

**Agenda Item No:** 8 **Report No:** 15/17  
**Report Title:** Treasury Management  
**Report To:** Audit and Standards Committee **Date:** 16 January 2017  
**Ward(s) Affected:** All  
**Report By:** Alan Osborne, Deputy Chief Executive  
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**Purpose of Report:**

**To present details of recent Treasury Management activity**

**Officers Recommendation:**

1. To confirm to Cabinet that Treasury Management activity between 1 November and 31 December 2016 has been in accordance with the approved Treasury Strategy for that period.
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**Reasons for Recommendations**

**1 Treasury Management Activity**

- 1.1 The Council's approved Treasury Strategy Statement requires the Audit and Standards Committee to review details of Treasury Strategy transactions against the criteria set out in the Strategy and make observations to Cabinet as appropriate.
- 1.2 The timetable for reporting Treasury Management activity in 2016/2017 is shown in the table below. This takes into account the timescale for the publication of each Committee agenda and is on the basis that it is preferable to report on activity for complete months. Any extraordinary activity taking place between the close of the reporting period and the date of the Audit and Standards Committee meeting will be reported verbally at that meeting.

Meeting date	Reporting period for transactions
16 January 2017	1 November to 31 December 2016
20 March 2017	1 January to 28 February 2017

### 1.3 Fixed Term Deposits pending maturity

The following table shows the fixed term deposits held at 31 December 2016 and identifies the long-term credit rating of each counterparty at the date of investment. It is important to note that credit ratings are only one of the criteria that are taken into account when determining whether a potential counterparty is suitable. All of the deposits met the necessary criteria.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term rating
230916	Nationwide Building Society	18/08/16	20/02/17	186	1,000,000	0.40	A
231316	Thurrock Borough Council	05/10/16	04/01/17	91	1,750,000	0.25	*
231716	Thurrock Borough Council	21/10/16	23/01/17	94	500,000	0.25	*
232016	Thurrock Borough Council	28/11/16	30/05/17	183	3,000,000	0.35	*
233516	Nationwide Building Society	13/12/16	13/06/17	182	1,000,000	0.42	A
233616	Coventry Building Society	15/12/16	16/01/17	32	2,000,000	0.22	A
					<u>9,250,000</u>		

\*UK Government body and therefore not subject to credit rating

### 1.4 Fixed Term Deposits which have matured in the reporting period

The table below shows the fixed term deposits which have matured since 1 November 2016, in maturity date order. It is important to note that the table includes sums reinvested and that in total the Council's investments have not increased by £38m over this period.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term rating
228716	Thurrock Borough Council	27/05/16	28/11/16	185	3,000,000	0.50	*
229716	Nationwide Building Society	06/06/16	06/12/16	183	1,000,000	0.71	A
232116	Coventry Building Society	01/11/16	15/11/16	14	2,000,000	0.20	A
232216	Debt Management Office	01/11/16	07/11/16	6	2,000,000	0.15	*
232316	Debt Management Office	02/11/16	07/11/16	5	1,000,000	0.15	*
232416	Debt Management Office	07/11/16	14/11/16	7	3,500,000	0.15	*
232516	Debt Management Office	08/11/16	14/11/16	6	2,000,000	0.15	*
232616	Debt Management Office	14/11/16	21/11/16	7	4,000,000	0.15	*
232716	Debt Management Office	15/11/16	24/11/16	9	1,500,000	0.15	*
232816	Coventry Building Society	15/11/16	22/11/16	7	2,000,000	0.19	A
232916	Debt Management Office	21/11/16	24/11/16	3	3,000,000	0.15	*
233016	Debt Management Office	22/11/16	24/11/16	2	1,000,000	0.15	*
233116	Debt Management Office	01/12/16	09/12/16	8	3,000,000	0.15	*
233216	Coventry Building Society	01/12/16	15/12/16	14	2,000,000	0.20	A
233316	Debt Management Office	06/12/16	13/12/16	7	1,000,000	0.15	*
233416	Debt Management Office	09/12/16	16/12/16	7	3,000,000	0.15	*
233716	Debt Management Office	15/12/16	19/12/16	4	1,000,000	0.15	*
233816	Debt Management Office	15/12/16	22/12/16	7	2,000,000	0.15	*
	<b>Total</b>				<u>38,000,000</u>		

\*UK Government body and therefore not subject to credit rating

At no stage did the total amount held by any counterparty exceed the approved limit set out in the Investment Strategy. The average rate of interest earned on deposits held in the period 1 November and 31 December 2016 was 0.44%, above the average bank base rate for the period of 0.25%. Those made during the period averaged 0.33%.

