ARUN DISTRICT COUNCIL

REPORT TO AUDIT AND GOVERNANCE COMMITTEE
ON 19 November 2020

PART A: REPORT

SUBJECT: Treasury Management - Mid-year review report 2020/21

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DATE: November 2020
EXTN: 37861
PORTFOLIO AREA: Corporate Support

EXECUTIVE SUMMARY:

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management and covers the activities to 30th September 2020. It enables the Audit and Governance Committee to scrutinise the report prior to making comment to Full Council.

RECOMMENDATIONS:

Audit and Governance Committee is requested to recommend Full Council to:

(i) approve the actual prudential and treasury indicators for 2020/21 contained in the report;
(ii) note the treasury management mid-year review (this report) for 2020/21;
(iii) note the treasury mid-year activity for the period ended 30th September 2020, which has generated interest receipts of £331,000 (0.92%) year to date, against a budget of £550,000 (1.26%) for the full year.

1. <u>BACKGROUND:</u>

1.1 Capital Strategy

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2020/21, all local authorities have been required to prepare a Capital Strategy which is to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

1.2 Treasury Management

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

"The management of the local authority's borrowing, 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."

2. INTRODUCTION

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017) and covers the first 6 months of the year to 30th September 2020.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.

2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.

3. Receipt by the Full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report (this report) and an Annual Report, covering activities during the previous year.

4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit and Governance Committee.

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first half of the 2020/21 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- A review of the Council's investment portfolio for 2020/21;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of compliance with Treasury and Prudential Limits for 2020/21;
- A review of the Council's borrowing strategy for 2020/21.

3. ECONOMICS AND INTEREST RATES

3.1 Economics update

- As expected, the Bank of England's Monetary Policy Committee kept Bank Rate unchanged at 0.10% in August and September. It also kept unchanged the level of quantitative easing at £745bn. Its forecasts were optimistic in terms of three areas:
    - The fall in **GDP** in the first half of 2020 was revised from 28% to 23%. This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services – an area which was particularly vulnerable to being damaged by lockdown.
    - The peak in the **unemployment rate** was revised down from 9% in Q2 to 7½% by Q4 2020.
    - It forecast that there would be excess demand in the economy by Q3 2022 causing CPI **inflation** to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy). Nevertheless, even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.

- It also squashed any idea of using **negative interest rates**, at least in the next six months or so while the Bank carries out research work with high street banks on the potential impact on them of negative rates. It suggested that while negative rates can work in some circumstances, it would be "less effective as a tool to stimulate the economy" at this time when banks are worried about future loan losses. It also has "other instruments available", including QE and the use of forward guidance.

- The MPC still expects the £300bn of **quantitative easing** purchases announced between its March and June meetings to continue until the "turn of the year". This implies that the pace of purchases will slow further to about £4bn a week, down from £14bn a week at the height of the crisis and £7bn more recently.

- In conclusion, this would indicate that the Bank can now just *sit on its hands* as the economy is recovering better than expected. However, the MPC acknowledged that the "medium-term projections were a less informative guide than usual" and the minutes had multiple references to **downside risks,** which were judged to persist both in the short and medium term. One has only to look at the way in which second waves of the virus are now impacting many countries including Britain, to see the dangers. However, rather than a national lockdown, as in March, any spikes in virus infections are now likely to be dealt with by localised measures and this should limit the amount of economic damage caused. In addition, Brexit uncertainties ahead of the year-end deadline are likely to be a drag on recovery. The wind down in the furlough scheme through to the end of October is another development that could cause the Bank to review the need for more support for the economy later in the year. Admittedly, the Chancellor announced in late September a second six month package from 1 November of government support for jobs whereby it will pay up to 22% of the costs of retaining an employee working a minimum of one third of their normal hours. There was further help for the self-employed, freelancers and the hospitality industry. However, this is a much less generous scheme than the furlough package and will inevitably mean there will be further job losses from the 11% of the workforce still on furlough in mid September.

