

Agenda Item No: 11

Report No: 87/14

Report Title: Treasury Management

Report To: Audit and Standards Committee Date: 23 June 2014

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 March and 31 May 2014 has been in accordance with the approved Treasury Strategies for that period.
 2. To review the Annual Treasury Management Report for 2013/2014.
 3. 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
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 It should be noted that the transactions referred to in this report span two financial years and were therefore undertaken with reference to the terms set out under two separately approved Treasury Strategies.

2.4 Fixed Term Deposits pending maturity

The following table shows the fixed term deposits held at 31 May 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 both 2013/2014 and 2014/2015 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
218314	Nationwide Building Society	28 Apr 14	30 Jun 14	63	1,000,000	0.440	A+	F1
218714	Barclays Bank plc	07 May 14	09 Jun 14	33	1,000,000	0.380	A+	F1
218814	Barclays Bank plc	07 May 14	07 Jul 14	61	1,000,000	0.410	A+	F1
218914	Barclays Bank plc	07 May 14	07 Aug 14	92	1,000,000	0.440	A+	F1
219414	Nationwide Building Society	30 May 14	29 Aug 14	91	1,000,000	0.480	A+	F1
Total					£5,000,000			

*UK Government body and therefore not subject to credit rating

2.5 Fixed Term Deposits which have matured in the reporting period

The table overleaf shows the fixed term deposits which have matured since 1 March 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 £37.1m 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
216413	Cornwall County Council	09 Dec 13	10 Mar 14	91	2,000,000	0.400	** not applicable	
217614	Debt Management Office	10 Mar 14	14 Mar 14	04	2,500,000	0.250	** not applicable	
217814	Debt Management Office	01 Apr 14	04 Apr 14	03	1,750,000	0.250	** not applicable	
217914	Debt Management Office	01 Apr 14	09 Apr 14	08	5,000,000	0.250	** not applicable	
218014	Debt Management Office	15 Apr 14	17 Apr 14	02	1,500,000	0.250	** not applicable	
217213	Nationwide Building Society	24 Jan 14	24 Apr 14	90	1,000,000	0.470	A+	F1
218114	Debt Management Office	15 Apr 14	25 Apr 14	10	1,500,000	0.250	** not applicable	
217713	Nationwide Building Society	28 Mar 14	28 Apr 14	31	1,000,000	0.400	A+	F1
218214	Debt Management Office	25 Apr 14	30 Apr 14	05	1,000,000	0.250	** not applicable	
216213	Nationwide Building Society	07 Nov 13	07 May 14	181	1,000,000	0.530	A+	F1
218414	Debt Management Office	01 May 14	07 May 14	06	2,000,000	0.250	** not applicable	
218514	Debt Management Office	01 May 14	08 May 14	07	2,000,000	0.250	** not applicable	
218614	Debt Management Office	01 May 14	09 May 14	08	2,250,000	0.250	** not applicable	
219014	Debt Management Office	08 May 14	12 May 14	04	2,500,000	0.250	** not applicable	
219114	Debt Management Office	09 May 14	19 May 14	10	3,000,000	0.250	** not applicable	
219214	Debt Management Office	12 May 14	22 May 14	10	2,500,000	0.250	** not applicable	
219314	Debt Management Office	15 May 14	22 May 14	07	2,600,000	0.250	** not applicable	
216013	Conwy County Borough Council	29 Nov 13	30 May 14	182	2,000,000	0.450	** not applicable	
Total					<u>37,100,000</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 March to 31 May 2014 was 0.43%, lower than the average bank base rate for the period (0.50%). Those **made** during the period averaged 0.39%.

2.6 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 £5,271,528 generating interest of approximately £5,300.

	Balance at 31 May '14 £'000	Average balance £'000	Average interest rate %
Co-Operative Bank Deposit account	0	0	Nominal
Santander Business Reserve Account	3,000	2,495	0.40
Bank of Scotland Corporate Deposit Account	3,000	2,776	0.40

2.7 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 31 May '14 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	1,000	941	0.51
Deutsche Managed Sterling Fund	700	829	0.51