### 1.5 Use of Deposit accounts

In addition to the fixed term deposits, the Council has made use of the following interest bearing accounts in the period covered by this report, with the average amount held being £1.373m generating interest of approximately £400.

	Balance at 31 Dec '16 £'000	Average balance £'000	Current interest rate %
Santander Business Reserve Account	Nil	237	0.05%
Lloyds Bank Corporate Account	888	1,135	0.15%

### 1.6 Use of Money Market Funds

Details of the amounts held in the two Money Market Fund (MMF) accounts used by the Council are shown overleaf. The approved Investment Strategy allows a maximum investment of £3m in each fund, and at no time was this limit exceeded.

	Balance at 31 Dec '16 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	3,000	2,873	0.39%
Deutsche Managed Sterling Fund	3,000	3,000	0.39%

### 1.7 Purchase of Treasury Bills (T-Bills)

The table below shows the T-Bills held at 31 December 2016 and activity in the period. It is the Council's intention to hold T-Bills until maturity.

	Maturity Date	Purchased in period	Purchase date	£'000	Disc %
<b>Held at 31 December 2016</b>					
UK Treasury Bill 0%	03 Jan 17		04 Jul 16	1,000	0.420

The average discount (ie the gross return) achieved on T-Bills held in the period was 0.42%. No T-Bills matured, or were purchased, during the period.

### 1.8 Secured Investments

The investments overleaf are secured against the assets of the bank. The interest rate can vary, by reference to changes in the 3 month 'London Interbank Offered Rate (LIBOR)'.

Ref	Counterparty	Date From	Date To	Days	Principal £	Current Rate %	Long Term Rating
XS0769914218	Abbey National Treasury	12 May 16	05 Apr 17	328	1,000,000	0.681	AAA
XS113251472	Bank of Nova Scotia	22 Jul 16	02 Nov 17	414	2,000,000	0.567	AAA
					<u>3,000,000</u>		

