

<b>SUBJECT:</b>	<i>Treasury Management – Quarterly Report Quarter 3 2018/19</i>
<b>REPORT OF:</b>	<i>Jim Burness, Director of Resources</i>
<b>RESPONSIBLE OFFICER</b>	<i>Helen O’Keeffe, Capital &amp; Treasury Manager</i>
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<b>WARD/S AFFECTED</b>	<i>All</i>

**1. Purpose of Report**

- 1.1 To report on the Treasury Management operation of the Council for October – December 2018.

**RECOMMENDATION**

The Cabinet is requested to note the Treasury Management performance for Quarter 3 2018/19.

**2. Background**

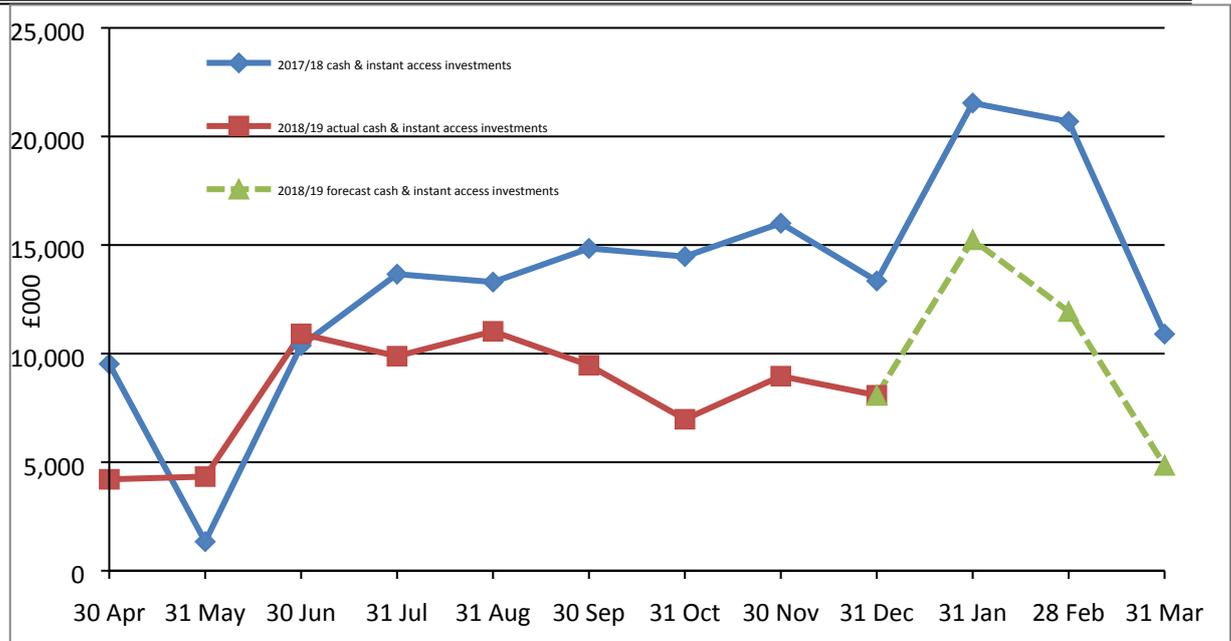
- 2.1 The Council is required to comply with the CIPFA Code of Practice on Treasury Management. The Code was revised in December 2017. The primary requirements of the revised code are:
- (i) Creation and maintenance of a Treasury Management Policy Statement, which sets out the policies, objectives and approach to risk management of the Council’s treasury management activities.
  - (ii) Creation and maintenance of Treasury Management Practices, setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
  - (iii) Receipt by the Cabinet and Council of an annual strategy report for the year ahead, a mid-year review 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 2018**

- 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. There has been no further borrowing in this quarter.
- 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 was increased to 0.5% in November 2017 with a further increase to 0.75% in August 2018.
- 3.3 The total of loans outstanding at the end of the quarter was £17,000,000 detailed in the table below.

UK Institutions	Fitch Credit Rating	Principal £	Interest Rate	Invested	Matures	Length in days
Aberdeen Standard MMF		4,000,000	0.75% variable	immediate	access	
Lloyds Banking Group	A+					
Fixed Deposit		1,000,000	1.05%	06/11/18	05/08/19	272
Fixed Deposit		1,000,000	1.05%	29/10/18	29/07/19	273
Fixed Deposit		1,000,000	1.00%	26/07/18	26/07/19	365
Fixed Deposit		2,000,000	1.05%	26/10/18	26/07/19	273
Santander	A					
Fixed Deposit		2,000,000	0.85%	09/03/18	08/03/19	364
Fixed Deposit		1,000,000	0.90%	15/05/18	15/05/19	365
Fixed Deposit		1,000,000	1.05%	26/07/18	26/07/19	365
Fixed Deposit		1,000,000	1.03%	26/10/18	26/07/19	273
Close Brothers	A					
Fixed Deposit		1,000,000	1.20%	15/10/18	15/10/19	365
Fixed Deposit		1,000,000	0.90%	28/02/18	28/02/19	365
Fixed Deposit		1,000,000	1.20%	20/11/18	20/11/19	365
<b>Total Deposits</b>		<b>17,000,000</b>				

- 3.4 The weighted average interest rate earned on fixed rate investments in the quarter was 0.97%. By way of comparison the weighted average interest rate earned in the quarter for South Bucks District Council was 0.83%. As at the end of December, £4.08m was held in instant access funds for everyday cashflow purposes compared to £4.47m at the end of September.
- 3.5 The following graph shows how the level of cash and instant access investments fluctuated in 2017/18, and the forecast levels of cash and instant access investments in 2018/19. 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 Link Asset Services 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 set annually as part of the Treasury Management Strategy review. Movements in the Prudential Indicators for the year 2018/19 to date are as follows:

4.2 Interest rate exposures

The interest rate exposure on investments has moved as follows:

<b>Date</b>	<b>Investments as a % of total</b>	
	<b>Fixed</b>	<b>Variable</b>
31/03/18	57%	43%
30/06/18	87%	13%
30/09/18	72%	28%
31/12/18	77%	23%

This Prudential Indicator sets an upper limit on fixed interest rate exposures of 100% and variable interest rate exposures of 80% 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 December the figures are as follows:

<b>Date</b>	<b>Total investments</b>	<b>Sums invested for greater than 364 days</b>	<b>% of total investments</b>
31/03/18	£23m	£9m	39%
30/06/18	£15m	£7m	47%
30/09/18	£18m	£7m	39%
31/12/18	£17m	£6m	35%

The £6m invested for greater than 364 days comprises of 6 loans with a duration of 365 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 £18m to £17m between September and December.

**5 Corporate Implications**

5.1 The budgeted income from investments for 2018/19 has been set at £90,000. Investment income earned in the year to December is £130k. The budget assumed that the Council would require a higher level of instant access cash and therefore the level of medium term investments and length of time over which investments are held would decrease during 2018/19. Whilst there has been some reduction in the length of investments, these have not so far decreased to the budgeted level. Additionally, interest rates for short term investments such as money market funds and overnight deposits have increased since the budget was set; the current money market fund rates are approximately 0.65%, compared to the budgeted rate of 0.35%. The budgeted annual income will therefore be exceeded.

<b>Background Papers:</b>	None
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