From:	Peter Oakford, Deputy Leader and Cabinet Member for Finance, Traded and Corporate Services Zena Cooke, Corporate Director of Finance
To:	Governance and Audit Committee – 22 July 2021
Subject:	Treasury Management Annual Review 2020-21
Classification:	Unrestricted

Summary:

To report a summary of Treasury Management activity in 2020-21

Recommendation:

Members are asked to agree the report and its submission to County Council for approval.

FOR DECISION

Introduction

1. The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that councils report on the performance of their treasury management function at least twice yearly (mid-year and at year end). Half yearly performance reports are presented to the County Council and quarterly updates are provided to the Governance and Audit Committee. Members of the Treasury Management Advisory Group (TMAG) also receive monthly updates.

2. The Council's Treasury Management Strategy for 2020-21 was approved by full Council on 13 February 2020. This was prepared before the full impact of the December and January Covid-19 national lockdown were known.

3. 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 remains central to the Council's treasury management strategy.

4. Treasury risk management at the council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

5. When this report is agreed by this committee it will go forward to full council for approval.

External context

Economic background

6. The coronavirus pandemic dominated 2020/21, leading to almost all countries being in some form of lockdown during the year. Some good news came in December 2020 as two COVID-19 vaccines were given approval by the UK Medicines and Healthcare products Regulatory Agency (MHRA). The UK vaccine rollout started in earnest; over 31 million people had received their first dose by 31st March.

7. Throughout the period efforts to reach an agreement between the UK and EU on a trade deal were in the headlines. A Brexit trade deal was agreed on 24 December and passed into UK law on 30 December.

8. The start of the financial year saw many central banks cutting interest rates as lockdowns caused economic activity to grind to a halt. The Bank of England (BoE) held Bank Rate at 0.1% throughout the year but extended its Quantitative Easing programme by £150 billion to £895 billion at its November 2020 meeting.

9. Government initiatives supported the economy and the Chancellor announced in the 2021 Budget a further extension to the furlough (Coronavirus Job Retention) scheme until September 2021. Access to support grants was also widened, enabling more self-employed people to be eligible for government help.

10. Despite the furlough scheme the Labour market data showed that the unemployment rate was higher than that recorded for the same period 12 months ago rising to 5.0% in the three months to January 2021 before falling slightly to 4.7% in the three months to April. Wages have risen, with total pay up 5.6% for the three months February to April 2021.

11. Inflation remained low over the 12-month period to the end of March and below the Bank of England’s 2% target before rising above that level to 2.1% in May 2021 partly due to higher energy and commodity prices as well as supply side bottlenecks.

12. Over the twelve months GDP has fluctuated reflecting the impact of lockdown measures. After a period of growth in the second half of 2020 the reimposition of restrictions on activity in the first quarter of 2021 resulted in GDP falling 1.6%. Housing market activity remained strong, aided by the extension of the stamp duty threshold and an increase in mortgage approvals for house purchases.

13. The European Central Bank maintained its base rate at 0% and deposit rate at -0.5% but in December 2020 increased the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.

Financial markets

14. Monetary and fiscal stimulus helped provide support for equity markets which rose over the period, with the Dow Jones beating its pre-crisis peak on the back of outperformance by a small number of technology stocks. FTSE indices have performed well and the UK-focused FTSE 250 index is back above pre-pandemic levels while the more internationally focused FTSE 100 has recouped most of its 2020 losses.

15. Ultra-low interest rates prevailed throughout most of the period, with yields generally falling between April and December 2020. From early in 2021 the improved economic outlook due to the new various stimulus packages (particularly in the US), together with the approval and successful rollout of vaccines, caused government bonds to sell off sharply on the back of expected higher inflation and increased uncertainty, pushing yields higher more quickly than had been anticipated.

16. The 5-year UK benchmark gilt yield began the financial year at 0.18% before declining to -0.03% at the end of 2020 and then rising strongly to 0.39% by the end of the financial year. Over the same period the 10-year gilt yield fell from 0.31% to 0.19% before rising to 0.84%. The 20-year declined slightly from 0.70% to 0.68% before increasing to 1.36%.

