

**COMMITTEE:** COUNCIL REF NO: C/18/04  
**DATE:** 25 JULY 2018  
**SUBJECT:** TREASURY MANAGEMENT PERFORMANCE  
2017/18

**PORTFOLIO HOLDER: COUNCILLOR MARTIN COOK**

**HEAD OF SERVICE: JOHN CHANCE**

***Brief description of report content and the decision being asked for:***

The Treasury Management Code of Practice requires a mid-year report on Treasury Management activities to go to Council. This report complements the information supplied in the quarterly budget monitoring reports.

That the Treasury Management Operations for the period 1 April 2017 to 31 March 2018 be noted.

*This report has been prepared by David Wolton  
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***This report was prepared after consultation with:***

Helen Pluck, Chief Operating Officer  
John Chance, Head of Finance and Revenues  
Tom Minnican, Operations Manager – Finance and Procurement

***The following policies form a context to this report:***

*(all relevant policies must also be referred to in the body of the report)*

Financial Strategy  
Building a Better Ipswich  
Standing Orders  
Treasury Management Strategy

**LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW**

*(papers relied on to write the report but which are not published and do not contain exempt information –*

1. Medium Term Financial Plan – Council 22 February 2017.
2. Treasury Management Performance 2016/17 – Council 26 July 2017.
3. Treasury Management Performance 2017/18 – Council 12 December 2017

**OTHER HELPFUL PAPERS**

*(papers which the report author considers might be helpful – this might include published material)*

- 1.
- 2.
- 3.

## 1. INTRODUCTION

- 1.1 The treasury management service is an important part of the overall financial management of the Council's affairs, is strictly regulated by statutory requirements which leans on a professional code of practice (the CIPFA Code of Practice on Treasury Management). This Council adopted the revised CIPFA Code of Practice on Treasury Management in Local Authorities (the Code), at Council on 25 February 2015.
- 1.2 The code requires the setting out of responsibilities and duties of the members and officers, allowing a framework for reporting and decision making on all aspects of Treasury Management. This information is held in a Treasury Management Systems Document, which is a requirement of the above Code of Practice, which is held in Financial Services and is an up to date record of the Treasury Management Systems and Operations.
- 1.3 The Section 151 Officer reports to Executive as part of the quarterly budgetary control report on treasury management activities.
- 1.4 Council approved the Treasury Management Policy Statement, Borrowing Limits and Annual Investment Strategy 2017/18 as part of the Medium Term Financial Plan on 22 February 2017. The Borrowing Limits for 2017/18 were subsequently increased by Council on 26 July 2017.
- 1.5 The approved activities of the Treasury Management operation are as follows:
- 1.5.1 Borrowing funds and interest rate exposure management
  - 1.5.2 Debt repayment and rescheduling
  - 1.5.3 Investing surplus funds
  - 1.5.4 Use of external managers for temporary investment of funds
- 1.6 This report outlines what happened in relation to each of these four elements of the approved strategy for the period 1 April 2017 to 31 March 2018. The position in respect of borrowing and investments is summarised in the table below:

	Position at 31/3/17	Position at 31/3/18	Change
	£	£	£
<b>Borrowing</b>			
PWLB Maturity	44,550,527	71,050,527	+26,500,000
PWLB Annuity	41,904,631	70,056,909	+28,152,278
PWLB EIP	32,467,212	30,992,654	-1,474,558
Market Loans	14,600,000	13,600,000	-1,000,000
<b>Total Borrowing</b>	<b>133,522,370</b>	<b>185,700,090</b>	<b>+52,177,720</b>
<b>Investments</b>			
Fixed Term Investments	23,000,000	19,000,000	-4,000,000
Instant Access Accounts	0	5,000,000	+5,000,000
Notice Accounts	9,000,000	6,000,000	-3,000,000
Money Market Funds	1,690,000	4,420,000	+2,730,000
Inter Group Loans	10,348,147	66,187,822	+55,839,675
<b>Total Investments</b>	<b>44,038,147</b>	<b>100,607,822</b>	<b>+56,569,675</b>

