

Agenda Item No: 12 **Report No:** 148/13
Report Title: Treasury Management
Report To: Audit and Standards Committee **Date:** 23 September 2013
Ward(s) Affected: All
Report By: Director of Finance
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 2013 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.

Information

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 over the next year (and including the current meeting) will be as 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
23 September 2013	1 June 2013 to 31 August 2013
2 December 2013	1 September 2013 to 31 October 2013
27 January 2014	1 November 2013 to 31 December 2013
17 March 2014	1 December 2014 to 28 February 2014

2.3 Fixed Term Deposits pending maturity

The following table shows the fixed term deposits held at 31 August 2013 (excluding that with the Icelandic bank, Landsbanki Islands hf), and identifies the long-term and short-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 ratings required for deposits made in 2013/2014 are long term minimum A (Fitch) and short term F1 (Fitch).

All of the deposits met the necessary criteria.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term rating	Short-term rating
212113	Nationwide Building Society	19 Apr 13	21 Oct 13	185	2,000,000	0.52	A+	F1
214213	Nationwide Building Society	12 Aug 13	12 Nov 13	92	1,000,000	0.44	A+	F1
214413	Neath Port Talbot CC	20 Aug 13	09 Sep 13	15	2,000,000	0.28	** not applicable	
214513	Norwich City Council	23 Aug 13	09 Sep 13	17	3,000,000	0.29	** not applicable	
214713	East Dunbartonshire Council	29 Aug 13	29 Oct 13	61	2,000,000	0.34	** not applicable	
Total					£10,000,000			

*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 June 2013, 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 £26.6m over this period. Further information is given in paragraph 2.9.

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 2013 to 31 August 2013 was 0.33% which is lower than the average bank base rate for the period, 0.50%. Those **made** during the period averaged 0.31%.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term rating	Short-term rating
213513	Debt Management Office	03 Jun 13	10 Jun 13	07	2,000,000	0.250	** not applicable	
211913	Thurrock Borough Council	11 Apr 13	11 Jul 13	19	2,000,000	0.300	** not applicable	
213413	Plymouth City Council	28 May 13	22 Jul 13	55	1,000,000	0.280	** not applicable	
213613	Debt Management Office	15 Jul 13	22 Jul 13	07	5,000,000	0.250	** not applicable	
212213	Nationwide Building Society	29 Apr 13	29 Jul 13	91	1,000,000	0.440	A+	F1
213913	Debt Management Office	01 Aug 13	05 Aug 13	04	2,000,000	0.250	** not applicable	
213813	Debt Management Office	01 Aug 13	09 Aug 13	08	5,000,000	0.250	** not applicable	
214013	Debt Management Office	05 Aug 13	12 Aug 13	07	2,000,000	0.250	** not applicable	
214113	Debt Management Office	12 Aug 13	19 Aug 13	07	1,300,000	0.250	** not applicable	
214313	Debt Management Office	15 Aug 13	20 Aug 13	05	2,200,000	0.250	** not applicable	
213713	Debt Management Office	22 Jul 13	22 Aug 13	31	1,600,000	0.250	** not applicable	
214613	Debt Management Office	22 Aug 13	23 Aug 13	01	1,500,000	0.250	** not applicable	
Total					<u>£26,600,000</u>			

*UK Government body and therefore not subject to credit rating

2.5 Use of Deposit accounts

In addition to the fixed term deposits, the Council has made use of the following deposit accounts in the period covered by this report, with the average amount held being £3,680,435 generating interest of approximately £4,426.

	Balance at 31 Aug '13 £'000	Average balance £'000	Average interest rate %
Co-Operative Bank overnight account	0	0	Nominal
Santander Business Reserve Account	1,000	1,816	0.55
Bank of Scotland Corporate Deposit Account	300	1,864	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 £1m in each fund, and at no time was this limit exceeded.

	Balance at 31 Aug '13 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	800	711	0.32
Deutsche Managed Sterling Fund	1	777	0.37

2.7 Purchase of Treasury Bills (T-Bills)

The table overleaf shows the T-Bills held at 31 August 2013 and activity in the period. It is the Council's intention to hold both T-Bills until maturity.

	Purchased in period	Purchase date	£'000	Average return %
Held at 31 August 2013				
UK Treasury Bill 0% 09 Dec 2013	✓	10/06/13	2,000	0.360
UK Treasury Bill 0% 23 Sep 2013	✓	24/06/13	1,500	0.355
Matured since last report				
UK Treasury Bill 0% 08 Jul 2013		08/04/13	1,000	0.350
UK Treasury Bill 0% 15 Jul 2013		15/04/13	2,000	0.350
UK Treasury Bill 0% 15 Jul 2013		15/04/13	2,000	0.350
UK Treasury Bill 0% 18 Mar 2013		18/02/13	2,000	0.300
UK Treasury Bill 0% 25 Mar 2013		17/12/12	1,000	0.190

