



Buckinghamshire & Milton Keynes Fire Authority

MEETING	Overview and Audit Committee
DATE OF MEETING	11 March 2020
OFFICER	Mark Hemming, Director of Finance & Assets
LEAD MEMBER	Councillor David Watson
SUBJECT OF THE REPORT	Treasury Management Performance 2019/20 - Quarter 3
EXECUTIVE SUMMARY	<p>This report is being presented to provide the treasury investment position as at the end of the third quarter. It is best practice to review on a regular basis how Treasury Management activity is performing.</p> <p>The accrued interest earned for the first 3 quarters of 2019/20 is £150k, which is £37.5k higher than the budget for the period.</p>
ACTION	Noting
RECOMMENDATIONS	That the Treasury Management Performance 2019/2020 – Quarter 3 report be noted.
RISK MANAGEMENT	<p>Making investments in the Authority's own name means that the Authority bears the risk of any counterparty failure. This risk is managed in accordance with the strategy and with advice from external treasury management advisors.</p> <p>The Director of Finance and Assets, will act in accordance with the Authority's policy statement; Treasury Management Practices and CIPFA's Standard of Professional Practice on Treasury Management.</p> <p>The risk of counterparty failure is monitored on the directorate level risk register within Finance and Assets.</p> <p>There are no direct staffing implications.</p>
FINANCIAL IMPLICATIONS	The budget for 2019/20 relating to interest earned on balances invested is £150k. Performance against the budget is included within Appendix A.
LEGAL IMPLICATIONS	The Authority is required by section 15(1) of the Local Government Act 2003 to have regard to the Department for Communities and Local Government Guidance on Local Government Investments; and by regulation 24 of the Local Authorities (Finance and Accounting) (England) Regulations 2003 [SI 3146] to

	have regard to any prevailing CIPFA Treasury Management Code of Practice
CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE	No direct impact.
HEALTH AND SAFETY	No direct impact.
EQUALITY AND DIVERSITY	No direct impact.
USE OF RESOURCES	See Financial Implications.
PROVENANCE SECTION & BACKGROUND PAPERS	Treasury Management Policy Statement, Treasury Management Strategy Statement and the Annual Investment Strategy: http://bucksfire.gov.uk/files/1614/4827/6491/ITEM_8_Treasury_Management_Strategy_2016-17_FINAL.pdf Treasury Management Practices: https://bucksfire.gov.uk/files/4314/5527/8969/OA250913.compressed.pdf
APPENDICES	Appendix A – Treasury Management Performance 2019/20 – Quarter 3
TIME REQUIRED	5 minutes.
REPORT ORIGINATOR AND CONTACT	Linda Blunt lblunt@bucksfire.gov.uk 01296 744404

Appendix A – Treasury Management Performance 2019/20 – Quarter 3

Background

Up until 31 March 2013, the Authority's cash balances were managed by Buckinghamshire County Council (BCC) under a Service Level Agreement (SLA). From 2013/14 the Authority began investing in its own name. This report highlights the performance to date of the in-house treasury management function for 2019/20.

Security of Investments

The primary investment priority as set out in the Treasury Management Policy Statement is the security of capital. The Authority applies the creditworthiness service provided by Link. This determines whether or not a counterparty is suitable to invest with and if so, the maximum duration an investment could be placed with them. In the Annual Investment Strategy (AIS), the Authority resolved that the balances invested with any single counterparty at any point in time would be 30% of the total investment portfolio to a maximum of £5m (with the exception of Lloyds Bank, who as our banking provider that have a limit of £7.5m, of which at least £2.5m must be instant access). The amount invested with each counterparty on the approved lending list as at 31 December 2019 is detailed below:

Counterparty	Amount (£000)
Lloyds Bank	5,000
Nottingham Building Society	2,000
Principality Building Society	2,000
Warrington Borough Council	2,000
Newcastle Building Society	1,000
Thurrock Borough Council	1,000
West Bromwich Building Society	1,000
Lloyds Bank (Current Accounts)	541
Total	14,541

