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<b>PART A:</b>	<b>MATTERS DEALT WITH UNDER DELEGATED POWERS</b>
<b>REPORT TO:</b>	<b>POLICY AND RESOURCES COMMITTEE</b>
<b>DATE:</b>	<b>24 SEPTEMBER 2015</b>
<b>REPORT OF THE:</b>	<b>FINANCE MANAGER (s151) PETER JOHNSON</b>
<b>TITLE OF REPORT:</b>	<b>TREASURY MANAGEMENT MONITORING REPORT</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>

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## **EXECUTIVE SUMMARY**

### **1.0 PURPOSE OF REPORT**

- 1.1 To report on treasury management activities to date for 2015/16 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 2015/16 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 In compliance with the Treasury Management scheme of delegation a mid-year review report will be submitted to the November meeting of the Overview and Scrutiny Committee, prior to the submission to Full Council.
- 6.3 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.
- 6.4 As at 31 August 2015 internally managed investments totalled £13,390,000 which were lent out as follows:

Period of Maturity	£
<b>Cash Equivalents:</b>	
Call Monies (SIBA)	1,290,000
<b>Fixed Term Deposits:</b>	
Repayable 1 month to 3 months	0
Repayable 3 months to 6 months	9,600,000
Repayable 6 months to 12 months	2,500,000
Repayable 12 months to 24 months	0
<b>Total</b>	<b>13,390,000</b>

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

Type of Institution	£
UK Clearing Banks	8,890,000
Foreign Banks	2,000,000
Building Societies	2,500,000
Local Authorities	0
<b>Total</b>	<b>13,390,000</b>

- 6.6 This Council uses the creditworthiness service provided by Sector Treasury Services as specified in the Council's Investment Strategy approved by Full Council on the 24 February 2015. 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.

6.7 All the above borrowers met the required credit rating at the time of investment.

6.8 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 August 2015:

	<b>Average Investment £</b>	<b>Gross Rate of Return</b>	<b>Net Rate of Return</b>	<b>Benchmark Return</b>
Cash Equivalents	6,020,065	0.35%		
Fixed Term Deposits	1,051,031	0.75%		0.36%

6.9 As illustrated above the Authority has to date overall outperformed the benchmark. The Council's budgeted investment return for 2015/16 is £59k and the actual interest received from investments and loans for the five-month period to 31 August 2015 totals £37k. Based on the current level of return it is anticipated that the interest received will meet the budget.

6.10 In August the policymakers at the Bank of England held interest rates at 0.5% for the 77th month in a row. Sector's latest economic forecast predicts that the first Bank Rate increase will be in the 2nd quarter of 2016 to 0.75%.

6.11 Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the period 1 April 2014 to 31 August 2015.

6.12 The level of gross borrowing remained at £1.75m as at 31st August 2015. Repayments have been made in line with the loan repayment schedule.

## **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  
None to report.

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**Background Papers:**  
None.