

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

1. Purpose of Report

- 1.1 To report on the Treasury Management performance of the Council for 2018/19 as required by the Code of Practice on Treasury Management.

RECOMMENDATION

Members are requested to note the Treasury Management performance for 2018/19 as required by the Code of Practice on Treasury Management.

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. Annual Report on Treasury Management 2018/19

- 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 was no further borrowing in 2018/19.
- 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% on 2 November 2017 and remained at this level throughout 2018/19.
- 3.3 Officers invest cash flow surpluses with approved counter parties. During the year, officers invested funds in accordance with counter parties approved as part of the Treasury Management Strategy 2018/19 as in the table below.

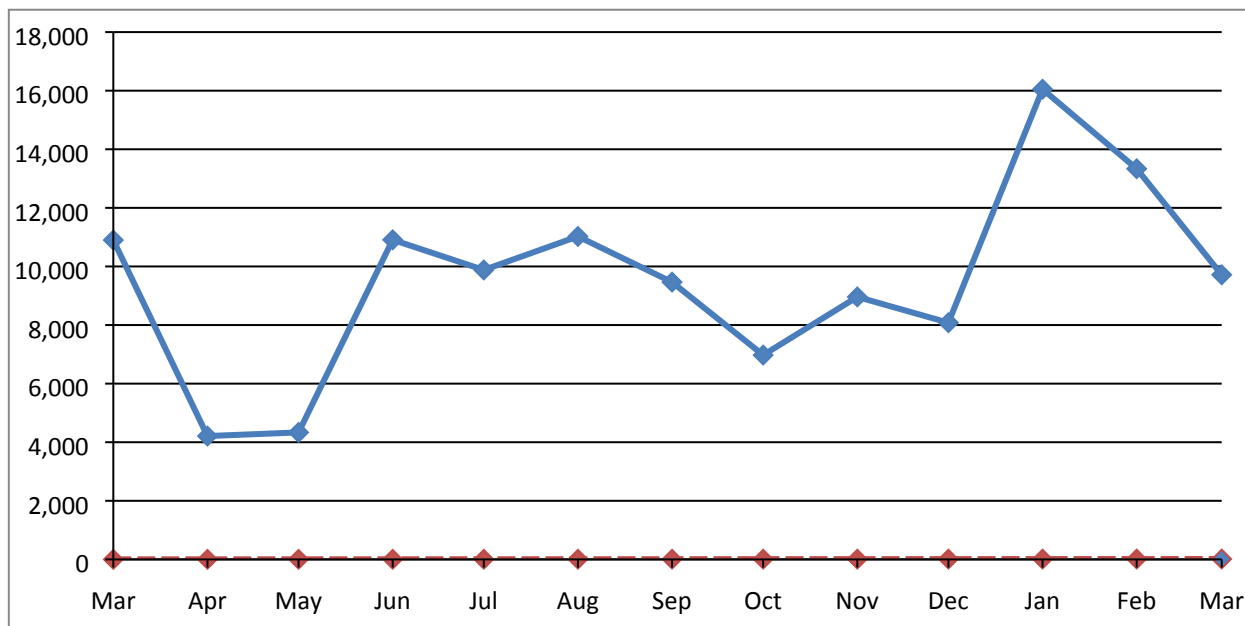
	Duration	Maximum Amount	Fitch Rating	Comment
Money Market Funds	-	£5m	AAA	
UK Institutions	Up to 3 years	£5m	BBB+ or better	
Non UK Institution	Up to 3 years	£2m	A- or better	Sovereignty rating AA or better
Corporate Bonds/Bond Funds	Up to 3 years	£5m	A- or better	
Other Approved Investments (eg Property Funds)	-	£5m	-	-

- 3.4 Link Asset Services is engaged by the Council as its Treasury Management consultants providing advice on investment, performance and regulations where necessary.
- 3.5 A summary of the movements in the year is as follows:

	Fund Balance 1.4.2018 £000	Fund Withdrawals £000	Added to Fund £000	Fund Balance 31.3.2019 £000
Instant Access Deposits	900		815	1,715
Money Market Funds	10,000	(13,000)	11,000	8,000
Fixed Deposits	13,000	(13,000)	10,000	10,000
Total	23,900	(26,000)	21,815	19,715

3.6 The Instant Access deposit as at 31 March 2019 is held with our bankers Barclays.

3.7 The following graph shows how the level of cash and instant access investments has fluctuated over the year. The level of cash reserves has decreased slightly over the year owing to the build of the Amersham Multi Storey Car Park which used funds which were borrowed.



3.8 The weighted average interest rate earned on fixed rate investments in the year was 0.91%. By way of comparison, the weighted average interest rate earned in the year by South Bucks District Council was 0.79%.

3.9 A summary of the Council's Fixed Deposits as at 31st March 2019 is shown below:

UK Institutions	Fitch Credit Rating	Principal £	Interest Rate	Invested	Matures
Lloyds Banking Group	A+				
Fixed Deposit		1,000,000	1.05%	06/11/18	06/08/19
Fixed Deposit		1,000,000	1.05%	29/10/18	29/07/19
Fixed Deposit		1,000,000	1.00%	26/07/18	26/07/19
Fixed Deposit		2,000,000	1.05%	26/10/18	26/07/19
Santander	A				
Fixed Deposit		1,000,000	0.90%	15/05/18	15/05/19
Fixed Deposit		1,000,000	1.05%	26/07/18	26/07/19
Fixed Deposit		1,000,000	1.03%	26/10/18	26/07/19
Close Brothers	A				
Fixed Deposit		1,000,000	1.20%	15/10/18	15/10/19
Fixed Deposit		1,000,000	1.20%	20/11/18	20/11/19
Total Deposits		10,000,000			

4. Corporate Implications

4.1 A comparison between the actual and budgeted interest returns for 2018/19 is shown below:

	Budget 2018/19 £000	Actual 2018/19 £000
Interest	90	187

4.2 Actual interest received from investments is above the budgeted figure of £90,000. The budget was set at a modest level owing to uncertainty around probable interest rates. The budget assumed interest rates of 0.9% for fixed term investments and 0.35% for short term investments such as Money Market Funds. Actual interest rates earned were between 0.9% and 1.2% for fixed term investments and an average of 0.6% for short term investments, so the budgeted interest was exceeded. The budgeted income from investments for 2019/20 has been set at £40,000.

Background Papers:	None
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