

Agenda Item No: 11 **Report No:** 131/16
Report Title: Treasury Management
Report To: Audit and Standards Committee **Date:** 26 September 2016
Ward(s) Affected: All
Report By: Alan Osborne, Deputy Chief Executive
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 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 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
26 September 2016	1 June to 31 August 2016
28 November 2016	1 September to 31 October 2016
16 January 2017	1 November to 31 December 2016
20 March 2017	1 January to 28 February 2017

2.3 Fixed Term Deposits pending maturity

The following table shows the fixed term deposits held at 31 August 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. All of the deposits met the necessary criteria.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term rating
228716	Thurrock Borough Council	27 May 16	28 Nov 16	185	3,000,000	0.50	*
229716	Nationwide Building Society	06 Jun 16	06 Dec 16	183	1,000,000	0.71	F1
229816	Thurrock Borough Council	01 Jul 16	05 Oct 16	96	1,750,000	0.46	*
230916	Nationwide Building Society	18 Aug 16	20 Feb 17	186	1,000,000	0.40	F1
					<u>6,750,000</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 June 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 £41.00m over this period.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term rating
228115	Nationwide Building Society	18 Feb 16	18 Aug 16	182	1,000,000	0.71	*
228315	Eastbourne Borough Council	24 Mar 16	01 Jun 16	69	2,000,000	0.50	*
229416	Debt Management Office	01 Jun 16	02 Jun 16	1	3,500,000	0.25	*
229516	Debt Management Office	01 Jun 16	06 Jun 16	5	4,000,000	0.25	*
229616	Debt Management Office	06 Jun 16	13 Jun 16	7	5,000,000	0.25	*
229916	Coventry Building Society	10 Jun 16	01 Jul 16	21	2,000,000	0.40	F1
230016	Debt Management Office	13 Jun 16	20 Jun 16	7	3,000,000	0.25	*
230116	Debt Management Office	15 Jun 16	20 Jun 16	5	3,000,000	0.25	*
230216	Coventry Building Society	18 Jul 16	25 Jul 16	7	2,000,000	0.35	F1
230316	Debt Management Office	18 Jul 16	19 Jul 16	1	2,000,000	0.25	*
230416	Debt Management Office	18 Jul 16	25 Jul 16	7	1,000,000	0.25	*
230516	Coventry Building Society	25 Jul 16	01 Aug 16	7	2,000,000	0.35	F1
230616	Debt Management Office	01 Aug 16	08 Aug 16	7	5,500,000	0.25	*
230716	Coventry Building Society	01 Aug 16	08 Aug 16	7	2,000,000	0.35	*
230816	Debt Management Office	15 Aug 16	22 Aug 16	7	3,000,000	0.15	F1
	Total				<u>41,000,000</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 June and 31 August 2016 was 0.51%, above the average bank base rate for the period of 0.50%. Those made during the period averaged 0.50%.

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 £2.397m generating interest of approximately £2,100.

	Balance at 31 Aug '16 £'000	Average balance £'000	Current interest rate %
Santander Business Reserve Account	1,000	1,320	0.15%
Lloyds Bank Corporate Account	332	1,077	0.15%

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 31 Aug '16 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	2,000	2,984	0.58%
Deutsche Managed Sterling Fund	3,000	2,978	0.58%

2.7 Purchase of Treasury Bills (T-Bills)

The table below shows the T-Bills held at 31 August 2016 and activity in the period. It is the Council's intention to hold T-Bills until maturity.

	Maturity Date	Purchased in period	Purchase date	£'000	Disc %
Held at 31 August 2016					
UK Treasury Bill 0%	03 Jan 17	✓	04 Jul 16	1,000	0.420
UK Treasury Bill 0%	10 Oct 16	✓	11 Jul 16	1,000	0.380
UK Treasury Bill 0%	17 Oct 16	✓	18 Jul 16	1,000	0.414
Matured since last report					
UK Treasury Bill 0%	06 Jun 16		09 May 16	94	0.419
UK Treasury Bill 0%	06 Jun 16		09 May 16	1,000	0.409
UK Treasury Bill 0%	20 Jun 16		23 May 16	1,000	0.399
UK Treasury Bill 0%	20 Jun 16		23 May 16	1,000	0.403
UK Treasury Bill 0%	18 Jul 16	✓	20 Jun 16	2,000	0.357
UK Treasury Bill 0%	18 Jul 16	✓	20 Jun 16	2,000	0.367
UK Treasury Bill 0%	18 Jul 16	✓	20 Jun 16	2,000	0.337

The average discount (ie the gross return) achieved on T-Bills held in the period was 0.40%. Those purchased in the period also averaged 0.40%.

2.8 Secured Investments

The investments below are secured against the assets of the bank. The interest rate can vary, by reference to changes in the 3 month 'London Interbank Offered Rate (LIBOR)'.

