

Non-Executive Report of the: Audit Committee 12 November 2020	 TOWER HAMLETS
Report of: Neville Murton, Corporate Director, Resources	Classification: Unrestricted
Treasury Management Report for 2019-20	

Originating Officer(s)	Pearl Emovon – Interim Treasury Manager
Wards affected	All Wards

Summary

This report is produced in accordance with the CIPFA Treasury Management Code of Practice The Treasury Management Strategy Statement and the Treasury Prudential Indicators for 2019-20 were approved by the Council on 20th February 2019, as required by the Local Government Act 2003. This report covers the period 1st April 2019 to 31st March 2020.

Investment returns fluctuate in line with the Bank of England base rate. The base rate is currently 0.1% The Council has substantial sums of money invested and is therefore exposed to financial risks including the loss of invested funds and the impact of changing interest rates and inflation. The successful identification, monitoring and control of risk are therefore key to the Council's treasury management strategy.

The investment income budget set for 2019-20 was £4.0m, with actual income received of £5.4m. To date £76m has been invested in pooled funds. Equity markets fell very sharply at the end of the financial year, resulting in a significant fall in the value of pooled funds to £69.4m.

A return of -0.73% overall was achieved in 2019-20 which was 0.32 bps below the average for similar LAs, and 0.39bps lower than the -0.34% average for all LAs return The Sterling Overnight Index Average (SONIA) replaces the London Interbank Bid Rate (LIBID) as the new performance measure for the Council's investment returns. This is due to the widespread manipulation of LIBOR after the global financial crisis and that LIBOR is no longer used in any significant volume in the market. For this reporting year, SONIA was 0.64%. The investments portfolio returned -0.73%; this was below the benchmark average of -0.41%. More detail can be found in section 3.6.

The credit worthiness of investments has remained at AA- average over the year.

Prudential Indicators (PI) and Treasury Management (TM) indicators have been fully complied with. Over the reporting period, all treasury management (TM) activities were performed in accordance with the approved limits and the prudential indicators (PI) set out in the Council's Treasury Management Strategy Statement.

Recommendations:

Members are recommended to:

- note the contents of the treasury management activities and performance against targets for the year ending 31 March 2020; and
- note the Council's investments as set out in Appendix 1. The balance outstanding as at 31 March 2020 was £257.750m.

1. REASONS FOR THE DECISIONS

- 1.1 The Local Government Act 2003 and the Local Authorities (Capital Financing and Accounting) Regulations 2003 require that regular reports be submitted to the relevant Council Committee detailing the Council's treasury management activities.
- 1.2 This report updates members on both the borrowing and investment decisions made by the Corporate Director, Resources under delegated authority in the context of prevailing economic conditions and considers the Council's treasury management performance.
- 1.3 The regular reporting of treasury management activities assists Members to scrutinise officer decisions and monitor progress on the implementation of its investment strategy as approved by Council.

2. ALTERNATIVE OPTIONS

- 2.1 The Council is bound by legislation to have regard to the Treasury Management (TM) Code. The Code requires that the Council or a sub-committee of the Council (Audit Committee) should receive regular monitoring reports on treasury management activities. If the Council was to deviate from those requirements, there would need to be justifiable reason for doing so.

3. DETAILS OF REPORT

- 3.1 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require local authorities to have regard to the Treasury Management Code. The Treasury Management Code requires that the Council or a sub-committee of the Council (Audit Committee) should receive regular monitoring reports on treasury management activities and risks.
- 3.2 Treasury management is defined as "the management of the Council's investments and cash flows; its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. Within reason, the Council can vary its treasury management strategy having regard to its own views about its appetite for risk in relation to the financial returns required.

3.3 The Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision (MRP) reports were included in the Budget Pack that was presented to Council on 20th February 2019.