17. 1-month, 3-month and 12-month SONIA bid rates averaged 0.01%, 0.10% and 0.23% respectively over the financial year.

18. The vaccine approval and subsequent rollout programme are both credit positive for the financial services sector in general, but there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the economic slowdown which has resulted due to pandemic-related lockdowns and restrictions. The institutions and durations on the Council's counterparty list recommended by treasury management advisors Arlingclose remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

Local context

19. 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.

20. 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 therefore 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.

21. At 31 March 2021 the Council's useable reserves and working capital amounted to £682m. The Council used £180m of its reserves to fund capital spend rather than borrow from external providers leaving £502m available for investment, an increase on 2020 of £120m.

22. The treasury management position at 31 March 2021 and the change over the year is shown in the following table.

	31.3.20 Balance £m	**2020-21 Movement £m**	**31.3.21 Balance £m**	**31.3.21 Average Rate %**
Long-term borrowing	883.8	-30.1	853.7	4.52
Total borrowing	**883.8**	**-30.1**	**853.7**	**4.52**
Long-term investments	157.3	+16.8	174.1	4.59
Short-term investments	137.6	+9.8	147.4	0.40
Cash and cash equivalents	86.7	+93.3	180.0	0.00
Total investments	**381.6**	**+119.9**	**501.5**	**1.75**
Net borrowing	**502.2**	**-150.0**	**352.2**	

Borrowing update

23. In November 2020 the PWLB published its response to the consultation on 'Future Lending Terms'. From 26 November the margin on PWLB loans above gilt yields was reduced from 1.8% to 0.8% providing that the borrowing council can confirm that it is not planning to purchase 'investment assets primarily for yield' in the current or next two financial years. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. As part of the borrowing process authorities will now be required to submit more detailed capital expenditure plans with confirmation of the purpose of capital expenditure from the Section 151 / Section 95 Officer. The PWLB can now also restrict local authorities from borrowing in unusual or large amounts.

24. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management. Misuse of PWLB borrowing could result in the PWLB requesting that council unwinds problematic transactions, suspending access to the PWLB and repayment of loans with penalties.

25. The council is not planning to purchase any investment assets primarily for yield within the next three years and so is able to take advantage of the reduction in the PWLB borrowing rate.

Borrowing strategy

26. At 31 March 2021 the council held £853.73m of loans, a reduction of £30.10m from 31 March 2020 as part of its strategy of funding previous year's capital programmes. The year-end borrowing position and the year-on-year change are shown in the table below.

Borrowing Position

	31/03/2020	2020-21	31/03/2021	31/03/2021	31/03/2021
	Balance	**Movement**	**Balance**	**Average Rate**	**Value Weighted Average Life**
	£m	**£m**	**£m**	**%**	**yrs**
Public Works Loan Board	473.28	-23.67	449.61	4.83%	15.95
Banks (LOBO)	90.00	0.00	90.00	4.15%	42.88
Banks (Fixed Term)	291.80	0.00	291.80	4.40%	37.51
Streetlighting project	28.75	-6.43	22.32	1.28%	10.09
Total borrowing	**883.83**	**-30.10**	**853.73**	**4.52%**	**26.00**

27. 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.

28. The benefits of internal borrowing are monitored regularly against the potential for incurring additional costs and the council's Treasury Advisor, Arlingclose has assisted it with this 'cost of carry' and breakeven analysis. The council's strategy has enabled it to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

