EAST SUSSEX FIRE AUTHORITY

Date	2 September 2021
Title of Report	Treasury Management – Stewardship Report for 2020/21
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Background Papers	East Sussex Fire Authority: 13 February 2020 – Agenda Item 45 Treasury Management Strategy for 2020/21 11 February 2021 – Agenda Item 97 Treasury Management Strategy for 2021/22 Policy and Resources Panel: 11 November 2020 – Agenda Item No 15: Half yearly report for 2020/21 CIPFA Treasury Management in the Public Services code of practice and cross sector guidance notes Local Government Act 2003 CIPFA Prudential Code

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Appendices	None

Implications

CORPORATE RISK		**LEGAL**	✓
ENVIRONMENTAL		**POLICY**	
FINANCIAL	✓	**POLITICAL**	
HEALTH & SAFETY		**OTHER (please specify)**	
HUMAN RESOURCES		**CORE BRIEF**	
EQUALITY IMPACT ASSESSMENT			

PURPOSE OF REPORT

The Annual Treasury Management Stewardship Report is a requirement of the Fire Authority’s reporting procedures and informs Members of Treasury Management performance and compliance with Prudential Indicators for 2020/21.

EXECUTIVE SUMMARY

The Fire Authority has complied with its approved Treasury Management Strategy and Prudential Indicators for the year.

The Bank of England (BoE) Base Rate throughout 2020/21 was 0.10%. Both the Government and the Bank of England took rapid action in March 2020 at the height of the Covid-19 pandemic to provide support to financial markets to ensure their proper functioning, and to support the economy.

The average rate of interest received in 2020/21 through Treasury Management Activity was 0.41%. This reflected the Fire Authority's continuing prioritisation of security and liquidity over yield.

No new borrowing was undertaken and one loan of £75,000 was repaid during the year with total loan debt outstanding of £10.698m at 31 March 2021, the average interest rate was 4.60%. The next loan repayments are due on the 30th September 2021 (£400k) with the PWLB. There were no beneficial opportunities to reschedule debt during the year. The projected outturn of the Fire Authority's Capital Financing Requirement (CFR), a measure of the underlying need to borrow is £10.698m.

The Fire Authority reviewed options to invest a portion of core balances in longer duration funds during the setting of the 2020/21 Strategy. Decisions on investment have been taken in the context of the current economic climate, the current approved capital programme and the requirement to fund it over the medium term. No investment in longer duration funds was made during the year.

The current economic climate is evolving rapidly, as summarised in the commentary from Link Asset Services. At this time opportunities are being explored to secure investment returns within the acceptable risk parameters set out in the Authority's agreed Strategy.

RECOMMENDATIONS The Fire Authority is asked to note the Treasury Management Performance for 2020/21.

TREASURY MANAGEMENT-STEWARDSHIP REPORT FOR 2020/21

1 <u>Introduction</u>

1.1 The Fire Authority's treasury management activities are regulated by a variety of professional codes and statutes and guidance:

a) The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;

b) Statutory Instrument (SI) 3146 2003 develops the controls and powers within the Act;

c) The SI requires the Fire Authority to undertake any borrowing activity with regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities;

d) Under the Act the Ministry of Housing, Communities & Local Government (MHCLG) has issued Investment Guidance to structure and regulate the Authority's investment activities.

1.2 The Fire Authority has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates its treasury management service in compliance with this Code and the above requirements. These require that the prime objective of the treasury management activity is the effective management of risk, and that its borrowing activities are undertaken on a prudent, affordable and sustainable basis and its treasury management practices demonstrate a low risk approach.

1.3 The Code requires the regular reporting of treasury management activities to:

a) Forecast the likely activity for the forthcoming year (in the Annual Treasury Strategy Report);

b) Review actual activity for the preceding year (this report);

c) A mid year review; and

d) A change in the Strategy (if and when required).

1.4 This report sets out:

a) A summary of the strategy agreed for 2020/21 and the economic factors affecting the strategy in the year;

b) The Fire Authority's treasury activity during the year on borrowing and short term investments;

c) The Prudential Indicators which relate to the Treasury function and compliance with limits

2 <u>2020/21</u>

2.1 **Strategy for 2020/21**

2.1.1 At its meeting on 13 February 2020, the Fire Authority agreed its Treasury Management Strategy for 2020/21, taking into account the economic scene including forecast levels of interest rates. At the same time, the Treasury Management Policy Statement was agreed for 2020/21 as set out below.

