

From:	Peter Oakford, Deputy Leader and Cabinet Member for Finance, Traded and Corporate Services Zena Cooke, Corporate Director of Finance
To:	County Council – 11 March 2021
Subject:	Treasury Management 6 month review 2020-21
Classification:	Unrestricted

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**Summary:**

This report provides a review of Treasury Management Activity 2020-21 to date

**Recommendation:**

Members are asked to consider and comment on this report.

**FOR DECISION**

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**1. Introduction**

- 1.1 This report covers Treasury Management activity for the 6 months to 30 September 2020 and developments in the period since up to the date of this report.
- 1.2 The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end). This report therefore ensures this council is embracing Best Practice in accordance with CIPFA's recommendations.
- 1.3 The Council's Treasury Management Strategy for 2020-21 was approved by full Council on 13 February 2020.
- 1.4 The Council has both borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy. This report covers treasury activity and the associated monitoring and control of risk.

**2. Governance**

- 2.1 The Corporate Director Finance is responsible for the Council's treasury management operations and day to day responsibility is delegated to the Head of Finance (Policy, Planning & Strategy) / Head of Finance (Operations) and Treasury and Investments Manager. The detailed responsibilities are set out in the Council's Treasury Management Practices.

2.2 Council will agree the Treasury Management Strategy and receives annual and half yearly reports on treasury management activity. Governance and Audit Committee receives annual and half-yearly reports and makes recommendations to County Council. It also receives quarterly updates. The Treasury and Investments Manager produces a monthly report for members of the Treasury Management Advisory Group.

### 3. External context

- 3.1 **Economic background:** The spread of the coronavirus pandemic dominated during the period as countries around the world tried to manage the containment of the transmission of the virus while supporting their economies. Throughout the period efforts to reach an agreement between the UK and EU on a trade deal were in the headlines. Agreement was finally reached on a post Brexit deal on 24 December which was passed into UK law on 30 December.
- 3.2 The Bank of England (BoE) maintained Bank Rate at 0.1% and its Quantitative Easing programme at £745 billion. The potential use of negative interest rates was not ruled in or out by BoE policymakers.
- 3.3 Government initiatives continued to support the economy, with the furlough (Coronavirus Job Retention) scheme keeping almost 10 million workers in jobs, as well as grants and loans to businesses.
- 3.4 Having contracted by 18.8% in Q2 2020 (Apr-Jun) GDP grew again in Q3 (Jul – Sep) by 16.0% due to the easing of lockdown restrictions throughout the summer. However it is unlikely that this growth will continue into Q4 as these restrictions were reinstated. According to the Office for National Statistics, the annual growth rate was down to -8.6%. After falling dramatically in Q2 construction, services and production output all rose during Q3.
- 3.5 The headline rate of UK Consumer Price Inflation (CPI) fell to 0.3% year/year in November, further below the Bank of England's 2% target. This was driven by falling prices for clothing as well as food and non-alcoholic beverages. The Office for National Statistics' preferred measure of CPIH which includes owner-occupied housing was 0.6% y/y.
- 3.6 In the three months to October, labour market data showed the unemployment rate increased to 4.9% while wages grew by 2.7% for total pay in nominal terms (2.8% regular pay) and was up 1.9% in real terms (2.1% regular pay). The extended Coronavirus Job Retention Scheme and new Job Scheme will mitigate the impact of weaker economic activity on the labour market however the unemployment rate is expected to peak at around 8% in Q2 2021.
- 3.7 The European Central Bank maintained its base rate at 0% and deposit rate at -0.5%.
- 3.8 Equity markets continued their recovery, with the Dow Jones climbing above its pre-crisis peak, being driven by a handful of technology stocks including Apple and Microsoft, with the former up 75% in 2020. The FTSE 100 and 250 have made up most of their losses at the height of the pandemic in March. Central bank and government stimulus packages continue to support asset prices, but volatility remains.
- 3.9 Ultra-low interest rates and the flight to quality continued, keeping gilt yields low but volatile over the period with the yield on some short-dated UK government bonds remaining negative. The 5-year UK benchmark gilt yield fell during the period June –

December to -0.010% (with much volatility in between). The 10-year gilt yield also bounced around, starting at 0.21% and ending at 0.28% over the same period. 1-month, 3-month and 12-month bid rates remained low ending the period at 0.01%, 0.01% and 0.10% respectively over the period.

