

SUBJECT:	<i>Treasury Management – Quarterly Report Quarter 3 2016/17</i>
REPORT OF:	<i>Jim Burness, Director of Resources</i>
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WARD/S AFFECTED	<i>All</i>

1. Purpose of Report

- 1.1 To report on the Treasury Management operation of the Council for October – December 2016.

RECOMMENDATION

The Cabinet is requested to note the Treasury Management performance for Quarter 3 2016/17.

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.

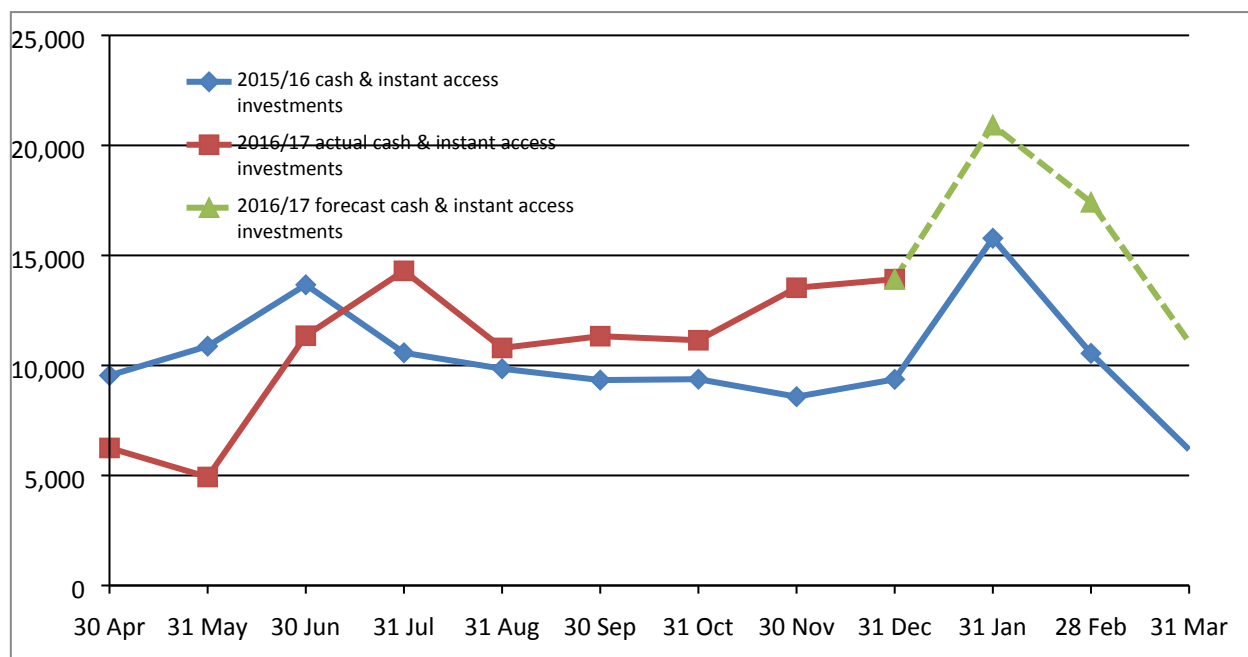
3. Quarterly Report on Treasury Management Quarter to December 2016

- 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 base rate was decreased from 0.5% to 0.25% in August, with the rate having remained at 0.5% since March 2009. The base rate remained at 0.25% throughout the quarter.
- 3.3 The total of loans outstanding at the end of the quarter was £21,000,000 detailed in the table below.

UK Institutions	Fitch Credit Rating	Principal £	Interest Rate	Invested	Matures
Standard Life MMF		5,000,000	0.29% variable	immediate	access
Invesco MMF		5,000,000	0.30% variable	immediate	access
Lloyds Banking Group	A+				
Fixed Deposit		1,000,000	1.05%	04/11/16	06/11/17
Fixed Deposit		1,000,000	1.55%	02/06/14	02/06/17
Fixed Deposit		1,000,000	1.05%	27/07/16	27/07/17
Nationwide Building Society	A				
Fixed Deposit		1,000,000	0.95%	19/05/16	19/05/17
Fixed Deposit		1,000,000	0.60%	28/07/16	28/04/17
Fixed Deposit		1,000,000	0.63%	04/10/16	04/10/17
Santander	A				
Fixed Deposit		2,000,000	1%	09/03/16	09/03/17
Fixed Deposit		1,000,000	1%	20/06/16	20/06/17
Close Brothers	A				
Fixed Deposit		1,000,000	1.60%	13/10/15	13/10/17
Fixed Deposit		1,000,000	1%	31/08/16	28/02/18
Total Deposits		21,000,000			

3.4 The weighted average interest rate earned on fixed rate investments in the quarter was 1.04%. By way of comparison the weighted average interest rate earned in the quarter for South Bucks District Council was 0.96%. As at the end of December, £3.92m was held in instant access funds for everyday cashflow purposes compared to £6.33m at the end of September.

3.5 The following graph shows how the level of cash and instant access investments fluctuated in 2015/16, and the forecast levels of cash and instant access investments in 2016/17. The purpose of the graph is to illustrate that we always have a sufficient level of cash reserves to meet our immediate short term cash requirements.



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

4. The Prudential Capital Code – Prudential Indicators

- 4.1 In accordance with the Prudential Capital Code the Council reviews its Prudential Indicators on a quarterly basis. Prudential Indicators are reviewed annually as part of the Treasury Management Strategy review. Movements in the Prudential Indicators for the year 2016/17 to date are as follows:

- 4.2 Interest rate exposures

The interest rate exposure on investments has moved as follows:

Date	Investments as a % of total	
	Fixed	Variable
31/03/16	65%	35%
30/06/16	79%	21%
30/09/16	71%	29%
31/12/16	52%	48%

This Prudential Indicator sets an upper limit on fixed interest rate exposures of 100% and variable interest rate exposures of 60% of net outstanding principal sums.

- 4.3 Principal sums invested for periods longer than 364 days

The upper limit for sums invested for periods longer than 364 days is £5m. As at the end of December the figures are as follows:

Date	Total investments	Sums invested for greater than 364 days	% of total investments
31/03/16	£17m	£6m	35%
30/06/16	£14m	£11m	79%
30/09/16	£17m	£11m	65%
31/12/16	£21m	£10m	48%

Of the £10m invested for greater than 364 days, £7m of this is for 6 loans with durations of 365 or 366 days. The time periods over which sums have been invested reflect the current level of rates that do not incentivise long term cash investments.

- 4.4 Fixed term and money market fund investments have increased from £17m to £21m between September and December.

5 Corporate Implications

- 5.1 The budgeted income from investments for 2016/17 has been set at £140,000. Interest earned in the year to December is £134,000. Current interest rates are

lower than at the beginning of the year therefore interest income is likely to decrease as the year progresses. However, it is likely that the annual budget for interest income will be exceeded by a modest amount.

Background Papers:	None
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