2.1.2 East Sussex Fire Authority defines its treasury management activities as:

"The management of the organisation's cash flows, its banking, money market and capital market transactions, the effective management of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

The Fire Authority regards the successful identification, monitoring and management of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

This Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

Borrowing

2.1.3 The Fire Authority at the beginning of 2020/21 did not expect to undertake any additional external borrowing in the next 12 months. Future borrowing would need to be considered in the short to medium term in order to fund its Capital Strategy.

2.1.4 Opportunities to reschedule debt have been monitored but have not arisen as yet. The PWLB increased all of its lending rates in October 2010 by 1% on all rates. However, it did not increase the rate of interest used for repaying debt so that not only had the cost of our future borrowing increased but the opportunity to restructure our debt when market conditions allow has been significantly reduced.

Investment

2.1.5 When the strategy was agreed in February 2020, it emphasised the continued importance of taking account of the current and predicted future state of the financial sector. The Treasury Management advisors (Link Asset Services) commented on short term interest rates, the UK economy, inflation, the outlook for long term interest rates and these factors were taken into account when setting the strategy.

2.1.6 Options for alternative investments based on the capital strategy and levels of investment balances available was considered. An option appraisal concluded that, given the Authority's planned steep reduction in reserves (resulting from its planned investment in its Capital Asset Strategy and Project 21), then investment options with a time horizon of up to 3 years would suit the Authority's cash profile and maximise returns at an appropriate level of risk. Officers in conjunction with the Treasurer would aim to seek additional returns within the approved strategy with regard to security, liquidity and yield in that order.

2.1.7 It was recommended to add Short Dated Bond Funds to the Authority's current approved options for Investment. They are added to the group of Specified Investments.

2.1.8 The Authority makes use of the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- credit default swap (CDS) spreads to give early warning of likely changes in credit ratings; and

- sovereign ratings to select counterparties from only the most creditworthy countries.

2.1.9 The strategy going forward was to continue with the policy of ensuring minimum risk but was also intended to deliver secure investment income of at least bank rate on the Fire Authority's cash balances.

2.1.10 As was clear from the events globally and nationally since 2008, it is impossible in practical terms to eliminate all credit risk. The Fire Authority seeks to be as prudent as possible.

2.1.11 The strategy aimed to ensure that in the economic climate that a prudent approach was maintained. This would be achieved through investing with selected banks and funds which met the Authority's rating criteria. The emphasis would continue on security (protection of the capital sum invested) and liquidity (keeping money readily available for expenditure when needed) rather than yield. The strategy continued with this prudent approach.

2.1.12 It was also recognised that movements within the money markets happen with no notice and the Treasurer may have to amend this strategy in order to safeguard Fire Authority funds. As in the past any such actions would be reported to the next Fire Authority meeting.

2.1.13 The Fire Authority balances were to be invested in line with the following specific methodology:-

The modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative credit worthiness of counterparties. These colour codes are used by the Authority to determine the duration for investments. The strategy provides scope to invest in AAA rated foreign banks. However the Authority proposes to only use counterparties noted in the table below and within the following durational bands that are domiciled in the UK.

- Yellow 2 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No Colour, not to be used

Y	*P*	*B*	*O*	*R*	*G*	*N/C*
Up to 2yrs	*Up to 2yrs*	*Up to 1yr*	*Up to 1yrs*	*Up to 6 mths*	*Up to 100days*	*No Colour*

The Link Asset Services credit worthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue influence to just one agency's ratings.

Typically the minimum credit ratings criteria the Authority use, will be a short term rating (Fitch or equivalents) of short term rating F1, long term rating A-, viability rating of A-, and a support rating of 1. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored daily. The Authority is alerted to changes to ratings of all three agencies through its use of the Link Asset Services credit worthiness service.

- if a downgrade results in the counterparty or investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.

