

Treasury Management Sub-Committee



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Mid-Year Treasury Management Report 2017/18 and Investment Activity 1 April to 30 September 2017	
Report No:	TMS/SE/17/004	
Report to and dates:	Treasury Management Sub-Committee	20 November 2017
	Performance and Audit Scrutiny Committee	29 November 2017
	Cabinet	5 December 2017
	Council	19 December 2017
Portfolio holder:	Ian Holder Portfolio Holder for Resources and Performance Tel: 01284 810074 Email: ian.houlder@stedsbc.gov.uk	
Lead officer:	Rachael Mann Assistant Director (Resources and Performance) Tel: 001638 719245 Email: rachael.mann@westsuffolk.gov.uk	
Purpose of report:	To present the Council's Mid-Year Treasury Management Report summarising the investment activities for the period to 30 September 2017.	

Recommendation	<p>It is RECOMMENDED that, the Treasury Management Sub-Committee:</p> <p>(1) Make recommendations as appropriate via the Performance and Audit Scrutiny Committee to Cabinet and Council regarding the approval of:</p> <p>a) The Mid-Year Treasury Management Report for 2017-2018, including the change to the Annual Treasury Management and Investment Strategy and associated Code of Practice attached as Appendix 1.</p>	
<p>Key Decision:</p> <p><i>(Check the appropriate box and delete all those that do not apply.)</i></p>	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>Yes, it is a Key Decision - <input type="checkbox"/></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p>	
<p>Consultation:</p>	<ul style="list-style-type: none"> Treasury management activities are undertaken in consultation with Capita (the Council's appointed Treasury Management advisers) and also takes into account information obtained from investment brokers and other economic commentators. This committee provides for the scrutiny of treasury management strategies and performance, with changes in strategies and policies subject to approval by Cabinet and full Council. 	
<p>Alternative option(s):</p>	<ul style="list-style-type: none"> Options for the management of Council investments are formally considered within the annual treasury management and investment strategy. This includes key strategies in respect of the maintenance of the Council's debt free status, the continuation of in-house management of funds, and the approach to be adopted in establishing the creditworthiness of potential counterparties. The changing nature of the economic climate requires that these key areas are subject on-going review. 	
<p>Implications:</p>		
<p>Are there any financial implications? <i>If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p>	<p>• Please refer to main report</p>
<p>Are there any staffing implications? <i>If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>	<p>•</p>
<p>Are there any ICT implications? <i>If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>	<p>•</p>

<i>Are there any legal and/or policy implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> This report is in-line with the Treasury Management Practice 6, (TMP6), of the Treasury Management Code of Practice which requires that a mid-year monitoring report must be submitted to Council by 31 December each year 	
<i>Are there any equality implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> 	
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
	Low/Medium/ High*		Low/Medium/ High*
Fluctuation in interest rates or in projected cash flows having significant impact on budgeted investment income.	High	Spread of investments for periods of up to two years. Budget monitoring and quarterly performance reports. Use of interest equalisation reserve to smooth out year on year fluctuations.	Medium
Bank / building society failure resulting in loss of Council funds.	High	Use of Capita advice on counterparty credit ratings (based on Fitch and Moody ratings) and the setting of lending limits. Use of non-rated building societies based on asset base and additional credit checks.	Medium
Ward(s) affected:		All Ward	
Background papers: <i>(all background papers are to be published on the website and a link included)</i>		Annual Treasury Management and Investment Strategy 2017/18. <i>(Report COU/SE/17/002 refers)</i>	
Documents attached:		Appendix 1 – Mid-Year Treasury Management Report 2017/18	

1. Mid-Year Monitoring Report 2017/18

- 1.1 Full details of treasury management activities during the period 1 April to 30 September 2017 are included in **Appendix 1** of this report.
- 1.2 Below is a summary of those investment activities:

INTEREST EARNED & AVERAGE RATE OF RETURN SUMMARY			
	Budget	Actual	Difference
Investment Interest Earned	£126,500	£155,841	+ £29,341
Average Rate of Return	0.55%	0.57%	+0.02%

- The over-achievement of interest earned was primarily due to higher cash balances being available for investment than expected. These increases in balances are due to timing differences in the collection and payment of Council Tax, NNDR and other revenue streams, and underspends relating to the budgeted capital programme.
- As at 30 September 2017 we held £51,200,000 of investments.

INVESTMENT ACTIVITY SUMMARY	
	2017/18 £
Opening Balance 01 April 2017	46,350,000
Investments made during the year (including transfers to business reserve accounts)	64,250,000
Sub Total	110,600,000
Investments realised during the year (including withdrawals from business reserve accounts)	59,400,000
Closing Balance 30 September 2017	51,200,000

- 1.3 The mid year report also includes a request to revise the 'Red' % of portfolio limit from 35% to 50%. This is due to the majority of the banks now having a Sector Colour Code rating of 'Red' (there are no longer any Purple or Blue UK banks and only 2 Orange UK bank). The maximum investment with any one 'Red' institution will remain at £11m.

Lending Criteria - Rated Banks and Investment Scheme

Capita Colour Code Key	CURRENT Maximum Duration / Investment Values*	REVISED Maximum Duration / Investment Values*
Purple	Max £13m for max of 2 years (subject to max 50% of portfolio)	Max £13m for max of 2 years (subject to max 50% of portfolio)
Orange	£12m for max of 2 years (subject to max 40% of portfolio)	£12m for max of 2 years (subject to max 40% of portfolio)
Red	£11m for max of 1 year (subject to max 35% of portfolio)	£11m for max of 1 year (subject to max 50% of portfolio)

Green	£9m for max of 6 months (subject to max 30% of portfolio)	£9m for max of 6 months (subject to max 30% of portfolio)
Blue (nationalised / substantially owned by the UK government)	£18m for max of 2 years	£18m for max of 2 years

** Note - This represents an adaption of the Capita approach*