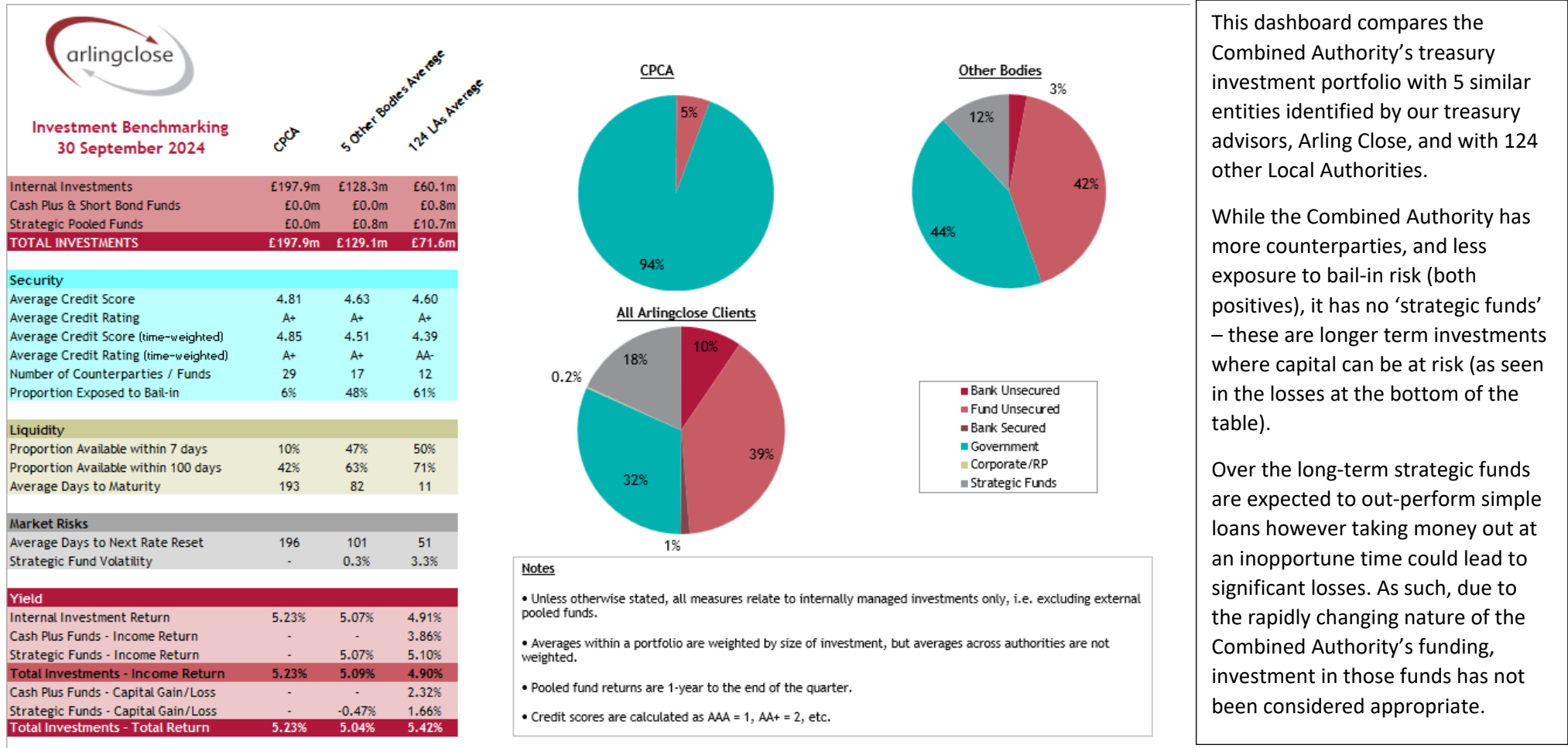