- in addition to the use of credit ratings the Authority will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

The Link Asset Services methodology determines the maximum investment duration under the credit rating criteria. Key features of Link Asset Services credit rating policy are:

- a mathematical based scoring system is used taking ratings from all three credit rating agencies.

- negative and positive watches and outlooks used by the credit rating agencies form part of the input to determine a counterparty's time band (i.e. 3, 6, 9, 12 months etc.).

- CDS spreads are used in Link Asset Services creditworthiness service as it is accepted that credit rating agencies lag market events and thus do not provide investors with the most instantaneous and "up to date" picture of the credit quality of a particular institution. CDS spreads provide perceived market sentiment regarding the credit quality of an institution.

- After a score is generated from the inputs a maximum time limit (duration) is assigned and this is known as the Link Asset Services colour which is associated with a maximum suggested time boundary.

<u>Counterparty List:</u>

Counterparty	Country/ Domicile	Instrument	Maximum investments	Max. maturity period
Counterparties in UK				
Debt Management and Depost Facilities (DMADF)	UK	Term Deposits	unlimited	1 yr
Government Treasury blls	UK	Term Deposits	unlimited	1 yr
Local Authorities	UK	Term Deposits	unlimited	1 yr
RBS/NatWest Group • Royal Bank of Scotland • NatWest	UK	Term Deposits (including callable deposits), Certificate of Deposits	£4m	1 yr
Lloyds Banking Group • Lloyds Bank • Bank of Scotland	UK		£4m	1 yr
Barclays	UK		£4m	1 yr
Santander UK	UK		£4m	1 yr
HSBC	UK		£4m	1 yr
Goldman Sachs IB	UK	Term Deposits	£4m	1 yr
Standard Chartered	UK	Term Deposits	£4m	1 yr
Individual Money Market Funds (MMF) CNAV and LVNAV	UK/Ireland/ domiciled	AAA rated Money Market Funds	£4m	Liquidity/ instant access
Enhanced Money Market / Cash Funds (EMMFs) VNAV	UK/Ireland/ EU domiciled	AAA Bond Fund Rating	£4m	Liquidity

2.1.14 All Money Market Funds used will be monitored and chosen by the size of the fund, rating agency recommendation, exposure to other Countries (Sovereign debt), weighted average maturity and weighted average life of fund investment and counterparty quality.

2.1.15 All of the investments held with the above counterparties will be classified as Specified Investments. These investments are sterling investments of not more than one-year maturity with institutions we deem to be high credit quality or with the UK Government (Debt Management Account Deposit Facility). These are considered low risk assets where the possibility of loss of principal or investment income is small.

2.1.16 Non Specified Investments are any other types of investment that are not defined as specified. The identification and rationale supporting the selection of these other investments are set out below:

Table 4	Minimum credit criteria	Period
Local Authorities	Government Backed	2 years
Mixed Asset Fund(s)	N/A	2 - 5 years
Short Dated Bond Funds (s)*	N/A	2 - 5 years
Pooled Property Fund(s)	N/A	5 + years

*Additional option for investment during 2020/21

The maximum amount that can be invested will be monitored in relation to the Authority's surplus monies and the level of reserves, the limit will be £2.5m across all non specified investments. The approved counterparty list will be maintained by referring to an up-to-date credit rating agency reports, and the Authority will liaise regularly with brokers for updates. Counterparties may be added to or removed from the list only with the approval of the Treasurer.

2.2 The economy in 2020/21 – Commentary from Link Asset Services (Treasury Management Advisors) in April 2021.

2.2.1 The financial year 2020/21 will go down in history as being the year of the pandemic. The first national lockdown in late March 2020 did huge damage to an economy that was unprepared for such an eventuality. This caused an economic downturn that exceeded the one caused by the financial crisis of 2008/09. A short second lockdown in November did relatively little damage but by the time of the third lockdown in January 2021, businesses and individuals had become more resilient in adapting to working in new ways during a three month lockdown so much less damage than was caused than in the first one.

2.2.2 The advent of vaccines starting in November 2020, was a game changer. The way in which the UK and US have led the world in implementing a fast programme of vaccination which promises to lead to a return to something approaching normal life during the second half of 2021, has been instrumental in speeding economic recovery and the reopening of the economy. In addition, the household saving rate has been exceptionally high since the first lockdown in March 2020 and so there is plenty of pent-up demand and purchasing power stored up for services in the still-depressed sectors like restaurants, travel and hotels as soon as they reopen. It is therefore expected that the UK economy could recover its pre-pandemic level of economic activity during quarter 1 of 2022.

