

**Agenda Item No: 13**

**Report No: 141/17**

**Report Title: Treasury Management**

**Report To: Audit and Standards Committee    Date: 25 September 2017**

**Ward(s) Affected: All**

**Report By: Alan Osborne, Deputy Chief Executive**

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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 June and 31 August 2017 has been in accordance with the approved Treasury Strategies 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.
- 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 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
25 September 2017	1 June to 31 August 2017
27 November 2017	1 September to 31 October 2017
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 August 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
235717	Debt Management Office	23/08/17	04/09/17	12	1,000,000	0.10	*
235917	Eastbourne Borough Council	29/08/17	30/11/17	93	3,000,000	0.26	*
					<u>4,000,000</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 June 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 £23.5m over this period.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term rating
233516	Nationwide Building Society	13/12/16	13/06/17	182	1,000,000	0.42	A
235017	Eastbourne Borough Council	30/05/17	30/08/17	92	3,000,000	0.32	*
235217	Coventry Building Society	16/06/17	19/06/17	03	2,000,000	0.11	A
235317	Debt Management Office	17/07/17	19/07/17	02	2,000,000	0.10	*
235417	Debt Management Office	01/08/17	07/08/17	06	6,500,000	0.10	*
235517	Debt Management Office	15/08/17	21/08/17	06	2,000,000	0.10	*
235617	Debt Management Office	15/08/17	25/08/17	10	4,000,000	0.10	*
235817	Debt Management Office	25/08/17	29/08/17	04	3,000,000	0.10	*
	<b>Total</b>				<u>23,500,000</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 June and 31 August 2017 was 0.25%, in line with the average bank base rate for the period of 0.25%. Those made during the period averaged 0.21%.

## 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 £1m generating interest of approximately £300.

	Balance at 31 Aug '17 £'000	Average balance £'000	Current interest rate %
Santander Business Reserve Account	2,000	1,239	0.15%
Lloyds Bank Corporate Account	1,501	1,002	0.15%

## 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 '17 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	3,000	2,918	0.31%
Deutsche Managed Sterling Fund	3,000	2,728	0.28%

## 2.6 Purchase of Treasury Bills (T-Bills)

The table below shows the T-Bills held at 31 August 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 %
<b>Held at 31 August 2017</b>					
UK Treasury Bill 0%	25 Sep 17	✓	29 Aug 17	1,000	0.199
UK Treasury Bill 0%	25 Sep 17	✓	29 Aug 17	1,000	0.188
UK Treasury Bill 0%	25 Sep 17	✓	29 Aug 17	1,000	0.177

## 2.7 Secured Investments

The investment below is secured against the assets of the bank. The interest rate can vary, by reference to changes in the 3 month 'London Interbank Offered Rate (LIBOR)'.

Ref	Counterparty	Date From	Date To	Days	Principal £	Current Rate %	Long Term Rating
XS113251472	Bank of Nova Scotia	22 Jul 16	02 Nov 17	414	2,000,000	0.53	AAA
					2,000,000		

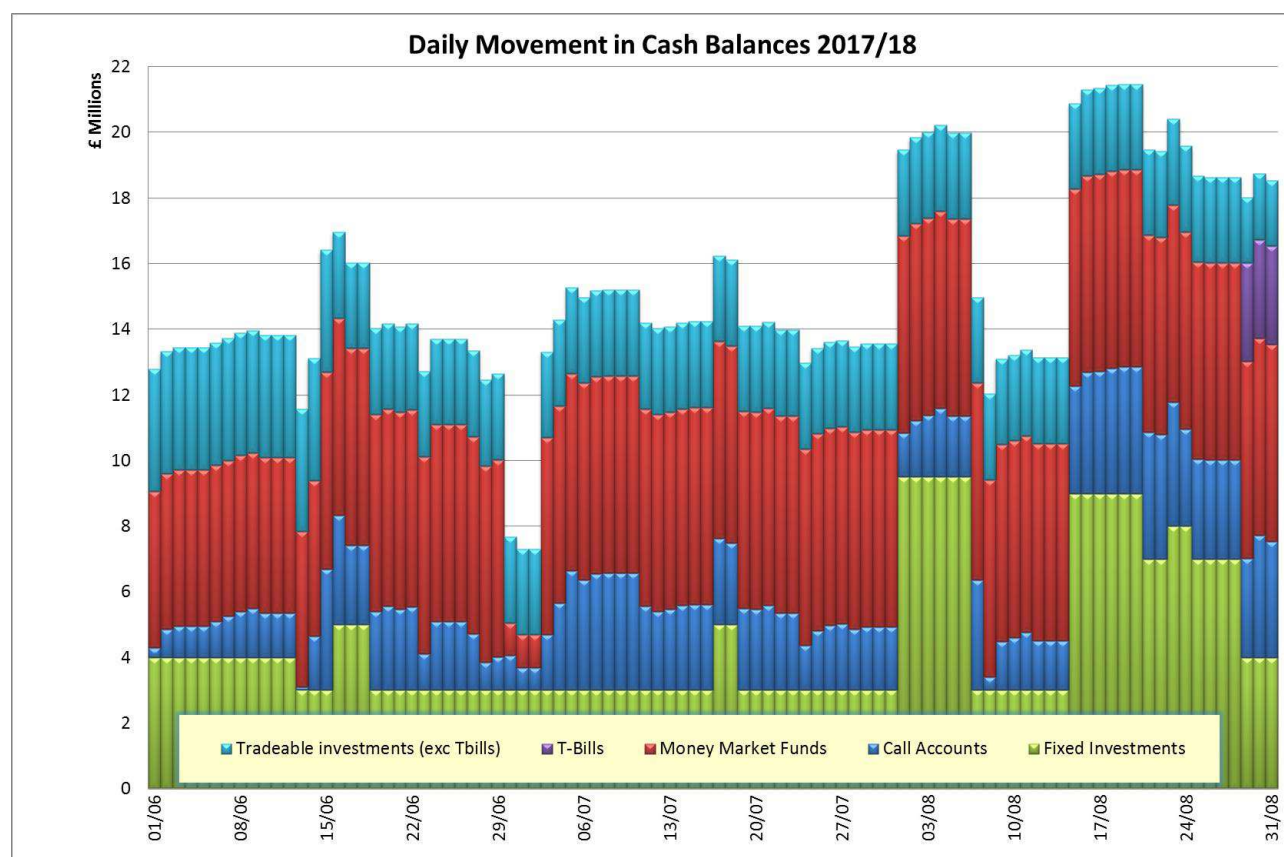
## 2.8 Tradeable Investments

There were no Tradeable Investments held at 31 August 2017. The table below shows the investments that matured during the period

Ref	Counterparty		Date From	Date To	Days	Principal £	Rate %	Long Term Rating
Matured during the Period								
XS0966280561	Svenska Handelsbanken	FB	11 Nov 16	29 Aug 17	291	618,000	0.62	AAA
XS0434423926	Unilever Plc	FB	11 Nov 16	16 Jun 17	217	<u>1,110,000</u>	0.48	AAA
						<u>1,728,000</u>		
FB – Fixed Bond								

## 2.9 Overall investment position

The chart below summarises the Council's investment position over the period 1 June to 31 August 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 overleaf.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %
<b>Borrowings at 31 August 2017</b>						
	Total				Nil	
<b>Borrowings repaid in period</b>						
46117	Blackburn with Darwen Council	27/04/17	01/06/17	35	4,000,000	0.25
	Total				4,000,000	

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.

### Appendix

#### Background Papers

Treasury Strategy Statement <http://www.lewes.gov.uk/council/20987.asp>