From:	Peter Oakford, Deputy Leader, and Cabinet Member for Finance, Traded and Corporate Services John Betts, Interim Corporate Director of Finance
To:	Governance and Audit Committee – 21 July 2022
Subject:	Treasury management annual review 2021-22
Classification:	Unrestricted

Summary:

To report a summary of Treasury Management activity in 2021-22

Recommendation:

Members are asked to endorse this report and recommend that it is submitted to the full Council.

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 2021-22 was approved by full Council on 11 February 2021.

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 CIPFA's Treasury Management in the Public Services: Code of Practice (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.

Economic background

6. The continuing economic recovery from coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues over the period.

7. Bank Rate was 0.1% at the beginning of the reporting period. April and May saw the economy gathering momentum as the shackles of the pandemic restrictions were eased. Despite the improving outlook, market expectations were that the Bank of England would delay rate rises until 2022. Rising, persistent inflation changed that.

8. UK CPI was 0.7% in March 2021 but then began to steadily increase. Initially driven by energy price effects and by inflation in sectors such as retail and hospitality which were re-opening after the pandemic lockdowns, inflation was believed to be temporary. However, price rises slowly became more widespread, as a combination of rising global costs and strong demand was exacerbated by supply shortages and transport dislocations. The surge in wholesale gas and electricity prices led to elevated inflation expectations. CPI for March 2022 registered 7.0% year on year, up from 6.2% in the previous month and the highest reading in the National Statistic series. Core inflation, which excludes the more volatile components, rose to a 30 year high of 5.7% y/y from 5.2%.

9. The government's jobs furlough scheme insulated the labour market from the worst effects of the pandemic. The labour market began to tighten and demand for workers grew strongly as employers found it increasingly difficult to find workers to fill vacant jobs. During the 12 months unemployment fell and the most recent labour market data for the three months to March 2022 showed the unemployment rate at 3.7%, 0.2% below pre-pandemic levels, while the employment rate rose to 75.7%. Headline 3-month average annual growth rate for wages rose to 7.0% for total pay and 4.2% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 1.4% while regular pay fell by 1.2%.

10. With the fading of lockdown – and, briefly, the 'pingdemic' – restraints, activity in consumer-facing sectors improved substantially as did sectors such as oil and mining with the reopening of oil rigs but materials shortages and the reduction in the real spending power of households and businesses dampened some of the growth momentum. Q1 2022 gross domestic product (GDP) was estimated to have grown by less than expected at 0.8%, down from 1.3% in the fourth calendar quarter of 2021. During February and March 2022 GDP did not grow at all, indicating that households and businesses were already reducing activity ahead of the April surge in retail energy prices. The annual growth rate was revised down slightly to 8.7% (from 8.9%).

11. Having increased Bank Rate from 0.10% to 0.25% in December 2021, the Bank of England hiked it further to 0.50% in February and 0.75% in March 2022. At

the meeting in February, the Monetary Policy Committee (MPC) voted unanimously to start reducing the stock of its asset purchase scheme by ceasing to reinvest the proceeds from maturing bonds as well as starting a programme of selling its corporate bonds.

12. In its March interest rate announcement, the MPC noted that the invasion of Ukraine had caused further large increases in energy and other commodity prices, with the expectation that the conflict will worsen supply chain disruptions around the world and push CPI inflation to around 8% later in 2022, even higher than forecast only a month before in the February Monetary Policy Report. The Committee also noted that although GDP in January was stronger than expected with business confidence holding up and the labour market remaining robust, consumer confidence had fallen due to the squeeze in real household incomes.

13. GDP growth in the euro zone increased by 0.3% in calendar Q4 2021 following a gain of 2.3% in the third quarter and 2.2% in the second. Headline inflation remains high, with CPI registering a record 7.5% year-on-year in March, the ninth successive month of rising inflation. Core CPI inflation was 3.0% y/y in March, was well above the European Central Bank's target of 'below, but close to 2%', putting further pressure on its long-term stance of holding its main interest rate of 0%.