2.2.3 The Monetary Policy Committee (MPC) cut Bank Rate from 0.75% to 0.25% and then to 0.10% in March 2020 and embarked on a £200bn programme of quantitative easing (QE - purchase of gilts so as to reduce borrowing costs throughout the economy by lowering gilt yields). The MPC increased then QE by £100bn in June and by £150bn in November to a total of £895bn. While Bank Rate remained unchanged for the rest of the year, financial markets were concerned that the MPC could cut Bank Rate to a negative rate; this was firmly discounted at the February 2021 MPC meeting when it was established that commercial banks would be unable to implement negative rates for at least six months – by which time the economy was expected to be making a strong recovery and negative rates would no longer be needed.

2.2.4 Average inflation targeting. This was the major change adopted by the Bank of

England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August was a new phrase in the policy statement, namely that "*it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably*". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. This sets a high bar for raising Bank Rate and no increase is expected by March 2024, and possibly for as long as five years. Inflation has been well under 2% during 2020/21; it is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern to the MPC.

2.2.5 Inflation has posed little concern for the MPC during the last year, being mainly between 1.5 – 2.0%. It is also not going to be an issue for the near future as the world economy will be heading into a recession which is already causing a glut in the supply of oil which has fallen sharply in price. Other prices will also be under downward pressure while wage inflation has also been on a downward path over the last half year and is likely to continue that trend in the current environment. While inflation could even turn negative in the Eurozone, this is currently not likely in the UK.

2.2.6 Employment - Government support. The Chancellor has implemented repeated rounds of support to businesses by way of cheap loans and other measures, and has protected jobs by paying for workers to be placed on furlough. This support has come at a huge cost in terms of the Government's budget deficit ballooning in 2020/21 and 2021/22 so that the Debt to GDP ratio reaches around 100%. The Budget on 3rd March 2021 increased fiscal support to the economy and employment during 2021 and 2022 followed by substantial tax rises in the following three years to help to pay the cost for the pandemic. This will help further to strengthen the economic recovery from the pandemic and to return the government's finances to a balanced budget on a current expenditure and income basis in 2025/26. This will stop the Debt to GDP ratio rising further from 100%. An area of concern, though, is that the government's debt is now twice as sensitive to interest rate rises as before the pandemic due to QE operations substituting fixed long-term debt for floating rate debt; there is, therefore, much incentive for the Government to promote Bank Rate staying low e.g. by using fiscal policy in conjunction with the monetary policy action by the Bank of England to keep inflation from rising too high, and / or by amending the Bank's policy mandate to allow for a higher target for inflation.

2.2.7 BREXIT - the final agreement on 24 December 2020 eliminated a significant downside risk for the UK economy. The initial agreement only covered trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. There was much disruption to trade in January as form filling has proved to be a formidable barrier to trade. This appears to have eased somewhat since then but is an area that needs further work to ease difficulties, which are still acute in some areas.

2.3 Interest on short term balances

2.3.1 The total amount received in short term interest for the 2020/21 was £107,425 at an average rate of 0.41%, the average base rate for the year was 0.10%. A combination of Bank notice accounts, Local Authority Deposits and Money Market Funds were used over the past 12 months.

2.3.2 Full detail of the interest received has been set out in paragraph 3.7.4

2.4 Long term borrowing

2.4.1 No borrowing was undertaken in 2020/21. The total outstanding loan debt at 31 March 2021 was £10,698,000. There was a single PWLB loan maturity in year on the 31 March for £75,000. The average interest rate on external debt for the year was 4.60%. A further two loans will mature on 30 September 2021 totalling £400,000 at fixed rates of 4.75% and 4.88%.

