



PART A:	MATTERS DEALT WITH UNDER DELEGATED POWERS
REPORT TO:	POLICY AND RESOURCES COMMITTEE
DATE:	5 FEBRUARY 2015
REPORT OF THE:	FINANCE MANAGER (s151) PETER JOHNSON
TITLE OF REPORT:	TREASURY MANAGEMENT MONITORING REPORT
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 To report on treasury management activities to date for 2014/15 and to update Members on current investments in accordance with the Chartered Institute of Public Finance (CIPFA) Code of Practice on Treasury Management (the Code).

2.0 RECOMMENDATIONS

2.1 It is recommended that:

- (i) Members receive this report; and
- (ii) The current investments and performance in 2014/15 be noted.

3.0 REASON FOR RECOMMENDATIONS

3.1 The Council has adopted the Code. A provision of the Code is that the Policy and Resources Committee will receive and review regular monitoring reports relating to the treasury management activities of the current year.

4.0 SIGNIFICANT RISKS

4.1 There are no significant risks in considering this report. There are significant risks when investing public funds especially with unknown institutions. However, by the adoption of the CIPFA Code and a prudent investment policy these are minimised. The employment of Treasury Advisors also helps reduce the risk.

5.0 POLICY CONTEXT AND CONSULTATION

5.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in Local Authorities and this report complies with the requirements under this code.

- 5.2 The Council use the services of Sector Treasury Services Limited (Sector) to provide treasury management information and advice.

REPORT

6.0 REPORT DETAILS

- 6.1 The CIPFA Code states that Members will receive reports on the Council's Treasury Management policies, practices, and activities at regular intervals including an annual strategy, a mid-year review of the strategy and performance, an annual outturn report and monitoring reports.
- 6.2 The Council aims to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short-term (under 12 months) and only invest with highly credit rated financial institutions.
- 6.3 As at 31 December 2014 internally managed investments totalled £10,430,000 which were lent out as follows:

Period of Maturity	£
Cash Equivalents:	
Call Monies (SIBA)	4,430,000
Repayable within 1 month	0
Fixed Term Deposits:	
Repayable 1 month to 3 months	2,000,000
Repayable 3 months to 6 months	2,000,000
Repayable 6 months to 12 months	2,000,000
Repayable 12 months to 24 months	0
Total	10,430,000

- 6.4 The above investments were held with the following types of institutions:

Type of Institution	£
UK Clearing Banks	9,430,000
Foreign Banks	0
Building Societies	1,000,000
Local Authorities	0
Total	10,430,000

- 6.5 This Council uses the creditworthiness service provided by Sector Treasury Services as specified in the Council's Investment Strategy approved by Full Council 25 February 2014. The service uses a sophisticated modelling approach with credit ratings from all three agencies – Fitch, Moodys and Standard & Poors, forming the core element. The modelling approach combines credit ratings, credit watches, credit outlooks and credit default swap spreads in a weighted scoring system, which

indicates the relative creditworthiness of counterparties.

- 6.6 All the above borrowers met the required credit rating at the time of investment.
- 6.7 The following table shows the relative performance of cash equivalents (deposits restricted to a duration of under 30 days) and fixed term deposits, with the 7-day benchmark for the period ended 31 December 2014:

	Average Investment £	Gross Rate of Return	Net Rate of Return	Benchmark Return
Cash Equivalents	6,119,091	0.50%	n/a	n/a
Fixed Term Deposits	829,741	0.75%	n/a	0.35%

- 6.8 As illustrated above the Authority has to date outperformed the benchmark. The Council's budgeted investment return for 2014/15 is £68k and the actual interest received from investments and loans for the nine-month period to 31 December 2014 totals £52k. Based on the current level of return it is anticipated that the budget will be achieved.
- 6.9 In December the policymakers at the Bank of England held interest rates at 0.5% for the 69th month in a row. Sectors latest economic forecast predicts that the first Bank Rate increase will be in the 4th quarter of 2015 to 0.75%.
- 6.10 The Authority has now borrowed £1.75m of the £2.07m required to fund the capital programme, specifically towards the contribution to the A64 Brambling Fields upgrade. Officers will look to borrow the remaining £320k towards the end of this year/early next year, dependent on actual capital spend, taking advantage of downward movements in gilt yields to obtain the best borrowing rate. The following table gives details of the current loans.

	Lender	Amount	Years	Interest Rate	Loan Type
Loan 1	PWLB	1,000,000	50	3.69	Maturity
Loan 2	PWLB	750,000	19	2.99	EIP

- 6.11 Officers can confirm that since the last reporting period the approved limits within the Annual Investment Strategy have not been breached.

7.0 IMPLICATIONS

- 7.1 The following implications have been identified:
- a) Financial
The results of the investment strategy affect the funding of the capital programme.
 - b) Legal
There are no legal implications regarding this report.
 - c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)
None to report

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Background Papers:
None.