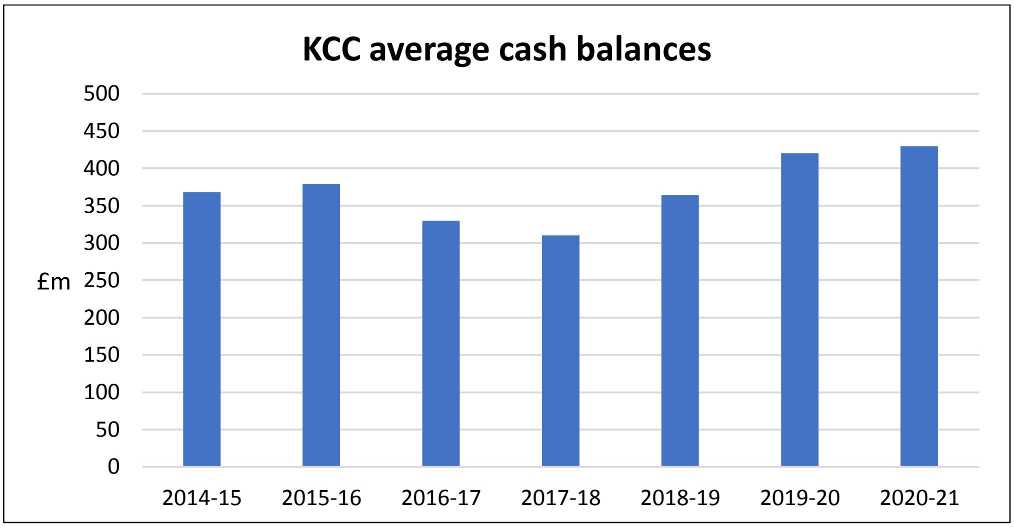
29. The council continues to hold £90m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the council has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the period.

30. At 31 March 2020 the council had borrowed the total £40.6m funding agreed specifically to fund improvements to Kent's street lighting under the government's energy efficiency loans programme of which £30.6m has been an interest free loan provided by Salix Finance Ltd. £12m of the Salix loan had been repaid as at 31 March 2020 and a further £18.24m was repaid during 2020-21.

Treasury investment activity

31. KCC holds significant invested funds representing income received in advance of expenditure plus balances and reserves held. During 2020-21 the council's average investment balance was £430m. Balances fluctuated during the year rising at the year end to £501.5m as the result of the receipt in March of grants to cover COVID -19 costs and business rate compensation.

Average investment balances 2015 – 21



32. At 31 March 2021 the council held some £93m in bank call accounts and in Money Market Funds with same day access to cover urgent payments and enhance the council's liquidity.

33. At 31 March 2021 the value of the council's investments in pooled funds was £174.1m, 34.7% of its total cash.

34. The year-end investment position and the year-on-year change are shown in the table below.

	31-Mar-20	**2020-21**	**31-Mar-21**	**31-Mar-21**	**31-Mar-21**
	Balance	**Movement**	**Balance**	**Average Rate of Return**	**Average Credit Rating**
	£m	**£m**	**£m**	**%**	
Bank Call Accounts	30.0	15.0	45.0	0.05	A+
Money Market Funds	56.7	78.3	135.0	0.00	A+
Local Authorities	50.0	1.0	51.0	0.24	A+
Covered Bonds	84.9	-5.2	79.7	0.64	AAA
DMO Deposits (DMADF)	0.0	9.4	9.4	0.01	AA-
Icelandic Recoveries o/s	0.4	-0.4	0.0		
No Use Empty Loans	0.0	6.1	6.1	1.5	

Equity	2.3	-1.0	1.3		
Internally managed cash	**224.3**	**103.1**	**327.4**	**0.27**	AA-
Strategic Pooled Funds	**157.3**	**16.8**	**174.1**	**4.78**	
Total	**381.6**	**119.9**	**501.5**	**1.75**	

35. 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.

Internally managed investments

36. Given the ongoing uncertainty around its cash flows the Council continues to hold significant balances 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.

37. Deposit rates with the Debt Management Account Deposit Facility (DMADF) have continued to fall and are now largely around zero while the net return on Money Market Funds net of fees, which had fallen after Bank Rate was cut to 0.1% in March 2020, are now at or very close to zero. Fund management companies have temporarily lowered or waived fees to avoid negative net returns.

38. On 31 March 2021 the Council had lent £51m to other local authorities. 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. During the 12 months the Council also made loans totalling £5.6m to the no use empty loans programme achieving a return of 1.5% which is available to fund general services.

39. The progression of credit risk and return metrics for KCC's investments are shown in the extract from Arlingclose's quarterly investment benchmarking in the table below.

