

**TREASURY MANAGEMENT MONITORING REPORT 2015/16**

**Introduction**

1. This document outlines Treasury Management activity, during the period from 1 April to 31 December 2015 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 31 December 2015 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. The first interest payment for 2015-16, £84,567.67, was paid on 30 September 2015.

**Temporary Loans**

7. Temporary Loans are currently held on 7 days repayment notice, and the balance of Temporary Loans outstanding at 31 December 2015 was £2,300.
8. During the period 1 April to 31 December 2015, 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%, under the terms of the loans the Council is not required to make any interest payments at present (interest rate payable is 0.5% below base rate). All temporary loan holders have 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 an 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 2015/16 were set in accordance with the Prudential Code.

Authorised Limit	£6.67M
Operational Limit	£6.03M

These limits remain the same as in 2014/15 and were approved at Council on the 27 February 2015 (Report – COU/FH/15/003).

### **Investments**

- 11.** A list of all investments held as at 31 December 2015 can be found in **Appendix 3 – Investments Held as at 31 December 2015**

#### **Temporary Investments (Internally Managed)**

- 12.** The Council holds a balance of funds which it manages internally for day to day cash flow purposes. These temporary investments, made during the period 1 April to 31 December 2015, will result in interest earnings of £32,730.36 for the period.
- 13.** The average rate of return for Temporary Investments during this period was 0.570%, which was above the 7 day average rate by 0.09% and above the 3 year – 7 day average rate by 0.08%.
- 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 made through the advice of CDCM resulted in interest earnings of £266,342.05 during the period 1 April to 31 December 2015.
- 16.** The average rate of return on the balance of investments held during the period was 1.724%, a rate of return which was above the 3 year – 7 day average rate by 1.24%.
- 17.** All organisations used by CDCM during the period 1 April – 31 December 2015, complied with the ratings criteria as per the Treasury Management Code of Practice.

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

- 18.** This account has not been actively used during the period covered by this report due to the interest rates offered.

### **NatWest Liquidity Select Account**

- 19.** 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. The continuing lower base rate has seen the interest on this account reduce to 0.25% in recent months.
- 20.** The opening balance on the account at the beginning of the financial year was £1 and the closing balance as at 31 December 2015 was £0.00. During the period 1 April to 31 December 2015, interest earned totalled £493.44.
- 21.** The account was only used in September to hold readily available funds for an anticipated capital project.
- 22.** The average rate of return for the period 1 April to the 31 December 2015 was 0.25%, which was below the 3 year – 7 day average by 0.24% and below the 7 day average rate benchmark by 0.22%.
- 23.** This organisation complied with the Treasury Management Code of Practice during the period 1 April – 31 December 2015 with regard to the ratings criteria.

### **Barclays FIBCA Account**

- 24.** The Barclays Fixed Interest Bearing Call Account (Barclays FIBCA) was opened 28 January 2013 to take advantage of the 0.7% rate of interest offered. The continuing low Bank base rate has seen the interest rate on this account fall to 0.45%.
- 25.** The opening balance on the account at the beginning of the financial year was £1,985,000.00 and the closing balance as at 31 December 2015 was £2,000,000.00. During the period 1 April to 31 December 2015, interest earned totalled £6,094.14.
- 26.** The average rate of return for the period 1 April to the 31 December 2015 was 0.45%, which was below the 3 year – 7 day average by 0.03% and below the 7 day average rate benchmark by 0.02%.
- 27.** This organisation complied with the Treasury Management Code of Practice during the period 1 April – 31 December 2015 with regard to the ratings criteria.

### **Lloyds 95 Day Account**

- 28.** The Lloyds 95 Day Account continues to offer 0.62% return which is around 0.20% higher than rates currently available in the short term investment market.
- 29.** The balance at the start of the year was £1,500,000.00 with an addition £400,000.00 being added in July resulting in a closing balance of £1,900,000.00 as at 31 December 2015. During the period 1 April to 31 December 2015, interest earned totalled £8,029.53.
- 30.** The average rate of return for the period 1 April to 31 December 2015 was 0.60%, which was above the 3 year – 7 day average rate by 0.12% and above the 7 day average rate by 0.13%.
- 31.** This organisation complied with the Treasury Management Code of Practice during the period 1 April – 31 December 2015 with regards to the ratings criteria.

