

**Chiltern District Council
Cabinet**

CHECKLIST BOX – for draft report only		
Date and time report submitted:		
Appendices How Many?	No	Date
Exempt What paragraph ?	No	Date
Referred to Finance Comments received Comments incorporated Report agreed	Prepared by Finance	Date
Referred to Legal Comments received Comments incorporated Report agreed	No Yes/No Yes/No Yes/No	Date
Referred to ICT Comments received Comments incorporated Report agreed	No Yes/No Yes/No Yes/No	Date
Consulted Cabinet Member/Chairman of Committee	Yes/No/N/A	If N/A then why not
Are there any background papers	No	
Has an Equalities Impact Assessment been carried out?	No	If N/A then why not
Have any Health & Safety or Environmental Protection Act issues or Sustainability Implications been addressed?	No	If N/A then why not

SUBJECT:	<i>Treasury Management – Annual Report 2015/16</i>
REPORT OF:	<i>Jim Burness, Director of Resources</i>
RESPONSIBLE OFFICER	<i>Helen O'Keeffe, Principal Accountant</i>
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WARD/S AFFECTED	<i>All</i>

1. Purpose of Report

1.1 To report on the Treasury Management performance of the Council for 2015/16.

RECOMMENDATION

The Cabinet is requested to note the investment performance for 2015/16.

2. Background

- 2.1 The Council is required to comply with the CIPFA Code of Practice on Treasury Management. The primary requirements of the code are:
- (i) Creation and maintenance of a Treasury Management Policy Statement, which sets out the policies, and objectives of the Council's treasury management activities.
 - (ii) Creation and maintenance of Treasury Management Practices, which set out the manner in which the Council will achieve those policies and objectives.
 - (iii) Receipt by the Cabinet and Council of an annual strategy report for the year ahead and an annual review report of the previous year.
 - (iv) The delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

3. Annual Report on Treasury Management 2015/16

- 3.1 As a debt free authority the treasury management activities of the Council are exclusively concerned with the investment of its reserves, as the Council does not undertake any borrowing.
- 3.2 The year saw the continuation of the low interest rate environment that has been the situation for a number of years now, with Base Rate remaining unchanged at 0.5%. During the year review of the Council's cashflow requirements has led to a modest shift from instant access funds to investments of up to one year at marginally better rates.
- 3.3 Indications are that there will not be an early rise in interest rates, but a gradual upward trend seems likely from 2017 onwards. The Monetary Policy Committee appears to want to proceed very cautiously, so interest rates could still be only around 2% by 2020. There is currently considerable uncertainty in the markets whilst the outcome of the EU referendum is unknown.
- 3.4 Officers invest cash flow surpluses with approved counter parties. During the year, officers invested funds in accordance with counter parties approved as part of the Treasury Management Strategy 2015/16 as in the table below.

	Duration	Maximum Amount	Fitch Rating	Comment
UK Institutions	Up to 5 years	£3m	A- or better	High rated
Non UK Institution	Up to 2 years	£2m	BBB+ or better	Low rated
	Up to 2 years	£1m	A- or better	Sovereignty rating AA or better
Corporate Bonds/Bond Funds	Up to 3 years	£2m	A- or better	
Other Approved Investments	Up to 3 years	£1m	A- or better	

