

**REPORT TO:** CABINET

**DATE:** 10 SEPTEMBER 2020

**TITLE:** ANNUAL TREASURY MANAGEMENT REPORT  
2019/20

**PORTFOLIO HOLDER:** COUNCILLOR MIKE DANVERS, PORTFOLIO  
HOLDER FOR RESOURCES

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

**CONTRIBUTING OFFICER:** REBECCA KEENE, PRINCIPAL FINANCE  
MANAGER (01279) 446448

**This is not a Key Decision**

**It is on the Forward Plan as Decision Number I011370**

**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:**

- A** Cabinet noted the annual Treasury Management Report for 2019/20 (Appendix A to the report), including that the Council operated within the Treasury Management Strategy Statement during 2019/20, and that the report is recommended to Full Council for approval.

**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 Council'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 2019/20 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, 7 February 2019);
  - b) A mid-year treasury update report (Full Council, 30 January 2020); and
  - c) An annual review following the end of the year describing the activity compared to the strategy (this report).
3. The annual report for 2019/20 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 cashflow 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". For most of the financial year the Bank of England base rate held steady at 0.75 per cent. However, as a result of the Covid-19 pandemic, and the measures put in place to stop the spread of the virus, the rate was reduced to a record low of 0.1 per cent in March 2020. The Council has attempted to gain the best yields without compromising security and liquidity.
8. The advice from Arlingclose 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

Councillors 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 DMO. 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 in the report.

**Author: Simon Freeman, Head of Finance and Property 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 – Annual Treasury Management Report 2019-20

## **Background Papers**

Treasury Management Strategy 2019/20

<http://moderngov.harlow.gov.uk/documents/s14878/Appendix%20A%20-%20Treasury%20Management%20Strategy%20Mid-Year%20Review%20201920.pdf>

## **Glossary of terms/abbreviations used**

None.