<u>Investment Benchmarking</u>

	Credit Score	**Credit Rating**	**Bail-in Exposure**	**Weighted Average Maturity (days)**	**Income Rate of Return**
31.03.2020	3.02	AA	39%	349	2.42%
31.03.2021	3.76	AA-	53%	146	1.70%
Similar LAs	4.35	AA-	39%	983	1.14%
All LAs	4.63	A+	63%	14	0.90%

40. Details of the council's investment position at 31 March 2021 are reported in Appendix 1.

Externally managed investments

41. The Council has invested £180m in bond, equity, multi-asset and property funds. Since March 2020 there has been improvement in market sentiment which is reflected in an increase in capital values of the strategic bond, equity and multi-asset income funds although the recovery in UK equities has lagged those of US and European markets.

42. The CCLA LAMIT Property Fund continues to lag its 31 March 2020 value. Similar to many other property funds, dealing (i.e. buying or selling units) in the Fund was suspended in March 2020 and lifted in September. Redemption terms for the Fund have also been changed and from September 2020 investors are required to give at least 90 calendar days' notice for redemptions.

43. Decisions to invest in these funds have been made taking account of advice from Arlingclose. Arlingclose monitor their performance and provide monthly updates for the council. Because these 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 medium to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates.

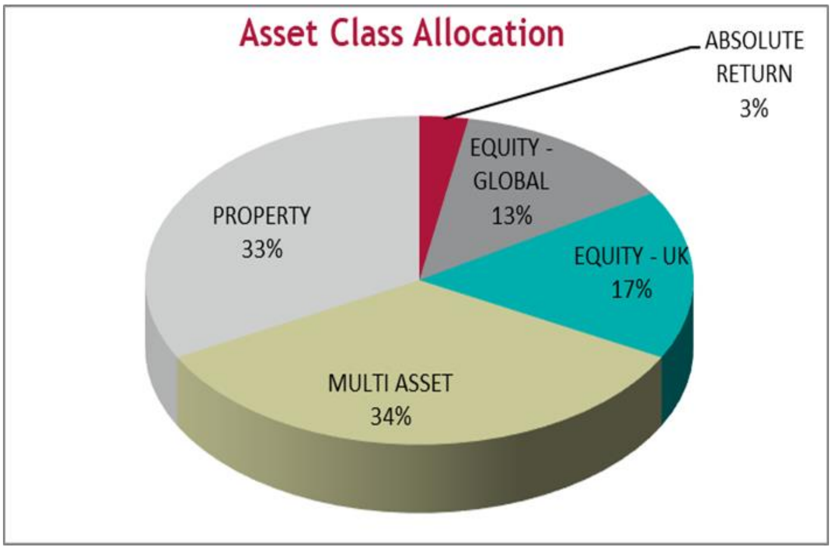
44. Details of the externally managed pooled funds are shown in the following table.