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## **2. BACKGROUND**

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- 2.1 Executive on 13 March 2012 agreed that the Council would have two borrowing pools, one for General Fund (GF) and one for the Housing Revenue Account (HRA) and that all the Council's current debt as at 31 March 2012 would be allocated to the HRA. All future borrowing will be ringfenced to the GF or HRA as appropriate.
- 2.2 Over the last few years the Council has had a very risk averse strategy. With the rates on instant access accounts falling and more confidence in the market, the Council has undertaken a number of fixed term investments. These fixed term investments have been spread out, to further minimise risk and so they do not all mature at once. All fixed term investments are approved by the Section 151 Officer in consultation with the Finance Portfolio holder before they are undertaken.
- 2.3 Council sets the investment limits for individual organisations as part of the Medium Term Financial Plan for the year. The Section 151 Officer sets operational limits within these parameters.

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## **3. POLICY CONTEXT**

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- 3.1 The Treasury Management Policy Statement, Borrowing Limits and Annual Investment Strategy was approved for 2017/18 on 22 February 2017 and set the parameters the Council can work within for certain items, such as the authorised limit for borrowing, the counterparties the Council can invest with and the maximum amount that can be invested with any one counterparty. The borrowing limits for 2017/18 were subsequently increased at Council on 26 July 2017.

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## **4. RISK MANAGEMENT**

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- 4.1 The security and return of investments is the biggest priority due to the current economic circumstances. As a rule the more security an investment has, the lower the interest rate is. All investments in 2017/18 have been returned when they have been due.

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## **5. PERFORMANCE MONITORING**

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- 5.1 The MPC met on 2 November and for the first time in 10 years there was an increase in the base rate from 0.25% to 0.50%. The increase had been built into the market rates leading up to the decision and it was not a surprise that the base rate was increased. All the Council's borrowing is at fixed interest rates, so there was no increase in costs arising from the change. The Council does expect to see higher investment income, as the returns on Money Market Funds (MMF's) and the one instant access account that is linked to the base rate will increase. However this will be offset by higher borrowing rates.
- 5.2 Overall the General Fund made savings on the capital financing budget of £980k during 2017/18. This was mainly due to the investment return on the investments made in the Council's arms-length companies.

- 5.3 Overall the Housing Revenue Account made savings on the capital financing budget of £233k during 2017/18. This was mainly due to the Council using internal balances rather than borrowing and having higher balances than expected.
- 5.4 During 2017/18 the Council repaid £4.262m of existing debt. The Council also borrowed £56.440m during the year. An analysis of the Council debt movements between 1 April 2017 and 31 March 2018 is shown at Appendix A.
- 5.5 As at 31 March 2018, the Council had £19m of fixed term investments. An analysis of the Council's fixed term investments as at 31 March 2018 is shown at Appendix B.
- 5.6 For working capital, the Council uses Instant access accounts and MMF's. As at 31 March 2018, the Council had £9.420m of investments spread over these types of Investments. The Council only started using MMF's during 2015/16, and the interest rates obtained are slightly higher than on the Council's Instant access accounts. The other advantage of using MMF's is that it gives the Council more scope to place investments with other counterparties on the Council's approved investment list.
- 5.7 The Council has also been using notice accounts and as at 31 March 2018, the Council had £6m in this type of account. An analysis of the Council's Instant access accounts, MMF investments and notice accounts is shown at Appendix C.
- 5.8 Temporary lending to arms-length companies is being made from balances and external borrowing. As at 31 March 2018 the Council had outstanding investments to the Council's arms-length companies of £66.188m.
- 5.9 Councillors and Senior Officers continue to review the Council's Investment Strategy to see if further value can be gained.

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## **6. CONCLUSIONS**

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- 6.1 The economic conditions are still volatile and security of the Council's assets should continue to be the Council's prime objective.
- 6.2 All future quarterly budgetary control reports will include wider performance monitoring information on Treasury Management activities in line with the information included within this report.