3.4 **ECONOMIC COMMENTARY FROM THE TREASURY ADVISER ARLINGCLOSE**

3.4.1 **Economic background:** In response to the spread of the coronavirus and the sharp increase in those infected, the government enforced lockdowns, central banks and governments around the world cut interest rates and introduced massive stimulus packages in an attempt to help control the shock to the economy. The Bank of England, which had held policy rates steady at 0.75% through most of 2019/20, moved on 11 March to cut rates from 0.75% to 0.25% and then swiftly thereafter brought them down further to the record low of 0.1% on 19 March 2020. In conjunction with these cuts, the UK government introduced some measures to help businesses and households impacted by the pandemic.

3.4.2 The US economy grew at an annualised rate of 2.1% in Q4 2019. After escalating trade wars and a protracted standoff, the signing of Phase 1 of the trade agreement between the US and China in January was initially positive for both economies, but COVID-19 severely impacted sentiment and production in both countries. Against a slowing economic outlook, the US Federal Reserve began cutting rates in August. Following a series of five cuts, the largest of which were in March 2020, the Fed Funds rate fell from 2.5% to range of 0% - 0.25%. The US government also unleashed a raft of COVID-19 related measures and support for its economy including a \$2 trillion fiscal stimulus package. With interest rates already on (or below) the floor, the European Central Bank held its base rate at 0% and deposit rate at -0.5%.

3.4.3 **Financial markets:** Financial markets sold off sharply as the impact from the coronavirus worsened. After starting positively in 2020, the FTSE 100 fell over 30% at its worst point with stock markets in other countries similarly seeing huge falls. In March, sterling touched its lowest level against the dollar since 1985. The measures implemented by central banks and governments helped restore some confidence and financial markets rebounded in recent weeks but remain extremely volatile. The flight to quality caused gilts yields to fall substantially.

3.4.4 **Credit review:** Credit Default Swap spreads rose sharply in March as the potential impact of the coronavirus on bank balance sheets gave cause for concern. This was after remaining flat in January and February, between a range of 30-55bps.

While the UK and Non-UK banks on the Arlingclose counterparty list remain in a strong and well-capitalised position, the advice on all these banks was to cut duration to 35 days in mid-March.

Fitch downgraded the UK sovereign rating to AA- in March which was followed by various actions on UK and Non-UK banks. This included revising the outlook on all banks on the counterparty list to negative, except Barclays Bank, Rabobank,

Handelsbanken and Nordea Bank which were placed on Rating Watch Negative, as well as cutting Close Brothers long-term rating to A-.

3.5 INTEREST RATE FORECAST FROM ARLINGCLOSE

- 3.5.1 In the near-term, global economic outlook remains exceedingly weak as the containment measures taken by national governments in response to coronavirus (COVID-19) effectively suspend many types of business activity, particularly the service sector. While the economic shock has affected both the supply and demand sides of economies, it is likely to be demand that takes longer to recover due to rises in unemployment and the impact on consumer confidence.
- 3.5.2 The global central banks and government responses have been significant and will act to support the recovery when it occurs, by keeping financial conditions stable and many businesses solvent/employees employed than would otherwise be the case. The economic bounce later in the year will be significant, as businesses currently dormant begin production/supply services once more.
- 3.5.3 The scale of the economic shock to demand via the impact on employment and confidence, and the probable on-going social distancing measures necessary before a vaccine is produced will however, mean that the subsequent pace of recovery is limited. Early signs of this are evident in the Chinese data, although the impact may be even more significant for Western economies that have now experienced an even greater virus impact.
- 3.5.4 The situation will result in central banks maintaining emergency rates for longer than anticipated. In the UK, Bank Rate is therefore likely to remain at low levels for a very long time.
- 3.5.5 Longer-term yields may follow a slightly different path as central bank asset purchases end, and investors look more closely at government balance sheets. A steeper yield curve is the likely result, particularly if investors believe that governments will seek to inflate the debt burden away.
- 3.5.6 Arlingclose expects Bank Rate to remain at the current 0.10% level until 2022. Rises in Bank Rate thereafter will be gradual.
- 3.5.7 Further action by the Bank of England will depend on conditions, although we believe the Bank Rate itself will not fall further.
- 3.5.8 Gilt yields will remain low in the medium term, although longer-term durations could experience some upward movement as investors assess the size of the UK government's debt burden and possible strategy to reduce this.
- 3.5.9 Downside risks remain in the near-term as households and businesses react to an unprecedented set of economic circumstances.