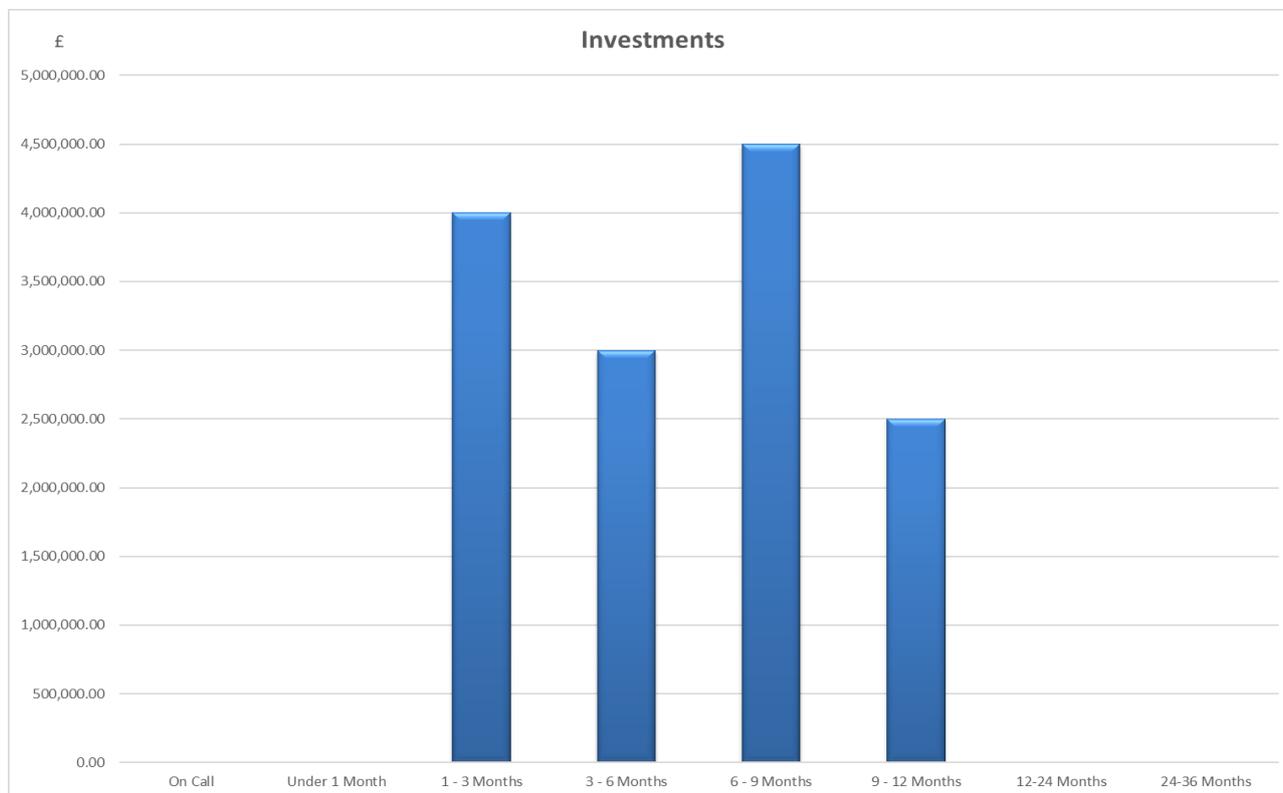
No counterparty limits were breached during Quarter 3.

In its AIS the Authority also resolved that all credit ratings will be monitored weekly, by means of the Link creditworthiness service. During Quarter 3 Link made no relevant changes to the counterparty listing.

Liquidity

Investments

The second objective set out within the Treasury Management Policy Statement is the liquidity of investments (i.e. keeping the money readily available for expenditure when needed). Investments have been placed at a range of maturities, including having money on-call in order to maintain adequate liquidity. The current investment allocation by remaining duration can be seen on the chart below:

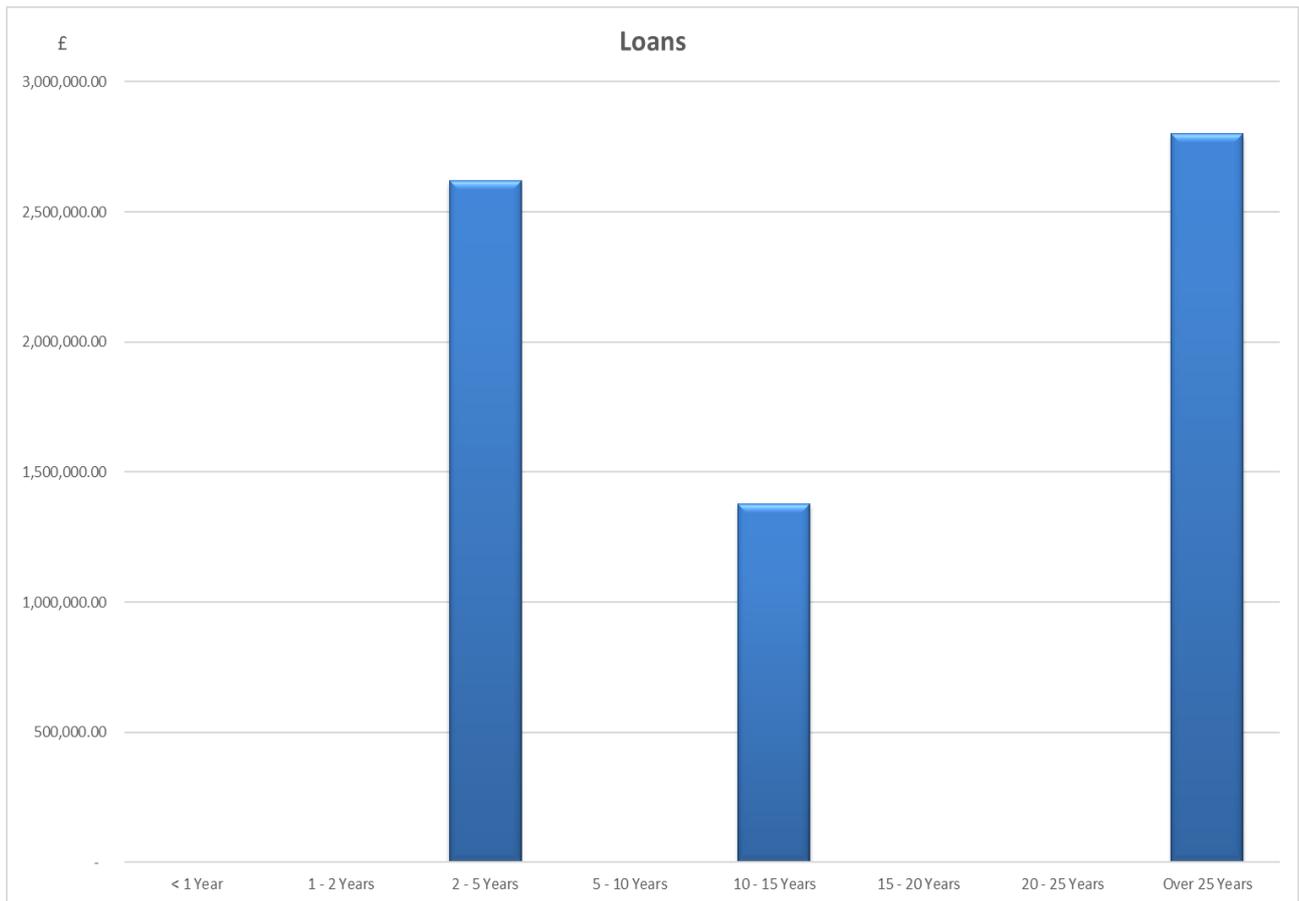


In order to cover expenditure such as salaries, pensions, creditor payments, and potential liabilities for which we have made provisions within the Statement of Accounts, the balances are invested as short fixed-term deposits.

There are six investments currently falling in the 1-3 and 3–6 month periods. These were all originally invested for different terms and will be re-invested for varying terms upon maturity in order to maintain liquidity and meet future commitments. The Authority continues to hold Money Market Funds to help improve the liquidity of the Authority’s balances. However, there is currently no money invested in these funds due to the timing of payments relating to the Blue Light Hub. This is expected to change during the next financial year. By investing collectively, the Authority benefits from liquidity contributed by others and from the knowledge they are all unlikely to need to call on that money at the same time.

Borrowing

As part of managing the liquidity of investments, it is important to have regard to the maturity structure of outstanding borrowing. This can be seen in the following chart:



The total borrowing outstanding as at 31 December 2019 is £6.797m. No further debt repayment is due until May 2022. These repayments do not directly affect the revenue budget, as they simply reflect the use of cash accumulated by setting aside the appropriate minimum revenue provision (MRP) to settle the outstanding liability.

Investment Yield

Having determined proper levels of security and liquidity, it is reasonable to consider the level of yield that could be obtained that is consistent with those priorities.

