

SUBJECT:	<i>Treasury Management – Annual Report 2016/17</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 2016/17 as required by the Code of Practice on Treasury Management.

RECOMMENDATION

Members are requested to note the Treasury Management performance for 2016/17 as required by the Code of Practice on Treasury Management.

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 2016/17

- 3.1 As a debt free authority the treasury management activities of the Council in 2016/17 are exclusively concerned with the investment of its reserves, as the Council has not undertaken any borrowing in 2016/17.

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3.2 The base rate was decreased from 0.5% to 0.25% in August 2016, with the rate having remained at 0.5% since March 2009.

3.3 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 2016/17 as in the table below.

	Duration	Maximum Amount	Fitch Rating	Comment
Money Market Funds	Up to 3 years	£5m	AAA	
UK Institutions	Up to 5 years	£3m	A- or better	High Rated
	Up to 2 years	£2m	BBB+ or better	Low Rated
Non UK Institution	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 (eg Property Funds)	Up to 5 years	£2m		Invest would be subject to specific member report

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

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

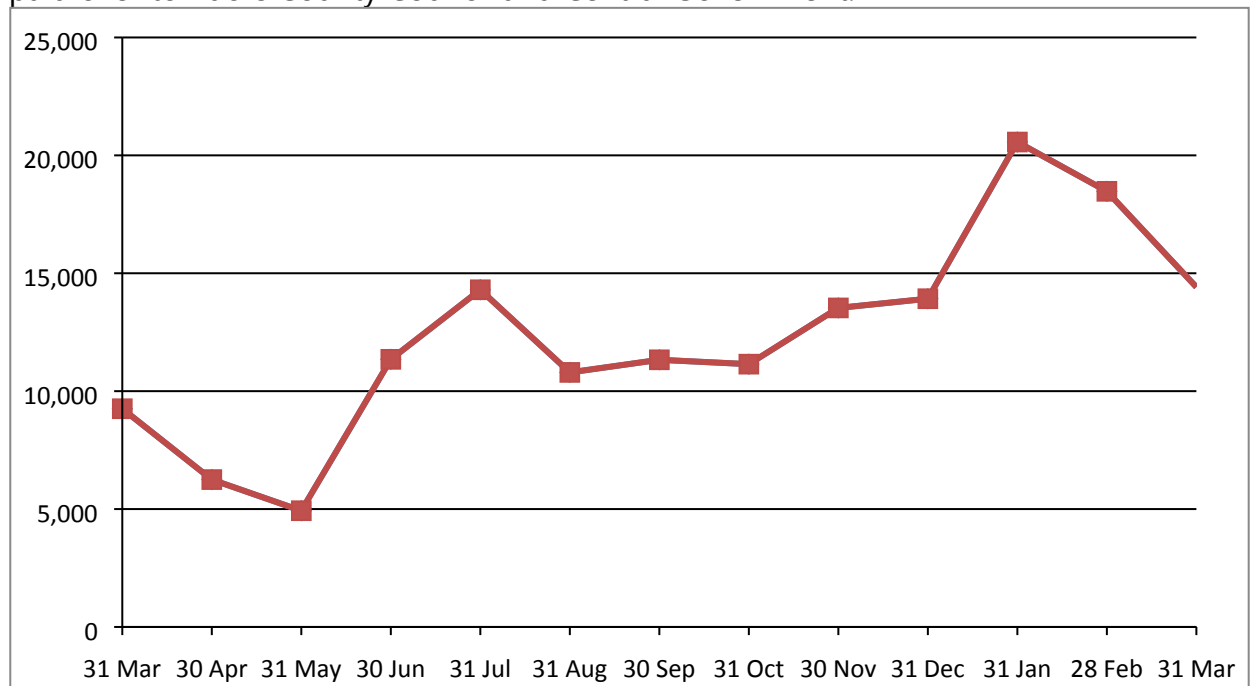
	Fund Balance 1.4.2016 £000	Fund Withdrawals £000	Added to Fund £000	Fund Balance 31.3.2017 £000
Instant Access Deposits	3,255		1,160	4,415
Money Market Funds	6,000	(3,000)	7,000	10,000
Fixed Deposits	11,000	(9,000)	9,000	11,000
Total	20,255	(12,000)	17,160	25,415

3.6 The Instant Access deposit as at 31 March 2017 is held with our bankers Barclays.

3.7 The following graph shows how the level of cash and instant access investments has fluctuated over the year. The level of cash reserves has increased over the year

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owing to money collected from Council Tax and Business Rates payers not yet being paid over to Bucks County Council and Central Government.



3.8 The weighted average interest rate earned on fixed rate investments in the quarter was 0.98%. By way of comparison, the weighted average interest rate earned in the quarter by South Bucks District Council was 0.7%.

3.9 A summary of the Council's Fixed Deposits as at 31st March 2017 is shown below:

UK Institutions	Fitch Credit Rating	Principal £	Interest Rate	Invested	Matures
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	1.00%	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	0.90%	04/10/16	04/10/17
Santander	A				
Fixed Deposit		2,000,000	0.85%	09/03/17	09/03/18
Fixed Deposit		1,000,000	1.00%	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	1.00%	31/08/16	28/02/18
Total Deposits		11,000,000			

4. Corporate Implications

4.1 A comparison between the actual and budgeted interest returns for 2016/17 is shown below:

	Budget 2016/17 £000	Actual 2016/17 £000
Interest	140	164

4.2 Actual interest received from investments is above the budgeted figure of £140,000. The budget was set at a modest level owing to uncertainty around probable interest rates. Some rates which were achieved were higher than anticipated. The budgeted income from investments for 2017/18 has been set at £100,000.

Background	None
Papers:	