

Background Papers, if any, are specified at the end of the Report

TREASURY MANAGEMENT REPORT – APRIL to JUNE 2013

Contact Officer: Gary Martin (01494 732243)

RECOMMENDATIONS

That Cabinet note the treasury management activity in the quarter April to June 2013.

Relationship to Council Objectives

Objective 1: Efficient and effective customer focused services.

Implications

This matter is not a Key Decision.

This matter is within the Policy and Budgetary Framework.

Financial Implications

Potential for adverse financial implications if a more high risk treasury management policy is adopted.

Risk Implications

Possible risk of financial loss and damage to reputation if less risk adverse stance is taken.

Equality implications

There are no direct equality implications.

Sustainability Implications

There are no direct sustainability implications.

Report

1. In accordance with Treasury Management policy, this report sets out the activities of the Treasury Management operation for the quarter ending 30th June 2013.
2. All of the Council's investments are managed in-house. The investment criteria and parameters within which the treasury section works are set out in the Treasury Management Practices (TMP) document.
3. The table below summarises the transactions for the quarter:-

External Loans	
Number of loans placed	5
Total value of loans placed	£7,000,000
Average interest rate on new loans	0.79%
Interest received on new loans	£5,808
Average interest rate (including loans b/f)	1.69%
Interest received (including loans b/f)	£50,080

PSR overnight balances produced a total interest figure of £3,460.

- The average interest rate achieved for the quarter on external loans was 1.69% (2012/13 Q1: 1.79%; 2012/13 year: 1.73%) which compares with an average LIBID seven-day notice rate for the period of 0.36%.
- There were no changes in base rate in the quarter, with the rate having remained at 0.5% since 5th March 2009.
- The total of loans outstanding at the end of the quarter was £14,000,000. The detailed lending list is attached at **Appendix 1** and the table below summarises the spread of the portfolio:-

Type of Investment	% of portfolio limit	£m	%
Cash Deposits	100%	£9m	64%
Money Market Funds	75%	£5m	36%
Gilts	50%	0	0
Treasury Bills	50%	0	0
Certificates of Deposit	50% or £5m max	0	0
Supranational Bonds	50% or £5m max	0	0
Total Portfolio		£14m	
Of which:-			
Non specified investments	£10m	£1m	7%
Max in Building Societies	75%	£1m	7%
Forward Dealing	25%	0	0%
Callable Deposits	25%	0	0%

- The in-house treasury team are advised by external treasury management advisers. Chiltern and South Bucks have negotiated a joint contract with effect from 1st July 2013 at a total cost of £7,500 p.a. Chiltern's proportion of this is £3,000 (compared to a previous annual cost to Chiltern of £6,750). The contract is held by Sector.

Investment Strategy

- The investment strategy for the year was updated and agreed by Cabinet on 26th March 2013. The counterparty criteria and parameters within which day to day investments are managed are kept under review due to the ongoing economic uncertainties.

The Prudential Capital Code – Prudential Indicators

9. In accordance with the Prudential Capital Code the Council reviews its Prudential Indicators on a quarterly basis. The outcome of each review is included with the quarterly Treasury Management Report. The impact of the legislation has been limited due to the Council's debt-free status.
10. Movements in the Prudential Indicators for the year 2013/14 to date are as follows:

- **Interest rate exposures**

The interest rate exposure on investments has moved as follows:

Date	Investments as a % of total	
	Fixed	Variable
31/03/13	71%	29%
30/06/13	43%	57%
30/09/13		
31/12/13		

The Prudential Indicator sets an upper limit on fixed interest rate exposures of 100% and variable interest rate exposures of 100% of net outstanding principal sums. Exposures have been managed within this limit.

- **Principal sums invested for periods longer than 364 days**

The limit for non specified investments is 100% of total investments, of which up to 50% only can be greater than 364 days. The figures are as follows:

Date	Total investments	Sums invested for longer than 364 days	% of total investments
31/03/12	£14m	£3m	21%
30/06/12	£14m	£1m	7%
30/09/12			
31/12/12			

Sums invested have been managed within the set limit.

The Co-operative Bank

11. The contract for the Council's banking services is held by the Co-operative Bank plc for a five year period from 1st April 2011 to 31st March 2016. The rating agencies Fitch and Moody's have both downgraded the Coop during the quarter taking it into sub-investment grade territory. This is primarily due to problems arising from the Britannia takeover and a £1.5bn funding gap has been revealed.

12. The Coop has issued a statement to customers outlining their rescue plan and giving assurances that the current ratings in no way indicate any threat to the ability of the bank to service customers. They are currently bankers to 129 local authorities and are market leaders in the sector.
13. The council had two one year investments of £1m each with the Coop, one of which matured on 14/5/13 and the other on 21/6/13. No further fixed term investments are being placed with them for the foreseeable future and short term cash flow balances are generally being kept to a minimum.

Money Broking Services

14. The council's internal Treasury Management Practices document outlines at TMP 11 guidelines regarding the use of external service providers. The in-house team have been approached by BGC Brokers who wish to set up a dealing relationship with Chiltern. It is considered that the relationship could be useful in maintaining awareness of potential investment opportunities. It is therefore proposed that BGC be included as a broker with whom the council is authorised to deal.

Background Papers: None