

Agenda Item No: 7

Report No: 20/13

Report Title: Treasury Management

Report To: Audit and Standards Committee Date: 28 January 2013

Ward(s) Affected: All

Report By: Director of Finance

Contact Officer(s)-

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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 2012 has been in accordance with the approved Treasury Strategy for that period.
 2. To note the contents of this report.
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Reasons for Recommendations

- 1 The Council's approved Treasury Strategy Statement requires the Audit and Standards Committee to review details of Treasury transactions and make observations to Cabinet.

Information

2 Treasury Management Activity

- 2.1 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.
- 2.2 The timetable for reporting Treasury Management activity over the next year (and including the current meeting) will be as shown in the table overleaf. 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
28 January 2013	1 November 2012 to 31 December 2012
18 March 2013	1 January 2013 to 28 February 2013

2.3 Fixed Term Deposits pending maturity

The following table shows the fixed term deposits held at 31 December 2012 (excluding that with the Icelandic bank, Landsbanki Islands hf), and identifies the long-term and short-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. The minimum ratings required for deposits made in 2012/2013 are long term minimum A (Fitch) and short term F1 (Fitch).

All of the deposits met the necessary criteria.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term rating	Short-term rating
208012	Debt Management Office	03 Oct 12	11 Feb 13	131	3,500,000	0.250	* not applicable	
208612	Nationwide Building Society	15 Oct 12	15 Jan 13	92	2,000,000	0.450	A+	F1
208812	Nationwide Building Society	01 Nov 12	01 Feb 13	92	1,000,000	0.450	A+	F1
208912	Plymouth City Council	15 Nov 12	04 Jan 13	50	2,000,000	0.270	* not applicable	
209712	Debt Management Office	12 Dec 12	11 Jan 13	30	2,000,000	0.250	* not applicable	
209812	London Borough of Haringey	13 Dec 12	13 Mar 13	90	1,000,000	0.320	* not applicable	
209912	Woking Borough Council	17 Dec 12	31 Jan 13	45	2,000,000	0.290	* not applicable	
Total					<u>13,500,000</u>			

*UK Government body and therefore not subject to credit rating

2.4 Fixed Term Deposits which have matured in the reporting period

The table overleaf shows the fixed term deposits which have matured since 1 November 2012, 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 £21.5m over this period. Further information is given in paragraph 2.8.

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 2012 to 31 December 2012 was 0.35% which is lower than the average bank base rate for the period, 0.50%. Those **made** during the period averaged 0.33%.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term rating	Short-term rating
207412	Nationwide Building Society	01 Aug 12	01 Nov 12	92	1,000,000	0.580	A+	F1
209012	Debt Management Office	15 Nov 12	19 Nov 12	04	1,500,000	0.250	Not Applicable *	
206412	Birmingham City Council	16 Jul 12	22 Nov 12	129	2,000,000	0.300	Not Applicable *	
208712	Santander uk plc	01 Nov 12	22 Nov 12	21	3,000,000	0.38	A+	F1
208412	Woking Borough Council	12 Oct 12	29 Nov 12	48	2,000,000	0.290	Not Applicable *	
209112	Debt Management Office	30 Nov 12	04 Dec 12	04	3,000,000	0.250	Not Applicable *	
209212	Debt Management Office	04 Dec 12	05 Dec 12	01	2,000,000	0.250	Not Applicable *	
206712	Thurrock Borough Council	07 Aug 12	07 Dec 12	122	2,000,000	0.305	Not Applicable *	
209412	Debt Management Office	07 Dec 12	10 Dec 12	03	1,000,000	0.250	Not Applicable *	
209312	Debt Management Office	05 Dec 12	12 Dec 12	07	2,000,000	0.250	Not Applicable *	
209512	Debt Management Office	07 Dec 12	18 Dec 12	11	1,000,000	0.250	Not Applicable *	
209612	Debt Management Office	10 Dec 12	31 Dec 12	21	1,000,000	0.250	Not Applicable *	
Total					<u>21,500,000</u>			

*UK Government body and therefore not subject to credit rating

2.5 Use of Deposit accounts

In addition to the fixed term deposits, the Council has made use of the following deposit accounts in the period covered by this report, with the average amount held being £4,184,911 generating interest of £7,366.

	Balance at 31 Dec '12 £'000	Average balance £'000	Average interest rate %
Co-Operative Bank overnight account	Nil	264	Nominal
Santander Business Reserve Account	2,150	1,300	0.65
Bank of Scotland Corporate Deposit Account	2,500	2,621	0.80

2.6 Use of Money Market Funds

Details of the amounts held in the two Money Market Fund (MMF) accounts used by the Council are shown below. The approved Investment Strategy allows a maximum investment of £1m in each fund, and at no time was this limit exceeded.

