

WAVERLEY BOROUGH COUNCIL

CORPORATE OVERVIEW AND SCRUTINY COMMITTEE - 20 SEPTEMBER 2016

EXECUTIVE – 27 SEPTEMBER 2016

Title:

TREASURY MANAGEMENT ACTIVITY 2016/17

[Portfolio Holder for Finance: Cllr Ged Hall]

[Wards Affected: N/A]

Summary and purpose:

The purpose of this report is to summarise Waverley's Treasury Management activities during 2016/2017.

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 2016/17

2. Officers have prepared four graphs that illustrate the most up to date investment activity. The table below gives a brief description of each graph. The first graph is based on the total external investments held on 19 August 2016 of £64.5 million which compares with £60.85 million held at 19 August 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

		<p>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.</p>
Annexe 2	<p>Shows cumulative investment performance compared with bank base rate and market rate for 3 month terms obtained daily from the market</p>	<p>This graph shows 2016/17 performance at around 0.83%. This compares to the target of 0.71% although this target was set when the base rate was 0.5%. The recent reduction to 0.25% has resulted in market rates reducing significantly. The market rate shown, now 0.28%, is the 3 month rate where Waverley had traditionally pitched most of its investment activity. Depending on the counterparty this rate can be as low as 0.1%. Waverley was able to obtain longer term fixed rate investments more recently. This action provided some protection for Waverley's interest receipts this year providing none of Waverley's counterparties actually fail. Yearly rates are now around 0.61% but as low as 0.24% with some counterparties but were around 0.95% before the referendum.</p>
Annexe 3	<p>Shows the maturity profile of Waverley's investment holding.</p>	<p>The graph shows that 31% of total investments were on call on 19/08/16 maintaining good liquidity. The graph also identifies the spread of longer term investments which aid performance. The 'over 1 year' investment is all with a Local Authority and, whereas the rate when taken out was attractive, the rate now (since the base rate cut) looks even more so. All investments are pre-determined fixed rates and fixed periods with the exception of "call" money.</p>
Annexe 4	<p>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.</p>	<p>This graph shows that all investments fall within Waverley's policy of A rating or above. Members may recall that one recent investment had, during its life, reduced to BBB+. Officers can report that this investment has now matured and been repaid at what transpired to be a very good interest rate. Subsequent to the 23rd June referendum ratings have been susceptible to change but any</p>

		changes to Waverley's preferred counterparties have been in outlook only rather than the base rating itself.
--	--	--

Investment Performance 2016/17

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

Full Description of PI	2015/16 Actual	2016/17 Actual to date
Average rate of return on the Council's Investments compared with target	Actual 0.77% Target 0.59%	Actual to date 0.83% Target 0.71%

Note: 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. The target was increased for 2016/17 to 0.71% in line with expectations. That target is currently being exceeded due to the shift in practice to longer term investments later in 2015/16 – those loans largely still remaining in force.

The reduction in rates since the 23 June Referendum will impact on Waverley's investment income in respect of any investments taken out after that date. This will affect future years' budgets and will be adjusted in the Medium Term Financial Plan. However, because of the action taken in 2015/16 Waverley's budget for 2016/17 of £600,000 is not felt to be at risk at this time. Market conditions could, however, change again in the future. As a result of this potential risk, investment practice has returned to a shorter term preference until market conditions can be seen to stabilize.

Recommendation

It is recommended that the investment activity and performance to date in 2016/17 be noted, and the current investment approach endorsed.

Background Papers:

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

CONTACT OFFICER:

Name: Peter Vickers

Telephone: 01483 523539

E-mail: peter.vickers@waverley.gov.uk