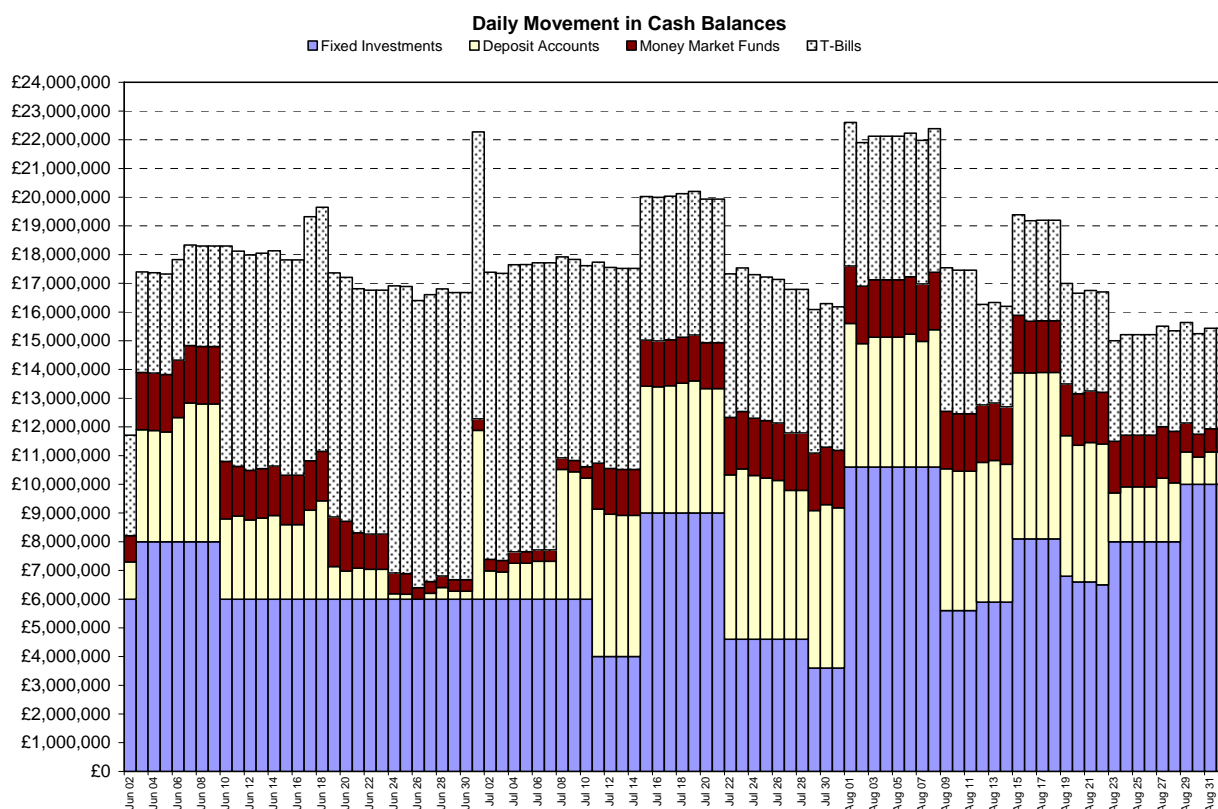
2.8 Landsbanki Islands hf (LBI)

At the time of writing this report, the Council was expecting to receive a fourth distribution from the LBI winding-up board. The expected value (following conversion of € and \$ amounts into £) is approximately £52,000 which would bring the total amount received to date to approximately £552,000.

At its meeting in July 2013, Cabinet authorized the Director of Finance to progress an opportunity to improve the Council's cash flow position provided the outcome represented fair value. Further information is expected to be made available to the Committee at its meeting.

2.9 Overall investment position

The chart below summarises the Council's investment position over the period 1 June 2013 to 31 August 2013. It shows the total sums invested each day as either Fixed Term deposits, T-Bills, amounts held in Deposit accounts or MMFs. It excludes the residual element of the Council's deposit with LBI.



2.10 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. The Council's banking contract gives access to a £1m overdraft facility (annual cost £2,500). This is used as a tool of the Treasury Management operations given that it can be cheaper to use the overdraft than to pay the bank transaction charges associated with withdrawing amounts from the deposit accounts or Money Market Funds to cover overnight current account shortfalls.

In the period covered by this report, the Council had an average overdrawn balance of £0.213m with the Co-operative Bank.

3 Treasury Management Briefing from Arlingclose

Arlingclose, the Council's appointed Treasury Adviser, will be continuing their series of local briefing sessions, to which all councilors are invited, on 26 September 2013.

Financial Implications

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

Sustainability Implications

- 5 The Sustainability Screening process for this Report took place in September 2013. There are no implications for sustainability.

Risk Management Implications

- 6 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

- 7 The Equality Screening process for this Report took place in September 2013. There are no implications for equality.

Legal Implications

- 8 None arising from this report.

Appendix – none

Background Papers - Treasury Strategy Statement 2013/2014

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