8. Compliance Report**

- 8.1. How Treasury activities complied with the Council's main 2022-23 Treasury limits is disclosed at Appendix C.
- 8.2. There are three exceptions for the reporting period. Items (a) and (b) were reported to the Committee in the 2022-23 half yearly update in October 2022:
  - (a) A large CIL receipt was received in the Council's bank account after the Council had completed its Treasury calculations at the start of the day.
  - (b) An investment maturity date was recorded incorrectly by one day, leading to the repayment being received one day earlier than expected. The sum was again received very late in the day when no other potential investments were open.
  - (c) A money market fund deal was not completed on the day, and funds remained in the Council's bank account overnight, as the counterparty should have been suspended because of recent market intelligence and the advice from our treasury advisor. Unfortunately, this information was missed by the deals officer on the day. As the agreed deal could not be cancelled, the transfer of funds had to be made the following day. As payment was finally made on a Friday, the recall of funds could only take place on the Monday, which officers did, and the money was returned to the Council's bank account later that day. It should be noted that a week later the advice was changed, and the counterparty was reinstated to the approved lending list. To reduce the risk of this kind of error in the future, the specific system

used for investments is now being updated with individual counterparty limits / restrictions etc when new advice is received.

## 9. Other issues

- 9.1. This section updates the Committee on other matters relevant to Treasury activity.

### Proportionality of Commercial Income

- 9.2. The Council's view is that income from commercial properties is proportional to wider Council budgets if it remains below 10% of the Council's net cost of services.
- 9.3. Table 5 sets out the investment income net of direct costs but before changes in fair value (ie; net operating surplus), measured against the Net Revenue Stream. However, it should be noted that the net revenue stream indicator prior to 2023-24 was based on net cost of services as the Council did not previously calculate this figure as part of its financial strategy.

Table 5: Proportionality of Investments (£m)

	<b>2021-22 Actual £m</b>	<b>2022-23 Actual £m</b>	<b>2023-24 Budget £m</b>
Investment income (£m)	0.90	0.89	0.90
Net Cost of Services (£m)/ * Net Revenue Stream (£m)	22.30	22.02	13.3*
Proportion	4.0%	4.0%	6.8%

*Investment income is net of direct costs but before changes in fair value (i.e.; net operating surplus). Net Cost of Services is as presented in the Council's annual financial statements.*

\* From 2023-24 this indicator is now based on net revenue stream projections and so this different basis is not comparable to the previous financial years in Table 5.

### Treasury workshop for Members

- 9.4. A Treasury workshop for all Members was delivered on 5 December 2022. A similar event will be held in December 2023 in advance of the Council's consideration of the treasury and investment strategies for 2024-25.

### Regulatory updates

- 9.5. For information to the Committee, it should be noted that CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20th December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of, and governance arrangements for, non-treasury investments.

- 9.6. Whilst the principles of the Prudential Code took immediate effect, local authorities could defer introducing the revised reporting requirements until the 2023-24 financial year if they wish. Given the short time between publishing of the Code and the start of 2022-23, the revised reporting requirements will apply from the 2023-24 financial year.
- 9.7. Unlike the Prudential Code, there is no mention of a date of initial application in the Treasury Management Code which now includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version. For consistency, changes in reporting requirements will also only commence from the 2023-24 financial year.

### **Statutory override**

- 9.8. Late in 2022 a government consultation took place on the temporary statutory arrangements which require the Council to charge any movements in the fair value of our external pooled funds to a reserve rather than against the Council Tax. The arrangements were due to expire on 31 March 2023, which gave Council's little time to consider the impact in their 2023-24 budget setting.
- 9.9. In December 2022, DLUHC announced that the temporary arrangements would be extended until 31 March 2025, therefore avoiding the need for any adjustment in the Council's 2023-24 budget spending plans.

## **10. Community impact and corporate risks**

- 10.1. The Council is required by the Accounts and Audit Regulations to comply with CIPFA's Code of Practice for Treasury Management and the Prudential Code for Capital Finance.
- 10.2. To mitigate against the current statutory override for the movement in fair value for external pooled or multi-fund assets the Council's holds £2.886m in an earmarked reserve. Since DLUCH have extended the temporary statutory override, this earmarked reserve will be reviewed for adequacy during each financial year, and any necessary action taken when hopefully a more permanent solution is considered by the government.

