

Agenda Item No:6

Report No: 45/16

Report Title: Treasury Management

Report To: Audit and Standards Committee Date: 14 March 2016

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 confirm to Cabinet that Treasury Management activity between 1 January and 29 February 2016 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 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
14 March 2016	1 January to 29 February 2016
20 June 2016	1 March to 31 March 2016

2.3 Fixed Term Deposits pending maturity

The following table shows the fixed term deposits held at 29 February 2016 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
227515	Thurrock Borough Council	16 Nov 15	10 Mar 16	115	3,000,000	0.500	*
228115	Nationwide Building Society	18 Feb 16	18 Aug 16	182	<u>1,000,000</u>	0.710	A
					<u>4,000,000</u>		

*UK Government body and therefore not subject to credit rating

2.4 Fixed Term Deposits which have matured in the reporting period

The table below shows the fixed term deposits which have matured since 1 January 2016, 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
228915	Debt Management Office	04 Jan 16	05 Jan 16	1	5,000,000	0.250	*
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	<u>2,000,000</u>	0.480	*
	Total				<u>10,000,000</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 January to 29 February 2016 was 0.53%, above the average bank base rate for the period of 0.50%. Those made during the period also averaged 0.53%.

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 £1,536,191 generating interest of approximately £1,100.

	Balance at 29 Feb '16 £'000	Average balance £'000	Average interest rate %
Santander Business Reserve Account	Nil	512	0.30%
Lloyds Bank Corporate Account	727	1,023	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 below. The approved Investment Strategy allows a maximum investment of £3m in each fund, and at no time was this limit exceeded.

	Balance at 29 Feb '16 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	2,000	1,408	0.58%
Deutsche Managed Sterling Fund	3,000	1,417	0.56%

2.7 Purchase of Treasury Bills (T-Bills)

The table below shows the T-Bills held at 29 February 2016 and activity in the period. It is the Council's intention to hold T-Bills until maturity.

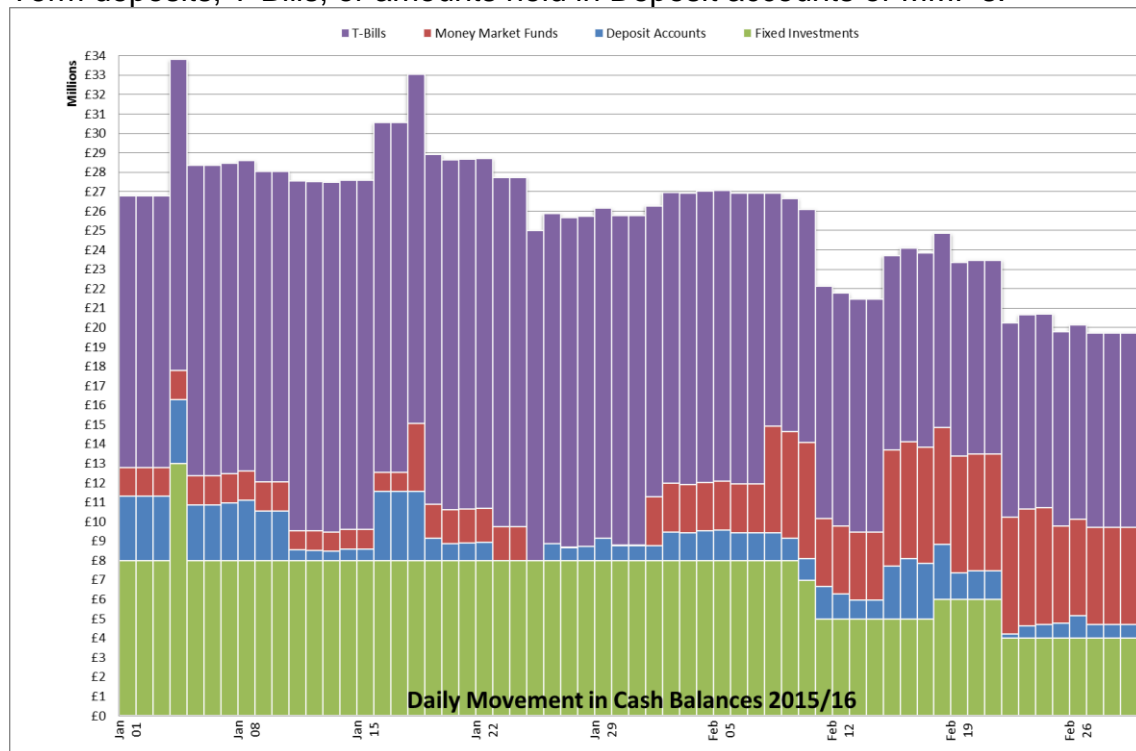
		Purchased in period	Purchase date	£'000	Disc %
Held at 29 February 2016					
UK Treasury Bill 0%	21 Mar 16		21 Sep 15	1,000	0.562
UK Treasury Bill 0%	29 Mar 16		28 Sep 15	1,000	0.565
UK Treasury Bill 0%	04 Apr 16		05 Oct 15	1,000	0.548
UK Treasury Bill 0%	03 May 16		02 Nov 15	1,000	0.555
UK Treasury Bill 0%	07 Mar 16		07 Dec 15	1,000	0.481
UK Treasury Bill 0%	21 Mar 16		21 Dec 15	1,000	0.466
UK Treasury Bill 0%	14 Mar 16	✓	15 Feb 16	2,000	0.460
UK Treasury Bill 0%	14 Mar 16	✓	15 Feb 16	2,000	0.440

