

Treasury Management Update

Quarter Ended 30 June 2018

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Treasury Management Update

Quarter Ended 30 June 2017

The CIPFA, (Chartered Institute of Public Finance and Accountancy), Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (annual, midyear/quarterly reports). This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

1. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2018/19, which includes the Annual Investment Strategy, was approved by the Council on 8th February 2018. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield.

The Council will also aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in higher rates in periods up to 24 months.

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30 June 2018.

The average level of funds available for investment purposes during the quarter was **£30.6m**. The Council holds **£22.0m** core cash balances for investment purposes (i.e. funds available for more than one year). The investment portfolio yield for the quarter of the year is 0.87%.

Investments at 31st May 2018

	Amount	Average
	£	Interest Rate %
Managed By NHDC		
Banks	10,100,000	0.68
Local Authorities	10,000,000	0.87
Money Market Fund	3,000,000	0.63
NHDC To Total	23,100,000	0.81
Managed by Tradition		
Building Societies	14,000,000	1.08
Tradition Total	14,000,000	1.08
TOTAL	37,100,000	1.00

In percentage terms, this equates to:

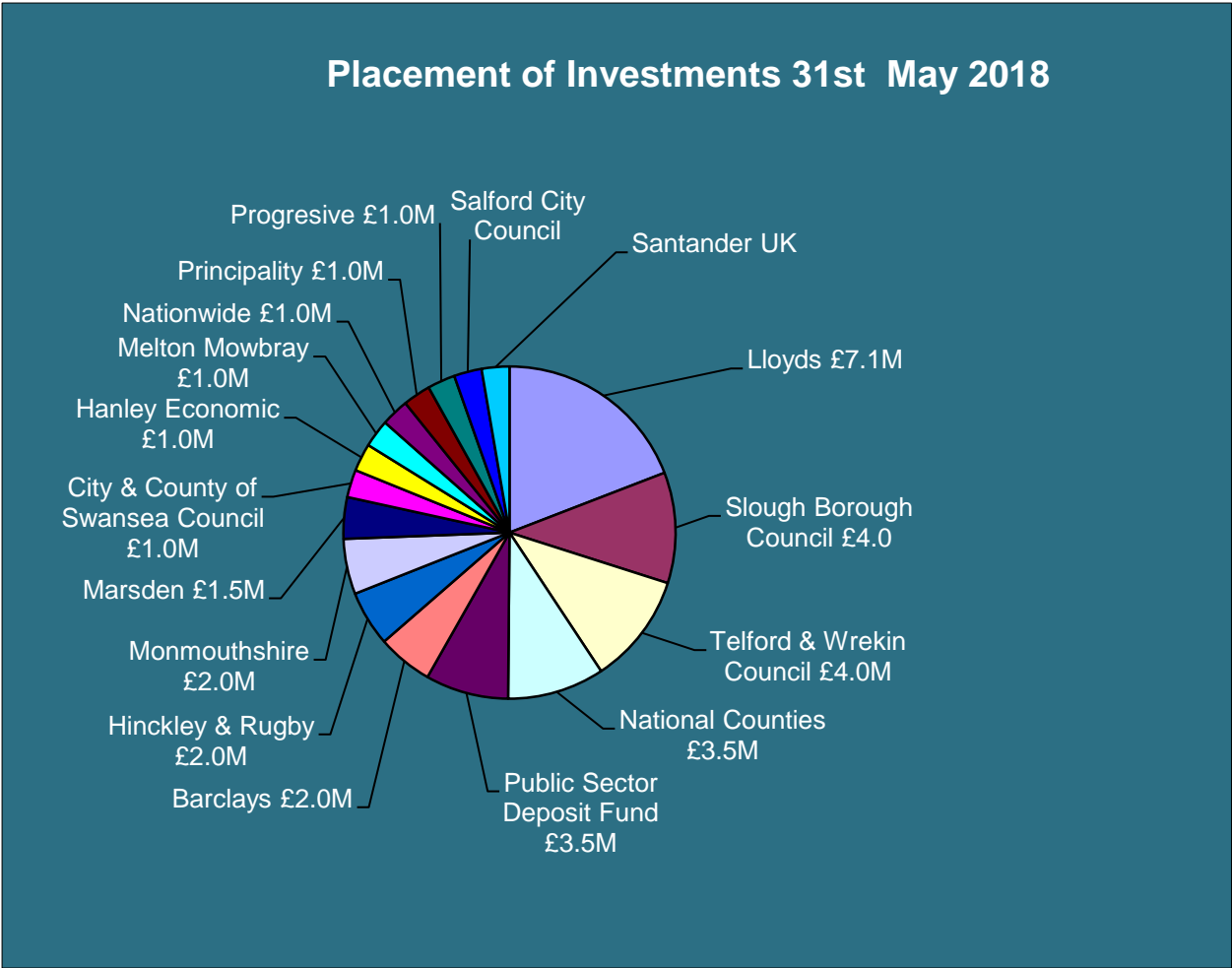
	Percentage
Money Market Funds	8.09
Local Authorities	26.95

