Agenda Item No.
EAST SUSSEX FIRE AUTHORITY

Date	9 June 2022
Title of Report	Treasury Management – Stewardship Report for 2021/22
By	Duncan Savage, Assistant Director, Resources/Treasurer
Lead Officer	Richard Carcas, Principal Finance Officer (Treasury Management)
Background Papers	East Sussex Fire Authority - 11 February 2021 – Agenda Item 97 Treasury Management Strategy for 2021/22 East Sussex Fire Authority - 10 February 2022 – Agenda Item 153 Treasury Management Strategy for 2022/23 Policy and Resources Panel - 11 November 2021 – Agenda Item 15: Half yearly report for 2021/22 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 2021/22.

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 increased on three occasions during 2021/22. From the record low of 0.10% on 16th December 2021 to 0.25% again on 3rd February 2022 to 0.50% and finally to 0.75% on the 17th March 2022. The Bank of England has taken steps to modestly increase interest rates to help mitigate inflationary pressure during the latter part of the year.

The average rate of interest received in 2021/22 through Treasury Management Activity was 0.26%. This reflected the Fire Authority's continuing prioritisation of security and liquidity over yield.

No new borrowing was undertaken and two loans totalling £0.400m were repaid during the year. Total loan debt outstanding was £10.298m at at 31st March 2022 and the average interest rate was 4.60%. The next loan repayments are due on the 31st March 2023 (£0.481m) 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 £10.298m.

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.

During the year the Authority has invested in Environmental, Social and Governance (ESG) funds that meet its policy criteria for security and liquidity and offer comparable or better returns than similar non ESG funds.

RECOMMENDATIONS

The Fire Authority is asked to note the Treasury Management Performance for 2021/22.

TREASURY MANAGEMENT-STEWARDSHIP REPORT FOR 2021/22

1 Introduction

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 Department for Levelling Up, Housing & Communities (DLUHC) 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 2021/22 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 2021/22

2.1 Strategy for 2021/22

2.1.1 At its meeting on 11 February 2021, the Fire Authority agreed its Treasury Management Strategy for 2021/22, taking into account the economic scene including forecast levels of interest rates. At the same time, the Treasury Management Policy Statement was agreed for 2021/22 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 2021/22 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 2021, 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 During 2019/20, an option appraisal for the use of alternative investment options was completed. The 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.

2.1.7 Since March 2020 global economic events triggered by the COVID 19 pandemic have caused the Authority to pause consideration of entering into longer duration funds.

2.1.8 It was recommended to increase individual counterparty limits from £4m to £6m with a parameter included to ensure where practical to have no more than 25% of the total investment portfolio held with one single counterparty. This will be monitored by the Assistant Director Resources / Treasurer and reported back to Authority where necessary or appropriate.

2.1.9 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.

2.1.10 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.

2.1.11 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.

2.1.12 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.

2.1.13 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.

2.1.14 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.

Counterparty List:

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	£6m	1 yr
Lloyds Banking Group • Lloyds Bank • Bank of Scotland	UK		£6m	1 yr
Barclays	UK		£6m	1 yr
Santander UK	UK		£6m	1 yr
HSBC	UK		£6m	1 yr
Goldman Sachs IB	UK	Term Deposits	£6m	1 yr
Standard Chartered	UK	Term Deposits	£6m	1 yr
Handelsbanken (UK)	UK	Term Deposits	£6m	1 yr
Individual Money Market Funds (MMF) CNAV and LVNAV	UK/Ireland/ domiciled	AAA rated Money Market Funds	£6m	Liquidity/ instant access
Enhanced Money Market / Cash Funds (EMMFs) VNAV	UK/Ireland/ EU domiciled	AAA Bond Fund Rating	£6m	Liquidity

2.1.15 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.

2.1.16 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.

2.1.17 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

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 2021/22 – Commentary from Link Asset Services (Treasury Management Advisors) in April 2022.

2.2.1 Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021, 0.50% at its meeting of 4th February 2022 and then to 0.75% in March 2022.

2.2.2 The UK economy has endured several false dawns through 2021/22, but with most of the economy now opened up and nearly back to business-as-usual, the GDP numbers have been robust (9% y/y Q1 2022) and sufficient for the MPC to focus on tackling the second-round effects of inflation, now that the CPI measure has already risen to 6.2% and is likely to exceed 8% in April.

2.2.3 Gilt yields fell towards the back end of 2021, but despite the war in Ukraine gilt yields have shot higher in early 2022. At 1.38%, 2-year yields remain close to their recent 11-year high and 10-year yields of 1.65% are close to their recent six-year high. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation.

