

## Appendix 1 – Treasury Management Performance 2020/21

### Background

Up until 31 March 2013, the Authority's cash balances were managed by Buckinghamshire Council (BC) under a Service Level Agreement (SLA). From 2013/14 the Authority began investing in its own name. Since the treasury management function has been managed in-house, the Authority has achieved investment returns of £1.269m between 2013/14 and 2020/21. This is in comparison to the returns of £0.539m the Authority would have earned through BC and the SLA for the same period.

This report highlights the performance to date of the in-house treasury management function for 2020/21. It is worth noting that the interest receivable from BC under the SLA on the 2020/21 average balance of £13m would have been -£9k using the 7-day LIBID rates.

### 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 March 2021 is detailed below:

<b>Counterparty</b>	<b>Amount (£000)</b>
Lloyds Bank	3,500
Close Brothers	3,000
Newcastle Building Society	2,000
Santander	2,000
CCLA Money Market Fund	1,001
Aberdeen Money Market Fund	501
Lloyds Bank (Current Accounts)	2,082
<b>Total</b>	<b>14,084</b>

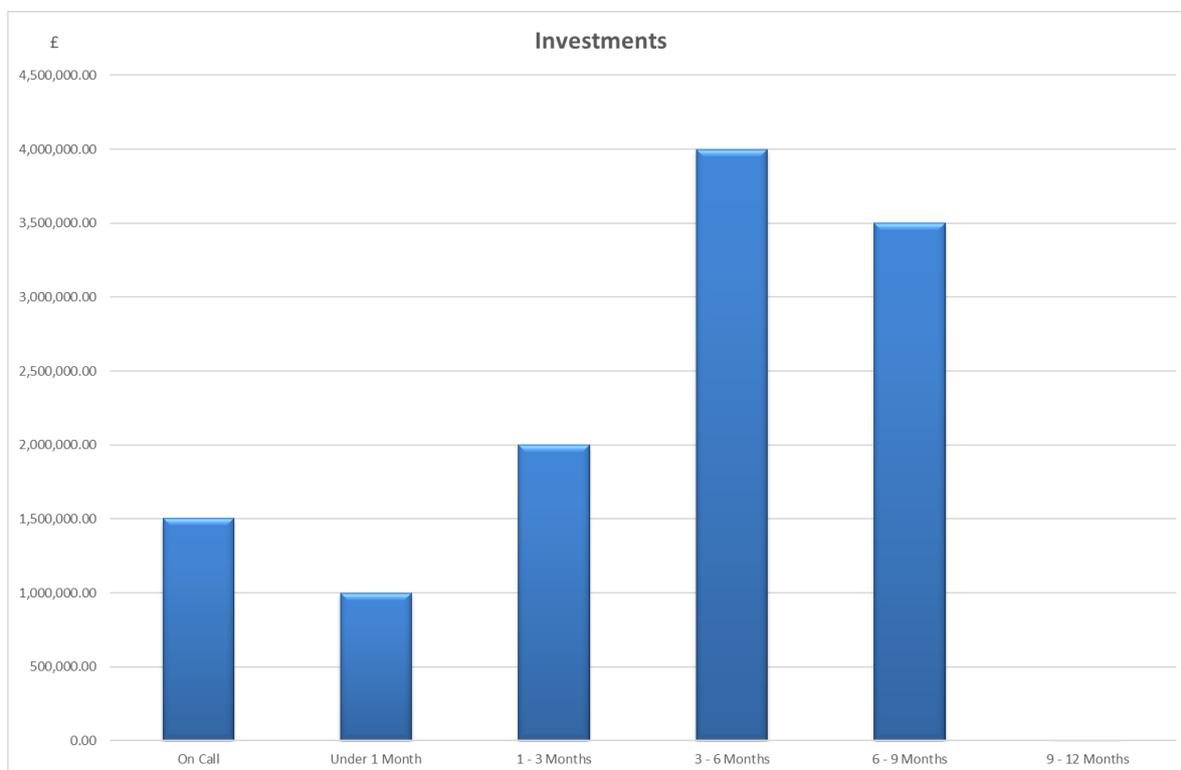
During this period, no counterparty limits were breached.

