

Agenda Item No: 11 **Report No:** 131/14
Report Title: Treasury Management
Report To: Audit and Standards Committee **Date:** 22 September 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 June and 31 August 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 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
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 31 August 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 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
220014	Barclays Bank plc	12 Jun 14	13 Oct 14	123	1,000,000	0.490	A1	F1
220314	Nationwide Building Society	01 Jul 14	01 Sep 14	62	1,000,000	0.450	A1	F1
220614	Debt Management Office	07 Aug 14	08 Sep 14	32	2,000,000	0.250	* not applicable	
220714	Barclays Bank plc	13 Aug 14	13 Aug 15	365	1,000,000	1.000	A1	F1
Total					£5,000,000			

*UK Government body and therefore not subject to credit rating

2.4 Fixed Term Deposits which have matured in the reporting period

The table overleaf shows the fixed term deposits which have matured since 1 June 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 £28.25m over this period. Further information is given in paragraph 2.8.

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
219514	Debt Management Office	02 Jun 14	19 Jun 14	17	2,500,000	0.250	** not applicable	
218414	Debt Management Office	02 Jun 14	10 Jun 14	08	2,500,000	0.250	** not applicable	
218514	Debt Management Office	02 Jun 14	12 Jun 14	10	1,000,000	0.250	** not applicable	
218614	Debt Management Office	05 Jun 14	25 Jun 14	20	1,000,000	0.250	** not applicable	
219014	Debt Management Office	11 Jun 14	23 Jun 14	12	1,500,000	0.250	** not applicable	
220114	Debt Management Office	16 Jun 14	23 Jun 14	07	1,750,000	0.250	** not applicable	
220214	Debt Management Office	01 Jul 14	02 Jul 14	01	5,000,000	0.250	** not applicable	
220414	Debt Management Office	01 Aug 14	08 Aug 14	07	4,000,000	0.250	** not applicable	
220514	Debt Management Office	01 Aug 14	11 Aug 14	10	2,000,000	0.250	** not applicable	
220814	Debt Management Office	15 Aug 14	18 Aug 14	03	2,000,000	0.250	** not applicable	
Total					28,250,000			

*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 June to 31 August 2014 was 0.62%, above the average bank base rate for the period of 0.50%. Those **made** during the period averaged 0.729%.

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 £3,848,642 generating interest of approximately £4,000.

	Balance at 31 Aug '14 £'000	Average balance £'000	Average interest rate %
Co-Operative Bank Deposit account	0	30	Nominal
Santander Business Reserve Account	100	1,923	0.40
Bank of Scotland Corporate Deposit Account	850	1,896	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 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 Aug '14 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	900	774	0.52
Deutsche Managed Sterling Fund	1,000	993	0.52

