

Report To:	Cabinet
Date:	16 September 2019
Report Title:	Treasury Management
Report of:	Homira Javadi, Chief Finance Officer
Cabinet member:	Councillor Zoe Nicholson, Leader of the Council
Ward(s):	All
Purpose of report:	To present to Cabinet the quarterly Treasury Management Report and the Annual Treasury Management Report for 2018/19.
Decision type	Budget and Policy Framework
Officer Recommendations:	<p>(1) To confirm to Cabinet that Treasury Management Activity for the period 1 March to 30 June 2019 has been in accordance with the approved Treasury Strategies for that period.</p> <p>To endorse the following recommendation from Audit and Standards Committee to Council:</p> <p>(2) It be recommended to Council that the annual Treasury Management report for 2018/19 be agreed and the 2018/19 Prudential and Treasury Indicators included in the report be approved.</p>
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. The Audit and Standards Committee considered this report on Treasury Management activity for the period 1st March 2019 to 30th June 2019, and the Treasury Management Annual Report at its meeting on 16th July 2019. The Treasury Management Annual Report is attached as Appendix 1, and the relevant extract of the Audit and Standards Committee is attached as Appendix 2.

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 Audit and Standards 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 30 June 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	*

*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 March 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 £32m over this period.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int. Rate %	Long-term rating
242018	Eastbourne Borough Council	03-Dec-18	01-Mar-19	88	3,000,000	0.75	*
243018	Eastbourne Borough Council	01-Mar-19	13-Mar-19	12	3,000,000	0.65	*

Ref	Counterparty	Date From	Date To	Days	Principal £	Int. Rate %	Long-term rating
240618	Thurrock Borough Council	02-Oct-18	02-Apr-19	182	2,500,000	0.90	*
240618	Thurrock Borough Council	02-Oct-18	02-Apr-19	182	2,500,000	0.90	*
243119	Debt Management Office	02-Apr-19	11-Apr-19	9	4,000,000	0.50	*
243219	Debt Management Office	01-May-19	13-May-19	12	5,000,000	0.50	*
241418	Thurrock Borough Council	14-Nov-18	14-May-19	181	3,000,000	0.90	*
241418	Thurrock Borough Council	14-Nov-18	14-May-19	181	3,000,000	0.90	*
243319	Debt Management Office	13-May-19	22-May-19	9	3,000,000	0.50	*
243519	Derbyshire County Council	14-May-19	14-Jun-19	31	3,000,000	0.57	*
Total					<u>32,000,000</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 March and 30 June 2019 was 0.72%, slightly below the average bank base rate for the period of 0.75%. Those made during the period averaged 0.61%.

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 £3.328m generating interest of approximately £3,300.

	Balance at 30 June '19 £'000	Average balance £'000	Current interest rate %
Santander Business Reserve Account	£2,000	1,374	0.65
Lloyds Bank Corporate Account	£2,517	1,955	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 30 June '19 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	£1,000	1,562	0.86
Deutsche Managed Sterling Fund	£1,500	1,779	0.82

2.6 Treasury Bills (T-Bills)

There were no Treasury Bills held at 30 June 2019, and there was no activity in the period.

