

SUBJECT:	<i>Treasury Management – Quarterly Report Quarter 2 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 July – September 2017.

RECOMMENDATION

The Cabinet is requested to note the Treasury Management performance for Quarter 2 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 September 2017

- 3.1 In July 2017 the Council took out a loan from the PWLB to finance the construction of the new Amersham Multi Storey car park following the approval of the business case and planning. The value of the loan was £10.8m, borrowed at an interest rate of 2.7% repayable over 40 years. The Operational Borrowing Limit which was set in the

2017/18 Treasury Management Strategy is £10m, therefore this limit has been breached by this loan. The Authorised Borrowing Limit which was set in the 2017/18 Treasury Management Strategy is £13m.

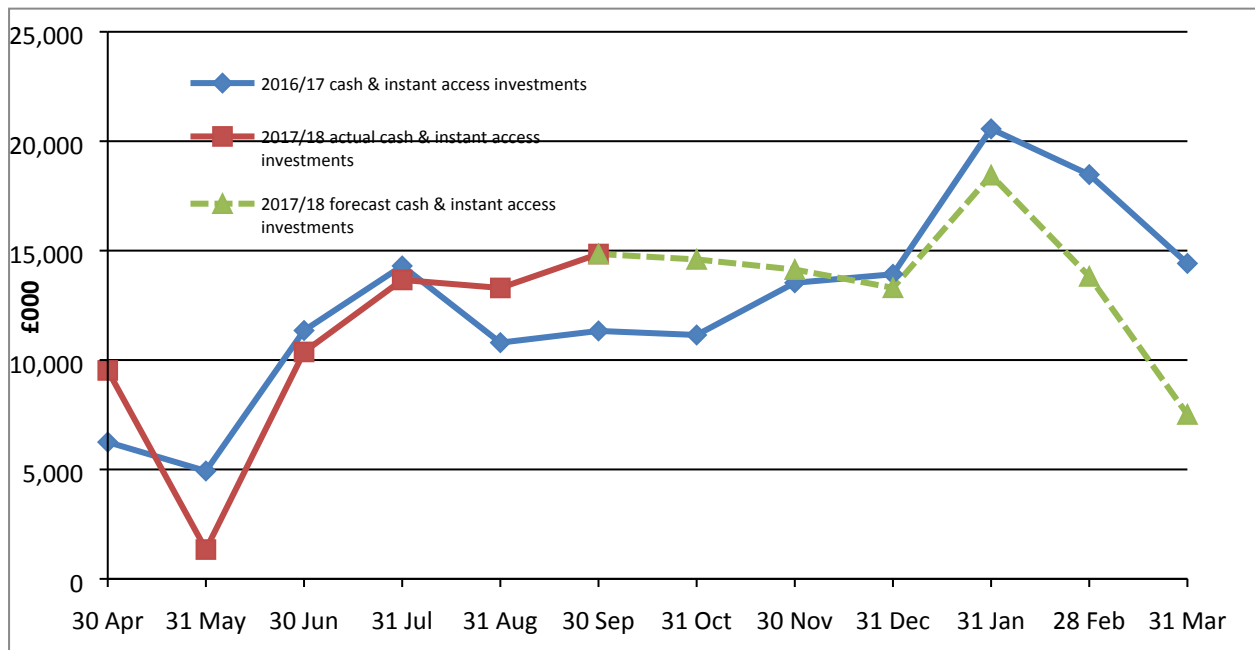
- 3.2 An extract from the Treasury Management Strategy provides a reminder of the definitions of Operational and Authorised Borrowing Limits: 'The Authorised Limit for Chiltern represents the maximum temporary borrowing limit. The Operational Limit is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt. The Authorised Limit represents a limit beyond which external debt is prohibited. It represents the level of external debt which, while not desired, could be afforded in the short term.'
- 3.3 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, although it was subsequently increased to 0.5% on 2 November.
- 3.4 The total of loans outstanding at the end of the quarter was £26,000,000 detailed in the table below.

UK Institutions	Fitch Credit Rating	Principal £	Interest Rate	Invested	Matures	Length in days
Standard Life MMF		5,000,000	0.20% variable	immediate	access	
Invesco MMF		5,000,000	0.20% variable	immediate	access	
Lloyds Banking Group	A+					
Fixed Deposit		1,000,000	1.00%	04/11/16	06/11/17	367
Fixed Deposit		1,000,000	0.36%	27/07/17	29/01/18	186
Fixed Deposit		1,000,000	0.65%	26/07/17	26/07/18	365
Fixed Deposit		2,000,000	0.36%	26/07/17	26/01/18	184
Nationwide Building Society	A+					
Fixed Deposit		1,000,000	0.63%	04/10/16	04/10/17	365
Fixed Deposit		3,000,000	0.32%	26/07/17	26/01/18	184
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
Fixed Deposit		1,000,000	0.60%	26/07/17	26/07/18	365
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		26,000,000				

- 3.5 The weighted average interest rate earned on fixed rate investments in the quarter was 0.72%. By way of comparison the weighted average interest rate earned in the

quarter for South Bucks District Council was 0.51%. As at the end of September, £4.85m was held in instant access funds for everyday cashflow purposes compared to £10.37m at the end of June.

3.6 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.



3.7 Capita Asset Services Treasury is engaged by the Council as its Treasury Management consultants providing advice on investment, performance and regulations where necessary. In November Capita Asset Services, formerly part of Capita plc, was acquired by Link Group. The new brand name is Link Asset Services.

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%
30/09/17	62%	38%

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 September 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%
30/09/17	£26m	£9m	35%

Of the £9m invested for greater than 364 days, £7m of this is for 6 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 increased from £9m to £26m between June and September. The main reason for this increase is that some of the funds which were borrowed from the PWLB have been invested in the short term in order to produce a financial return until the funds are required to pay contractor invoices..

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 September is £63k, partly owing to the short term investment of the loan monies which will not continue for the full financial year. It is therefore likely that interest income for the year will exceed the budget by approximately £10,000.

Background Papers:	None
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