

Committee: Cabinet

Date: 30 November
2017

Title: Treasury Management Mid-Year Review 2017/18

Portfolio Holder: Councillor Simon Howell, Cabinet Member for Finance & Administration

Key decision: **No**

Summary

1. The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports.
2. This report is for the period 1 April to September 2017.
3. The Authority's treasury management strategy for 2017/18 was approved at a meeting of the Authority on 24 February 2017.
4. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.
5. This report is to give members an update on the current Treasury Activities and other factors that may influence or affect the financial market.
6. Treasury Management activities are defined by CIPFA as:

"The management of the Council's investments, borrowing and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimal performance consistent with those risks."

Recommendation

7. No recommendations; this report is for information only and for members to note.

Financial Implications

8. None.

Impact

Communication/Consultation	None
Community Safety	None
Equalities	None

Health and Safety	None
Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

Background

9. The main risks to the Council's treasury activities are:
 - Liquidity risk (inadequate cash resources)
 - Market or interest rate risk (fluctuations in interest rates)
 - Inflation risk (exposure to change in prices)
 - Credit and counterparty risk (security of investments)
 - Refinancing risks (impact of debt maturing in future years)
 - Legal and regulatory risk (i.e. non-compliance with requirements)
10. A detailed report is attached as Appendix A and this has been compiled together with Arlingclose Ltd.
11. The main area of focus currently is the introduction of MiFID II, where Local Authorities will lose their professional status and are re-categorised as retail clients unless they 'opt up', (more detail is available on page 3 of appendix A).
12. To opt up the Council is required to have investments greater than £10m and Treasury Managers (with authorising responsibilities) to have more than one year's experience. The Council meets the criteria and is in the process of opting up to professional status.
13. The implications of not opting up are that we would have limited access to the financial markets for both investing and borrowing and to the current level of professional treasury management advice and support.
14. Since compiling the attached report the Bank of England increased the base rate by 0.25% on the 2 November 2017. At this point in time the increase has had no impact on either investment or borrowing.

15. The table below gives full details of the investments placed for the period April to September 2017.

Date of Investment	Counterparty	Amount (£)	Date of Repayment	Interest Rate
03/04/2017	DMO	9,000,000	06/04/2017	0.10%
06/04/2017	Suffolk County Council	9,000,000	12/04/2017	0.15%
11/04/2017	DMO	20,000,000	18/04/2017	0.10%
12/04/2017	DMO	10,000,000	18/04/2017	0.10%
18/04/2017	Dumfries & Galloway	5,000,000	02/05/2017	0.15%
18/04/2017	DMO	31,000,000	19/04/2017	0.10%
19/04/2017	Coventry Building Society	2,000,000	02/05/2017	0.18%
19/04/2017	DMO	26,000,000	20/04/2017	0.10%
20/04/2017	DMO	21,000,000	02/05/2017	0.10%
25/04/2017	DMO	1,000,000	27/04/2017	0.10%
02/05/2017	DMO	29,000,000	03/05/2017	0.10%
05/05/2017	DMO	2,000,000	08/05/2017	0.10%
08/05/2017	DMO	2,000,000	15/05/2017	0.10%
15/05/2017	DMO	5,000,000	18/05/2017	0.10%
18/05/2017	DMO	1,000,000	22/05/2017	0.10%
25/05/2017	DMO	3,500,000	01/06/2017	0.10%
01/06/2017	DMO	8,000,000	05/06/2017	0.10%
02/06/2017	Stockport Met.Bor.Council	4,000,000	03/07/2017	0.13%
05/06/2017	DMO	6,000,000	07/06/2017	0.10%
07/06/2017	DMO	2,000,000	19/06/2017	0.10%
15/06/2017	DMO	3,000,000	19/06/2017	0.10%
05/07/2017	Coventry Building Society	6,000,000	18/07/2017	0.12%
05/07/2017	DMO	4,000,000	10/07/2017	0.10%
17/07/2017	DMO	3,000,000	19/07/2017	0.10%
18/07/2017	DMO	2,000,000	20/07/2017	0.10%
20/07/2017	DMO	1,000,000	24/07/2017	0.10%
25/07/2017	DMO	1,500,000	01/08/2017	0.10%
01/08/2017	DMO	1,000,000	07/08/2017	0.10%
01/08/2017	DMO	5,500,000	02/08/2017	0.10%
02/08/2017	DMO	5,500,000	08/08/2017	0.10%
08/08/2017	DMO	6,000,000	15/08/2017	0.10%
15/08/2017	DMO	10,000,000	17/08/2017	0.10%
17/08/2017	DMO	5,000,000	21/08/2017	0.10%
21/08/2017	DMO	2,000,000	24/08/2017	0.10%
24/08/2017	DMO	1,000,000	31/08/2017	0.10%
01/09/2017	DMO	10,000,000	04/09/2017	0.10%
04/09/2017	DMO	10,000,000	19/09/2017	0.10%
15/09/2017	DMO	2,000,000	29/09/2017	0.10%
19/09/2017	DMO	2,000,000	28/09/2017	0.10%
21/09/2017	DMO	1,000,000	29/09/2017	0.10%
Average interest rate				0.11%

Counterparty	Amount (£)	Interest Rate
CCLA	500,000	0.19%
CCLA	500,000	0.19%
Bank of Scotland CA	1,000,000	0.15%
FIBCA	1,000,000	0.05%

16. The table below gives full details of the investments placed for the period April to September 2017.

Date of borrowing	Institution	Amount (£)	Date of Repayment	Interest Rate
03/05/2017	Lancashire CC Pension Fund	9,000,000	02/06/2017	0.22%
03/05/2017	Manchester CC	10,000,000	02/06/2017	0.25%
22/05/2017	Manchester CC	2,000,000	05/06/2017	0.18%
02/06/2017	Manchester CC	10,000,000	03/07/2017	0.22%
02/06/2017	Lancashire CC Pension Fund	9,000,000	03/07/2017	0.22%
19/06/2017	Newport City Council	2,500,000	03/07/2017	0.15%
03/07/2017	Manchester City Council	9,000,000	03/08/2017	0.18%
03/07/2017	Edinburgh City Council	4,000,000	10/07/2017	0.22%
03/08/2017	Manchester City Council	9,000,000	01/09/2017	0.18%
01/09/2017	Manchester City Council, (rollover Of 10)	9,000,000	29/09/2017	0.18%
29/09/2017	London Borough of Newham	2,000,000	01/11/2017	0.25%
29/09/2017	Lancaster City Council	4,000,000	06/10/2017	0.30%
Average interest rate				0.21%
05/07/2017	Phoenix	10,000,000		2.86%

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
None – this is a report for members to note			