

# Treasury Management Sub-Committee



*St Edmundsbury*  
BOROUGH COUNCIL

<b>Title of Report:</b>	<b>Mid Year Treasury Management Report 2015/16 and Investment Activity 1 April to 30 September 2015</b>	
<b>Report No:</b>	<b>TMS/SE/15/005</b>	
<b>Report to and date/s:</b>	<b>Treasury Management Sub-Committee</b>	16 November 2015
	<b>Performance and Audit Scrutiny Committee</b>	25 November 2015
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<b>Lead officer:</b>	Joanne Howlett Acting Head of Resources and Performance <b>Tel:</b> 01284 757264 <b>Email:</b> <a href="mailto:joanne.howlett@westsuffolk.gov.uk">joanne.howlett@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	To present the Council's Mid Year Treasury Management Report summarising the investment activities for the period to 30 September 2015	

<b>Recommendation:</b>	<b>It is <u>RECOMMENDED</u> that, The Treasury Management Sub-Committee:</b>  <b>(1) <u>notes</u> the Mid Year Treasury Management Report; and</b>  <b>(2) make recommendations as appropriate via the Performance and Audit Scrutiny Committee to Cabinet and Council regarding the approval of the Mid Year Treasury Management Report for 2015/16, attached as Appendix 1.</b>	
<b>Key Decision:</b>  <i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
<b>Consultation:</b>	<ul style="list-style-type: none"> <li>• Treasury management activities are undertaken in consultation with Sector/Capita (the Council's appointed Treasury Management advisers) and also takes into account information obtained from investment brokers and other economic commentators. This committee provides for the scrutiny of treasury management strategies and performance, with changes in strategies and policies subject to approval by Cabinet and full Council.</li> </ul>	
<b>Alternative option(s):</b>	<ul style="list-style-type: none"> <li>• Options for the management of Council investments are formally considered within the annual treasury management and investment strategy. This includes key strategies in respect of the maintenance of the Council's debt free status, the continuation of in-house management of funds, and the approach to be adopted in establishing the credit worthiness of potential counterparties. The changing nature of the economic climate requires that these key areas are subject to on-going review.</li> </ul>	
<b>Implications:</b>		
<i>Are there any <b>financial</b> implications? If yes, please give details</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> • Please refer to main report	
<i>Are there any <b>staffing</b> implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any <b>ICT</b> implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	

<i>Are there any <b>legal and/or policy</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li>This report is inline with the Treasury Management Practice 6, (TMP6), of the Treasury Management Code of Practice, which requires that a current year review of the Treasury Services, against adopted annual strategy, be reported to Council by 30 November each financial year.</li> </ul>	
<i>Are there any <b>equality</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
<b>Risk/opportunity assessment:</b>			
<b>Inherent level of risk</b> (before controls)		<b>Residual risk</b> (after controls)	
<b>Risk area</b>	Low/Medium/ High*	<b>Controls</b>	Low/Medium/ High*
Fluctuations in interest rates or in projected cash flows having significant impact on budgeted investment income.	High	Spread of investments for periods of up to two years. Budget monitoring and quarterly performance reports. Use of interest equalisation reserve to smooth out year-on-year fluctuations.	Medium
Bank / building society failure resulting in loss of Council funds.	High	Use of Sector advice on counterparty credit ratings (based on Fitch and Moody ratings) and the setting of lending limits. Use of non-rated building societies based on asset base and additional credit checks.	Medium
<b>Ward(s) affected:</b>		All Wards	
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>		Treasury Management Performance and Annual Treasury Management and Investment Strategy – 2014/15 ( <a href="#">E225</a> ) and 2015/16 ( <a href="#">TMS SE 15 002</a> )	
<b>Documents attached:</b>		Appendix 1 – Mid Year Treasury Management Report 2015/16  Appendix 2 – Average Rate of Return  Appendix 3 – Investments held as at 30 September 2015	

## 1. Key issues and reasons for recommendation(s)

### 1.1 Mid Year Report 2015/16

### 1.2 Interest Earned from Treasury Investments during the period 1 April 2015 to 30 September 2015

1.2.1 The table below summarises the interest earned during the period 1 April to 30 September 2015 on the various Treasury Investments held by the Council.

