

Open Report on behalf of Executive Director of Finance & Public Protection

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| Report to: | Overview and Scrutiny Management Board |
| Date: | 28 February 2019 |
| Subject: | Treasury Management - Quarter 3 Update Report 2018/19 to 31 December 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 to Quarter 3 of 2018/19 31 December 2018, comparing activity to the Treasury Management Strategy for 2018/19 that was approved by the Executive Councillor for Resources and Communications 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 are picked up within the Capital Strategy reporting along with the Council Budget Report for 2019/20.

Actions Required:

The Overview and Scrutiny Management Board is invited to

1. Note the contents of the report.
2. Pass on any comments to the Executive Councillor for Resources and Communications.

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 31st December 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 and debt rescheduling position and comparison with strategy.
- Other Treasury Management issues arising during the 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 31st December 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 31st December 2018, combined with the creditworthiness list provided by Link Asset Services is shown in Appendix C.

2. Conclusion

Key Points Summary:

- Short term and long terms rates have moved in line with the Strategy forecast, although long terms rates have fallen recently over Brexit concerns.
- A no deal Brexit poses the most significant risk to treasury management, with potential adverse impact on economic growth and inflation.
- Outperformance on investment return again for the risk level adopted. This is due to longer term investments compared to other authorities, and may reflect differing liquidity needs.
- External borrowing in the quarter of £20m undertaken at average rate of 2.43% leaving total cost of debt portfolio at 4.02%.
- £10 LOBO from RBS restructured into PWLB debt in quarter, saving £1.324m over 42 years.
- Temporary borrowing of £4m outstanding at quarter end taken to cover drops in liquidity when required. The cost of this debt was below current money market rate levels, and hence cost neutral for Council.
- All prudential limits have been adhered to with no breaches
- Regulation changes to Money Market Funds been delayed – no real impact to Council.
- Treasury management training was provided for members on 31/01/19.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

Risk and 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

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| These are listed below and attached at the back of the report | |
| Appendix A | Quarter 3 Treasury Management Bulletin Report at 31 December 2018 - Lincolnshire County Council. |
| Appendix B | Authorised Lending List and Credit Rating Key. |
| Appendix C | Investment Analysis Review at December 2018 - Link Asset Services Ltd. |

5. Background Papers

| Document title | Where the document can be viewed |
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| 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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