

Agenda Item No: 8

**Report No:
17/16**

Report Title: Treasury Management

Report To: Audit and Standards Committee Date: 25 January 2016

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 November and 31 December 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.
- 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 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
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 December 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
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	*
227115	Thurrock Borough Council	30 Nov 15	22 Feb 16	84	2,000,000	0.480	*
227515	Thurrock Borough Council	16 Nov 16	10 Mar 16	115	3,000,000	0.500	*
					8,000,000		

*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 November 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 £13.5m over this period. Further information is given in paragraph 2.8.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term rating
226915	The Moray Council	2 Oct 15	2 Nov 15	31	1,000,000	0.480	*
227415	Debt Management Office	2 Nov 15	9 Nov 15	7	2,000,000	0.250	*
227615	Debt Management Office	16 Nov 15	19 Nov 15	7	1,000,000	0.250	*
225115	Coventry Building Society	3 Aug 15	3 Dec 15	122	2,000,000	0.500	A
227015	Nationwide Building Society	8 Oct 15	8 Dec 15	61	1,000,000	0.460	A
227715	Debt Management Office	7 Dec 15	14 Dec 15	7	2,000,000	0.250	*
227815	Debt Management Office	14 Dec 15	21 Dec 15	7	2,000,000	0.250	*
227915	Debt Management Office	15 Dec 15	21 Dec 15	6	2,500,000	0.250	*
	Total				13,500,000		

*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 November to 31 December 2015 was 0.51%, 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 £2,727,152 generating interest of approximately £1,700.

	Balance at 31 Dec '15 £'000	Average balance £'000	Average interest rate %
Santander Business Reserve Account	2,000	1,761	0.25%
Lloyds Bank Corporate Account	1,336	966	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 Dec '15 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	750	2,272	0.58%
Deutsche Managed Sterling Fund	750	2,076	0.55%

