

Agenda Item No: **10**

Report No: **52/13**

Report Title: **Treasury Management**

Report To: **Audit and Standards Committee**    Date: **18 March 2013**

Ward(s) Affected: **All**

Report By: **Director of Finance**

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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 January and 28 February 2013 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
18 March 2013	1 January 2013 to 28 February 2013
24 June 2013	1 March 2013 to 31 May 2013
23 September 2013	1 June 2013 to 31 August 2013
2 December 2013	1 September 2013 to 31 October 2013
27 January 2014	1 November 2013 to 31 December 2013
17 March 2014	1 December 2014 to 28 February 2014

### 2.3 Fixed Term Deposits pending maturity

The following table shows the fixed term deposits held at 28 February 2013 (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
209812	London Borough of Haringey	13 Dec 12	13 Mar 13	90	1,000,000	0.320	* not applicable	
210312	Nationwide Building Society	15 Jan 13	15 Apr 13	90	2,000,000	0.440	A+	F1
210712	Thurrock Borough Council	01 Feb 13	11 Apr 13	69	2,000,000	0.350	* not applicable	
210912	Birmingham City Council	18 Feb 13	18 Mar 13	28	2,000,000	0.270	* not applicable	
211012	Nationwide Building Society	01 Feb 13	01 Mar 13	28	1,000,000	0.380	A+	F1
211112	Plymouth City Council	20 Feb 13	05 Apr 13	44	2,000,000	0.280	* not applicable	
	<b>Total</b>				<u>10,000,000</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 January 2013, 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 £35.7m 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 January 2013 to 28 February 2013 was 0.33% which is lower than the average bank base rate for the period, 0.50%. Those **made** during the period also averaged 0.33%.

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	
209912	Woking Borough Council	17 Dec 12	31 Jan 13	45	2,000,000	0.290	* not applicable	
210012	Debt Management Office	02 Jan 13	04 Jan 13	02	4,000,000	0.250	* not applicable	
210112	Debt Management Office	10 Jan 13	11 Feb 13	32	1,000,000	0.250	* not applicable	
210212	Debt Management Office	11 Jan 13	22 Jan 13	11	1,500,000	0.250	* not applicable	
210412	Debt Management Office	15 Jan 13	11 Feb 13	27	2,000,000	0.250	* not applicable	
210512	Debt Management Office	15 Jan 13	28 Jan 13	13	1,000,000	0.250	* not applicable	
210612	Debt Management Office	18 Jan 13	25 Jan 13	07	2,000,000	0.250	* not applicable	
210812	Debt Management Office	25 Jan 13	01 Feb 13	07	1,400,000	0.250	* not applicable	
211212	Debt Management Office	01 Feb 13	11 Feb 13	10	2,000,000	0.250	* not applicable	
211312	Debt Management Office	11 Feb 13	18 Feb 13	07	2,500,000	0.250	* not applicable	
211412	Debt Management Office	15 Feb 13	18 Feb 13	03	3,800,000	0.250	* not applicable	
211512	Debt Management Office	18 Feb 13	20 Feb 13	02	2,000,000	0.25	* not applicable	
<b>Total</b>					<u>35,700,000</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 £6,194,215 generating interest of approximately £6,250.

	Balance at 28 Feb '13 £'000	Average balance £'000	Average interest rate %
Co-Operative Bank overnight account	116	273	Nominal
Santander Business Reserve Account	3,000	2,973	0.55
Bank of Scotland Corporate Deposit Account	3,000	2,947	0.50

On 31 January, there was a breakdown in communication between a broker and prospective borrower. By the time this was resolved, it was not possible for officers to make an alternative deposit with another counterparty. As a result, the Treasury Strategy limit of £1,000,000 for amounts held with the Co-op was breached. The overnight balance was £2,275,098 and the position was corrected as part of the next day's activity.

## 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 overleaf. The approved Investment Strategy allows a maximum investment of £1m in each fund, and at no time was this limit exceeded.

