

Report Title: Treasury Management

Report To: Audit and Standards Committee **Date:** 24 September 2018

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 and the Annual Treasury Management Report 2017/2018.

Officers Recommendation:

1. To confirm to Cabinet that Treasury Management activity between 1 March and 31 August 2018 has been in accordance with the approved Treasury Strategies for that period.
 2. To review the Annual Treasury Management Report for 2017/2018.
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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 2018/2019 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
17 July 2018	1 March to 30 June 2018
24 September 2018	1 July to 31 August 2018
19 November 2018	1 September to 31 October 2018
21 January 2019	1 November to 31 December 2018
18 March 2019	1 January to 28 February 2019

2.2 Fixed Term Deposits pending maturity

The following table shows the fixed term deposits held at 31 August 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 after 1 April 2018 is long term A- (Fitch) (a minimum BBB+ rating applied in 2017/2018).

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term rating
239518	Thurrock Borough Council	14 May 18	14 Nov 18	184	3,000,000	0.63	*
239718	South Heighton Parish Council	29 May 18	29 Nov 18	184	24,000	0.63	*
240018	Surrey Heath Borough Council	12 Jun 18	12 Dec 18	163	1,000,000	0.60	*
240118	Thurrock Borough Council	02 Jul 18	02 Oct 18	92	2,000,000	0.50	*
					<u>6,024,000</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 March 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 £19m over this period.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term rating
237317	Nationwide Building Society	15 Dec 17	15 Mar 18	90	1,000,000	0.37	A+
237417	Nationwide Building Society	15 Dec 17	16 Apr 18	122	1,000,000	0.39	A+
238417	Thurrock Borough Council	12 Feb 18	14 May 18	91	3,000,000	0.55	*
239418	Debt Management Office	10 May 18	22 May 18	12	1,000,000	0.25	*
239618	Debt Management Office	15 May 18	22 May 18	07	2,000,000	0.25	*
239818	Debt Management Office	01 Jun 18	11 Jun 18	10	3,000,000	0.25	*
239918	Debt Management Office	11 Jun 18	19 Jun 18	08	2,000,000	0.25	*
240218	Debt Management Office	18 Jul 18	23 Jul 18	05	1,000,000	0.25	*
240318	Debt Management Office	27 Jul 18	03 Aug 18	07	1,000,000	0.28	*
240418	Debt Management Office	01 Aug 18	03 Aug 18	02	4,000,000	0.34	*
	Total				<u>19,000,000</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 31 August 2018 was 0.57%, above the average

bank base rate for the period of 0.50%. Those made during the period averaged 0.58%.

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 £2.69m generating interest of approximately £4,500.

	Balance at 30 June '18 £'000	Average balance £'000	Current interest rate %
Santander Business Reserve Account	£1,000	1,571	0.40
Lloyds Bank Corporate Account	£859	1,126	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 '18 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	£Nil	2,703	0.57
Deutsche Managed Sterling Fund	£2,000	1,997	0.55

2.6 Treasury Bills (T-Bills)

The table below shows the T-Bills held at 31 August 2018 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 %
Held at 31 August 2018					
UK Treasury Bill 0%	10 Sep 18	✓	13 Aug 18	1,000	0.697
UK Treasury Bill 0%	10 Sep 18	✓	13 Aug 18	1,000	0.684
				2,000	
Matured during the period					
UK Treasury Bill 0%	28 Aug 18	✓	27 Jul 18	1,000	0.575
UK Treasury Bill 0%	28 Aug 18	✓	27 Jul 18	1,000	0.569
				2,000	

2.7 Secured Investments

There were no secured investments at 31 August 2018.

