


Non-Executive Report of the: Audit Committee 12 November 2020	 TOWER HAMLETS
Report of: Neville Murton, Corporate Director, Resources	Classification: Unrestricted
Treasury Management Mid-year Report for 2020-21	

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 2020-21 were approved by Council on 19th February 2020 as required by the Local Government Act 2003. This report covers the period 1st April 2020 to 30th September 2020.

Investment returns fluctuate in line with the Bank of England base rate. The base rate has maintained at 0.10%.

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 revised investment income budget set for 2020-21 is £2.3m and we are broadly on target.

To date £76m has been invested in pooled funds. Equity markets fell very sharply at the end of the 2019-20 financial year due to the impact of Covid-19 on the economy, resulting in a significant fall in value of pooled funds. This however improved from the year-end position of £69.4m to £73.1m at the end of September 2020.

From the Benchmarking exercise a total return of -0.01% was achieved for the reporting period, which was 0.01% below the average for similar LAs return and 0.45% higher than the average return for all LAs.

The Sterling Overnight Index Average (SONIA) has replaced the London Interbank Bid Rate (LIBID) as the new performance measure for the Council's investment returns. For this reporting period the investments portfolio returned -0.01%. This was slightly below the benchmarking average of 0.00%. More information on this can be found in section 3.6.

The average credit worthiness of investments has maintained at –AA and the average credit score is 4.05 for this reporting period, signifying LBTH portfolio credit risk is lower than the benchmarking average of 4.33.

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 half year ending 30 September 2020; and
- note the Council's investments as set out in Appendix 1. The balance outstanding as at 30 September 2020 was £180.90m.

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 Capital Strategy (incorporating the Minimum Revenue Provision Policy Statement) reports were included in the Budget Pack that was presented to Council on 19th February 2020.

3.4 **ECONOMIC OUTLOOK AND INTEREST RATE FORECAST FROM ARLINGCLOSE**

3.4.1 The medium-term global economic outlook is weak. While the strict initial lockdown restrictions have eased, coronavirus has not been suppressed and second waves have prompted more restrictive measures on a regional and national basis. This ebb and flow of restrictions on normal activity will continue for the foreseeable future, at least until an effective vaccine is produced and distributed.

3.4.2 The global central bank and government responses have been significant and are in many cases on-going, maintaining more stable financial, economic and social conditions than otherwise. This has supported a sizeable economic recovery in this quarter.

3.4.3 The scale of the economic shock to demand, on-going social distancing measures, regional lock downs and reduced fiscal support will mean that the subsequent pace of recovery is limited. Early signs of this are already evident in the UK monthly GDP and PMI data, even before the latest restrictions.

3.4.4 This situation will result in central banks maintaining low interest rates for the medium term. In the UK, Brexit is a further complication. Bank Base Rate is therefore likely to remain at low levels for a very long time, with a distinct possibility of being cut to zero. Money markets have already priced in a chance of a negative Bank Rate.

3.4.5 Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations of potentially even lower rates and insipid inflation expectations. There is a chance yields may follow a slightly different path in the medium-term, depending on investor perceptions of growth and inflation, or if the UK leaves the EU without a deal.

3.4.6 Arlingclose expects Bank Rate to remain at the current level of 0.10%.

3.4.7 We expect additional monetary loosening in the future, most likely through further financial asset purchases. Our central case for Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out.

3.4.8 Gilt yields will remain very low in the medium-term. Shorter term gilt yields are currently negative and will remain around zero or below until either the Bank expressly rules out a negative Bank Rate or growth/inflation prospects improve.

3.5 TREASURY MANAGEMENT STRATEGY 2020-21

3.5.1 The Treasury Management Strategy Statement was approved on 19th February 2020 by Council. The Strategy comprehensively outlined how the treasury function would operate throughout the financial year 2020-21 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.

3.5.2 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.

3.5.3 The treasury management position as at 30th September 2020 is shown in table 2 below.

Table 2: Treasury Management Summary

	31.03.20 Balance £m	Movement over the Year £m	30.09.20 Balance £m	30.09.20 Rate %
Long-term borrowing	72.289	-	72.289	3.12
Short-term borrowing	-	-	-	-
Total borrowing	72.289	-	72.289	3.12
Long-term investments	71.000	(10.000)	61.000	
Short-term investments	70.000	(30.000)	40.000	
Cash and cash equivalents	116.750	(36.850)	79.900	
Total investments	257.750	(76.850)	180.900	1.40
Net investments	185.461	(76.850)	108.611	

Borrowing Strategy during the period

3.5.4 The Council held £72.289m of external loans as at 30th September 2020.

Table 3: Borrowing Position

	31.03.20 Balance £m	Movement £m	30.09.20 Balance £m	30.09.20 Rate %	30.09.20 WAM* years
Public Works Loan Board	54.789	-	54.789	2.72	45
Banks (fixed-term)	17.500	-	17.500	4.34	57
Total borrowing	72.289	-	72.289	3.12	48

*Weighted average maturity

3.5.5 The Council takes a low risk approach to its borrowing strategy. This means that the principal objective when borrowing has been 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 being to have flexibility to renegotiate loans should the Council's long-term plans change.

