

**Agenda Item No:** 9

**Report Title:** Treasury Management

**Report To:** Audit and Standards Committee    **Date:** 19 March 2018

**Ward(s) Affected:** All

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

**Contact Officer(s)-**

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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 January and 28 February 2018 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 investment and borrowing 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
19 March 2018	1 January to 28 February 2018
17 July 2018	1 March to 31 March 2018 (also 2018/19 transactions 1 April to 30 June 2018)

## 2.2 Fixed Term Deposits pending maturity

The following table shows the fixed term deposits held at 28 February 2018 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 in 2017/2018 is long term BBB+ (Fitch).

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term rating
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+
238417	Thurrock Borough Council	12/02/18	14/05/18	91	3,000,000	0.55	*
					<u>5,000,000</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 January 2018, 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 £22m over this period.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term Rating
237917	Debt Management Office	02/01/18	03/01/18	01	6,000,000	0.25	*
237817	Debt Management Office	19/02/17	19/01/18	31	2,000,000	0.25	*
238017	Debt Management Office	15/01/18	22/01/18	07	2,000,000	0.25	*
238117	Debt Management Office	19/01/18	22/01/18	03	2,000,000	0.25	*
238217	Debt Management Office	01/02/18	05/02/18	04	2,000,000	0.25	*
238317	Debt Management Office	05/02/18	09/02/18	04	2,000,000	0.25	*
237017	Thurrock Borough Council	10/11/17	12/02/18	94	3,000,000	0.45	*
237617	The Highland Council	18/12/17	19/02/18	63	1,000,000	0.35	*
237717	Coventry Building Society	19/02/17	19/02/18	62	2,000,000	0.34	A
<b>Total</b>					<u>22,000,000</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 January to 28 February 2018 was 0.41%. The average rate of interest on deposits made during the period was 0.50%. 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 £2.75m generating interest of approximately £1,500.

	Balance at 28 Feb '18 £'000	Average balance £'000	Current interest rate %
Santander Business Reserve Account	2,000	1,627	0.40%
Lloyds Bank Corporate Account	630	1,122	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 28 Feb 18 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	1,000	1,063	0.50%
Deutsche Managed Sterling Fund	1,000	1,686	0.46%

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

No T-Bills were held at 28 February 2018 and the activity in the period is shown below.

	Maturity Date	Purchased in period	Purchase date	£'000	Disc %
<b>Matured during the period</b>					
UK Treasury Bill 0%	22 Jan 18		23 Oct 17	1,000	0.358
UK Treasury Bill 0%	22 Jan 18		23 Oct 17	1,000	0.347
				<u>2,000</u>	

## 2.7 Secured Investments

There were no secured investments at 28 February 2018.

## 2.8 Tradeable Investments

The table overleaf shows the Tradeable Investments held at 28 February 2018.

Ref	Counterparty	Type	Date From	Date To	Days	Principal £	Rate %	Long Term Rating
<b>Held at 28 February 2018</b>								
GB00BXRH7N61	Barclays	CD	20 Jan 18	20 Mar 18	57	2,000,000	0.493	A+
XS0739933421	BMW Finance NV	FB	19 Dec 17	14 Dec 18	360	1,000,000	0.691	A+
GB00BDXF3B48	Danske Bank	CD	18 Dec 17	05 Mar 18	77	2,000,000	0.340	A
GB00BDXFTR27	Nordea AB	CD	25 Oct 17	25 Apr 18	182	1,000,000	0.440	AA-
XS1015890210	Daimler AG	FB	04 Oct 17	16 Jul 18	285	1,000,000	0.805	A-
XS1015890210	Daimler AG	FB	14 Sep 17	16 Jul 18	305	650,000	0.690	A-
						<u>7,650,000</u>		