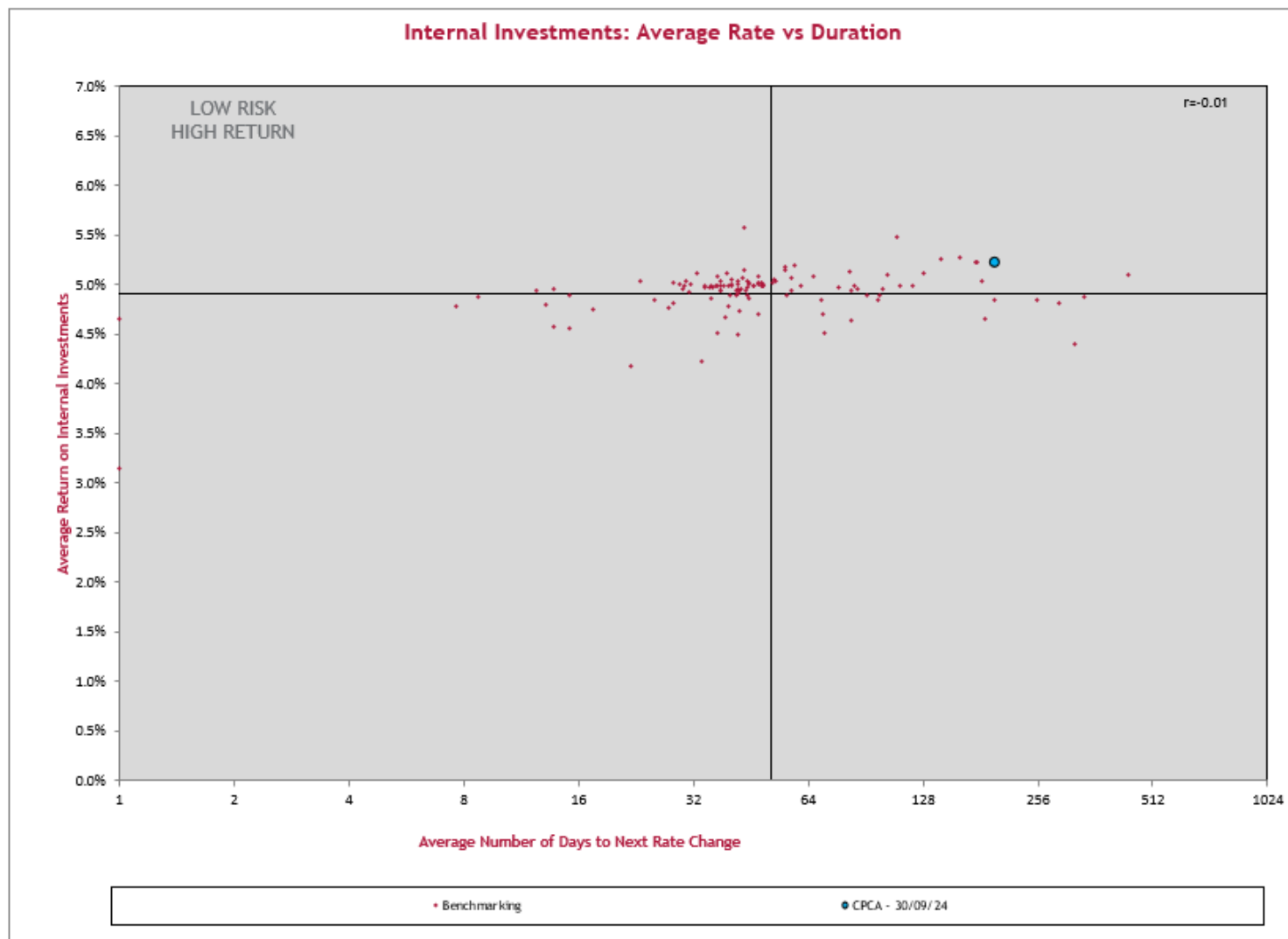