14. The US economy expanded at a downwardly revised annualised rate of 6.9% in Q4 2021, a sharp in increase from a gain of 2.3% in the previous quarter. In its March 2022 interest rate announcement, the Federal Reserve raised the Fed Funds rate to between 0.25% and 0.50% and outlined further increases should be expected in the coming months. The Fed also repeated its plan to reduce its asset purchase programme which could start by May 2022.

Financial markets

15. The conflict in Ukraine added further volatility to the already uncertain inflation and interest rate outlook over the period. The Dow Jones started to decline in January but remained above its pre-pandemic level by the end of the period while the FTSE 250 and FTSE 100 also fell and ended the quarter below their pre-March 2020 levels.

16. Bond yields were similarly volatile as the tension between higher inflation and flight to quality from the war pushed and pulled yields, but with a general upward trend from higher interest rates dominating as yields generally climbed.

17. The 5-year UK benchmark gilt yield began the quarter at 0.82% before rising to 1.41%. Over the same period the 10-year gilt yield rose from 0.97% to 1.61% and the 20-year yield from 1.20% to 1.82%.

18. 1-month, 3-month and 12-month SONIA bid rates averaged 0.119%, 0.235% and 0.500% respectively over the financial year.

19. The successful vaccine rollout programme was credit positive for the financial services sector in general and the improved economic outlook meant some institutions were able to reduce provisions for bad loans. However, in 2022, the uncertainty engendered by Russia's invasion of Ukraine pushed CDS prices modestly higher over the first calendar quarter, but only to levels slightly above their 2021 averages, illustrating the general resilience of the banking sector.

20. In September Arlingclose extended the maximum duration limit for UK bank entities on its recommended lending list from 35 days to 100 days; a similar extension was advised in December for the non-UK banks on this list. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

Revised CIPFA Codes, Updated PWLB Lending Facility Guidance

21. In August 2021 HM Treasury significantly revised guidance for the PWLB lending facility with more detail and twelve examples of permitted and prohibited use of PWLB loans. 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. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing, and treasury management.

22. CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20 December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.

23. The principles of the Prudential Code took immediate effect although local authorities could defer introducing the revised reporting requirements until the 2023-24 financial year if they wish. The Council has decided to delay changes in reporting requirements to the 2023-24 financial year.

24. To comply with the Prudential Code, authorities must not borrow to invest primarily for financial return. This Code also states that it is not prudent for local authorities to make investment or spending decision that will increase the CFR unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.

25. Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local authority's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. The changes align the CIPFA Prudential Code with the PWLB lending rules.

26. Unlike the Prudential Code, there is no mention of the date of initial application in the Treasury Management Code. The TM Code now includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version.

27. The Council will follow the same process as for the Prudential Code, i.e., delaying changes in reporting requirements to the 2023-24 financial year.

Local context

28. 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.

29. 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.

30. At 31 March 2022 the Council had borrowed £826m and invested £463.8m 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.

	31 Mar 2022 Actual £m
Loans CFR	1,048.2
External borrowing	-826.0
Internal borrowing	**222.2**
Less: balance sheet resources	-686.0
Treasury investments	**463.8**

31. The treasury management position at 31 March 2022 and the change over the year is shown in the following table.

	31 Mar 2022	2021-22	31 Mar 2022	31 Mar 2022
	Balance £m	**Movement £m**	**Balance £m**	**Average Rate %**
Long-term borrowing	853.7	-27.7	826.0	4.47
Total borrowing	**853.7**	**-27.7**	**826.0**	**4.47**
Long-term investments	261.1	35.3	296.4	4.16
Short-term investments	105.4	-68.9	36.5	0.82
Cash and cash equivalents	135.0	-4.1	130.9	0.50
Total investments	**501.5**	**-37.7**	**463.8**	**2.11**
Net borrowing	**352.2**	**10.0**	**362.2**	

Borrowing update

32. The Council is not planning to borrow to invest primarily for commercial return and so is unaffected by the changes to the Prudential Code.

