AGENDA ITEM 9

TREASURY MANAGEMENT UPDATE **13th January 2021** **AUDIT COMMITTEE**	**Classification:** **Public**
Ward(s) affected **None**	
Group Director **Ian Williams, Group Director of Finance & Corporate Resources**	

1. INTRODUCTION

1.1 This report covers both the half year treasury activity report for 2020/21 - the detailed update on the treasury activity for the first six months of the financial year (Appendix 1) and the Q3 treasury activity update for the period October 2020 to December 2020 (Appendix 2).

2. RECOMMENDATION(S)

2.1 The Audit Committee is recommended to:

- **Note the treasury management activity reports at Appendices 1 and 2**

3. REASONS FOR DECISION

3.1 The Treasury Management Half Year Report is required in order to comply with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") which the Council has adopted. The quarterly update at Appendix 2 is presented in accordance with the Council's Treasury Management Strategy.

4. Policy Context

The CIPFA code of practice requires that those charged with oversight receive regular updates on the progress of Council's treasury strategy during the year. Members are being provided with the detailed report on the first six months activity (to September 2020) with an update of the primary treasury indicators along with the Q3 Treasury Management Report which provides details of activity during the months of October to December 2020.

4.1 **Equality Impact Assessment**

There are no equality impact issues arising from this report

4.2 **Sustainability**

There are no sustainability issues arising from this report

5. **RISK ASSESSMENT**

There are no risks arising from this report as the information provided is in respect of past events. Clearly though the treasury management function is a significant area of risk for the Council, if the function is not properly carried out and monitored by those charged with responsibility for oversight of treasury management.

5.1 Consultations

No consultations have taken place in respect of this report.

6. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

6.1 The half yearly Treasury Activity Report provides an update to this Committee on the treasury activities undertaken on behalf of the Council for the first six months of the current financial year 2020/21. There are no direct financial consequences arising from the report as it reflects the first half year's performance. The information contained in this report will assist Members of this Committee in monitoring the treasury management activities and enable better understanding of such operations.

6.2 The third quarter's treasury report covers the latest quarter ending December 2020 and reflects the most recent treasury activity.

7. COMMENTS OF THE DIRECTOR OF LEGAL

7.1 The Accounts and Audit Regulations place obligations on the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which includes arrangements for management of risk. In addition the Council's Constitution and Financial Procedure Rules require reporting on Treasury Management activity to be carried out during the year in line with the CIPFA Code of Practice on Treasury Management. This report demonstrates that Treasury Management is meeting these requirements and adapting to changes as they arise.

7.2 There are no immediate legal implications arising from the report.

8. BACKGROUND

8.1 The half yearly Treasury Activity Report (Appendix 1) provides a summary for the Committee on the economic background for the first six months of the current financial year 2020/21, whilst the quarterly update provides details of treasury management activity covering the final 3 months of 2020 (Appendix 2).

8.2 The Council has an increasing Capital Financing Requirement due to the delivery of its capital programme and therefore may need to borrow in future years, depending on the actual level of capital expenditure, other capital resources, reserves and cash balances.

8.3 With regard to the investment portfolio, security of capital remains the prime consideration, particularly given the world economy still struggling to pull itself out of recession and the continuing sovereign and institutional downgrades. The average rate of interest received on investments at the end of December 2020 0.4%, compared to 1.2% in December 2019. The Council has taken a longer term view of its cash balances and interest rates and invested an element of its core cash for a short duration in highly secure counterparties.

APPENDICES

The appendices to this report details the treasury management activities undertaken by the Council. It sets out in detail the economic background in which the treasury management function has had to operate since the beginning of the financial year and the treasury activities which have taken place in the first six months of the financial year to end of September 2020 and for the period October to December 2020.

Appendix 1 – Treasury Management Half Year Activity Report 2020/21

Appendix 2 – Q3 Treasury Management Activity Update Report 2020/21

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Appendix 1

TREASURY MANAGEMENT HALF YEAR ACTIVITY REPORT 2020/21 (6 MONTHS TO 30TH SEPTEMBER 2020)

1. Background

1.1 The Annual Treasury Management Report is a requirement of the Council's reporting procedures and this report covers the treasury activity for the first six months of the financial year 2020/21, 1st April 2020 to 30th September 2020.

1.2 The Council's Treasury Management Strategy has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2009, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year.

1.3 The Code also recommends that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.

1.4 Treasury management is defined as: "The management of the local authority'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."