2.4.2 No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

2.5 Short term borrowing

2.5.1 No borrowing was undertaken on a short-term basis during 2020/21 to date to cover temporary overdraft situations.

3 <u>Prudential Indicators and limits relating to Treasury Management activities</u>

3.1 The limits set for 2020/21

The Strategy Report for 2020/21 set self-imposed prudential indicators and limits. There are on an annual basis and monitored. They comprise:

- Authorised limit for borrowing (see 3.2 below)
- Interest rate exposure (see 3.3 below)
- Maturity structure of debt (see 3.4 below)
- Maturity structure of investments (see 3.5 below)
- Compliance with the treasury management code of practice (see 3.6 below)
- Interest on our investments (see 3.7 below)
- Capital Financing Requirement and Minimum Revenue Provision Statement (see 3.8 below)

None of the limits were exceeded in 2020/21.

3.2 Authorised limit for borrowing

3.2.1 The table below sets out the actual 2019/20, original estimate and actual in 2020/21 for borrowing.

	2019/20 Actual	**2020/21 Original Estimate**	**2020/21 Actual**
	£000	**£000**	**£000**
Opening CFR	**10,773**	**10,773**	**10,773**

Capital Investment	2,756	5,375	2,295
Sources of Finance	(2,325)	(4,944)	(1,939)
MRP	(431)	(431)	(431)
Movement in year	**-**	**(75)**	**(75)**
Closing CFR	**10,773**	**10,698**	**10,698**
less Finance Lease Liability	-	-	-
Underlying Borrowing Requirement	**10,773**	**10,698**	**10,698**
Actual Long Term Borrowing	**10,773**	**10,698**	**10,698**
Over / (Under) Borrowing	-	-	-
Operational Boundary	**10,810**	**10,735**	**11,166**
Authorised Limit	**13,199**	**13,124**	**13,555**

3.2.2 The outturn for 2020/21 shows no under or over borrowing.

3.2.3 The Operational boundary for borrowing was based on the same estimates as the Authorised limit. It reflected directly the authorised borrowing limit estimate without the additional amount for short term borrowing included to allow, for example, for unusual cash movements. The Operational boundary represents a key management tool for in year monitoring and long term borrowing control.

3.2.4 The borrowing limits set in each year include capacity to borrow in advance of need.

3.2.5 The Authorised limit was consistent with the Fire Authority's current commitments, existing plans and the proposals for capital expenditure and financing, and with its approved treasury management policy statement and practices. It was based on the estimate of most likely, prudent but not worst case scenario, with in addition sufficient headroom (short term borrowing) over and above this to allow for day to day operational management, for example unusual cash movements or late receipt of income. Risk analysis and risk management strategies were taken into account as were plans for capital expenditure, estimates of the capital financing requirement and estimates of cash flow requirements for all purposes.

3.2.6 The Authorised limit is the "Affordable Borrowing Limit" required by S3 of the Local Government Act 2003 and must not be breached. The estimated long term borrowing at 31 March 2021 of £10,698,000 is under the Authorised limit set for 2020/21 of £13,555,000.

3.3 Interest rate exposure

3.3.1 The Fire Authority's Prudential Indicator continued the practice of seeking competitive fixed interest rate exposure for borrowing and lending.

	2020/21	**2021/22**	**2022/23**
Interest rate exposures	**Upper**	**Upper**	**Upper**

Limits on fixed interest rates based on net debt*	100%	100%	100%
Limits on variable interest rates based on net debt*	0%	0%	0%