- During September and October, the Government has worked with regional authorities to combat sharp increases in COVID cases. This has resulted in localised lockdowns and a further Government furlough scheme to pay 66% of the pay of employees placed on furlough. Local restrictions now cover 50% of the population of England as at late October and Wales has decided to do a two week national lockdown running until 9th November. With a vaccine unlikely to be available until possibly Easter next year, it is likely that local restrictions will be needed until then.

- Overall, **the pace of recovery** is not expected to be in the form of a rapid V shape from here on, but a more elongated and prolonged one. The initial recovery was sharp but after a disappointing increase in GDP of only 2.1% in August, this left the economy still 9.2% smaller than in February; this suggested that the economic recovery was running out of steam after recovering 64% of its total fall during the crisis. The last three months of 2020 are now likely to show no growth due to the impact of widespread local lockdowns, consumers probably remaining cautious in spending, and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year also being a headwind. Unemployment is also now expected to increase from 4.5% in August to a peak of 8%

around the middle of 2021. Due to the number of adverse factors that have built up during the autumn, there is wide expectation that the Bank of England will resort to expanding quantitative easing by a further £100bn at the November meeting of the MPC, with possibly a further tranche of maybe £150bn in 2021 to sustain momentum in the economy. Even so, it is now expected that it will take until the end of 2022 for the economy to fully recover to the February level of GDP.

3.2 Interest rate forecasts

The Council's treasury advisor, Link Group, has provided the following forecasts (PWLB rates are certainty rates):

Link Group Interest Rate View 11.8.20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 Month average earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-
6 Month LIBID	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-
12 Month LIBID	0.20	0.20	0.20	0.20	0.20	0.20	0.20	-	-	-	-
5yr PWLB Rate	1.90	1.90	2.00	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50

Additional notes by Link on this forecast table: -

- Please note that we have made a slight change to our interest rate forecasts table above. Traditionally, we have used 3m LIBID forecasts, with the rate calculated using market convention of 1/8th (0.125%) taken off the LIBOR figure. Given that 3m LIBOR is currently running below 10bps, that would give a figure of around 0% to somewhere modestly into negative territory. However, the liquidity premium that is still in evidence at the short end of the curve means that 3m rates actually being achieved by local authority investors are still modestly in positive territory. While there are differences between counterparty offer rates, our analysis would suggest that an average rate of around 10bps should be achievable.
- The coronavirus outbreak has done huge economic damage to the UK and around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its last meeting in September, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2023 as economic recovery is expected to be only gradual and, therefore, prolonged.

GILT YIELDS / PWLB RATES. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued.

Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers.

This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

Gilt yields had therefore already been on a falling trend during the year up until the coronavirus crisis hit western economies. Since then, we have seen these yields fall sharply to unprecedented lows as investors panicked during March in selling shares in anticipation of impending recessions in western economies and moved cash into safe haven assets i.e. government bonds. However, major western central banks started massive quantitative easing purchases of government bonds and this has acted to maintain downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance, in "normal" times would have caused bond yields to rise sharply. At the close of the day on 28th August, all gilt yields from 1 to 4 years were in negative territory, while even 25-year yields were at only 0.97% and 50 year at 0.82%. Meanwhile, equity markets have enjoyed a rebound since the lows of March as confidence has started to return among investors that the worst is over and recovery is now on the way.

From the local authority borrowing perspective, HM Treasury imposed **two changes of margins over gilt yields for PWLB rates** in 2019-20 without any prior warning.

- The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then at least partially reversed for some forms of borrowing on 11th March 2020, but not for mainstream General Fund capital schemes, at the same time as the Government announced in the Budget a programme of increased infrastructure expenditure.

- It also announced that there would be a consultation with local authorities on possibly further amending these margins; this was to end on 4th June, but that date was subsequently put back to 31st July. It is clear that the Treasury will no longer allow local authorities to borrow money from the PWLB to purchase commercial property if the aim is solely to generate an income stream (assets for yield).