3.6 TREASURY MANAGEMENT STRATEGY 2019-20

- 3.6.1 The Treasury Management Strategy Statement was approved on 20th February 2019 by Council. The Strategy comprehensively outlined how the treasury function would operate throughout the financial year 2019-20 including the limits and criteria for selecting institutions to be used for the investment of surplus cash and the council's policy on long-term borrowing and limits on debt. The Council complied with the strategy throughout the reporting period and all investments were made to counterparties within the Council's approved lending list.
- 3.6.2 At 31st March 2020, the Council had net investments of £185.5m arising from its revenue and capital income and expenditure, a decrease on 2019 of £123.4m. 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 factors and the year-on-year change are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31st March 2019 Actual £m	Movement over the Year £m	31st March 2020 Actual £m
General Fund CFR	270.896	72.222	343.118
HRA CFR	84.903	-16.121	68.782
Total CFR	355.799	56.101	411.900
Less: Other debt liabilities *	-59.874	-1.274	-58.600
Borrowing CFR	295.925	57.375	353.300
<i>Less: External borrowing</i>	74.296	-2.007	72.289
<i>Internal borrowing</i>	221.629	59.382	281.011
Usable reserves	-521.654	-35.194	-486.460
Working capital	-256.700	-204.399	-52.301
Net (investments)	-308.854	-123.393	-185.461

* finance leases, PFI liabilities and transferred debt that form part of the Council's total debt

- 3.6.3 The Council's current strategy is to maintain borrowing and investments below their underlying levels, known as internal borrowing, in order to reduce risk and keep interest costs low. The balance sheet summary position at 31st March 2020 is shown in Table 1 above, with the treasury management position at 31st March 2020 shown in Table 2 below. The extent of internal borrowing which stood at £281.01m at the end of the financial year 2019-20, is the difference between the Borrowing CFR (£353.3m) and the level of external borrowing (£72.3m).

Table 2: Treasury Management Summary

	31.03.19 Balance £m	Movement over the Year £m	31.03.20 Balance £m	31.03.20 Rate %

Long-term borrowing	74.296	(2.007)	72.289	3.12
Short-term borrowing	-	-	-	-
Total borrowing	74.296	(2.007)	72.289	3.12
Long-term investments	73.000	(2.000)	71.000	
Short-term investments	273.500	(192.000)	70.000	
Cash and cash equivalents	36.650	68.600	116.750	
Total investments	383.150	(125.400)	257.750	1.39
Net investments	308.854	(123.393)	185.461	

Borrowing Strategy for the year ending 31st March 2020

- 3.6.4 The Council held £72.289m of external loans at 31st March 2020 which is £2.007m lower than the 31st March 2019 position of £74.296. The borrowing position as at 31st March 2020 is shown in Table 3 below.

Table 3: Borrowing Position

	31.03.20 Balance £m	31.03.20 Rate %
Public Works Loan Board	54.789	2.72
Banks (fixed term)	17.500	4.34
Total borrowing	72.289	3.12

- 3.6.6 The Council takes a low risk approach to its borrowing strategy. This means that the principal objective when borrowing is to strike an appropriate balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The secondary objective is to have flexibility to renegotiate loans should the Council's long-term plans change.

As this year has illustrated, PWLB funding margins have changed quite substantially and there remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields plus 0.80%, i.e. the PWLB HRA borrowing rate. The Council will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.

Investment Activity

- 3.6.7 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. The investment position at the year-end is shown in Table 4 below.

3.6.8 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.

Investments Outstanding & Maturity Structure

3.6.9 The table below shows the amount of investments outstanding at the end of March 2020, split according to the financial sector.

