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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>26 SEPTEMBER 2013</b>
<b>REPORT OF THE:</b>	<b>CORPORATE DIRECTOR (s151) PAUL CRESSWELL</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 2013/14 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 2013/14 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 December meeting of the Overview and Scrutiny Committee for scrutiny, 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 2013 internally managed investments totalled £8,400,000 which were lent out as follows:

Period of Maturity	£
<b>Cash Equivalents:</b>	
Call Monies (SIBA)	2,400,000
Repayable within 1 month	0
<b>Fixed Term Deposits:</b>	
Repayable 1 month to 3 months	2,500,000
Repayable 3 months to 6 months	2,000,000
Repayable 6 months to 12 months	1,500,000
Repayable 12 months to 24 months	0
<b>Total</b>	<b>8,400,000</b>

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

Type of Institution	£
UK Clearing Banks	7,400,000
Foreign Banks	0
Building Societies	1,000,000
Local Authorities	0
<b>Total</b>	<b>8,400,000</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 26 February 2013. 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 2013:

	<b>Average Investment £</b>	<b>Gross Rate of Return</b>	<b>Net Rate of Return</b>	<b>Benchmark Return</b>
Cash Equivalents	5,156,536	0.58%		
Fixed Term Deposits	839,225	0.84%		0.36%

6.9 As illustrated above the Authority has to date outperformed the benchmark. However the Council's budgeted investment return for 2013/14 is £90k and the actual interest received from investments and loans for the five-month period to 31 August 2013 totals £33k. The return on investments therefore is below the profiled budget, this shortfall is likely to increase over the remainder of the year as the full impact of the Governments Funding for Lending Scheme takes hold. Based on the current level of return it is anticipated that the likely shortfall on budget will be in the region of £20k.

6.10 In August the policymakers at the Bank of England held interest rates at 0.5% for the 52<sup>nd</sup> month in a row. Sector's latest economic forecast predicts that the first Bank Rate increase will be in the 3<sup>rd</sup> 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 2013 to 31 August 2013.

## **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.

**Paul Cresswell**  
**Corporate Director (s151)**

**Author:** Paul Cresswell, Corporate Director (s151)  
Telephone No: 01653 600666 ext: 214  
E-Mail Address: [paul.cresswell@ryedale.gov.uk](mailto:paul.cresswell@ryedale.gov.uk)

**Background Papers:**  
None.