Banks
Building Societies

27.22
37.74

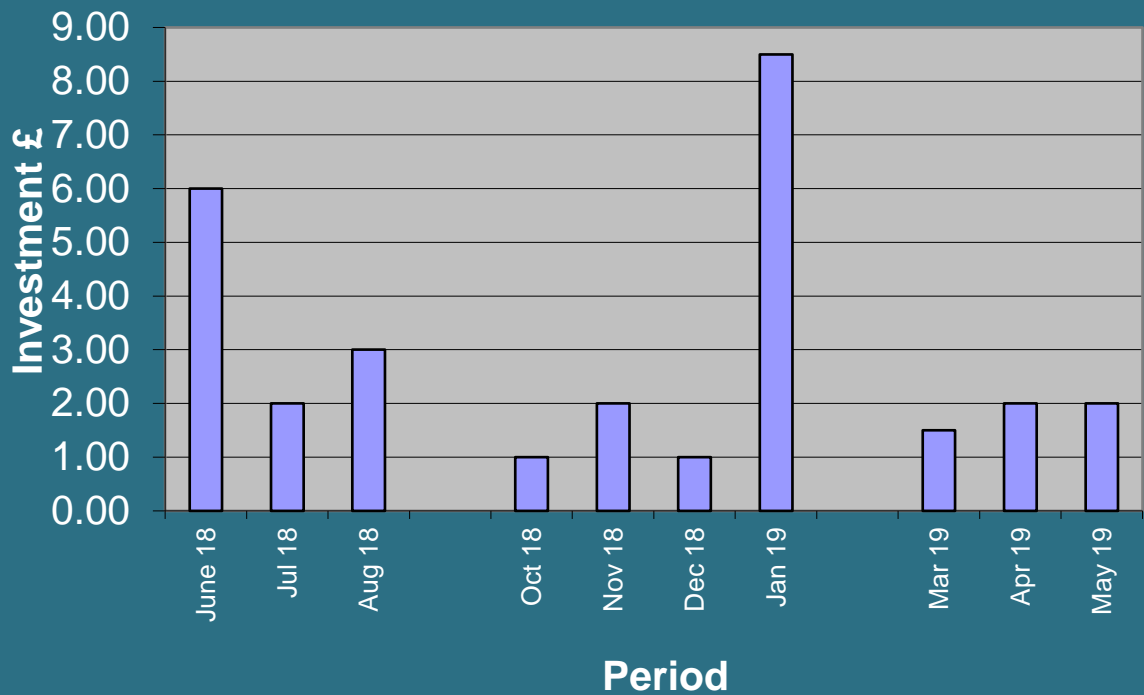
The approved 18/19 strategy is that no more than 75% of investments should be placed with Building Societies.

The pie chart below shows the spread of investment balances as at 31 May 2018. This is a snapshot in time that demonstrates the diversification of investments.