Table 4: Outstanding Investments by financial sector

Financial Sector	31.03.19 Balance £m	Movement over the Year £m	31.03.20 Balance £m	% Portfolio
UK Banks	25.000	(5.000)	20.000	7.76
UK Building Societies	-	-	-	-
Government (incl. local authorities)	145.500	(41.500)	104.000	40.35
Overseas Banks	100.000	(100.000)	-	-
Money Market Funds	36.650	21.100	57.750	22.40
Pooled Investment Funds:	76.000	-	76.000	29.49
<i>Cash plus funds</i>	20.000	-	20.000	
<i>Short-dated bond funds</i>	18.000	-	18.000	
<i>Strategic bond funds</i>	9.000	-	9.000	
<i>Equity Income funds</i>	13.000	-	13.000	
<i>Property funds</i>	5.000	-	5.000	
<i>Multi asset income funds</i>	11.000	-	11.000	
Total investments	383.150	(125.400)	257.750	

3.6.10 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. In 2018, the Council diversified into more secure and/or higher yielding asset classes by allocating £100m for strategic pooled investments and £76m has been invested to date as shown in Table 4 above.

Performance Report

3.6.11 The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark

interest rates, as shown in Table 5 below. The Council's budgeted investment return for 2019-20 is 114bps (1.14%) on an average cash balance of £350m.

- 3.6.12 In 2018-19, the Council invested in bond, equity, multi-asset and property funds (£76m). The falls in the capital value of the underlying assets were reflected in the 31st March fund valuations with every fund registering negative capital returns over 12 months to March (ranging from £0.08m to £1.2m). Whilst year-end dividend details are awaited, early calculations suggest that, despite decent income returns in 2019-20, these funds will post negative total return over the one-year period due to the capital component of total returns. The risk profile of these investments was discussed with the Committee as, since the objective is to achieve higher returns, there is the expectation and need to accept higher levels of risk (market volatility).

The unrealised capital losses though large, will however, not have an impact on the General Fund as the Council has elected to present changes in the funds' fair values in other comprehensive income (FVOCI).

- 3.6.13 The investment performance for the reporting period is -73bps, however this includes the impact of the deteriorated capital value of the pooled funds. The income only average rate of return is 1.39% and investment income of £5.4m was generated in 2019-20.

Table 5: Investment performance for financial year to 31st March 2020

Period	LBTH Internal Return	External Fund Return	LBTH Total Return	Benchmark Return	Over/(Under) Performance
Full Year 2018-19	0.97%	1.97%	1.16%	1.24%	(0.08%)
Quarter 1	1.01%	2.79%	1.41%	1.23%	0.18%
Quarter 2	0.94%	3.61%	1.60%	1.14%	0.46%
Quarter 3	0.90%	3.25%	2.50%	1.61%	0.89%
Full Year 2019-20	0.87%	(4.90%)	(0.73%)	(0.41%)	(0.32%)

3.7 Investment Benchmarking

- 3.7.1 LBTH participates in a benchmarking club being run by Arlingclose to enable officers compare the Council's treasury management and investment returns against those of similar authorities. The model considers a combination of credit, duration and returns achieved over the duration, and it includes data from 127 local authorities. The progression of risk and return metrics are shown in Table 6 below.

Table 6: Investment Benchmarking

	Tower Hamlets	13 London &	127 Local
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	31.03.2019	31.03.2020	Metropolitan Average	Authorities (LAs) Average
Internal Investments	£307.2m	£181.8m	£92.6m	£71.9m
External Funds	£75.2m	£69.4m	£11.9m	£12.6m
Average Credit Score	3.96	3.65	4.16	4.03
Average Credit Rating	AA-	AA-	AA-	AA-
Number of Counterparties & Funds	38	30	11	14
Proportion Exposed to Bail-in	20%	40%	57%	56%
Proportion Available within 7 days	12%	35%	66%	49%
Proportion Available within 100 days	51%	62%	78%	70%
Average Days to Maturity	108	108	89	20
Internal Investment Return	0.97%	0.87%	0.59%	0.64%
External Funds - Income Return	1.97%	2.75%	2.86%	3.73%
Total Investments - Total Return	1.16%	-0.73%	-0.41%	-0.34%