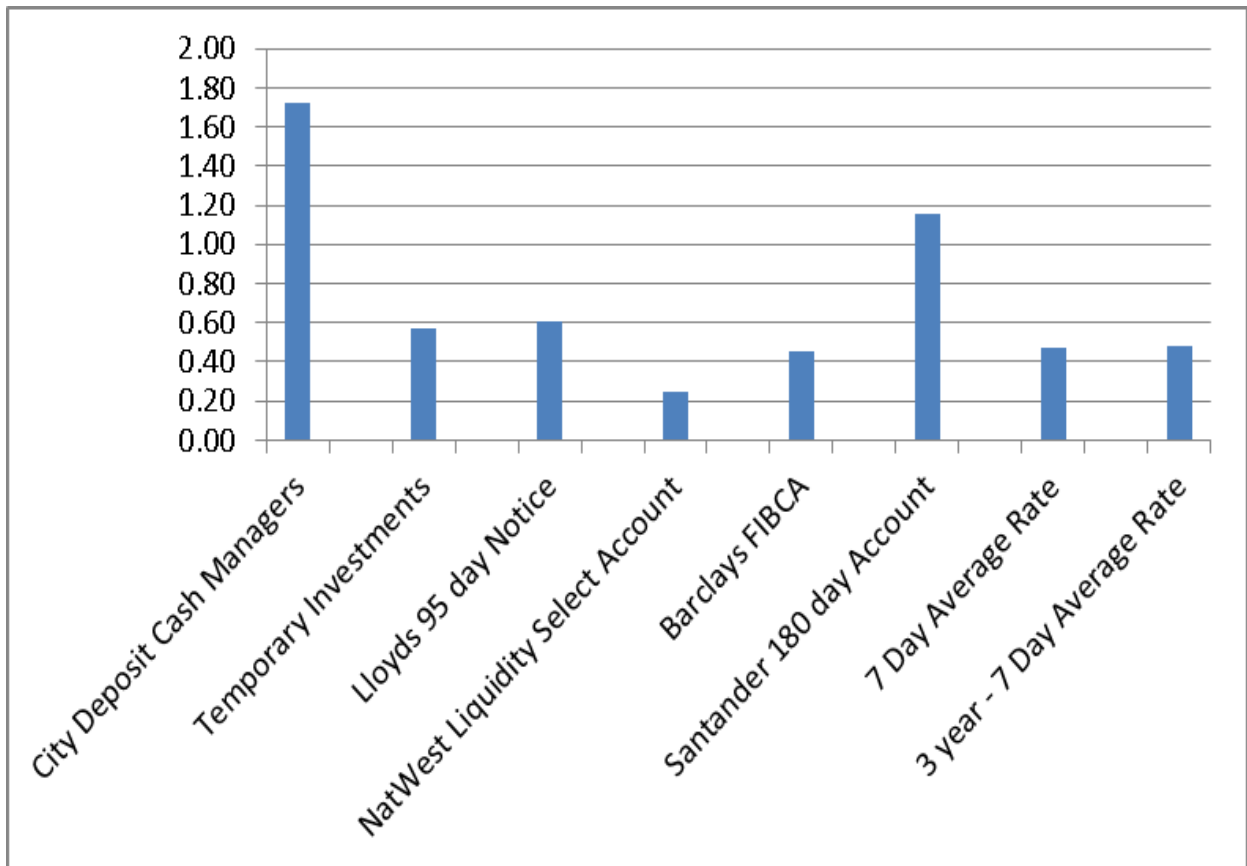
### **Santander 180 Day Account**

- 32.** The Santander 180 Day Account was opened on 15 October 2015, to take advantage of an interest rate of 1.15%.
- 33.** The account was opened with a deposit of £1,000,000, the balance on the account at 31 December 2015 remained at £1,000,000. During the period 15 October 2015 to 31 December 2015, interest earned totalled £2,427.92.
- 34.** The average rate of return for the period 15 October to 31 December 2015 was 1.15%, which was above the 3 year – 7 day average rate by 0.66% and above the 7 day average rate by 0.67%
- 35.** This organisation complied with the Treasury Management Code of Practice during the period 15 October 2015 – 31 December 2015 with regards to the ratings criteria.

### **General Performance and Compliance**

- 36.** The overall rate of return on all investment categories for the period was 1.30% which is above the 3 year – 7 day average rate by 0.81% but 0.05% below our revised budgeted average rate of return for 2015/16 of 1.35%.
- 37.** However investment income for the period 1 April to 31 December 2015 is £31,492 above the original budget of £284,625 for the period. This is mainly due to larger amounts of funds being available for investment than originally predicted.
- 38.** The rate of return on each investments category for period 1 April to 31 December 2015, compared to the 7-day average rate and the 3 year – 7 day average rate, is shown in the graph illustrated in **Appendix 2**.

**Average Rate of Return by Investment Category**



**APPENDIX 3**

Investments Held as at 31 December 2015				
Counterparty	Principal Amount	Interest Rate	Date Loaned	Date Returned
Lloyds TSB Bank Plc	2,000,000	3.65%	17/05/12	15/05/17
Rothschild	3,000,000	2.45%	11/06/14	09/06/17
Close Bros	3,000,000	2.05%	08/01/15	09/01/17
National Counties B/Society	2,500,000	1.75%	09/02/15	09/02/17
Principality B/Society	2,500,000	1.02%	10/08/15	08/08/16
Nottingham B/Society	1,500,000	0.64%	08/10/15	15/03/16
Progressive B/Society	3,000,000	0.72%	01/12/15	01/06/16
West Bromwich B/Society	3,000,000	0.72%	01/12/15	01/06/16
Nationwide B/Society	800,000	0.77%	15/06/15	07/03/16
Nationwide B/Society	1,200,000	0.71%	01/07/15	08/02/16
National Counties B/Society	500,000	0.68%	07/09/15	23/02/16
Principality B/Society	1,500,000	0.75%	14/09/15	21/03/16
National Counties B/Society	500,000	0.66%	14/09/15	22/02/16
Coventry B/Society	1,200,000	0.57%	15/10/15	24/03/16
Nottingham B/Society	500,000	0.62%	02/11/15	18/03/16
Nottingham B/Society	1,300,000	0.42%	22/12/15	19/06/16
Lloyds 95 Day Account	1,900,000	0.62%	01/04/15	Notice
Santander 180 Day Account	1,000,000	1.15%	15/10/15	Notice
Barclays FIBCA	2,000,000	0.40%	Call	
NatWest LSA	0	0.25%	Call	
<b>TOTAL</b>	<b>32,900,000</b>			

SUMMARY OF FUNDS HELD*	
Fund	£
Revenue Reserves	9,290,927
Capital Receipts Reserves	21,068,979
General Fund Reserve	2,118,217
Cashflow Balances	421,877
<b>Total Value of Investments</b>	<b>32,900,000</b>

\*Further details of funds held by the Council can be found in the Quarterly Budget Outturn Reports presented to Performance & Audit Scrutiny committee.