Borrowing strategy

33. At 31 March 2022 the Council held £825.97m of loans, a reduction of £27.76m from 31 March 2021 as part of its strategy of funding previous years' capital programmes. The year-end borrowing position and the year-on-year change are shown in the table below.

Borrowing Position

	31 Mar 2022	2021-22	31 Mar 2022	31 Mar 2022	31 Mar 2022
	Balance	**Movement**	**Balance**	**Average Rate**	**Value Weighted Average Life**
	£m	**£m**	**£m**	**%**	**yrs.**
Public Works Loan Board	449.61	-22.67	426.94	4.70%	15.69
Banks (LOBO)	90.00	0.00	90.00	4.15%	41.88
Banks (Fixed Term)	291.80	0.00	291.80	4.40%	36.51
Streetlighting project	22.32	-5.09	17.23	1.58%	10.88
Total borrowing	**853.73**	**-27.76**	**825.97**	**4.47%**	**25.80**

34. 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.

35. 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.

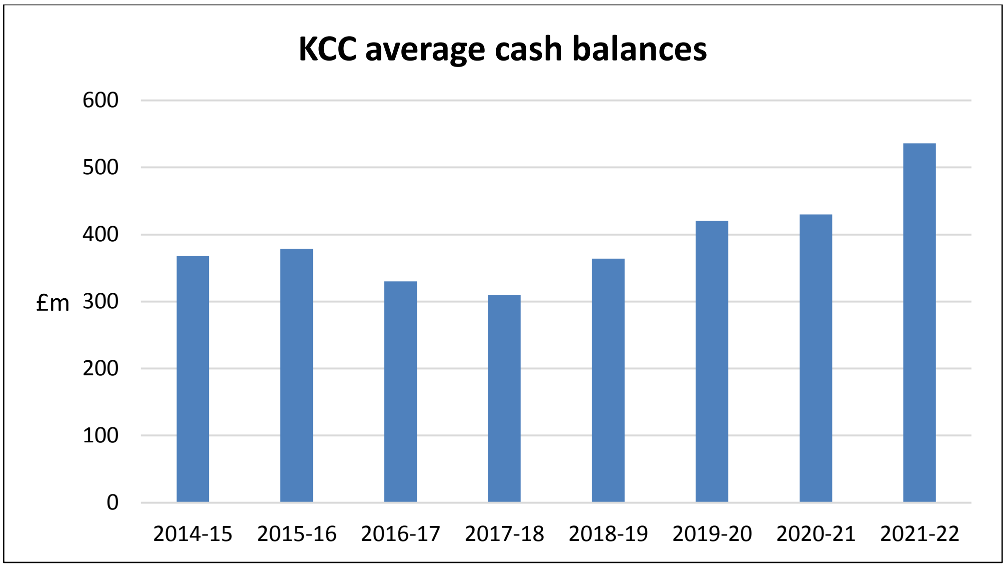
36. The Council continues to hold £90m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. No banks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

Treasury investment activity

37. CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20 December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

38. KCC holds significant invested funds representing income received in advance of expenditure plus balances and reserves held. During 2021-22 the Council's average investment balance was £536m. Balances fluctuated during the year falling at the year end to £463.8m as a result of higher cash outflows at the end of the financial year, than previously forecasted.

Average investment balances 2014 – 22



39. At 31 March 2022 the Council held some £135.9m in bank call accounts and in Money Market Funds with same day access to cover urgent payments and enhance the Council's liquidity.