- 3.7.2 It can be seen that as at 31st March 2020 LBTH investment portfolio was delivering 0.87%, outperforming the benchmarking average of 0.59% and also the average return for 127 LAs of 0.64%, whilst total return for total investments LBTH generated -0.73% thereby underperforming by 32bps against the average return for 13 London Boroughs and Metropolitan Boroughs of -0.41%, and also underperforming by 39bps against the average return for 127 LAs of -0.34%.
- 3.7.3 Table 6 shows that the externally managed investment returns had deteriorated as a result of the severe fall in equity markets at the end of the financial year due to the economic impact of Covid-19. External pooled funds therefore had a capital loss of £6.6m with a portfolio valuation of £69.4m instead of the invested amount of £76m.
- 3.7.4 The investment portfolio's credit worthiness remains stable at AA-. The proportion of investments exposed to bail-in increased from 20% to 40%, however remains less than the benchmark average of 57%.
- 3.7.5 It can also be seen from the above table that the number of counterparties the Council had as at 31st March 2020 was 30, this was more than double the benchmarking average of 11. This shows the Council is managing the counterparty risk and concentration risk of the investments portfolio by investing with many quality grade institutions and local authorities.

3.8 Compliance Report

- 3.8.1 All treasury management activities undertaken from the beginning of the financial year 2019-20 to the current reporting period complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy Statement.
- 3.8.2 Compliance with the authorised limit and operational boundary for external debt is set out in table 7 below.

Table 7: Debt Limits

	31.03.19 Actual £m	31.03.20 Actual £m	2019-20 Operational Boundary £m	2019-20 Authorised Limit £m	Complied
Borrowing	74.296	72.289	391.327	406.327	✓
PFI & finance leases	61.181	58.650	57.266	72.266	✓
Total debt	135.477	130.939	448.593	478.593	✓

- 3.8.3 The Council measures and manages its exposures to treasury management risks using a range of indicators.
- 3.8.4 **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating and credit score of its 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.

	30.12.19 Actual	31.03.20 Actual	2019-20 Target	Complied
Portfolio average credit rating	AA-	AA-	A-	✓

- 3.8.5 **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.

	30.12.19 Actual	31.03.20 Actual	2019-20 Target	Complied
Total cash available within 3 months	£124m	£156m	£75m	✓
Total sum borrowed in past 3 months without prior notice	Nil	Nil	Nil	✓

- 3.8.6 **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 fixed rate borrowing were:

	30.03.19 Actual	31.03.20 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	£1.004m	£0.755m	10%	0%	✓
12 months and within 24 months	£1.004m	£1.662m	30%	0%	✓
24 months and within 5 years	£3.580m	£1.163m	40%	0%	✓
5 years and within 10 years	-	-	80%	0%	✓
10 years and above	£51.209m	£51.210m	100%	0%	✓

3.9 **Non Treasury Investments**

3.9.1 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. For English Authorities this is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to include all such assets held partially for financial return.

3.9.2 The Council currently does not have such investments.

4. **EQUALITIES IMPLICATIONS**

4.1 There are no equality implications directly arising from this report.

5. **OTHER STATUTORY IMPLICATIONS**

5.1 This section of the report is used to highlight further specific statutory implications that are wither not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications include:

- Best Value implications
- Consultations
- Environmental (including air quality)
- Risk management
- Crime Reduction
- Safeguarding
- Data protection/ Privacy Impact Assessment

Best Value Implications

The Treasury Management Strategy and Investment Strategy and the arrangements put in place to monitor them should ensure that the Council optimises the use of its monetary resources within the constraints placed on the Council by statute, appropriate management of risk and operational requirements.

Assessment of value for money is achieved through:

- Monitoring against benchmarks

- Operating within budget

Risk Management

There is inevitably a degree of risk inherent in all treasury activities.

