

Agenda Item No: 8 **Report No:** 49/14
Report Title: Treasury Management
Report To: Audit and Standards Committee **Date:** 17 March 2014
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 2014 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.
- 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 in 2013/2014 and 2014/2015 is 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
17 March 2014	1 January 2014 to 28 February 2014
23 June 2014	1 March 2014 to 31 May 2014
22 September 2014	1 June to 31 August 2014
1 December 2014	1 September to 31 October 2014
26 January 2015	1 November to 31 December 2014
16 March 2015	1 January to 28 February 2015

2.3 Fixed Term Deposits pending maturity

The following table shows the fixed term deposits held at 28 February 2014 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 2013/2014 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
216013	Conwy County Borough Council	29 Nov 13	30 May 14	182	2,000,000	0.450	** not applicable	
216213	Nationwide Building Society	07 Nov 13	07 May 14	181	1,000,000	0.530	A+	F1
216413	Cornwall County Council	09 Dec 13	10 Mar 14	91	2,000,000	0.400	** not applicable	
217213	Nationwide Building Society	24 Jan 14	24 Apr 14	90	1,000,000	0.470	A+	F1
Total					£6,000,000			

*UK Government body and therefore not subject to credit rating

2.4 Fixed Term Deposits which have matured in the reporting period

The table below shows the fixed term deposits which have matured since 1 January 2014, 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 2.9.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term rating	Short-term rating
216713	Debt Management Office	02 Jan 14	03 Jan 14	01	4,750,000	0.250	** not applicable	
216813	Debt Management Office	06 Jan 14	13 Jan 14	07	2,250,000	0.250	** not applicable	
216913	Debt Management Office	13 Jan 14	20 Jan 14	07	2,500,000	0.250	** not applicable	
217013	Debt Management Office	15 Jan 14	24 Jan 14	09	1,500,000	0.250	** not applicable	
217113	Debt Management Office	15 Jan 14	27 Jan 14	12	1,500,000	0.250	** not applicable	
215413	Cornwall County Council	28 Oct 13	28 Jan 14	92	1,000,000	0.310	** not applicable	
215613	Cornwall County Council	04 Nov 13	04 Feb 14	92	2,000,000	0.320	** not applicable	
216113	Nationwide Building Society	07 Nov 13	07 Feb 14	92	1,000,000	0.450	A+	F1
217313	Debt Management Office	03 Feb 14	12 Feb 14	09	1,500,000	0.250	** not applicable	
217413	Debt Management Office	04 Feb 14	12 Feb 14	08	2,500,000	0.250	** not applicable	
217513	Debt Management Office	07 Feb 14	12 Feb 14	05	1,000,000	0.250	** not applicable	
Total					21,500,000			

*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 January to 28 February 2014 was 0.39%, lower than the average bank base rate for the period (0.50%). Those **made** during the period averaged 0.32%.

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 £4,590,328 generating interest of approximately £2,500.

	Balance at 28 Feb '14 £'000	Average balance £'000	Average interest rate %
Co-Operative Bank Deposit account	0	5	Nominal
Santander Business Reserve Account	1,800	2,505	0.50
Bank of Scotland Corporate Deposit Account	300	2,080	0.40

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 28 Feb '14 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	1,000	1,000	0.52
Deutsche Managed Sterling Fund	1,000	1,000	0.52

2.7 Purchase of Treasury Bills (T-Bills)

The table below shows the T-Bills held at 28 February 2014 and activity in the period. It is the Council's intention to hold T-Bills until maturity.

	Purchased in period	Purchase date	£'000	Average return %
Held at 28 February 2014				
UK Treasury Bill 0% 10 Mar 2014	✓	10/02/14	1,000	0.330
UK Treasury Bill 0% 17 Mar 2014	✓	17/02/14	1,000	0.335
UK Treasury Bill 0% 17 Mar 2014	✓	17/02/14	1,000	0.355
UK Treasury Bill 0% 17 Mar 2014	✓	17/02/14	1,000	0.365
Matured since last report				
UK Treasury Bill 0% 06 Jan 2014		07/10/13	2,000	0.330

2.8 Landsbanki Islands hf (LBI)

At its meetings in July 2013 and January 2014, Cabinet authorised the Director of Finance to progress an opportunity to improve the Council's cash flow position provided the outcome represented fair value.

