

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

**TREASURY MANAGEMENT REPORT – OCTOBER to DECEMBER
2013**

Contact Officer: Gary Martin (01494 732243)

RECOMMENDATION

**That Cabinet note the treasury management activity in the quarter
October to December 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-averse 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 31st December 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	13
Total value of loans placed	£25,025,000
Average interest rate on new loans	0.53%
Interest received on new loans	£10,093
Average interest rate (including loans b/f)	0.83%
Interest received (including loans b/f)	£39,343

Coop PSR overnight balances produced a total interest figure of £666 (note the PSR account was not used after October).

4. The average interest rate achieved for the quarter on external loans was 0.83% (2012/13 Q3: 1.74%; 2012/13 year: 1.73%).
5. There were no changes in base rate in the quarter, with the rate having remained at 0.5% since 5th March 2009.
6. The total of loans outstanding at the end of the quarter was £17,620,000. 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%	£14m	79%
Money Market Funds	75%	£3.62m	21%
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		£17.62m	
- of which:			
Non specified investments	£10m	£1m	6%
Max in Building Societies	75%	£1m	6%
Forward Dealing	25%	0	0%
Callable Deposits	25%	0	0%

7. The in-house treasury team are advised by external treasury management advisers. Chiltern and South Bucks have a joint contract in place from 1st July 2013 at a total cost of £7,500 p.a. of which Chiltern's share is £3,000. The contract is held by Capita Asset Services Treasury Solutions (Sector).

Investment Strategy

8. 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	37%	63%
31/12/13	34%	66%

This 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
31/03/13	£14m	£3m	21%
30/06/13	£14m	£1m	7%
30/09/13	£16m	£1m	6%
31/12/13	£17.62m	£1m	6%

Sums invested have been managed within the set limit.

Banking services

11. CDC currently has its banking services provided by the Cooperative Bank, who have recently informed their local authority clients that they will be exiting this sector of business over the coming few years as existing arrangements expire, or if local authorities wish to end them earlier. The current contract runs to March 2016.
12. The council has decided to take advantage of the opportunity to exit early from the current contract. SBDC's current bankers NatWest have informally advised officers that they would have no objections to an earlier tendering exercise, and would not hold the Council in such circumstances to the current agreement to the end of 2015/16. A joint tender exercise has commenced early in 2014, to be concluded towards the end of the year.

13. The possibility of having a single banking provider for the two Councils offers efficiency benefits if the two Councils agree in 2014 to have a shared finance team. There may also be some marginal cost benefits.
14. No fixed term investments are being placed with the Coop and overnight cash flow balances are being kept to a minimum.

Background Papers: None