#### 4. Local context

- 4.1 On 31 March 2020 the Council had £381.4m of investments arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the capital financing requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These are shown in the following table.

	<b>31.3.20 Actual £m</b>
Loans CFR	1,039.8
External borrowing	-883.8
<b>Internal borrowing</b>	<b>155.9</b>
Less: Usable reserves	-393.0
Less: Working capital	-144.3
<b>Net investments</b>	<b>381.4</b>

- 4.2 Lower official interest rates have reduced the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing. The Council pursued its strategy of keeping borrowing and investments below their underlying levels, known as internal borrowing, in order to reduce risk and keep interest costs low.

- 4.3 The treasury management position on 30 November 2020 and the change over the eight months is shown in the following table.

	<b>31.3.20 Balance £m</b>	<b>Movement £m</b>	<b>30.11.20 Balance £m</b>	<b>30.11.20 Rate %</b>
Long-term borrowing	883.8	-6.8	877.0	4.60
<b>Total borrowing</b>	<b>883.8</b>	<b>-6.8</b>	<b>877.0</b>	<b>4.60</b>
Long-term investments	157.3	+10.6	167.9	4.10
Short-term investments	137.4	+48.6	186.0	0.40
Cash and cash equivalents	86.7	+36.4	123.1	0.04
<b>Total investments</b>	<b>381.4</b>	<b>+95.6</b>	<b>477.0</b>	<b>1.51</b>
<b>Net borrowing</b>	<b>502.4</b>	<b>-102.4</b>	<b>400.0</b>	

## **5. Borrowing update**

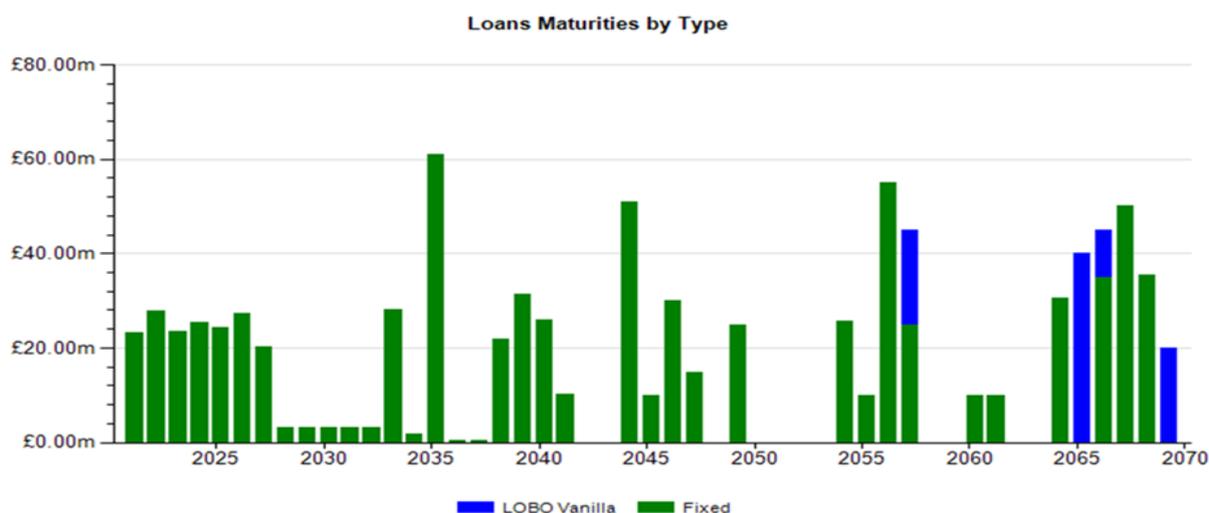
- 5.1 The Chancellor's March 2020 Budget statement included significant changes to PWLB policy and launched a wide-ranging consultation on the PWLB's future direction.
- 5.2 Kent submitted a response broadly supportive of the proposed changes and on 25 November HMT published the details of new PWLB lending terms as well as their response to the consultation. The main points to note are:
- A reduction of 1% in all Standard Rate and Certainty Rate PWLB loans from 26 November 2020.
  - The PWLB will not lend to an authority that plans to buy investment assets primarily for yield anywhere in their capital plans.
- 5.3 The reduction in the lending rate is good news and HMT's response is broadly in agreement with our response to the consultation and our policy on borrowing.