1.5 The Authority's Treasury Management Strategy for 2020/21 was approved by the full Council on 26th February 2020.

1.6 The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

2. Economic Background

2.1 The spread of the coronavirus pandemic dominated during the period as countries around the world tried to manage the delicate balancing act of containing transmission of the virus while easing lockdown measures and getting their populations and economies working again. After a relatively quiet few months of Brexit news it was back in the headlines towards the end of the period as agreement between the UK and EU on a trade deal was looking difficult and the government came under fire, both at home and abroad, as it tried to pass the Internal Market Bill which could override the agreed Brexit deal, potentially breaking international law.

2.3 GDP growth contracted by a massive 19.8% (revised from first estimate -20.4%) in Q2 2020 (Apr-Jun) according to the Office for National Statistics, pushing the annual growth rate down to -21.5% (first estimate -21.7%). Construction output fell by 35% over the quarter, services output by almost 20% and production by 16%. Recent monthly estimates of GDP have shown growth recovering, with the latest rise of almost

7% in July, but even with the two previous monthly gains this still only makes up half of the lost output.

2.4 The Bank of England (BoE) maintained Bank Rate at 0.1% and its Quantitative Easing programme at £745 billion. The potential use of negative interest rates was not ruled in or out by BoE policymakers, but then a comment in the September Monetary Policy Committee meeting minutes that the central bank was having a harder look at its potential impact than was previously suggested took financial markets by surprise.

2.5 The US economy contracted at an annualised rate of 31.7% in Q2 2020 (Apr-Jun). The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% but announced a change to its inflation targeting regime. The move is to a more flexible form of average targeting which will allow the central bank to maintain interest rates at low levels for an extended period to support the economy even when inflation is 'moderately' above the 2% average target, particularly given it has been below target for most of the last decade.

3. Debt Management

3.1 In the beginning of the year the Council had one external debt of £2.4m LEEF (London Energy Efficient Fund) loan from the European Investment Bank to fund housing regeneration. This loan is below market rate and was taken out in July 2014.

3.2 In addition, the Council had £45m of short term borrowing at the beginning of the year. This short term borrowing was taken during 2019-20 financial year for managing cash flow commitments.

3.3 The Authority also had £78.7m of long term borrowing from PWLB at the beginning of the year. The PWLB long term borrowing was done during 2019-20 to finance part of the borrowing requirement within the Housing Revenue Account associated with the delivery of the housing capital programme, particularly in respect of regeneration. It will be repaid in equal instalments over a 25 year period. This new borrowing was entered into in order to take advantage of the low rates that were then available from PWLB, thereby locking these in and providing some certainty over financing costs for the future, whilst also taking account of the Council's current liquidity position.

Table 1: Debt Portfolio positions as at 01/04/2020 and 30/09/2020

	Balance on 01/04/2020 £'000	**Balance on 30/09/2020 £'000**	**Avg Rate %**
Short Term Borrowing*	45,400	43,400	0.94%
Long Term Borrowing	80,700	78,650	1.92%
TOTAL BORROWING	**126,100**	**122,050**	
Other Long Term Liabilities	14,332	12,000	
TOTAL EXTERNAL DEBT	**140,432**	**134,050**	
Decrease in borrowing		**6,382**	

* *Loans that mature within 1 year*

3.4 For the Council, the use of internal resources in lieu of borrowing has continued to be the most cost effective means of funding capital expenditure. However, this position was not sustainable over the medium term and therefore, the Council borrowed externally from PWLB to finance part of its housing capital regeneration programmes.

3.5 **PWLB Borrowing:** The Authority qualifies for borrowing at the 'Certainty Rate' (0.20% below the PWLB standard rate) for a 12 month period.

3.6 **Alternative borrowing sources:** With increased PWLB rates by 1% in October 2019 making it now a relatively expensive option. The Authority was looking into options to borrow any long-term loans from other sources including banks, pensions funds and local authorities, private lenders. It also considered the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

4. Investment Activity

4.1 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Cash flow forecasts indicated that during 2020/21 the Authority's investment balances would range between £50m and £150 million.