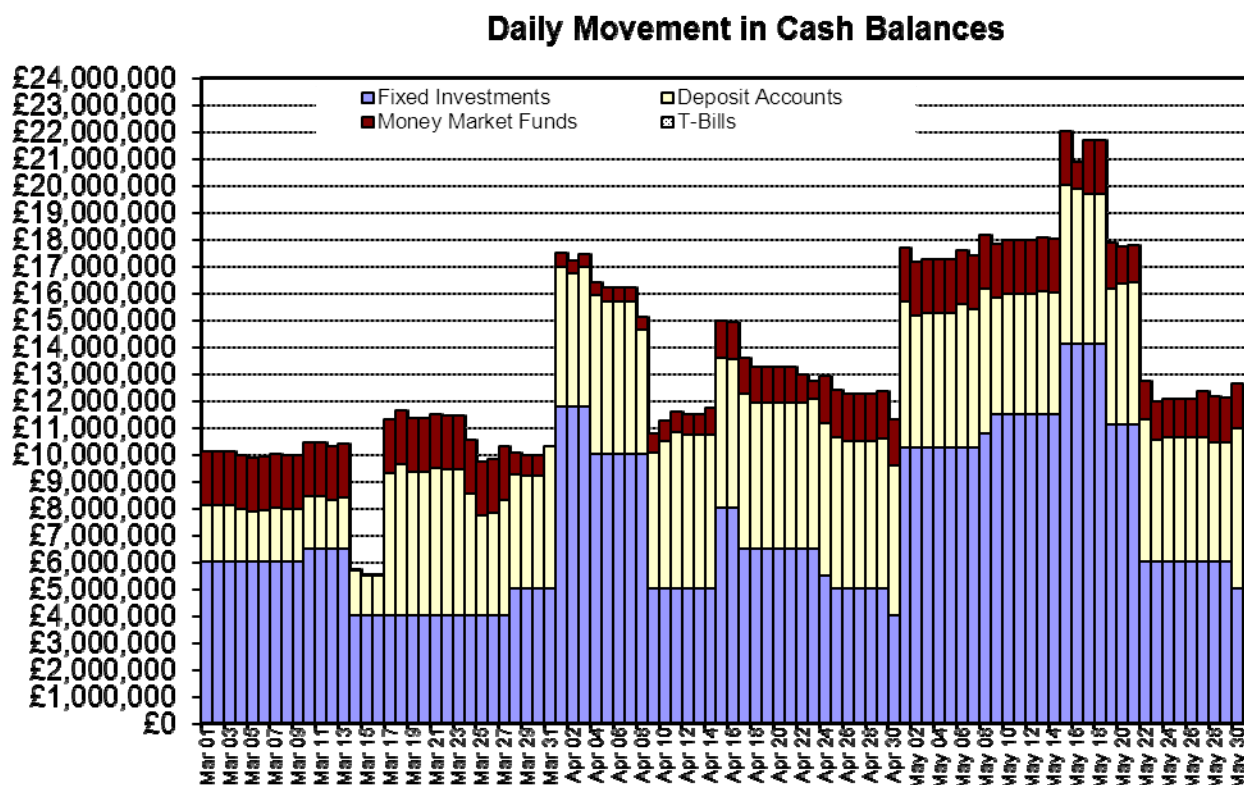
2.8 Purchase of Treasury Bills (T-Bills)

The table below shows the T-Bills held at 31 May 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 %
Matured since last report				
UK Treasury Bill 0% 10 Mar 2014		07/02/14	1,000	0.330
UK Treasury Bill 0% 17 Mar 2014	✓	14/02/14	1,000	0.335
UK Treasury Bill 0% 17 Mar 2014	✓	14/02/14	1,000	0.355
UK Treasury Bill 0% 17 Mar 2014	✓	14/02/14	1,000	0.365

2.9 Overall investment position

The chart below summarises the Council's investment position over the period 1 March to 31 May 2014. It shows the total sums invested each day as either Fixed Term deposits, T-Bills, amounts held in Deposit accounts or MMF's.



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 £0.121m on its Co-operative Bank current account.

3 Annual Treasury Management Report

- 3.1** As well as reviewing details of Treasury transactions during the course of the year, the Audit and Standards Committee is required to review a formal summary report after the year end before it is considered by Council in accordance with best practice and guidance issued by the Chartered Institute of Public Finance and Accountancy.
- 3.2** The Annual Report is attached at Appendix 1. Any comments that the Audit and Standards Committee may wish to make will be passed on to Cabinet, which is also required to review the Annual Report and will do so on 7 July 2014.

Financial Implications

- 4** All relevant implications are referred to in the above paragraphs.

Sustainability Implications

- 5** The Sustainability Screening process for this Report took place in June 2014. There are no implications for sustainability.

Risk Management Implications

- 6** 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

- 7** The Equality Screening process for this Report took place in June 2014. There are no implications for equality.

Legal Implications

- 8** None arising from this report.

Appendix – Appendix 1: Annual Treasury Management Report 2013/2014

Background Papers - Treasury Strategy Statement

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