It is possible that the non-HRA Certainty Rate will be subject to revision downwards after the conclusion of the PWLB consultation; however, the timing of such a change is currently an unknown, although it would be likely to be within the current financial year
As the interest forecast table for PWLB certainty rates, (gilts plus 180bps), above shows, there is likely to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020/21.

4. TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT STRATEGY UPDATE

The Treasury Management Strategy Statement (TMSS) for 2020/21, which includes the Annual Investment Strategy, was approved by Full Council on 22nd July 2020 (delayed because of Covid 19 from the meeting due on 18th March 2020 that was cancelled).

It sets out the Council's investment priorities as being:

- Security of Capital;
- Liquidity; and
- Yield

The Council will aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. As shown by forecasts in section 3.2, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are at an all-time low and in line with the current 0.10% Bank Rate that is expected to be here for many years to come (reduced on 19th March 2020).

Currently £5M is invested in the CCLA property fund achieving a return of approx. 4.37% year to date and £1m has recently been invested in the CCLA diversified fund with an expected return of approx. 3.46% (as at September 2020).

A full list of investments held as at 30th September, 2020 and the authorised counterparties are shown in Appendix 2 and 3 respectively.

There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

The average level of funds available for investment purposes during the first 6 months of 2020/21 was £72m. A proportion of these funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments (WSCC and Sussex Police, approximately £10M per month for 12 months), receipt of grants and progress on the Capital Programme. The authority holds approximately £45M core cash balances for investment purposes (i.e. funds available for more than one year).

The Chief Financial Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first 6 months of 2020/21.

Investment performance for period ended 30.09.2020

Benchmark	Benchmark Return	Budgeted Return	Council Performance	Investment Interest Earned
7 day	-0.052%	1.26%	0.92%	£331,000

The Council's budgeted investment return for 2020/21 is £550,000 (1.26%).
The estimated outturn for 2020/2021 is £570,000 (0.89%) which is just above budget.
Covid 19 has impacted these returns based on;

- the bank of England base rate dropping from 0.75% to 0.25% in March and just over a week later, 0.10% and therefore achieving lower rates than were budgeted.
- higher than anticipated balances available to invest (approx. £44m budgeted to £72m average balances year to date) has meant that the budget should be achievable.

The £5m invested in the CCLA (Churches, Charities and Local Authorities) property fund continues to enhance the returns and although the rates have gone down over the last 6 months they are still around 4.37%.

The introduction of the Diversified fund, investing £1m with CCLA will also aid in the enhancement of returns.

During 2020/21, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	31 March 2020 Actual £000	2020/21 Original £000	2020/21 Current £000	**30 Sept 2020 Actual £000**
Capital Expenditure • Non – HRA • HRA • **TOTAL**	 2,676 5,045 **7,721**	 4,228 13,336 **17,564**	 10,007 23,881 **33,888**	 1,466 2,620 **4,086**
Total Debt	44,320	44,320	44,320	**44,320**
Capital Financing Requirement at 31st March: • Non-HRA • HRA • **Total**	 -4,009 52,365 **48,356**	 -4,223 51,674 **47,451**	 n/a n/a **n/a**	 **n/a** **n/a** **n/a**
Over / (under) borrowing	(4,036)	(3,131)	**n/a**	**n/a**

The HRA capital financing requirement will reduce by the amount set aside for debt repayment. This reduction will be offset by any increase due to new borrowing (or use of cash flow funds) in respect of the new build programme.

Other prudential and treasury indicators are to be found in appendix 1.

5. COMPLIANCE WITH TREASURY AND PRUDENTIAL LIMITS

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.

The authorised limit - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The authorised limit was not breached in the first half of the year (2020/21).

The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached. The operational boundary was not breached.

During the financial year to date the Council has operated within the treasury and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators are shown in appendix 1.

6. BORROWING

No new borrowing was undertaken during the first half of the year. All prior borrowing was for the sole purpose of funding the HRA self-financing settlement payment and all loans are fixed maturity loans. The 5 remaining loans are shown in Appendix 4.