2.2.4 Historically, a further rise in US Treasury yields will probably drag UK gilt yields higher. There is a strong correlation between the two factors. However, the squeeze on real household disposable incomes arising from the 54% leap in April utilities prices as well as rises in council tax, water prices and many phone contract prices, are strong headwinds for any economy to deal with. In addition, from 1st April 2022, employees also pay 1.25% more in National Insurance tax. Consequently, inflation will be a bigger drag on real incomes in 2022 than in any year since records began in 1955.

2.2.5 *Average inflation targeting*. This was the major change in 2020/21 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 2020 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 mantra now seems very dated. Inflation is the "genie" that has escaped the bottle, and a perfect storm of supply side shortages, labour shortages, commodity price inflation, the impact of Russia's invasion of Ukraine and subsequent Western sanctions all point to inflation being at elevated levels until well into 2023.

2.2.6 *Deglobalisation*. Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last 30 years, which now accounts for 18% of total world GDP (the USA accounts for 24%), and Russia's recent invasion of Ukraine, has unbalanced the world economy. In addition, after the pandemic exposed how frail extended supply lines were around the world, both factors are now likely to lead to a sharp retrenchment of economies into two blocs of western democracies v. autocracies. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China (and to a much lesser extent Russia) to supply products and vice versa. This is likely to reduce world growth rates.

2.2.7 *Central banks' monetary policy*. During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

2.3 Interest on short term balances

2.3.1. The total amount received in short term interest for the 2021/22 was £58,358 at an average rate of 0.26%, the average base rate for the year was 0.19%. A combination of Money Market Funds, Bank Notice Accounts and Local Authority / Bank Fixed Term Deposits 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 2021/22. The total outstanding loan debt at 31 March 2022 was £10,298,000. There was two PWLB loan maturities in year on the 30th September for £158,000 and £242,000. The average interest rate on external debt for the year was 4.60%. A further two loans will mature on 31st March 2023 totalling £481,000 at fixed rates of 6.50% and 4.75%.

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 2021/22 to date to cover temporary overdraft situations.

3 Prudential Indicators and limits relating to Treasury Management activities

3.1 The limits set for 2021/22

The Strategy Report for 2021/22 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 2021/22.

3.2 Authorised limit for borrowing

3.2.1 The table below sets out the actual 2020/21, original estimate and actual in 2021/22 for borrowing.

	2020/21 Actual £000	**2021/22 Original Estimate £000**	**2021/22 Actual £000**
Opening CFR	**10,773**	**10,698**	**10,698**
Capital Investment	2,295	3,768	1,894
Sources of Finance	(1,939)	(3,740)	(1,866)
MRP	(431)	(428)	(428)
Movement in year	**(75)**	**(400)**	**(400)**
Closing CFR	**10,698**	**10,298**	**10,298**
less Finance Lease Liability	-	-	-

Underlying Borrowing Requirement	**10,698**	**10,298**	**10,298**
Actual Long Term Borrowing	**10,698**	**10,298**	**10,298**
Over / (Under) Borrowing	-	-	-
Operational Boundary	**11,166**	**10,776**	**10,776**
Authorised Limit	**13,555**	**13,155**	**13,155**

3.2.2 The outturn for 2021/22 shows no under or over borrowing.

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

3.2.4 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.

3.2.5 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 2022 of £10,298,000 is under the Authorised limit set for 2021/22 of £13,155,000.

