

Agenda Item No: 8

Report No: 161/15

Report Title: Treasury Management

Report To: Audit and Standards Committee Date: 30 November 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.

Officers Recommendation:

1. To note the Mid-year Treasury Management Report 2014/2015.
 2. To confirm to Cabinet that Treasury Management activity between 1 September and 31 October 2015 has been in accordance with the approved Treasury Strategy for that period.
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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. The Audit and Standards Committee is also required to review the Mid-year Treasury Management Report.
- 2 **Mid-year Treasury Management Report 2015/2016**
 - 2.1 As well as reviewing details of Treasury transactions during the course of the year, the Audit and Standards Committee (and Cabinet) is also required to review a formal Mid-year summary report. Council then considers this report in accordance with best practice and guidance issued by the Chartered Institute of Public Finance and Accountancy.
 - 2.2 The timing of the Committee/Council meeting cycle has meant that the Audit and Standards Committee does not have the opportunity to consider the Mid-year Report for 2015/2016 in advance of Cabinet, which received it on 23 November 2015 and recommended to Council that it should be approved when it meets on 9

December. However, it remains appropriate for the Audit and Standards Committee to consider this report, attached at Appendix 1, with any comments being passed on to Council when it meets.

- 2.3** The Mid-year Report covers the period 1 April to 30 September 2015. It confirms that the key elements of the approved Treasury and Investment Strategy have been complied with during the first half of the year. Section 2 of the Mid-year Report provides a summary of performance against the key targets in the 2015/16 Strategy, with the remainder of the Report giving a more detailed explanation of borrowing and investment activity and the broader economic context within which officers have worked.

3 Treasury Management Activity

- 3.1** 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.
- 3.2** The timetable for reporting Treasury Management activity in 2015/2016 is shown in the table below. 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
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

3.3 Fixed Term Deposits pending maturity

The following table shows the fixed term deposits held at 31 October 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
225115	Coventry Building Society	03 Aug 15	03 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
226315	Thurrock Borough Council	23 Sep 15	11 Feb 16	141	2,000,000	0.470	N/a
226915	The Moray Council	02 Oct 15	02 Nov 15	31	1,000,000	0.480	N/a
227015	Nationwide Building Society	08 Oct 15	08 Dec 15	61	1,000,000	0.460	A
					7,000,000		

3.4 Fixed Term Deposits which have matured in the reporting period

The table overleaf shows the fixed term deposits which have matured since 1 September 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 £23m over this period. Further information is given in paragraph 3.8.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term rating
224615	Nationwide Building Society	08 Jul 15	08 Oct 15	92	1,000,000	0.50	A
226115	Debt Management Office	28 Aug 15	07 Sep 15	10	1,500,000	0.25	*
226215	Debt Management Office	01 Sep 15	11 Sep 15	10	5,000,000	0.25	*
226415	Debt Management Office	03 Sep 15	11 Sep 15	8	1,000,000	0.25	*
226515	Debt Management Office	14 Sep 15	23 Sep 15	9	2,000,000	0.25	*
226615	Debt Management Office	15 Sep 15	21 Sep 15	6	2,500,000	0.25	*
226715	Newport City Council	23 Sep 15	07 Oct 15	14	3,000,000	0.40	*
226815	Debt Management Office	01 Oct 15	12 Oct 15	11	2,000,000	0.25	*
227215	Debt Management Office	12 Oct 15	22 Oct 15	10	2,000,000	0.25	*
227315	Debt Management Office	15 Oct 15	22 Oct 15	7	3,000,000	0.25	*
Total					<u>23,000,0000</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 September to 31 October 2015 was 0.47%, below the average bank base rate for the period of 0.50%. Those made during the period also averaged 0.47%.

3.5 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 £2,222,510 generating interest of approximately £1,500

	Balance at 31 Oct '15 £'000	Average balance £'000	Average interest rate %
Santander Business Reserve Account	2,000	1,385	0.30%
Lloyds Bank Corporate Account	771	837	0.40%

3.6 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 Oct '15 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	3,000	2,804	0.60%
Deutsche Managed Sterling Fund	2,000	2,631	0.54%

3.7 Purchase of Treasury Bills (T-Bills)

The table below shows the T-Bills held at 31 October 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 October 2015					
UK Treasury Bill 0%	18 Jan 16		20 Jul 15	1,000	0.585
UK Treasury Bill 0%	16 Nov 15		17 Aug 15	2,000	0.460
UK Treasury Bill 0%	15 Feb 16		17 Aug 15	1,000	0.540
UK Treasury Bill 0%	07 Dec 15	✓	07 Sep 15	1,000	0.459
UK Treasury Bill 0%	21 Mar 15	✓	21 Sep 15	1,000	0.562
UK Treasury Bill 0%	29 Mar 15	✓	28 Sep 15	1,000	0.565
UK Treasury Bill 0%	04 Apr 16	✓	05 Oct 15	1,000	0.548
UK Treasury Bill 0%	26 Jan 16	✓	26 Oct 15	1,000	0.479
UK Treasury Bill 0%	23 Nov 15	✓	26 Oct 15	1,000	0.396