The Investment Strategy identifies the risk associated with different classes of investment instruments and sets the parameters within which treasury activities can be undertaken and controls and processes appropriate for that risk.

Treasury operations are undertaken by nominated officers within the parameters prescribed by the Treasury Management Policy Statement as approved by the Council.

The Council is ultimately responsible for risk management in relation to its treasury activities. However, in determining the risk and appropriate controls to put in place, the Council has obtained independent advice from Arlingclose who specialise in local authorities' treasury issues.

6. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 6.1 This report provides an update on Treasury Management activities for the 2019-20 financial year.
- 6.2 The Council held an investment portfolio of £257.750m as at 31st March 2020. This portfolio earned an income only average rate of return of 1.39% and a total return on investments (including capital gains & losses) of -0.73%. This loss was due to the impact of Covid-19 on the value of equity assets.
- 6.3 The Council's approach to investment activities includes the use of pooled fund investments to increase the level of investment income generated, in line with approvals given in the Treasury Management Strategy and Medium Term Financial Strategy (MTFS). The Council had an investment income target of £4m for 2019-20 and generated investment income of £5.4m.

7. LEGAL COMMENTS

- 7.1 The Local Government Act 2003 provides a framework for the capital finance of local authorities. It provides a power to borrow and imposes a duty on local authorities to determine an affordable borrowing limit. It provides a power to invest. Fundamental to the operation of the scheme is an understanding that authorities will have regard to proper accounting practices recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) in carrying out capital finance functions.
- 7.2 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require the Council to have regard to the CIPFA publication "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes" ("the Treasury

Management Code”) in carrying out capital finance functions under the Local Government Act 2003.

- 7.3 This noting report of the Corporate Director, Resources advises the Committee of the Council’s borrowing and investment activities for the year ending 31st March 2020 and is consistent with the key principles expressed in the Treasury Management Code. The Corporate Director, Resources has responsibility for overseeing the proper administration of the Council’s financial affairs, as required by section 151 of the Local Government Act 1972 and is the appropriate officer to advise in relation to these matters.
- 7.4 When considering its approach to the treasury management matters set out in the report, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don’t (the public sector equality duty).

APPENDICES

Appendix 1 – Investments Outstanding as at 31st March 2020

Appendix 2 – Glossary

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report

Arlingclose LTD - Treasury Management Benchmarking Report and Quarter 4 2019-20 and Treasury Management Outturn Report Template

Brief description of “background papers’

Name and telephone number of holder and address where open to inspection

Pearl Emovon, x0997, Mulberry Place

Appendix 1: Investments Outstanding as at 31st March 2020

Time to Maturity	Counterparty	From	Maturity	Amount £m	Rate	
Overnight	Aberdeen MMF		On demand	24.750		
	Amundi MMF		On demand	4.300		
	Aviva MMF		On demand	25.000		
	Insight MMF		On demand	1.200		
	Invesco MMF		On demand	2.500		
	SUB TOTAL			57.750		
< 1 Month	NIL			0.000		
	SUB TOTAL			0.000		
1 - 3 Months	Ashford Borough Council	28/02/2020	29/05/2020	6.000	0.88%	
	Blackpool Council	12/03/2020	12/06/2020	5.000	0.85%	
	Blackpool Council	20/03/2020	22/06/2020	5.000	0.85%	
	Brentwood Borough Council	21/02/2020	21/05/2020	5.000	0.88%	
	Flintshire County Council	28/02/2020	28/05/2020	8.000	0.92%	
	Lloyds Bank	10/06/2019	10/06/2020	20.000	1.25%	
	Plymouth City Council	24/02/2020	24/06/2020	10.000	0.90%	
	Payden & Rygel Sterling Reserve Fund (POOLED)			10.000		
	Royal London Enhanced Cash Plus Y (POOLED)			10.000		
		SUB TOTAL			79.000	
3 - 6 Months	Santander Bank	14/04/2011	Notice 95d	20.000	0.85%	
	Dumfries & Galloway Council	20/08/2019	20/08/2020	5.000	1.35%	
	The City of Liverpool	20/03/2020	21/09/2020	10.000	0.90%	
	SUB TOTAL			35.000		
6 - 9 Months	Lancashire County Council	10/05/2019	10/11/2020	20.000	1.30%	
	SUB TOTAL			20.000		
9 - 12 Months	NIL			0.000		
	SUB TOTAL			0.000		
> 12 Months	CCLA Lamit Property Fund (POOLED)			5.000		
	CCLA Diversified Income Fund (POOLED)			5.000		
	Payden Absolute Return Bond Fund (POOLED)			10.000		
	Columbia Threadneedle Global Equity Income Fund Z (POOLED)			3.000		
	Columbia Threadneedle Strategic Bond Fund Z (POOLED)			5.000		
	Columbia Threadneedle Sterling Short-Dated Corporate Bond Fund (POOLED)			8.000		
	Investec Fund Series I Diversified Income (POOLED)			6.000		
	Schroder Income Maximiser Fund (POOLED)			3.000		
	M & G Global Dividend Fund (POOLED)			2.000		
	M & G Optimal Income Fund (POOLED)			2.000		
	M & G UK Income Distribution Fund (POOLED)			3.000		
	M & G Strategic Corporate Bond Fund (POOLED)			4.000		
	Middlesbrough Council			10.000	1.35%	
		SUB TOTAL			66.000	
		GRAND TOTAL			257.750	