4.2 The Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.

Table 2: Investment Portfolio positions as at 01/04/2020 and 30/09/2020

	Balance as at 01/04/2020 £'000	**Average Rate of Interest %**	**Balance as at 30/09/2020 £'000**	**Average Rate of Interest %**
Short term Investments*	28,429	-	20,459	-
Long term Investments	3,700	-	3,700	-
AAA-rated Stable Net Asset Value Money Market Funds	19,250	-	61,450	-
AAA rated Cash enhanced Variable Net Asset Value Money Market Funds	13,000	-	13,000	-
Housing Associations	15,000	-	15,000	-
	79,379	**0.74**	**113,609**	**0.4**

* *Less than one year*

4.2 Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury

Management Strategy Statement. Investments are currently held with the following below institutions:

- Other Local Authorities;
- AAA-rated Stable Net Asset Value Money Market Funds;
- AAA rated Cash enhanced Variable Net Asset Value Money Market Funds
- Deposits with UK Banks (Notice Accounts)
- UK Housing Associations

4.3 Counterparty credit quality is assessed and monitored with reference to Credit Ratings (the Council's minimum long-term counterparty rating of A- (or equivalent) across rating agencies Fitch, S&P and Moody's); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; sovereign support mechanisms /potential support from a well-resourced parent institution and share price.

4.4. Given the very low returns from short-term unsecured bank investments, the Authority will look to diversify into more secure and/or higher yielding asset classes during 2021/22, providing security of capital can be maintained. A proportion of the Authority's cash remains invested in short-term unsecured bank deposits, and money market funds.

5. Credit Risk

5.1 Counterparty credit quality remains an important factor in the Council's assessment of approved counterparties. The Council continuously monitors the overall credit quality of its investment portfolio and this is clearly demonstrated by the Credit Score Analysis summarised below. The credit scores are based on the Council's quarter-end in-house investment position.

Table 3: Credit Score Analysis

Date	Value Weighted Average – Credit Risk Rating	Value Weighted Average – Credit Score	Time Weighted Average – Credit Risk Rating	Time Weighted Average – Credit Score
30/06/2020	A+	4.9	A	6.5
31/07/2020	A+	4.7	A	5.9
31/08/2020	A+	4.7	A	6.0
30/09/2020	A+	4.7	A	6.0

Scoring:
-Value weighted average reflects the credit quality of investments according to the size of the deposit
-Time weighted average reflects the credit quality of investments according to the maturity of the deposit
-AAA = highest credit quality = 1
- D = lowest credit quality = 27
-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

6. Counterparty Update

6.1 Fitch assigned a AA- deposit rating to Netherlands lender Rabobank with a negative outlook and prior to that, while not related to our counterparty list but quite significant, revised the outlook on the US economy to Negative from Stable while also affirming its AAA rating. There continues to remain much uncertainty around the extent of the losses banks and building societies will suffer due to the impact from the coronavirus pandemic and for the UK institutions on our list there is the added complication of the end of the Brexit transition period on 31st December and what a trade deal may or may not look like. The institutions on Arlingclose's counterparty list and recommended duration remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

7. Compliance with Prudential Indicators

7.1 The Council can confirm that it has to date complied with its Prudential Indicators for 2020/21, which were set in March 2020 as part of the Council's Treasury Management Strategy Statement.

Compliance with these Indicators is detailed below -

- **Capital Financing Requirement**

Estimates of the Council's cumulative maximum external borrowing requirement for 2020/21 to 2023/24 are shown in the table below. The numbers for 2021/22 to 2023/24 are provisional, ahead of February's annual budget report, and may be subject to change.

	31/03/21 Estimated £m	**31/03/22 Estimated £m**	**31/03/23 Estimated £m**	**31/03/24 Estimated £m**
Gross CFR	489	464	596	736
Less: Other Long Term Liabilities	12	12	12	12
Borrowing CFR	**477**	**452**	**584**	**724**
Less: Existing Profile of Borrowing	120	120	250	390
Gross Borrowing Requirement/Internal Borrowing	**357**	**332**	**334**	**334**
Usable Reserves	250	225	200	175
Net Borrowing Requirement/(Investment Capacity)	**107**	**107**	**134**	**159**

- **Gross Debt and the Capital Financing Requirement**

In the Prudential Code Amendment (November 2012), it states that the chief finance officer should make arrangements for monitoring with respect to gross debt and the capital financing requirement such that any deviation is reported to him/her, since any such deviation may be significant and should lead to further investigation and action as appropriate.

This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with gross external debt.

