

## **Audit & Governance Committee**

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**Date of Meeting:** 28 May 2020

**Report Title:** Treasury Management Update

**Senior Officer:** Alex Thompson, Director of Finance & Customer Services

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### **1. Report Summary**

- 1.1. To provide an update on the implications for the Council's Treasury Management Strategy in response to the receipt of government funding for the Covid-19 emergency.

### **2. Recommendation/s**

- 2.1. That Members note the report and support the actions taken.

### **3. Reasons for Recommendation/s**

- 3.1. As part of its governance role the Committee is required to review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.

### **4. Other Options Considered**

- 4.1. Not applicable

### **5. Background**

- 5.1. As part of the response to the COVID-19 emergency Central Government are supporting Local Government by providing grant funding to enable Council's to respond to Coronavirus pressures across all the services they provide. On 27<sup>th</sup> March 2020 Cheshire East received £9.2m from the government's £1.6bn emergency fund for local authorities. Subsequently it is also worth noting that the government has increased the emergency support and is further assisting with cash flow by deferring business rate payments and paying social care grants up front.

- 5.2. On 1<sup>st</sup> April 2020 the Council was paid £95.5m by the Ministry of Housing, Communities and Local Government (MHCLG) to passport to small businesses as grants. The mechanism to make payments is taking time as the Council obtains and verifies bank details from eligible businesses. As a result, the Council is required to hold large amounts of cash requiring placement within suitable deposit accounts.
- 5.3. For the Council to hold this amount of cash at any point in time is highly unusual and the Treasury Management Strategy, as approved by Council in February 2020, does not support such large investments with any single organisation (counterparty). The parameters within the Strategy are relatively low, in-line with advice from the Council's treasury management advisors and generally accepted best practice, as this avoids the risk of a single counterparty becoming insolvent and the Council losing a potentially large percentage of its funds.
- 5.4. Overnight this amount was distributed as far as practical, whilst avoiding the need to introduce new counterparties at this time. This caused the following investments to maximise or exceed parameters within the strategy.

**Table 1:**

**Investments exceeded the Treasury Management Strategy Limit with 6 Counterparties as at 1 April 2020**

Counterparty		Investment	TMS Limit
		£	£
<b>Money Market Funds</b>			
CCLA		500,000	12,000,000
Federated		20,400,000	12,000,000
Aberdeen		19,000,000	12,000,000
Morgan Stanley		18,000,000	12,000,000
Deutsche		18,000,000	12,000,000
<b>Total MMF's</b>		<b>75,900,000</b>	<b>50,000,000</b>
Barclays		14,050,000	6,000,000
Handelsbanken		10,000,000	6,000,000
Santander	35 day notice	6,000,000	6,000,000
Derbyshire County Council	Fixed to 06/05/20	12,000,000	12,000,000
West Sussex County Council	Fixed to 15/05/20	10,000,000	12,000,000
<b>TOTAL</b>		<b>127,950,000</b>	<b>92,000,000</b>

5.5 As the small business grants are paid out by the Council, the levels of investment have reduced overall and complied with the limits within the Strategy from 24<sup>th</sup> April 2020. Table 2 provides details of the latest position.

**Table 2:**

**Investments as at 15<sup>th</sup> May 2020; all counterparties are within limits**

Counterparty	Type	Investment £	TMSS Limit £
<b>Money Market Funds</b>			
CCLA		500,000	12,000,000
Federated		8,790,000	12,000,000
Aberdeen		12,000,000	12,000,000
Morgan Stanley		3,650,000	12,000,000
Deutsche		9,400,000	12,000,000
<b>Total MMF's</b>		<b>34,340,000</b>	<b>50,000,000</b>
Barclays		1,000,000	6,000,000
Handelsbanken		5,000,000	6,000,000
Santander	35 day notice	6,000,000	6,000,000
Debt Mgmt Deposit A/c		0	Unlimited
<b>TOTAL</b>		<b>46,340,000</b>	
<b>Strategic Investments</b>			
CCLA	Property Fund	7,500,000	12,000,000
Kames	Multi Asset Fund	5,000,000	12,000,000
Fidelity	Equity Fund - Global	4,000,000	12,000,000
Schroders	Equity Fund - UK	2,500,000	12,000,000
M&G	Bond Fund	1,000,000	12,000,000
<b>TOTAL</b>		<b>20,000,000</b>	
<b>TOTAL ALL INVESTMENTS</b>		<b>66,340,000</b>	

5.6 Treasury Management transactions are authorised by the S.151 Officer, but Council agree the TMS limits as part of the Medium Term Financial Strategy. The temporary exceeding of Treasury Management Strategy Limits was reported by the s.151 Officer to the Chief Executive, Portfolio Holder for Finance, ICT & Communications and the Chair of the Audit & Governance Committee as it was considered a more appropriate response to the emerging situation than introducing new counterparties with potentially different risks. As the situation was only temporary in nature there is no proposal to amend the strategy at this point in time.

## **6. Implications of the Recommendations**

### **6.1. Legal Implications**

6.1.1. There are no legal implications identified.

### **6.2. Finance Implications**

6.2.1. As covered in the report.

### **6.3. Policy Implications**

6.3.1. There are no policy implications identified.

### **6.4. Equality Implications**

6.4.1. There are no equality implications identified.

### **6.5. Human Resources Implications**

6.5.1. There are no human resources implications identified.

### **6.6. Risk Management Implications**

6.6.1. The Council operates its treasury management activity within the approved Treasury Management Code of Practice and associated guidance.

### **6.7. Rural Communities Implications**

6.7.1. There are no direct implications for rural communities.

### **6.8. Implications for Children & Young People / Cared for Children**

6.8.1. There are no direct implications for children and young people.

### **6.9. Public Health Implications**

6.9.1. There are no direct implications for public health.

### **6.10 Climate Change Implications**

6.10.1. There are no direct implications for climate change.

## **7. Ward Members Affected**

7.2. Not applicable.

## **8. Access to Information**

8.2. The background papers relating to this report can be inspected by contacting the report writer.

## **9. Contact Information**

9.2. Any questions relating to this report should be directed to the following officer:

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