Balance at	Average
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	28 Feb '13 £'000	balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	50	936	0.38
Deutsche Managed Sterling Fund	50	910	0.33

## 2.7 Purchase of Treasury Bills

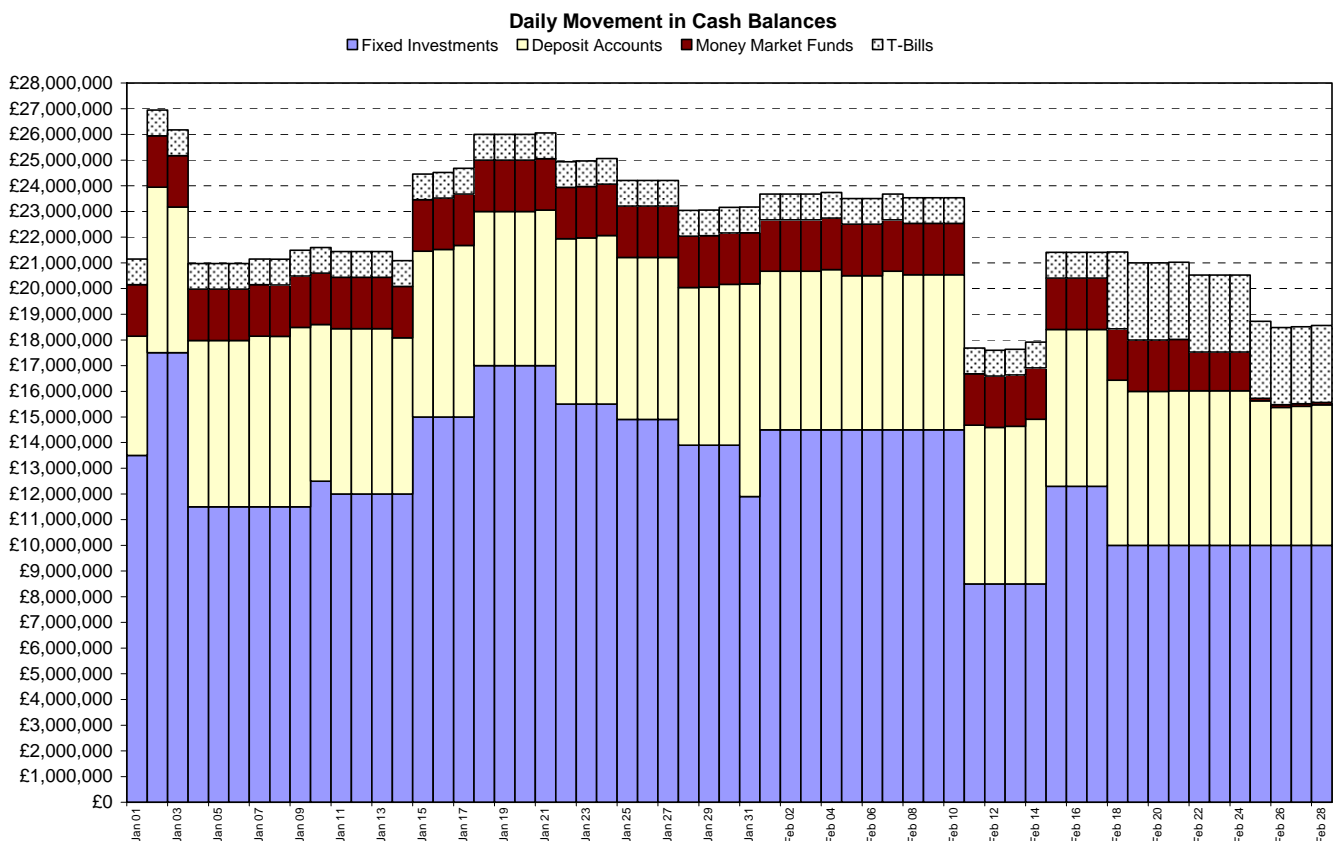
As reported previously, the Council is now utilising Government Treasury Bills (T-Bills) in order to diversify its range of investments.

The table below shows the T-Bills held at 28 February 2013 and activity in the period. It is the Council's intention to hold both T-Bills until maturity.

	Purchased in period	Purchase date	Balance at 28 Feb '13 £'000	Average return %
UK Treasury Bill 0% 25 March 2013		17/12/12	1,000	0.19
UK Treasury Bill 0% 18 March 2013	✓	18/02/13	2,000	0.30

## 2.8 Overall investment position

The chart below summarises the Council's investment position over the period 1 January to 28 February 2013. It shows the total sums invested each day as either Fixed Term deposits, T-Bills, amounts held in Deposit accounts or MMFs. It excludes the residual element (£0.5m) of the Council's deposit with Landsbanki Islands hf, currently pending 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 five 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 March 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 March 2013. 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](http://www.lewes.gov.uk/Files/201213_treasury_strategy.pdf)