## **11. Other Implications**

	Yes	No
<b>Crime and Disorder</b>		X
<b>Climate Change and Biodiversity</b>		X
<b>Human Rights and Equality Impact</b>		X
<b>Safeguarding and Early Help</b>		X
<b>General Data Protection Regulations (GDPR)</b>		X
<b>Health and Wellbeing</b>		X
<b>Other</b>		X

## **12. Appendices**

- 12.1. A - Movements in Fund fair values and income – Pooled Funds
- 12.2. B - Benchmarking indicators



- 12.3. C - Compliance report
- 12.4. D - Non Treasury investments

### **13. Background Papers**

- 13.1. None.

## Appendix A: Movements in Fund fair values and income – Pooled Funds

### All Funds – cumulative

STRATEGIC POOLED FUND PORTFOLIO			CHICHESTER				From:	29/02/2016	To:	31/03/2023
FUND NAME	ASSET CLASS	No of Units Held in Period	Current Value £	Capital Growth £	Dividends Earned £	Holding Period (yrs)	Capital Return	Income Return	Total Return	Volatility
AEGON (KAMES) DIVERSIFIED MONTHLY INCOME FUND	MULTI ASSET	4,418,978	4,225,427	-774,573	761,598	3.3	-15.49%	15.23%	-0.26%	9.0%
CCLA - DIVERSIFIED INCOME FUND	MULTI ASSET	3,912,347	5,521,496	-478,504	139,855	0.8	-8.00%	2.34%	-5.66%	3.9%
CCLA - LAMIT PROPERTY FUND	PROPERTY	3,268,201	9,275,154	-724,847	2,819,505	6.8	-7.25%	28.20%	20.95%	5.7%
M&G STRATEGIC CORPORATE BOND FUND	BOND	3,976,338	3,397,334	-602,666	382,300	3.3	-15.02%	9.53%	-5.49%	4.0%
NINETY ONE (INVESTEC) DIVERSIFIED INCOME FUND	MULTI ASSET	4,843,652	4,414,621	-585,379	997,928	5.1	-11.71%	19.96%	8.25%	3.0%
SCHRODER INCOME MAXIMISER FUND	EQUITY - UK	11,187,364	4,558,851	-441,149	1,023,494	3.1	-8.82%	20.47%	11.65%	9.1%
THREADNEEDLE STERLING SHORT-DATED CORPORATE BOND FUND	BOND	2,332,345	2,121,718	-228,281	143,129	3.4	-9.71%	6.09%	-3.62%	2.3%
THREADNEEDLE STRATEGIC BOND FUND	BOND	2,561,534	2,330,996	-319,004	438,149	5.8	-12.04%	16.53%	4.50%	3.6%
<b>GRAND TOTAL</b>			<b>35,845,597</b>	<b>-4,143,254</b>	<b>6,832,794</b>	<b>4.1</b>	<b>-9.95%</b>	<b>16.41%</b>	<b>6.46%</b>	<b>3.8%</b>
			Unrealised capital loss since purchase:		-4,154,446	Annualised income return:		3.69%		

