By:	Peter Oakford, Deputy Leader and Cabinet Member for Finance, Traded and Corporate Services Zena Cooke, Corporate Director of Finance
To:	County Council – 17 June 2020
Subject:	**TREASURY MANAGEMENT REVIEW 2019-20**
Classification:	Unrestricted
Summary:	To provide an update on Treasury Management Activity

FOR INFORMATION

INTRODUCTION

1. The attached report is the regular six monthly update that covers the treasury management activity for the 6 months to 30 September 2019 and developments to the end of December 2019. The report was prepared for the County Council meeting on 19 March in line with the CIPFA treasury management code. Given the impact of the Covid 19 pandemic, this covering report briefly covers developments since the beginning of 2020.

EXTERNAL CONTEXT

2. At the beginning of 2020 the global economy was entering a period of slower growth. Then coronavirus swiftly changed everything. In response to the spread of the virus and the sharp increase in those infected, Central banks and governments around the world cut interest rates and introduced massive stimulus packages in an attempt to reduce some of the negative economic impact to domestic and global growth.

3. The Bank of England moved in March to cut bank rates to 0.25% from 0.75% and then swiftly brought them down further to the record low of 0.1%. In conjunction with these cuts, the UK government introduced a number of measures to help businesses and households impacted by a series of ever-tightening social restrictions, culminating in pretty much the entire lockdown of the UK.

4. Financial markets sold off sharply as the impact from the coronavirus worsened. After starting positively in 2020, the FTSE 100 fell over 30% at its worst point with stock markets in other countries seeing similar huge falls. In March sterling touched its lowest level against the dollar since 1985.

5. Gilt yields fell substantially with 5-year yields falling to 0.26% on 31 March. The 10-year and 20-year yields fell to 0.4% and 0.76% over the same period. 1-month, 3-month and 12-month LIBID rates dropped to 0.61%, 0.72% and 0.88% respectively over the 12 months to 31 March.

6. The measures implemented by central banks and governments helped restore some confidence and financial markets have rebounded in recent weeks but remain extremely volatile.

TREASURY MANAGEMENT

7. During this period of economic uncertainty officers with the assistance of Arlingclose, the council's treasury advisor, are closely monitoring the council's cash balances as well as its debt and investment portfolios and reporting the monthly activity to the Treasury Management Advisory Group.

BORROWING ACTIVITY

8. The total value of debt outstanding was £883.82m at the end of March 2020, a reduction of £3.72m from 30 November 2019 as the result of the repayment of some loans and the continuing policy of using internal cash balances rather than borrowing from external sources.

INVESTMENT ACTIVITY

9. The value of the council's investments at 31 March 2020 had fallen to £381.4m mainly as a result of the fall in value of the pooled funds offsetting a rise in internally managed cash.

10. The council held some £86.7m in its NatWest call account and in Money Market Funds with same day access to cover urgent payments and enhance the council's liquidity. The returns on cash investments fell as a result of the cut in the base rate on 19 March.

Strategic pooled funds

11. The fall in the market value of the pooled funds reflected the considerable global market volatility amidst the Covid-19 crisis. Equity funds in particular fell in value.

12. During March trading in the CCLA property fund was also suspended based on advice from the valuer that an accurate fund price could not be calculated and CCLA's duty to treat customers fairly.

13. It should be noted however the KCC has invested in the strategic pooled funds for the long term seeking an income return and these funds had achieved a return of 4.71% for the year to end of March.

RECOMMENDATION

14. Members are asked to note this report.

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Ext: 03000 416488, 8 June 2020