Borrowing Update

- 3.5.6 On 9th October 2019, the PWLB (Public Works Loan Board) raised the cost of certainty rate borrowing to 1.8% above UK gilt yields making it relatively expensive. Market alternatives are available, however the financial strength of individual authorities will be scrutinised by investors and commercial lenders.
- 3.5.7 The Chancellor's March 2020 Budget statement included significant changes to the PWLB policy and launched a wide-ranging consultation on the PWLB's future direction. Announcements included a reduction in the margin on new Housing Revenue Account (HRA) loans to 0.80% above equivalent gilt yields (the value of this discount is 1% below the rate at which the authority usually borrows from the PWLB). £1.15bn of additional "infrastructure rate" funding at gilt yields plus 0.60% has been made available to support specific local authority infrastructure projects for England, Scotland and Wales, for which there is a bidding process.
- 3.5.8 The consultation titled "Future Lending Terms" allows stakeholders to contribute to developing a system whereby PWLB loans can be made available at improved margins to support qualifying projects. It contains proposals to allow authorities that are not involved in "debt for yield" activity to borrow at lower rates as well as stopping local authorities from borrowing large sums in specific circumstances. The consultation closed on 30th September and the Council sent a response.
- 3.5.9 Municipal Bonds Agency (MBA): The MBA revised its standard loan terms and framework agreement. Guarantees for the debt of other borrowers are now proportional and limited and a requirement to make contribution loans in the event of a default by a borrower has been introduced. The agency has issued 5-year floating rate and 40-year fixed rate bonds in 2020 and Lancashire County Council is the sole borrower and guarantor in both instances. The Council will have to ensure that it has thoroughly scrutinised the legal terms and conditions of the arrangement and be satisfied with them before any borrowing through the MBA.
- 3.5.10 The Council will work closely with Arlingclose in future to understand the implications for the Council and its borrowing need.

Investment Activity

- 3.5.11 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the six-month period, the Council's investment balance ranged between £344m to £181m due to timing differences between income and expenditure. The investment position at this reporting period is shown in table 4 below.
- 3.5.12 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.

Investments Outstanding & Maturity Structure

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

3.5.14 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. Given the increasing risk and falling returns from short-term unsecured bank investments, the Council has diversified into more secure and/or higher yielding asset classes by allocating £100m for strategic pooled investments and currently £76m has been invested as shown in Table 4 below.

Table 4 Outstanding Investments by Financial Sector

Financial Sector	31.03.20 Balance £m	Movement over the Period £m	30.09.20 Balance £m	% Portfolio
UK Banks	20.000	(20.000)	0.000	
UK Building Societies	-	-	-	
Government (incl. local authorities)	104.000	(34.000)	70.000	38.70
Oversea Banks	-	-	-	
Money Market Funds	57.750	(22.850)	34.900	19.29
Pooled Investment Funds:	76.000	-	76.000	42.01
<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	-	5.000	
<i>Equity Income funds</i>	13.000	-	6.000	
<i>Property funds</i>	5.000	-	5.000	
<i>Multi asset income funds</i>	11.000	-	11.000	
Total investments	257.750	(76.850)	180.900	

Performance Report

3.5.15 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.

Table 5: Investment performance for financial year to 30th September 2020

Period	LBTH Internal Return	External Fund Return	LBTH Total Return	Benchmark Return	Over/(Under) Performance
Full Year 2019-20	0.87%	(4.90%)	(0.73%)	(0.41%)	(0.32%)
Quarter 1	0.56%	(1.03%)	0.07%	(0.02%)	0.09%
Mid-Year 2020-21	0.60%	(0.90%)	(0.01%)	0.00%	(0.01%)