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

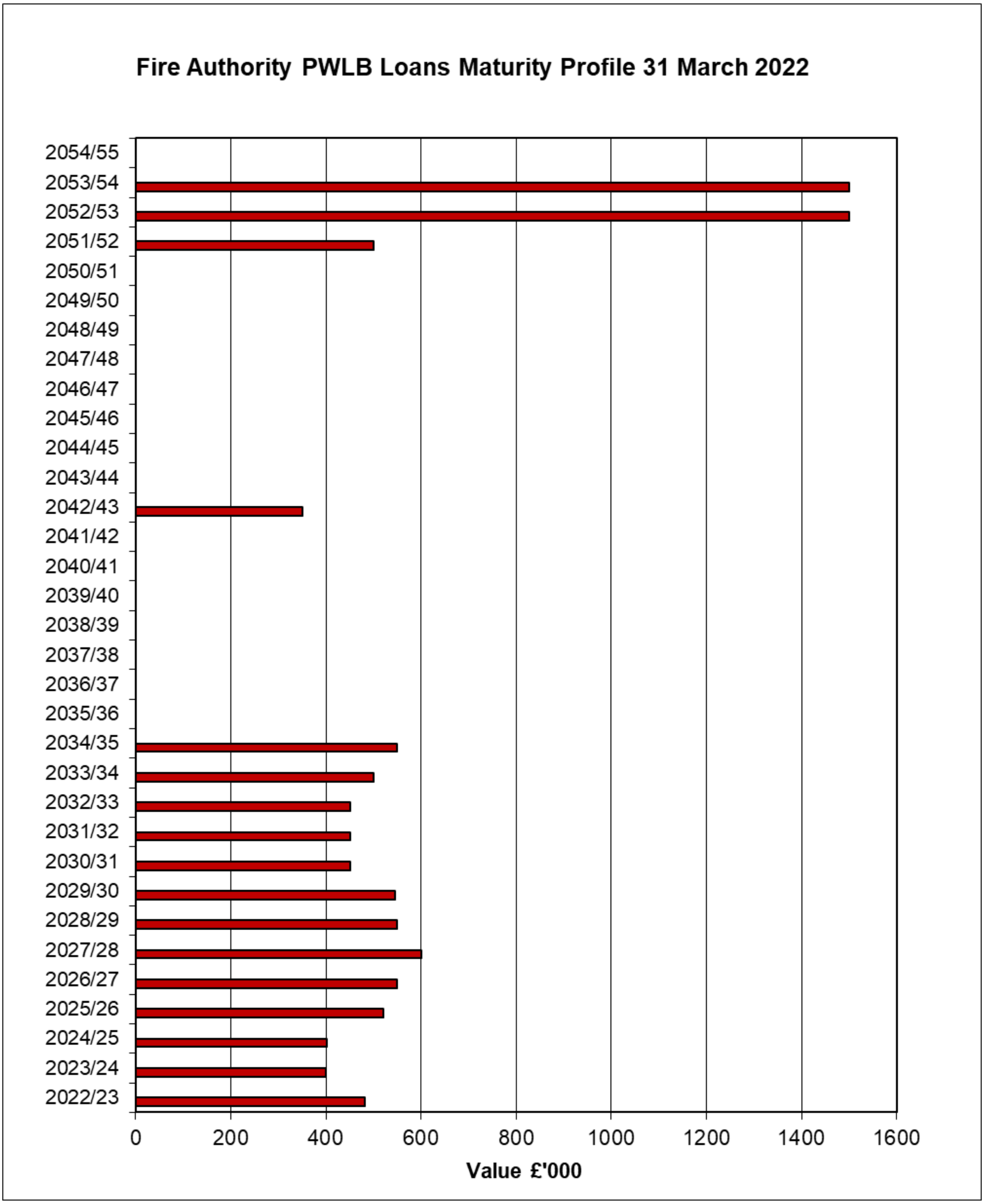
3.4.1 The Fire Authority set upper and lower limits for the maturity structure of its borrowings as follows.

	Lower Limit	Upper Limit	At 31 March 2022
Under 12 months	0%	25%	5%
12 months and within 24 months	0%	40%	4%
24 months and within 5 years	0%	60%	14%
5 years and within 10 years	0%	80%	21%
10 years and within 20 years	0%	80%	19%
20 years and within 30 years	0%	80%	8%
30 years and within 40 years	0%	80%	29%
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 2021/22. 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 31 March 2023 totalling £481,000.

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			
	2021/22 £m	**2022/23 £m**	**2023/24 £m**
Limit	2.50	2.50	2.50

3.6 Compliance with the Treasury Management Code of Practice

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 After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021, 0.50% at its meeting of 4th February 2022 and then to 0.75% in March 2022.

3.7.2 There have been continued uncertainties in the markets during the year due to global supply chain disruption, inflationary pressure and geopolitical turmoil.

3.7.3 The strategy for 2021/22 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	4,780	0.26%	+0.16%	22.1
May	5,096	0.27%	+0.17%	22.6
June	4,922	0.28%	+0.18%	21.3
July	5,094	0.27%	+0.17%	22.1
August	5,290	0.23%	+0.13%	27.6
September	5,058	0.23%	+0.13%	26.8
October	4,657	0.22%	+0.12%	24.6
November	2,812	0.15%	+0.05%	23.1
December	3,373	0.19%	+0.02%	21.1
January	4,102	0.23%	-0.02%	21.0
February	5,212	0.33%	-0.15%	20.6
March	7,962	0.47%	-0.15%	20.0
Total in 2021/22	**58,358**	**0.26%**	**+0.07%**	**22.7**

3.7.5 The total amount received in short term interest for the year was £58,358 at an average rate of 0.26%. This was above the average base rates in the same period (0.19%) 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 2021/22 (£)
Money Market Funds	Instant Access	5,907
Bank Notice Accounts	95 Day Notice	34,534
Fixed Term Deposits (Banks / Local Authorities)	175 Day Notice / Fixed Term	17,917
	Total in 2021/22	**58,358**

3.7.7 The Treasurer and Officers will continually review the current portfolio and the market situation with regard to investments. 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 Treasury Management Advisors

4.1 The Strategy for 2021/22 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 investment 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 Conclusion

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.