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## **7. RECOMMENDED: -**

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- 7.1 **that the Treasury Management Operations for the period 1 April 2017 to 31 March 2018 be noted.**

**EXTERNAL LOANS OUTSTANDING AS AT 31/3/2018**

Loan No.	Interest Rate	Date Loan Taken Out	Date Loan Matures	Principal Outstanding as at 31/3/17	Loans Raised During Period	Loans Repaid During Period	Principal Outstanding as at 31/3/18
<b>PWLB Maturity</b>							
479528	7.375%	28/05/1997	28/05/2057	3,000,000	0	0	3,000,000
488921	4.950%	05/08/2004	30/09/2029	2,000,000	0	0	2,000,000
489703	4.700%	25/02/2005	31/03/2030	3,000,000	0	0	3,000,000
491461	4.350%	27/04/2006	31/03/2053	3,000,000	0	0	3,000,000
491462	4.350%	27/04/2006	31/03/2055	3,230,527	0	0	3,230,527
500168	3.500%	28/03/2012	01/04/2058	1,660,000	0	0	1,660,000
500158	3.500%	28/03/2012	01/08/2058	1,660,000	0	0	1,660,000
500163	3.500%	28/03/2012	01/12/2058	1,660,000	0	0	1,660,000
500149	3.500%	28/03/2012	01/05/2059	1,660,000	0	0	1,660,000
500167	3.500%	28/03/2012	01/09/2059	1,660,000	0	0	1,660,000
500148	3.490%	28/03/2012	01/01/2060	1,660,000	0	0	1,660,000
500151	3.490%	28/03/2012	01/06/2060	1,660,000	0	0	1,660,000
500159	3.490%	28/03/2012	01/10/2060	1,660,000	0	0	1,660,000
500146	3.490%	28/03/2012	01/02/2061	1,660,000	0	0	1,660,000
500133	3.480%	28/03/2012	01/07/2061	1,660,000	0	0	1,660,000
500152	3.480%	28/03/2012	01/11/2061	1,660,000	0	0	1,660,000
500128	3.480%	28/03/2012	01/03/2062	1,660,000	0	0	1,660,000
503548	2.070%	15/12/2014	15/12/2019	1,400,000	0	0	1,400,000
503549	2.230%	15/12/2014	15/12/2020	2,000,000	0	0	2,000,000
503550	2.490%	15/12/2014	15/12/2022	2,000,000	0	0	2,000,000
503551	2.590%	15/12/2014	15/12/2023	2,000,000	0	0	2,000,000
503552	2.690%	15/12/2014	15/12/2024	2,000,000	0	0	2,000,000
503553	2.770%	15/12/2014	15/12/2025	1,000,000	0	0	1,000,000
506561	2.670%	08/11/2017	08/11/2037	0	26,500,000	0	26,500,000
				44,550,527	26,500,000	0	71,050,527

**EXTERNAL LOANS OUTSTANDING AS AT 31/3/2018**

Loan No.	Interest Rate	Date Loan Taken Out	Date Loan Matures	Principal Outstanding as at 31/3/17	Loans Raised During Period	Loans Repaid During Period	Principal Outstanding as at 31/3/18
<b>PWLB Annuity</b>							
140313	3.000%	19/11/1948	31/12/2027	323	0	25	298
500157	2.520%	28/03/2012	01/04/2031	1,309,878	0	75,872	1,234,006
500144	2.520%	28/03/2012	01/05/2031	1,308,301	0	75,780	1,232,521
500138	2.520%	28/03/2012	01/06/2031	1,308,301	0	75,780	1,232,521
500164	2.520%	28/03/2012	01/07/2031	1,308,301	0	75,780	1,232,521
500112	2.520%	28/03/2012	01/08/2031	1,308,301	0	75,780	1,232,521
500113	2.520%	28/03/2012	01/09/2031	1,308,301	0	75,780	1,232,521
500122	2.570%	28/03/2012	01/10/2031	1,320,800	0	73,194	1,247,606
500126	2.570%	28/03/2012	01/11/2031	1,320,800	0	73,194	1,247,606
500161	2.570%	28/03/2012	01/12/2031	1,320,800	0	73,194	1,247,606
500129	2.570%	28/03/2012	01/01/2032	1,320,800	0	73,194	1,247,606
500142	2.570%	28/03/2012	01/02/2032	1,320,800	0	73,194	1,247,606
500154	2.570%	28/03/2012	01/03/2032	1,320,800	0	73,194	1,247,606
500147	3.320%	28/03/2012	01/04/2046	1,519,487	0	30,987	1,488,501
500131	3.320%	28/03/2012	01/05/2046	1,519,487	0	30,987	1,488,501
500130	3.320%	28/03/2012	01/06/2046	1,519,487	0	30,987	1,488,501
500114	3.320%	28/03/2012	01/07/2046	1,519,487	0	30,987	1,488,501
500127	3.320%	28/03/2012	01/08/2046	1,519,487	0	30,987	1,488,501
500141	3.320%	28/03/2012	01/09/2046	1,519,487	0	30,987	1,488,501
500143	3.340%	28/03/2012	01/10/2046	1,523,332	0	30,156	1,493,176
500169	3.340%	28/03/2012	01/11/2046	1,523,332	0	30,156	1,493,176
500135	3.340%	28/03/2012	01/12/2046	1,523,332	0	30,156	1,493,176
500166	3.340%	28/03/2012	01/01/2047	1,523,332	0	30,156	1,493,176
500156	3.340%	28/03/2012	01/02/2047	1,523,332	0	30,156	1,493,176
500165	3.340%	28/03/2012	01/03/2047	1,523,332	0	30,156	1,493,176
503615	2.270%	08/01/2015	08/01/2030	7,871,208	0	526,905	7,344,302
506559	2.150%	08/11/2017	08/11/2037	0	12,440,000	0	12,440,000
506560	2.150%	08/11/2017	08/11/2037	0	17,500,000	0	17,500,000
				41,904,631	29,940,000	1,787,723	70,056,909