2.7 Purchase of Treasury Bills (T-Bills)

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

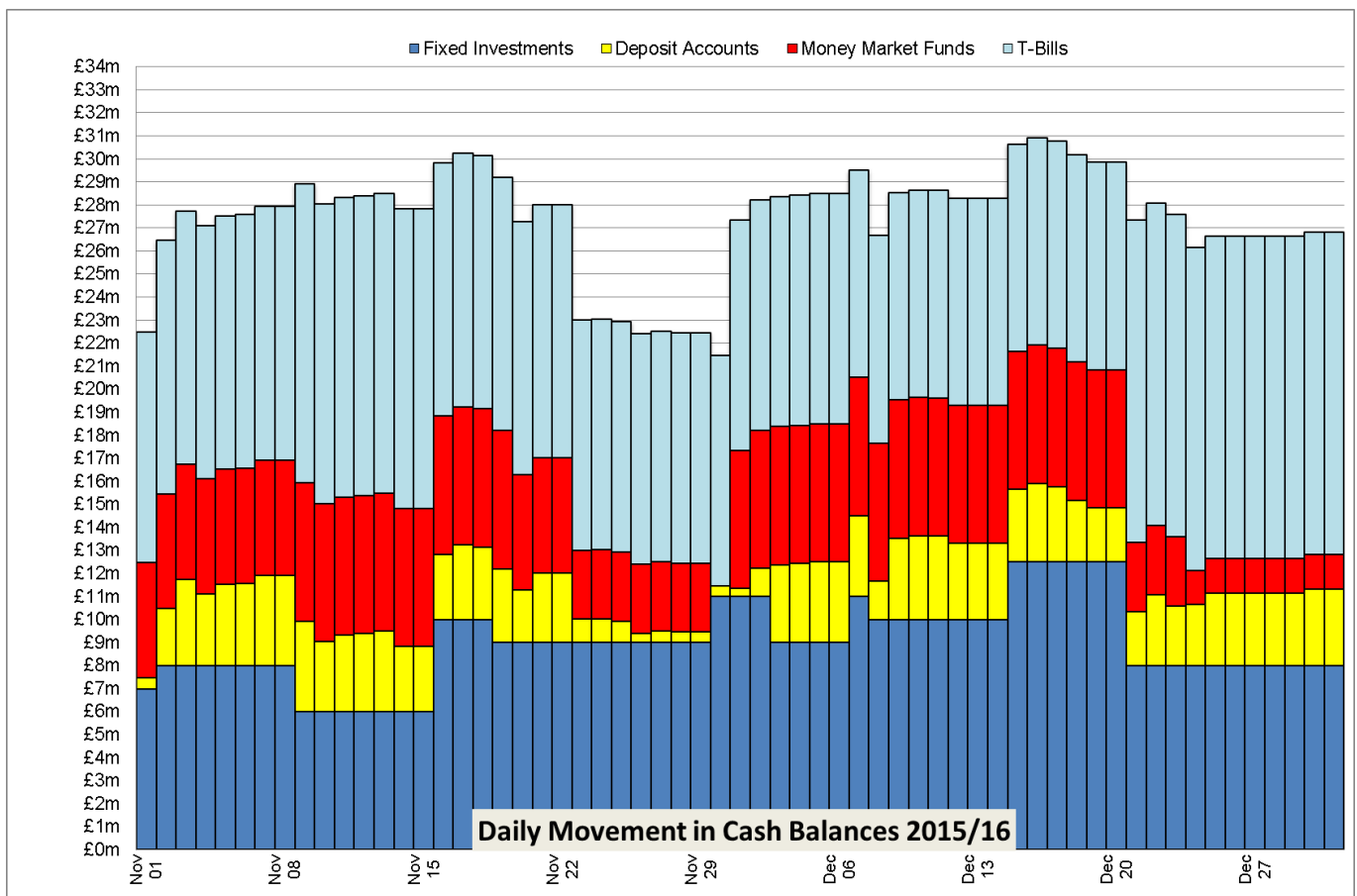
		Purchased in period	Purchase date	£'000	Disc %
Held at 31 October 2015					
UK Treasury Bill 0%	18 Jan 16		20 Jul 15	1,000	0.585
UK Treasury Bill 0%	15 Feb 16		17 Aug 15	1,000	0.540
UK Treasury Bill 0%	21 Mar 16		21 Sep 15	1,000	0.562
UK Treasury Bill 0%	29 Mar 16		28 Sep 15	1,000	0.565
UK Treasury Bill 0%	04 Apr 16		05 Oct 15	1,000	0.548
UK Treasury Bill 0%	25 Jan 16		26 Oct 15	1,000	0.479
UK Treasury Bill 0%	03 May 16	✓	02 Nov 15	1,000	0.555
UK Treasury Bill 0%	08 Feb 16	✓	09 Nov 15	1,000	0.485
UK Treasury Bill 0%	07 Mar 16	✓	07 Dec 15	1,000	0.481
UK Treasury Bill 0%	18 Jan 16	✓	21 Dec 15	1,000	0.330
UK Treasury Bill 0%	18 Jan 16	✓	21 Dec 15	1,000	0.320
UK Treasury Bill 0%	18 Jan 16	✓	21 Dec 15	1,000	0.315
UK Treasury Bill 0%	18 Jan 16	✓	21 Dec 15	1,000	0.324
UK Treasury Bill 0%	21 Mar 16	✓	21 Dec 15	1,000	0.466

	Purchased in period	Purchase date	£'000	Disc %
Matured since last report				
UK Treasury Bill 0%		16 Nov 15		
UK Treasury Bill 0%		07 Dec 15		
UK Treasury Bill 0%		23 Nov 15		
UK Treasury Bill 0%	✓	09 Nov 15	1,000	0.340
		17 Aug 15	2,000	0.460
		07 Sep 15	1,000	0.459
		26 Oct 15	1,000	0.396

The average discount (ie the gross return) achieved on T-Bills held in the period was 0.51%. Those purchased in the period averaged 0.47%.

2.8 Overall investment position

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

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>