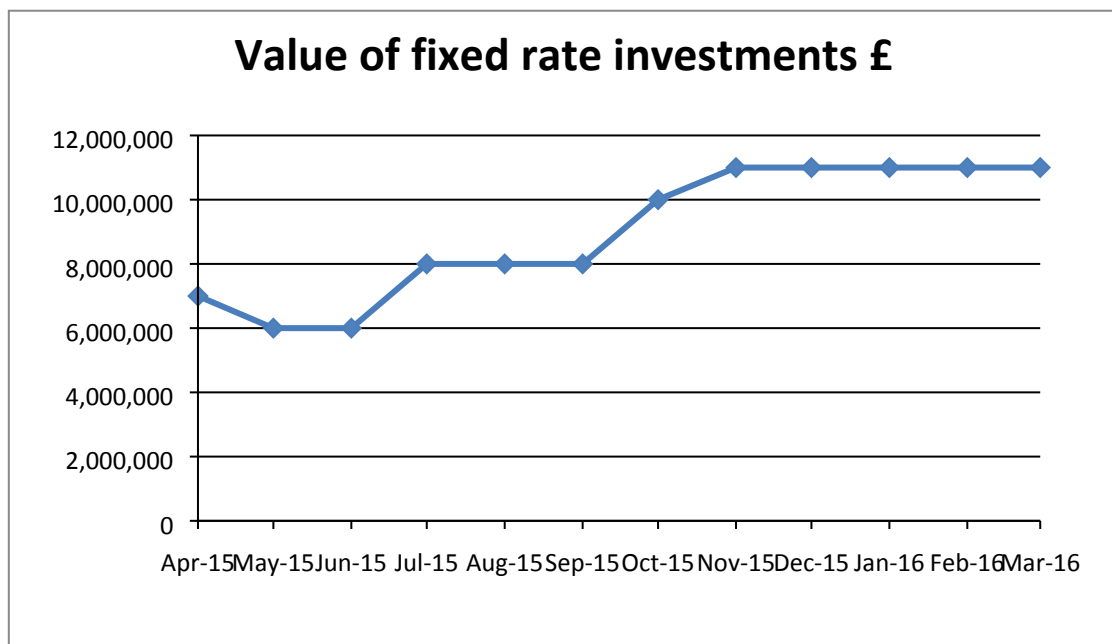
3.5 Capita Asset Services Treasury is engaged by the Council as its Treasury Management consultants providing advice on investment, performance and regulations where necessary.

3.6 A summary of the movements in the year is as follows:

	Fund Balance 1.4.2015 £000	Fund Withdrawals £000	Added to Fund £000	Fund Balance 31.3.2016 £000
Instant Access Deposits	2,263	0	992	3,255
95 Day Notice Access	4,000	(4,000)	0	0
Money Market Funds	4,000	(7,000)	9,000	6,000
Fixed Deposits	7,000	(6,000)	10,000	11,000
Total	17,263	(17,000)	19,992	20,255

The Instant Access deposit as at 31 March 2016 is held with our bankers Barclays.

3.7 The following graph shows how the level of funds held in fixed deposits has fluctuated over the year.



3.8 A summary of the Council's Fixed Deposits as at 31st March 2016 is shown below:

UK Institutions	Fitch Credit Rating	Principal £	Interest Rate	Invested	Matures
Lloyds Banking Group	A+				
Fixed Deposit		1,000,000	1.05%	05/11/15	04/11/16
Fixed Deposit		1,000,000	1.55%	02/06/14	02/06/17
Fixed Deposit		1,000,000	1.00%	28/07/15	27/07/16
Nationwide Building Society	A				
Fixed Deposit		1,000,000	0.90%	19/05/15	19/05/16
Fixed Deposit		1,000,000	0.90%	28/07/15	28/07/16

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UK Institutions	Fitch Credit Rating	Principal £	Interest Rate	Invested	Matures
Fixed Deposit Santander	A	1,000,000	0.90%	05/10/15	04/10/16
Fixed Deposit		2,000,000	1.00%	09/03/16	09/03/17
Fixed Deposit		1,000,000	0.98%	19/06/15	20/06/16
Close Brothers	A				
Fixed Deposit		1,000,000	1.60%	13/10/15	13/10/17
Fixed Deposit		1,000,000	1.00%	24/11/15	24/11/16
Total Deposits		11,000,000			

4. Corporate Implications

- 4.1 A comparison between the actual and budgeted interest returns for 2015/16 is shown below:

	Budget 2015/16 £000	Actual 2015/16 £000
Interest	110	157

- 4.2 Actual interest received from investments is above the budgeted figure of £110,000. The budgeted income from investments for 2016/17 has been set at £140,000.

Background Papers:	None
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