
Treasury Management Annual Report 2015/16

Committee considering report:	Executive
Date of Committee:	08 September 2016
Portfolio Member:	Councillor Anthony Chadley
Date Portfolio Member agreed report:	28 July 2016
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Forward Plan Ref:	EX3160

1. Purpose of the Report

- 1.1 To inform Members of the treasury management activity and performance of the Council's investments for the financial year 2015/16.

2. Recommendation

- 2.1 To note the contents of the report.

3. Implications

- 3.1 **Financial:** The Treasury function is responsible for the daily cash flow management of the Council. Investment income generated from the Treasury Management contributes to the Council's annual budget.
- 3.2 **Policy:** The Council's cash flow, borrowing and investments are carried out in accordance with the Annual Investment Strategy agreed by Council and are subject to cross party scrutiny during the course of the year.
- 3.3 **Personnel:** None.
- 3.4 **Legal:** None.
- 3.5 **Risk Management:** All investments are undertaken with a view to minimising risk and exposure to loss. The Treasury Management Strategy approved by the Council sets parameters to ensure this.
- 3.6 **Property:** None.

4. Other options considered

- 4.1 Not applicable – this report is a review of past performance.

5. Executive Summary

- 5.1 The aim of the Council's Treasury Management Strategy is to manage cash flow to ensure sufficient funds are available on a day to day basis for the Council's operations. Any surplus funds are invested to generate the most interest, while minimising the exposure of investments to risk. Investment and borrowing activities in 2015/16, were once again set against an economic context of slow growth and very low inflation and interest rates. The implementation of the strategy is regularly scrutinised by the cross party Treasury Management Group.
- 5.2 The average level of funds invested by the Council in 2015/16 (net of short term borrowing) was £12.3 million. Funds were invested in instant access deposit accounts with Natwest paying 0.25%, Bank of Scotland 0.40%, Santander UK 0.40% and the Goldman Sachs Global Liquidity money market fund, which paid a variable rate of interest averaging 0.44%. Funds were also in fixed term deposits with UK Building Societies for an average period of 173 days and an average rate of 0.8%. The maximum amount invested with any one institution was £5 million. A number of short term loans were also arranged from other Local Authorities to cover our short term cashflow needs. The average length of loan was 26 days and the average rate of interest paid was 0.45%.
- 5.3 The Council earned total interest on its investments (net of interest paid on short term borrowing) of £115,000 or 0.93% of the average fund value. We also received a discount of 3.10% or £293,000 on our contributions to the Berkshire Pension Fund, by paying the contributions in advance. Taking into account this saving, the total net amount earned through cashflow management was £408,000 (compared with the budget for interest on investments of £378,000). If we include the gain on early payment of pension contributions, this would represent a return of 2.3%.
- 5.4 £14.5 million new longer term loans were also taken from the Public Works Loans Board (PWLB) to fund capital expenditure in 2015/16 and earlier years. The loans were for between 5 years at 1.26% interest and 50 years at 3.14%, with the length of loan linked to the estimated useful life of the asset funded. £4.1 million repayments were made on existing capital financing loans, bringing the Council's total long term capital financing debt with the PWLB to £126.1 million.

6. Conclusion

- 6.1 The cross party Treasury Management Group (including the Portfolio Holder and Shadow Portfolio holders for Finance) will continue to scrutinise and review the Council's investments and borrowing during 2016/17, to ensure that treasury activities continue in line with the approved Treasury Management Strategy in order to ensure the security and liquidity of and return on the Council's funds. The group will also aim to finance the Council's Capital Programme at the best available rates of interest.

7. Appendices

- 7.1 Appendix A - Supporting Information
- 7.2 Appendix B – Equalities Impact Assessment