

# STROUD DISTRICT COUNCIL

## FOR INFORMATION

<b>Report Title</b>	<b>HALF-YEAR TREASURY MANAGEMENT ACTIVITY REPORT 2020/21</b>			
<b>Purpose of Report</b>	To provide an update on treasury management activity as at 30/09/2020.			
<b>Decision(s)</b>	<b>To note 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 September 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 half year 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 half year 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. The composition of the Council's investment portfolio as at 30 September 2020 is shown in Table 3 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 half year 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 uncompounded	For comparison 3 month LIBID uncompounded
<b>Internally Managed Specified</b>		49,874	46.444	0.422%	-0.04%	0.26%
<b>Property Fund / Multi-Asset Fund</b>	01/04/2020 - 30/06/2020	54,649	8.763	2.47%	-0.04%	0.26%
<b>Total Quarter 1</b>		<b>104,523</b>	<b>55.207</b>	<b>0.75%</b>	<b>-0.04%</b>	<b>0.26%</b>
<b>Internally Managed Specified</b>		34,997	48.928	0.284%	-0.07%	-0.06%
<b>Property Fund / Multi-Asset Fund</b>	01/07/2020 - 30/09/2020	68,430	8.872	3.08%	-0.07%	-0.06%
<b>Total Quarter 2</b>		<b>103,427</b>	<b>57.800</b>	<b>0.72%</b>	<b>-0.07%</b>	<b>-0.06%</b>
<b>TOTAL</b>	01/04/2020 - 30/09/2020	<b>207,950</b>	<b>56.504</b>	<b>0.74%</b>	<b>-0.06%</b>	<b>0.10%</b>

\* at the time of preparing the report second quarter income figures for the Hermes Property Fund were unavailable, they should be available at the time of the meeting

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

	Initial Investment £m	Value as at 30/09/2020 £m	Return Apr - Sep 2020
Lothbury	4.000	3.766	2.51%
Hermes	2.000	1.920	3.93%
Royal London	3.000	3.117	2.38%

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 6 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). By 30 September 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. During October a further £1m was invested with the CCLA Multi-Asset Fund.
11. Table 3 below shows the investments and borrowing position at the end of September 2020.

**TABLE 3: Investments as at 30 September 2020**

	Jun 2020 £'000	Sep 2020 £'000
Aberdeen	3,323	3,994
Federated Prime Rate	4,000	3,109
Deutsche	0	1
Goldmans Sachs	1	1
<b>Money Market Funds Total</b>	<b>7,324</b>	<b>7,105</b>
Bank of Scotland	0	0
Lloyds	7,977	7,981
<b>Lloyds Banking Group Total</b>	<b>7,977</b>	<b>7,981</b>
NatWest	0	1
Royal Bank of Scotland	8	3,008
<b>RBS Banking Group Total</b>	<b>8</b>	<b>3,009</b>
Standard Chartered	4,000	2,000
Santander	7,959	7,969
Barclays Bank Plc	7,753	7,758
Svenska Handelsbanken	7,988	7,994
Dudley Metropolitan Council	1,000	1,000
<b>Other Banks Total</b>	<b>28,700</b>	<b>26,721</b>
<b>Coventry Building Society</b>	<b>0</b>	<b>6,000</b>
<b>TOTAL INVESTMENTS</b>	<b>£44,009</b>	<b>£50,816</b>
Lothbury	3,884	3,766
Hermes	1,946	1,920
<b>TOTAL PROPERTY FUNDS</b>	<b>£5,830</b>	<b>£5,686</b>
RLAM	3,045	3,117
<b>TOTAL DIVERSIFIED FUNDS</b>	<b>£3,045</b>	<b>£3,117</b>
PWLB	103,717	103,717
<b>TOTAL BORROWING</b>	<b>£103,717</b>	<b>£103,717</b>

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 September 2020.

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

13. 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.
14. During the period to 30 September 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**

#### **15. Financial Implications**

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

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#### **16. Legal Implications**

The Council is required to have a Treasury Management Strategy to meet the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG Minimum Revenue Provision Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance. This report provides an overview of the treasury management activity for the first half year 2020/2021.

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#### **17. Equality Implications**

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

#### **18. Environmental Implications**

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