

REPORT TO: CABINET

DATE: 12 SEPTEMBER 2019

TITLE: ANNUAL TREASURY MANAGEMENT REPORT
2018/19

PORTFOLIO HOLDER: COUNCILLOR MIKE DANVERS, PORTFOLIO
HOLDER FOR RESOURCES

LEAD OFFICER: SIMON FREEMAN, HEAD OF FINANCE AND
DEPUTY TO THE CHIEF EXECUTIVE
(01279) 446228

CONTRIBUTING OFFICER: ANDREW SMITH, FINANCE MANAGER
(01279) 446212

This is a Key Decision

It is on the Forward Plan as Decision Number I010141

The decision is not subject to Call-in Procedures for the following reason:

The decision stands as a recommendation to Full Council.

This decision will affect no ward specifically.

RECOMMENDED that Cabinet recommends to Full Council:

- A The annual Treasury Management Report for 2018/19, as set out in Appendix A to the report, including that the Council operated within the Treasury Management Strategy Statement during 2018/19, be noted and approved.

REASON FOR DECISION

- A In complying with latest Codes of Practice, Full Council is required to receive an annual report on the prior year's treasury management functions of the Council, which should also receive review by Cabinet in advance of its presentation to Full Council.
- B The Prudential Indicators are also required to be reported to Full Council. These are included within the annual treasury management report.

BACKGROUND

1. Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2. During 2018/19 the minimum reporting requirements were that Full Council should receive the following reports:
 - a) An annual treasury strategy in advance of the year (Full Council, 1 February 2018).
 - b) A mid-year treasury update report (Full Council, 6 December 2018).
 - c) An annual review following the end of the year describing the activity compared to the strategy (this report).
3. The annual report for 2018/19 has been produced in compliance with the Code and is set out in Appendix A to this report. The regulatory environment governing treasury management places onus on Councillors for the review and scrutiny of treasury management policies and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Councillors.

ISSUES/PROPOSALS

4. As stewards of public funds, the Council continues to take all practical steps to protect its investment portfolio. In this respect, emphasis remains in this order of priority: security, liquidity and yield.
5. Security is defined as 'reducing risk in order to protect the return of capital sums, particularly in relation to the Council's investments'. In practice this means placing investments with organisations which have a high quality credit rating, i.e. banks and other bodies which have a Fitch rating of A(-) and above. Local authorities do not, usually, have credit ratings but are inherently safe havens for investment.
6. Liquidity means 'ensuring that investments are not committed for excessive time-periods in order to facilitate the Council's cash flow requirements and to reflect the risk of not having immediate access to funds'. Councils are discouraged from investing disproportionate sums of money for long periods of time at what seem attractive rates of return.
7. Yield is 'obtaining a reasonable return on investments'. Once again 2017/18 has been a year of continued low interest rates. The Bank of England's Base Rate increased from 0.5 per cent to 0.75 per cent in August 2018. The Council has attempted to gain the best yields without compromising security and liquidity. The average rate achieved was 0.83 per cent.
8. The advice from Arlingclose, the Council's treasury advisors, is that the Council must aim towards a good investment spread as this is the best defence to protect the Council from a possible capital loss. As a result, and within the overarching powers given by members in the Treasury Management Strategy, the Council held investments with the CCLA (the Local Authority property fund),

a Cash-Plus Fund, Money Market Funds, local authorities and the Treasury's Debt Management Office. It does not currently have any investments with Banks and Building Societies other than funds held overnight with its own banker, Barclays Bank PLC.

IMPLICATIONS

Environment and Planning (Includes Sustainability)

None specific.

Author: Andrew Bramidge, Head of Environment and Planning

Finance (Includes ICT, and Property and Facilities)

As contained within the report.

Author: Simon Freeman, Head of Finance and Deputy to the Chief Executive

Housing

None specific.

Author: Andrew Murray, Head of Housing

Community Wellbeing (Includes Equalities and Social Inclusion)

None specific.

Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)

None specific.

Author: Simon Hill, Head of Governance

Appendices

Appendix A – Treasury Management Strategy 2018/19