

<b>Committee:</b> Financial Investment Board	<b>Date:</b> 30 November 2017
<b>Subject:</b> Mid-Year Treasury Management Review 2017-18	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
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### **Summary**

The Treasury Management Strategy Statement for 2017/18 was approved by the Financial Investment Board and the Finance Committee in February 2017 and by the Court of Common Council on 9 March 2017.

Under CIPFA’s Code of Practice on Treasury Management, which was adopted by the Court of Common Council on 3 March 2010, there is a requirement to provide a mid-year review. The main points to note are as follows:

- As at 30 September 2017, the City had cash balances totalling some £865.4m. Most of the balances are held for payment to third parties or are restricted reserves.
- In consultation with its Treasury Management Advisors, Link Asset Services (previously known as Capita Asset Services), the City is in the process of selecting an Ultra Short Dated/Short Dated Bond Fund as an additional mandate for its cash balances.

### **Recommendation**

Members are asked to note the report.

## **Main Report**

### **Introduction**

1. The City of London Corporation (the City) is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the City's low risk appetite, providing adequate liquidity initially before considering investment return.
2. The second main function of the treasury management service is the funding of capital expenditure plans. The City is not anticipating any borrowing in the near future.
3. The City's Treasury Management activities are undertaken in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2011) which was adopted by the Court of Common Council on 3 March 2010.
4. The City defines its treasury management activities as:

*The management of the organisation'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.*

### **Treasury Management Strategy Statement and Annual Investment Strategy Update**

5. The Treasury Management Strategy Statement for 2017/18 was approved by the Financial Investment Board (2 February 2017) and the Finance Committee (21 February 2017) and the Court of Common Council (9 March 2017).

### **Investment Portfolio**

6. It is the City's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with its risk appetite. The underlying economic environment remains challenging for the City and it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the Bank Base Rate. The Bank Base Rate increased from 0.25% to 0.5% on 2nd November 2017.
7. The City held £865.4m of investments as at 30 September 2017 (£768.9m at 31 March 2017). The majority of the balances are held for payment to third parties or are restricted reserves. As the cash holdings in money market funds are considerable, in consultation with its Treasury Management Advisors, Link

Asset Services (formerly Capita), the City is in the process of selecting an Ultra Short Dated/Short Dated Bond Fund as an additional mandate for its cash balances.

### **Borrowing Strategy**

8. It is anticipated that there will be no capital borrowings required during 2017/18.

### **Economic Review**

9. A detailed commentary on the economy and interest rates as provided by Link Asset Services (the City's Treasury Management advisors) can be found at Appendix 1. Following the MPC's decision to raise base rate on 2nd November 2017. Financial markets expect two more base rate lifts over the next two to three years with the next uplift anticipated in May 2018 and a third in November 2019.

### **Conclusion**

10. In view of the current cash holdings in money market funds, the City in consultation with its Treasury Management Advisors, Link Asset Services (formerly Capita), is in the process of selecting an Ultra Short Dated/Short Dated Bond Fund as an additional mandate for its cash balances.

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