

**STROUD DISTRICT COUNCIL**  
**AUDIT AND STANDARDS COMMITTEE**

**AGENDA  
ITEM NO**

**6 OCTOBER 2020**

**8**

<b>Report Title</b>	<b>1ST QUARTER TREASURY MANAGEMENT ACTIVITY REPORT 2020/21</b>			
<b>Purpose of Report</b>	To provide an update on treasury management activity as at 30/06/2020.			
<b>Decision(s)</b>	<b>The Audit and Standards Committee RESOLVES to accept the treasury management activity first quarter report for 2020/2021.</b>			
<b>Consultation and Feedback</b>	Link Asset Services (LAS).			
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<b>Options</b>	None			
<b>Background Papers</b>	None			
<b>Appendices</b>	A – Prudential Indicators as at 30 June 2020  B – Explanation of prudential indicators			
<b>Implications (further details at the end of the report)</b>	Financial	Legal	Equality	Environmental
	No	No	No	No

## Background

1. Treasury management is defined as: ‘The management of the local authority’s investments 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 optimum performance consistent with those risks.’
2. This report is presented to the Audit and Standards Committee to provide an overview of the investment activity and performance for the first quarter of the financial year, and to report on prudential indicators and compliance with treasury limits. A quarterly report is regarded as good practice, but is not essential under the Code of Practice for Treasury Management (the Code).

## Discussion

3. The Chartered Institute of Public Finance and Accountancy (CIPFA) issued the revised Code in November 2011, originally adopted by this Council on 21 January 2010. This first quarter

report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:

- A review of the Treasury Management Strategy Statement (TMSS) and Investment Strategy
- A review of the Council's investment portfolio for 2020/21
- A review of the Council's borrowing strategy for 2020/21
- A review of compliance with Treasury and Prudential Limits for 2020/21.
- Other Treasury Issues

### **Treasury Management Strategy Statement and Investment Strategy update**

4. The TMSS for 2020/21 was approved by Council on 20th February 2020. The Council's Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as follows:
  1. Security of Capital
  2. Liquidity
  3. Yield
5. In 2020-21 the Council will continue to invest for the longest permitted duration with quality counterparties to maximise return without compromising security, or liquidity. In particular instances the Section 151 Officer will authorise investments in the LAS blue category for a period of up to two years, which is currently longer than the LAS recommended duration of one year. Otherwise, the length of investments permitted will vary if necessary in line with LAS advice subject to the Council's 3-year upper limit.
6. A breakdown of the Council's investment portfolio as at 30 June 2020 is shown in Table 2 of this report. Investments & borrowing during the year have been in line with the strategy.
7. Current advice from Link is to invest for no more than a year with UK banks, or up to a maximum of five years with government or local government provided they are sufficiently highly rated on Link's weekly list.

### **Investment Portfolio 2020/21**

8. In accordance with the Code, it is the Council's priority to ensure security and liquidity of investments, and once satisfied with security and liquidity, to obtain a good level of return. The investment portfolio yield for the first quarter is shown in the table below:

**TABLE 1: Average Interest Rate Compared With Benchmark Rates**

	Period	Investment Interest Earned £	Average Investment £m	Rate of Return	Benchmark Return 7 day LIBID un compounded	For comparison 3 month LIBID un compounded
Internally Managed Specified		49,874	46.444	0.422%	-0.04%	0.26%
Property Fund / Multi-Asset Fund	01/04/2020 - 30/06/2020	54,649	8.763	2.47%	-0.04%	0.26%
<b>TOTAL</b>		104,523	55.207	0.75%	-0.04%	0.26%

**TABLE 2: Funds Performance – Quarter 1 2020-21**

Fund	Initial Investment £m	Value as at 30/06/2020 £m	Return Apr - Jun 2020
Lothbury	4.000	3.883	2.41%
Hermes	2.000	1.947	2.62%
Royal London	3.000	3.045	2.45%

9. The approved limits as set out in the Treasury Management Strategy report to Council 20th February 2020 within the Annual Investment Strategy were not breached during the first 3 months of 2020/21.
10. Funds were available for investment on a temporary basis. The level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. The authority holds £15m core cash balances for investment purposes (i.e. funds that potentially could be invested for more than one year). The Council has invested £9m into Property and Multi-Asset Funds with the objective of longer term investments improving the overall rate of return in future years.
11. Table 3 below shows the investments and borrowing position at the end of June 2020.

<b>June 2020</b>	
<b>£'000</b>	
Aberdeen	3,323
Federated Prime Rate	4,000
Deutsche	0
Goldman Sachs	1
<b>Money Market Funds Total</b>	<b>7,324</b>
Bank of Scotland	0
Lloyds	7,977
<b>Lloyds Banking Group Total</b>	<b>7,977</b>
NatWest	0
Royal Bank of Scotland	8
<b>RBS Banking Group Total</b>	<b>8</b>
Standard Chartered	4,000
Santander	7,959
Barclays Bank Plc	7,753
Svenska Handelsbanken	7,988
Dudley Metropolitan Council	1,000
<b>TOTAL INVESTMENTS</b>	<b><u>£44,009</u></b>
Lothbury	4,000
Hermes	2,000
<b>TOTAL PROPERTY FUNDS</b>	<b><u>£6,000</u></b>
RLAM	3,000
<b>TOTAL DIVERSIFIED FUNDS</b>	<b><u>£3,000</u></b>
Local Authority	0
PWLB	103,717
<b>TOTAL BORROWING</b>	<b><u>£103,717</u></b>

## External Borrowing

12. The Council's Capital Financing Requirements (CFR) for 2020/21 is £115.05m. 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 Council has borrowing of £103.717m as at 30 June 2020.

### **13. Compliance with Treasury and Prudential Limits**

14. It is a statutory duty for the Council to determine and keep under review the “Affordable Borrowing Limits”. Council’s approved Treasury and Prudential Indicators are outlined in the approved TMSS.
15. During the period to 30 June 2020 the Council has operated within treasury limits and Prudential Indicators set out in the Council’s TMSS and with the Council's Treasury Management Practices. The Prudential and Treasury Indicators are shown in Appendix A.

## **IMPLICATIONS**

### **16. Financial Implications**

There are no financial implications arising from the decision. The whole report is of a financial monitoring nature.

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### **17. Legal Implications**

There are no legal implications arising from the recommendations made in this report.

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### **18. Equality Implications**

There are no equality implications arising from the recommendations made in this report.

### **19. Environmental Implications**

There are no environmental implications arising from the recommendations made in this report.