

Report To:	Audit and Standards Committee
Date:	23 September 2019
Report Title:	Treasury Management
Report of:	Chief Finance Officer
Ward(s):	All
Purpose of report:	To present details of recent Treasury Management activity.
Decision type	To note that Cabinet accepts that Treasury Management Activity for the period 1 July to 31 August 2019 has been in accordance with the approved Treasury Strategies for that period with the exception of items at paragraph 2.10 below.
Officer Recommendations:	To recommend that Council accepts that Treasury Management Activity for the period 1 July to 31 August 2019 has been in accordance with the approved Treasury Strategies for that period with the exception of items at paragraph 2.10 below.
Reasons for recommendations:	Requirement of CIPFA Treasury Management in the Public Sector Code of Practice (the Code) and this has to be reported to Full Council.
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1 Introduction

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.

1.2 The Treasury Strategy Statement also requires the Audit and Standards Committee to review a formal summary report after the year end before it is considered by Council, in accordance with best practice and guidance issued by the Chartered Institute of Public Finance and Accountancy.

2 Treasury Management Activity

2.1 The timetable for reporting Treasury Management activity in 2019/2020 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
16 July 2019	1 March to 30 June 2019
23 September 2019	1 July to 31 August 2019
18 November 2019	1 September to 31 October 2019
20 January 2020	1 November to 31 December 2019
17 March 2020	1 January to 29 February 2020

2.2 Fixed Term Deposits pending maturity

The following table shows the fixed term deposits held at 31 August 2019 and identifies the long-term credit rating of counterparties 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 2018 is long term A- (Fitch).

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term Rating
243419	Thurrock Borough Council	14 Jun 19	16 Mar 20	276	3,000,000	0.88	*
243319	Debt Management Office	19 Aug 19	11 Sept 19	23	5,000,000	0.50	*
					8,000,000		

*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 July 2019, 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 £36.6m over this period.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int. Rate %	Long-term rating
243619	Debt Management Office	1 Jul 19	8 Jul 19	7	8,500,000	0.50	*
243719	Debt Management Office	8 Jul 19	22 Jul 19	14	7,500,000	0.50	*
243819	Debt Management Office	17 Jul 19	25 Jul 19	8	1,800,000	0.50	*
243919	Debt Management Office	22 Jul 19	1 Aug 19	10	5,800,000	0.50	*
244019	Debt Management Office	1 Aug 19	5 Aug 19	4	7,000,000	0.50	*
244119	Debt Management Office	1 Aug 19	9 Aug 19	8	1,000,000	0.50	*
244219	Debt Management Office	1 Aug 19	19 Aug 19	18	5,000,000	0.50	*
	Total				<u>36,600,000</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 July to 31 August 2019 was 0.50%, below the average bank base rate for the period of 0.75%.

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 £1.533m generating interest of approximately £0.008m

	Balance at 31 Aug '19 £'000	Average balance £'000	Current interest rate %
Santander Business Reserve Account	£1,911	1,381	0.65
Lloyds Bank Corporate Account	(£1,052)	1,685	0.65

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 Aug '19 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	£1,000	1,000	0.86
Deutsche Managed Sterling Fund	£1,500	1,500	0.82

2.6 Treasury Bills (T-Bills)

There were no Treasury Bills held at 31 August 2019, and there was no activity in the period.

