

SUBJECT:	<i>Treasury Management – Quarterly Report Quarter 1 2017/18</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 April – June 2017.

RECOMMENDATION

The Cabinet is requested to note the Treasury Management performance for Quarter 1 2017/18.

2. Background

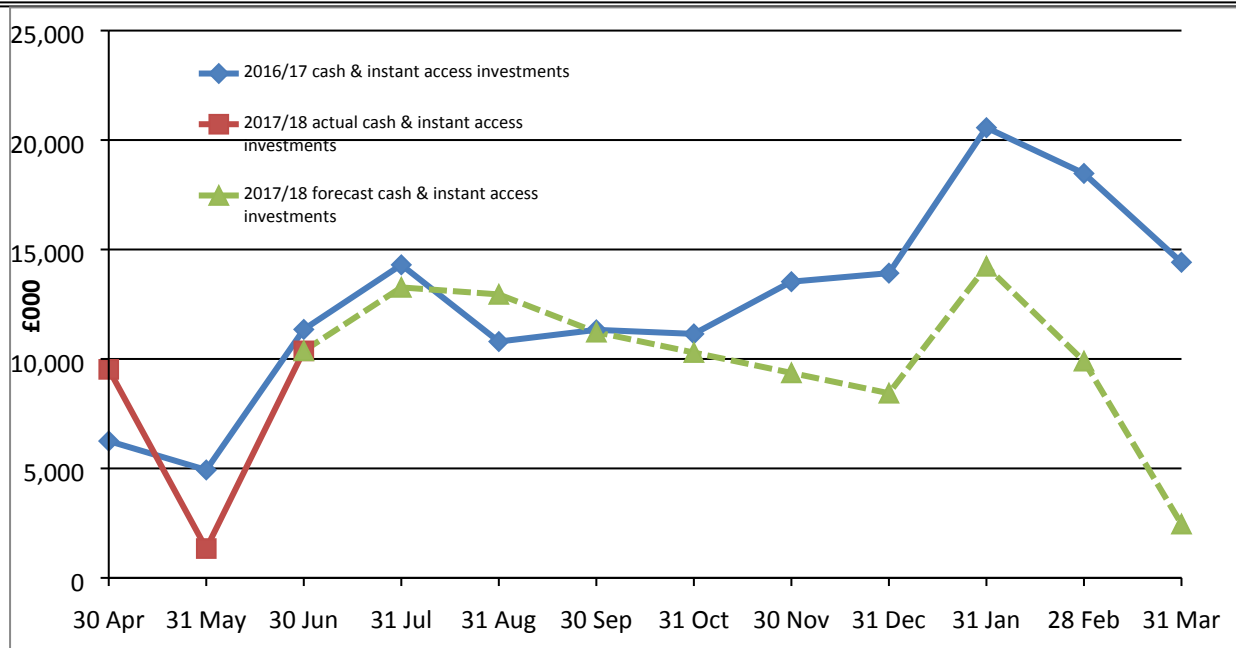
- 2.1 The Council is required to comply with the CIPFA Code of Practice on Treasury Management. The primary requirements of the code are:
- (i) Creation and maintenance of a Treasury Management Policy Statement, which sets out the policies, and objectives of the Council's treasury management activities.
 - (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 June 2017

- 3.1 In the period to June 17 the Council was a debt free authority therefore the treasury management activities of the Council were exclusively concerned with the investment of its reserves.
- 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. The base rate remained at 0.25% throughout the quarter.
- 3.3 The total of loans outstanding at the end of the quarter was £9,000,000 detailed in the table below.

UK Institutions	Fitch Credit Rating	Principal £	Interest Rate	Invested	Matures	Length in days
Lloyds Banking Group	A+					
Fixed Deposit		1,000,000	1.00%	04/11/16	06/11/17	367
Fixed Deposit		1,000,000	1.05%	27/07/16	27/07/17	365
Nationwide Building Society	A+					
Fixed Deposit		1,000,000	0.63%	04/10/16	04/10/17	365
Santander	A					
Fixed Deposit		2,000,000	0.85%	09/03/17	09/03/18	365
Fixed Deposit		1,000,000	0.85%	15/05/17	15/05/18	365
Fixed Deposit		1,000,000	0.70%	19/05/17	20/11/17	185
Close Brothers	A					
Fixed Deposit		1,000,000	1.60%	13/10/15	13/10/17	731
Fixed Deposit		1,000,000	1.00%	31/08/16	28/02/18	546
Total Deposits		9,000,000				

- 3.4 The weighted average interest rate earned on fixed rate investments in the quarter was 1%. By way of comparison the weighted average interest rate earned in the quarter for South Bucks District Council was 0.63%. As at the end of June, £10.37m was held in instant access funds for everyday cashflow purposes compared to £4.41m at the end of March.
- 3.5 The following graph shows how the level of cash and instant access investments fluctuated in 2016/17, and the forecast levels of cash and instant access investments in 2017/18. 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 2017/18 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
31/03/17	52%	48%
30/06/17	100%	0%

This Prudential Indicator sets an upper limit on fixed interest rate exposures of 100% and variable interest rate exposures of 70% 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 £10m. As at the end of June the figures are as follows:

Date	Total investments	Sums invested for greater than 364 days	% of total investments
31/03/17	£21m	£10m	48%
30/06/17	£9m	£8m	89%

Of the £8m invested for greater than 364 days, £6m of this is for 5 loans with durations of 365 or 367 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 decreased from £21m to £9m between March and June. Precept payments due at the beginning of July meant that there was a larger than usual balance held in cash and therefore no short term monies held in money market fund investments at the end of June.

5 Corporate Implications

- 5.1 The budgeted income from investments for 2017/18 has been set at £100,000. Interest earned in the year to June is £31k.

Background Papers:	None
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