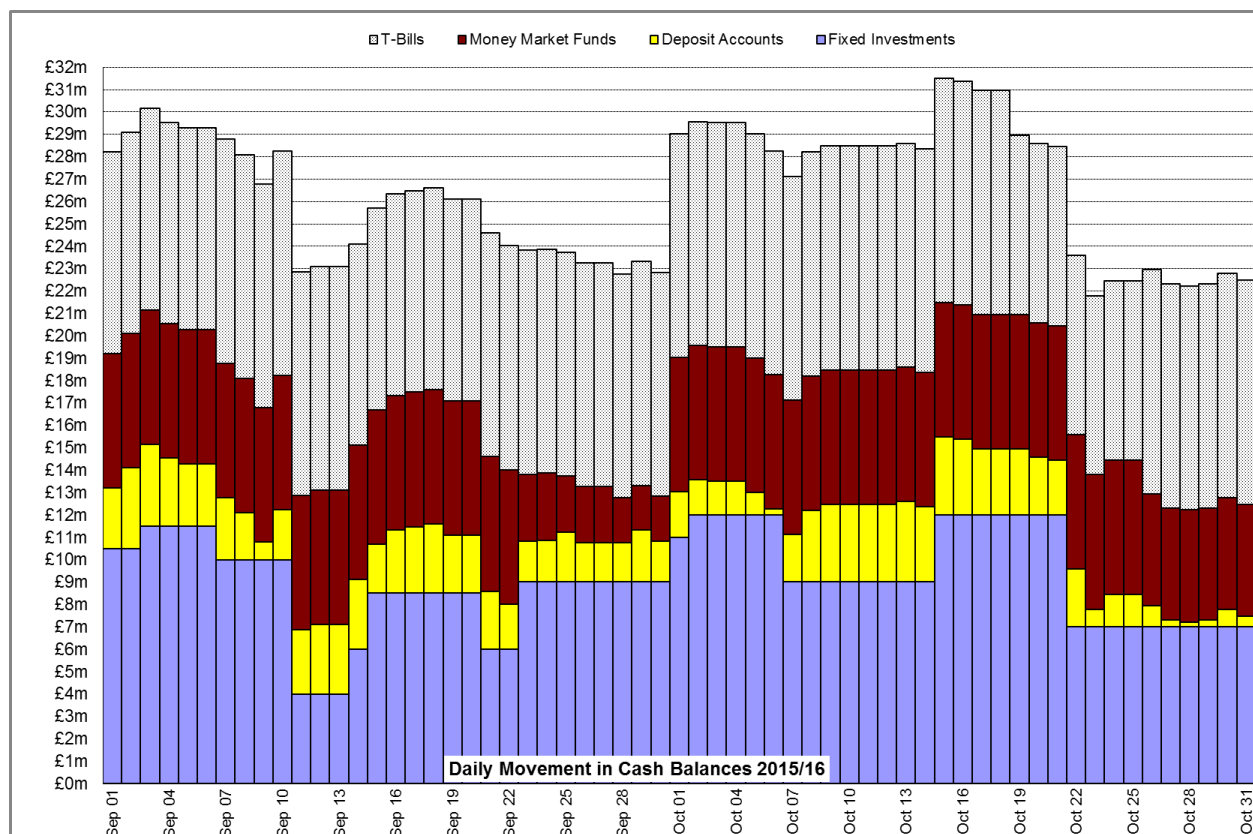
		Purchased in period	Purchase date	£'000	Disc %
Matured since last report					
UK Treasury Bill 0%	28 Sep 15		29 Jun 15	1,000	0.509
UK Treasury Bill 0%	19 Oct 15		20 Jul 15	1,000	0.495
UK Treasury Bill 0%	19 Oct 15		20 Jul 15	1,000	0.492
UK Treasury Bill 0%	07 Sep 15		10 Aug 15	1,000	0.439
UK Treasury Bill 0%	14 Sep 15		17 Aug 15	1,000	0.440
UK Treasury Bill 0%	05 Oct 15	✓	07 Sep 15	1,000	0.459

The average discount (ie the gross return) achieved on T-Bills held in the period was 0.52%. Those purchased in the period averaged 0.53%.

From 16 October, a nominee account with a second broker has been in place, allowing the maximum amount of T-Bills held at any one time to be increased from £10m to £20m with a limit of £10m per broker.

3.8 Overall investment position

The chart below summarises the Council's investment position over the period 1 September to 31 October 2015. It shows the total sums invested each day as Fixed Term deposits, T-Bills, or amounts held in Deposit accounts or MMF's.



3.9 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.

3.10 Training

Arlingclose, the Council's Treasury adviser, held a briefing session in Lewes on Monday 12 October 2015. The session covered a broad range of treasury management issues, and was attended by 13 councillors..

Financial Implications

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

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

Legal Implications

- 7 None arising from this report.

Background Papers - Treasury Strategy Statement

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

Appendices – Appendix 1: Mid-year Treasury Management Report 2015/2016