	Balance at 31 Dec '12 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	1,000	899	0.42
Deutsche Managed Sterling Fund	1,000	892	0.38

2.7 Purchase of Treasury Bills

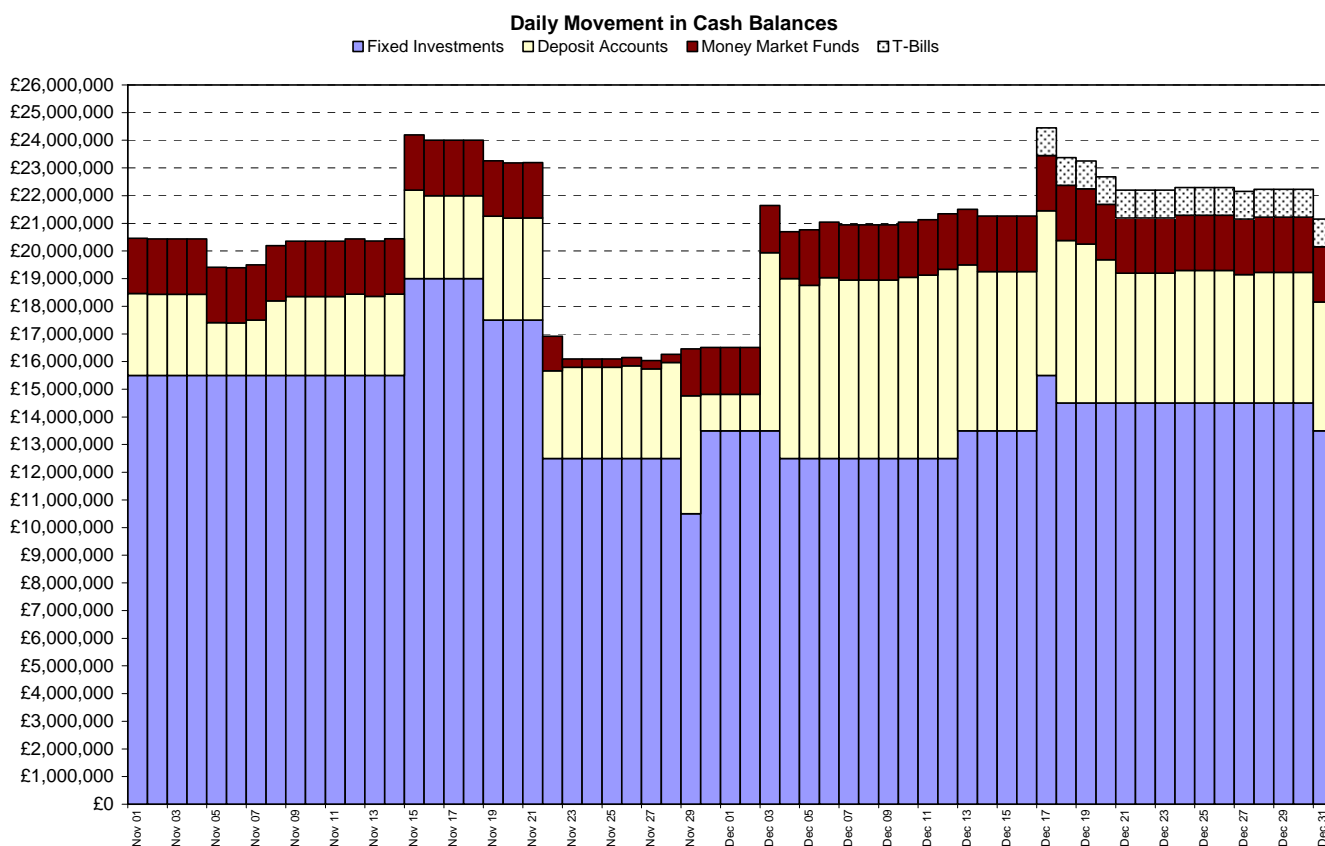
As reported previously, the Council had made preparations to utilise Government Treasury Bills (T-Bills) in order to diversify its range of investments. In December 2012, the T-Bill shown in the table below was purchased. It is intended to hold the T-Bill through to its maturity date, producing a return of 0.19%. Although the investment return on this occasion was less than the rate which could have been achieved by placing a deposit with the Government's Debt Management Office

(equating to a £160 reduced return), by activating a custodian facility before 31 December 2012, the Council has 'saved' a one-off administration fee of £10,000 which will be chargeable by the Council's provider on any custodian facility activated after that date.

	Balance at 31 Dec '12 £'000	Average return %
UK Treasury Bill 0% 25 March 2013	1,000	0.19

2.8 Overall investment position

The chart below summarises the Council's investment position over the period 1 November to 31 December 2012. It shows the total sums invested each day as either Fixed Term deposits, T-Bills or amounts held in Deposit accounts or MMFs and excludes the residual element (£0.5m) of the Council's deposit with Landsbanki Islands hf, currently pending future distribution.



2.9 Borrowing

There has been no change to the Council's long term borrowing in the reporting period, which remains at £56.673m. No temporary borrowing has been undertaken. The Council's banking contract gives access to a £1m overdraft facility (annual cost £2,500). This is used as a tool of the Treasury Management operations given that it can be cheaper to use the overdraft than to pay the bank transaction charges associated with withdrawing amounts from the deposit accounts or Money Market Funds to cover overnight current account shortfalls. The Council's bank account

was overdrawn on three occasions, each of which was predetermined and agreed as part of day to day cash management.

Financial Implications

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

Sustainability Implications

4 The Sustainability Screening process for this Report took place in January 2013. There are no implications for sustainability.

Risk Management Implications

5 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

6 The Equality Screening process for this Report took place in September 2012. There are no implications for equality.

Legal Implications

7 None arising from this report.

Background Papers

Treasury Strategy Statement 2012/2013

http://www.lewes.gov.uk/Files/201213_treasury_strategy.pdf