

Open Report on behalf of Pete Moore, Executive Director of Finance & Public Protection

Report to:	Overview and Scrutiny Management Board
Date:	29 November 2018
Subject:	Treasury Management - Quarter 2 Update Report 2018/19 to 30 September 2018

Summary:

This report has been prepared in accordance with the reporting recommendations of the CIPFA Code of Practice 2017 and details the Council's treasury management activities for the first half of 2018/19 to 30 September 2018, comparing activity to the Treasury Management Strategy for 2018/19 that was approved by the Executive Councillor for Finance on 20th March 2018. It will also highlight any key issues arising in treasury management during this period. Non treasury investments, as defined by recent Government Investment Guidance, are not included in this report and will be picked up within the Capital Strategy Reporting due later in the year along with the Council Budget Report for 2019/20.

Actions Required:

That the report be noted and any comments to be passed onto the Executive Councillor with responsibilities for Finance.

1. Background

1.1. Treasury Management relates to the policies, strategies and processes associated with managing the cash and debt of the Council through appropriate borrowing and lending activity. It includes the effective control of the risks associated with the lending and borrowing activity and the pursuit of optimum performance consistent with the risks.

1.2. This quarterly update report will be presented in the form of a **quarterly bulletin** that will cover the main issues arising to 30th September 2018 in the following areas:

- Interest rate review, economic overview and revised interest rate forecast.
- Annual investment strategy/ authorised lending list changes during the quarter.
- Investment position and comparison with strategy.

- Borrowing & debt rescheduling position and comparison with strategy.
- Other Treasury Management issues arising during period.

1.3. This quarterly bulletin report can be found at Appendix A.

1.4. For further information, the Council's Authorised Lending List at 30th September 2018, together with a key explaining the credit rating scores can be found in Appendix B.

1.5. For further information, a full list of investments held at 30th September 2018, combined with the creditworthiness list provided by Link Asset Services is shown in Appendix C.

2. Conclusion

The Base Rate was increased by 0.25% to 0.75% on 2nd August 2018 and both Short Term and Long Term Rates have risen accordingly. The Council continues to outperform the investment benchmark by lengthening the Weighted Average Maturity of the Fund. No external borrowing has been undertaken to date. The cost of the Council's borrowing at 30th September 2018 was 4.12%. The Council's internal borrowing level stood at £82.152m at 31st March 2018 with £21.946m of internal borrowing being carried forward in 2018/19 along with capital expenditure and borrowing requirement underspends. Temporary borrowing of £5m was outstanding at 30th September 2018, taken to cover predicted liquidity shortfalls at a cost neutral level.

A Capital Strategy is being formulated to meet the requirements of the new Prudential Code 2017 and will align with the 2019/20 Budget Report. Accounting requirements under IFRS9 – Financial Instruments will be followed and a Strategy Override for 5 Years has been provided by MHCLG to mitigate Balance Sheet problems for Councils as a result of IFRS9. Treasury management training for Members is being arranged for 31st January 2019, which will include guidance on the Capital Strategy.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

Risk & Impact Analysis for Treasury Management forms TMP1 of the Treasury Management Practices, as required by the CIPFA Code of Practice 2017. A Risk Register which details the main risks for Treasury Management has been completed and is reviewed annually. Both the TMPs and the Risk Register are held in the Treasury Files held on IMP at County Offices.

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Quarter 2 Treasury Management Bulletin Report at 30 September 2018 - Lincolnshire County Council.
Appendix B	Authorised Lending List and Credit Rating Key.
Appendix C	Investment Analysis Review at September 2018 - Link Asset Services Ltd.

5. Background Papers

Document title	Where the document can be viewed
Treasury Management Strategy Statement and Annual Investment Strategy 2018/19 -23/3/2018	Lincolnshire County Council, Finance and Public Protection
Council Budget 2018/19 - 23/2/2018	Lincolnshire County Council, Finance and Public Protection

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