**EXTERNAL LOANS OUTSTANDING AS AT 31/3/2018**

<b>Loan No.</b>	<b>Interest Rate</b>	<b>Date Loan Taken Out</b>	<b>Date Loan Matures</b>	<b>Principal Outstanding as at 31/3/17</b>	<b>Loans Raised During Period</b>	<b>Loans Repaid During Period</b>	<b>Principal Outstanding as at 31/3/18</b>
<b>PWLB EIP</b>							
500137	2.760%	28/03/2012	01/04/2036	1,321,225	0	67,755	1,253,469
500153	2.760%	28/03/2012	01/05/2036	1,321,225	0	67,755	1,253,469
500155	2.760%	28/03/2012	01/06/2036	1,321,225	0	67,755	1,253,469
500136	2.760%	28/03/2012	01/07/2036	1,321,225	0	67,755	1,253,469
500120	2.760%	28/03/2012	01/08/2036	1,321,225	0	67,755	1,253,469
500134	2.760%	28/03/2012	01/09/2036	1,321,225	0	67,755	1,253,469
500160	2.790%	28/03/2012	01/10/2036	1,328,000	0	66,400	1,261,600
500123	2.790%	28/03/2012	01/11/2036	1,328,000	0	66,400	1,261,600
500132	2.790%	28/03/2012	01/12/2036	1,328,000	0	66,400	1,261,600
500115	2.790%	28/03/2012	01/01/2037	1,328,000	0	66,400	1,261,600
500145	2.790%	28/03/2012	01/02/2037	1,328,000	0	66,400	1,261,600
500125	2.790%	28/03/2012	01/03/2037	1,328,000	0	66,400	1,261,600
500117	3.010%	28/03/2012	01/04/2041	1,378,644	0	56,271	1,322,373
500119	3.010%	28/03/2012	01/05/2041	1,378,644	0	56,271	1,322,373
500116	3.010%	28/03/2012	01/06/2041	1,378,644	0	56,271	1,322,373
500170	3.010%	28/03/2012	01/07/2041	1,378,644	0	56,271	1,322,373
500121	3.010%	28/03/2012	01/08/2041	1,378,644	0	56,271	1,322,373
500139	3.010%	28/03/2012	01/09/2041	1,378,644	0	56,271	1,322,373
500162	3.030%	28/03/2012	01/10/2041	1,383,333	0	55,333	1,328,000
500150	3.030%	28/03/2012	01/11/2041	1,383,333	0	55,333	1,328,000
500124	3.030%	28/03/2012	01/12/2041	1,383,333	0	55,333	1,328,000
500118	3.030%	28/03/2012	01/01/2042	1,383,333	0	55,333	1,328,000
500111	3.030%	28/03/2012	01/02/2042	1,383,333	0	55,333	1,328,000
500140	3.030%	28/03/2012	01/03/2042	1,383,333	0	55,333	1,328,000
				32,467,211	0	1,474,558	30,992,654
<b>Market Loans</b>							
D26004	4.350%	05/02/2007	05/02/2077	3,700,000	0	0	3,700,000
D26005	4.790%	05/03/2007	05/03/2076	5,300,000	0	0	5,300,000
	1.400%	04/09/2015	31/03/2023	5,600,000	0	1,000,000	4,600,000
				14,600,000	0	1,000,000	13,600,000
<b>Total Outstanding Debt</b>				133,522,370	56,440,000	4,262,280	185,700,089