40. At 31 March 2022 the value of the Council's investments in pooled funds was £189.5m, 40.8% of its total cash.

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

	31 Mar 2021	2021-22	31 Mar 2022	31 Mar 2022	31 Mar 2022
	Balance	**Movement**	**Balance**	**Rate of Return**	**Average Credit Rating**
	£m	**£m**	**£m**	**%**	
Bank Call Accounts	45.0	-40.0	5.0	0.01	A+
Money Market Funds	135.0	-4.1	130.9	0.52	A+
Local Authorities	51.0	-51.0	0.0		
Covered Bonds	79.7	11.3	91.0	0.93	AAA
DMO Deposits (DMADF)	9.4	10.1	19.5	0.10	AA-
Government Bonds	0.0	12.0	12.0	0.40	AA-
No Use Empty Loans	6.1	8.5	14.6	1.50	
Equity	1.3	0.0	1.3		
Internally managed cash	**327.4**	**-53.1**	**274.3**	**0.62**	AA
Strategic Pooled Funds	**174.1**	**15.4**	**189.5**	**4.16**	
Total	**501.5**	**-37.7**	**463.8**	**2.11**	

42. 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

43. Ultra-low short-dated cash rates, which were a feature since March 2020 when Bank Rate was cut to 0.1%, prevailed for much of the 12-month reporting period which resulted in the return on sterling low volatility net asset value (LVNAV) Money Market Funds being close to zero even after some managers have temporarily waived or lowered their fees. However, higher returns on cash instruments followed the increases in Bank Rate in December, February, and March. At 31 March, the 1-day return on KCC's MMFs ranged between [0.49% - 0.55% p.a].

44. Similarly, deposit rates with the Debt Management Account Deposit Facility (DMADF) initially remained very low with rates ranging from 0% to 0.1% but following the hikes to policy rates increased to between 0.55% and 0.85% depending on the deposit maturity. The average return on the KCC's DMADF deposits was [0.03%].

45. 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
31.03.2021	3.76	AA-	53%	146	1.70%
31.03.2022	**3.17**	**AA**	**53%**	**290**	**2.13%**
Similar LAs	4.14	AA-	39%	1,640	1.42%
All LAs	4.39	AA-	60%	14	0.97%

46. Details of the Council's investment position at 31 March 2022 are reported in Appendix 1.

Externally managed investments

47. The Council has invested £180m in bond, equity, multi-asset, and property funds.

48. In the nine months to December improved market sentiment was reflected in equity, property, and multi-asset fund valuations and, in turn, in the capital values of the Council's property, equity and multi-asset income funds in the Council's portfolio. The prospect of higher inflation and rising bond yields did however result in muted bond fund performance. In the January- March quarter the two dominant themes were tighter UK and US monetary policy and higher interest rates, and the military invasion of Ukraine by Russia in February, the latter triggering significant volatility and uncertainty in financial markets.

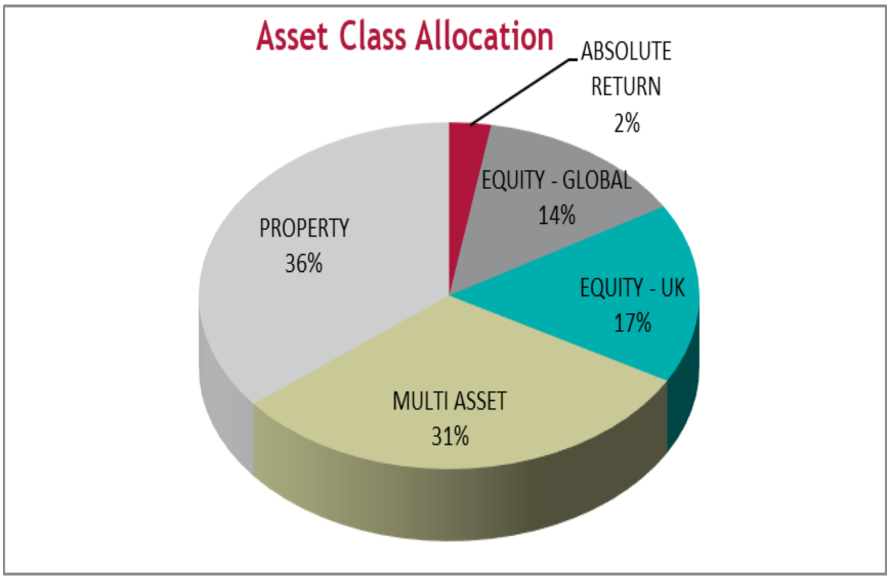
49. In light of Russia's invasion, the managers of our MMF and strategic funds were contacted, and they confirmed that no direct exposure to Russian or Belarusian assets had been identified. Indirect exposures were immaterial. It should be noted that any assets held by banks and financial institutions (e.g., from loans to companies with links to those countries) within MMFs and other pooled funds cannot be identified easily or with any certainty as that level of granular detail is unlikely to be available.