2.7 Secured Investments

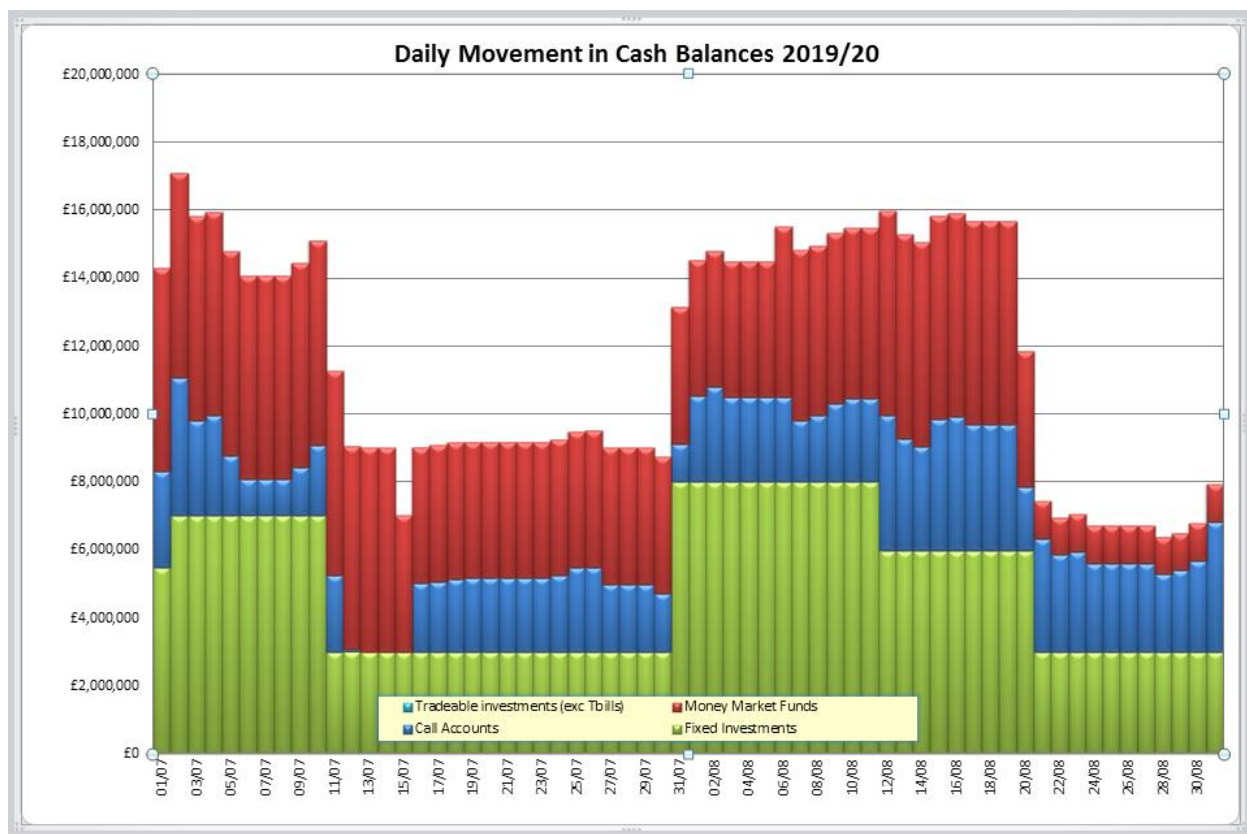
There were no Secured Investments at 31 August 2019.

2.8 Tradeable Investments

There were no Tradeable Investments at 31 August 2019, and there was no activity in the period.

2.9 Overall investment position

The chart below summarises the Council's investment position over the period 1 July to 31 August 2019. It shows the total sums invested each day as Fixed Term deposits, Treasury Bills, amounts held in Deposit accounts, Money Market Funds and Tradeable Investments.



2.10 Borrowing

The current account with Lloyds Bank generally remained with credit limits throughout most of the period with the following exceptions :

Exceptions:

Friday, 30 August Overdraft of £1.05m for one business day.

Monday 15 July & Tuesday 16 July- Excess funds of £0.6m and £0.5m respectively

Thursday 25 July and Friday 26 July- Excess funds of £0.3m and £0.2m respectively

Thursday 15 August and Friday 16 August- Excess funds of £1.7m and £0.1m respectively

There has been a slight change in the total value of the Council's long term borrowing in the reporting period, which has increased to £56,762m from £56.673m.

3 Non-treasury investments

3.1 At its previous meeting, the Committee requested that information should be included in this report about the Council's 'non-treasury' investment activity e.g.

loans to Council-owned companies or the purchase of property assets for the purpose of income generation.

3.2 Lewes Housing Investment Company

3.2.1 Lewes Housing Investment Company (LHIC) is a wholly owned subsidiary of the Council. Incorporated in July 2017, LHIC has been set up to acquire, improve and let residential property at market rents. Although the 2018/19 Capital programme included £2.5m as potential commercial loan funding to facilitate property purchases, this facility was not drawn down and has rolled forward into 2019/20. No payments were made to, or monies received from, LHIC during 2018/19 and no amounts were owing to, or owed by, LHIC at the end of the year. There were no transactions during the period 1 March 2019 to 30 June 2019. During the period 1 July to 31 August 2019 £35.00 was drawn down.

3.3 Aspiration Homes LLP

3.3.1 Aspiration Homes LLP (AH) is a limited liability Partnership owned equally by Lewes District Council and Eastbourne Borough Council. Incorporated in June 2017, AH has been set up for the purpose of developing housing to be let at affordable rent. Although the 2018/19 Capital programme included £17.5m as potential commercial loan funding to AH to facilitate property purchases, this facility was not drawn down and has rolled forward into 2019/20. During the period 1 March 2019 to 30 June 2019, £121,300 was drawn down for the purchase of Grays School, Newhaven. There have been no transactions during the period 1 July 2019 to 31 August 2019.

3.3.2 A working Capital facility loan of £100,000 has been agreed, at an interest rate of 2% above Base Rate. As at 31 March 2019 £10,000 of the working Capital facility loan had been drawn down. During the period 1 March 2019 to 30 June 2019, a further £35,000 has been drawn down against the loan facility.

4 Financial Implications

All relevant implications are referred to in the above paragraphs.

5 Risk Management Implications

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

6 Equality Screening

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

7 Legal Implications

None arising from this report.

Background Papers

Treasury Strategy Statements 2018/2019 and 2020/2021