2.7 Secured Investments

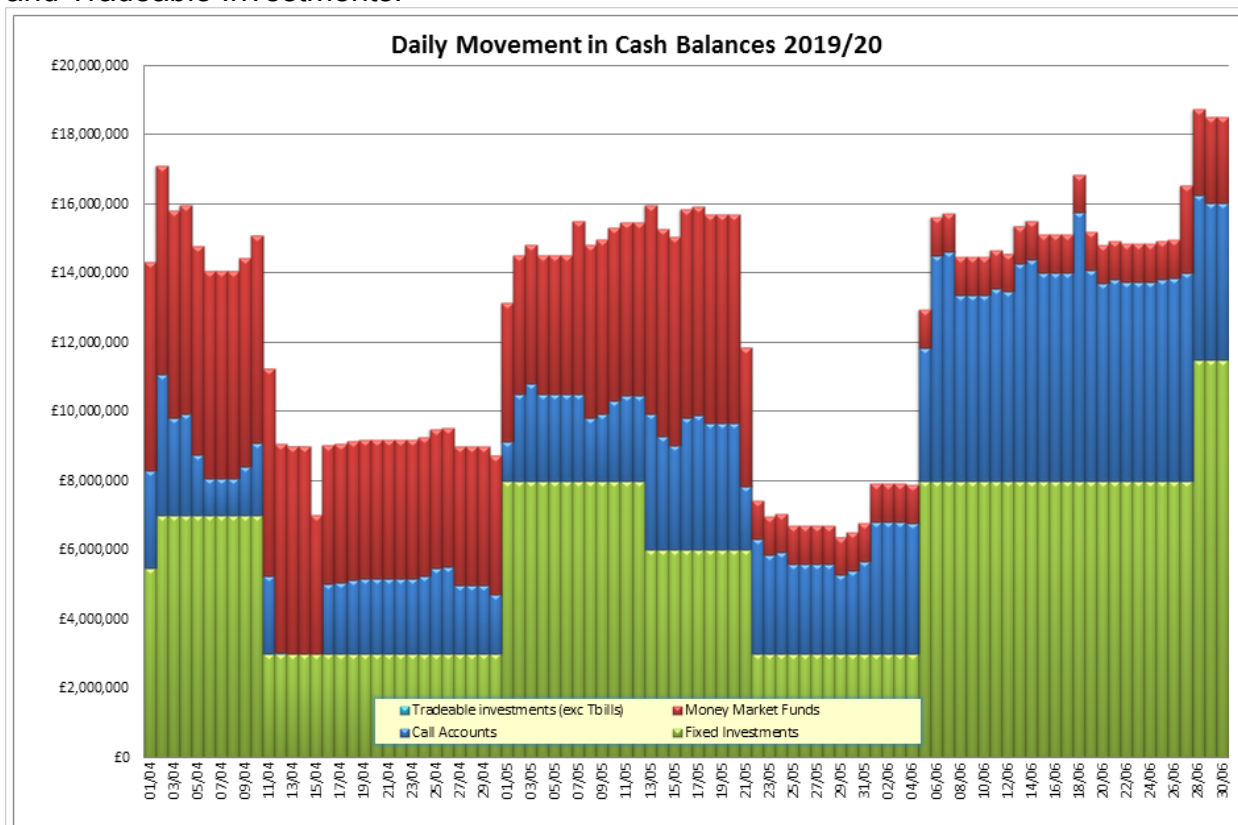
There were no Secured Investments at 30 June 2019.

2.8 Tradeable Investments

There were no Tradeable Investments at 30 June, 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 March to 30 June 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 remained in credit throughout the period. No temporary borrowing for cash-flow management purposes took place.

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.

3 Non-treasury investments

- 3.1** At its previous meeting, the Audit and Standards 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 have been no transactions during the period 1 March 2019 to 30 June 2019.

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 Gray's School, Newhaven.
- 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 Annual Treasury Management Report

- 4.1** As well as reviewing details of Treasury transactions during the course of the year, the Audit and Standards Committee is required 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.
- 4.2** The Annual Report is attached at Appendix 1. It should be noted that this report has been drafted prior to the final closure of the Council's accounts and, as a result, some minor changes may be necessary. If so, the changes will be reported verbally at the meeting.

Financial Implications

- 5** All relevant implications are referred to in the above paragraphs.

Risk Management Implications

- 6 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.

Equality Screening

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

Sustainability implications

- 8 No implications arising directly from this report. However, the issue of climate change had been raised at the previous meeting of the Audit and Standards Committee, and although the Council had no direct investments with a climate change risk (for example fossil fuel companies) a watching brief would be maintained as there was a potential for very marginal indirect investments to be made in these areas.

Legal implications

- 9 None arising directly from this report.

Appendix

Appendix 1: Annual Treasury Management Report 2018/2019

Appendix 2: Audit and Standards Committee 16th July 2019 Minutes Extract

Background Papers

Treasury Strategy Statements 2018/2019 and 2019/2020