

SUBJECT:	<i>Treasury Management – Quarterly Report Quarter 2 2019/20</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 2019.

RECOMMENDATION

The Cabinet is requested to note the Treasury Management performance for Quarter 2 2019/20.

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 September 2019

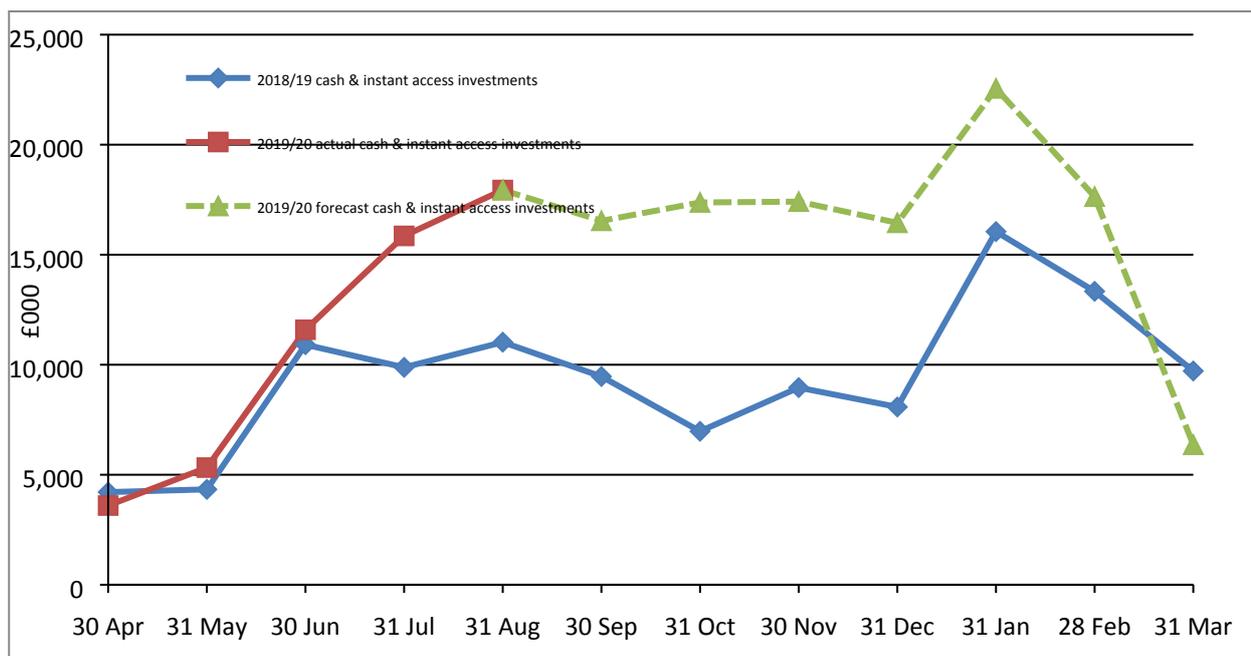
- 3.1 In July 2017 the Council took out a loan from the PWLB to finance the construction of the new Amersham Multi Storey car park following the approval of the business

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 £8,000,000 detailed in the table below.

UK Institutions	Fitch Credit Rating	Principal £	Interest Rate	Invested	Matures	Length in days
Aberdeen Standard MMF		1,000,000	0.74% variable	immediate	access	
Invesco MMF		2,000,000	0.71% variable	immediate	access	
Lloyds Banking Group	A+					
Fixed Deposit		1,000,000	1.00%	26/07/19	27/01/20	185
Fixed Deposit		2,000,000	1.00%	26/07/19	27/01/20	185
Close Brothers	A					
Fixed Deposit		1,000,000	1.20%	15/10/18	15/10/19	365
Fixed Deposit		1,000,000	1.20%	20/11/18	20/11/19	365
Total Deposits		8,000,000				

- 3.4 The weighted average interest rate earned on fixed rate investments in the quarter was 1.12%. As at the end of September, £13.185m was held in instant access funds for everyday cashflow purposes compared to £8.59m at the end of June.
- 3.5 The following graph shows how the level of cash and instant access investments fluctuated in 2018/19, and the forecast levels of cash and instant access investments in 2019/20. 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. The current cash flow assumes that the Council will not borrow funds during 2019/20 to fund the Chiltern Lifestyle Centre Development which is reflected in the decrease in forecast cash by year end in the graph.



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 2019/20 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
31/03/19	56%	44%
30/06/19	75%	25%
30/09/19	63%	37%

This Prudential Indicator sets an upper limit on fixed interest rate exposures of 100% and variable interest rate exposures of 90% of net outstanding principal sums.

- 4.3 Principal sums invested for periods longer than 365 days (previously this indicator was longer than 364 days).

The upper limit for sums invested for periods longer than 365 days is £10m. As at the end of September the figures are as follows:

Date	Total investments	Sums invested for greater than 365 days	% of total investments
31/03/19	£18m	£0m	0%
30/06/19	£12m	£0m	0%
30/09/19	£8m	£0m	0%

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 £12m to £8m between June and September.

5 Corporate Implications

The budgeted income from investments for 2019/20 has been set at £40,000. Investment income earned in the year to September is £84k which exceeds the annual budget. The budget assumed that any maturing loans would not be reinvested as funds would be needed for the development of the Chiltern Lifestyle Centre which is intended to be funded from internal borrowing in this financial year. The budgeted interest rates were assumed at a prudent level owing to general uncertainty around interest rates pending the outcome of Brexit.

Background Papers:	None
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