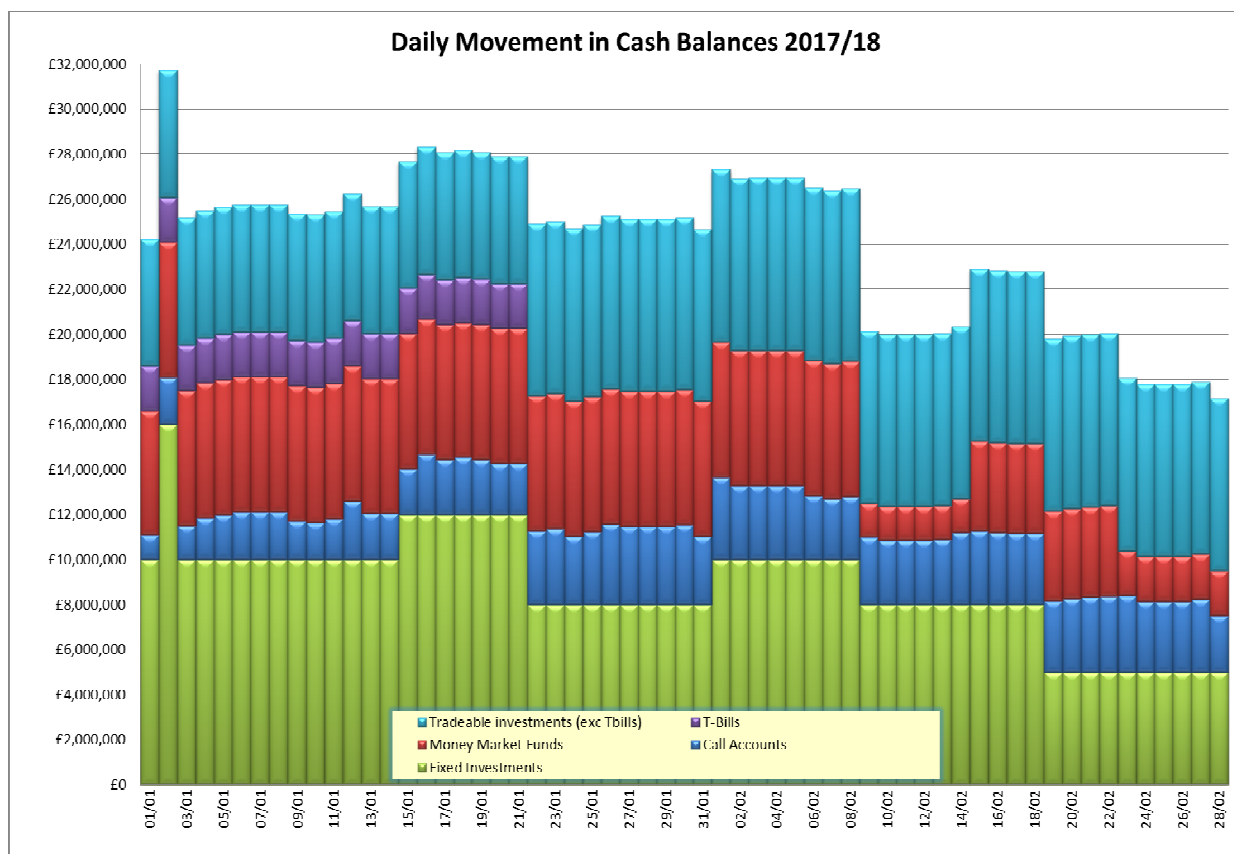
**FB – Fixed Bond    CD – Certificate of Deposit**

## 2.9 Loans to Lewes Housing Investment Company and Aspiration Homes LLP

No loans have yet been advanced by the Council to either of these companies in which the Council has an interest.

## 2.10 Overall investment position

The chart below summarises the Council's investment position over the period 1 January to 28 February 2018. It shows the total sums invested each day as Fixed Term deposits, T-Bills, amounts held in Deposit accounts, MMFs and Tradeable Investments.



## **2.11 Borrowing**

No temporary borrowings were made for cash-flow management purposes during the period.

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