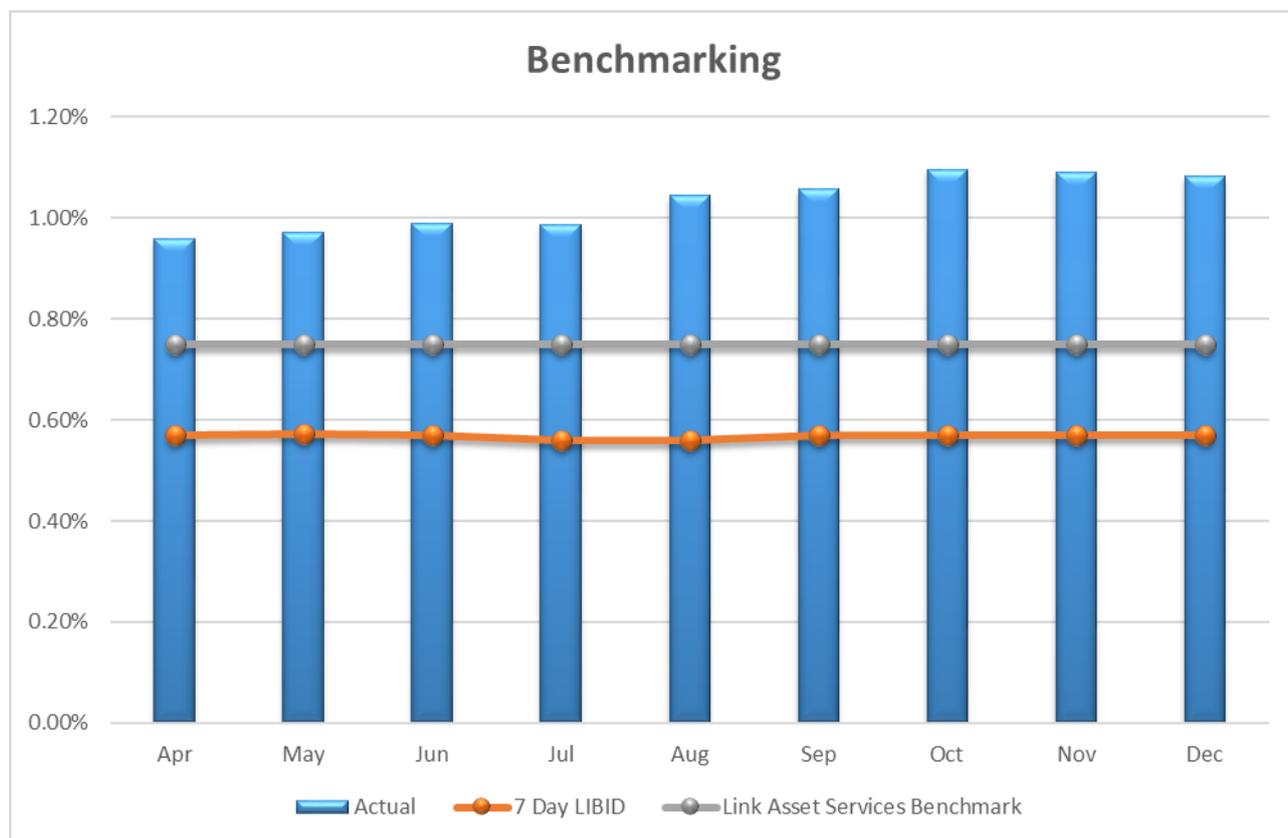
Performance Against Budget – Quarter 3

The budget for future years was reviewed as part of the Medium Term Financial Plan process and the income target for 2019/20 is £150k. This has not increased for 2019/20 due to the continuing spend on the Blue Light Hub at West Ashlands, Milton Keynes. It is expected that there will be less funds available for investments, hence the potential to realise greater interest is diminished. The accrued interest earned as at 31 December 2019 is £150k against the planned budget of £112.5k for the first three quarters of the year, which is an over achievement of £37.5k. It should be noted that £26.5k of this is due to the interest achieved from making an advance payment in respect of the Employers contribution to the LGPS of £1.3m, achieving £36k interest per year for the current year.

Performance Against the Benchmark – Quarter 3

The relative performance of the investments is measured against two benchmark figures:

- 7 day LIBID – this is the rate the Authority would have earned on all balances had the SLA with BCC continued into future years
- Link benchmark – this is the indicative rate that Link advised we should be looking to achieve for 2019/20 at the start of the year
- The weighted average rate (%) is compared to the two benchmark figures in the following chart for each month:



The Authority has out-performed both benchmark figures for the year. This is predominantly due to the Authority investing for longer durations with Local Authorities and other counterparties in the previous year.

It must also be noted that the level of funds available for investment have reduced and going forward, they will continue to do so as they are being used to fund the build of the Blue Light Hub at West Ashlands, Milton Keynes. The Authority will continue to re-invest any surplus funds with varying maturity dates to ensure we make a return and have sufficient liquidity to cover the day to day expenditure.