	Purchased in period	Purchase date	£'000	Disc %
Matured since last report				
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%	25 Jan 16	26 Oct 15	1,000	0.479
UK Treasury Bill 0%	08 Feb 16	09 Nov 15	1,000	0.485
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%	01 Feb 16	✓ 04 Jan 16	2,000	0.390
UK Treasury Bill 0%	08 Feb 16	✓ 11 Jan 16	1,000	0.451
UK Treasury Bill 0%	08 Feb 16	✓ 11 Jan 16	1,000	0.440
UK Treasury Bill 0%	15 Feb 16	✓ 18 Jan 16	1,000	0.479
UK Treasury Bill 0%	15 Feb 16	✓ 18 Jan 16	1,000	0.502
UK Treasury Bill 0%	15 Feb 16	✓ 18 Jan 16	1,000	0.549
UK Treasury Bill 0%	15 Feb 16	✓ 18 Jan 16	1,000	0.480
UK Treasury Bill 0%	15 Feb 16	✓ 18 Jan 16	1,000	0.510

The average discount (ie the gross return) achieved on T-Bills held in the period was 0.49%. Those purchased in the period averaged 0.48%.

2.8 Overall investment position

The chart below summarises the Council's investment position over the period 1 January to 29 February 2016. 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

No temporary borrowing has been undertaken. The Council utilised an overdraft facility on its current account with Lloyds Bank for the three day period 23 to 25 January 2016, the average amount overdrawn being £75,000.

There has been no change to the Council's long term borrowing in the reporting period, which remains at £56.673m. At the last meeting of this Committee it was explained that, if the Council were to repay loans in advance of their fixed maturity dates, the lenders would charge significant premia for premature repayment. The premium amount for each loan at the date of writing this report is shown below:

Lender	Loan £m	Interest rate	Maturity date	Premium £m
Barclays Bank plc	5.000	4.50%	April 2054	3.520
PWLB	4.000	2.63%	Sept 2023	0.492
PWLB	4.000	2.70%	March 2024	0.523
PWLB	2.000	2.76%	Sept 2024	0.275
PWLB	4.000	2.97%	Sept 2026	0.531
PWLB	4.000	3.01%	March 2027	0.663
PWLB	2.000	3.05%	Sept 2027	0.368
PWLB	5.000	3.28%	Sept 2031	0.985
PWLB	5.000	3.30%	March 2032	0.996
PWLB	5.000	3.43%	Sept 2036	1.090
PWLB	5.000	3.44%	March 2037	1.101
PWLB	6.673	3.50%	March 2042	1.631

The interest rate on the loan from Barclays Bank plc is reviewed every 4 years, the next review date being 6 April 2016. If Barclays Bank choose to increase the rate of this loan, which is unlikely, the Council can opt to repay without incurring a premium.

The Council also has a £5m variable rate loan from PWLB, which can be repaid without premium on 2 dates each year, at the time that the interest rate is refreshed.

- 3 **Financial Implications** - all relevant implications are referred to in the above paragraphs.
- 4 **Risk Management Implications** - 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.
- 5 **Equality Screening** - this is a routine report for which detailed Equality Analysis is not required to be undertaken.
- 6 **Legal Implications** - none arising from this report.
- 7 **Background Papers** - Treasury Strategy Statement
<http://www.lewes.gov.uk/council/20987.asp>