

Treasury Management Annual Report 2017-18

Committee considering report: Executive on 6 September 2018

Portfolio Member: Councillor Anthony Chadley

Date Portfolio Member agreed report: 2nd August 2018

Report Author: Gabrielle Esplin

Forward Plan Ref: EX3630

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 2017/18.

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. Income from investments 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:** The Council's Property investment strategy is closely aligned to the overarching Investment and Borrowing Strategy. Progress with property investment will be reported as part of quarterly financial performance monitoring.

4. Other options considered

- 4.1 Not applicable

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. Surplus funds are invested to maximise interest, while minimising the exposure of investments to risk. Investment and borrowing activities in 2017/18 were affected by the slight improvement in national economic growth and an increase in the base rate of interest from 0.25% to 0.5% in November 2017.
- 5.2 The average level of funds invested by the Council in 2017/18 (net of short term borrowing) was £22.6 million. Funds were invested in instant access deposit accounts with Natwest paying 0.01% until October 2017 and then up to 0.15% from November 2017, Bank of Scotland at 0.1% until October 2017 and 0.35% from November 2017, Santander UK at 0.15% throughout the year and the Goldman Sachs Sterling Liquid Reserve money market fund, which paid a variable rate of interest averaging 0.23%. Fixed term deposits were also placed with UK Building Societies for an average period of 268 days and an average rate of 0.78%. 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 12 days and the average rate of interest paid was 0.25%.
- 5.3 Total interest earned on investments (net of interest paid on short term borrowing) was £129k, or 0.57% of the average fund value (compared with £41k or 0.51% in 2016/17). We also received a discount of 1.9% or £230k by paying our contributions to the Berkshire Pension Fund in advance. The total earned through cash flow management was therefore £360k which represents a return of 1.25%. Net interest on investments was £35k below the income budget of £395k, because of continued low interest rates, but this was offset by a slight saving on principal and interest payments on long term loans.
- 5.4 £31.9 million new longer term loans were also taken from the Public Works Loans Board (PWLB) in 2017/18. This included £22.2 million new 50 year maturity loans at an average rate of 2.4% to fund the acquisition of investment property. The remaining loans were all annuity loans, also to finance capital expenditure, for between 5 years at 1.64% interest and 50 years at 2.81%. The length of loan was linked to the estimated useful life of the asset funded. £4.8 million repayments were made on existing capital financing loans, bringing the Council's total long term capital financing debt with the PWLB to £159.7 million.

6. Conclusion

- 6.1 The return on investments compared favourably to the previous year's performance. 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 2018/19, to ensure that treasury activities continue in line with the approved Treasury Management Strategy in order to ensure the security, liquidity and return on the Council's funds. The group also aims to finance the Capital Programme at the best available rates of interest.

7. Appendices

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