

Agenda Item No: 6

Report No: 41/15

Report Title: Treasury Management

Report To: Audit and Standards Committee Date: 16 March 2015

Ward(s) Affected: All

Report By: Alan Osborne, Director of Corporate Services

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 January and 28 February 2015 has been in accordance with the approved Treasury Strategy for that period.
 2. To note the contents of this report.
-

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 and 2015/2016 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
16 March 2015	1 January to 28 February 2015
22 June 2015	1 March to 31 May 2015
28 September 2015	1 June to 31 August 2015
30 November 2015	1 September to 31 October 2015
25 January 2016	1 November to 31 December 2015
14 March 2016	1 January to 29 February 2016

2.3 Fixed Term Deposits pending maturity

The following table shows the fixed term deposits held at 28 February 2015 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	A	F1
220914	Nationwide Building Society	01 Sep 14	02 Mar 15	182	1,000,000	0.640	A	F1
222514	Telford and Wrekin Council	06 Feb 15	15 Apr 15	68	3,000,000	0.400	* not applicable	
					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 January 2015, 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 £10m 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
221004	Nationwide Building Society	01 Sep 14	02 Feb 15	154	1,000,000	0.580	A	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	
222314	Debt Management Office	02 Jan 15	05 Jan 15	3	3,000,000	0.250	** not applicable	
222414	Debt Management Office	15 Jan 15	19 Jan 15	4	2,000,000	0.250	** not applicable	
	Total				10,000,000			

*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 January to 28 February 2015 was 0.72%, above the average bank base rate for the period of 0.50%. Those made during the period averaged 0.39%

2.5 Use of Deposit 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 £3,156,000 generating interest of approximately £1,500.

	Balance at 28 Feb '15 £'000	Average balance £'000	Average interest rate %
Santander Business Reserve Account	3,000	2,027	0.20
Lloyds Bank Corporate Account	331	1,129	0.50

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 28 Feb '15 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	1,000	822	0.57
Deutsche Managed Sterling Fund	1,000	932	0.55

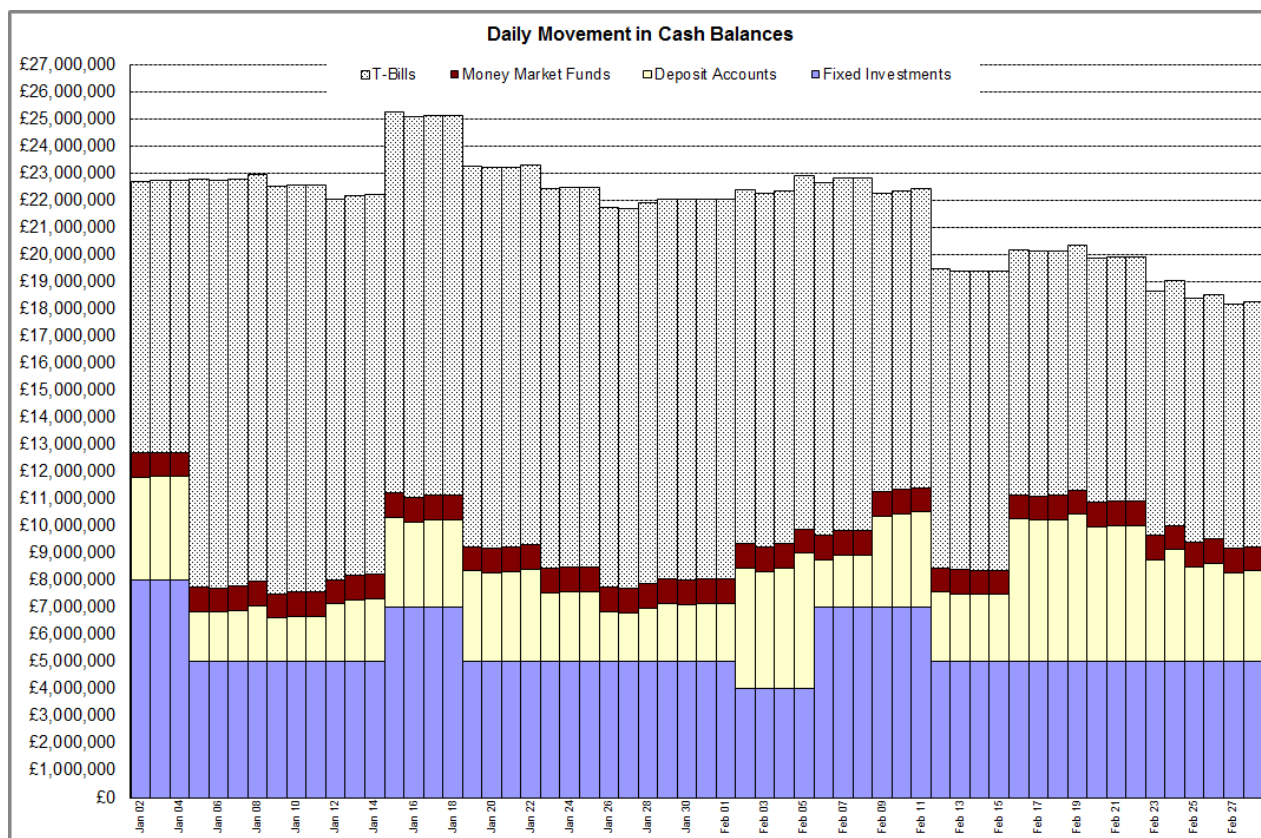
2.7 Purchase of Treasury Bills (T-Bills)

The table below shows the T-Bills held at 28 February 2015 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 2015					
UK Treasury Bill 0%	30 Mar 15		29 Sep 14	2,000	0.570
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%	02 Mar 15	√	02 Feb 15	1,000	0.320
UK Treasury Bill 0%	02 Mar 15	√	02 Feb 15	3,000	0.300
UK Treasury Bill 0%	02 Mar 15	√	02 Feb 15	1,000	0.310
Matured since last report					
UK Treasury Bill 0%	12 Jan 15		15 Dec 14	1,000	0.348
UK Treasury Bill 0%	02 Feb 15		03 Nov 14	1,000	0.380
UK Treasury Bill 0%	02 Feb 15	√	05 Jan 15	2,000	0.327
UK Treasury Bill 0%	02 Feb 15	√	05 Jan 15	2,000	0.348
UK Treasury Bill 0%	02 Feb 15	√	05 Jan 15	1,000	0.398
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

2.8 Overall investment position

The chart below summarises the Council's investment position over the period 1 January 2015 to 28 February 2015. It shows the total sums invested each day as either Fixed Term deposits, T-Bills, or 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.

2.10 Banking Arrangements

As previously reported, the Council has transferred its day-to-day banking business to Lloyds Bank plc, following the Co-operative Bank's decision to withdraw from the local authority sector. The Council's main account with the Co-operative Bank was closed on 26 February 2015.

Financial Implications

3 All relevant implications are referred to in the above paragraphs.

Sustainability Implications

4 There are no sustainability implications arising from this report.

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 There are no sustainability implications arising from this report

Legal Implications

- 7 None arising from this report.

Background Papers - Treasury Strategy Statement

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