

## **REPORT TO EXECUTIVE**

**Date of Meeting: 8 October 2019**

## **REPORT TO COUNCIL**

**Date of Meeting: 15 October 2019**

**Report of: Chief Finance Officer**

### **Title: Amendment to the Treasury Management Strategy**

#### **Is this a Key Decision?**

No

\* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

#### **Is this an Executive or Council Function?**

Council

#### **1. What is the report about?**

- 1.1 The report seeks Member approval to amend the Treasury Management Strategy to increase the monetary limit that can be invested in the money market funds from £5 million each to £10 million each and to increase the money that can be invested in Lower Tier Local Authorities from £3 million to £5million.

#### **2. Recommendations:**

- 2.1 **It is recommended that the Executive recommends to Council to approve:**

(i) **The revision of the Treasury Management Strategy**

#### **3. Reasons for the recommendation:**

- 3.1 The future cash flow forecast included planned borrowing as part of the 2019/20 capital programme. In order to take advantage of current low borrowing rates the decision has been taken by the Section 151 Officer and the Leader of the Council to borrow £49.45 million from the Public Works Loans Board (PWLB). In order to invest this money in the short term it is proposed to amend the existing Treasury Management Strategy.

#### **4. What are the equality and diversity impacts of the decision?**

- 4.1 There are no significant equality and diversity impacts associated with this decision.

#### **5. What are the resource implications including non financial resources**

- 5.1 Treasury Management is carried out by the Finance team of the Council, with advice procured from a specialist advisor. Prudent Treasury Management supports the Council's financial position by generating interest on investment /deposits and seeking to minimise the amount of interest paid on borrowing.

#### **6. Section 151 Officer comments:**

- 6.1 The amendment is necessary to enable the Council to safely manage the risk of holding too much cash in one pace. Money Market Funds help this as the cash invested is held across a number of financial institutions, thus limiting the amount held by one bank.

## 7. What are the legal aspects?

- 7.1 In February 2012 the Council adopted the updated *CIPFA Treasury Management in the Public Services: Code of Practice*. Adoption of the Code is required by regulations laid under the Local Government Act 2003.

## 8. Monitoring Officer's comments:

- 8.1 This report raises no issues for the Monitoring Officer.

## 9. Report Details:

### Amendment to the Treasury Management Strategy

- 9.1 The Council approved the 2019/20 Treasury Management Strategy at its meeting on 26 February 2019. There were no significant changes to the strategy, the stated investment strategy was to continue to hold only small surplus funds and to seek to utilise its Call Accounts, Money Market Funds, use the Government's Debt Management Office and use short dated deposits which would be placed with Local Authorities.

### 9.2 Borrowings

The Strategy stated that the on-going borrowing requirement would be monitored and a decision of whether to take the planned borrowing would need to be made in light of need and current and forecast interest rates. This decision was delegated to the Section 151 Officer and the Leader of the Council.

To take advantage of current low borrowing rates the decision was taken to borrow £49.45 million from the PWLB on 26 September 2019. The Council now has a surplus of funds to invest in the short term.

Details of existing borrowing and the new loans are shown on the table below:

Amount	Lender	Interest rate	Date of repayment
<b>Existing Borrowing</b>			
£10,000,000	London Borough of Wandsworth	0.90%	05/12/2019
£56,884,000	PWLB	3.48%	28/03/2062
£2,200,000	PWLB	2.34%	11/01/2044
£2,150,000	PWLB	2.08%	04/04/2044
<b>New Loans</b>			
£4,650,000	PWLB	1.61%	26/09/2049
£8,800,000	PWLB	1.71%	26/09/2054
£36,000,000	PWLB	1.80%	26/09/2069

### 9.3 Investments

The Council needs the ability to hold the £49.45 million in short term investments that can be accessed relatively quickly as the need to spend the money arises. Therefore, it is proposed to amend the monetary limit of the money market funds from £5 million each to £10 million each. It is also proposed to increase the monetary limit for Lower Tier Local Authorities from £3 million to £5 million in-line with the Upper Tier Authority limit.

The revised limits are shown below:

In-house investment	Monetary limit <sup>1</sup>	Time limit
UK owned banks and building societies holding short-term credit ratings no lower than F1+ and P-1	£4m each	12 months
Foreign owned banks that deal in sterling holding short-term credit ratings no lower than F1+ and P-1	£3m each	9 months
UK owned banks and building societies holding short-term credit ratings no lower than F1 and P-1	£3m each	6 months
Money market funds <sup>2</sup> and similar pooled vehicles holding the highest possible credit ratings (AAA)	£10m each	Daily Review
Property Funds	£10m each	Not Applicable
UK Central Government	no limit	12 months
UK Local Authorities <sup>3</sup> Upper Tier	£5m each	12 months
Lower Tier	£5m each	12 months

<sup>1</sup> banks within the same group ownership are treated as one bank for limit purposes

<sup>2</sup> as defined in the Local Authorities (Capital Finance and Accounting) Regulations 2003

<sup>3</sup> as defined in the Local Government Act 2003

**10. How does the decision contribute to the Council's Corporate Plan?**

Treasury Management supports the Council in generating additional funds for investing in Services, whilst minimising the amount of interest paid on borrowings. It does not in itself contribute to the Council's Corporate Plan.

**11. What risks are there and how can they be reduced?**

The council uses Treasury Management advisors who continually provide updates on the economic situation, interest rates and credit ratings of financial institutions. They also provide a counterparty list which details the financial institutions which meet the council's Treasury Management strategy.

**12. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?**

No impact

**13. What other options are there, and why have they been dismissed?**

There are no other options.

**DAVE HODGSON**  
**Chief Finance Officer**

**Author:**  
Nicola Matthews-Morley

**Local Government (Access to Information) Act 1972 (as amended)**  
**Background papers used in compiling this report:**  
None

Contact for enquiries:  
Democratic Services (Committees)  
Room 2.3  
(01392) 265275