The Council's capital financing requirement (CFR) at 31 March 2020 was £48.4m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

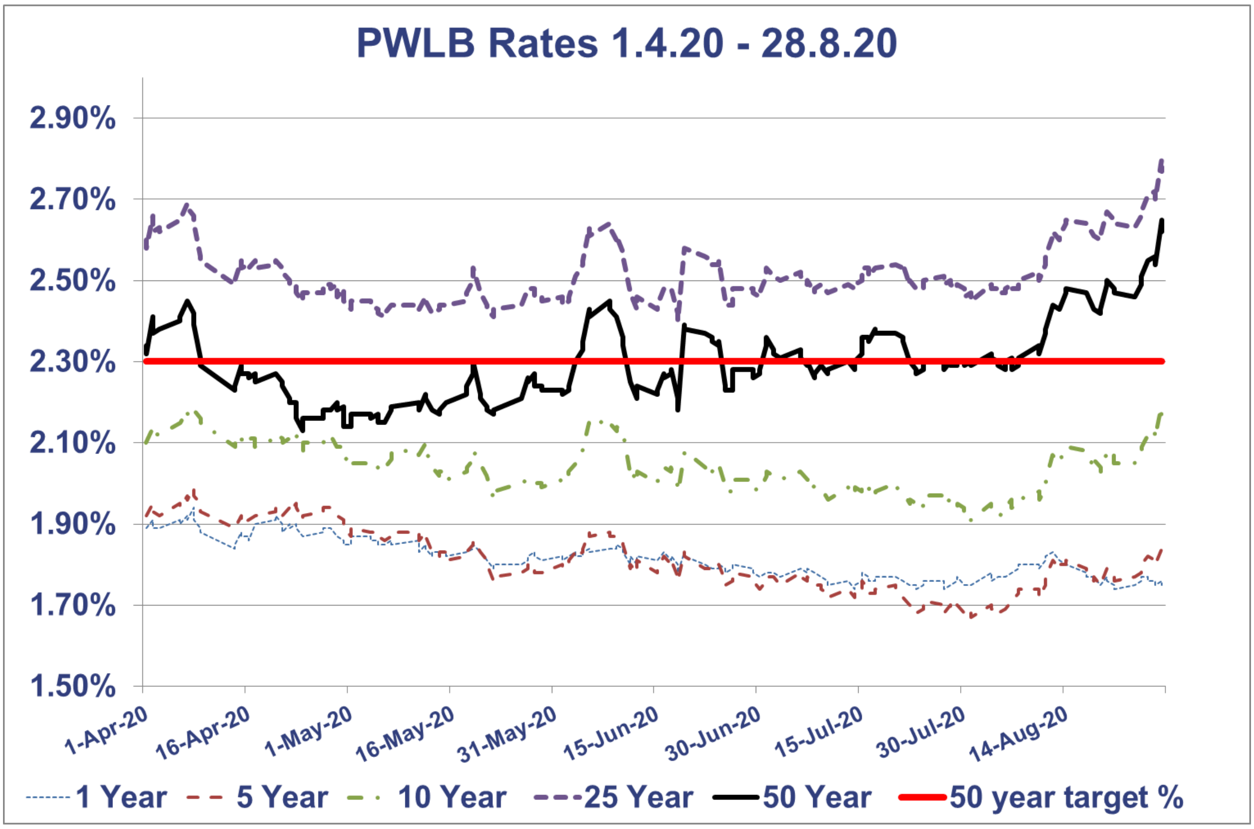
The Council has borrowings of £44.32m (PWLB) which relates to the HRA Self-Financing settlement (originally £70.9m) and has utilised £7.475m of cash flow funds instead of borrowing externally (as at 31 March 20). This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring.

Prior to this borrowing being undertaken Arun had a negative CFR of £2.6m which has arisen over a number of years and was due more to changes in the capital accounting regulations rather than to any specific policy decision. As a result of this Arun's gross debt exceeds its CFR and is likely to continue to do so in the short term.

The borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

The graph and table below show the movement in PWLB certainty rates since the start of the current financial year. PWLB rates have varied within a relatively narrow range between April and July but the longer end of the curve has risen during August. The increase came in two periods. First, on the back of hopes for fresh US stimulus, in the second week of the month. This saw investors switch monies out of government bonds and into equities, The second shift higher at the longer end of the curve came in the latter stages of the month as investors reacted to the tweak to the Fed's inflation focus. Despite moves further out in the curve, the short end of the curve remained anchored on the basis of no fundamental change to the interest rate outlook.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.74%	1.67%	1.91%	2.40%	2.13%
Date	14/07/2020	30/07/2020	31/07/2020	18/06/2020	24/04/2020
High	1.94%	1.99%	2.19%	2.80%	2.65%
Date	08/04/2020	08/04/2020	08/04/2020	28/08/2020	28/08/2020
Average	1.81%	1.81%	2.04%	2.52%	2.30%



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2. PROPOSAL(S):

To approve all 3 recommendations.

3. OPTIONS:

The Treasury Management Strategy is legislative and under the Local Government act 2003 and therefore the only option is follow the proposal.

4. CONSULTATION:

Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		√
Relevant District Ward Councillors		√
Other groups/persons (please specify)	√ Treasury Advisors	

5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	YES	NO
Financial	√	
Legal		√
Human Rights/Equality Impact Assessment		√
Community Safety including Section 17 of Crime & Disorder Act		√
Sustainability		√
Asset Management/Property/Land		√
Technology		√
Other (please explain)		

6. IMPLICATIONS:

Approval will enable the Council to comply with legislation and provide a Treasury Service

7. REASON FOR THE DECISION:

Statutory and the limits set, safeguard the Council against financial losses.

8. BACKGROUND PAPERS:

CIPFA'S Treasury Management in the Public Services: Code of Practice (2017)

(Link not available as copyright)

The Prudential Code for Capital Finance in Local Authorities (2017) Guidance notes (2018) *(Link not available as copyright)*

The Local Government Act 2003 (www.legislation.gov.uk/ukpga/2003/26/content)

Prudential and treasury indicators

Appendix 1

1. PRUDENTIAL INDICATORS	2019/20	2020/21	2020/21
Extract from budget and rent setting report	**Actual**	**Original**	**Actual at 30th Sept**
	£'000	**£'000**	**£'000**
Capital Expenditure			
Non – HRA	2,676	4,228	1,466
HRA	5,045	13,336	2,620
TOTAL	7,721	17,564	4,086
Ratio of financing costs to net revenue stream			
Non - HRA	-3.08%	-2.17%	n/a
HRA	32.87%	32.84%	n/a
Capital Financing Requirement as at 31 March			
Non – HRA	-4,009	-4,223	n/a
HRA	52,365	51,674	n/a
TOTAL	48,356	47,451	n/a
Annual change in Cap. Financing Requirement			
Non – HRA	-2,133	-214	n/a
HRA	-1,229	-807	n/a
TOTAL	-3,362	-1,021	n/a

2. TREASURY MANAGEMENT INDICATORS	2019/20	2020/21	2020/21
	Actual	**Original**	**Actual at 30th September 20**
	£'000	**£'000**	**£'000**
Authorised Limit for external debt			
Borrowing	61,000	60,000	61,000
Other long term liabilities	0	1,000	0
TOTAL	**61,000**	**61,000**	**61,000**
Operational Boundary for external debt			
Borrowing	58,000	57,000	58,000
other long term liabilities	0	1,000	0
TOTAL	**58,000**	**58,000**	**58,000**
Actual external debt	44,320	*44,320	44,320
Upper limit for total principal sums invested for over 364 days	**18,000**	**18,000**	**18,000**

Maturity structure of fixed rate borrowing - upper & Lower limits	**Actual at 30/09/20**	lower limit	upper limit
under 12 months	0%	0%	40%
12 months and within 24 months	20%	0%	40%
24 months and within 5 years	0%	0%	50%
5 years and within 10 years	20%	0%	60%
10 years and above	60%	0%	100%

*2020/21 potentially up to £9m of borrowing, therefore Authorsied limit and Operational boundary increased by the £9m to allow for this.