## **6. Borrowing Strategy during the period**

- 6.1 The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.
- 6.2 In keeping with these objectives no new borrowing was undertaken and £6.8m of existing loans were allowed to mature without replacement.
- 6.3 With short-term interest rates remaining much lower than long-term rates, the Council has considered it to be more cost effective in the near term to use internal resources or has borrowed short term loans instead. The Council's strategy has enabled it to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.
- 6.4 The Council continues to hold LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the period.
- 6.5 The Council's borrowing activity in the 8 months to 30 November is as follows. On 30 November the Council had total external debt of £877m, a reduction of £6.8m from the end of March.

	31/03/2020	2020-21	30/11/2020	30/11/2020	30/11/2020
	Balance	Movement	Balance	Weighted average rate	Weighted average maturity
	£m	£m	£m	%	years
Public Works Loan Board	473.28	-2.34	470.94	4.99	15.59
Banks (LOBO)	90.00	0.00	90.00	4.15	43.21
Banks (Fixed Term)	291.80	0.00	291.80	4.40	37.84
Streetlighting project	28.75	-4.44	24.31	1.21	9.86
<b>Total Borrowing</b>	<b>883.83</b>	<b>-6.77</b>	<b>877.06</b>	<b>4.60</b>	<b>25.67</b>

6.6 The maturity profile of the Council's outstanding debt is as follows:



6.7 The following table shows the maturity profile of our debt in 5 year tranches.

Loan Principal Maturity Period	Total Loan Principal Maturing	Balance of Loan Principal Outstanding
Balance 30/11/2020		£877,056,074
Maturity 0 - 5 years	£102,937,569	£774,118,505
Maturity 5 - 10 years	£77,140,446	£696,978,059
Maturity 10 - 15 years	£38,700,173	£658,277,886
Maturity 15 - 20 years	£114,668,374	£543,609,512
Maturity 20 - 25 years	£87,009,512	£456,600,000
Maturity 25 - 30 years	£79,800,000	£376,800,000

Maturity 30 - 35 years	£35,700,000	£341,100,000
Maturity 35 - 40 years	£100,000,000	£241,100,000
Maturity 40 - 45 years	£50,600,000	£190,500,000
Maturity 45 - 50 years	£190,500,000	£0
<b>Total</b>	<b>£877,056,074</b>	

## 7 Treasury investment activity

- 7.1 The Council holds significant invested funds representing income received in advance of expenditure plus balances and reserves held. During the period the Council's investment balance ranged between £296m and £530m due to timing differences. The investment position is shown below.
- 7.2 In March, May, August and November the Council received total additional central government funding of £95m in relation to COVID-19 challenges. This was temporarily invested in short-dated, liquid instruments such as call accounts and money market funds. Most of these monies had been disbursed by the end of November.
- 7.3 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 7.4 In the light of the pandemic crisis and the likelihood of unexpected calls on cash flow the council holds more cash in money market funds as well as in bank call accounts which have same day availability. This liquid cash was diversified over several counterparties and money market funds to manage both credit and liquidity risks.
- 7.5 On 30 November the Council had lent £66m to other local authorities and we are aware that some concern has been expressed about these loans. We do not have explicit information about how individual applicants plan to apply the funds they borrow however each request to borrow or to renew an existing loan is assessed in terms of our own cashflow requirements and within our effective lending policies and procedures. We are also mindful of the perceived financial and reputational risks of this lending.
- 7.6 During the 8 months the Council also made loans totalling £3.7m to the no use empty loans programme achieving a return of 1.5% which is available to fund general services.
- 7.7. The Council's investments during the 8 months to the end of November are summarised in the table below and a detailed schedule of investments as at 30 November is in Appendix 1 which is circulated to members of the Treasury Management Advisory Group with the monthly Treasury Management report.

	31/03/2020	2020-21	30/11/2020	30/11/2020	30/11/2020
	Balance	Movement	Balance	Income rate of return	Average Credit Rating
	£m	£m	£m	%	
Bank Call Accounts	30.0	+15.5	45.5	0.05	A+
Money Market Funds	56.7	+20.9	77.6	0.03	AA-
Local Authorities	50.0	+16.0	66.0	0.21	AA-
Covered Bonds	84.9	-5.1	79.8	0.65	AAA
DMO Deposits (DMADF)	0.00	+34.4	34.4	0.01	AA-
Icelandic Recoveries o/s	0.4	-0.4	0.0		
No Use Empty Loans		+3.7	3.7	1.50	
Equity	2.1	0.0	2.1		
<b>Internally managed cash</b>	<b>224.1</b>	<b>+85.0</b>	<b>309.1</b>	<b>0.22</b>	<b>AA-</b>
<b>Strategic Pooled Funds</b>	<b>157.3</b>	<b>+10.6</b>	<b>167.9</b>	<b>4.10</b>	
<b>Total</b>	<b>381.4</b>	<b>+95.6</b>	<b>477.0</b>	<b>1.51</b>	

