

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

TREASURY MANAGEMENT ANNUAL REPORT 2013/2014

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RECOMMENDATIONS

That the Treasury Management annual report be noted.

Relationship to Council Objectives

Objective 1: Efficient and Effective Customer Focused Services.

Implications

- i) This matter is not a key decision within the Forward Plan.*
- ii) This matter is within the Policy and Budgetary Framework.*

Financial Implications

There are no financial implications.

Risk Implications

There are no risk implications.

Equality Implications

There are no equality implications.

Sustainability Implications

There are no sustainability implications.

Report

- 1 CIPFA's Treasury Management Code of Practice requires an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed during the year and on any circumstances of non compliance with the Council's treasury management policy statement.

Investment Strategy

- 2 The investment strategy adopted for 2013/14 was as set out in the Annual Treasury Management Strategy report approved by Cabinet on 26th March 2013.

Interest Rates

- 3 The bank base rate has remained at 0.5% since 5th March 2009.

Banking Services

- 4 Following the announcement from the Cooperative Bank that they will be exiting the local authority sector CDC took advantage of the opportunity to end their contract prior to its termination date.
- 5 A joint tender exercise with SBDC was commenced in January 2014 and the contract awarded in May. The winning bidder was Barclays and implementation is currently underway. The contract runs until 31st March 2018, and resulted in a saving to Chiltern DC of £6,000 per annum.
- 6 The Councils' shared finance team will be in place from 1st August 2014, and a single banking provider offers potential efficiency and cost benefits once the migration has completed from the current providers.

Treasury Advisers

- 7 The Council employs treasury consultants to advise on strategy, provide economic data and interest rate forecasts, assist planning and reduce the impact of adverse movements in interest rates. Since 1st July 2013 CDC and SBDC have had a joint contract in place at a 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).

External Investments

- 8 There are currently no investments held with external fund managers.

In House Investments

- 9 The Council's day to day cash flow requirements and longer-term investments are managed by the in house treasury team, with the average balance for 2013/14 being £15.8m. Investments have primarily been placed directly with the institutions concerned, as well as through brokers, and in accordance with the approved Treasury Management Strategy. **Appendix 1** shows the detailed investment transactions for the whole of the financial year.
- 10 The table below summarises activities by quarter and gives an overview of the year as a whole.

Period	Average Interest Rate <i>inc loans</i> <i>b/f</i> %	Number of New Investments Placed	Total Value of New Investments Placed £	Interest Received <i>inc loans</i> <i>b/f</i> £
<i>Investments:-</i>				
1 Apr - 30 Jun	1.69	5	7,000,000	50,080
1 Jul - 30 Sep	1.07	6	10,000,000	41,782
1 Oct - 31 Dec	0.83	27	27,025,000	39,343
1 Jan - 31 Mar	0.75	44	25,755,000	36,815

Sub Total	1.00	82	69,780,000	168,020
Overnight balances (note: Coop PSR account was not used after October '13)				5,707
Total				173,727

- 11 The increase in the number of investments placed in the second half of the year reflects the strategy adopted to minimise overnight balances with the Coop. The average interest rate achieved was 1% (2012/13: 1.73%, £334,068). For comparison purposes the performance indicators of the fund managers, as provided by the treasury management advisers Capita Asset Services (Sector) show an upper quartile of 0.58%, median of 0.38% and lower quartile of 0.02%.

Overall Position as at 31st March 2014

- 12 The table below summarises the investment position at year-end against the agreed investment parameters.

Type of Investment	Portfolio Limit	£	%
Cash Deposits - Banks	100%	14,000,000	87%
Cash Deposits - Building Societies	25%	0	
Money Market Funds	75%	2,090,000	13%
Gilts	50%	0	
Treasury Bills	50%	0	
Certificates of Deposit	50%	0	
Supranational Bonds	£5m max	0	
Total Investments		16,090,000	

Internal Audit

- 13 The Treasury Management function is subject to an annual internal audit to ensure compliance with the Code of Practice. The overall opinion, as reported to management in February 2014, was that substantial assurance can be given over the systems of control.

The Prudential Code

- 14 The prudential capital finance system is a professional code that sets out a framework for self-regulation of capital spending, in effect allowing councils to invest without any limit as long as they are affordable, prudent and sustainable, subject to Government reserve powers to restrict borrowing for national economic reasons. The impact of the legislation on CDC has been limited due to the Council's debt-free status.
- 15 Authorities are required to agree and monitor a number of prudential indicators, the complete set of which was included in the Treasury Management Strategy Cabinet report approved in March 2013.

Background Papers: None