In its AIS the Authority also resolved that all credit ratings will be monitored weekly, by means of the Link creditworthiness service. During quarter 4 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:

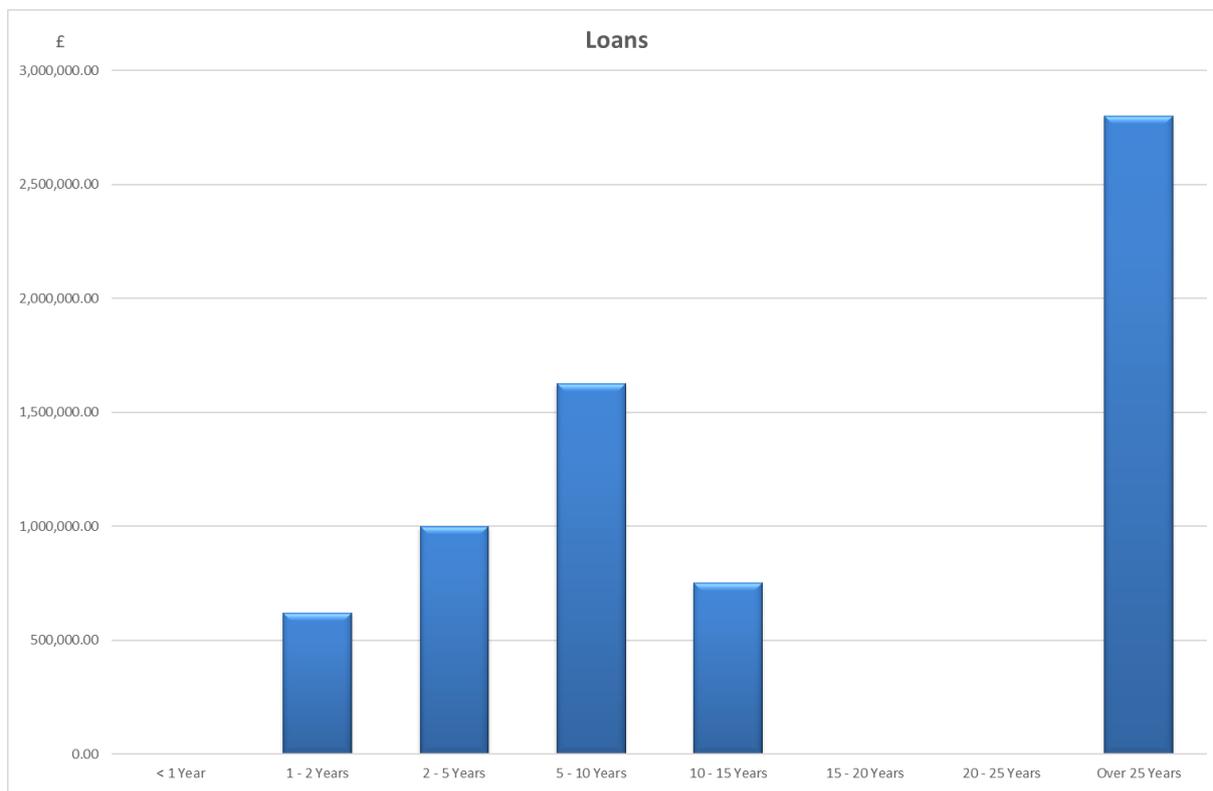


In order to cover expenditure such as salaries, pensions, creditor payments, and potential liabilities for which the Authority have made provisions within the Statement of Accounts, the balances are invested as short fixed-term deposits.

There are five investments currently falling in the 1-3 and 3-6 month periods. These mature one each month for the next five months and 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. 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 March 2021 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. At the Fire Authority meeting in February 2020, the Authority approved an increase in the Authorised Limit by £2m with immediate effect in-case short-term borrowing is required to effectively manage cashflow. This additional borrowing headroom was not utilised, primarily due to the timing of the receipt of £2m from South Central Ambulance Service for their contribution towards the Blue Light Hub.

