

**Agenda Item No:** 8 **Report No:** 168/17  
**Report Title:** Treasury Management  
**Report To:** Audit and Standards Committee **Date:** 27 November 2017  
**Ward(s) Affected:** All  
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**Purpose of Report:**

To present details of recent Treasury Management activity.

**Officers Recommendation:**

1. To note the Mid-year Treasury Management Report 2017/2018.
  2. To confirm to Cabinet that Treasury Management activity between 1 September and 31 October 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 the Mid-year Treasury Management Report.
- 2 Mid-year Treasury Management Report 2017/2018**
- 2.1 As well as reviewing details of Treasury transactions during the course of the year, the Audit and Standards Committee (and Cabinet) is also required to review a formal Mid-year summary report. Council then considers this report in accordance with best practice and guidance issued by the Chartered Institute of Public Finance and Accountancy.
  - 2.2 The timing of the Committee/Council meeting cycle has meant that the Audit and Standards Committee does not have the opportunity to consider the Mid-year Report for 2017/2018 in advance of Cabinet, which received it on 13 November

2017 and recommended to Council that it should be approved when it meets on 6 December. However, it remains appropriate for the Audit and Standards Committee to consider this report, attached as an Appendix, with any specific comments being passed on to Council when it meets.

- 2.3** The Mid-year Report covers the period 1 April to 30 September 2017. It confirms that the key elements of the approved Treasury and Investment Strategy have been complied with during the first half of the year. Section 2 of the Report provides a summary of performance against the key targets in the 2017/18 Strategy. Section 3 of the Report notes the potential need to borrow up to an additional £27.19m before the end of the financial year, dependent on the delivery of a number of projects within the Council's approved capital programme, for example £20m in loan facilities to Lewes Housing Investment Company (LHIC) and Aspiration Homes. The cost to the General Fund of any new borrowing in respect of these facilities would be offset by income generated from it eg LHIC would pay interest to the Council on any loan advanced to it. The remainder of the Report gives a more explanation of borrowing and investment activity and the broader economic context within which officers have worked.

### 3 Treasury Management Activity

- 3.1** 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
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

### 3.2 Fixed Term Deposits pending maturity

The following table shows the fixed term deposits held at 31 October 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
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	*
					<u>7,000,000</u>		

\*UK Government body and therefore not subject to credit rating

### 3.3 Fixed Term Deposits which have matured in the reporting period

The table below shows the fixed term deposits which have matured since 1 September 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 £23.2m over this period.

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	*
236017	Debt Management Office	01/09/17	04/09/17	3	5,000,000	0.10	*
236117	Debt Management Office	04/09/17	11/09/17	7	5,000,000	0.10	*
236317	Debt Management Office	11/09/17	13/09/17	2	4,500,000	0.10	*
236417	Newport City Council	02/10/17	19/10/17	17	1,200,000	0.17	*
236517	Waltham Forest LBC	02/10/17	19/10/17	17	1,000,000	0.18	*
236617	Debt Management Office	02/10/17	19/10/17	17	1,500,000	0.10	*
236717	Debt Management Office	16/10/17	19/10/17	3	4,000,000	0.10	*
<b>Total</b>					<u>23,200,000</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, and made, in the period 1 September to 31 October 2017 was 0.20%. The bank Base Rate remained at 0.25% throughout the period. It was increased to 0.50% on 2 November 2017.

### 3.4 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 £2m generating interest of approximately £600. On 2/3 October 2017, the amount held overnight with Lloyds Bank was £3.28m, compared with the £2m limit specified in the Treasury strategy. This situation arose because an investment decision taken on 2 October did not complete as planned.

	Balance at 31 Oct '17 £'000	Average balance £'000	Current interest rate %
Santander Business Reserve Account	2,000	1,100	0.15%
Lloyds Bank Corporate Account	647	903	0.15%

### 3.5 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 Oct '17 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	Nil	2,230	0.29%
Deutsche Managed Sterling Fund	500	2,336	0.27%

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

The table below shows the T-Bills held at 31 October 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 October 2017</b>					
UK Treasury Bill 0%	22 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	
<b>Matured during the period</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
				3,000	