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

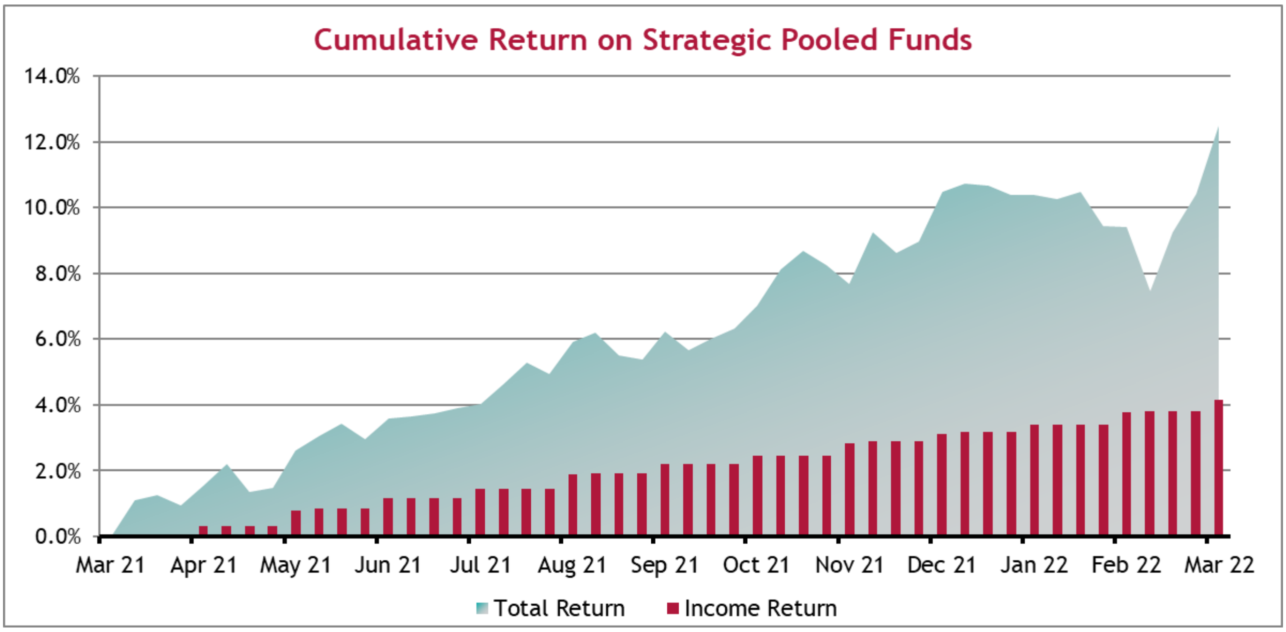
Externally Managed Investments

		31 Mar 2021	2021-22	31 Mar 2022	31 Mar 2022	31 Mar 2022
Investment Fund	**Book cost**	**Market Value**	**Movement**	**Market Value at**	**12 months return**	**12 months return**
	£m	**£m**	**£m**	**£m**	**Income**	**Total**
Aegon (Kames) Diversified Monthly Income Fund	20.0	20.2	-0.1	20.1	4.98%	4.82%
CCLA - Diversified Income Fund	5.0	5.0	0.2	5.2	2.50%	7.13%
CCLA – LAMIT Property Fund	60.0	57.1	10.5	67.6	3.88%	21.43%
Fidelity Global Multi Asset Income Fund	25.0	24.7	-0.8	23.9	4.28%	1.13%
M&G Global Dividend Fund	10.0	12.2	1.8	14.0	3.16%	17.79%
Ninety-One (Investec) Diversified Income	10.0	10.1	-0.5	9.6	3.58%	-1.22%
Pyrford Global Total Return Sterling Fund	5.0	5.0	0.1	5.1	1.64%	3.65%
Schroder Income Maximiser Fund	25.0	19.4	2.1	21.5	7.13%	18.01%
Threadneedle Global Equity Income Fund	10.0	10.9	1.0	11.9	2.73%	11.38%
Threadneedle UK Equity Income Fund	10.0	9.6	0.6	10.2	3.37%	9.62%
Total External Investments	**180.0**	**174.1**	**15.0**	**189.0**	**4.15%**	**12.50%**