Externally Managed Investments

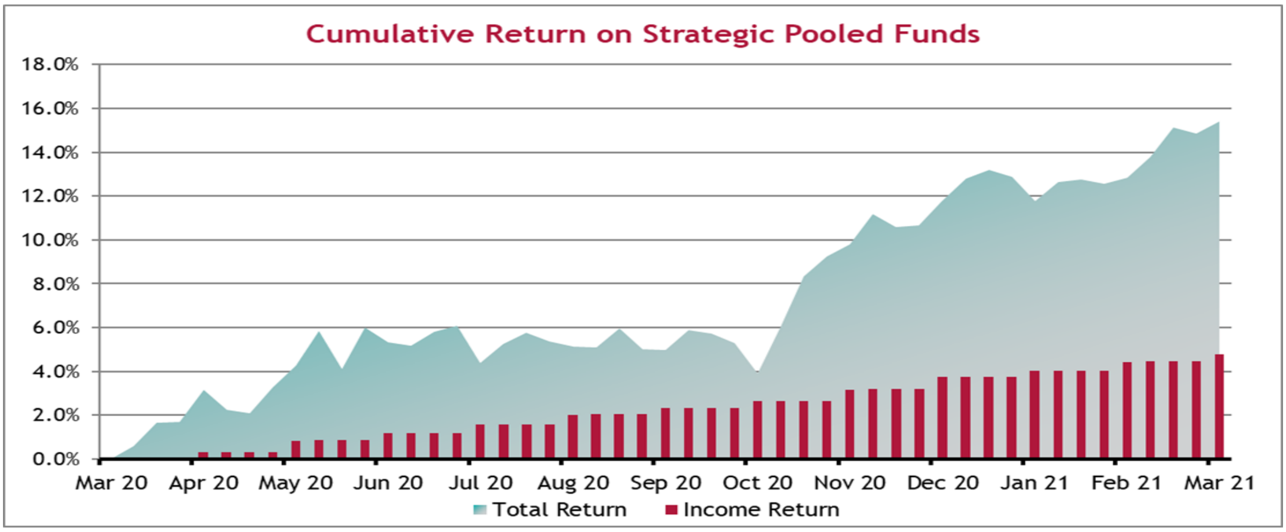
		31-Mar-20	2020-21	31-Mar-21	31-Mar-21	
Investment Fund	**Book cost**	**Market Value**	**Movement**	**Market Value at**	**12 months return**	
	£m	**£m**	**£m**	**£m**	**Income**	**Total**
Aegon (Kames) Diversified Monthly Income Fund	20.0	16.9	3.3	20.2	4.49%	23.84%
CCLA - Diversified Income Fund	5.0	4.6	0.4	5.0	2.81%	11.22%
CCLA – LAMIT Property Fund	60.0	57.9	-0.8	57.1	4.34%	2.97%
Fidelity Global Multi Asset Income Fund	25.0	23.7	1.0	24.7	4.62%	8.70%
M&G Global Dividend Fund	10.0	8.6	3.6	12.2	4.26%	46.76%
Ninety One (Investec) Diversified Income	10.0	9.2	0.9	10.1	4.62%	8.7%

Pyrford Global Total Return Sterling Fund	5.0	4.7	0.3	5.0	2.10%	8.22%
Schroder Income Maximiser Fund	25.0	15.8	3.6	19.4	7.59%	30.56%
Threadneedle Global Equity Income Fund	10.0	8.4	2.5	10.9	3.35%	31.97%
Threadneedle UK Equity Income Fund	10.0	7.6	2.0	9.6	3.42%	29.86%
Total External Investments	**180.0**	**157.3**	**16.8**	**174.1**	**4.78%**	**15.40%**

