

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 5 SEPTEMBER 2017

Title:

TREASURY MANAGEMENT ACTIVITY TO DATE 2017/18 AND 2016/17 PERFORMANCE

[Portfolio Holder: Cllr Ged Hall]
[Wards Affected: All]

Summary and purpose:

The purpose of this report is to summarise Waverley's Treasury Management activities to date during 2017/2018 and to report the 2016/17 performance.

How this report relates to the Council's Corporate Priorities:

The management of Waverley's cash is a key function that helps ensure sufficient funds are available to provide services and pay the Council's commitments.

Equality and Diversity Implications:

There are no implications arising from this report.

Resource and legal Implications:

There are no direct resource implications and any financial areas are covered in the report.

Introduction and Background

1. Waverley's Treasury Management Policy accords with the existing Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Treasury Management in the Public Services.

Treasury Activity 2017/18 to date and 2016/17 performance

2. Officers have prepared four graphs that illustrate investment activity. The table below gives a brief description of each graph. The first graph is based on the total external investments held on 14 July 2017 of £71million which compares with £63.5million at the same point in 2016/7. The 2016/17 investments peaked at above £80million and fell back to £54.3million at the year end.

Annexe Number	Description of graph	Comments
Annexe 1	Plots the total balance of external investments held at weekly intervals throughout the year compared to previous years	Generally major peaks and troughs in expenditure/income occur at similar times in each year – as the graph shows. Since the HRA reform, a larger proportion of invested surpluses are attributable to the HRA.

Annexe 2	Shows cumulative investment performance compared with bank base rate and market rate for 3 month terms obtained daily from the market	This graph shows 2017/18 performance at around 0.658%. This compares to the target of 0.55% based on a full year base rate of 0.25%. That base rate has resulted in market rates continuing to reduce significantly. 2016/17 performance was 0.73% compared to an initial target of 0.71% which was reduced to 0.55% after the base rate reduction. The market rate shown at 0.19% is the 3 month rate where Waverley traditionally pitched most of its investment activity. Waverley has targeted longer term fixed rate investments in 2016/17 and 2017/18. This action provides some protection for Waverley's interest receipts.
Annexe 3	Shows the maturity profile of Waverley's investment holding.	The graph shows that 27% of total investments were on call on 14 July 2017 maintaining liquidity. The graph also identifies some longer term investments which aid performance. The 'exceeding 12 months' investment is all with a Local Authority and, whereas the rate when taken out was attractive, the rate now (since the base rate cut) looks even more so. All investments are pre-determined fixed rates and fixed periods with the exception of "on call" money. The maturity profile changes daily but is not significantly different from 2016/17. Previous years however will have shown markedly more cash held in the shorter terms.
Annexe 4	Shows the approved ratings of Waverley's current investments. The letter indicates the latest credit rating and the "stable" or "negative" shows the future outlook rating judgment of Waverley's preferred rating agency.	This graph shows that all investments at 14 July 2017 fall within Waverley's policy of A rating or above. During 2016/17 all investments were made within Waverley's ratings policy. Ratings can change during the term of an investment but this possibility is mitigated by also taking account 'outlook' ratings which forecast changes. All 'outlooks' are currently 'stable' which means that any reduction in rating, unless a major one, will still fall within the A rating but with a 'negative' outlook.

Investment Performance 2017/18 to date and 2016/17 performance

3. The Local Performance Indicator LI8, which relates to investment performance, is shown below.

Full Description of PI	2016/17 Actual	2017/18 Actual to 14/7/17
Average rate of return on the Council's Investments compared with target	Actual 0.73% Target 0.71% to 0.56%	Actual 0.658% Target 0.55%

Note: The target rate was reduced in 2016/17 to 0.56% in line with the bank base rate reduction to 0.25%. However, the level of stability (albeit depressed) allowed Waverley to target some longer term investments which enabled the target % to be exceeded and the budget of £600k to be exceeded by some £50k. The 2017/18 performance is exceeding target rate at the moment but it would not be prudent to expect that to continue at the current level. However, action already taken is expected to protect the budget position and possibly exceed it. Future budget management reports will identify performance in this area. Market conditions could, however, change again in the future. Future capital spending plans will also impact on investment possibilities and the first loan principal repayments to the PWLB for HRA reform in 2012 are due in September 2017.

Recommendation

That the Executive notes the investment activity and performance in 2016/17 and to date in 2017/18, and endorses the current approach.

Background Papers:

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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