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<b>SUBJECT:</b>	<i>Treasury Management – Annual Report 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 performance of the Council for 2015/16 as required under the Code of Practise for Treasury Management.

### RECOMMENDATION

The PAG is requested to note the investment performance for 2015/16 as required by the Code of Practise for 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 2015/16

- 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 The year saw the continuation of the low interest rate environment that has been the situation for a number of years now, with Base Rate remaining unchanged at 0.5%.
- 3.3 Indications are that there will not be an early rise in interest rates, but a gradual upward trend seems likely from 2017 onwards. The Monetary Policy Committee appears to want to proceed very cautiously, so interest rates could still be only around 2% by 2020. There is currently uncertainty in the markets whilst the outcome of the EU referendum is unknown, and increased volatility in short term rates can be anticipated around the actual Referendum date.
- 3.4 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 2015/16 as in the table below.

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	Duration	Maximum Amount	Fitch Rating	Comment
UK Institutions	Up to 5 years	£5m	A- or better	
Non UK Institution	Up to 3 years	£3m	BBB+ or better	
	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	
Other Approved Investments	Up to 3 years	£1m	A- or better	Includes Money Market Funds

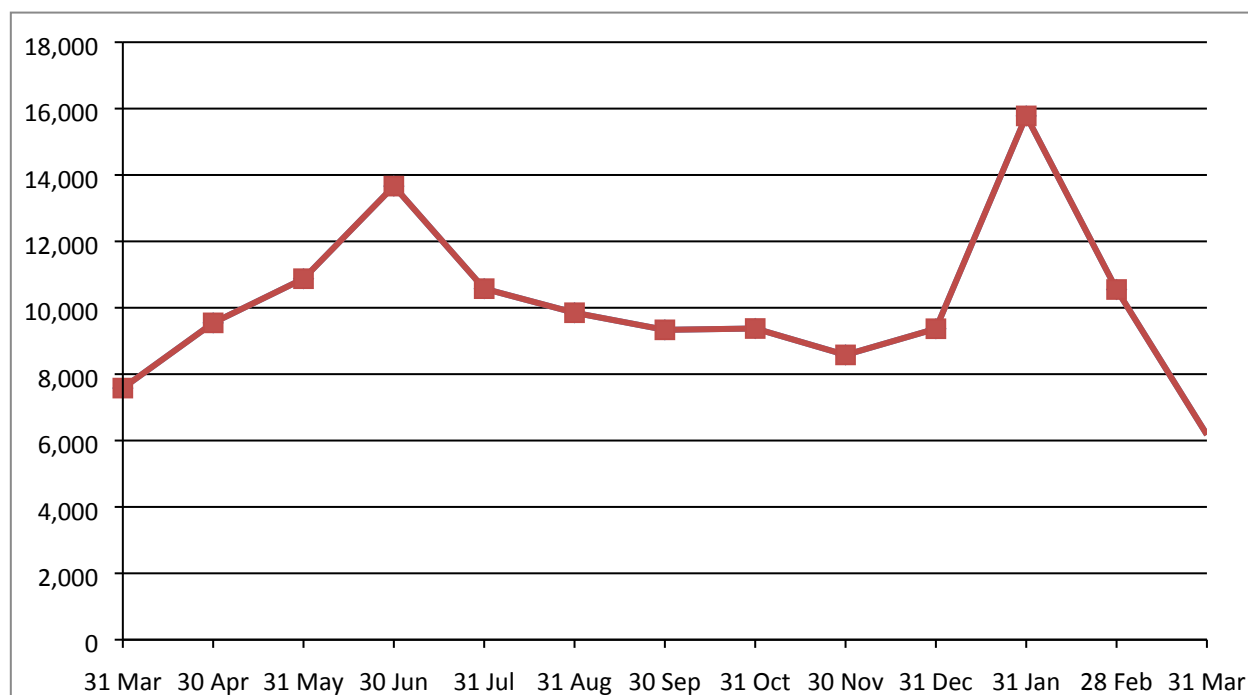
3.5 Capita Asset Services Treasury is engaged by the Council as its Treasury Management consultants providing advice on investment, performance and regulations where necessary.

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

	Fund Balance 1.4.2015 £000	Fund Withdrawals £000	Added to Fund £000	Fund Balance 31.3.2016 £000
Instant access deposits	7,580	(4,405)	0	3,175
Money Market Funds	0	(2,000)	5,000	3,000
Fixed Deposits	15,000	(10,000)	8,000	13,000
Corporate Bonds	1,172	*(164)	0	1,008
Total	23,752	(16,569)	13,000	20,183

\* Investments maturing in year and change in market value

3.7 The following graph shows how the level of cash and instant access investments has fluctuated over the year.



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3.8 A summary of the Council's Fixed Deposits as at 31<sup>st</sup> March 2016 is shown below:

UK Institutions	Fitch Credit Rating	Principal £	Interest Rate	Invested	Matures
Royal Bank of Scotland	BBB+				
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	1.00%	12/05/15	12/05/16
Fixed Deposit		1,000,000	1.00%	19/05/15	19/05/16
Fixed Deposit		1,000,000	1.00%	28/07/15	27/07/16
Santander	A				
Fixed Deposit		1,000,000	1.00%	11/11/15	11/11/16
Fixed Deposit		1,000,000	1.00%	02/06/15	02/06/16
Fixed Deposit		2,000,000	1.00%	28/07/15	28/07/16
Close Brothers	A				
Fixed Deposit		1,000,000	1.40%	13/10/15	13/04/17
<b>Total Deposits</b>		<b>13,000,000</b>			

3.9 The following corporate bonds were held at the end of the March 2016:

Bond held	Valuation £	Coupon Interest Rate	Effective Interest Rate	Maturity date
UK Treasury (a)	50,353	8.75%	4.59%	25/08/17
UK Treasury (b)	62,661	8.75%	4.54%	25/08/17
Asif II (a)	98,485	6.38%	5.49%	05/10/20
Asif II (b)	32,442	6.38%	5.33%	05/10/20
Asif II (c)	52,139	6.38%	6.41%	05/10/20
UK Treasury	191,044	8.00%	4.77%	07/06/21
Atlantia SPA (a)	69,861	6.25%	5.65%	09/06/22
Atlantia SPA (b)	110,307	6.25%	5.55%	09/06/22
National Grid (a)	189,300	5.88%	5.91%	02/02/24
National Grid (b)	80,768	5.88%	5.71%	02/02/24
UK Treasury	70,631	6.00%	4.76%	07/12/28
<b>Total</b>	<b>1,007,991</b>			

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### 4. Corporate Implications

4.1 A comparison between the actual and budgeted interest returns for 2015/16 is shown in the table below:

	Budget 2015/16 £000	Actual 2015/16 £000
Fixed Deposits		193
Short Term Investments		60
Money Market Funds		7
Farnham Trust Clubhouse Loan		51
Other Miscellaneous Interest <sup>(1)</sup>		6
Less Other Interest <sup>(2)</sup>		(1)
Corporate Bonds		50
Total Interest	400	366

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

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

4.2 There was an underachievement of £34k from the budget during 2015/16 which is in line with the £50k estimated underachievement declared in the February budget monitoring report. The loss on interest is a result of the current very low interest rate environment.

4.3 The target figure for investment income for 2016/17 has been set at £430,000.

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