- 3.5.16 In 2018-19, the Council invested in bond, equity, multi-asset and property funds (£76m) to increase the level of investment income generated, in line with approvals given in the Treasury Management Strategy and Medium Term Financial Strategy (MTFS). These pooled funds, despite decent income returns in 2019-20, may post low total return for 2020-21 due to the capital component of total returns which is impacted by the Covid-19 economic situation. 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).
- 3.5.17 Lower official interest rates have lowered investment returns from cash assets that can be used in lieu of borrowing. Continued downward pressure on the short-dated cash rate brought net returns on sterling low volatility net asset value money market funds (LVNAV MMFs) close to zero even after some managers temporarily lowered their fees. At this stage, net negative returns are not the central case for most MMF managers over the short-term, and fee waivers should maintain positive net yields, though the possibility cannot be ruled out.
- 3.5.18 In light of the pandemic crisis and the likelihood of unexpected calls on cash flow, the Council kept more cash available at very short notice than normal. Liquid cash was therefore diversified over a few counterparties and Money Market Funds to manage both credit and liquidity risks.
- 3.5.19 As the Council's externally managed funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down in months, quarters and even years; but with the confidence that over a three to five-year period, total returns will exceed cash interest rates.
- 3.5.20 In 2020-21 the Council expects to receive significantly lower income from its cash and short-dated money market investments and from its externally managed funds than it did in 2019-20 and earlier years. Dividends and income paid will ultimately depend on many factors including but not limited to the duration of Covid-19 and the extent of its economic impact, the fund's sectoral asset allocation, securities held/bought/sold and, in the case of equities, the enforced or voluntary dividend cuts or deferral. The Council's budgeted investment income has therefore been revised to £2.3m, based on 91 basis points (0.91%) on an average cash balance of £250m.

3.6 Investment Benchmarking

- 3.6.1 LBTH participates in a benchmarking club being run by Arlingclose to enable officers to 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. It also includes data from 128 local authorities. The progression of risk and return metrics are shown in Table 6 below.

Table 6: Investment Benchmarking

	Tower Hamlets		15 London & Metropolitan Average	128 Local Authorities (LAs) Average
	31 March 2020	30 Sept 2020		
Internal Investments	£181.80m	£104.90m	£70.90m	£74.10m

	Tower Hamlets		15 London & Metropolitan Average	128 Local Authorities (LAs) Average
	31 March 2020	30 Sept 2020		
External Funds	£69.40m	£73.10m	£11.90m	£13.60m
Average Credit Score	3.65	4.05	4.33	4.16
Average Credit Rating	AA-	AA-	AA-	AA-
Number of Counterparties & Funds	30	25	10	13
Proportion Exposed to Bail-in	40%	33%	75%	64%
Proportion Available within 7 days	35%	25%	66%	51%
Proportion Available within 100 days	62%	48%	78%	70%
Average Days to Maturity	108	102	71	18
Internal Investment Return	0.87%	0.60%	0.31%	0.27%
External Funds - Income Return	2.75%	2.55%	2.80%	3.45%
Total Investments - Total Return	-0.73%	-0.01%	0.00%	-0.46%

3.6.2 As at 30th September 2020 the LBTH investment portfolio delivered 0.60% for internal investment management, outperforming the benchmarking average of 0.31% and also the average return for 128 LAs of 0.27%, whilst for total return on total investments LBTH generated -0.01%, marginally underperforming the average return for 15 London and Metropolitan Boroughs with return of 0.00% by 0.01bps, and outperforming the average return for 128 LAs with an average return of -0.46% by 27bps.

3.6.3 Our investment portfolio average credit score of 4.05 is better than the benchmark average of 4.33, signifying that LBTH's portfolio credit risk is lower than that of the average. Our investment portfolio credit worthiness was maintained at AA- and is in line with the benchmark average.

3.6.4 The proportion of the portfolio investments exposed to bail-in is 33%, this level is significantly lower than the benchmark average of 75%. This means we have taken less bail-in risk on our investments compared to the average. Bail-in is rescuing a financial institution on the brink of failure by making its creditors and depositors take a loss on their holdings.

3.6.5 It can also be seen from the above table that the number of counterparties the Council had as at 30th September was 25, which is more than double the benchmark average of 10. This demonstrates the Council reduces the counterparty risk and concentration risk of the investments portfolio significantly through diversification by investing with many quality institutions and local authorities. The lower average credit score compared to others also reflects the lower risk of lending to Local Authorities.

3.7 Compliance Report

3.7.1 All treasury management activities undertaken from the beginning of the financial year 2020-21 to this reporting period complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

3.7.2 Compliance with the authorised limit and operational boundary for external debt is set out in Table 7 below.

Table 7: Debt Limits

	31.03.20 Actual £m	2020-21 Forecast £m	2020-21 Operational Boundary £m	2020-21 Authorised Limit £m	Complied
Borrowing	72.289	72.289	525.721	540.721	✓
PFI & finance leases	58.650	54.453	54.453	69.453	✓
Total debt	130.939	126.742	580.174	610.174	✓

3.7.3 The Council measures and manages its exposures to treasury management risks using a range of indicators.

3.7.4 **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.