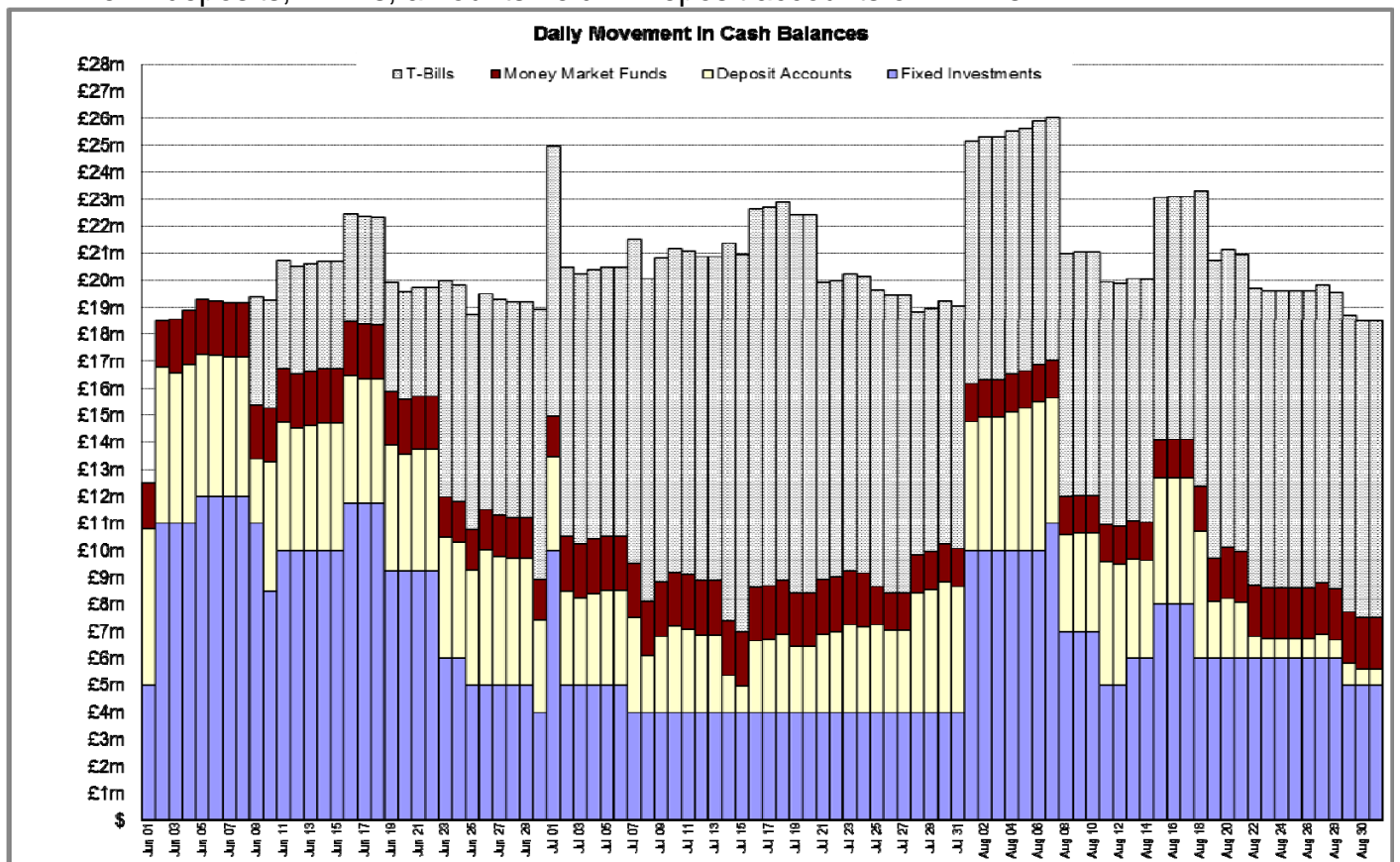
2.7 Purchase of Treasury Bills (T-Bills)

The table overleaf shows the T-Bills held at 31 August 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 31 August 2014				
UK Treasury Bill 0% 22 Sep 2014	√	23/06/14	995	0.420
UK Treasury Bill 0% 06 Oct 2014	√	07/07/14	2,000	0.459
UK Treasury Bill 0% 01 Sep 2014	√	04/08/14	1,000	0.350
UK Treasury Bill 0% 03 Nov 2014	√	04/08/14	2,000	0.420
UK Treasury Bill 0% 01 Sep 2014	√	04/08/14	1,000	0.330
UK Treasury Bill 0% 10 Nov 2014	√	11/08/14	2,000	0.410
UK Treasury Bill 0% 15 Sep 2014	√	18/08/14	2,000	0.330
Matured since last report				
UK Treasury Bill 0% 07 Jul 2014	√	09/06/14	2,000	0.300
UK Treasury Bill 0% 07 Jul 2014	√	09/06/14	2,000	0.330
UK Treasury Bill 0% 21 Jul 2014	√	23/06/14	2,000	0.380
UK Treasury Bill 0% 21 Jul 2014	√	23/06/14	1,000	0.400
UK Treasury Bill 0% 28 Jul 2014	√	30/06/14	2,000	0.400
UK Treasury Bill 0% 04 Aug 2014	√	07/07/14	2,000	0.395
UK Treasury Bill 0% 04 Aug 2014	√	07/07/14	2,000	0.415
UK Treasury Bill 0% 11 Aug 2014	√	14/07/14	2,000	0.395

2.8 Overall investment position

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



2.9 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. 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 £0.221m on its Co-operative Bank current account.

2.10 Council's Banking Arrangements

As previously reported, the Council participated in a procurement exercise with other East Sussex District and Borough Councils to appoint a common bank. This followed the decision of the Cooperative Bank to withdraw from the local authority market sector.

The outcome of the procurement has been the appointment of Lloyds Bank plc as the Council's banker. The transfer of the Council's banking arrangements is currently taking place. Accounts at Lloyds Bank have been in operation since 1 September 2014. It is the intention to close the accounts at the Cooperative Bank by the end of the year.

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 September 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 September 2014. There are no implications for equality.

Legal Implications

7 None arising from this report.

Background Papers - Treasury Strategy Statement

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