### 3.7 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

### 3.8 Tradeable Investments

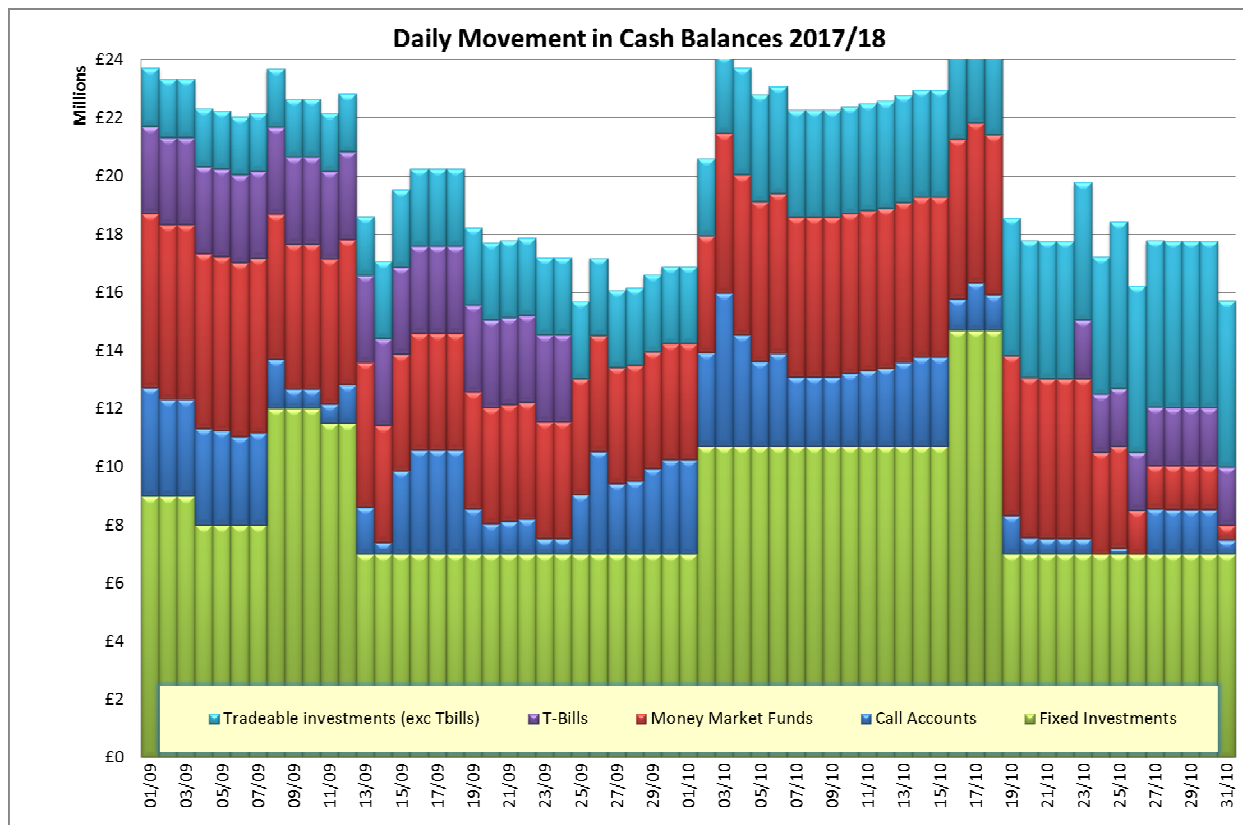
The table below shows the Tradeable Investments held at 31 October 2017.

Ref	Counterparty	Categ -ory	Date From	Date To	Days	Principal £	Rate %	Long Term Rating
<b>Held at 31 October 2017 (all purchased in period)</b>								
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-
XS0432619913	Vodafone Group plc	FB	19 Oct 17	05 Dec 17	47	1,000,000	0.450	BBB+
GB00BDXFTR27	Nordea AB	CD	25 Oct 17	25 Apr 18	182	1,000,000	0.440	AA-
						3,650,000		

FB – Fixed Bond CD – Certificate of Deposit

### 3.9 Overall investment position

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



### 3.10 Borrowing

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

Ref	Counterparty	Date From	Date To	Days	Principal £	Cost
<b>Borrowings at 31 October 2017</b>						
	<b>Total</b>				Nil	
<b>Borrowings made and repaid in period</b>						
	Lloyds Bank overdrawn balance	23 Oct 17	24 Oct 17	1	1,385,913	
	Lloyds Bank overdrawn balance	25 Oct 17	26 Oct 17	1	469,572	
	<b>Total</b>				<u>1,855,485</u>	£10

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**

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

## **Risk Management Implications**

5 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**

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

## **Legal Implications**

7 None arising from this report.

## **Appendix**

Mid-year Treasury Management Report 2017/2018

## **Background Papers**

Treasury Strategy Statement 2017/2018