

**CHILTERN DISTRICT COUNCIL
CABINET - 9th January 2015**

Background Papers, if any, are specified at the end of the Report

TREASURY MANAGEMENT REPORT - OCTOBER to DECEMBER 2014
Contact Officer: Jackie Repper - 01494 732084

RECOMMENDATION

That Cabinet note the treasury management activity in the quarter October to December 2014.

Relationship to Council Objectives

Objective 1: Efficient and effective customer focused services.

Implications

This matter is not a Key Decision.

This matter is within the Policy and Budgetary Framework.

Financial Implications

Potential for adverse financial implications if a more high risk treasury management policy is adopted.

Risk Implications

Possible risk of financial loss and damage to reputation if less risk-averse stance is taken.

Equality implications

There are no direct equality implications.

Sustainability Implications

There are no direct sustainability implications.

Report

1. In accordance with the Treasury Management policy, this report sets out the activities of the Treasury Management operation for the quarter ending 31st December 2014.
2. All of the Council's investments are managed in-house. The investment criteria and parameters within which the treasury section works are set out in the Treasury Management Practices (TMP) document.

3. The table below summarises the transactions for the quarter:

External Loans	
Number of loans placed	3
Total value of loans placed	£5,240,000
Average interest rate on new loans	0.59%
Interest received on new loans	£4,949
Average interest rate (including loans b/f)	0.64%
Interest received (including loans b/f)	£27,985

4. The average interest rate achieved for the quarter on investments was 0.64% (2013/14 Q3: 0.83%; 2013/14 year: 1%).
5. There were no changes in base rate in the quarter, with the rate having remained at 0.5% since 5th March 2009.
6. The total of loans outstanding at the end of the quarter was £19,000,000. The detailed lending list is attached at **Appendix 1** and the table below summarises the spread of the portfolio:-

Type of Investment	% of portfolio limit	£m	%
Cash Deposits	100%	£14m	74%
Money Market Funds	75%	£5m	26%
Gilts	50%	0	0
Treasury Bills	50%	0	0
Certificates of Deposit	50% or £5m max	0	0
Supranational Bonds	50% or £5m max	0	0
Total Portfolio		£19m	
- of which:			
Non specified investments	£10m	£1m	5%
Max in Building Societies	75%	£1m	5%
Forward Dealing	25%	0	0%
Callable Deposits	25%	0	0%

7. The in-house treasury team are advised by external treasury management consultants. Chiltern and South Bucks have a joint contract with Capita Asset Services Treasury.

Investment Strategy

8. The investment strategy for the year was updated and agreed by Cabinet on 11th February 2014. The counterparty criteria and parameters within which day to day investments are managed are kept under review.

The Prudential Capital Code - Prudential Indicators

9. In accordance with the Prudential Capital Code the Council reviews its Prudential Indicators on a quarterly basis. The outcome of each review is included with this report.
10. Movements in the Prudential Indicators for the year 2014/15 to date are as follows:
 - **Interest rate exposures**
The interest rate exposure on investments has moved as follows:

Date	Investments as a % of total	
	Fixed	Variable
31/03/14	31%	69%
30/06/14	43%	57%
30/09/14	51%	49%
31/12/14	42%	58%

This Prudential Indicator sets an upper limit on fixed interest rate exposures of 100% and variable interest rate exposures of 100% of net outstanding principal sums. Exposures have been managed within this limit.

- **Principal sums invested for periods longer than 364 days**
The limit for non-specified investments is 100% of total investments, of which up to 50% only can be greater than 364 days. The figures are as follows:

Date	Total investments	Sums invested for longer than 364 days	% of total investments
31/03/14	£16.09m	£1m	6%
30/06/14	£18.55m	£1m	5%
30/09/14	£15.76m	£1m	6%
31/12/14	£19m	£1m	5%

Sums invested have been managed within the set limit, and reflects the current level of rates that do not incentivise long term cash investments.

Banking services

11. A joint bank tender exercise with SBDC was commenced in January 2014 and the contract awarded in May. The winning bidder was Barclays and CDC switched to Barclays on 15 September 2014. The old Co-Op Accounts were formally closed 3 months later on 5 January 2015.

Background Papers: None