

Treasury Management Sub-Committee



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Treasury Management Report 2015/16 – Investment Activity 1 April to 31 December 2015	
Report No:	TMS/SE/16/001	
Report to and dates:	Treasury Management Sub- Committee	18 January 2016
	Performance and Audit Scrutiny Committee	28 January 2016
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Purpose of report:	To present the Council's Treasury Management Report summarising the investment activities for the period 1 April to 31 December 2015.	

Recommendation:	<p>The Treasury Management Sub-Committee is requested to:</p> <p>(1) Scrutinise the content of this report, including details of the treasury management performance for the first nine months of the 2015/16 financial year; and,</p> <p>(2) Make recommendations, as appropriate, via the Performance and Audit Scrutiny Committee to Cabinet and Council regarding the approval of the attached Treasury Management Report for the period 1 April to 31 December 2015 (Appendix 1 refers).</p>
Key Decision: <i>(Check the appropriate box and delete all those that do not 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"/>
Consultation:	<ul style="list-style-type: none"> 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.
Alternative option(s):	<ul style="list-style-type: none"> 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.
Implications:	
<i>Are there any financial implications? If yes, please give details</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> Please refer to main report

Are there any staffing implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Are there any ICT implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Are there any legal and/or policy implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> 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 the adopted annual strategy, be reported to Council. 	
Are there any equality implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Risk/opportunity assessment:			
Inherent level of risk (before controls)		Residual risk (after controls)	
Risk area	Low/Medium/ High*	Controls	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
Ward(s) affected:		All Wards	
Background papers: (all background papers are to be published on the website and a link included)		Treasury Management Performance and Annual Treasury Management and Investment Strategy – 2015/16 (TMS/SE/15/002)	
Documents attached:		Appendix 1 – Third Quarter Treasury Management Report 2015/16 Appendix 2 – Average Rate of Return Appendix 3 – Investments held as at 31 December 2015	

1. Key issues and reasons for recommendation(s)

1.1 Third Quarter Report 2015/16

1.2 Interest Earned from Treasury Investments during the period 1 April 2015 to 31 December 2015

1.2.1 The table below summarises the interest earned during the period 1 April to 31 December 2015 on the various Treasury Investments held by the Council.

1.2.2

TREASURY MANAGEMENT – INTEREST EARNED SUMMARY	
	£
Temporary Investments – Term Deposits	219,001
Santander Business Reserve Account	14,824
Bank of Scotland Current Account	493
Barclays Reserve Account	24,320
NatWest Call Account	167
NatWest 95 Day Account	11,203
Clydesdale 30 Day Account	3
Bank of Scotland Base Plus Account	0
Santander 365 Day Account	20,738
TOTAL INTEREST EARNED/ACCRUED	£290,749

1.2.3 The budgeted income from investments for the period 1 April to 30 December 2015 was £191,888 (average rate of return of 0.70%). Interest actually earned during the period totalled £290,749 (average rate of return of 0.74%), an overachievement of £98,863. This overachievement was predominantly due to higher cash balances being available for short term investments mainly due to timing differences in the collection and payment of Council Tax, Business Rates and government grants.

1.3 Investment Activity during the period 1 April to 30 December 2015

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

TREASURY MANAGEMENT – INVESTMENT ACTIVITY SUMMARY	
	2015/16
Opening Balance 01 April 2014	40,050,000
Investments made during the year (including transfers to business reserve accounts)	85,500,000
Sub Total	125,550,000
Investments realised during the year (including withdrawals from business reserve accounts)	72,550,000
Closing Balance 31 December 2015	53,000,000

1.3.2

SUMMARY OF FUNDS HELD*	
Fund	£
Revenue Reserves	15,476,604
Capital Receipts Reserves	20,046,902
General Fund Reserve	3,224,372
Cashflow Balances	14,252,122
Total Value of Investments	53,000,000

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

1.3.3

Investments held as at 31 December 2015

The table below shows the investments held as at 31 December 2015:

Counterparty	Principal	Interest Rate (%)	Start Date	Maturity Date
Santander UK 365 Day Notice	£8,000,000	1.3000	19/10/2015	365 day
Barclays Reserve Account	£5,000,000	0.4000	Inst/Acc	Inst/Acc
Bank of Scotland	£4,500,000	1.0000	12/02/2015	12/02/2016
Bank of Scotland	£1,500,000	1.0000	10/04/2015	08/04/2016
Leeds Building Society	£4,000,000	0.9000	01/05/2015	29/04/2016
Nationwide Building Society	£2,500,000	0.9000	04/06/2015	03/06/2016
National Counties B/Society	£2,000,000	0.7000	06/07/2015	06/01/2016
Nationwide Building Society	£4,000,000	0.9000	03/08/2015	03/08/2016
Principality B/S	£2,500,000	0.7200	03/08/2015	03/02/2016
Nationwide Building Society	£1,500,000	0.9000	03/09/2015	01/09/2016
Progressive Building Society	£1,500,000	0.7500	03/09/2015	03/03/2016
Newcastle Building Society	£3,000,000	0.7500	01/10/2015	01/04/2016
Coventry Building Society	£2,500,000	0.4800	02/11/2015	22/02/2016
West Bromwich Building Society	£3,000,000	0.6100	02/11/2015	21/03/2016
Bank of Scotland	£2,000,000	1.0500	03/11/2015	02/11/2016
Nottingham Building Society	£2,500,000	0.7300	04/12/2015	06/06/2016
Skipton Building Society	£3,000,000	0.7300	04/12/2015	06/06/2016
TOTAL as at 31/12/15	£53,000,000			

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 2016/17.

- 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 31 December 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.

Average Rates of Return as 31 December 2015			
	Qtr 1	Qtr 2	Qtr 3
Temporary Investments	0.93%	0.90%	0.86%
Santander Bus. Reserve	0.40%	0.40%	0.40%
Bank of Scotland C/Acc	0.40%	0.40%	0.40%
Barclays Reserve	0.45%	0.41%	0.41%
NatWest Call Account	0.25%	0.25%	0.25%
NatWest 95 Day Account	0.48%	0.46%	0.45%
Clydesdale 30 Day Account	0.25%	0.25%	0.25%
Bank of Scotland Base Plus	0.25%	0.25%	0.25%
Santander 365 Day Account	0.00%	0.00%	1.30%
7 Day Average	0.47%	0.47%	0.47%
3 year – 7 Day Average	0.48%	0.48%	0.48%
Overall Average return on Investments	0.70%	0.71%	0.74%