

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 12 JULY 2016

Title:

TREASURY MANAGEMENT ACTIVITY – 2015/16

[Portfolio Holder for Finance: Cllr Ged Hall]

[Wards Affected: All]

Summary and purpose:

The purpose of this report is to summarise Waverley's Treasury Management activities during 2015/2016.

How this report relates to the Council's Corporate Priorities:

The management of Waverley's cash is a key function that helps ensure sufficient funds are available to provide services and pay the Council's commitments.

Equality and Diversity Implications:

There are no implications arising from this report.

Resource and legal Implications:

There are no direct resource implications and any financial areas are covered in the report.

Introduction and Background

1. Waverley's Treasury Management Policy accords with the existing Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Treasury Management in the Public Services.

Treasury Activity 2015/16

2. Officers have prepared four graphs that illustrate the current investment activity. The table below gives a brief description of each graph. The first graph is based on the total external investments held on 31st March 2016 of £51.1 million which compares closely with £51.5 million held at 31st March 2015.

Annexe Number	Description of graph	Comments
Annexe 1	Plots the total balance of external investments held at weekly intervals throughout the year compared to previous years	Generally major peaks and troughs in expenditure/income occur at similar times in each year – as the graph shows. However, the increase in cash surpluses experienced in the 2 years immediately after HRA reform have not been maintained at that level because capital spend has started to increase from mid

		14/15. Since the HRA reform, a larger proportion of invested surpluses are attributable to the HRA.
Annexe 2	Shows cumulative investment performance compared with bank base rate and market rate for 3 month terms obtained daily from the market	This graph shows 2015/16 performance starting at around 0.75% but improving to an average of around 0.77%. This compares to the target of 0.59%. The 3 month market is where Waverley had traditionally pitched most of its investment activity and formed the base of the target. Despite a depressed market it has become relatively stable and Waverley was able to obtain longer term investments during the year resulting in improved performance without compromising security. The 16/17 target reflects this improvement. The base rate of 0.5% is, coincidentally, the same as the 3 month market rate.
Annexe 3	Shows the maturity profile of Waverley's investment holding.	The graph shows that 31% of total investments were on call on 31/03/16 maintaining good liquidity during March when income is low and expenditure often high. The graph also identifies a good spread of longer term investments aiding performance. At 31/3/15, 26% of investments were 6+ months – the graph identifies that at 31/3/16, 57% were 6+months. All investments were pre-determined fixed rates and fixed periods with the exception of "call" money.
Annexe 4	Shows the approved ratings of Waverley's current investments. The letter indicates the latest credit rating and the "stable" or "negative" shows the future outlook rating judgment of Waverley's preferred rating agency.	This graph shows that £3m investments fall within BBB+ credit rating range which is currently below Waverley's policy of A rating. This rating relates to one investment which, when taken out, was within the A range. Subsequently the rating has changed as a result of methodology changes by the ratings agency rather than any change in the financial characteristics of the investment partner. Nevertheless Officers continue to monitor this institution regularly. This investment has ,however, been particularly lucrative and matures in July 2016.

Investment Performance 2015/16

3. The Local Performance Indicator LI8, which relates to investment performance, is shown below.

Full Description of PI	2014/15 Actual	2015/16 Actual
Average rate of return on the Council's Investments compared with target	Actual at 0.55% Target 0.65%	Actual at 0.77% Target 0.59%

Note: Members are reminded that Waverley changed its target rate from a LIBOR 3 month based target because, due to market conditions and changing practice, this rate was no longer appropriate nor comparable to Waverley's actual investment activity. From 2015/16 a target based on a comparison of Waverley's performance against a comparable portfolio of investments at market rates was prepared and calculated at 0.59%. Improvements to practice during the year resulted in a rate of 0.77% being achieved. Members should note that the actual interest receipts out-turn was some £644,000 compared to a budget of £500,000.

Recommendation

That the Executive notes and endorses the investment activity and performance in 2015/16.

Background Papers:

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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