## 8 Externally managed investments

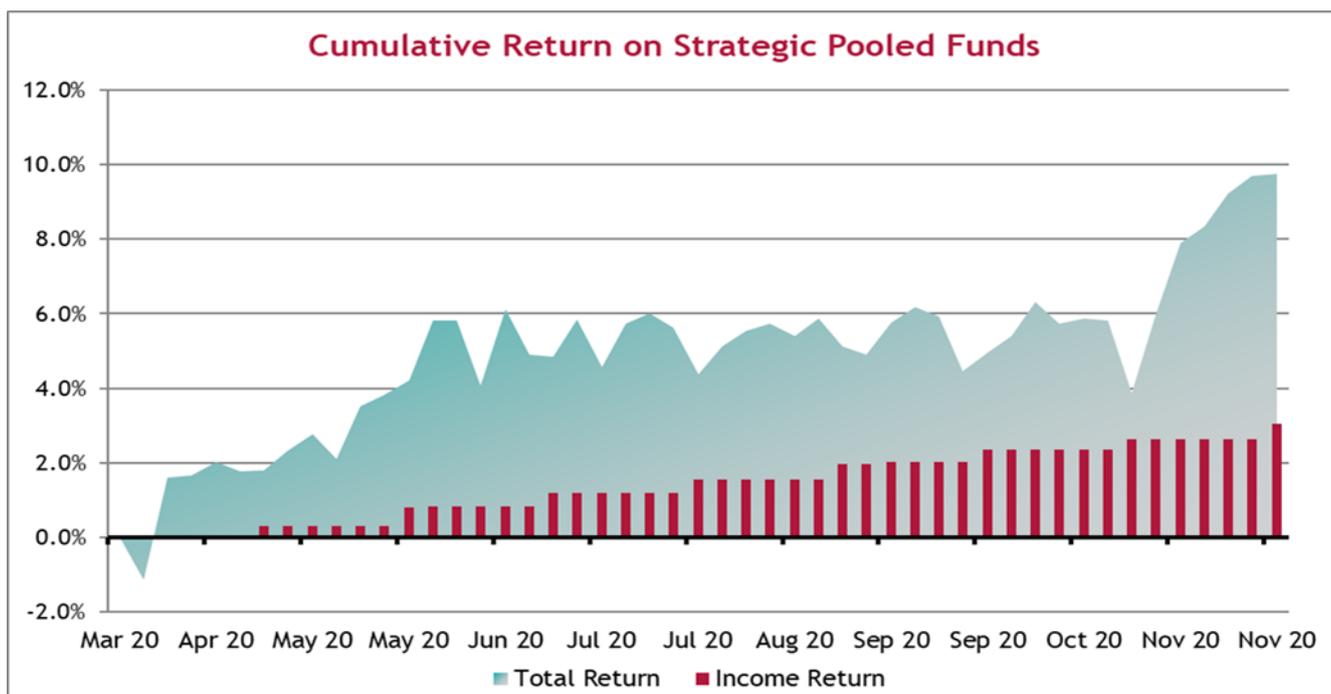
- 8.1 The Council is invested in equity, multi-asset and property pooled funds. Because the pooled funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives are regularly reviewed.
- 8.2 Strategic pooled fund investments are made in the knowledge that capital values will fluctuate however the Council is invested in these funds for the long term and with the confidence that over a three to five year period total returns will exceed cash interest rates.
- 8.3 Since March 2020 financial markets have recovered with our holdings increasing in value to £167.9m at the end of November, a gain of £10.6m (6.73%).
- 8.4 All the equity and multi asset funds show gains. The Schroder Income Maximiser Fund has a value approach and is focussed on FTSE100 investments which saw significant falls in capital values earlier in 2020. Since the end of September these stocks have gained in value and the fund has continued to pay significant dividends.
- 8.5 The CCLA LAMIT Property Fund continues to lag its 31 March value reflecting the ongoing challenges in real estate. Similar to many other property funds, dealing (i.e. buying or selling units) in the fund was suspended by the fund in March 2020 as valuers could not be confident that their valuations correctly reflected prevailing conditions. To avoid material risk of disadvantage to buyers, sellers and holders of units in the property fund, the management company was obliged to suspend transactions until the required level of certainty is re-established. The dealing suspension was lifted in September 2020 and at the same time there was a change to redemption terms for the fund with investors being required to give at least 90 calendar days' notice for redemptions.