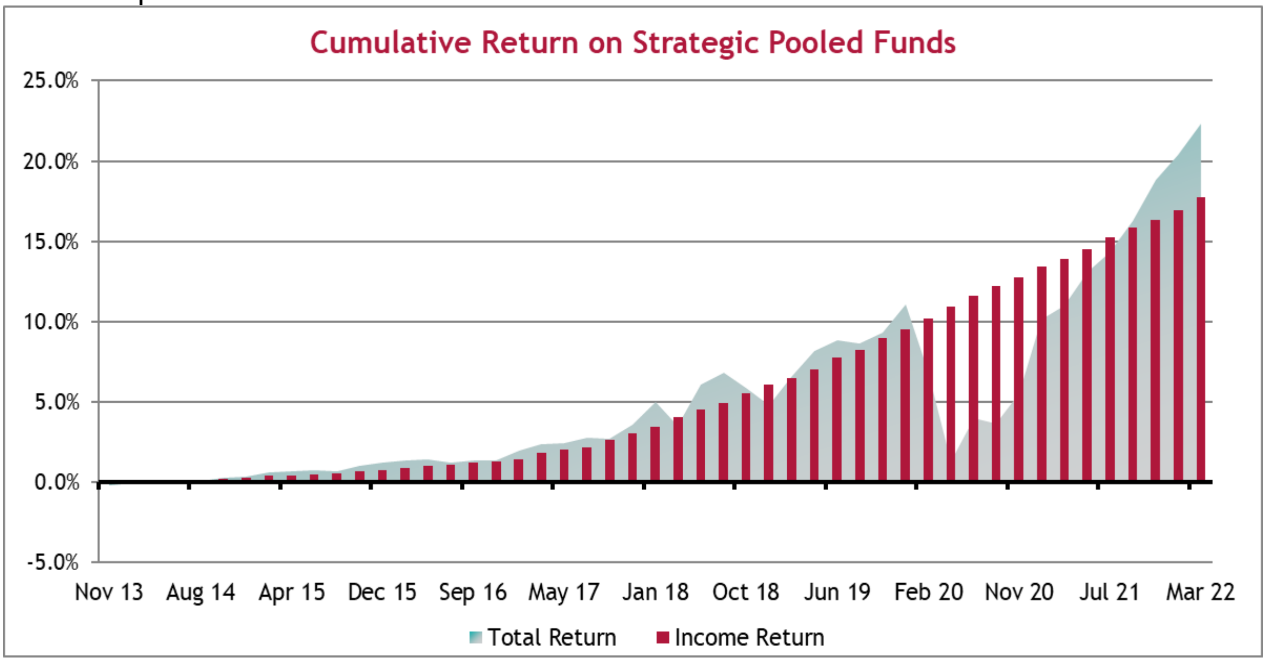
51. A breakdown of the external investments by asset class is as follows:



52. **Performance YTD:** The following chart tracks the returns earned on the pooled funds over the 12 months to end March 2022.



53. **Performance since inception:** KCC initially invested in pooled funds in 2013. The total cost of this investment was £180m and during the 9 years the pooled funds have achieved an income return of £36.41m, 17.76% (4.12% pa) while the capital value of the portfolio has risen by £9.39m, 4.58%. The following chart tracks the returns earned on the pooled funds over the period from inception.



Financial outturn

54. The Council’s total investment income for the year was £7.7m, £1.6% 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 41 above.