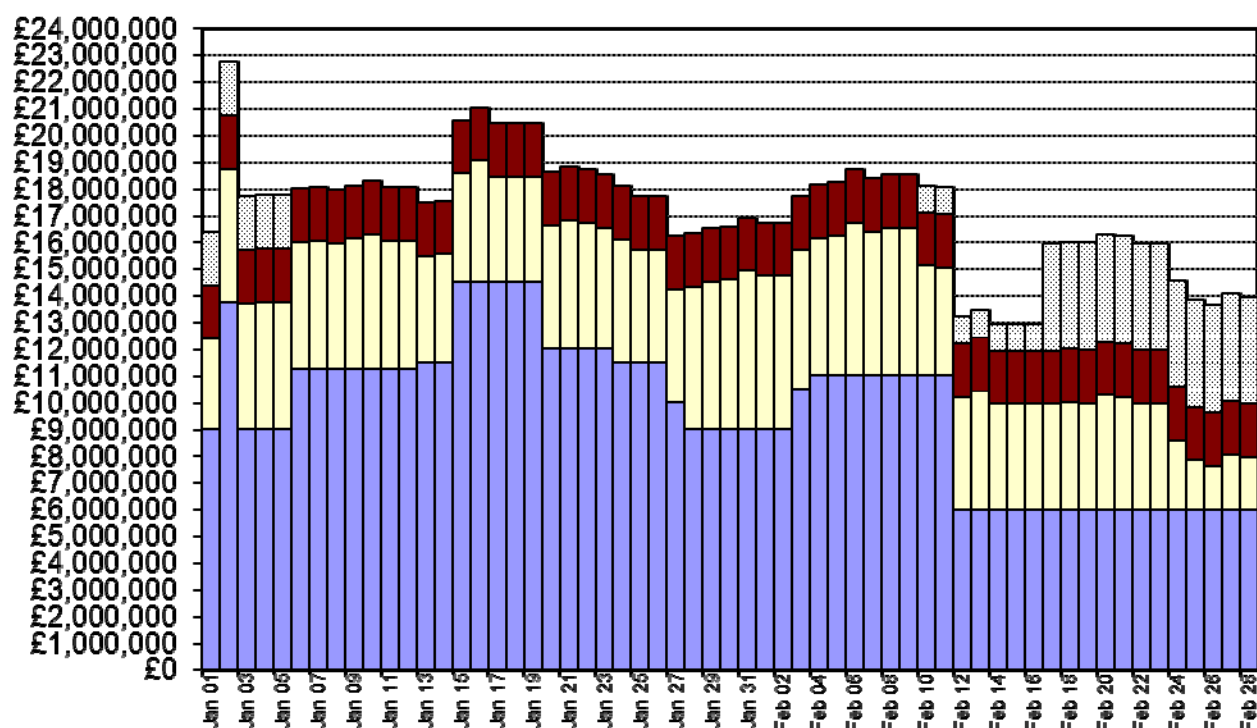
In accordance with the Cabinet decisions, on 30 January 2014 the Council sold its claim against the insolvent estate of LBI. The claim was sold through a competitive auction process. The price at which the claim was sold was based on a reserve price set by the Council on the basis of legal advice and financial advice procured by the Local Government Association.

The sale means that the Council recovered 96% of the amount that was originally deposited with LBI. The sale of the claim represents a clean break and the Council is now no longer a creditor of LBI.

2.9 Overall investment position

The chart below summarises the Council's investment position over the period 1 January to 28 February 2014. It shows the total sums invested each day as either Fixed Term deposits, T-Bills, amounts held in Deposit accounts or MMF's. It excludes the residual element of the Council's deposit with LBI up to the date of its sale.

Daily Movement in Cash Balances



2.10 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.

In the period covered by this report, the Council had an average overdrawn balance of £0.191m on its Co-operative Bank current account.

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 2014. 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 2014. There are no implications for equality.

Legal Implications

7 None arising from this report.

Background Papers - Treasury Strategy Statement 2013/2014
<http://www.lewes.gov.uk/council/20987.asp>