	31/03/2021 Estimate £m	**31/03/2022 Estimate £m**	**31/03/2023 Estimate £m**	**31/03/2024 Estimate £m**
CFR	489	464	596	736
Gross Debt	132	132	262	402
Borrowed in excess of CFR? (Yes/No)	**No**	**No**	**No**	**No**

The Group Director of Finance and Corporate Resources reports that the Authority had no difficulty meeting this requirement to date, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

- **Usable Reserves**

Estimates of the Council's level of Usable Reserves for 2019/20 to 2021/23 are as follows:

	31/03/2021 Estimate £m	**31/03/2022 Estimate £m**	**31/03/2023 Estimate £m**	**31/03/2024 Estimate £m**
Usable Reserves	250	225	200	175

- **Estimates of Capital Expenditure**

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels. The numbers for 2021/22 to 2023/24 are provisional, ahead of February's annual budget report, and may be subject to change.

Capital Expenditure	**31/03/2021 Estimate £'000**	**31/03/2022 Estimate £'000**	**31/03/2023 Estimate £'000**	**31/03/2024 Estimate £'000**
HRA	112	102	117	113
Non-HRA	108	141	189	211
Total	**220**	**243**	**306**	**324**

Capital expenditure will be financed or funded as follows:

Capital Financing	31/03/2021 Estimate £m	31/03/2022 Estimate £m	31/03/2023 Estimate £m	31/03/2024 Estimate £m
Prudential Borrowing	49	50	177	172
S106	8	11	4	3
Capital receipts	84	64	25	60
Grants	23	37	21	23
Reserves/Discretionary	8	21	16	0
RCCO	48	60	63	66
Total Financing	**220**	**243**	**306**	**324**

The table above shows that the capital expenditure plans of the Authority cannot be funded entirely from sources other than external borrowing.

- **Capital Financing Requirement**

The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and financing.

Capital Financing Requirement	31/03/21 Estimate £m	31/03/22 Estimate £m	31/03/23 Estimate £m	31/03/24 Estimate £m
Total CFR	489	464	596	736

- **Authorised Limit and Operational Boundary for External Debt**

The Local Government Act 2003 requires the Council to set an **Authorised Borrowing Limit**, irrespective of their indebted status. This is a statutory limit which should not be breached.

The Council's **Authorised Borrowing Limit** was set at **£552m for 2020/21**.

The **Operational Boundary** is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit.

The **Operational Boundary for 2020/21 was set at £522m.**

The Group Director of Finance and Corporate Resources confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the year; and borrowing stands at £124m.

	Authorised Limit (Approved) as at 31/03/2021 £m	Operational Boundary (Approved) as at 31/03/2021 £m	Actual External Debt as at 30/09/2020 £m
Borrowing	532	502	124
Other Long-term Liabilities	20	20	12
Total	552	522	136

- **Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure**

  These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

  The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2020/21 £'000
Upper Limit for Fixed Rate Exposure	100,000
Compliance with Limits:	**Yes**
Upper Limit for Variable Rate Exposure	20,000
Compliance with Limits:	**Yes**

- **Maturity Structure of Fixed Rate Borrowing**

  This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Lower Limit %	Upper Limit %	Actual Fixed Rate Borrowing as at 30/09/20	% Fixed Rate Borrowing as at 30/09/20	Compliance with Set Limits?
under 12 months	0	100	43,400	0.94%	Yes
12 months and within 24 months	0	100	400	1.90%	Yes
24 months and within 5 years	0	100	1,600	1.90%	Yes
5 years and within 10 years	0	100	0	0	Yes
10 years and within 20 years	0	100	14,250	0	Yes
20 years and within 30 years	0	100	62,400	1.93%	Yes
30 years and within 40 years	0	100	0	0	Yes

40 years and within 50 years	0	100	0	0	Yes
50 years and above	0	100	0	0	Yes

- **Total principal sums invested for periods longer than 364 days**

This indicator allows the Council to manage the risk inherent in investments longer than 364 days.

The limit for 2020/21 was set at £90m.

During the reporting period, the Council had a total of £13.7m in a fixed term investment over 365 years.

- **Credit Risk**

This indicator has been incorporated to review the Council's approach to credit risk. The Council confirms it considers security, liquidity and yield, in that order, when making investment decisions.

Credit ratings remain an important element of assessing credit risk, but they are not the sole feature in the Authority's assessment of counterparty credit risk. The authority considers the following tools to assess credit risk:

- Published credit ratings of the financial institution and its sovereign;
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum.

The Council can confirm that all investments were made in line with minimum credit rating criteria set in the 2020/21 TMSS.

