
Treasury Management Annual Report 2016-17

Committee considering report: Executive on 7 September 2017

Portfolio Member: Councillor Anthony Chadley

Date Portfolio Member agreed report: 20 July 2017

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Forward Plan Ref: EX3358

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 2016/17.

2. Recommendations

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 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

5. Executive Summary

- 5.1 The Council's Treasury Management Strategy aims to manage cash flow to ensure sufficient funds are available on a day to day basis for the Council's operations. Surplus funds are invested to maximise interest, while minimising the exposure of investments to risk. Investment and borrowing activities in 2016/17 were set against an economic context of slow growth and low inflation and interest rates.
- 5.2 The average level of funds invested by the Council in 2015/16 (net of short term borrowing) was £7.5 million. Funds were invested in instant access deposit accounts with Natwest paying 0.25% until December 2016 and 0.01% from January 2017 onwards; Bank of Scotland 0.4% until October 2016 and 0.2% from November 2016 onwards; Santander UK 0.4% until November 2016 and 0.15% from December 2016 onwards and the Goldman Sachs Global Liquidity money market fund, which paid a variable rate of interest averaging 0.33%. Fixed term deposits were also placed with UK Building Societies for an average period of 273 days and an average rate of 0.7%. 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 cash flow needs. The average length of loan was 21 days and the average rate of interest paid was 0.36%.
- 5.3 The Council earned total interest on its investments (net of interest paid on short term borrowing) of £40,700 or 0.52% of the average fund value. We also received a discount of 1.9% or £227,000 on our contributions to the Berkshire Pension Fund, by paying the contributions in advance. Taking into account this saving, the total earned through cash flow management was £269,000 which represents a return of 1.95%. However income from interest on investments was £121k below the income budget of £348k because of reductions in interest rates during the year and because the cash fund balance was lower than in 2015/16, mainly because of reductions in government grants.
- 5.4 £10.7m new longer term loans were also taken from the Public Works Loans Board (PWLB) to fund capital expenditure in 2016/17. The loans were for between 5 years at 0.87% interest and 50 years at 2.3%, with the length of loan linked to the estimated useful life of the asset funded. £4.2 million repayments were made on existing capital financing loans, bringing the Council's total long term capital financing debt with the PWLB to £132.6 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 2017/18, 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 Councils funds. The group will also aim to finance the Council's Capital Programme at the best available rates of interest.

7. Appendices

Appendix A – Supporting Information

Appendix B – Equalities Impact Assessment