

Agenda Item No: 12 **Report No:** 77/15

Report Title: Treasury Management

Report To: Audit and Standards Committee **Date:** 22 June 2015

Ward(s) Affected: All

Report By: Alan Osborne, Director of Corporate Services

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Purpose of Report:

To present details of recent Treasury Management activity and the Annual Treasury Management Report 2014/2015.

Officers Recommendation:

1. To confirm to Cabinet that Treasury Management activity between 1 March and 31 May 2015 has been in accordance with the approved Treasury Strategy for that period.
 2. To review the Annual Treasury Management Report for 2014/2015.
 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 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
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 31 May 2015 and identifies the long-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 rating required for deposits made are long term minimum A (Fitch). All of the deposits met the necessary criteria.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term rating
220714	Barclays Bank plc	13 Aug 14	13 Aug 15	365	1,000,000	1.000	A
222915	Nationwide Building Society	08 Apr 15	08 Jul 15	91	1,000,000	0.500	A
223215	Nationwide Building Society	06 May 15	06 Aug 15	92	1,000,000	0.500	A
					3,000,000		

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 March 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 £24.5m over this period. Further information is given in paragraph 2.8.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term rating
220914	Nationwide Building Society	01 Sep 14	02 Mar 15	182	1,000,000	0.640	A
222514	Telford & Wrekin Council	06 Feb 15	15 Apr 15	68	3,000,000	0.400	*
222614	Debt Management Office	02 Mar 15	13 Mar 15	11	6,000,000	0.250	*
222714	Debt Management Office	16 Mar 15	23 Mar 15	7	2,000,000	0.250	*
222815	Debt Management Office	01 Apr 15	07 Apr 15	6	2,000,000	0.250	*
223015	Debt Management Office	15 Apr 15	20 Apr 15	5	1,000,000	0.250	*
223115	Debt Management Office	06 May 15	21 May 15	15	2,000,000	0.250	*
223315	Debt Management Office	07 May 15	08 May 15	1	2,500,000	0.250	*
223415	Debt Management Office	08 May 15	11 May 15	3	1,000,000	0.250	*
223515	Debt Management Office	08 May 15	18 May 15	10	1,000,000	0.250	*
223615	Debt Management Office	15 May 15	19 May 15	6	1,500,000	0.250	*
223715	Debt Management Office	15 May 15	21 May 15	6	1,500,000	0.250	*
	Total				24,500,000		

*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 March to 31 May 2015 was 0.62%, above the average bank base rate for the period of 0.50%. Those made during the period averaged 0.47%.

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 £2,647,000 generating interest of approximately £1,500.

	Balance at 31 May '15 £'000	Average balance £'000	Average interest rate %
Santander Business Reserve Account	Nil	1,606	0.20
Lloyds Bank Corporate Account	1,231	1,041	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 £3m in each fund, and at no time was this limit exceeded.

	Balance at 31 May '15 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	2,250	1,976	0.58
Deutsche Managed Sterling Fund	1,500	2,034	0.56

