

Agenda Item No: 9
Report Title: Treasury Management
Report To: Audit and Standards Committee **Date:** 22 January 2018
Ward(s) Affected: All
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Purpose of Report:

To present details of recent Treasury Management activity.

Officers Recommendation:

1. To confirm to Cabinet that Treasury Management activity between 1 November and 31 December 2017 has been in accordance with the approved Treasury Strategy for that period.
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Reasons for Recommendations

- 1.1 The Council's approved Treasury Strategy Statement requires the Audit and Standards Committee to review details of Treasury Strategy transactions against the criteria set out in the Strategy and make observations to Cabinet as appropriate.

2 Treasury Management Activity

- 2.1 The timetable for reporting Treasury Management activity in 2017/2018 is shown in the table below. This takes into account the timescale for the publication of each Committee agenda and is on the basis that it is preferable to report on activity for complete months. Any extraordinary activity taking place between the close of the reporting period and the date of the Audit and Standards Committee meeting will be reported verbally at that meeting.

Meeting date	Reporting period for transactions
22 January 2018	1 November to 31 December 2017
19 March 2018	1 January to 28 February 2018

2.2 Fixed Term Deposits pending maturity

The following table shows the fixed term deposits held at 31 December 2017 and identifies the long-term credit rating of each counterparty at the date of investment. It is important to note that credit ratings are only one of the criteria that are taken into account when determining whether a potential counterparty is suitable. All of the deposits met the necessary criteria. The minimum rating required for deposits made after 1 April 2017 is long term BBB+ (Fitch).

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term rating
237017	Thurrock Borough Council	10/11/17	12/02/18	94	3,000,000	0.45	*
237317	Nationwide Building Society	15/12/17	15/03/18	90	1,000,000	0.37	A+
237417	Nationwide Building Society	15/12/17	16/04/18	122	1,000,000	0.39	A+
237617	The Highland Council	18/12/17	19/02/18	63	1,000,000	0.35	*
237717	Coventry Building Society	19/12/17	19/02/18	62	2,000,000	0.34	A
237817	Debt Management Office	19/12/17	19/01/18	31	2,000,000	0.25	*
					<u>10,000,000</u>		

*UK Government body and therefore not subject to credit rating

2.3 Fixed Term Deposits which have matured in the reporting period

The table below shows the fixed term deposits which have matured since 1 November 2017, in maturity date order. It is important to note that the table includes sums reinvested and that in total the Council's investments have not increased by £20m over this period.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term rating
236817	Debt Management Office	02/11/17	06/11/17	04	2,000,000	0.10	*
236917	Debt Management Office	06/11/17	13/11/17	07	2,000,000	0.25	*
237117	Debt Management Office	15/11/17	20/11/17	05	3,000,000	0.25	*
235917	Eastbourne Borough Council	29/08/17	30/11/17	93	3,000,000	0.26	*
236217	Eastbourne Borough Council	08/09/17	08/12/17	91	4,000,000	0.25	*
237217	Debt Management Office	08/12/17	19/12/17	11	5,000,000	0.25	*
237517	Debt Management Office	15/12/17	20/12/17	05	1,000,000	0.25	*
	Total				<u>20,000,000</u>		

*UK Government body and therefore not subject to credit rating

At no stage did the total amount held by any counterparty exceed the approved limit set out in the Investment Strategy. The average rate of interest earned on deposits held in the period 1 November to 31 December 2017 was 0.34%. The average rate of interest on deposits made during the period was 0.37%. The Bank of England's official Bank Rate was increased from 0.25% to 0.50% on 2 November 2017 and has remained unchanged since.

2.4 Use of Deposit accounts

In addition to the fixed term deposits, the Council has made use of the following interest bearing accounts in the period covered by this report, with the average amount held being £2.37m generating interest of approximately £1,250.

	Balance at 31 Dec '17 £'000	Average balance £'000	Current interest rate %
Santander Business Reserve Account	Nil	1,368	0.15%
Lloyds Bank Corporate Account	639	999	0.40%

2.5 Use of Money Market Funds

Details of the amounts held in the two Money Market Fund (MMF) accounts used by the Council are shown below. The approved Investment Strategy allows a maximum investment of £3m in each fund, and at no time was this limit exceeded.

	Balance at 31 Dec '17 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	2,500	2,088	0.42%
Deutsche Managed Sterling Fund	3,000	2,590	0.35%

2.6 Purchase of Treasury Bills (T-Bills)

The table below shows the T-Bills held at 31 December 2017 and activity in the period. It is the Council's intention to hold T-Bills until maturity.

	Maturity Date	Purchased in period	Purchase date	£'000	Disc %
Held at 31 December 2017					
UK Treasury Bill 0%	23 Jan 18		23 Oct 17	1,000	0.358
UK Treasury Bill 0%	25 Jan 18		23 Oct 17	1,000	0.347
				2,000	
Matured during the period					
UK Treasury Bill 0%	11 Dec 17	✓	13 Nov 17	1,000	0.347
UK Treasury Bill 0%	18 Dec 17	✓	20 Nov 17	1,000	0.371
UK Treasury Bill 0%	18 Dec 17	✓	20 Nov 17	1,000	0.371
UK Treasury Bill 0%	18 Dec 17	✓	20 Nov 17	1,000	0.383
				4,000	

2.7 Secured Investments

There were no secured investments at 31 December 2017.

