

Agenda Item No: 10 **Report No:** 129/115
Report Title: Treasury Management
Report To: Audit and Standards Committee **Date:** 28 September 2015
Ward(s) Affected: All
Report By: Alan Osborne, Director of Corporate Services
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 2015 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 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
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 August 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
224615	Nationwide Building Society	8 Jul 15	8 Oct 15	92	1,000,000	0.500	A
225115	Coventry Building Society	3 Aug 15	3 Dec 15	122	2,000,000	0.500	A
225615	Nationwide Building Society	10 Aug 15	10 Feb 16	184	1,000,000	0.660	A
226115	Debt Management Office	28 Aug 15	7 Sep 15	10	<u>1,500,000</u>	0.250	N/A
					<u>5,500,000</u>		

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 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 £56.75m over this period. Further information is given in paragraph 2.8.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term rating
223815	Debt Management Office	1 Jun 15	8 Jun 15	7	2,500,000	0.250	*
223915	Debt Management Office	3 Jun 15	9 Jun 15	6	1,000,000	0.250	*
224015	Debt Management Office	8 Jun 15	22 Jun 15	14	3,000,000	0.250	*
224115	Debt Management Office	15 Jun 15	22 Jun 15	7	3,000,000	0.250	*
224215	Debt Management Office	22 Jun 15	25 Jun 15	3	1,000,000	0.250	*
224415	Plymouth City Council	30 Jun 15	1 Jul 15	1	2,000,000	0.350	*
224315	Debt Management Office	25 Jun 15	2 Jul 15	7	1,750,000	0.250	*
222915	Nationwide Building Society	8 Apr 15	8 Jul 15	91	1,000,000	0.500	A
224515	Debt Management Office	2 Jul 15	13 Jul 15	11	3,000,000	0.250	*
224715	Debt Management Office	13 Jul 15	20 Jul 15	7	2,000,000	0.250	*
224815	Debt Management Office	15 Jul 15	21 Jul 15	6	4,000,000	0.250	*
224915	Debt Management Office	21 Jul 15	27 Jul 15	6	3,000,000	0.250	*
223215	Nationwide Building Society	6 May 15	6 Aug 15	92	1,000,000	0.500	A
225015	Debt Management Office	27 Jul 15	7 Aug 15	11	3,000,000	0.250	*
225215	Debt Management Office	3 Aug 15	7 Aug 15	4	2,000,000	0.250	*
225315	Debt Management Office	3 Aug 15	10 Aug 15	7	6,000,000	0.250	*

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term rating
225415	Debt Management Office	6 Aug 15	10 Aug 15	4	1,000,000	0.250	*
220714	Barclays Bank PLC	13 Aug 14	13 Aug 15	365	1,000,000	1.000	A
225515	Debt Management Office	10 Aug 15	14 Aug 15	4	4,000,000	0.250	*
225715	Debt Management Office	14 Aug 15	17 Aug 15	3	4,000,000	0.250	*
225815	Debt Management Office	17 Aug 15	19 Aug 15	2	2,000,000	0.250	*
225915	Debt Management Office	17 Aug 15	24 Aug 15	7	3,000,000	0.250	*
226015	Debt Management Office	24 Aug 15	28 Aug 15	4	2,500,000	0.250	*
Total					<u>56,750,000</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 June to 31 August 2015 was 0.58%, above the average bank base rate for the period of 0.50%. Those made during the period averaged 0.49%.

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 £2,940,310 generating interest of approximately £2,600.

