
Treasury Management Annual Report 2018/19

Committee considering report: Executive on 5 September 2019

Portfolio Member: Councillor Jeff Cant

Date Portfolio Member agreed report: 15 August 2019

Report Author: Gabrielle Esplin

Forward Plan Ref: EX3806

1. Purpose of the Report

- 1.1 To inform Members of the treasury management activity, including short and long term borrowing, and the performance of the Council's investments for the financial year 2018/19.

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. In 2018/19, net interest of £687k was earned on short term investments, as compared with £360k in 2017/18.
- 3.2 **Policy:** The Council's cash flow, borrowing and investments are carried out in accordance with the Annual Investment Strategy agreed by Council.
- 3.3 **Personnel:** None
- 3.4 **Legal:** None
- 3.5 **Risk Management:** All investments are undertaken with a view to minimising the risk of financial 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.

Executive Summary

5. Summary of Treasury Performance in 2018/19

- 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 2018/19 were affected by the increase in the Bank of England base rate of interest from 0.50% to 0.75% in August 2018.
- 5.2 The average level of funds invested by the Council in 2018/19 (net of short term borrowing) was £37.9 million (£22.6 million in 2017/18). Funds were invested in instant access deposit accounts with:
- Natwest at up to 0.2% until September 2018 and up to 0.3% from October 2018
 - the Bank of Scotland at 0.35% until July 2018 and 0.6% from August 2018
 - Santander UK at 0.15% throughout the year
 - the Goldman Sachs Sterling Liquid Reserve money market fund, at a variable rate of interest averaging 0.59%.
- Fixed term deposits were also placed with UK Building Societies for an average period of 282 days and an average rate of 1.05%. 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 13 days and the average rate of interest paid was 0.79%.
- 5.3 Total interest earned on investments (net of interest paid on short term borrowing) was £314k, or 0.83% of the average fund value (compared with £129k or 0.57% in 2017/18). We also received a discount of 2.7% or £373k by paying our contributions to the Berkshire Pension Fund in advance. The total earned through cash flow management was therefore £687k which represents a return of 1.53%.
- 5.4 £46.1 million new longer term loans were also taken from the Public Works Loans Board (PWLB) in 2018/19. This included £39.8 million new 50 year maturity loans at an average rate of 2.51% to fund the acquisition of investment property. The remaining loans were all annuity loans, to finance capital expenditure, for between 10 years at 1.66% interest and 50 years at 2.66%. The length of loan was linked to the estimated useful life of the asset funded. £5.4 million repayments were made on existing capital financing loans, bringing the Council's total long term capital financing debt with the PWLB to £200.4 million.

6. Conclusion

- 6.1 The return on investments in 2018/19 compared favourably to the previous year's performance due to a higher fund balance, higher interest rates and proactive cash flow management. Interest rates have increased over the last 12 months and are currently expected to remain fairly stable for the remainder of the financial year 2019/20. We therefore anticipate that, by continuing to pursue the current treasury management policy, returns on investments for the current financial year will be at least as good as or slightly better than in 2018/19.
- 6.2 However it is likely that the fund balance will be lower in 2020/21 when capital schemes which have been subject to delay are expected to be completed. The

effect of a £5 million reduction in the fund balance **or** a 0.25% reduction in interest rates would be a reduction in interest earned of approximately £75k.

- 6.3 Treasury activities will continue to be reviewed and scrutinised by the Treasury Management Group and any significant changes to forecast performance will be reported to the Executive through the quarterly financial performance monitoring process.

7. Appendices

- 7.1 Appendix A – Data Protection Impact Assessment
- 7.2 Appendix B – Equalities Impact Assessment
- 7.3 Appendix C – Supporting Information

Appendix A

Data Protection Impact Assessment – Stage One

The General Data Protection Regulations require a Data Protection Impact Assessment (DPIA) for certain projects that have a significant impact on the rights of data subjects.

Should you require additional guidance in completing this assessment, please refer to the Information Management Officer via dp@westberks.gov.uk

Directorate:	Resources
Service:	Finance and Property
Team:	Accountancy
Lead Officer:	Gabrielle Esplin
Title of Project/System:	Treasury Management
Date of Assessment:	23/7/19

Do you need to do a Data Protection Impact Assessment (DPIA)?

