

Agenda Item No: 8 **Report No:** 13/15
Report Title: Treasury Management Activity
Report To: Audit and Standards Committee **Date:** 26 January 2015
Ward(s) Affected: All
Report By: Director of Finance
Contact Officer(s)-
Name(s): Stephen Jump
Post Title(s): Head of Finance
E-mail(s): steve.jump@lewes.gov.uk
Tel No(s): 01273 484468

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 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
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 December 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
220714	Barclays Bank plc	13 Aug 14	13 Aug 15	365	1,000,000	1.000	A1	F1
220914	Nationwide Building Society	01 Sep 14	02 Mar 15	182	1,000,000	0.640	A1	F1
221014	Nationwide Building Society	01 Sep 14	02 Feb 15	154	1,000,000	0.580	A1	F1
221614	Cornwall County Council	07 Oct 14	12 Feb 15	128	2,000,000	0.430	* not applicable	
222214	Gloucester City Council	15 Dec 14	02 Jan 15	18	2,000,000	0.450	* not applicable	
	Total				7,000,000			

*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 November 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 £4m 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
222014	Debt Management Office	07 Nov 14	10 Nov 14	03	1,000,000	0.250	* not applicable	
221914	Debt Management Office	03 Nov 14	19 Nov 14	16	2,000,000	0.250	* not applicable	
222114	Debt Management Office	20 Nov 14	21 Nov 14	01	1,000,000	0.250	* not applicable	
	Total				4,000,000			

*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 November 2014 to 31 December 2014 was 0.74%, above the average bank base rate for the period of 0.50%. Those made during the period averaged 0.34%.

2.5 Use of Interest Bearing Accounts

In addition to the fixed term deposits, the Council has made use of the following interest bearing accounts in the period covered by this report, with the average amount held being £2,800,000 generating interest of approximately £1,300.

	Balance at 31 Aug '14 £'000	Average balance £'000	Average interest rate %
Santander Business Reserve Account	1,700	1,704	0.20
Lloyds Bank Corporate Account	1,732	1,144	0.40

Under the terms of its agreement with Lloyds Bank, the Council has a single account, which is interest bearing. This enables day to day treasury operations to be streamlined to a degree.

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 Dec '14 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	1,000	795	0.57
Deutsche Managed Sterling Fund	1,000	716	0.55