Appendix 2 – Glossary

Asset Life	How long an asset, e.g. a Council building is likely to last.
Bail-in	A bail-in is rescuing a financial institution on the brink of failure by making its creditors and depositors take a loss on their holdings rather than the government or taxpayers
Bail-out	A bailout is a colloquial term for the provision of financial help to a corporation or country which otherwise would be on the brink of failure or bankruptcy.
Borrowing Portfolio	A list of loans held by the Council.
Borrowing Requirements	The principal amount the Council requires to borrow to finance capital expenditure and loan redemptions.
Capitalisation direction or regulations	Approval from central government to fund certain specified types of revenue expenditure from capital resources.
CIPFA Code of Practice on Treasury Management	A professional code of Practice which regulates treasury management activities.
Capital Financing Requirement (CFR)	Capital Financing Requirement- a measure of the Council's underlying need to borrow to fund capital expenditure.
Certificates of Deposits	A certificate of deposit (CD) is a time deposit, a financial product. CDs are similar to savings accounts in that they are insured and thus virtually risk free; they are "money in the bank." They are different from savings accounts in that the CD has a specific, fixed term (often monthly, three months, six months, or one to five years) and, usually, a fixed interest rate. It is intended that the CD be held until maturity, at which time the money may be withdrawn together with the accrued interest.
Commercial paper	Commercial paper is a money-market security issued (sold) by large corporations to obtain funds to meet short-term debt obligations (for example, payroll), and is backed only by an issuing bank or corporation's promise to pay the face amount on the maturity date specified on the note. Since it is not backed by collateral, only firms with excellent credit ratings from a recognized credit rating agency will be able to sell their commercial paper at a reasonable price. Commercial paper is usually sold at a discount from face value, and carries higher interest repayment rates than bonds
Counterparties	Organisations or Institutions the Council lends money to e.g. Banks; Local Authorities and MMF.
Corporate bonds	A corporate bond is a bond issued by a corporation. It is a bond that a corporation issues to raise money effectively in order to expand its business. The term is usually applied to longer-term debt instruments, generally with a maturity date falling at least a year after their issue date.
Covered bonds	A covered bond is a corporate bond with one important enhancement: recourse to a pool of assets that secures or "covers" the bond if the originator (usually a financial

