

# Treasury Management Sub-Committee



*St Edmundsbury*  
BOROUGH COUNCIL

<b>Title of Report:</b>	<b>Treasury Management Report 2017-2018 and Investment Activity (1 April to 31 December 2017)</b>	
<b>Report No:</b>	<b>TMS/SE/18/001</b>	
<b>Report to and dates:</b>	<b>Treasury Management Sub-Committee</b>	22 January 2018
	<b>Performance and Audit Scrutiny Committee</b>	31 January 2018
	<b>Cabinet</b>	6 February 2018
	<b>Council</b>	20 February 2018
<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> 01638 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 third Quarter Treasury Management Report summarising the investment activities for the period 1 April 2017 to 31 December 2017.	

<b>Recommendation</b>	<p>It is <b>RECOMMENDED</b> that, the Treasury Management Sub-Committee:</p> <p>(1) Scrutinise the content of this report, including details of the treasury management performance for the first nine months of 2017-2018 financial year; and</p> <p>(2) Make recommendations, as appropriate, via the Performance and Audit Scrutiny Committee to Cabinet and Council regarding the approval of the attached Treasury Management Report 2017-2018 for the period 1 April to 31 December 2017 (Appendix 1 refers).</p>
<b>Key Decision:</b>  <i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>
<b>Consultation:</b>	<ul style="list-style-type: none"> <li>Treasury management activities are undertaken in consultation with Link Asset Services (previously called 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 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>	
<i>Are there any <b>financial</b> implications? If yes, please give details</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> <li>Please refer to main report</li> </ul>
<i>Are there any <b>staffing</b> implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>

<i>Are there any <b>ICT</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any <b>legal and/or policy</b> implications? If yes, please give details</i>		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.	
<i>Are there any <b>equality</b> implications? If yes, please give details</i>		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 Link Asset Services (previously called 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>		Appendix 1 – Third Quarter Treasury Management Report 2017-2018	

## 1. Third Quarter Treasury Management Report 2017-2018

- 1.1 Full details of treasury management activities during the period 1 April to 31 December 2017 are included in **Appendix 1** of this report.
- 1.2 Below is a summary of those investment activities:

<b>INTEREST EARNED AND AVERAGE RATE OF RETURN SUMMARY</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Difference</b>
Investment Interest Earned	£189,750	£226,427	+ £36,677
Average Rate of Return	0.55%	0.56%	+0.01%

- 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 31 December 2017 we held £44,750,000 of investments.

<b>INVESTMENT ACTIVITY SUMMARY</b>	
	<b>2017/2018 £</b>
<b>Opening Balance 01 April 2017</b>	<b>46,350,000</b>
Investments made during the year (including transfers to business reserve accounts)	90,600,000
Sub Total	136,950,000
Investments realised during the year (including withdrawals from business reserve accounts)	92,200,000
<b>Closing Balance 31 December 2017</b>	<b>44,750,000</b>

<b>Summary of Funds held</b>	
<b>Fund</b>	<b>£</b>
Earmarked Revenue Reserves *	20,948,821
Capital Receipts Reserves *	13,820,769
General Fund Reserve	3,035,695
Cash flow Balances (held on behalf of others)	6,944,715
<b>Total Value of Investments</b>	<b>44,750,000</b>

\* these funds will be utilised through the Council's 5 year financial planning period

## 2. **Borrowings and Temporary Loans**

- 2.1 The Council had no borrowings or temporary loans 31 December 2017.