2.7 Purchase of Treasury Bills (T-Bills)

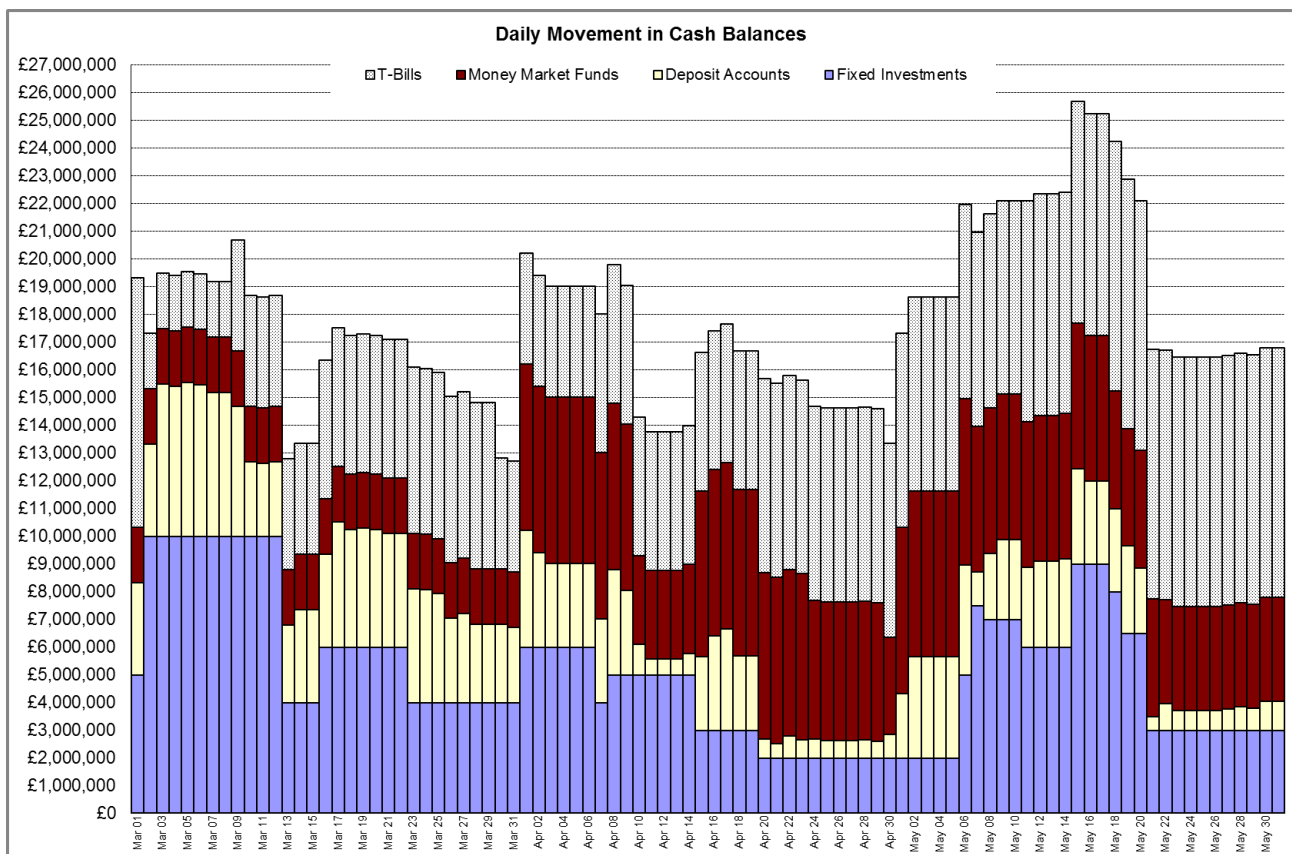
The table below shows the T-Bills held at 31 May 2015 and activity in the period. It is the Council's intention to hold T-Bills until maturity.

		Purchased in period	Purchase date	£'000	Average return %
Held at 31 May 2015					
UK Treasury Bill 0%	22 Jun 15	√	20 Mar 15	1,000	0.439
UK Treasury Bill 0%	06 Jul 15	√	07 Apr 15	1,000	0.449
UK Treasury Bill 0%	01 Jun 15	√	20 Apr 15	2,000	0.410
UK Treasury Bill 0%	03 Aug 15	√	05 May 15	1,000	0.440
UK Treasury Bill 0%	01 Jun 15	√	05 May 15	1,000	0.420
UK Treasury Bill 0%	08 Jun 15	√	11 May 15	1,000	0.428
UK Treasury Bill 0%	08 Jun 15	√	11 May 15	1,000	0.439
UK Treasury Bill 0%	15 Jun 15	√	18 May 15	1,000	0.449

	Purchased in period	Purchase date	£'000	Average return %
Matured since last report				
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
UK Treasury Bill 0%	07 Apr 15	✓ 09 Mar 15	1,000	0.475
UK Treasury Bill 0%	07 Apr 15	✓ 09 Mar 15	1,000	0.429
UK Treasury Bill 0%	13 Apr 15	✓ 16 Mar 15	1,000	0.439
UK Treasury Bill 0%	05 May 15	✓ 07 Apr 15	1,000	0.349
UK Treasury Bill 0%	05 May 15	✓ 07 Apr 15	1,000	0.389
UK Treasury Bill 0%	11 May 15	✓ 13 Apr 15	1,000	0.399

2.8 Overall investment position

The chart below summarises the Council's investment position over the period 1 March 2015 to 31 May 2015. It shows the total sums invested each day as 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.

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. It should be noted that this report has been drafted prior to the final closure of the Council's accounts and, as a result, some minor changes may be necessary. If so, the changes will be reported verbally at the meeting. 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 6 July 2015.

Financial Implications

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

Sustainability Implications

- 5** There are no sustainability implications arising from this report.

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** There are no sustainability implications arising from this report

Legal Implications

- 8** None arising from this report.

Appendix – Appendix 1: Annual Treasury Management Report 2014/2015

Background Papers - Treasury Strategy Statement

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