Ref	Counterparty	Date From	Date To	Days	Principal £	Current Rate %	Long Term Rating
XS0769914218	Abbey National Treasury	12 May 16	05 Apr 17	328	1,000,000	0.716	AAA
XS113251472	Bank of Nova Scotia	22 Jul 16	02 Nov 17	414	<u>2,000,000</u>	0.635	AAA
					<u>3,000,000</u>		

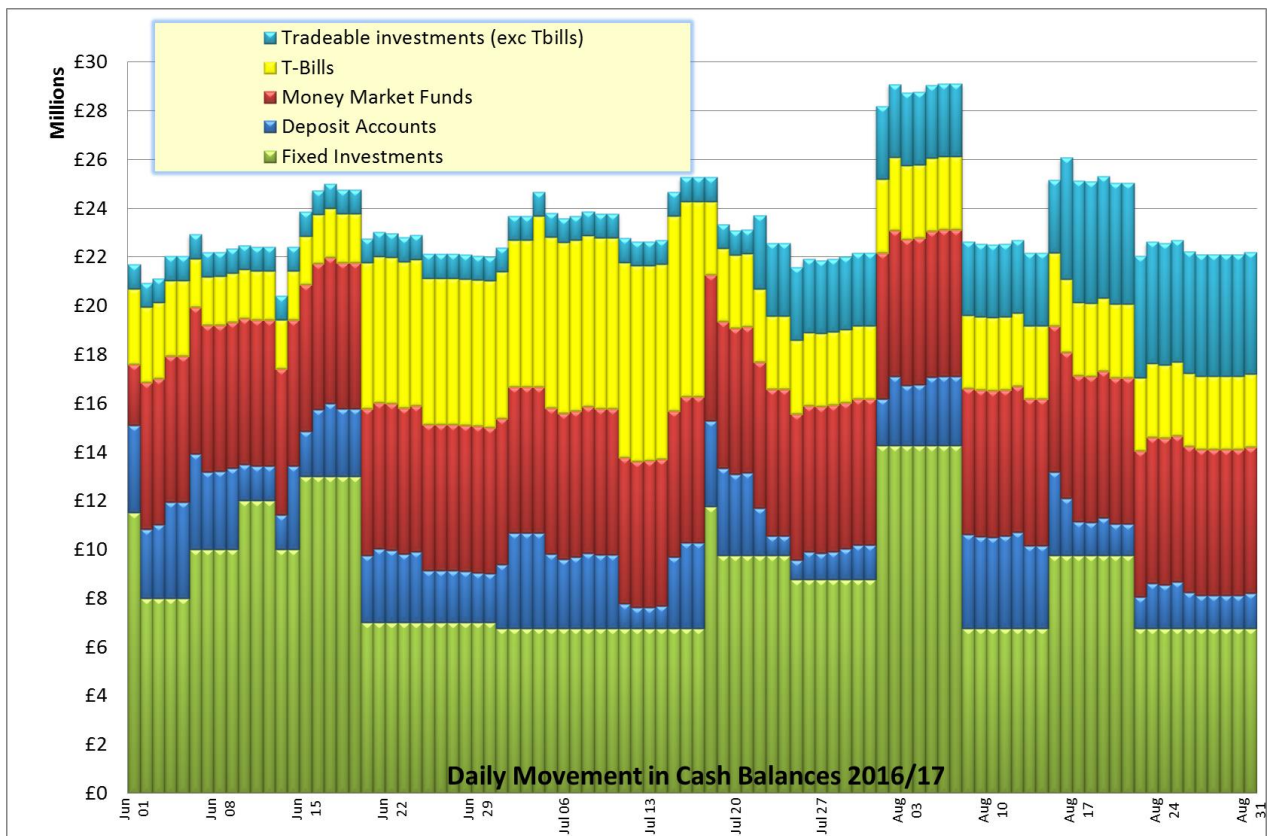
2.9 Certificates of Deposit (CDs)

During the period the following CD was purchased. These are fixed term, tradeable deposits. The intention is to keep the CD until maturity

Ref	Counterparty	Date From	Date To	Days	Principal £	Current Rate %	Long Term Rating
32264	Rabobank	16 Aug 16	16 Dec 16	122	<u>2,000,000</u>	0.36%	AAA
					<u>2,000,000</u>		

2.10 Overall investment position

The chart overleaf summarises the Council's investment position over the period 1 June to 31 August 2016. It shows the total sums invested each day as Fixed Term deposits, T-Bills, amounts held in Deposit accounts, MMFs and Tradeable Investments.



2.11 Borrowing

No temporary borrowing has been undertaken and the current account with Lloyds Bank remained in credit throughout the period.

There has been no change in the total value of the Council's long term borrowing in the reporting period, which remains at £56.673m.

Within the portfolio of loans is a £5m loan from Barclays Bank plc, advanced in April 2004 with a maturity date in April 2054. The original loan agreement with Barclays enabled the bank to increase the interest rate of the loan on a specified date every four years, although the Council could, in that event, repay the loan without penalty. The bank has now decided to permanently waive its right to change the interest rate on this loan, which effectively becomes fixed at the current rate of interest 4.5%.

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>