### **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

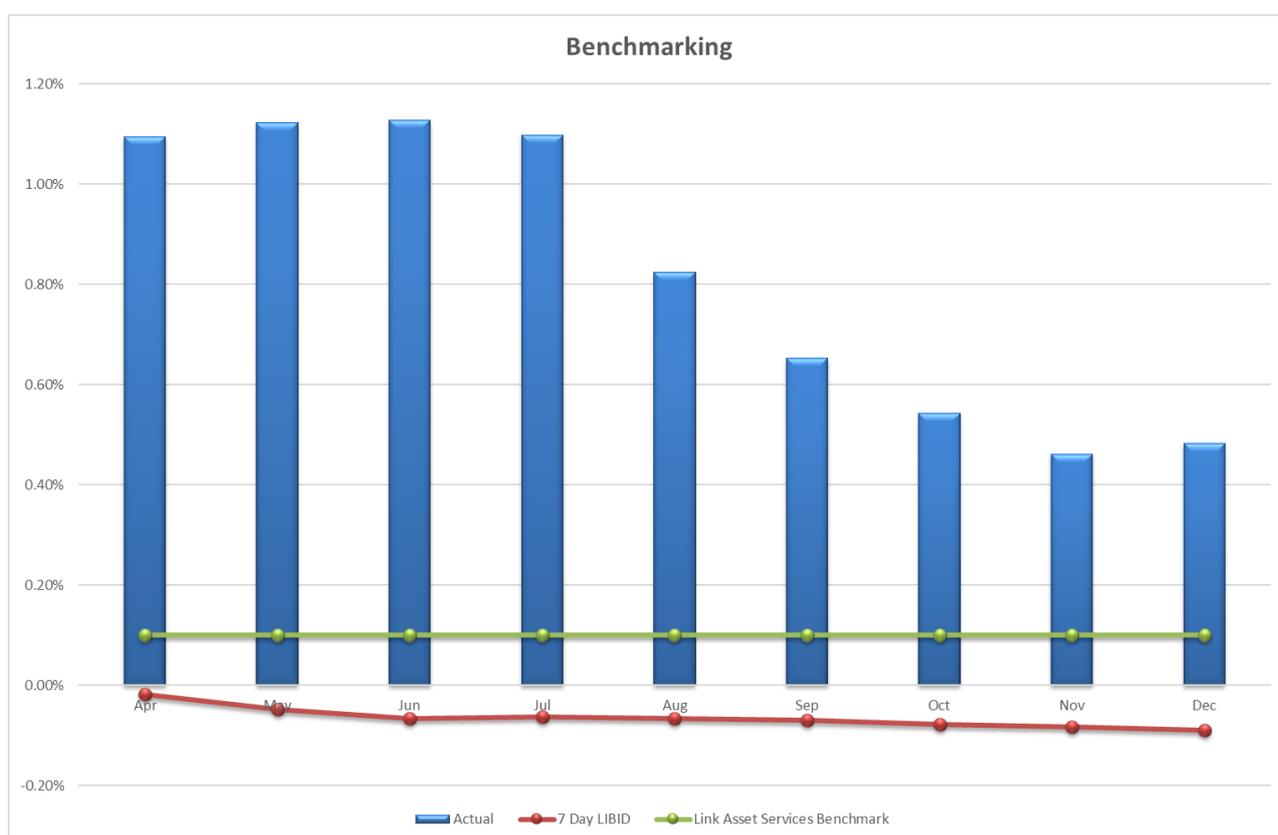
The budget for future years was reviewed as part of the Medium-Term Financial Plan process and the income target for 2020/21 is £150k. This has not increased for 2020/21 due to the continuing spend on the Blue Light Hub at West Ashlands, Milton Keynes. It is expected that there will be less funds available for investments, hence the potential to realise greater interest is diminished. The accrued interest earned as at 31 March 2021 is £113k against the planned budget of £150k for the year, this is an under achievement of £37k. It should be noted that £13k of this is due to the

interest achieved from making an advance payment in respect of the Employers contribution to the LGPS.

Performance Against the Benchmark

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 the Authority should be looking to achieve for 2020/21 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 throughout the financial 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 as a result of the reduction in reserves. The Authority will continue to re-invest any surplus funds with varying maturity dates to ensure the Authority makes a return on investments and has sufficient liquidity to cover the day to day expenditure.

The coronavirus pandemic has had a significant impact on the global economic landscape. As a result, In March 2020, the Bank of England have made 2 unprecedented emergency interest rate cuts bringing the base rate to a record low of 0.10%. It is also having a major impact on the money markets and the world economy in general, which will take a considerable time to recover. The direct impact

on the Authority will be a reduction in interest rates on current accounts, money market funds and investments. The Authority has not met the annual budget requirement for 2020/21 and this is a direct impact of the unprecedentedly low interest rates due to the coronavirus pandemic. This will certainly continue into next financial year, therefore, the budget for 2021/22 has been revised to £30k and this was approved at the Fire Authority in February 2021.