Compliance with treasury management indicators

55. The Interim 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 Mar 2022 Actual	**2021-22 Operational Boundary**	**2021-22 Authorised Limit**	**Complied?**
	£m	**£m**	**£m**	
Borrowing	826	991	1,016	Yes
PFI and Finance Leases	245	245	245	Yes
Total debt	**1,071**	**1,236**	**1,261**	

Investment limits

	Limit	**31 Mar 2022 Actual**	**Complied?**
	£m	**£m**	
Any single local authority	25	Nil	Yes
Any single supranational bank	20	Nil	Yes
Any single Non-UK Government institution	20	Nil	Yes
Any single UK bank	15	Nil	Yes
Council’s banking services provider	20	5	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	16	Yes
Total covered bond portfolio	100	91	Yes
Reverse repurchase agreements	20	Nil	Yes
Corporates (non- financials)	2	Nil	Yes
Registered Providers	10	15	Yes

Total Loans	20	30	Yes
Absolute Return funds	25	5	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

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

57. **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 Mar 2022**	**Target**	**Complied?**
Portfolio average credit rating	AA	AA	Yes

58. **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 Mar 2022**	**Target**	**Complied?**
Total cash available within 3 months	£167.3m	£100m	Yes

59. **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 Mar 2022**	**Upper Limit**
One-year revenue impact of a 1% rise in interest rates	£756k	£10m
One-year revenue impact of a 1% fall in interest rates	-£706k	-£10m

60. **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 Mar 2022	Upper limit	Lower limit	Complied?
Under 12 months	2.14%	100%	0%	Yes
12 months and within 5 years	10.55%	50%	0%	Yes
5 years and within 10 years	0.00%	50%	0%	Yes
10 years and within 20 years	25.86%	50%	0%	Yes
20 years and within 40 years	34.69%	50%	0%	Yes
40 years and longer	26.77%	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.

61. **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**	**Limit**
Price risk indicator	**31 Mar 2022**	**2022-23**	**2023-24**
Principal invested beyond year end	£296.4m	£300m	£300m

Recommendation

62. Members are asked to endorse the report and recommend that it is submitted to Council.

Nick Buckland
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July 2022

Appendices:

1 Investments as of 31 March 2022

2. Glossary of local authority treasury management terms

Appendix 1

Investments as of 31 March 2022

1. Internally Managed Investments

1.1 Term deposits, Call accounts and Money Market Funds

Instrument Type	Counterparty	Principal Amount £	Interest Rate	End Date
Treasury Bills	DMO	6,997,906	0.060%	09/05/22
Treasury Bills	DMO	4,978,280	0.875%	12/09/22
Total Treasury Bills		**11,976,186**		
Fixed Deposits	DMADF (Debt Management Account Deposit Facility)	19,500,000	0.095%	25/04/22
Total DMADF		**19,500,000**		
Call Account	National Westminster Bank plc	5,000,000	0.01%	
Total Bank Call Accounts		**5,000,000**		
No Use Empty Loans		**14,610,091**	1.50%	
Registered Provider	**£10m loan facility – non utilisation fee**		0.40%	31/03/23
Registered Provider	**£5m loan facility – non utilisation fee**		0.40%	16/06/23
Money Market Funds	LGIM GBP Liquidity Class 4	19,997,184	0.5526%	
Money Market Funds	Deutsche Managed GBP LVNAV Platinum	19,828,930	0.4867%	
Money Market Funds	Aviva Investors GBP Liquidity Class 3	19,994,569	0.5264%	
Money Market Funds	Aberdeen GBP Liquidity Class L3	19,994,014	0.4976%	
Money Market Funds	Federated Hermes Short-Term Prime Class 3	14,995,230	0.4995%	
Money Market Funds	HSBC GBP Liquidity Class F	16,051,995	0.5109%	
Money Market Funds	Northern Trust GBP Cash Class F	19,998,273	0.5595%	
Total Money Market Funds		**130,860,195**		
Equity and Loan Notes	Kent PFI (Holdings) Ltd	**1,298,620**		n/a