## 1.9 Tradeable Investments

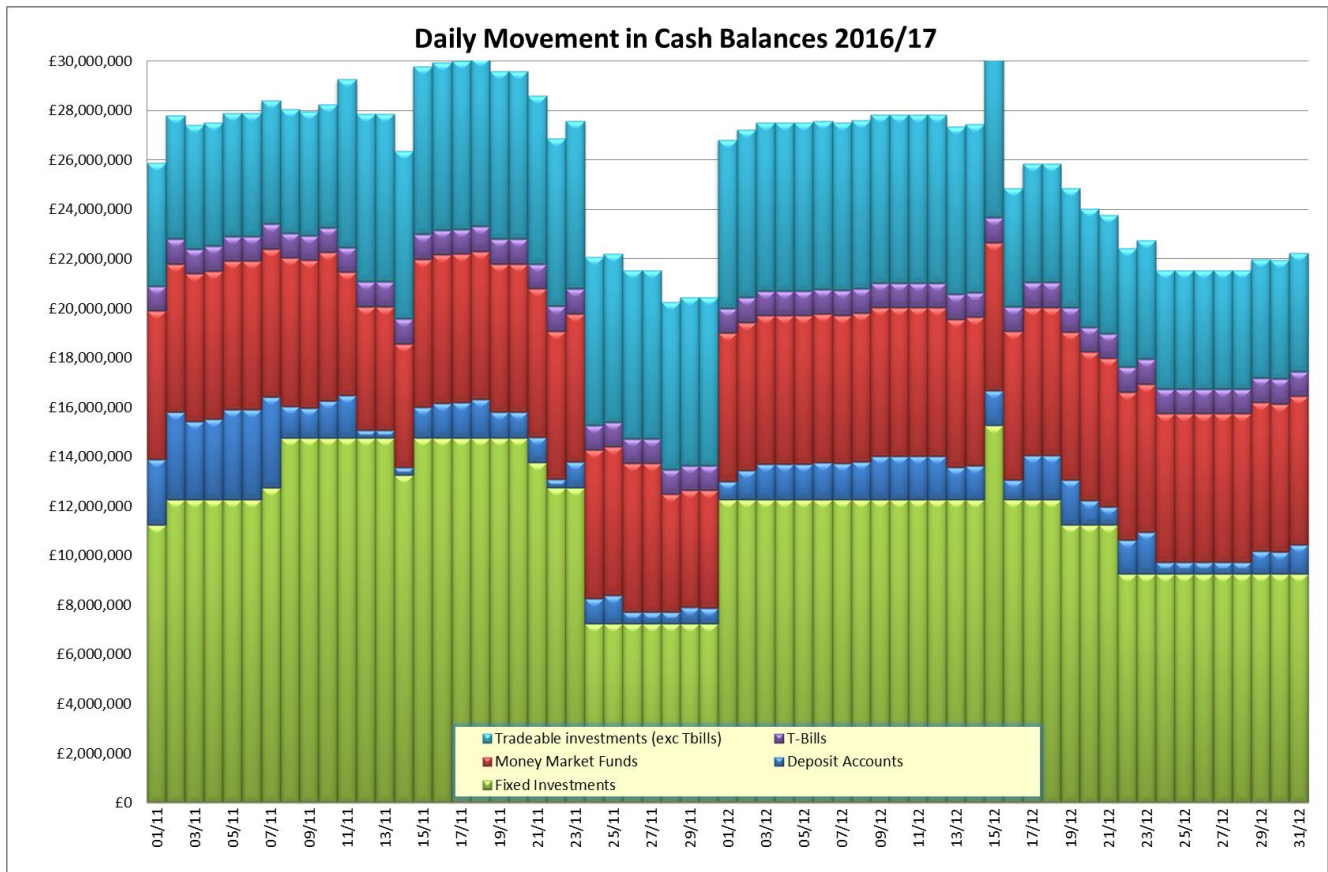
The table below shows the Tradeable Investments held at 31 December 2016 and activity in the period. It is the Council's intention to hold investments until maturity.

Ref	Counterparty	Date From	Date To	Days	Principal £	Rate %	Long Term Rating	
<b>Held at 31 December 2016 (purchased in period)</b>								
XS0966280561	Svenska Handelsbanken	FB	11 Nov 16	29 Aug 17	291	618,000	0.616	AAA
XS0434423926	Unilever Plc	FB	11 Nov 16	16 Jun 17	217	1,110,000	0.475	AAA
					<u>1,728,000</u>			
<b>Matured in period</b>								
32264	Rabobank	CD	16 Aug 16	16 Dec 16	122	2,000,000	0.360	AAA

FB – Fixed Bond CD – Certificate of Deposit

## 1.10 Overall investment position

The chart below summarises the Council's investment position over the period 1 November to 31 December 2016. It shows the total sums invested each day as Fixed Term deposits, T-Bills, amounts held in Deposit accounts, MMFs and Tradeable Investments.



## **1.11 Borrowing**

No temporary borrowing has been undertaken and the current account with Lloyds Bank remained in credit throughout the period.

There has been no change in the total value of the Council's long term borrowing in the reporting period, which remains at £56.673m.

### **Financial Implications**

2 All relevant implications are referred to in the above paragraphs.

### **Risk Management Implications**

3 The risk management implications associated with this activity are explained in the approved Treasury Management Strategy. No additional implications have arisen during the period covered by this report.

### **Equality Screening**

4 This is a routine report for which detailed Equality Analysis is not required to be undertaken.

### **Legal Implications**

5 None arising from this report.

### **Background Papers**

Treasury Strategy Statement <http://www.lewes.gov.uk/council/20987.asp>