	institution) becomes insolvent. These assets act as additional credit cover; they do not have any bearing on the contractual cash flow to the investor, as is the case with Securitized assets.
Consumer Prices Index & Retail Prices Index (CPI & RPI)	The main inflation rate used in the UK is the CPI. The Chancellor of the Exchequer bases the UK inflation target on the CPI. The CPI inflation target is set at 2%. The CPI differs from the RPI in that CPI excludes housing costs. Also used is RPIX, which is a variation of RPI, one that removes mortgage interest payments.
Credit Default Swap (CDS)	A kind of protection that can be purchased by MMF companies from insurance companies (for their investment) in exchange for a payoff if the organisation they have invested in does not repay the loan i.e. they default.
Credit watch	Variety of special programs offered by credit rating agencies and financial institutions to monitor organisation/individual's (e.g. bank) credit report for any credit related changes. A credit watch allows the organisation/individuals to act on any red flags before they can have a detrimental effect on credit score/history.
Credit Arrangements	Methods of Financing such as finance leasing
Credit Ratings	A scoring system issued by credit rating agencies such as Fitch, Moody's and Standard & Poors that indicate the financial strength and other factors of a bank or similar Institution.
Creditworthiness	How highly rated an institution is according to its credit rating.
Debt Management Office (DMO)	The DMO is an agency of the HM Treasury which is responsible for carrying out the Government's Debt Management Policy.
Debt Rescheduling	The refinancing of loans at different terms and rates to the original loan.
Depreciation Method	The spread of the cost of an asset over its useful life.
Gilt	Gilt-edged securities are bonds issued by certain national governments. The term is of British origin, and originally referred to the debt securities issued by the Bank of England, which had a gilt (or gilded) edge. Hence, they are known as gilt-edged securities, or gilts for short. Today the term is used in the United Kingdom as well as some Commonwealth nations, such as South Africa and India. However, when reference is made to "gilts", what is generally meant is "UK gilts," unless otherwise specified.
Interest Rate exposures	A measure of the proportion of money invested and what impact movements in the financial markets would have on them.
The International Monetary Fund (IMF)	is an intergovernmental organisation which states its aims as to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.

Impaired investment	An investment that has had a reduction in value to reflect changes that could impact significantly on the benefits expected from it.
LIBID	The London Interbank Bid Rate – it is the interest rate at which major banks in London are willing to borrow (bid for) funds from each other.
Market Loans	Loans from banks available from the London Money Market including LOBOS (Lender Option, Borrowing Option) which enable the authority to take advantage of low fixed interest for a number of years before an agreed variable rate comes into force.
Money Market Fund (MMF)	A ‘pool’ of different types of investments managed by a fund manager that invests in lightly liquid short term financial instruments with high credit rating.
Monetary Policy Committee (MPC)	Committee designated by the Bank of England, whose main role is to regulate interest rates.
Minimum Revenue Provision (MRP)	This is the amount which must be set aside from the revenue budget each year to cover future repayment of loans.
Non Specified Investments	Investments deemed to have a greater element of risk such as investments for longer than one year
Premium	Cost of early repayment of loan to PWLB to compensate for any losses that they may incur
Prudential Indicators	Set of rules providing local authorities borrowing for funding capital projects under a professional code of practice developed by CIPFA and providing measures of affordability and prudence reflecting the Council’s Capital Expenditure, Debt and Treasury Management.
PWLB	Public Works Loan Board, a statutory body whose function is to lend money to Local Authorities (LAs) and other prescribed bodies. The PWLB normally are the cheapest source of long term borrowing for LAs.
SONIA	Sterling Overnight Indexed Average
Specified Investments	Investments that meet the Council’s high credit quality criteria and repayable within 12 months.
Supranational bonds	Supranational bonds are issued by institutions that represent a number of countries, not just one. Thus, organisations that issue such bonds tend to be the World Bank or the European Investment Bank. The issuance of these bonds are for the purpose of promoting economic development
Treasury bills (or T-bills)	Treasury bills (or T-bills) mature in one year or less. Like zero-coupon bonds, they do not pay interest prior to maturity; instead they are sold at a discount of the par value to create a positive yield to maturity. Many regard Treasury bills as the least risky investment available.
Unrated institution	An institution that does not possess a credit rating from one of the main credit rating agencies.
Unsupported Borrowing	Borrowing where costs are wholly financed by the Council.