Bond Portfolio

Bond Type	Issuer	Adjusted Principal £	Coupon Rate	Maturity Date
Fixed Rate Covered Bond	Leeds Building Society Bonds	4,202,100	1.29%	17/04/23
Fixed Rate Covered Bond	Bank of Scotland - Bonds	4,366,598	1.71%	20/12/24
Fixed Rate Covered Bond	Bank of Scotland - Bonds	6,794,066	0.43%	20/12/24
Floating Rate Covered Bond	Santander UK - Bonds	5,000,649	0.75%	16/11/22
Floating Rate Covered Bond	Lloyds - Bonds	2,500,975	1.51%	27/03/23
Floating Rate Covered Bond	Lloyds - Bonds	2,500,730	1.52%	27/03/23
Floating Rate Covered Bond	Lloyds - Bonds	5,001,721	1.42%	27/03/23

Floating Rate Covered Bond	Nationwide Building Society - Bonds	4,501,504	0.83%	12/04/23
Floating Rate Covered Bond	Nationwide Building Society - Bonds	5,581,003	0.75%	12/04/23
Floating Rate Covered Bond	Bank of Montreal - Bonds	5,001,669	0.88%	17/04/23
Floating Rate Covered Bond	Nationwide Building Society - Bonds	4,003,083	1.15%	10/01/24
Floating Rate Covered Bond	Santander UK - Bonds	2,001,344	1.45%	12/02/24
Floating Rate Covered Bond	TSB Bank - Bonds	2,501,679	1.62%	15/02/24
Floating Rate Covered Bond	Royal Bank of Canada - Bonds	1,804,007	1.00%	03/10/24
Floating Rate Covered Bond	Royal Bank of Canada - Bonds	9,035,734	0.55%	03/10/24
Floating Rate Covered Bond	Royal Bank of Canada - Bonds	5,043,786	0.27%	30/01/25
Floating Rate Covered Bond	Bank Of Nova Scotia Bonds	5,120,029	0.78%	14/03/25
Floating Rate Covered Bond	Canadian Imperial Bank of Commerce - Bonds	5,145,136	0.83%	15/12/25
Floating Rate Covered Bond	National Australia Bank - Bonds	5,151,865	0.67%	15/12/25
Floating Rate Covered Bond	Bank of Nova Scotia	720,939	0.81%	26/01/26
Floating Rate Covered Bond	Yorkshire Building Society - Bonds	3,008,642	0.72%	18/01/27
Floating Rate Covered Bond	Yorkshire Building Society - Bonds	2,003,956	0.74%	18/01/27
Total Bonds		**90,991,215**		

Total Internally managed investments	**274,236,307**

2. Externally Managed Investments

Investment Fund	**Book Cost**	**Market Value at**	**12 months return to**	
	£	**31 Mar 2022**	**31 Mar 2022**	
		£	**Income**	**Total**
Aegon (Kames) Diversified Monthly Income Fund	20,000,000	20,116,846	4.98%	4.82%
CCLA - Diversified Income Fund	5,000,000	5,183,050	2.50%	7.13%
CCLA - LAMIT Property Fund	60,000,000	67,555,020	3.88%	21.43%
Fidelity Global Multi Asset Income Fund	25,038,637	24,120,813	4.28%	1.13%
M&G Global Dividend Fund	10,000,000	14,102,780	3.16%	17.79%
Ninety-One (Investec) Diversified Income Fund	10,000,000	9,622,179	3.58%	-1.22%
Pyrford Global Total Return Sterling Fund	5,000,000	5,194,637	1.64%	3.65%
Schroder Income Maximiser Fund	25,000,000	21,501,301	7.13%	18.01%
Threadneedle Global Equity Income Fund	10,000,000	11,898,810	2.73%	11.38%
Threadneedle UK Equity Income Fund	10,000,000	10,193,123	3.37%	9.62%

Total External Investments	**180,038,637**	**189,488,556**	**4.15%**	**12.50%**

3. Total Investments

Total Investments	**£463,724,863**