INVESTMENTS at 30th September 2020

Appendix 2

Type of Investment/Deposit	Reference no.	Counterparty	Issue Date	Maturity Date	Nominal	Current Interest Rate
Fixed Term Deposit	754	Close Brothers	27/04/2020	27/10/2020	£2,000,000.00	1.2000
Fixed Term Deposit	756	Close Brothers	04/05/2020	04/11/2020	£2,000,000.00	1.1500
Fixed Term Deposit	738	Goldman	07/11/2019	05/11/2020	£2,000,000.00	1.0150
Fixed Term Deposit	746	Goldman Sachs	07/02/2020	09/11/2020	£1,000,000.00	0.9000
Fixed Term Deposit	739	Qatar National Bank	19/11/2019	17/11/2020	£2,000,000.00	1.2800
Fixed Term Deposit	759	Fife Council	09/06/2020	09/12/2020	£2,000,000.00	0.8000
Fixed Term Deposit	736	Liverpool CC	20/12/2019	18/12/2020	£2,000,000.00	1.0000
Fixed Term Deposit	741	Close Brothers	20/12/2019	18/12/2020	£1,000,000.00	1.2000
Fixed Term Deposit	745	Lloyds	24/01/2020	25/01/2021	£2,000,000.00	1.1000
Fixed Term Deposit	765	Qatar National Bank	02/06/2020	06/02/2021	£1,000,000.00	0.8400
Fixed Term Deposit	761	Goldman Sachs	20/05/2020	22/02/2021	£2,000,000.00	0.6250
Fixed Term Deposit	762	Goldman Sachs	26/05/2020	26/02/2021	£3,000,000.00	0.5600
Fixed Term Deposit	763	Goldman Sachs	28/05/2020	26/02/2021	£2,000,000.00	0.5700
Fixed Term Deposit	760	Qatar National Bank	18/05/2020	31/03/2021	£1,000,000.00	0.9700
Fixed Term Deposit	730	Lloyds	16/08/2019	06/04/2021	£1,000,000.00	1.1200
Fixed Term Deposit	770	Qatar National Bank	01/09/2020	06/04/2021	£2,000,000.00	0.3600
Fixed Term Deposit	755	Qatar National Bank	27/04/2020	26/04/2021	£2,000,000.00	1.1300
Fixed Term Deposit	753	Qatar National Bank	27/04/2020	27/04/2021	£1,000,000.00	1.1800
Fixed Term Deposit	758	Qatar National Bank	04/05/2020	04/05/2021	£1,000,000.00	1.0300
Fixed Term Deposit	766	Barclays Bank	19/06/2020	21/06/2021	£3,000,000.00	0.4000
Fixed Term Deposit	767	Qatar National Bank	04/08/2020	03/08/2021	£1,000,000.00	0.5300
Fixed Term Deposit	768	Close Brothers	11/08/2020	10/08/2021	£1,000,000.00	0.8000
Fixed Term Deposit	769	Close Brothers	04/09/2020	03/09/2021	£1,000,000.00	0.8000
Property Fund	140000	CCLA (Churches, Charities and LA's)			£5,000,000.00	*4.37
Diversified Fund	140500	CCLA (Churches, Charities and LA's)			£1,000,000.00	*3.46
Money Market Fund	110000	Federated			£4,000,000.00	0.06
Money Market Fund	100500	CCLA (Churches, Charities and LA's)			£3,990,000.00	0.12
Money Market Fund	1300000	Aberdeen Std			£3,670,000.00	0.08
Money Market Fund	99999	Fidelity			£530,000.00	0.05
Call Account	327	Svenska Handelsbanken			£1,000,000.00	0.10
95 Day Notice Account	444445	Lloyds			£2,000,000.00	0.30
35 Day Notice Account	44444				£11,000,000.00	0.35
					£70,190,000.00	

* Dividend yield rates supplied by CCLA at September 2020

Appendix 3

LIST OF AUTHORISED COUNTERPARTIES

Category 1 - Limit of £12 million for each institution - Maximum investment period - 5 Years