*Net debt is borrowings less investments

3.4 **Maturity structure of debt**

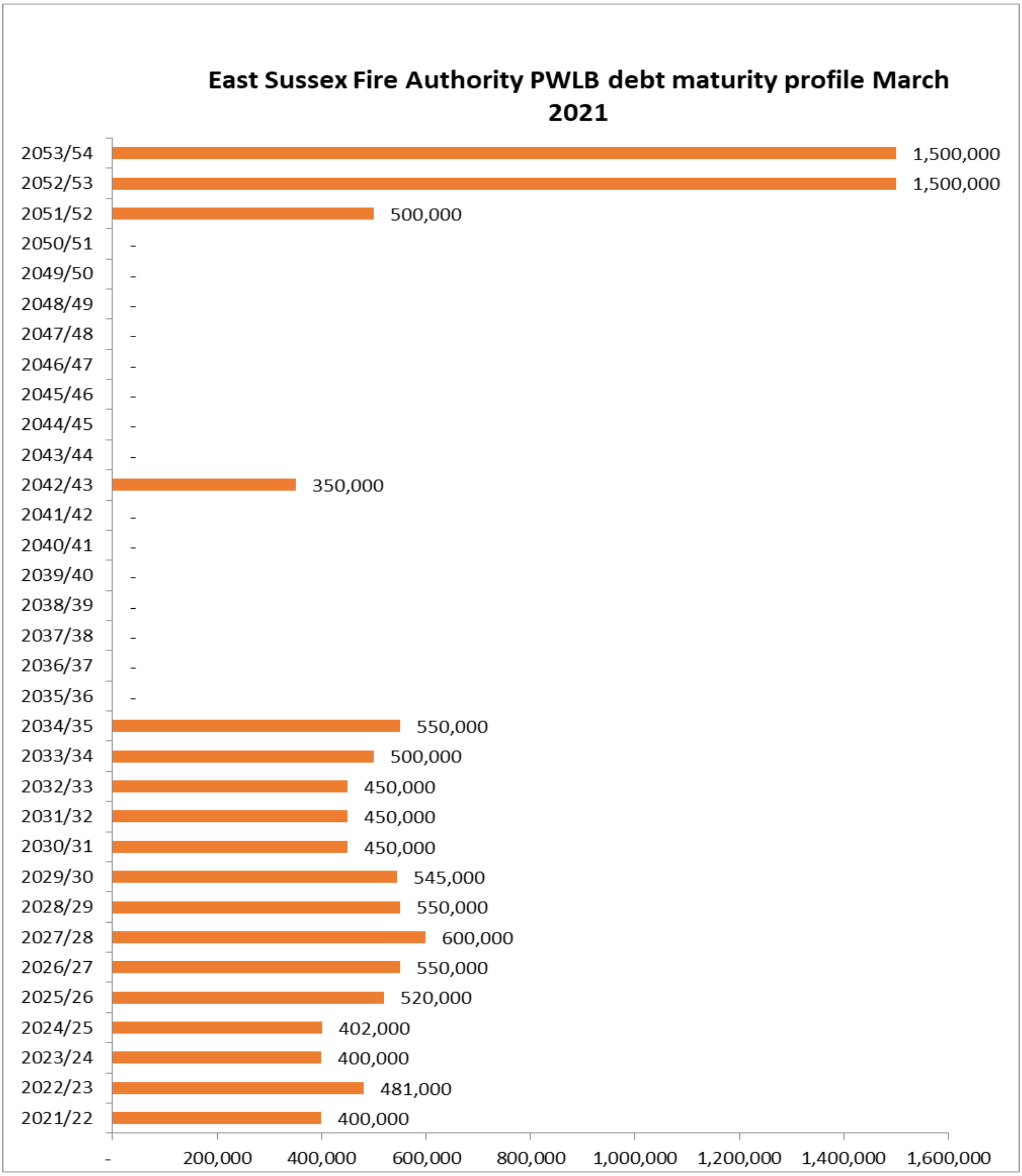
3.4.1 The Fire Authority set upper and lower limits for the maturity structure of its borrowings as follows.

	Lower Limit	**Upper Limit**	**At 31 March 2021**
Under 12 months	0%	25%	4%
12 months and within 24 months	0%	40%	4%
24 months and within 5 years	0%	60%	12%
5 years and within 10 years	0%	80%	21%
10 years and within 20 years	0%	80%	22%
20 years and within 30 years	0%	80%	3%
30 years and within 40 years	0%	80%	32%
Over 40 years	0%	80%	0%

3.4.2 Any new borrowing undertaken would give due consideration to the debt maturity profile, ensuring that an acceptable amount of debt is due to mature in any one financial year. This helps to minimise the authority's exposure to the risk of having to replace a large amount of debt in any future years when interest rates may be unfavourable.

3.4.3 No new borrowing was undertaken in 2020/21. The following graph shows the majority of debt matures in the next 10 to 20 years with some longer dated maturities out to 2053/54. Two loans are to be repaid on the 30 September 2021 totalling £400,000.