	Balance at 31 Aug '15 £'000	Average balance £'000	Average interest rate %
Santander Business Reserve Account	2,000	1,911	0.30%
Lloyds Bank Corporate Account	715	1,000	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 Aug '15 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	3,000	2,983	0.58%
Deutsche Managed Sterling Fund	3,000	3,000	0.56%

2.7 Purchase of Treasury Bills (T-Bills)

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

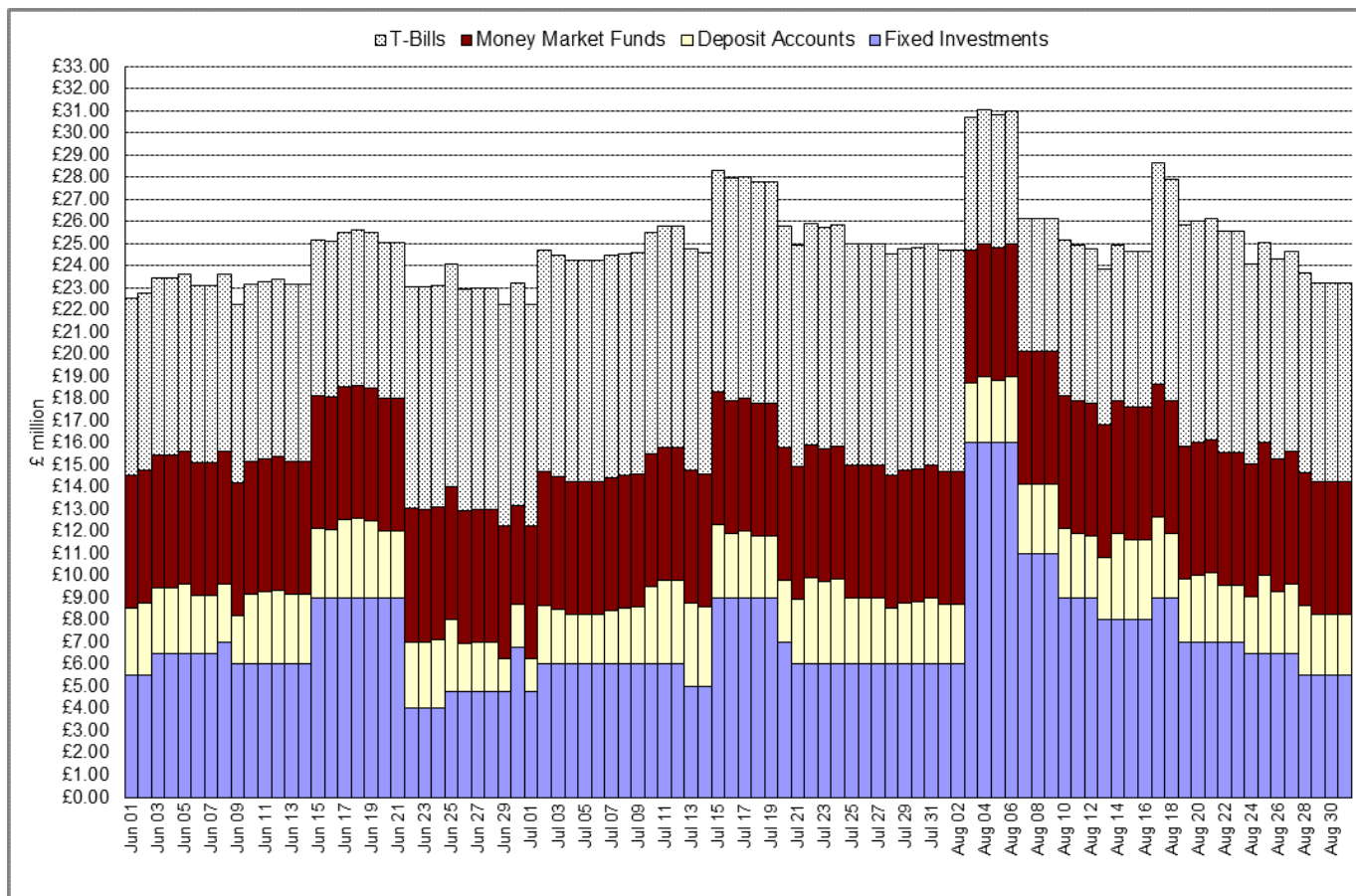
		Purchased in period	Purchase date	£'000	Disc %
Held at 31 August 2015					
UK Treasury Bill 0%	28 Sep 15	✓	29 Jun 15	1,000	0.509
UK Treasury Bill 0%	19 Oct 15	✓	20 Jul 15	1,000	0.492
UK Treasury Bill 0%	18 Jan 16	✓	20 Jul 15	1,000	0.585
UK Treasury Bill 0%	19 Oct 15	✓	20 Jul 15	1,000	0.492
UK Treasury Bill 0%	7 Sep 15	✓	10 Aug 15	1,000	0.439
UK Treasury Bill 0%	14 Sep 15	✓	17 Aug 15	1,000	0.440
UK Treasury Bill 0%	15 Feb 16	✓	17 Aug 15	1,000	0.540
UK Treasury Bill 0%	16 Nov 15	✓	17 Aug 15	2,000	0.460