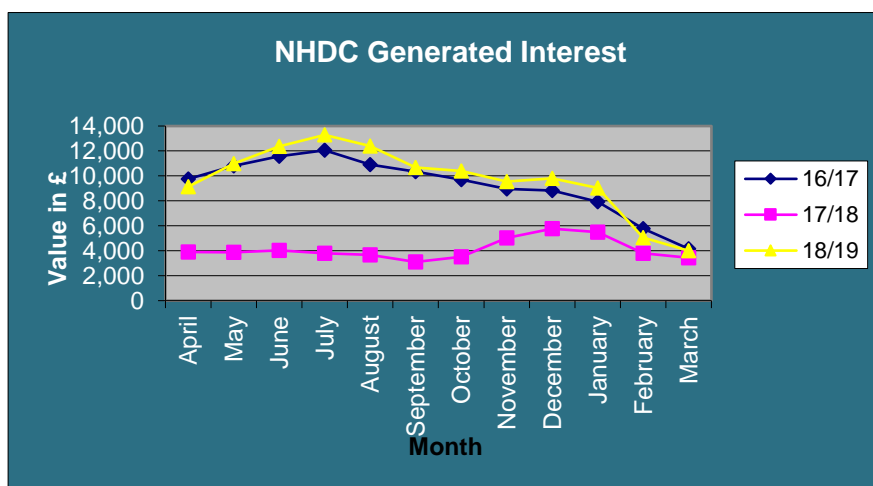
The chart below shows the Council's investment maturity profile. (This does not include the £3.0M held in the Public Sector Deposit Fund Money Market account or £5.1M held in the Lloyds current account which can be called back on any day).