### All Funds – 2021-22 Financial Year

STRATEGIC POOLED FUND PORTFOLIO			CHICHESTER				From:	31/03/2022	To:	31/03/2023
FUND NAME	ASSET CLASS	No of Units Held in Period	Current Value £	Capital Growth £	Dividends Earned £	Holding Period (yrs)	Capital Return	Income Return	Total Return	Volatility
AEGON (KAMES) DIVERSIFIED MONTHLY INCOME FUND	MULTI ASSET	4,418,978	4,225,427	-570,039	240,781	1.0	-11.89%	5.02%	-6.87%	10.9%
CCLA - DIVERSIFIED INCOME FUND	MULTI ASSET	3,912,347	5,521,496	-478,504	139,855	0.8	-8.00%	2.34%	-5.66%	7.1%
CCLA - LAMIT PROPERTY FUND	PROPERTY	3,268,201	9,275,154	-1,830,846	401,688	1.0	-16.49%	3.62%	-12.87%	9.5%
M&G STRATEGIC CORPORATE BOND FUND	BOND	3,975,350	3,397,334	-379,248	135,687	1.0	-10.04%	3.59%	-6.45%	10.0%
NINETY ONE (INVESTEC) DIVERSIFIED INCOME FUND	MULTI ASSET	4,843,652	4,414,621	-247,346	186,839	1.0	-5.31%	4.01%	-1.30%	4.9%
SCHRODER INCOME MAXIMISER FUND	EQUITY - UK	11,187,364	4,558,851	-253,953	342,848	1.0	-5.28%	7.12%	1.85%	14.6%
THREADNEEDLE STERLING SHORT-DATED CORPORATE BOND FUND	BOND	2,332,345	2,121,718	-131,015	47,060	1.0	-5.82%	2.09%	-3.73%	5.5%
THREADNEEDLE STRATEGIC BOND FUND	BOND	2,561,534	2,330,996	-256,153	84,251	1.0	-9.90%	3.26%	-6.64%	8.2%
<b>GRAND TOTAL</b>			<b>35,845,597</b>	<b>-4,147,105</b>	<b>1,579,009</b>	<b>1.0</b>	<b>-10.37%</b>	<b>3.95%</b>	<b>-6.42%</b>	<b>6.0%</b>
			Unrealised capital loss since purchase:		-4,154,446	Annualised income return:		4.10%		

## **Appendix B: Treasury Management – Benchmarking indicators**

### **Return**

Measure	Qtr 1 22/23	Qtr. 2 22/23	Qtr 3 22/23	Qtr. 4 22/23	Non-met districts Q4 average	Rating
Internal investment return %	0.93	1.89	3.30	3.98	3.57	GREEN
External funds – income return %	3.97	4.20	4.06	4.08	3.99	GREEN
External funds – capital gains/losses %	(1.52)	(7.41)	(10.92)	(10.37)	(11.14)	AMBER
Total treasury Investments – income return %	1.86	2.64	3.54	4.01	3.55	GREEN

At the end of the year, the cumulative carrying loss on the Council's pooled funds was £4.154m.

An amber risk score has been assigned to the external fund fair value movements, whilst like that of the comparator group, the current paper loss is significant.

### **Security**

	Average Credit Score Time weighted (lower = better)	Average Credit Rating Time weighted	Bail-in exposure (lower = better)	
31 March 2022	4.59	A+	74%	
31 March 2023	5.08	A+	42%	GREEN
Similar Local Authorities	4.52	A+	63%	

The use of money market funds, which comprise many individual investments, is still considered to be more secure overall than direct investment in individual banks and financial institutions. It remains true that the best external portfolio over the long term is a mix of asset classes, and not a single investment in one fund/asset class.

Due to the market changes and the long term investments placed, the use of money market funds has decreased in year, thereby reducing the bail-in exposure when compared to that in 2021-22.

The measure of the bail-in exposure is lower than the average of the other comparator group, the assessment is therefore green, reflecting a reduction in the use of money market funds.

## Liquidity

	7 day liquidity	100 day liquidity	Average maturity	
31 March 2022	49%	54%	39 days	
31 March 2023	26%	34%	80 days	<b>GREEN</b>
Similar Local Authorities	42%	62%	56 days	

The liquidity measure used is a value weighted average. At the 31 March 2023 the Council had a lower proportion of liquid investments compared to the previous year, when the sector was managing both COVID and energy rebate funding from the Government.

In 2022-23 the Council's cashflow management returned to a similar position pre-Covid. As local authorities returned to the market along with higher interest rates on offer, has meant that cash could be invested at those higher rates for 3 to 6 months rather than in money market funds.

When discussed in the September half year report, this indicator was at 8 days, and underlines the shift in the latter part of the year to place funds for up to 3 months.

