

# **Management Committee 18 September 2018 Treasury Outturn Report 2017/18**

## **For Decision**

### **Portfolio Holder(s)**

Cllr Jeff Cant – Finance & Assets

### **Senior Leadership Team Contact:**

J Vaughan, Strategic Director

### **Report Author:**

John Symes, Financial Resources Manager

### **Statutory Authority**

s.151 of the Local Government Act 1972

## **Purpose of Report**

- 1 To present an update on treasury management activity and performance for the 2017/18 financial year in accordance with the Council's treasury strategy.

## **Recommendations**

- 2 That Members note changes to the treasury portfolio.

## **Reasons for Recommendation**

- 3 To ensure that Members are aware of developments within their remit.

## **Background Information**

- 4 The Treasury Management Strategy has been underpinned by the adoption of the CIPFA Code of Practice on Treasury Management in Public Services and recommends updates at least twice a year. The Council is supported in this area by Arlingclose, its Treasury Management advisors, who provide expertise which the Council would not be able to resource itself.
- 5 The Treasury Management Strategy Statement for the year commencing 1<sup>st</sup> April 2017 was adopted by Council on 23<sup>rd</sup> February 2017.

## **Report**

## 6 Governance Structure

7 The annual Treasury Management Strategy Statement (TMSS) and annual report are considered and approved by Members. Other treasury management reporting includes a quarterly update as part of the Council's Business Review report to Management Committee and also through the treasury management briefings which are open to all members.

8 Treasury management responsibility is delegated to Jason Vaughan, Strategic Director, in his capacity as s.151 officer in order to be able to make reasoned and timely decisions with the objective of minimising risk to Council assets and to ensure compliance with statutory requirements.

9 Treasury management briefings have taken place in January 2018 and most recently in July 2018 to update Members on treasury management activity and will continue to meet on a regular basis.

## 10 Debt Management

	Balance on 01/04/2017 £000s	Debt Repaid £000s	New Borrowing £000s	Balance on 31/03/2018 £000s	Incr/(Decr) in Borrowing £000s
Short Term Borrowing	0	0	0	0	0
Long Term Borrowing	27,000	0	0	27,000	0
<b>TOTAL BORROWING</b>	27,000	0	0	27,000	0
Average Rate %	4.58%			4.58%	

11 The Council's debt position has not altered throughout the financial year 2017/18 and to the year to date, remaining at £27,000,000 at an average rate of 4.58%.

12 Interest paid in the last financial year totalled £1,236,225 against a budget of £1,236,225. Since the 1<sup>st</sup> April interest payments of £614,853 have been made.

## 13 Investment Activity

14 Both the CIPFA and MHCLGs investment guidance requires the Authority to invest prudently and have regard to the security and liquidity of investments before seeking the optimum yield.

15 The Council's strategy for investments was based upon minimising risk and safeguarding capital. This was maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement which defined "high credit quality" organisations as those having a long-term credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.

16 The Authority has adopted a voluntary measure in its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio, which is supplied by our advisors. This is calculated

by applying a score to each investment (AAA = 1, AA+ = 2, etc) and taking an arithmetic average, weighted by the size of each investment.

	Target	Actual	Arlingclose Client Ave
Portfolio average credit rating	A-	AA+	AA-

- 17 The Council held investments of £38,777,510 as at 01/04/17 with holdings of £43,980,510 by the year end. Current investments total £52,689,755 as at 31<sup>st</sup> July 2018.
- 18 Investment activity for the year included the following transactions having undertaken a portfolio modelling exercise and following advice from the Authority's Treasury Management adviser, Arlingclose:
- £500,000 - Schroders Income Maximiser Fund
  - £1,000,000 - CCLA Diversified Income Fund
  - £1,500,000 - M&G Strategic Corporate Bond Fund
  - £1,000,000 - Royal London Enhanced Cash Plus Fund
  - £2,500,000 - Investec Diversified Income Fund
  - £2,500,000 - Threadneedle Strategic Bond Fund
  - £1,000,000 - Threadneedle Sterling Short-Dated Corporate Bond Fund
  - £2,500,000 - Threadneedle UK Equity Income Fund
  - £2,500,000 - City Financial Multi Asset Diversified Income Fund
- The continued use of five Money Market Funds (MMFs) in order to provide diversification of exposure and also high liquidity which helps maintain our foremost priority of capital security and also cashflow requirements.
  - As an indication of the level of MMF activity in year investment totalled £39,945,000 (2016/17 £101,689,000) with corresponding receipts of £46,281,000 (2016/17 £95,354,000).
  - One Bank of Scotland term deposit was made in the year and short term deposits with the Treasury's Debt Management Office were made for cashflow purposes.
- 19 For the financial year ending 31<sup>st</sup> March 2018 the Council received £1,215,497 (2016/17 £972,092) interest at an average income return of 3.11% (2016/17 2.24%). Total investments include sums held for cashflow purposes as well as pooled funds. This is favourable against benchmarks of 1.42% for 51 English Non-Met Districts and also against 1.05% average for Arlingclose clients (see appendix 1).
- 20 Further detail of the comparative treasury position as at 31<sup>st</sup> March 2018 is available at appendix 2.
- 21 Further economic background, as provided by our treasury advisor, is available at appendix 3.
- 22 **Compliance with Prudential Indicators**

- 23 The Council can confirm that it has complied with its Prudential Indicators for 2017/18, which were set in February 2017 as part of the Council's Treasury Management Strategy Statement.
- 24 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2017/18. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

## **Corporate Plan**

- 25 Performance aim

## **Risk Management**

- 26 Risk that ineffective governance arrangements will expose the council to significant financial or reputational risk and to the risk of non-compliance with statutory requirements.

## **Appendices**

- 27 Appendix 1 – Income Return on Total Investments 2017/18  
28 Appendix 2 – Treasury Investments: portfolio as at 31<sup>st</sup> March 2018  
29 Appendix 3 – Arlingclose Economic Commentary

## **Background Documents (including relevant policy documents)**

- 30 Treasury Management Strategy Statement and Investment Strategy 2017/18 - Full Council Agenda 23<sup>rd</sup> February 2017.

## **Footnote**

- 31 Issues relating to financial, environmental, economic and equalities implications have been considered and any information relevant to the decision is included within the report.

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