

**REPORT OF CHAIRMAN OF FINANCE AND MAJOR CONTRACTS
MANAGEMENT COMMITTEE**

TREASURY MANAGEMENT MID-YEAR REPORT 2018/19

Purpose of the Report

1. To provide a mid-year review of the Council's treasury management activities in 2018/19 for the 6 months to 30 September 2018.
2. To seek approval to vary the treasury management (TM) policy with regard to Pension Fund cash, which is managed separately from Council cash but up to now has adopted the same TM policy.

Information

3. Treasury management is defined as "the management of the council's investments and cashflows; 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".
4. County Council approves the Treasury Management Policy and Strategy and also receives mid-year and full year outturn reports. The Council delegates responsibility for the implementation, scrutiny and monitoring of its treasury management policies and practices to the Treasury Management Group, comprising the Service Director (Finance, Infrastructure & Improvement), the Group Manager (Financial Management), the Senior Accountant (Pensions & Treasury Management) and the Senior Accountant (Financial Strategy & Compliance).
5. In the first half of 2017/18, borrowing and investment activities have been in accordance with the approved limits as set out in the Council's Treasury Management Policy and Strategy. Appendix A provides a detailed report on the treasury management activities and Appendix B provides a breakdown of the transactions during the period. The main points to note are:
 - All treasury management activities were undertaken by authorised officers within the limits agreed by the Council.
 - All investments were made to counterparties on the Council's approved lending list.
 - £10m of new borrowing has been raised since the start of the financial year, and £7.9m of existing debt has been redeemed on maturity.
 - Over the 6 month period the Council earned 0.65% on its short-term lending, performing better than the average 7 day London Inter-Bank Bid (LIBID) rate of 0.56%.

6. Up to now Pension Fund cash has always been managed using the same treasury management policy as Council cash. The Council's cash balances are managed according to the principles of security, liquidity and yield, but Pension Fund cash, while needing to be managed securely, serves a different role, leavening the effect of some of the more volatile assets like equities. Cash holdings must grow in proportion to the Fund size, and so it has now become necessary to increase the limits on deposits of cash made by the Fund in the money market funds (MMFs) it uses. It is therefore proposed to increase the limit on each approved Pension Fund MMF cash balance from £20m to £40m.

Reasons for Recommendation/s

7. It is considered good practice for Members to consider treasury management planned and actual performance at least three times per financial year, firstly in the Strategy Report before the start of the year, then in this Mid-Year Report, and also in the Outturn Report, after the close of the financial year.
8. Although managed separately from the County Council's cash, the Pension Fund has heretofore adopted the same cash management policy as the Council. It is now necessary to vary this, and this needs to be approved by the County Council, which is the administering authority for the Pension Fund.

Statutory and Policy Implications

9. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

10. The money market funds selected by the Council for depositing cash balances are highly liquid and meet strict criteria to ensure a high credit rating. Increasing the limit on each MMF to £40m necessarily increases the Pension Fund's exposure in this area, but as MMFs are considered to be one of the lowest risk investments in the money markets, the risk associated with this increased exposure is negligible.

RECOMMENDATION/S

- 1) That County Council members approve the actions taken by the Section 151 Officer to date as set out in the report.
- 2) That County Council members approve the new policy relating to Pension Fund cash balances invested in money market funds.

Councillor Richard Jackson
Chairman of Finance and Major Contracts Management Committee

For any enquiries about this report please contact:

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Constitutional Comments (SLB 02/11/2018)

11. This is mainly an updating information report and the County Council is the correct body for considering that information. The County Council is also the administering authority for the Pension Fund and is therefore the correct body for considering changes to the Pension Fund's cash management policy.

Financial Comments (TMR 02/11/18)

12. The financial implications are set out in paragraph 10.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All