

# **WAVERLEY BOROUGH COUNCIL**

## **EXECUTIVE**

**1 SEPTEMBER 2015**

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### **Title:**

#### **TREASURY MANAGEMENT ACTIVITY – YEAR-TO-DATE 2015/2016**

[Portfolio Holder for Finance: Cllr Wyatt Ramsdale]  
[Wards Affected: N/A]

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### **Summary and purpose:**

The purpose of this report is to summarise Waverley's Treasury Management activities during 2015/16 to date.

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### **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.

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### **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 22nd July 2015 of £59.1 million which compares with £53.5 million held at 22nd July 2014 and £44.5 million and £28 million in the previous 2 years. The level of investment has remained steady in the most recent few weeks.

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	Major peaks and troughs remain broadly similar year on year as major income receipts and major expenditure commitments continue in the same pattern - albeit at an increasing level. However, since the middle of 14/15 the rate of increase in cash surpluses (the amount available for investment) has been less than in previous periods as capital spend has increased. 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	Members should note that the base rate and the typical 3 month market rate are currently both the same at 0.5%. The graph shows 2015/16 performance starting at around 0.73% but improving marginally to around 0.76%. The target rate of 0.59% is calculated by reference to Waverley's traditional portfolio of investments - typically largely in the 3 month market. However, now 3 month rates and on-call rates are so similar it makes more sense to invest longer term (up to 1 year where appropriate) where rates are appreciably higher, and to meet short term expenditure commitments from call accounts rather than 3 month fixed term deals. This explains why actual performance is better than target currently.
Annexe 3	Shows the maturity profile of Waverley's investment holding.	The graph shows that 31% of total investments were on call on 23/07/15 giving good liquidity – but unusually there is no 3 month money (as referred to above). The graph also identifies a good and increased spread over the longer term investments aiding performance. All investments are 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	This graph shows the current investments and their ratings. Unusually 1 investment at £3 million now has a BBB+ rating. When the investment was taken out the rating was A or better as policy dictates but has subsequently deteriorated to BBB+. However, Members are advised that this change is

	agency.	a result of an agency-wide change in the rating methodology rather than any change in the creditworthiness or economic fundamentals of this organisation. The changes arise from removing implicit sovereign support from the calculation in the light of current circumstances and are a general change affecting the ratings from all the agencies and potentially of all financial organisations. Officers will monitor the situation generally (and this investment particularly) and will report back to Members if a change in policy is warranted as a result of these changes.
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### **Investment Performance 2015/16**

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

<b>Full Description of PI</b>	<b>2014/15 Actual</b>	<b>2015/16 Performance to 24/07/15</b>
Average rate of return on the Council's Investments	0.65% (being 0.10% above LIBOR but 0.15% below target)	0.76% (being 0.17% above the new target)

Note: Members are reminded that the target rate has changed from 2014/15 (when it was based on the sterling interbank LIBOR rate) to a more appropriate target and comparison mechanism for 2015/16 which is based on a typical Waverley portfolio of investments at market rates. This has resulted in the target reducing from 0.8% last year to 0.59% this year although actual performance is currently 0.76%. Officers are confident that the 15/16 interest receipt budget of £500k will be achieved and possibly exceeded.

### **Recommendation**

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

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### **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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