10. Summary

10.1 In compliance with the requirements of the CIPFA Code of Practice this report provides Members with a summary report of the treasury management activity during the first two quarters of 2019/20. As indicated in this report none of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

Appendix 2

Q3 TREASURY MANAGEMENT UPDATE 2020/21 (OCTOBER 2020 to DECEMBER 2021)

1. **Economic Highlights in Q3 2020/21**

- **Growth**: GDP grew 15.5% in Quarter 3 2020 compared to the previous quarter (Q2 -19.8% q-o-q) and was down 9.6% year-on-year (Q2 -21.5% y-o-y).

- **Inflation:** Inflation rates exceeded expectations for October, but the CPI rate remained well below target. While partly driven by VAT cuts and regulator action on energy prices, inflation is also a reflection of weaker demand for the services affected by coronavirus.

- **Monetary Policy:** At its meeting on 4th November 2020, the MPC voted unanimously to maintain the Bank Rate at 0.1%. The MPC voted unanimously for the Bank of England to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £20 billion. The Committee voted unanimously for the Bank of England to continue with the existing programme of £100 billion of UK government bond purchases as well as to increase the target stock of purchased UK government bonds by an additional £150 billion, financed by the issuance of central bank reserves. This takes the total stock of government bond purchases to £875 billion.

2. **Borrowing & Debt Activity**

2.1 The Authority currently has £2.2m in long-term external borrowing. This is made up of a single London Energy Efficiency Fund (LEEF) loan from the European Investment Bank to fund housing regeneration. In addition, the council has £20m short term borrowing to meet the working capital requirements.

2.2 In addition, the Authority had £75.35m long term borrowing from PWLB. The PWLB long term borrowing is being used to finance part of the borrowing requirement within the Housing Revenue Account associated with the delivery of the housing capital programme, particularly in respect of regeneration. It will be repaid in equal instalments over a 25 year period. This new borrowing was entered into in order to take advantage of the low rates currently available from PWLB, thereby locking these in and providing some certainty over financing costs for the future, whilst also taking account of the Council’s current liquidity position.

3. Investment Policy and Activity

3.1 The Council held average cash balances of £122 million during the three month period, compared to £96 million for the same period last financial year.

Table 1: Movement in Investment Balances 01/10/20 to 31/12/20

	Balance as at 01/10/2020 £'000	Average Rate of Interest %	Balance as at 31/12/2020 £'000	Average Rate of Interest %
Short term Investments*	20,459	-	23,971	-
Long term Investments	3,700	-	200	-
AAA-rated Stable Net Asset Value Money Market Funds	61,450	-	69,350	-
AAA rated Cash enhanced Variable Net Asset Value Money Market Funds	13,000	-	13,000	-
Housing Associations	15,000	-	15,000	-
	113,609	**0.4**	**121,521**	**0.4**

*deposits less than one year

3.2 The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

3.3 The Council's specific policy objective is to invest its surplus funds prudently. The Council's investment priorities are:

- security of the invested capital; liquidity of the invested capital; and,
- an optimum yield which is commensurate with security and liquidity.

3.4 The ongoing investment strategy remained cautious but counterparty credit quality remains strong, as can be demonstrated by the Credit Score Analysis summarised below:

Table 3: Credit Score Analysis

Date	Value Weighted Average – Credit Risk Rating	Value Weighted Average – Credit Score	Time Weighted Average – Credit Risk Rating	Time Weighted Average – Credit Score
31/10/2020	A+	4.8	A	6.2
30/11/2020	A+	4.7	A	6.3
31/12/2020	A+	4.7	A	6.3

