

SUBJECT:	<i>Treasury Management – Annual Report 2014/15</i>
REPORT OF:	<i>Jim Burness, Director of Resources</i>
RESPONSIBLE OFFICER	<i>Helen O'Keeffe, Principal Accountant</i>
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WARD/S AFFECTED	<i>All</i>

1. Purpose of Report

To report on the Treasury Management performance of the Council for 2014/15.

2. RECOMMENDATION

The PAG is requested to note the investment performance for 2014/15.

3. Background

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.

4. Annual Report on Treasury Management 2014/15

- 4.1 As a debt free authority the treasury management activities of the Council are exclusively concerned with the investment of its reserves, as the Council does not undertake any borrowing.
- 4.2 Officers invest cash flow surpluses with approved counter parties. Members approved a new matrix for in house investments as part of the Treasury Management Strategy as follows.

	Duration	Maximum Amount	Fitch Rating	Comment
UK Institutions	Up to 5 years	£5m	A- or better	
	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 5 years	£5m	A- or better	

4.3 Capita Asset Services Treasury is engaged by the Council as its Treasury Management consultants providing advice on investment, performance and regulations where necessary.

4.4 A summary of the movements in the year is as follows:

	Fund Balance 1.4.2014 £000	Fund Withdrawals £000	Added to Fund £000	Fund Balance 31.3.2015 £000
Instant access deposits	3,298	0	4,282	7,580
Fixed Deposits	14,000	(17,000)	18,000	15,000
Corporate Bonds	1,311	(139)*	0	1,172
Total	18,609	(17,139)	22,282	23,752

* Investments maturing in year and change in market value

4.5 A summary of the Council's Fixed Deposits as at 31st March 2015 is shown below:

UK Institutions	Fitch Credit Rating	Principal £	Interest Rate	Invested	Matures
Royal Bank of Scotland	A				
Fixed Deposit		2,000,000	0.91% then 3 mth LIBOR	09/02/15	09/02/18
Fixed Deposit		3,000,000	1.31% then 3 mth LIBOR	09/02/15	09/02/20
Lloyds Banking Group	A				
Fixed Deposit		1,000,000	3 Month Libor, Floor 2.85%, Cap 5.85%	11/05/10	12/05/15
Fixed Deposit		1,000,000	3 Month Libor, Floor 3.07%, Cap 5.00%	19/05/10	19/05/15
Fixed Deposit		1,000,000	1.00%	26/01/15	26/01/16
Fixed Deposit		1,000,000	1.00%	23/01/15	25/01/16
Barclays	A				
Fixed Deposit		1,000,000	3 Month Libor, Floor 3.05%, Cap 5.00%	24/05/10	24/05/15
Nationwide Building Society	A				
Fixed Deposit		1,000,000	0.90%	26/01/15	26/01/16
Santander	A				
Fixed Deposit		1,000,000	0.85%	11/02/15	11/11/15
Close Brothers	A				
Fixed Deposit		1,000,000	1.70%	22/08/14	22/02/16
Fixed Deposit		1,000,000	1.30%	13/10/14	13/10/15

UK Institutions	Fitch Credit Rating	Principal £	Interest Rate	Invested	Matures
Fixed Deposit		1,000,000	1.70%	05/09/14	07/03/16
Total Deposits		15,000,000			

4.6 The following corporate bonds were held at the end of the March 2015:

Bond held	Valuation £	Coupon Interest Rate	Effective Interest Rate	Maturity date
UK Gilt (a)	57,894	8.00%	4.86%	07/12/15
UK Gilt (b)	69,473	8.00%	4.64%	07/12/15
UK Treasury (a)	54,088	8.75%	4.59%	25/08/17
UK Treasury (b)	67,309	8.75%	4.54%	25/08/17
Asif II (a)	104,806	6.38%	5.49%	05/10/20
Asif II (b)	34,524	6.38%	5.33%	05/10/20
Asif II (c)	55,486	6.38%	6.41%	05/10/20
UK Treasury	196,641	8.00%	4.77%	07/06/21
Atlantia SPA (a)	71,337	6.25%	5.65%	09/06/22
Atlantia SPA (b)	112,637	6.25%	5.55%	09/06/22
National Grid (a)	193,928	5.88%	5.91%	02/02/24
National Grid (b)	82,743	5.88%	5.71%	02/02/24
UK Treasury	71,213	6.00%	4.76%	07/12/28
Total	1,172,079			

5. Corporate Implications

5.1 A comparison between the actual and budgeted interest returns for 2014/15 is shown in the table below:

	Budget 2014/15 £000	Actual 2014/15 £000
Fixed Deposits		223
Short Term Investments		29
Farnham Trust Clubhouse Loan		78
Other Miscellaneous Interest ⁽¹⁾		6
Less Other Interest ⁽²⁾		(2)
Corporate Bonds		53
Total Interest	550	387

Note 1: miscellaneous interest includes interest from car loans and Swan Road.

Note 2: some interest is allocated to monies held for s106 agreements.

5.2 There was an underachievement of £163k from the budget during 2014/15 which is in line with the £170k declared in the February budget monitoring report. The loss on interest is a result of the current very low interest rate environment.

5.3 To take account of the low interest rate environment the target figure for investment income for 2015/16 has been set at £400,000.

Background Papers:	None
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