Appendix 2: Benchmarking of the Combined Authority's treasury investment portfolio

Benchmarking summary as at 30th September 2024



Average duration of investment vs rate of return



'Normal' behaviour in markets is that longer term investments offer higher returns, as the borrower places a premium on the certainty which would be seen in a trend with data points clustered in a rough line from bottom left of the graph to top right, and a positive r-value close to 1.

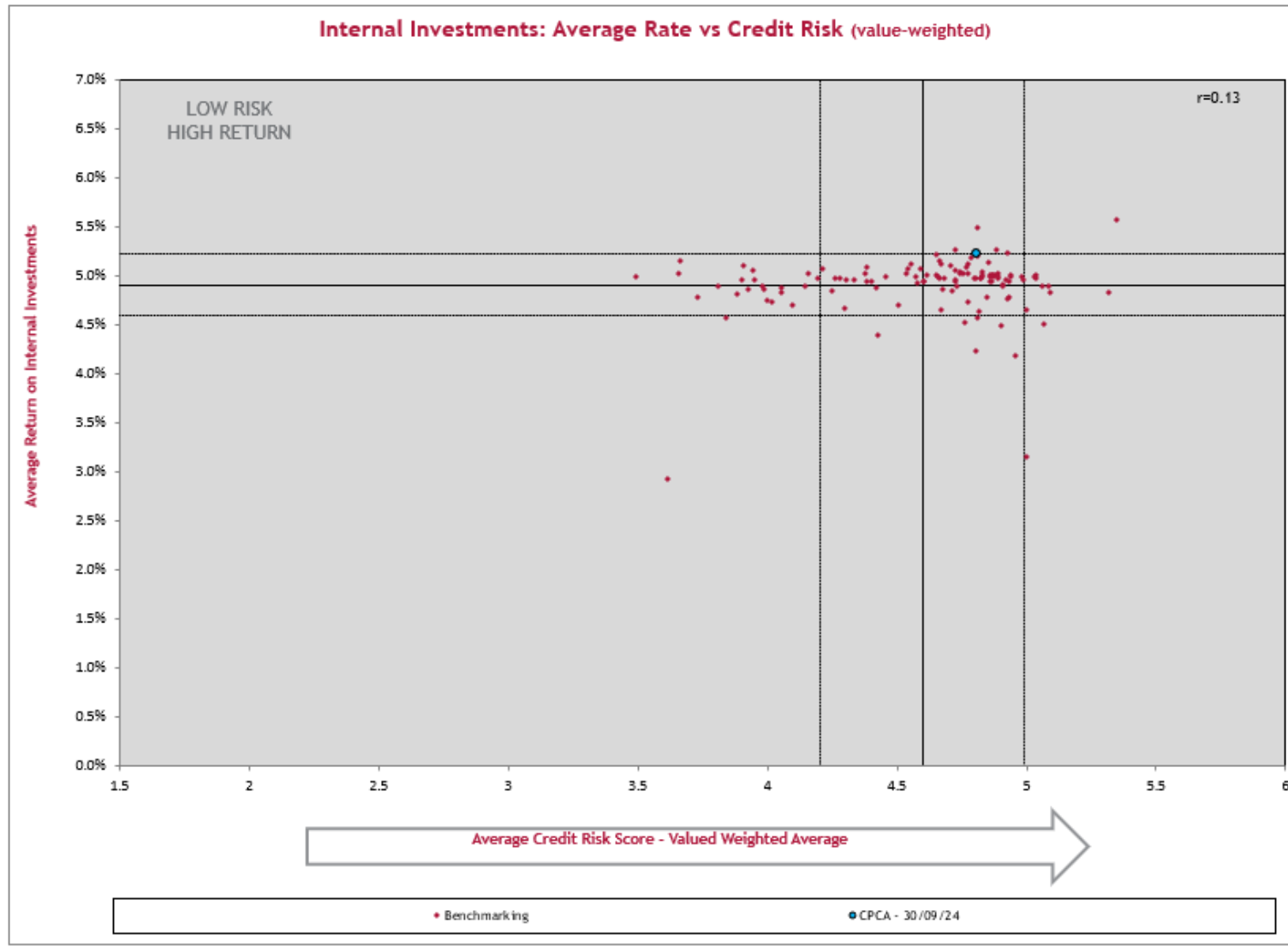
This behaviour is not seen in treasury markets at the end of September due to the market anticipation of several interest rate cuts over the next year following on from the first cut after a year of unchanged rates at the August 2024 meeting.

As such short-term rates are better than long term rates as longer term deals (1+ years) are setting their rates on the expectation that overall interest rates will be lower.

The Combined Authority sits to the right of the majority of local authorities in this graph, showing that we have a longer average length of loan while still achieving above average returns (the horizontal line).

Moving forward, the average rate is expected to decrease as new loans will be placed at lower interest rates than the deals they are replacing, although due to a number of longer term deals agreed recently the expectation is that the Combined Authority will remain firmly towards the top of the chart.

Average rate vs Credit Risk



Credit risk scores are an indicator of how much trust the market has in the entity's ability to repay those funds, with lower numbers being better. For context, the UK Government's score is 3.7.

The risk here is the average of the entities the Combined Authority has lent to, not the Combined Authority's rating.

While the Combined Authority's average score is higher than the average of other Local Authorities it is still well within the acceptable average score of 6. This is due to having a higher proportion of funds invested with other Local Authorities, rather than the Governments DMADF and is reflected in higher than average returns.