2.8 Tradeable Investments

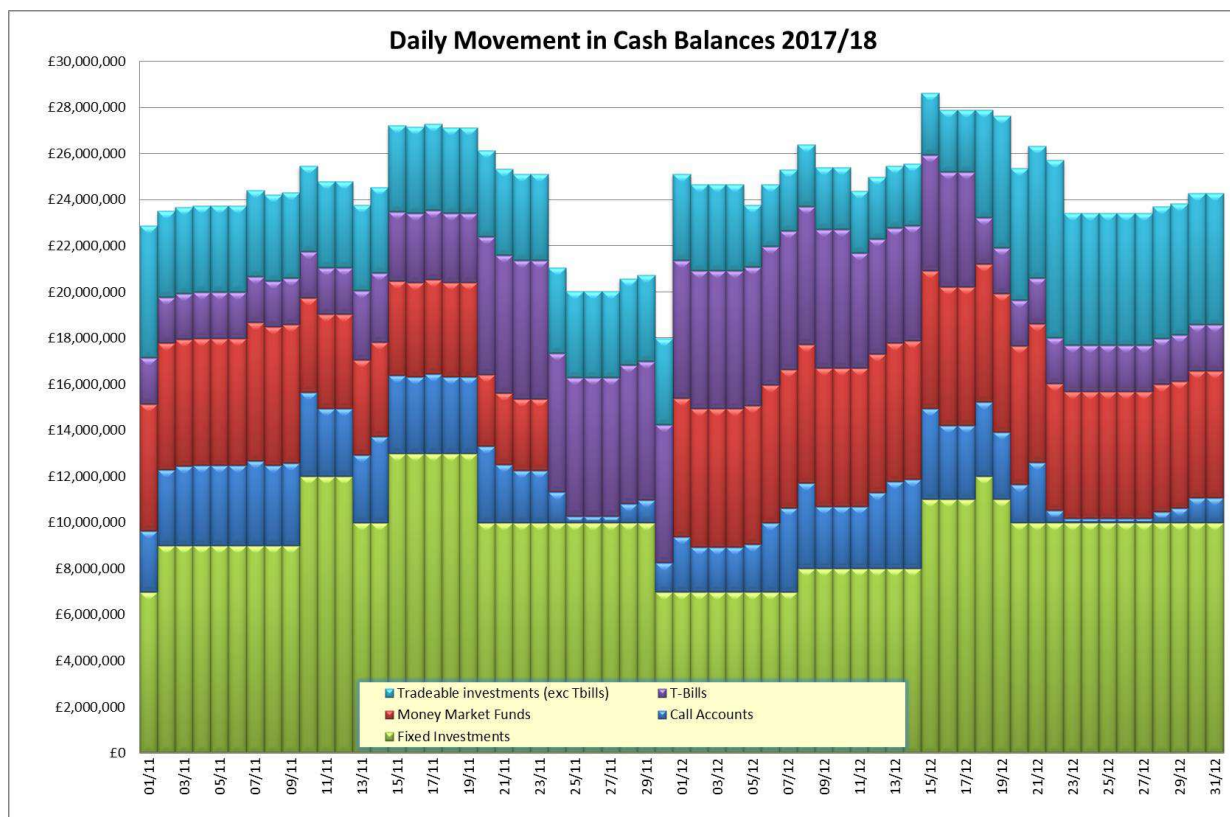
The table below shows the Tradeable Investments held at 31 December 2017.

Ref	Counterparty	Type	Date From	Date To	Days	Principal £	Rate %	Long Term Rating
Held at 31 December 2017								
XS1015890210	Daimler AG	FB	14 Sep 17	16 Jul 18	305	650,000	0.690	A-
XS1015890210	Daimler AG	FB	04 Oct 17	16 Jul 18	285	1,000,000	0.805	A-
GB00BDXFTR27	Nordea AB	CD	25 Oct 17	25 Apr 18	182	1,000,000	0.440	AA-
GB00BDXF3B48	Danske Bank	CD	18 Dec 17	05 Mar 18	77	2,000,000	0.340	A
XS0739933421	BMW Finance NV	FB	19 Dec 17	14 Dec 18	360	<u>1,000,000</u>	0.691	A+
						<u>5,650,000</u>		
Matured in Period								
XS0432619913	Vodafone Group plc	FB	19 Oct 17	05 Dec 17	47	1,000,000	0.450	BBB+

FB – Fixed Bond CD – Certificate of Deposit

2.9 Overall investment position

The chart below summarises the Council's investment position over the period 1 November to 31 December 2017. It shows the total sums invested each day as Fixed Term deposits, T-Bills, amounts held in Deposit accounts, MMFs and Tradeable Investments.



2.10 Borrowing

Temporary borrowings made for cash-flow management purposes during the period are shown below.

Ref	Counterparty	Date From	Date To	Days	Principal £	Rate %
Borrowings at 31 December 2017						
Total					Nil	
Borrowings made and repaid in period						
46317	Newport City Council	23 Nov 17	30 Nov 17	7	1,000,000	0.300
46417	Thurrock Borough Council	27 Nov 17	30 Nov 17	3	2,500,000	0.400
Total					3,500,000	

There has been no change in the total value of the Council's long term borrowing in the reporting period, which remains at £56.673m.

Financial Implications

3 All relevant implications are referred to in the above paragraphs.

Risk Management Implications

4 The risk management implications associated with this activity are explained in the approved Treasury Management Strategy. No additional implications have arisen during the period covered by this report.

Equality Screening

5 This is a routine report for which detailed Equality Analysis is not required to be undertaken.

Legal Implications

6 None arising from this report.

Background Papers

Treasury Strategy Statement 2017/2018