

# Treasury Management Sub-Committee



*St Edmundsbury*  
BOROUGH COUNCIL

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

<b>Recommendation</b>	<p>It is <b>RECOMMENDED</b> that, the Treasury Management Sub-Committee:</p> <p>(1) <b>Make recommendations as appropriate via the Performance and Audit Scrutiny Committee to Cabinet and Council regarding the approval of:</b></p> <p>a) <b>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.</b></p>
<p><b>Key Decision:</b></p> <p>(Check the appropriate box and delete all those that <b><u>do not</u></b> apply.)</p>	<p>Is this a Key Decision and, if so, under which definition?</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>
<b>Consultation:</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<b>Alternative option(s):</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<b>Implications:</b>	
<p>Are there any <b>financial</b> implications? If yes, please give details</p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> <li>Please refer to main report</li> </ul>
<p>Are there any <b>staffing</b> implications? If yes, please give details</p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> <li></li> </ul>
<p>Are there any <b>ICT</b> implications? If yes, please give details</p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> <li></li> </ul>

Are there any <b>legal and/or policy</b> implications? If yes, please give details		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> • 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	
Are there any <b>equality</b> implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (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
<b>Ward(s) affected:</b>		All Ward	
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>		Annual Treasury Management and Investment Strategy 2017/18. (Report <a href="#">COU/SE/17/002</a> refers)	
<b>Documents attached:</b>		<b>Appendix 1</b> – 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:

<b>INTEREST EARNED &amp; AVERAGE RATE OF RETURN SUMMARY</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Difference</b>
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.

<b>INVESTMENT ACTIVITY SUMMARY</b>	
	<b>2017/18 £</b>
<b>Opening Balance 01 April 2017</b>	<b>46,350,000</b>
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
<b>Closing Balance 30 September 2017</b>	<b>51,200,000</b>

- 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	<b>CURRENT</b> Maximum Duration / Investment Values*	<b>REVISED</b> 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 <b>35%</b> of portfolio)	£11m for max of 1 year (subject to max <b>50%</b> 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*