45. A breakdown of the external investments by asset class is as follows:

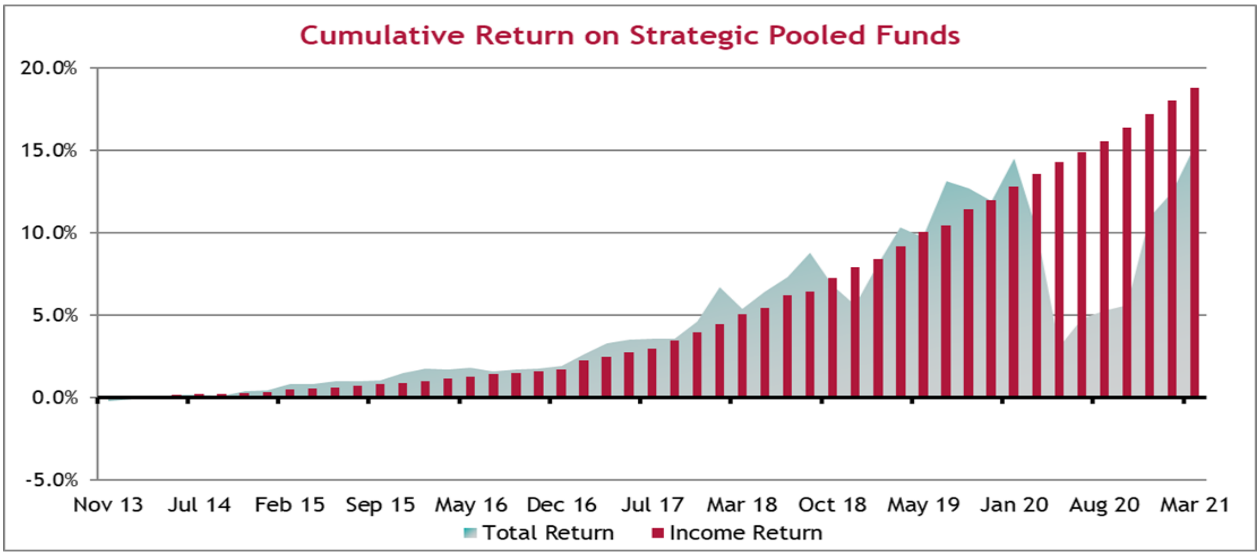


46. **Performance YTD:** The following chart tracks the returns earned on the pooled funds over the 12 months to end March 2021.



47. **Performance since inception:** KCC initially invested in pooled funds in 2013. The total cost of this investment was £180m and during the 8 years the pooled

funds have achieved an income return of £29.5m, 14.41% (4.31% pa) while the capital value of the portfolio has fallen by 2.68%. The following chart tracks the returns earned on the pooled funds over the period from inception. We are currently discussing with the Council's Treasury Advisors, Arlingclose the extent to which some of the future income should be set aside in a specific reserve to cover the risk of capital losses pending confirmation of the status of the current statutory override on accounting for losses within the general Revenue fund.



Financial outturn

48. Following the cut in Bank rate from 0.75% to 0.10% in March 2020, the council had expected to receive significantly lower income from its cash and short-dated money market investments, including money market funds in 2020/21, as rates on cash investments are close to zero percent.

49. Income from most of the Council's externally managed funds was also lower than in 2019/20 and earlier years as dividend and income distribution was dependent on company earnings in a very challenging and uncertain trading environment as well as enforced cuts or deferral required by regulatory authorities.

50. The Council's total investment income for the year was £8.4m, £1.95% on funds held. The above benchmark return reflects the investment in the pooled and spread of cash investments as detailed in the table at paragraph 25 above. KCC also received dividends on the equity held in Kent PFI Holding Co Ltd of £473,800.

Compliance with treasury management indicators

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

Compliance with specific borrowing and investment limits is demonstrated in the tables below.

Debt Limits

	31.3.21 Actual	2020/21 Operational Boundary	2020/21 Authorised Limit	Complied?
	£m	**£m**	**£m**	
Borrowing	854	995	1,050	Yes
PFI and Finance Leases	246	246	246	Yes
Total debt	**1,100**	**1,241**	**1,296**	

Investment limits

	Limit	Actual	Complied?
	£m	**£m**	
Any single local authority	25	10	Yes
Any single supranational banks	20	Nil	Yes
Any single Non-UK Government institution	20	Nil	Yes
Any single UK bank	15	15	Yes
Council's banking services provider	20	15	Yes
Overseas banks - unsecured	20	Nil	Yes
Short-term Money Market Funds	20	20	Yes
Cashplus / short bond funds	20	Nil	Yes
Any single covered bond issuer	20	14	Yes
Total covered bond portfolio	100	80	Yes
Reverse repurchase agreements	20	Nil	Yes
Corporates (non- financials)	2	Nil	Yes
Registered Providers	10	10	Yes
Total Loans	20	Nil	Yes
Absolute Return funds	25	20	Yes
Multi Asset Income funds	25	25	Yes
Property funds	75	60	Yes
Bond funds	25	Nil	Yes
Equity Income Funds	25	25	Yes
Real Estate Investment Trusts	25	Nil	Yes
Total Pooled funds and real estate investment trusts	250	180	Yes

Treasury Management Indicators

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

53. **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 31/03/2021	Target	Complied?
Portfolio average credit rating	AA	AA	Yes

54. **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 31/03/2021	Target	Complied?
Total cash available within 3 months	£240m	£100m	Yes

55. **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 31/03/2021	Upper Limit
One-year revenue impact of a 1% rise in interest rates	£597k	£10m
One-year revenue impact of a 1% fall in interest rates	-£680k	-£10m

56. **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 31/03/2021	Upper limit	Lower limit	Complied?
Under 12 months	2.55%	100%	0%	Yes
12 months and within 5 years	12.12%	50%	0%	Yes
5 years and within 10 years	8.60%	50%	0%	Yes
10 years and within 20 years	17.00%	50%	0%	Yes

20 years and within 40 years	33.13%	50%	0%	Yes
40 years and longer	26.60%	50%	0%	Yes

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.