8.6 During the 8 month period, we achieved an income return of 3.04% as funds continued to pay dividends albeit at a lower level than before Covid. The following table shows the return for the 8 month period and the chart shows how the funds have fluctuated in value over this period, and income received.

8.7 The Council originally invested £180m in pooled funds and since inception in 2013 we have achieved an income return of 13.08% offsetting the capital loss of 5.67% giving a total return of 7.41%. Further details are in table 2 at appendix 1.

#### 8.8 Pooled funds returns 31 March - 30 November 2020

Investment Fund	Book cost	31/03/2020	2020-21	30/11/2020	30/11/2020	
		Market Value	Movement	Market Value	8 months return	
	£m	£m	£m	£m	Income	Total
					%	%
Aegon (Kames) Diversified Monthly Income Fund	20.0	16.9	2.6	19.5	3.29	18.52
CCLA - Diversified Income Fund	5.0	4.6	0.4	5.0	2.00	10.72
CCLA – LAMIT Property Fund	60.0	57.9	-1.3	55.6	2.71	-1.27
Fidelity Global Multi Asset Income Fund	25.0	23.7	1.4	25.1	3.20	8.91
Investec Diversified Income Fund	10.0	9.2	0.8	10.0	2.69	11.64
M&G Global Dividend Fund	10.0	8.6	3.0	11.6	1.83	37.42
Pyrford Global Total Return Sterling Fund	5.0	4.7	0.3	5.0	1.32	6.55
Schroder Income Maximiser Fund	25.0	15.8	1.4	17.2	6.12	15.06
Threadneedle Global Equity Income Fund	10.0	8.4	1.7	10.1	2.80	22.08
Threadneedle UK Equity Income Fund	10.0	7.6	1.4	9.0	1.79	20.34
<b>Total Externally Managed Investments</b>	<b>180.0</b>	<b>157.3</b>	<b>10.6</b>	<b>167.9</b>	<b>3.04</b>	<b>9.77</b>



## 9 Investment benchmarking at 30 September 2020

9.1 The Council's treasury advisor, Arlingclose, monitors the risk and return of some 130 local authority investment portfolios. The metrics over the 6 months to 30 September 2020 extracted from their quarterly investment benchmarking, per the table below, show that the risk within the Kent internally managed funds has been consistent throughout the 6 month period while being lower than that of other local authorities. The income return has fallen reflecting reduced rates payable on our cash investments.

Internally managed investments	Credit Score	Credit Rating	Bail-in Exposure %	Weighted Average Maturity (days)	Rate of Return %
Kent - 31.03.2020	3.02	AA	39	349	2.42
<b>Kent - 30.09.2020</b>	<b>3.11</b>	<b>AA</b>	<b>44</b>	<b>259</b>	<b>0.33</b>
Similar LAs	3.87	AA-	49	991	0.57
All LAs	4.16	AA-	64	18	0.27

9.2 The following table shows that overall KCC's investments in strategic pooled funds are achieving a strong income return compared with that of other local authorities. The total return does not take account of the improvement in the financial markets in the final 3 months of 2020.

	Rate of Return – Income only %	Total Rate of Return %
<b>Strategic Funds at 30.09.2020</b>		
<b>Kent</b>	<b>4.06</b>	<b>-6.83</b>
Similar LAs	3.61	-4.73
All LAs	3.45	-3.92
<b>Total Investments at 30.09.2020</b>		
<b>Kent</b>	<b>1.79</b>	<b>-2.48</b>
Similar LAs	1.11	-0.37
All LAs	0.90	-0.46

## 10 Actual and forecast outturn

10.2 Over the 8 months to end November the Council's strategic investments generated an average total return of 9.77%, comprising a 3.04% income return which is used to support services in year, and 6.73% of unrealised capital gains.