1.2.2

<b>TREASURY MANAGEMENT – INTEREST EARNED SUMMARY</b>	
	<b>£</b>
Temporary Investments – Term Deposits	135,396.99
Santander Business Reserve Account	13,419.97
Bank of Scotland Current Account	327.85
Barclays Reserve Account	16,724.10
NatWest Call Account	19.94
NatWest 95 Day Account	11,049.32
Clydesdale 30 Day Account	2.22
Bank of Scotland Base Plus Account	0.22
<b>TOTAL INTEREST EARNED/ACCRUED</b>	<b>£176,940.61</b>

1.2.3 The budgeted income from investments for the period 1 April to 30 September 2015 was £127,925 (average rate of return of 0.70%). Interest actually earned during the period totalled £176,940, an overachievement of £49,015. This overachievement was mainly due to the higher cash balances being available for short term investment. These increases are due to timing differences in the collection and payment of Council Tax and NNDR.

### 1.3 Investment Activity during the period 1 April to 30 September 2015

1.3.1 The table below summarises the investment activities during the period:

<b>TREASURY MANAGEMENT – INVESTMENT ACTIVITY SUMMARY</b>	
	<b>2015/16 £m</b>
<b>Opening Balance 01 April 2014</b>	<b>40.05</b>
Investments made during the year (including transfers to business reserve accounts)	52.80
Sub Total	92.85
Investments realised during the year (including withdrawals from business reserve accounts)	41.10
<b>Closing Balance 30 September 2015</b>	<b>51.75</b>

## 1.4 **Investments held as at 30 September 2015**

1.4.1 The table below shows the investments held as at 30 September 2015:

<b>Counterparty</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Date Loaned</b>	<b>Date Returned</b>
Bank of Scotland	2,000,000	1.00%	06/10/14	06/10/15
Bank of Scotland	4,750,000	1.00%	03/11/14	03/11/15
Bank of Scotland	4,500,000	1.00%	12/02/15	12/02/16
Bank of Scotland	1,500,000	1.00%	10/04/15	08/04/16
Leeds Building Society	4,000,000	0.90%	01/05/15	29/04/16
Skipton Building Society	3,000,000	0.72%	04/06/15	04/12/15
Nottingham B/Society	2,500,000	0.70%	04/06/15	04/12/15
Nationwide B/Society	2,500,000	0.90%	04/06/15	03/06/16
National Counties B/Soc	2,000,000	0.70%	06/07/15	06/01/16
Nationwide B/Society	4,000,000	0.90%	03/08/15	03/08/16
Principality B/Society	2,500,000	0.72%	03/08/15	03/02/16
Nationwide B/Society	1,500,000	0.90%	03/09/15	01/09/16
Progressive B/Society	1,500,000	0.75%	03/09/15	03/03/16
Santander	5,500,000	0.40%	Call	
Barclays Reserve	8,000,000	0.45%	Call	
NatWest 95 Day Account	2,000,000	0.50%	95 day	
<b>TOTAL</b>	<b>51,750,000</b>			

## 2. **Market Activities**

2.1.1 Given the current financial climate, the Council, like many others, continues to find itself in one of the most challenging times for Treasury Management activities. The Council continues to hold its general policy objective, which is to invest surplus funds prudently, with security of our investments as our primary objective.

2.1.2 Base rate remained at 0.5% throughout the period and most market analysts continue to predict that this will continue throughout 2015/16 with a small staged increase not expected until 2016.

2.1.3 Investment returns continue to be one to two basis points above or below base rate, depending on duration. New investments for one year or more are attracting returns around 1%.

2.1.4 Markets will continue to be closely monitored and higher rates of return secured whenever possible.

## 3. **Borrowings**

3.1.1 The Council became debt free in 1992 and since then has refrained from any borrowing apart from the temporary use of overdraft facilities. This debt free status continued during the period 1 April 2015 to 30 September 2015.

#### 4. **Average Rate of Return**

4.1.1 The table below shows the average rate of return for the various categories of investment against the 7 day average rate and 3 year – 7 day average rate.

<b>Comparison of Average Rate of Return</b>		
	<b>Qtr 1</b>	<b>Qtr 2</b>
Temporary Investments	0.93%	0.90%
Santander Bus. Reserve	0.40%	0.40%
Bank of Scotland C/Acc	0.40%	0.40%
Barclays Reserve	0.45%	0.41%
NatWest Call Account	0.25%	0.25%
NatWest 95 Day Account	0.48%	0.46%
Clydesdale 30 Day Account	0.25%	0.25%
Bank of Scotland Base Plus	0.25%	0.25%
7 Day Average	0.47%	0.47%
3 year – 7 Day Average	0.48%	0.48%
<b>Overall Average return on Investments</b>	<b>0.70%</b>	<b>0.71%</b>