

<b>SUBJECT:</b>	<i>Treasury Management – Quarterly Report Quarter 3 2015/16</i>
<b>REPORT OF:</b>	<i>Jim Burness, Director of Resources</i>
<b>RESPONSIBLE OFFICER</b>	<i>Helen O’Keeffe, Principal Accountant</i>
<b>REPORT AUTHOR</b>	<i>Helen O’Keeffe, <a href="mailto:hokeeffe@chiltern.gov.uk">hokeeffe@chiltern.gov.uk</a> 01494 732781</i>
<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 2015.

**RECOMMENDATION**

**Members are requested to note the Treasury Management performance for 2015/16.**

**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. Quarterly Report on Treasury Management Quarter to December 2015**

3.1 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.

3.2 There were no changes in the base rate in the quarter, with the rate having remained at 0.5% since March 2009.

3.3 The total of loans outstanding at the end of the quarter was £20,000,000 detailed in the table below.

UK Institutions	Fitch Credit Rating	Principal £	Interest Rate	Invested	Matures	Length in Days
Standard Life Money Market Fund		2,000,000	Currently 0.50%	On call		
Royal Bank of Scotland	BBB+					
Fixed Deposit		2,000,000	0.91% then 3 mth LIBOR	09/02/15	09/02/18	1096

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UK Institutions	Fitch Credit Rating	Principal £	Interest Rate	Invested	Matures	Length in Days
Fixed Deposit		3,000,000	1.31% then 3 mth LIBOR	09/02/15	09/02/20	1826
Lloyds Banking Group	A+					
Fixed Deposit		1,000,000	1.00%	26/01/15	26/01/16	365
Fixed Deposit		1,000,000	1.00%	23/01/15	25/01/16	367
Fixed Deposit		1,000,000	1.00%	12/05/15	12/05/16	366
Fixed Deposit		1,000,000	1.00%	19/05/15	19/05/16	366
Fixed Deposit		1,000,000	1.00%	28/07/15	27/07/16	365
Nationwide Building Society	A					
Fixed Deposit		1,000,000	0.90%	26/01/15	26/01/16	365
Santander	A					
Fixed Deposit		1,000,000	1.00%	11/11/15	11/11/16	366
Fixed Deposit		1,000,000	1.00%	02/06/15	02/06/16	366
Fixed Deposit		2,000,000	1.00%	28/07/15	28/07/16	366
Close Brothers	A					
Fixed Deposit		1,000,000	1.70%	22/08/14	22/02/16	549
Fixed Deposit		1,000,000	1.40%	13/10/15	13/04/17	548
Fixed Deposit		1,000,000	1.70%	05/09/14	07/03/16	549
<b>Total Deposits</b>		<b>20,000,000</b>				

3.4 In addition, funds are held on a short term basis for day to day cashflow purposes with our bankers, Barclays. At the end of December £7.962m was held in an instant access account.

3.5 The following corporate bonds were held at the end of the December 2015 (the latest valuation was as at 30 September 2015):

Bond held	Valuation £	Coupon Interest Rate	Effective Interest Rate	Maturity date
UK Treasury (a)	52,636	8.75%	4.59%	25/08/17
UK Treasury	64,332	8.75%	4.54%	25/08/17

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(b)				
Asif II (a)	101,105	6.38%	5.49%	05/10/20
Asif II (b)	33,701	6.38%	5.33%	05/10/20
Asif II (c)	52,424	6.38%	6.41%	05/10/20
UK Treasury	191,604	8.00%	4.77%	07/06/21
Atlantia SPA (a)	68,911	6.25%	5.65%	09/06/22
Atlantia SPA (b)	107,783	6.25%	5.55%	09/06/22
National Grid (a)	184,734	5.88%	5.91%	02/02/24
National Grid (b)	79,171	5.88%	5.71%	02/02/24
UK Treasury	69,532	6.00%	4.76%	07/12/28
<b>Total</b>	<b>1,005,933</b>			

- 3.6 Capita Asset Services Treasury 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. Movements in the Prudential Indicators for the year 2015/16 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
31/03/15	80%	20%
30/06/15	89%	11%
30/09/15	91%	9%
31/12/15	91%	9%

This Prudential Indicator sets an upper limit on fixed interest rate exposures of 100% and variable interest rate exposures of 54% of net outstanding principal sums. Exposures have been managed within this limit.

- 4.3 Principal sums invested for periods longer than 364 days

The upper limit for sums invested for periods longer than 364 days is £15m. As at the end of December the figures are as follows:

Date	Total investments (excluding bonds)	Sums invested for greater than 364 days	% of total investments
31/03/15	£20m	£8m	40%
30/06/15	£17m	£8m	47%
30/09/15	£20m	£17m	85%
31/12/15	£20m	£18m	90%

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Of the £18m that is invested for greater than 364 days, £10m is invested for a period between 365 and 367 days. £8m is invested for greater than 367 days. Sums invested reflect the current level of rates that do not incentivise long term cash investments.

### 5 Corporate Implications

- 5.1 The budgeted income from investments for 2015/16 has been set at £400,000. Interest earned in the first three quarters is £257,000, so it is unlikely that the target annual investment income will be achieved.

<b>Background</b>	None
<b>Papers:</b>	