10.3 Bank interest rates have moved closer to zero and yields on some short-dated government bonds have turned negative so the returns on our cash deposits have fallen and are expected to remain close to zero for the foreseeable future.

10.3 Our view is that during 2020-21 income from the pooled funds will be lower by between 20% and 50% compared to 2019-20 however still higher than the returns available on cash investments. We are invested for income and while we are seeing falls in dividends paid these funds continue to pay a higher return than our cash investments

10.4 The forecast average rate of debt interest payable in 2020-21 is 4.59%, based on an average debt portfolio of £879.3m.

## 11 Compliance

11.1 The Corporate Director of Finance reports that all treasury management activities undertaken during the quarter complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

## 12 Treasury Management Indicators

12.1 The Council measures and manages its exposures to treasury management risks using the following indicators.

12.2 **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its internally managed investment portfolio. This is calculated by applying a score to each investment

(AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Actual 30/09/2020	Target
Portfolio average credit rating	AA	AA

12.3 **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Liquidity risk indicator	Actual 30/09/2020	Target
Total cash available within 3 months	£140m	£110m

12.4 **Interest rate exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Actual 30/09/2020	Upper Limit
One-year revenue impact of a 1% <u>rise</u> in interest rates	-£200k	£10m
One-year revenue impact of a 1% <u>fall</u> in interest rates	-£900k	-£10m

12.5 **Maturity structure of borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

	Actual 30/09/2020	Upper limit	Lower limit
Under 12 months	3.25%	100%	0%
12 months and within 5 years	8.59%	50%	0%
5 years and within 10 years	6.66%	50%	0%
10 years and within 20 years	20.84%	50%	0%
20 years and within 40 years	33.59%	50%	0%
40 years and longer	27.07%	50%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

12.6 **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	<b>Actual</b>	<b>Limit</b>	<b>Limit</b>	<b>Limit</b>
<b>Price risk indicator</b>	<b>30/09/2020</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
Principal invested beyond year end	£256m	£300m	£300m	£300m

### 13 Recommendation

13.1 Members are asked to consider and comment on the report.

**Alison Mings**  
**Acting Business Partner – Kent Pension Fund**  
**Ext: 03000 416488**  
**February 2021**

## Investments as at 30 November 2020

### 1. Internally Managed Investments

#### 1.1 Term deposits, Call accounts and Money Market Funds

Instrument Type	Counterparty	Principal Amount £	Interest Rate	End Date
Fixed Deposits	Conwy County Borough Council	5,000,000	0.02%	31/12/20
Fixed Deposits	Conwy County Borough Council	3,000,000	0.30%	31/12/20
Fixed Deposits	Conwy County Borough Council	3,000,000	0.30%	21/12/20
Fixed Deposits	Thurrock Borough Council	10,000,000	0.26%	04/01/21
Fixed Deposits	Thurrock Borough Council	10,000,000	0.35%	04/05/21
Fixed Deposits	Cornwall Council	10,000,000	0.05%	03/12/20
Fixed Deposits	Cheltenham Borough Council	5,000,000	0.12%	17/05/21
Fixed Deposits	London Borough of Waltham Forest	10,000,000	0.22%	04/05/21
Fixed Deposits	Royal Borough of Windsor and Maidenhead	5,000,000	0.03%	19/01/21
Fixed Deposits	Woking Borough Council	5,000,000	0.30%	15/12/20
<b>Total Local Authority Deposits</b>		<b>66,000,000</b>		
Fixed Deposits	DMADF (Debt Management Account Deposit Facility)	6,400,000	0.01%	07/01/21
Fixed Deposits	DMADF (Debt Management Account Deposit Facility)	25,150,000	0.01%	25/01/21
Fixed Deposits	DMADF (Debt Management Account Deposit Facility)	2,850,000	0.01%	25/01/21
<b>Total DMADF deposits</b>		<b>34,400,000</b>		
Call Account	National Westminster Bank plc	14,510,000	0.01%	
Call Account	Santander UK plc	15,000,000	0.12%	
Call Account	Lloyds Bank plc	15,000,000	0.01%	
<b>Total Bank Call Accounts</b>		<b>44,510,000</b>		
<b>No Use Empty Loans</b>		<b>3,993,000</b>	1.5%	
<b>Registered Provider</b>	<b>£10m loan facility – non utilisation fee</b>		0.40%	31/03/23
Money Market Funds	Federated Short-term Sterling Prime Fund GBP KCC	9,984,672	0.50%	
Money Market Funds	SSgA GBP Liquidity Fund (Stable NAV)	2,071	0.01%	
Money Market Funds	HSBC Sterling Liquidity Fund	14,970,441	0.04%	
Money Market Funds	LGIM Sterling Liquidity Fund 4 KCC	2,651,588	0.01%	
Money Market Funds	Insight Liquidity Funds PLC	4,016	0.01%	
Money Market Funds	Aberdeen Liquidity Fund (Lux) KCC	19,998,802	0.42%	
Money Market Funds	Northern Trust Sterling Cash Fund	131	0.01%	
Money Market Funds	Aviva Investors Sterling Liquidity Fund 3 GBP Inc	19,990,624	0.06%	
Money Market Funds	Deutsche Managed Sterling Platinum	9,984,898	0.02%	
<b>Total Money Market Funds</b>		<b>77,587,242</b>		
<b>Equity and Loan Notes</b>	Kent PFI (Holdings) Ltd	<b>2,325,225</b>		n/a