57. **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:

	Actual	**Limit**	
Price risk indicator	**31/03/2021**	**2021/22**	**2022/23**
Principal invested beyond year end	£278m	£300m	£300m

Recommendation

58. Members are asked to agree the report and its submission to County Council for approval.

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Appendix 1

Investments as at 31 March 2021

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	3,000,000	0.17%	21/06/21
Fixed Deposits	Conwy County Borough Council	3,000,000	0.17%	30/06/21
Fixed Deposits	Conwy County Borough Council	5,000,000	0.17%	30/06/21
Fixed Deposits	Thurrock Borough Council	10,000,000	0.35%	04/07/21
Fixed Deposits	Thurrock Borough Council	10,000,000	0.35%	04/05/21
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	South Somerset District Council	5,000,000	0.08%	17/05/21
Total Local Authority Deposits		**51,000,000**		
DMADF (Debt Management Account Deposit Facility)		9,400,000	0.00%	23/04/21
Total DMADF deposits		**9,400,000**		
Call Account	National Westminster Bank plc	20,000,000	0.01%	
Call Account	Santander UK plc	15,000,000	0.12%	
Call Account	Lloyds Bank plc	15,000,000	0.01%	
Total Bank Call Accounts		**45,000,000**		
No Use Empty Loans		**6,073,000**	1.5%	
Registered Provider	**£10m loan facility – non utilisation fee**		0.40%	31/03/23
Money Market Funds	Federated Short-term Sterling Prime Fund GBP KCC	14,996,019	0.01%	
Money Market Funds	HSBC Sterling Liquidity Fund	19,990,554	0.00%	
Money Market Funds	LGIM Sterling Liquidity Fund 4 KCC	19,996,727	0.00%	
Money Market Funds	Aberdeen Liquidity Fund (Lux) KCC	19,995,063	0.01%	
Money Market Funds	Northern Trust Sterling Cash Fund	19,994,271	0.00%	
Money Market Funds	Aviva Investors Sterling Liquidity Fund 3 GBP Inc	19,996,605	0.01%	
Money Market Funds	Deutsche Managed Sterling Platinum	19,995,263	0.01%	
Total Money Market Funds		**134,964,502**		
Equity and Loan Notes	Kent PFI (Holdings) Ltd	**1,298,620**		n/a

1.2 Bond Portfolio

Bond Type	Issuer	Adjusted Principal £	Coupon Rate	Maturity Date
Fixed Rate Covered Bond	Bank of Scotland - Bonds	4,484,701	1.71%	20/12/2024
Fixed Rate Covered Bond	National Australia Bank - Bonds	4,989,355	1.35%	10/11/2021
Fixed Rate Covered Bond	Leeds Building Society Bonds	4,203,756	1.29%	17/04/2023
Fixed Rate Covered Bond	Santander UK - Bonds	3,133,306	0.65%	14/04/2021
Fixed Rate Covered Bond	Bank of Nova Scotia Bonds	4,996,900	0.88%	14/09/2021
Fixed Rate Covered Bond	National Australia Bank - Bonds	3,000,636	1.10%	10/11/2021