	Yes	No
Will you be processing SENSITIVE or “special category” personal data? Note – sensitive personal data is described as “data revealing racial or ethnic origin, political opinions, religious or philosophical beliefs, or trade union membership, and the processing of genetic data, biometric data for the purpose of uniquely identifying a natural person, data concerning health or data concerning a natural person’s sex life or sexual orientation”	<input type="checkbox"/>	No
Will you be processing data on a large scale? Note – Large scale might apply to the number of individuals affected OR the volume of data you are processing OR both	<input type="checkbox"/>	No
Will your project or system have a “social media” dimension? Note – will it have an interactive element which allows users to communicate directly with one another?	<input type="checkbox"/>	No
Will any decisions be automated? Note – does your system or process involve circumstances where an individual’s input is “scored” or assessed without intervention/review/checking by a human being? Will there be any “profiling” of data subjects?	<input type="checkbox"/>	No
Will your project/system involve CCTV or monitoring of an area accessible to the public?	<input type="checkbox"/>	No
Will you be using the data you collect to match or cross-reference against another existing set of data?	<input type="checkbox"/>	No
Will you be using any novel, or technologically advanced systems or processes? Note – this could include biometrics, “internet of things” connectivity or anything that is currently not widely utilised	<input type="checkbox"/>	No

If you answer “Yes” to any of the above, you will probably need to complete [Data Protection Impact Assessment - Stage Two](#). If you are unsure, please consult with the Information Management Officer before proceeding.

Appendix B

Equality Impact Assessment - Stage One

We need to ensure that our strategies, policies, functions and services, current and proposed have given due regard to equality and diversity as set out in the Public Sector Equality Duty (Section 149 of the Equality Act), which states:

- “(1) A public authority must, in the exercise of its functions, have due regard to the need to:**
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;**
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; this includes the need to:**
 - (i) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;**
 - (ii) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;**
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it, with due regard, in particular, to the need to be aware that compliance with the duties in this section may involve treating some persons more favourably than others.**
- (2) The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.**
- (3) Compliance with the duties in this section may involve treating some persons more favourably than others.”**

The following list of questions may help to establish whether the decision is relevant to equality:

- Does the decision affect service users, employees or the wider community?
- (The relevance of a decision to equality depends not just on the number of those affected but on the significance of the impact on them)
- Is it likely to affect people with particular protected characteristics differently?
- Is it a major policy, or a major change to an existing policy, significantly affecting how functions are delivered?
- Will the decision have a significant impact on how other organisations operate in terms of equality?
- Does the decision relate to functions that engagement has identified as being important to people with particular protected characteristics?
- Does the decision relate to an area with known inequalities?
- Does the decision relate to any equality objectives that have been set by the council?

Please complete the following questions to determine whether a full Stage Two, Equality Impact Assessment is required.

What is the proposed decision that you are asking the Executive to make:	No decision – report to note only
Summary of relevant legislation:	
Does the proposed decision conflict with any of the Council's key strategy priorities?	No
Name of assessor:	Gabrielle Esplin
Date of assessment:	23/7/19

Is this a:		Is this:	
Policy	No	New or proposed	No
Strategy	No	Already exists and is being reviewed	Yes
Function	Yes	Is changing	No
Service	No		

1 What are the main aims, objectives and intended outcomes of the proposed decision and who is likely to benefit from it?	
Aims:	Not applicable – report on 2018/19 activity to note only
Objectives:	
Outcomes:	
Benefits:	

2 Note which groups may be affected by the proposed decision. Consider how they may be affected, whether it is positively or negatively and what sources of information have been used to determine this. (Please demonstrate consideration of all strands – Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion or Belief, Sex and Sexual Orientation.)		
Group Affected	What might be the effect?	Information to support this
Age	Not applicable – report on 2018/19 activity to note only	
Disability		
Gender Reassignment		
Marriage and Civil		

Partnership		
Pregnancy and Maternity		
Race		
Religion or Belief		
Sex		
Sexual Orientation		
Further Comments relating to the item:		

3 Result	
Are there any aspects of the proposed decision, including how it is delivered or accessed, that could contribute to inequality?	No
Please provide an explanation for your answer:	
Will the proposed decision have an adverse impact upon the lives of people, including employees and service users?	No
Please provide an explanation for your answer:	

If your answers to question 2 have identified potential adverse impacts and you have answered 'yes' to either of the sections at question 3, or you are unsure about the impact, then you should carry out a Stage Two Equality Impact Assessment.

If a Stage Two Equality Impact Assessment is required, before proceeding you should discuss the scope of the Assessment with service managers in your area. You will also need to refer to the [Equality Impact Assessment guidance and Stage Two template](#).

4 Identify next steps as appropriate:	
Stage Two required	No
Owner of Stage Two assessment:	
Timescale for Stage Two assessment:	

Name: Gabrielle Esplin

Date: 23/7/19

Please now forward this completed form to Rachel Craggs, Principal Policy Officer (Equality and Diversity) (rachel.craggs@westberks.gov.uk), for publication on the WBC website.