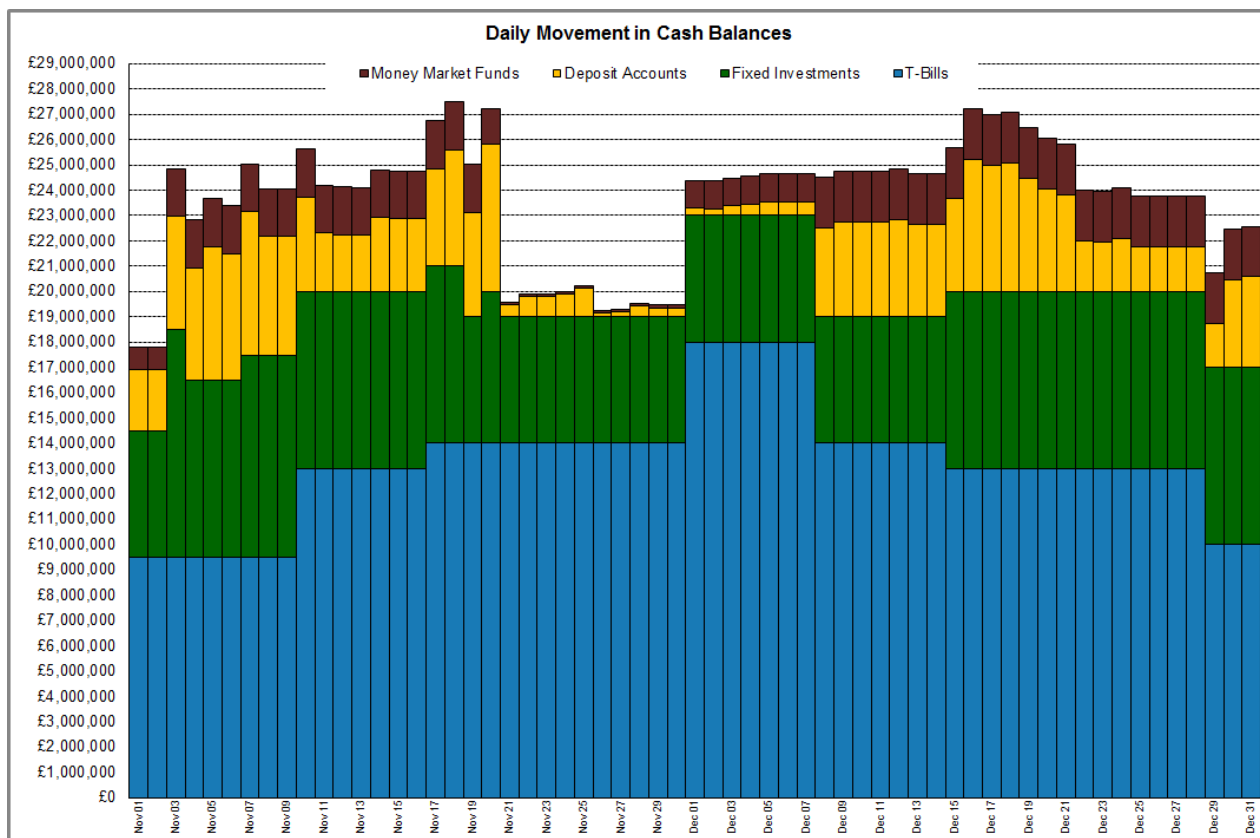
2.7 Purchase of Treasury Bills (T-Bills)

The table overleaf shows the T-Bills held at 31 December 2014 and activity in the period. It is the Council's intention to hold T-Bills until maturity.

	Maturity	Purchased in period	Purchase date	£'000	Return %
Held at 31 December 2014					
UK Treasury Bill 0%	30 Mar 15		29 Sep 14	2,000	0.570
UK Treasury Bill 0%	02 Feb 15		03 Nov 14	1,000	0.380
UK Treasury Bill 0%	09 Feb 15	√	10 Nov 14	2,000	0.430
UK Treasury Bill 0%	16 Feb 15	√	17 Nov 14	2,000	0.427
UK Treasury Bill 0%	02 Mar 15	√	01 Dec 14	1,000	0.415
UK Treasury Bill 0%	02 Mar 15	√	01 Dec 14	1,000	0.419
UK Treasury Bill 0%	12 Jan 15	√	15 Dec 14	1,000	0.348
Matured since last report					
UK Treasury Bill 0%	10 Nov 14		11 Aug 14	2,000	0.410
UK Treasury Bill 0%	10 Nov 14		13 Oct 14	491	0.360
UK Treasury Bill 0%	17 Nov 14	√	20 Oct 14	3,000	0.350
UK Treasury Bill 0%	01 Dec 14	√	03 Nov 14	1,000	0.310
UK Treasury Bill 0%	08 Dec 14	√	10 Nov 14	2,000	0.350
UK Treasury Bill 0%	08 Dec 14	√	10 Nov 14	2,000	0.330
UK Treasury Bill 0%	15 Dec 14	√	17 Nov 14	2,000	0.379
UK Treasury Bill 0%	29 Dec 14	√	01 Dec 14	1,000	0.419
UK Treasury Bill 0%	29 Dec 14	√	01 Dec 14	1,000	0.398
UK Treasury Bill 0%	29 Dec 14	√	01 Dec 14	1,000	0.438

2.8 Overall investment position

The chart below summarises the Council's investment position over the period 1 November to 31 December 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.

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 2015. 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 January 2015. 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>