**FIXED TERM INVESTMENTS OUTSTANDING AS AT 31/3/18**

<b>BORROWER</b>	<b>INTEREST RATE</b>	<b>DATE INVESTMENT TAKEN OUT</b>	<b>DATE INVESTMENT MATURES</b>	<b>PRINCIPAL OUTSTANDING AS AT 31/3/18</b>
	<b>%</b>			<b>£</b>
Lloyds Bank plc	0.6500	11/08/2017	10/08/2018	2,000,000.00
Goldman Sachs	0.9500	21/09/2017	20/09/2018	2,000,000.00
Lloyds Bank plc	0.6500	26/09/2017	25/09/2018	2,000,000.00
Barclays Bank	0.6580	26/09/2017	25/09/2018	2,000,000.00
Goldman Sachs	0.9700	20/10/2017	19/10/2018	2,000,000.00
Barclays Bank	0.6490	09/11/2017	08/11/2018	2,000,000.00
Goldman Sachs	0.9300	09/11/2017	08/11/2018	2,000,000.00
Lloyds Bank plc	0.9000	04/12/2017	03/12/2018	3,000,000.00
Goldman Sachs	0.9700	08/12/2017	07/12/2018	2,000,000.00
<b>TOTAL OUTSTANDING FIXED TERM INVESTMENTS</b>				<b>19,000,000.00</b>

**APPENDIX C**

**INSTANT ACCESS, NOTICE ACCOUNTS AND MONEY MARKET FUNDS - ANALYSIS**

**01/04/2017 - 31/03/2018**

Financial Institution	Current Interest Rate %	Highest Balance £	Lowest Balance £	Average Balance over period £	Principal Outstanding as at 31/3/2017 £	Amount Invested £	Amount Repaid £	Principal Outstanding as at 31/3/2018 £
<b>INSTANT ACCESS ACCOUNTS</b>								
Santander	0.15%	100,000	0	39,452	0	100,000	100,000	0
Lloyds	0.40%	5,000,000	0	2,331,616	0	35,990,000	30,990,000	5,000,000
				2,371,068	0	36,090,000	31,090,000	5,000,000
<b>NOTICE ACCOUNTS</b>								
Santander 180 day notice	0.55%	7,000,000	2,000,000	4,438,356	7,000,000	0	5,000,000	2,000,000
Goldman Sachs 370 day notice	1.12%	2,000,000	2,000,000	2,000,000	2,000,000	0	0	2,000,000
Goldman Sachs 370 day notice	0.90%	2,000,000	0	1,243,836	0	2,000,000	0	2,000,000
				7,682,192	9,000,000	2,000,000	5,000,000	6,000,000
<b>MONEY MARKET FUNDS</b>								
Insight Liquidity	Variable	5,000,000	470,000	4,526,219	1,690,000	18,910,000	16,180,000	4,420,000
Standard Life	Variable	5,000,000	0	4,568,740	0	18,000,000	18,000,000	0
Blackrock	Variable	5,000,000	0	1,533,123	0	39,870,000	39,870,000	0
Legal & General	Variable	5,000,000	0	1,615,219	0	44,660,000	44,660,000	0
				12,243,301	1,690,000	121,440,000	118,710,000	4,420,000
<b>Note</b>								

The interest rates on Money Market Funds vary on a daily basis. The table below shows you the highest and lowest rates achieved this year:

	Highest	Lowest
Insight Liquidity	0.44%	0.17%
Standard Life	0.45%	0.19%
Blackrock	0.37%	0.12%
Legal & General	0.43%	0.17%