## 1.2 Bond Portfolio

Bond Type	Issuer	Adjusted Principal	Coupon Rate	Maturity Date
		£		
Fixed Rate Covered Bond	Bank of Scotland	4,600,813	1.71%	20/12/2024
Fixed Rate Covered Bond	National Australia Bank	4,989,355	1.35%	10/11/2021
Fixed Rate Covered Bond	Leeds Building Society	4,204,166	1.29%	17/04/2023
Fixed Rate Covered Bond	Santander UK	3,133,306	0.65%	14/04/2021
Fixed Rate Covered Bond	Bank of Nova Scotia	4,996,900	0.88%	14/09/2021
Fixed Rate Covered Bond	National Australia Bank	3,000,636	1.10%	10/11/2021
Floating Rate Covered Bond	TSB Bank	2,502,728	0.90%	15/02/2024
Floating Rate Covered Bond	Lloyds	2,501,826	0.35%	27/03/2023
Floating Rate Covered Bond	Lloyds	2,502,437	0.34%	27/03/2023
Floating Rate Covered Bond	Nationwide Building Society	3,997,293	0.78%	10/01/2024
Floating Rate Covered Bond	Lloyds	4,500,000	0.66%	14/01/2022
Floating Rate Covered Bond	Australia and New Zealand Banking group	3,000,000	0.75%	24/01/2022
Floating Rate Covered Bond	Santander UK	2,002,192	0.76%	12/02/2024
Floating Rate Covered Bond	Nationwide Building Society	4,503,014	0.90%	12/04/2023
Floating Rate Covered Bond	Bank of Montreal	5,003,348	0.92%	17/04/2023
Floating Rate Covered Bond	Santander UK	3,750,506	0.88%	13/04/2021
Floating Rate Covered Bond	Lloyds	5,004,304	0.35%	27/03/2023
Floating Rate Covered Bond	Canadian Imperial Bank of Commerce	5,015,206	0.85%	10/01/2022
Floating Rate Covered Bond	Santander UK	5,001,735	0.49%	16/11/2022
Floating Rate Covered Bond	Nationwide Building Society	5,584,019	0.88%	12/04/2023
<b>Total Bonds</b>		<b>79,793,786</b>		

<b>Total Internally managed investments</b>	<b>£ 308,609,253</b>
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## 2. Externally Managed Investments

Investment Fund	Book Cost	Market Value at	Returns since inception to	
		30 November 2020	30 November 2020	
		£	Income	Total
Aegon (Kames) Diversified Monthly Income Fund	20,000,000	19,475,706	7.17%	4.55%
CCLA - Diversified Income Fund	5,000,000	4,967,884	7.52%	6.87%
CCLA – LAMIT Property Fund	60,000,000	55,572,247	17.01%	9.63%
Fidelity Global Multi Asset Income Fund	25,038,637	25,056,025	8.13%	8.19%
Fidelity Multi Asset Income Fund			9.39%	9.45%
Investec Diversified Income	10,000,000	10,021,671	10.68%	26.80%
M&G Global Dividend Fund	10,000,000	11,630,235	4.05%	4.27%
Pyrford Global Total Return Sterling Fund	5,000,000	4,959,357	24.39%	22.87%