Floating Rate Covered Bond	TSB Bank - Bonds	2,502,519	0.88%	15/02/2024
Floating Rate Covered Bond	Lloyds - Bonds	2,501,461	0.31%	27/03/2023
Floating Rate Covered Bond	Lloyds - Bonds	2,501,949	0.30%	27/03/2023
Floating Rate Covered Bond	Nationwide Building Society - Bonds	3,996,908	0.76%	10/01/2024
Floating Rate Covered Bond	Lloyds - Bonds	4,500,000	0.65%	14/01/2022
Floating Rate Covered Bond	Australia and New Zealand Banking group - bonds	3,000,000	0.73%	24/01/2022
Floating Rate Covered Bond	Santander UK - Bonds	2,002,022	0.74%	12/02/2024
Floating Rate Covered Bond	Nationwide Building Society - Bonds	4,502,710	0.26%	12/04/2023
Floating Rate Covered Bond	Bank of Montreal - Bonds	5,003,003	0.28%	17/04/2023
Floating Rate Covered Bond	Santander UK - Bonds	3,750,250	0.23%	13/04/2021
Floating Rate Covered Bond	Lloyds - Bonds	5,003,443	0.30%	27/03/2023
Floating Rate Covered Bond	Canadian Imperial Bank of Commerce - Bonds	5,012,165	0.21%	10/01/2022
Floating Rate Covered Bond	Santander UK - Bonds	5,001,516	0.27%	16/11/2022
Floating Rate Covered Bond	Nationwide Building Society - Bonds	5,583,412	0.25%	12/04/2023
Total Bonds		**79,670,012**		

Total Internally managed investments	**327,406,135**

2. Externally Managed Investments

Investment Fund	**Market Value at 31-March-21 £**
Aegon (Kames) Diversified Monthly Income Fund	20,170,739
CCLA - Diversified Income Fund	4,953,495
CCLA – LAMIT Property Fund	57,085,107
Fidelity Global Multi Asset Income Fund	24,668,522
M&G Global Dividend Fund	12,223,620
Ninety One (Investec) Diversified Income	10,112,648
Pyrford Global Total Return Sterling Fund	5,001,139
Schroder Income Maximiser Fund	19,391,023
Threadneedle Global Equity Income Fund	10,856,890
Threadneedle UK Equity Income Fund	9,593,540
Total External Investments	**174,056,723**

3. Total Investments

Total Investments	**£501,462,858**

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
CET 1	Core equity tier 1 - the purest form of capital for a financial institution, which is available to absorb losses while it remains a going concern, usually expressed as a ratio to risk weighted assets.
CFR	Capital Financing Requirement. A local 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.
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, measured on a harmonised basis across the European Union
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.
IFRS	International Financial Reporting Standards, the set of accounting rules in use by UK local authorities since 2010
IMF	International Monetary Fund
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 CNAV and LVNAV funds with a WAM under 60 days which offer instant access, but the European Union definition extends to include cash plus funds
Monetary Policy	Measures taken by central banks to boost or slow the economy, usually via changes in interest rates. Monetary easing refers to cuts in interest rates, making it cheaper for households and businesses to borrow and hence spend more, boosting the economy, while monetary tightening refers to the opposite. See also fiscal policy and quantitative easing.
MPC	Monetary Policy Committee. Committee of the Bank of England responsible for implementing monetary policy in the UK by changing Bank Rate and quantitative easing with the aim of keeping CPI inflation at around 2%.
MRP	Minimum Revenue Provision – an annual amount that local authorities are required to set aside and charge to revenue for the repayment of debt associated with capital expenditure. Local authorities are required by law to have regard to government guidance on MRP. Not applicable in Scotland, but see Loans Fund
Municipal	Bond issued or guaranteed by local authorities.

bond	
Municipal bond Agency	Company that issues bonds in the capital market and lends the proceeds back to local authorities. The bonds are guaranteed by the local authorities
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').
Prudential Code	Developed by CIPFA and introduced in April 2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice. Local authorities are required by law to have regard to the Prudential Code
PWLB	Public Works Loan Board – a statutory body operating within the DMO that lends money from the National Loans Fund to local authorities and other prescribed bodies and collects the repayments. Not available in Northern Ireland.
REIT	Real estate investment trust – a company whose main activity is owning investment property and is therefore similar to a property fund in many ways
Share	An equity investment, which usually also confers ownership and voting rights
Short-term	Usually means less than one year
Weighted average life (WAL)	The weighted average time for principal repayment, that is, the average time it takes for every dollar of principal to be repaid. The time weights are based on the principal payments,
Weighted average maturity (WAM)	The weighted average maturity or WAM is the weighted average amount of time until the securities in a portfolio mature.