3.4.4 PWLB Debt Maturity Profile



3.5 **Maturity Structure of Investments**

3.5.1 The limits below are deemed prudent and will be reviewed in future years.

Principle sums invested for periods longer than 365 days			
	2020/21 £m	**2021/22 £m**	**2022/23 £m**
Limit	2.50	2.50	2.50

3.6 Compliance with the Treasury Management Code of Practice

3.6.1 East Sussex Fire Authority has adopted the CIPFA Code of Practice for Treasury Management in the Public Services.

3.7 Interest on Investments

3.7.1 Base interest rates during 2020/21 were held at 0.10% reduced by the Bank of England as a response to the Covid-19 pandemic in March 2020.

3.7.2 There have been continued uncertainties in the markets during the year as a result of the Covid-19 pandemic and the rapidly changing situation nationally and globally.

3.7.3 The strategy for 2020/21 continued the prudent approach and ensured that all investments were only to the highest quality rated banks and financial institutions up to a period of 3 years based on the estimates of capital expenditure.

3.7.4 The table below sets out the average monthly rate received on our investments and compares it to the Bank of England Base rate to reflect the interest rates available in the market.

Month	**Amount £**	**Monthly rate**	**Margin against Average Base rate**	**Average balance in month £m**
April	12,684	0.60%	+0.50%	25.6
May	13,486	0.62%	+0.52%	25.6
June	11,329	0.55%	+0.45%	25.1
July	10,883	0.50%	+0.40%	25.5
August	10,881	0.43%	+0.33%	29.6
September	9,090	0.38%	+0.28%	29.4
October	8,219	0.34%	+0.24%	28.2
November	7,152	0.32%	+0.22%	26.9
December	7,107	0.33%	+0.23%	25.6
January	6,287	0.30%	+0.20%	24.7
February	4,899	0.27%	+0.17%	23.5
March	5,408	0.29%	+0.19%	22.1
Total in 2020/21	**107,425**	**0.41%**	**+0.31%**	**25.9**

3.7.5 The total amount received in short term interest for the year was £107,425 at an average rate of 0.41%. This was above the average base rates in the same period (0.10%) and reflects the Fire Authority's risk appetite ensuring, so far as possible in the financial climate, the security of principal and the minimisation of risk.

3.7.6 Throughout the year bank notice accounts and fixed term deposits with banks and other Local Authorities were used to invest core balances up to duration of 18 months. Instant access cash money market funds were used to hold liquidity balances to meet day to day creditor requirements. Interest earned by the main liquidity buckets are detailed below.

Investment Type	Liquidity Bucket	Interest Earned 2020/21 (£)
Money Market Funds	Instant Access	10,824
Bank Notice Accounts	95 Day Notice	58,550
Fixed Term Deposits (Banks / Local Authorities)	175 Day Notice / Fixed Term	22,522
	Total in 2020/21	**107,425**

3.7.7 The Treasurer and Officers will continually review the current portfolio and the market situation with regard to the 2020/21 options appraisal. The approach to balance investment decisions in the medium to long term with the planned reduction in reserves and balances in the current economic climate will be a key consideration.

4 <u>Treasury Management Advisors</u>

4.1 The Strategy for 2020/21 explained that the Fire Authority uses Link Asset Services as its treasury management consultant through the contract that exists with East Sussex County Council. A range of services have been provided including:

a) Technical support on treasury matters, capital finance issues and advice on reporting;
b) Economic and interest rate analysis;
c) Debt services which includes advice on the timing of borrowing;
d) Debt rescheduling advice surrounding the existing portfolio;
e) Generic investment advice on interest rates, timing and investme instruments;
f) Credit ratings from the three main credit rating agencies and other market information;
g) Assistance with training on treasury matters.

4.2 Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remained with the Authority. This service remains subject to regular review.

4.3 Link Asset Services is the largest provider of Treasury Management advice services to local authorities in the UK and they claim to be the market-leading treasury management service to their clients and better those offered by competitors. The advice will continue to be monitored regularly to ensure an excellent level of service provided to our authority.

5 <u>Conclusion</u>

5.1 The prime objective of Treasury Management is the effective management of risk and that its activities are undertaken in a prudent affordable and sustainable basis. This report confirms the Authority has continued to follow an extremely prudent approach with the main criteria of security and liquidity before yield. The current emphasis must be to continue to be able to react quickly if market conditions worsen.