Schroder Income Maximiser Fund	25,000,000	17,178,866	21.93%	-7.91%
Threadneedle Global Equity Income Fund	10,000,000	10,068,594	10.74%	11.42%
Threadneedle UK Equity Income Fund	10,000,000	8,995,046	<b>11.92%</b>	<b>1.87%</b>
<b>Total External Investments</b>	<b>180,038,637</b>	<b>167,925,632</b>	<b>13.08%</b>	<b>7.40%</b>

### 3. Total Investments

<b>Total Investments</b>	<b>£476,534,886</b>
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# GLOSSARY

## Local Authority Treasury Management Terms

Bond	A certificate of long-term debt issued by a company, government, or other institution, which is tradable on financial markets
Borrowing	Usually refers to the stock of outstanding loans owed and bonds issued.
CFR	Capital Financing Requirement. A council's underlying need to hold debt for capital purposes, representing the cumulative capital expenditure that has been incurred but not yet financed. The CFR increases with capital expenditure and decreases with capital finance and MRP.
Capital gain or loss	An increase or decrease in the capital value of an investment, for example through movements in its market price.
Collective investment scheme	Scheme in which multiple investors collectively hold units or shares. The investment assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'pooled funds').
Cost of carry	When a loan is borrowed in advance of need, the difference between the interest payable on the loan and the income earned from investing the cash in the interim.
Counterparty	The other party to a loan, investment or other contract.
Counterparty limit	The maximum amount an investor is willing to lend to a counterparty, in order to manage credit risk.
Covered bond	Bond issued by a financial institution that is secured on that institution's assets, usually residential mortgages, and is therefore lower risk than unsecured bonds. Covered bonds are exempt from bail-in.
CPI	Consumer Price Index - the measure of inflation targeted by the Monetary Policy Committee.
Deposit	A regulated placing of cash with a financial institution. Deposits are not tradable on financial markets.
Diversified income fund	A collective investment scheme that invests in a range of bonds, equity and property in order to minimise price risk, and also focuses on investments that pay income.
Dividend	Income paid to investors in shares and collective investment schemes. Dividends are not contractual, and the amount is therefore not known in advance.
DMADF	Debt Management Account Deposit Facility – a facility offered by the DMO enabling councils to deposit cash at very low credit risk. Not available in Northern Ireland.
DMO	Debt Management Office – an executive agency of HM Treasury that deals with central government's debt and investments.
Equity	An investment which usually confers ownership and voting rights
Floating rate note (FRN)	Bond where the interest rate changes at set intervals linked to a market variable, most commonly 3-month LIBOR or SONIA
FTSE	Financial Times stock exchange – a series of indices on the London Stock Exchange. The FTSE 100 is the index of the largest 100 companies on the exchange, the FTSE 250 is the next largest

	250 and the FTSE 350 combines the two
GDP	Gross domestic product – the value of the national aggregate production of goods and services in the economy. Increasing GDP is known as economic growth.
Income return	Return on investment from dividends, interest and rent but excluding capital gains and losses.
GILT	Bond issued by the UK Government, taking its name from the gilt-edged paper they were originally printed on.
LIBID	London interbank bid rate - the benchmark interest rate at which banks bid to borrow cash from other banks, traditionally 0.125% lower than LIBOR.
LIBOR	London interbank offer rate - the benchmark interest rate at which banks offer to lend cash to other banks. Published every London working day at 11am for various currencies and terms. Due to be phased out by 2022.
LOBO	Lender's Option Borrower's option
MMF	Money Market Funds. A collective investment scheme which invests in a range of short-term assets providing high credit quality and high liquidity. Usually refers to Constant Net Asset Value (CNAV) and Low Volatility Net Asset Value (LVNAV) funds with a Weighted Average Maturity (WAM) under 60 days which offer instant access, but the European Union definition extends to include cash plus funds
Pooled Fund	Scheme in which multiple investors hold units or shares. The investment assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'pooled funds').
PWLB	Public Works Loan Board – a statutory body operating within the Debt Management Office (DMO) that lends money from the National Loans Fund to councils and other prescribed bodies and collects the repayments. Not available in Northern Ireland.
Quantitative easing (QE)	Process by which central banks directly increase the quantity of money in the economy in order to promote GDP growth and prevent deflation. Normally achieved by the central bank buying government bonds in exchange for newly created money.
SONIA	Sterling overnight interest average – a benchmark interest rate for overnight deposits.
Short-dated	Usually means less than one year
Total return	The overall return on an investment, including interest, dividends, rent, fees and capital gains and losses.