		Purchased in period	Purchase date	£'000	Disc %
Matured since last report					
UK Treasury Bill 0%	22 Jun 15		23 Mar 15	1,000	0.439
UK Treasury Bill 0%	6 Jul 15		7 Apr 15	1,000	0.449
UK Treasury Bill 0%	1 Jun 15		20 Apr 15	2,000	0.410
UK Treasury Bill 0%	3 Aug 15		5 May 15	1,000	0.440
UK Treasury Bill 0%	1 Jun 15		5 May 15	1,000	0.420
UK Treasury Bill 0%	8 Jun 15		11 May 15	1,000	0.428
UK Treasury Bill 0%	8 Jun 15		11 May 15	1,000	0.439
UK Treasury Bill 0%	15 Jun 15		18 May 15	1,000	0.449
UK Treasury Bill 0%	29 Jun 15	✓	1 Jun 15	1,000	0.469
UK Treasury Bill 0%	29 Jun 15	✓	1 Jun 15	1,000	0.478
UK Treasury Bill 0%	6 Jul 15	✓	8 Jun 15	1,000	0.460
UK Treasury Bill 0%	6 Jul 15	✓	8 Jun 15	1,000	0.450
UK Treasury Bill 0%	20 Jul 15	✓	22 Jun 15	1,000	0.450
UK Treasury Bill 0%	20 Jul 15	✓	22 Jun 15	1,000	0.460
UK Treasury Bill 0%	20 Jul 15	✓	22 Jun 15	1,000	0.440
UK Treasury Bill 0%	20 Jul 15	✓	22 Jun 15	1,000	0.455
UK Treasury Bill 0%	27 Jul 15	✓	29 Jun 15	1,000	0.464
UK Treasury Bill 0%	3 Aug 15	✓	6 Jul 15	1,000	0.427
UK Treasury Bill 0%	3 Aug 15	✓	6 Jul 15	1,000	0.431
UK Treasury Bill 0%	3 Aug 15	✓	6 Jul 15	1,000	0.456
UK Treasury Bill 0%	17 Aug 15	✓	20 Jul 15	1,000	0.438
UK Treasury Bill 0%	24 Aug 15	✓	27 Jul 15	1,000	0.434

The 2015/2016 Treasury Strategy limits the amount of negotiable instruments (eg T-Bills) that can be held in one broker's nominee account to £10m. Currently the Council has a nominee account with one broker only. In order to increase the opportunity for investment in these instruments and to diversify the use of brokers, it is proposed to open a nominee account with a second broker. Financial procedure rules require Cabinet agreement to this action and a recommendation was made to its meeting on 24 September 2015 accordingly.

2.8 Overall investment position

The chart below summarises the Council's investment position over the period 1 June 2015 to 31 August 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.

2.10 Training

Arlingclose, the Council's Treasury adviser, will be holding a briefing session in Lewes on Monday 12 October 2015. This session will cover a broad range of treasury management issues, and all councilors have been invited to attend.

Financial Implications

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

Risk Management Implications

- 4 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

- 5 This is a routine report for which detailed Equality Analysis is not required to be undertaken.

Legal Implications

- 6 None arising from this report.

Background Papers - Treasury Strategy Statement

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