## Appendix C – Compliance report

### Compliance with investment limits

Sector	Time limit	Counterparty limit	Sector limit	Complied/Exception Ref
The UK Government	25 years	Unlimited	n/a	Complied
Local authorities & other government entities	10 years	£6m	Unlimited	Complied
Secured investments	10 years	£6m	Unlimited	Complied
Banks (unsecured)	13 months	£3m	Unlimited	Complied
Building societies (unsecured)	13 months	£3m	£6m	Complied
Money market funds	n/a	£6m or 0.5% of fund value	Unlimited	Exception *
Strategic pooled funds (excluding LAPF)	n/a	£6m	£50m	Complied
Strategic pooled funds (CCLA - LAPF)	n/a	£15m	£15m	Complied
Real estate investment trusts	n/a	£2m	£4m	Complied
Other investments	2 years	£3m	£6m	Complied

\* Details of the exception are reported at Section 7 of the main report

### Interest rate exposure

This indicator is set to control the Authority's exposure to interest rate risk. To measure this, the council calculates the effect of a 1% change in interest rates and has set a reportable exception level where the impact of this exceeds 50% of the council's individual counterparty limit (£3m).

	31/3/23 Actual	2022/23 Limit	
Upper limit on one-year revenue impact of a 1% change in interest rates	£0.73m	£3.0m	Complied

This limit is only calculated as of 31 March each year.

### Principal Sums Invested for Periods Longer than 364 days

The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The long-term principal sums invested to final maturities beyond the period end were:

	2022/23	2023/24	2024/25
Actual principal invested beyond year end*	£40m	£45m	£45m*
Limit on principal invested beyond year end	£80m	£80m	£0m
	Complied	Complied	Complied

\* Expected figure— assumes a further £5m long term investment will be placed in 2023-24.

## Appendix D: Non-Treasury investment indicators

The Council has set the following indicators to measure its exposure to risk associated with non-treasury investments.

Measure	Description	31 March 2023
Commercial income to net service expenditure	This indicator measures the Council's dependence on income from its commercial property investments as a proportion of the net cost of services	See paragraph 8.3 of main report
Net operating surplus	This indicator measures the contribution received from the investment portfolio at a net level (income less costs) over time.	The Council's investment property portfolio generated £886k rental income and incurred £144k direct costs leaving a surplus of £742k before any changes in fair value.
Vacancy levels and tenant exposure	Monitoring vacancy levels to ensure the property portfolio is being managed productively.	<p>Voids at 31st March 2023:</p> <ul style="list-style-type: none"> <li>• Industrial 2/8</li> <li>• Retail 2/17</li> <li>• Offices 1/9</li> </ul> <p>Total: 5/34 = 14.70% (2021-22 11.63%)</p>
Exposure to credit default events for loans made	This will measure the Council's exposure to loss through default for non-treasury loans made to third parties	None
Market value of commercial properties	This indicator will track the Council's ability to recover its investment in any commercial investment should the need arise.	<p>Commercial investment valuations were prepared as at 31st March 2023 and the Council's statement of accounts discloses a value of £13.15m** for the Council's investment properties on that date. This remains the latest valuation of our investment portfolio. As we continue with the recovery phase that the effects of Covid 19 have negatively impacted rental values in some sectors. It remains challenging to predict the full impact on our investment properties with any certainty, particularly as other Macro issues are influencing the markets.</p> <p>The challenges to the commercial property market have been compounded because of the cost of living crisis and recent interest rate increases. Plus, the ongoing impact of Brexit, and the Russian invasion of Ukraine, which have each contributed to supply issues, impacted imports and exports and increased costs. Government support packages and grant funding has only been able to mitigate against this to a small degree. Accordingly, downward pressure on rents and risk of tenant default continues, with investment yields needing to reflect the added risk to future income streams which will ultimately result in lower capital values. These values may well fall below the original purchase price of the investment properties, although we should not lose sight of the income generated since the acquisition when comparing to the original purchase price. Funds should also be made</p>

Measure	Description	31 March 2023
		available for planned maintenance to maximise potential rental income.

\*\* Corrected after report to Corporate Governance & Audit Committee on 17 July 2023.