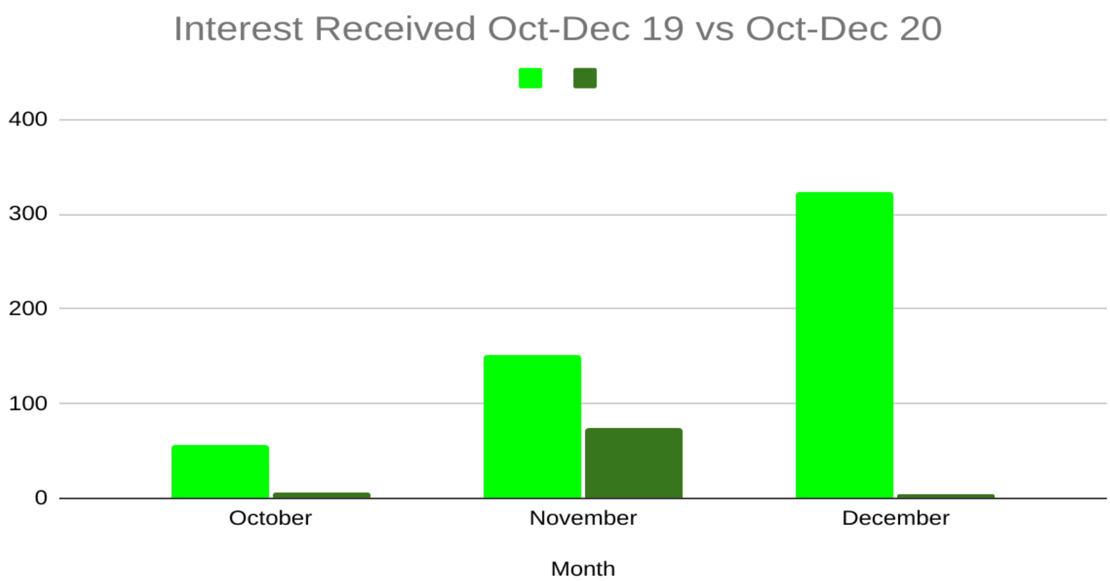
-Value we-weighted average reflects the credit quality of investments according to the size of the deposit
-Time weighted average reflects the credit quality of investments according to the maturity of the deposit
-AAA = highest credit quality = 1
- D = lowest credit quality = 27
-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

3.5 The Council continues to utilise AAAmmf/Aaa/AAAm rated Money Market Funds for its very short, liquidity-related surplus balances, together with high credit rated call accounts. This type of investment vehicle has continued to provide very good security and liquidity, although yield has suffered in recent months.

4. Comparison of Interest Earnings

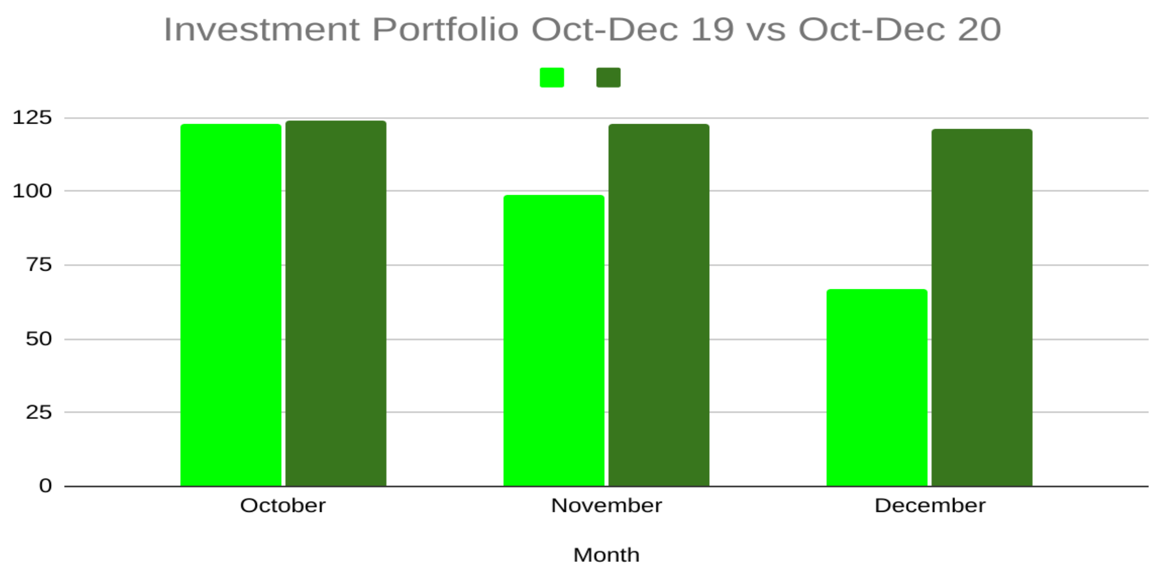
4.1 The Council continues to adopt a fairly cautious strategy in terms of investment counterparties and periods. Due to the volatility of available creditworthy counterparties, longer term investments are placed in highly rated UK Government institutions, thus ensuring creditworthiness whilst increasing yield's through the duration of the deposits.

4.2 The graph below provides a comparison of interest earnings for 2020/21 against the same period for 2019/20. Average interest received for the period October to December 2020 was £30k compared to £177k for the same period last financial year.



5. Movement in Investment Portfolio

5.1 Average investment levels for the period October to December 2020 were £123 million in comparison to the same period last year of £96 million.



7. Summary

7.1 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during the third quarter of the financial year 2020/21. As indicated in this report, a prudent approach has been taking in relation to investment activity with priority being given to security and liquidity over yield.