		Long Term	Short Term
Min Criteria	**Fitch**	**AA-**	**F1+**
	Moody	**Aa3**	**P-1**
	S&P	**AA-**	**A-1+**

All Local Authorities

DBS Bank Ltd (SING)
HSBC Bank plc (UK)
Oversea-Chinese Banking Corp Ltd (SING)
Svenska Handelsbanken (SW)
United Overseas Bank Ltd (SING)
First Abu Dhabi Bank (U.A.E)

Category 2 - Limit of £11 million for each institution - Maximum investment period - 3 Years

		Long Term	Short Term
Min Criteria			
	Fitch	**A+**	**F1**
	Moody	**A1**	**P-2**
	S&P	**A+**	**A-1**

Goldman Sachs International Bank (UK)
Bank of Nova Scotia (CAN)
Standard Charted Bank (UK)
Qatar National Bank (Qatar)
National Westminster Bank PLC (RFB) (UK)
Royal Bank of Scotland PLC (RFB) (UK)

Category 3 - Limit of £8 million for each institution - Maximum investment period - 2 Years

		Long Term	Short Term
Min Criteria	**Fitch**	**A-**	**F1**
	Moody	**A3**	**P-2**
	S&P	**A-**	**A-1**

Barclays Bank plc (RFB & NRFB) (UK)
Nationwide Building Society (UK)
Santander (UK)
Close Brothers (UK)

Category 4 - Limit of £4 million for each institution - Maximum Investment period - 1 year
Building Society with Assets greater than £10 billion

Coventry Building Society (UK)
Skipton Building Society (UK)
Yorkshire Building Society (UK)

Category 5 - Council's Bank
NO LIMIT - appropriate category 1 to 3 (Max of £11M term deposit)

Lloyds Bank Plc (RFB)
Lloyds Bank Corporate Markets Plc (NRFB)
Bank of Scotland PLC (RFB)

Category 6 - Limit of £11 million for each institution - Maximum investment period - 3 Years
banks effectively nationalised by UK government

		Long Term	Short Term
Min Criteria	**Fitch**	**BBB-**	**F3**
	Moody	**Baa3**	**P-3**
	S&P	**BBB-**	**A-3**

National Westminster Bank plc (RFB) (UK)
Royal Bank of Scotland plc (RFB) (UK)

Category 7 - Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)

- Money Market Funds (MMF's), (CNAV, LVNAV, VNAV) & Enh
- Government Liquidity Funds

Limit of £4million for each institution

	Fitch	NAV
Aberdeen Standard (GBP)	AAA	LVNAV
CCLA Public sector deposit fund (PSDF)	AAA	LVNAV
Deutsche Banking Group	AAA	LVNAV
Federated Investors Ltd	AAA	LVNAV
Fidelity (GBP)	AAA	LVNAV
Northern Trust	AAA	

Category 8 - Alternative Investments (Asset Backed Bonds) - 25 Years
Maximum investment £4 million

Category 9 - Debt Management Office
Debt management Account - NO LIMIT (UK Govt)

Category 10 - Bonds issued by multilateral development banks - 5 Years
Maximum investment £4 million AAA

Category 11 – Property Funds - 25 Years
Maximum investment £6 million

CCLA

Category 12 - Multi-Asset Funds - 15 Years
Maximum investment £6 million

CCLA - Diversified Income Fund

Appendix 4

Arun District Council - Loans at 30th September 2020

Reference	Lender	Start Date	Maturity Date	Principal	Rate
499488	Public Works Loan Board	28/03/2012	28/03/2022	8,860,000	2.40%
499493	Public Works Loan Board	28/03/2012	28/03/2030	8,870,000	3.21%
499494	Public Works Loan Board	28/03/2012	28/03/2035	8,870,000	3.40%
499491	Public Works Loan Board	28/03/2012	28/03/2050	8,860,000	3.53%
499490	Public Works Loan Board	28/03/2012	28/03/2062	8,860,000	3.48%
				44,320,000	