

STROUD DISTRICT COUNCIL
AUDIT AND STANDARDS COMMITTEE

**AGENDA
ITEM NO**

27 APRIL 2021

9

Report Title	3RD QUARTER TREASURY MANAGEMENT ACTIVITY REPORT 2020/21			
Purpose of Report	To provide an update on treasury management activity as at 31/12/2020.			
Decision(s)	The Audit and Standards Committee RESOLVES to note the treasury management activity third quarter report for 2020/2021.			
Consultation and Feedback	Link Asset Services (LAS).			
Report Author	Maxine Bell, Snr Accounting Officer Tel: 01453 754134 E-mail: maxine.bell@stroud.gov.uk			
Options	None			
Background Papers	None			
Appendices	Appendix A – Prudential Indicators as at 31 December 2020 Appendix B – Explanation of Prudential Indicators			
Implications (further details at the end of the report)	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 **third** 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 third 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 31st December 2020 is shown in Table 2 and 3 of this report. Investments & borrowing during the year have been in line with the strategy.

Investment Portfolio 2020/21

7. 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 **third** 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 uncompounded	For comparison 3 month LIBID uncompounded
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%
Total Quarter 1		104,523	55.207	0.75%	-0.04%	0.26%
Internally Managed Specified		34,997	48.928	0.284%	-0.07%	-0.06%
Property Fund / Multi-Asset Fund	01/07/2020 - 30/09/2020	68,430	8.872	3.08%	-0.07%	-0.06%
Total Quarter 2		103,427	57.800	0.72%	-0.07%	-0.06%
Internally Managed Specified		27,142	52.013	0.207%	-0.08%	-0.08%
Property Fund / Multi-Asset Fund	01/10/2020 - 31/12/2020	71,367	10.001	2.787%	-0.08%	-0.08%
Total Quarter 3		98,509	62.014	0.64%	-0.08%	-0.08%
TOTAL	01/04/2020 - 30/12/2020	306,459	58.340	1.58%	-0.07%	0.04%

TABLE 2: Funds Performance – Quarter 3 2020-21

Fund	Initial Investment £m	Value as at 31/12/2020 £m	Return Apr - Dec 2020
Lothbury	4.000	3,829	2.54%
Hermes	2.000	1,927	3.80%
Royal London	3.000	3,227	2.34%
CCLA	1.000	1,018	3.83%
TOTAL	£10,000	£10,001	2.787%

8. 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 9 months of 2020/21.
9. 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 £10m into Property and Multi-Asset Funds with the objective of longer term investments improving the overall rate of return in future years.
10. Table 3 below shows the investments and borrowing position at the end of December 2020

TABLE 3: Investments & Borrowing

	Jun 2020 £'000	Sep 2020 £'000	Dec 2020 £'000
Aberdeen	3,323	3,994	3,962
Federated Prime Rate	4,000	3,109	1,129
Deutsche	0	1	8
Goldmans Sachs	1	1	1,197
Money Market Funds Total	7,324	7,105	6,296
Bank of Scotland	0	0	0
Lloyds	7,977	7,981	7,983
Lloyds Banking Group Total	7,977	7,981	7,983
NatWest	0	1	1580
Royal Bank of Scotland	8	3,008	3,008
RBS Banking Group Total	8	3,009	4,588
Standard Chartered	4,000	2,000	2,000
Santander	7,959	7,969	7,978
Barclays Bank Plc	7,753	7,758	7,999
Svenska Handelsbanken	7,988	7,994	7,995
DMO	0	0	500
North Lanarkshire Council	0	0	3,000
Thurrock District Council	0	0	2,000
Dudley Metropolitan Council	1,000	1,000	1,000
Other Banks Total	28,700	26,721	32,472
Coventry Building Society	0	6,000	8,000
SHORT TERM INVESTMENTS	£44,009	£50,816	£59,339
Property Funds	5,830	5,686	5,757
Diversified Funds	3,045	3,117	4,245
TOTAL INVESTMENTS	£52,884	£59,619	£69,341
PWLB	103,717	103,717	103,717
TOTAL BORROWING	£103,717	£103,717	£103,717

External Borrowing

11. 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 31st December 2020.

Compliance with Treasury and Prudential Limits

12. 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.
13. During the period to 31st December 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.

4. IMPLICATIONS

4.1 Financial Implications

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

Lucy Clothier, Accountancy Manager
Email: lucy.clothier@stroud.gov.uk

4.2 Legal Implications

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

Patrick Arran, Interim Head of Legal Services & Monitoring Officer
Tel: 01453 754369 Email: patrick.arran@cotswold.gov.uk

4.3 Equality Implications

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

4.4 Environmental Implications

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