2.8 Tradeable Investments

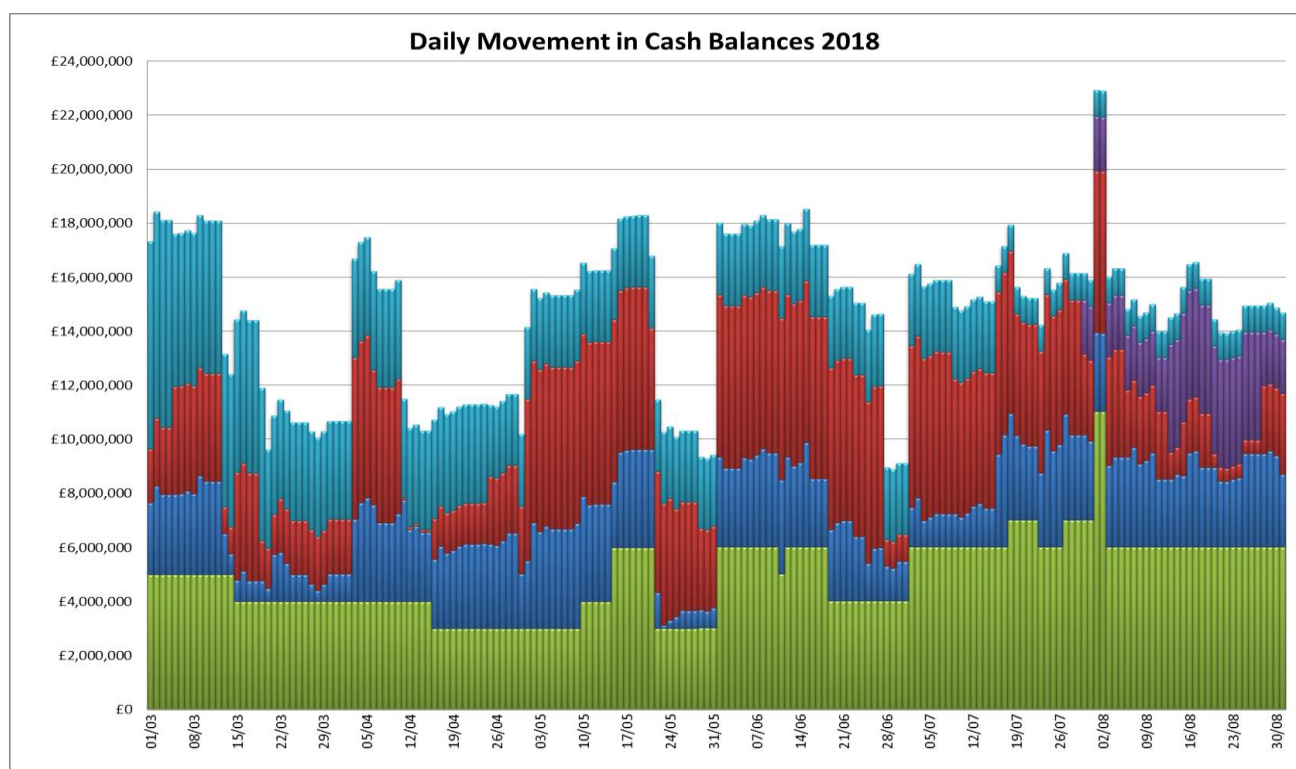
The table shows the Tradeable Investments held at 31 August 2018. It is the Council's intention to hold investments until maturity.

Ref	Counterparty		Date From	Date To	Days	Principal £	Rate %	Long Term Rating
Held at 31 August 2018								
XS0739933421	BMW Finance NV	FB	19 Dec 17	14 Dec 18	360	<u>1,000,000</u>	0.691	A+
						<u>1,000,000</u>		
Matured in Period								
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-
GB00BDXF3B48	Danske Bank	CD	18 Dec 17	05 Mar 18	77	2,000,000	0.340	A
GB00BXRH7N61	Barclays	CD	20 Jan 18	20 Mar 18	57	2,000,000	0.493	A+
GB00BDXFTR27	Nordea AB	CD	25 Oct 17	25 Apr 18	182	<u>1,000,000</u>	0.440	AA-
						<u>6,650,000</u>		

FB – Fixed Bond CD – Certificate of Deposit

2.9 Overall investment position

The chart below summarises the Council's investment position over the period 1 March to 31 August 2018. It shows the total sums invested each day as Fixed Term deposits, T-Bills, amounts held in Deposit accounts, MMFs and Tradeable Investments.



2.10 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 Committee requested that information should be included in this report about the Council's 'non-treasury' investment activity eg loans to Council-owned companies or the purchase of property assets for the purpose of income generation.
- 3.2** At the time of drafting this report, no loans have yet been advanced to Lewes Housing Investment Company or Aspiration Homes
- 3.3** On 18 June 2018, the Council completed the purchase of an office building in Lewes at a total cost of £2.73m, which is expected to generate an annual rent income of £197,980. After providing for the repayment of borrowing costs, the net annual return from this property is expected to be 4.68%

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.
- 4.3** Cabinet reviewed the Annual Report when it met on 2 July 2018..

Financial Implications

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

Risk Management Implications

- 6** 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

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

Legal Implications

8 None arising from this report.

Appendix

9 Appendix 1: Annual Treasury Management Report 2017/2018

Background Papers

Treasury Strategy Statements 2017/2018 and 2018/2019