

**TREASURY MANAGEMENT MONITORING REPORT 2012/13**

**Introduction**

- 1.** This document outlines Treasury Management activity, during the period from 1 April to 30 September 2012 with reference to general performance, monitoring against approved strategy and compliance with the Treasury Management Code of Practice.

**Base Rates and Interest Rate Trends**

- 2.** During the period 1 April to 30 September 2012 the Bank Base Rate remained unchanged at 0.50%, consequently for internally managed funds we continued to receive low interest receipts.

**Borrowings**

- 3.** The Prudential Code gives local authorities more flexibility to borrow as a means of funding capital investment.
- 4.** On the 31 March 2008 Forest Heath District Council borrowed £4.0M to part fund the new Newmarket Leisure Centre. It is a long term loan, for 70 years, to the 31 March 2078, at a rate of 4.24%, with interest payable in arrears on the 31 March and 30 September each year. The loan is on a LOBO basis, which stands for Lender's Option Borrower's Option, which gives the lender the opportunity to increase the interest rate at pre-set dates through the period of the loan, but also gives the Council the option to repay the loan and any accrued interest if they do not want to accept these new terms.
- 5.** The Lender's Option Date is the 31 March 2018 and thereafter, the last Business Day of each successive period of five years. Appropriate requirements for notice periods for the Lender and the Borrower are set out in the loan instrument.
- 6.** An interest payment of £84,567.67 was paid on the 30 September 2012, this is for the first half year which is 182 days.

**Temporary Loans**

- 7.** Temporary Loans are currently held on 7 days repayment notice, and the balance of Temporary Loans outstanding at 30 September 2012 was an amount of £2,550.
- 8.** During the period 1 April to 30 September 2012, there were no temporary loans repaid.

9. Interest is paid half yearly on the 30 September and 31 March each year. However, due to the current economic environment and a Bank base rate of 0.50%, the Council was unable to make any interest payments at the 30 September 2012. All temporary loan holders have previously been notified of the situation and they have also been advised that there will not be any further interest payments at the end of each half year, until such time as there is a drastic increase in the Bank base rate. They have also been given the option to request repayment of the temporary loan for investment elsewhere.

### **Borrowing Limits**

10. The borrowing limits for 2012/13 were set in accordance with the Prudential Code.

Authorised Limit	£6.67M
Operational Limit	£6.03M

These limits remain the same as in 2011/12 and were approved at Council on the 1 March 2012 (Report - COU12/555).

### **Investments**

11. A list of all investments held as at 30 September can be found in **Appendix 3**

#### **Temporary Investments**

12. The Council holds a balance of funds which it manages internally for day to day cashflow purposes. These temporary investments, made during the period 1 April to 30 September 2012, will result in interest earnings of £9,517.75. In addition, interest of £102.73 has been received in the period, which relates to investments made in the previous financial year.
13. The average rate of return for Temporary Investments during this period was 0.826%, which was above the 7 day average rate by 0.566% and above the 3 year – 7 day average rate by 0.490%.
14. All of the organisations used for the temporary investments during the period complied with the ratings criteria as per the Treasury Management Code of Practice.

#### **Tradition, City Deposit Cash Managers (External Investment Fund Brokers)**

15. Investments and re-investments made through the advice of CDCM during the period 1 April to 30 September 2012 will result in interest earnings of £402,192.67 over the whole term of the investments (latest maturity date of investments made 15 May 2017) . Interest received during the period 1 April to 30 September 2012 from maturing investments and interim interest payments on long term investments, totalled £330,465.25.

16. The average rate of return on the balance of investments held during the period was 3.235%, a rate of return which was above the 3 year – 7 day average rate by 2.899%.
17. All organisations used by CDCM during the period 1 April – 30 September 2012, complied with the ratings criteria as per the Treasury Management Code of Practice.

### **Co-op Public Sector Reserve Account (PSRA)**

18. The PSRA is an account held with the Councils Bankers into which funds can be transferred on a daily basis. Where it is impractical to place funds elsewhere they can be transferred into the PSRA overnight in order to achieve a return of interest rather than leave the money in the General Account.
19. In the past funds were only placed in this account for very short periods of time, as it attracted lower rates of interest than those obtained from Temporary Investments. However during the first half of this year this account has offered a higher rate (0.56%) than many of the quotes obtained for our temporary investments consequently we have held our limit of £1.5m in this account for considerable periods.
20. Interest earned during the period 1 April to 30 September 2012 totalled £3,216.61. In addition, interest of £472.17 has been received in the period, which relates to investments made in the previous financial year.

### **Bank of Scotland Corporate Instant Access Account**

21. The Bank of Scotland Corporate Instant Access Account earns interest on a monthly basis and it is paid directly into the account within 2 weeks of the last working day of each month.
22. The opening balance on the account at the beginning of the financial year was £5,696.39 and the closing balance as at 30 September 2012 was £806,110.17. During the period 1 April to 30 September 2012, interest earned totalled £365.02.
23. For several periods during the first half of this year this account was used instead of making a temporary investment as the interest rate offered (0.5%) was higher than the quotes obtained for temporary investments.
24. The average rate of return for the period 1 April to the 30 September 2012 was 0.50%, which was above the 3 year – 7 day average by 0.164% and above the 7 day average rate benchmark by 0.240%.
25. This organisation complied with the Treasury Management Code of Practice during the period 1 April – 30 September 2012 with regard to the ratings criteria.

## **NatWest Liquidity Select Account**

- 26.** The NatWest Liquidity Select Account earns interest on a monthly basis which is paid directly into the account on the last working day of each month. This account currently attracts a 0.85% rate of interest which is higher than the recent quotes obtained for temporary investments.
- 27.** This is a new account to the Council having been opened 17 September 2012. The closing balance as at 30 September 2012 was £1,000,207.17. During the period interest earned totalled £207.17.
- 28.** Due to the current criteria in the Treasury Management Code of Practice we are unable to invest more than £1,000,000 in this account as the NatWest is a subsidiary of the Royal Bank of Scotland. The account is unlike the Council's PSRA, as we can not check balances, interest receipts or easily transfer funds on a daily basis. Therefore with interest being paid on the last working day of the month, it should be understood that for short periods of time this account may be a little over our £1,000,000 maximum until a withdrawal can be actioned.
- 29.** The average rate of return for the period 1 April to the 30 September 2012 was 0.85%, which was above the 3 year – 7 day average by 0.514% and above the 7 day average rate benchmark by 0.590%.
- 30.** This organisation complied with the Treasury Management Code of Practice during the period 1 April – 30 September 2012 with regard to the ratings criteria.

## **General Performance and Compliance**

- 31.** The overall rate of return on all investment categories for the period was 2.904% which is above the 3 year – 7 day average rate by 2.568% but 0.246% below our budgeted average rate of return for 2012/13 of 3.15%.
- 32.** The rate of return on each investments category for period 1 April to 30 September 2012, compared to the 7-day average rate and the 3 year – 7 day average rate, is shown in the graph illustrated in **Appendix 2**.