	31.03.20 Actual	30.09.20 Actual	2019-21 Target	Complied
Portfolio average credit rating	AA-	AA-	A	✓

3.7.5 **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.

	31.03.20 Actual	30.09.20 Actual	2019-21 Target	Complied
Total cash available within [3] months	£156m	£63m	£50m	✓
Total sum borrowed in past [3] months without prior notice	Nil	Nil	Nil	✓

3.7.6 **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:

	30.09.20 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	£0.755m	50%	0%	✓
12 months and within 24 months	£1.662m	50%	0%	✓
24 months and within 5 years	£1.163m	50%	0%	✓
5 years and within 10 years	-	75%	0%	✓
10 years and above	£51.210m	100%	0%	✓

3.7.7 **Principal Sums Invested for Periods Longer than 364 days:** 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 were:

	30.09.20 Actual	2020-21 Limit	Complied
Principal invested beyond year end	£111m	£150m	✓

3.8 **Non-Treasury Investments**

3.8.1 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 also include all such assets held partially for financial return.

3.8.2 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 FINANCE OFFICER

- 6.1 This report provides an update on Treasury Management activities from April 2020 to September 2020.
- 6.2 As at the 30th September 2020 the Council had an outstanding investments portfolio of £180.9m. The revised annual investment income budget is £2.3m and current estimates indicate that this is achievable.

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 of Resources advises the Committee of the Council's borrowing and investment activities for the half-year ending 30th September 2020 and is consistent with the key principles expressed in the Treasury Management Code. The Corporate Director of 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 at 30th September 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 2 2020-21 and Treasury Management Mid-Year 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 30th September 2020

Time to Maturity	Counterparty	From	Maturity	Amount £m	Rate	
Overnight	Aberdeen MMF		On demand	20.000	0.08%	
	Aviva MMF		On demand	14.900	0.06%	
	SUB TOTAL			34.900		
Long-Term (Strategic)	CCLA Diversified Income Fund		POOLED	5.000		
	CCLA Local Authorities Property Fund		POOLED	5.000		
	Payden & Rygel Absolute Return Bond Funds		POOLED	10.000		
	Columbia Threadneedle Global Equity Income Fund		POOLED	3.000		
	Columbia Threadneedle Strategic Bond Fund		POOLED	5.000		
	Columbia Threadneedle Sterling Short-Dated Corporate Bond Fund		POOLED	8.000		
	Investec, Diversified Income Fund		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		
		SUB TOTAL			56.000	
	< 1 Month	NIL			0.000	
	SUB TOTAL			0.000		
1 - 3 Months	Payden & Rygel Sterling Reserve Fund (POOLED)		POOLED	10.000		
	Royal London Enhanced Cash Plus Y (POOLED)		POOLED	10.000		
	Lancashire County Council	10/05/2019	10/11/2020	20.000	1.30%	
	Elmbridge Borough Council	30/04/2020	02/11/2020	5.000	0.90%	
	SUB TOTAL			45.000		
3 - 6 Months	Plymouth City Council	07/07/2020	07/01/2021	5.000	0.35%	
	Kingston Upon Hull City Council	25/08/2020	25/02/2021	5.000	0.20%	
	SUB TOTAL			10.000		
6 - 9 Months	Guildford Borough Council	10/07/2020	28/05/2020	5.000	0.30%	
	SUB TOTAL			5.000		
9 – 12 Months	Dumfries & Galloway	20/08/2018	20/08/2021	5.000	1.50%	
	Slough Borough Council	14/02/2020	13/08/2021	5.000	0.30%	
	Police & Crime Commissioners for West Mercia	28/09/2020	12/07/2021	10.000	0.30%	
	SUB TOTAL			20.000		
> 12 Months	Middlesbrough Council	26/01/20	27/01/2022	10.000	1.35%	
	SUB TOTAL			10.000		
	TOTAL			180.900		

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 MMFs.
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 &	The main inflation rate used in the UK is the CPI. The Chancellor of

Retail Prices Index (CPI & RPI)	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 programmes 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 is normally the cheapest source of long-term borrowing for LAs.
Quantitative Easing (QE)	Quantitative easing (QE), also known as large-scale asset purchases, is an expansionary monetary policy whereby a central bank buys predetermined amounts of government bonds or other financial assets in order to stimulate the economy.
SONIA	Sterling Overnight Indexed Average
Specified Investments	Investments that meet the Council's high credit quality criteria and are 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 is 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.