Investment Maturity 31st May 2018

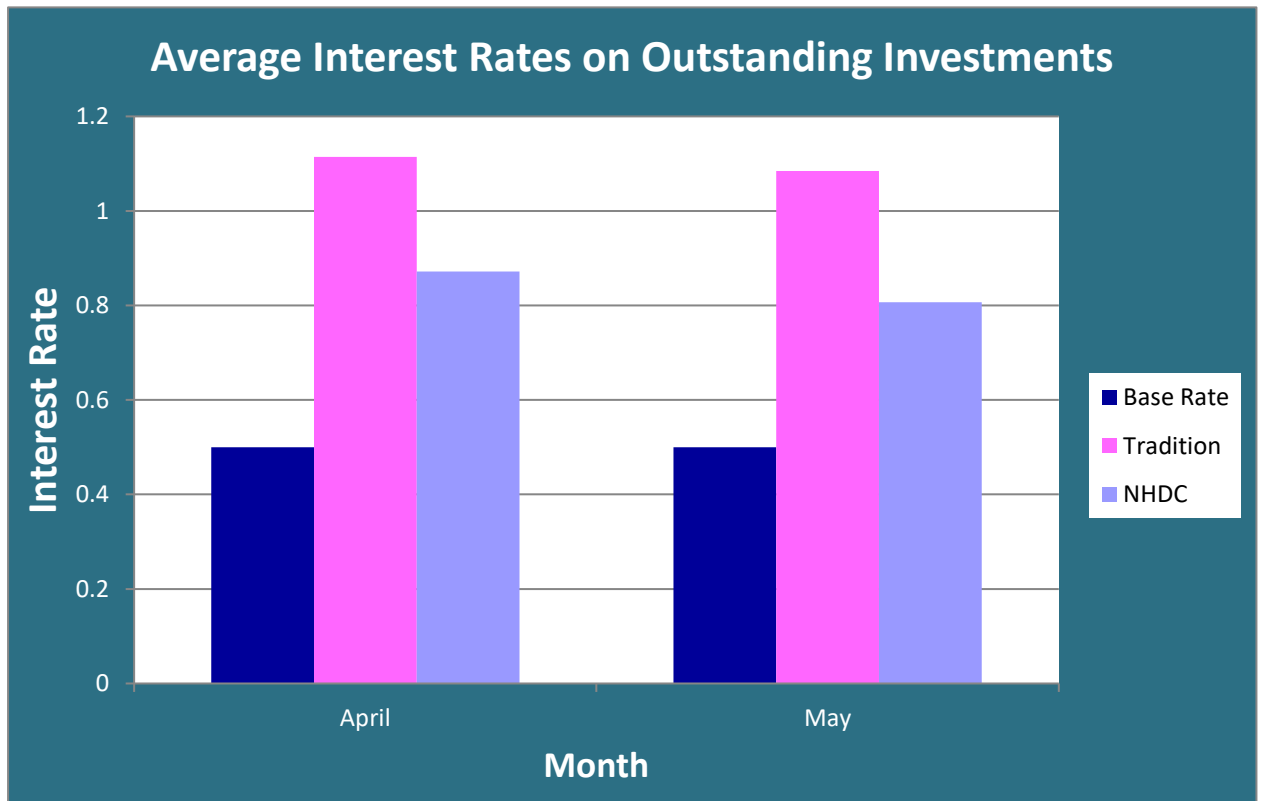


The Council's Original budgeted investment return for 2018/19 was £0.167M. The projection at the first quarter is £0.255M which is an increase of £0.088M on the Original budget. The increase is mainly due to a higher level of balances.

The graph below shows the level of interest expected to be generated from the cash available in-house over the year which is maintained to ensure adequate cash flow. Cash balances have historically reduced over January to March each year as there are less Council tax receipts in February and March.



The graph below shows the average rate of interest on outstanding investments at 31st May.



The Service Director - Resources confirms that the approved limits within the Annual Investment Strategy were not breached during the third quarter of 2017/18.

2. New Borrowing

No borrowing was undertaken during the quarter.

The Council's capital financing requirement (CFR) for 2018/19 is expected to be -£0.021m (-£10.3m at the end of 17/18). The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The CFR is negative as the Council has more cash investments than borrowing. The balance of external and internal borrowing is generally driven by market conditions.

It is anticipated that long term borrowing will not be undertaken during this financial year.

Loans Outstanding at 31 May 2018

	Amount	Average Interest Rate	Cumulative Rate
	£	%	%
Public Works Loans Board	455,661	9.5255	8.5646

3. Debt Rescheduling

No debt rescheduling was undertaken during the quarter.

4. Compliance with Treasury and Prudential Limits

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators, (affordability limits), are included in the approved TMSS.

During the quarter ended 30 June 2018, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The prudential and treasury Indicators are shown in Appendix 1.

APPENDIX 1: Prudential and Treasury Indicators for 2018-19 as at 30 June 2018

Treasury Indicators	2018/19 Budget £'000	Quarter 1 (May) Actual £'000
Authorised limit for external debt The maximum level of borrowing set by Council which can not be exceeded.	15,000	456
Operational boundary for external debt The limit beyond which external debt is not normally expected to exceed, based on gross external debt	5,000	456
Gross external debt Based on current level of debt, plus an allowance for additional debt if it was required	3,456	456
Investments Level of cash investments, expect actuals to exceed this early in the year as linked to capital spend during the year.	(24,500)	(37,100)
Net borrowing Investments less Gross external debt	(21,044)	(36,644)

Maturity structure of fixed rate borrowing - upper and lower limits		
Under 12 months	16	16
12 months to 2 years	17	17
2 years to 5 years	56	56
5 years to 10 years	92	92
10 years to 20 years	25	25
20 years to 30 years	250	250

The budget represents the structure of borrowing that was in place at the start of the year. No new borrowing has been taken out so the position is still in line with budget.

Upper limit of fixed interest rates based on net debt At least 70% of investments should be at fixed rates. Currently only the Money Market Fund investment is at a variable rate.	70% - 100%	78%
Upper limit of variable interest rates based on net debt See above.	0% - 30%	22%
Upper limit for principal sums invested over 364 days Up to 40% of investments (by value) can be for more than one year.	Max 40%	2.7%

Prudential Indicators	2018/19 Budget £'000	Quarter 3 (May) Actual £'000
Capital expenditure The budget is the expected capital expenditure during the year. The actual total is spend to date. Only at the end of the year will actuals get close to the budget.	18,155	337
Capital Financing Requirement (CFR) The total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. The year end position reflects the budgeted capital spend during the year. A negative total means that there is no borrowing requirement.	(0,010)	(10,315)
In year borrowing requirement	0	0
Ratio of financing costs to net revenue stream Net expenditure/ (income) from borrowing and investments, as a % of the Council's net revenue. This is negative as the Council is currently receiving a net income from investments.	-1.6	-1.6