

**TREASURY MANAGEMENT MONITORING REPORT 2014/15**

**Introduction**

1. This document outlines Treasury Management activity, during the period from 1 April to 30 September 2014 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 2014 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 2014-15, £85,032.33, was paid on 30 September 2014.

**Temporary Loans**

7. Temporary Loans are currently held on 7 days repayment notice, and the balance of Temporary Loans outstanding at 30 September 2014 was £2,300.
8. During the period 1 April to 30 September 2014, 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. 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 a significant 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 2014/15 were set in accordance with the Prudential Code.

Authorised Limit	£6.67M
Operational Limit	£6.03M

These limits remain the same as in 2013/14 and were approved at Council on the 26 February 2014 (Report – CAB14/134).

### **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 cash flow purposes. These temporary investments, made during the period 1 April to 30 September 2014, will result in interest earnings of £15,760.27.
- 13.** The average rate of return for Temporary Investments during this period was 0.546%, which was above the 7 day average rate by 0.070% and above the 3 year – 7 day average rate by 0.062%.
- 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 2014 will result in interest earnings of £245,551.95 over the whole term of the investments (latest maturity date of investments made 09 June 2017) . Interest received during the period 1 April to 30 September 2014 from maturing investments and interim interest payments on long term investments, totalled £222,002.43.
- 16.** The average rate of return on the balance of investments held during the period was 2.139%, a rate of return which was above the 3 year – 7 day average rate by 1.655%.

- 17.** All organisations used by CDCM during the period 1 April – 30 June 2014, complied with the ratings criteria as per the Treasury Management Code of Practice.

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

- 18.** This account has been closed since the downgrading of the Co-operative Bank.

**Bank of Scotland Corporate Instant Access Account**

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

**NatWest Liquidity Select Account**

- 20.** 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.
- 21.** The opening balance on the account at the beginning of the financial year was £996,515.60 and the closing balance as at 30 September 2014 was £5,052.47. During the period 1 April to 30 September 2014, interest earned totalled £1,497.72.
- 22.** 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.
- 23.** The average rate of return for the period 1 April to the 30 June 2014 was 0.3450%, which was below the 3 year – 7 day average by 0.139% and below the 7 day average rate benchmark by 0.13%.
- 24.** This organisation complied with the Treasury Management Code of Practice during the period 1 April – 30 June 2014 with regard to the ratings criteria.

**Barclays FIBCA Account**

- 25.** 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.
- 26.** The opening balance on the account at the beginning of the financial year was £1,508,510.09 and the closing balance as at 30 September 2014 was £1,511,835.95 (including interest). During the period 1 April to 30 September 2014, interest earned totalled £5,427.30.

- 27.** The average rate of return for the period 1 April to the 30 September 2014 was 0.70%, which was above the 3 year – 7 day average by 0.216% and above the 7 day average rate benchmark by 0.224%.
- 28.** This organisation complied with the Treasury Management Code of Practice during the period 1 April – 30 September 2014 with regard to the ratings criteria.

**General Performance and Compliance**

- 29.** The overall rate of return on all investment categories for the period was 1.69% which is above the 3 year – 7 day average rate by 1.214% but 0.21% below our budgeted average rate of return for 2014/15 of 1.90%.
- 30.** However investment income for the period 1 April to 30 September 2014 is £56k above the original budget of £186k for the period. This is mainly due to larger amounts of funds being available for investment than originally predicted.
- 31.** The rate of return on each investments category for period 1 April to 30 September 2014, compared to the 7-day average rate and the 3 year – 7 day average rate, is shown in the graph illustrated in **Appendix 2**.