

SUBJECT:	<i>Treasury Management – Annual Performance Report 2018/19</i>
REPORT OF:	<i>Jim Burness, Director of Resources</i>
RESPONSIBLE OFFICER	<i>Helen O'Keeffe, Capital & Treasury Manager</i>
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WARD/S AFFECTED	<i>All</i>

1. Purpose of Report

- 1.1 To report on the Treasury Management performance of the Council for 2018/19 as required under the Code of Practice for Treasury Management.

RECOMMENDATION

Members are requested to note the Treasury Management performance for 2018/19 as required by the Code of Practice for Treasury Management.

2. Background

- 2.1 The Council is required to comply with the CIPFA Code of Practice on Treasury Management. The primary requirements of the code are:
- (i) Creation and maintenance of a Treasury Management Policy Statement, which sets out the policies and objectives of the Council's treasury management activities.
 - (ii) Creation and maintenance of Treasury Management Practices, which set out the manner in which the Council will achieve those policies and objectives.
 - (iii) Receipt by the Cabinet and Council of an annual strategy report for the year ahead **and an annual review report of the previous year.**
 - (iv) The delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

3. Annual Report on Treasury Management 2018/19

- 3.1 In January 2019 the Council took out a loan from the PWLB to finance the purchase of a budget hotel through Consilio Property Ltd. The value of the loan was £5,478,000, borrowed at an interest rate of 2.09% repayable over 10 years.

- 3.2 The base rate was decreased from 0.5% to 0.25% in August 2016, with the rate having remained at 0.5% since March 2009. The base rate was increased to 0.5% on 2 November 2017.
- 3.3 Officers invest cash flow surpluses with approved counter parties. During the year, officers invested funds in accordance with counter parties approved as part of the Treasury Management Strategy 2018/19 as in the table below.

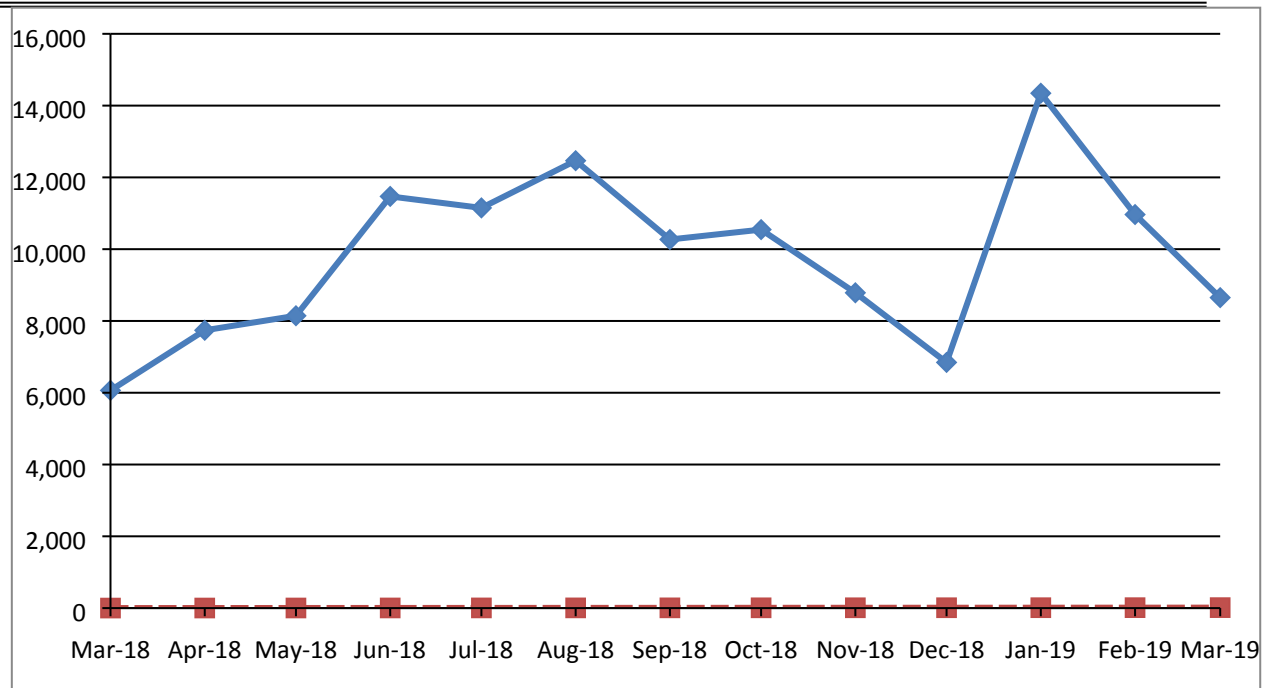
	Duration	Maximum Amount	Fitch Rating	Comment
Money Market Funds	-	£5m	AAA	
UK Institutions	Up to 3 years	£5m	BBB+ or better	
Non UK Institution	Up to 3 years	£2m	A- or better	Sovereignty rating AA or better
Corporate Bonds/Bond Funds	Up to 3 years	£5m	A- or better	
Other Approved Investments (eg Property Funds)	-	£5m	-	-

- 3.4 A summary of the movements in the year is as follows:

	Fund Balance 1.4.2018 £000	Fund Withdrawals £000	Added to Fund £000	Fund Balance 31.3.2019 £000
Instant access deposits	5,065	2,415	0	2,650
Money Market Funds	1,000	13,000	18,000	6,000
Fixed Deposits	8,000	12,000	4,000	0
Corporate Bonds	590	*27	0	563
Total	14,655	27,442	22,000	9,213

* change in market value

- 3.5 The following graph shows how the level of cash and instant access investments has fluctuated over the year.



3.6 As at 31 March 2019 Council had no Fixed Deposits.

3.7 Funds are held on a short term basis for day to day cashflow purposes with our bankers, Barclays. At the end of March £2,650k was held in an instant access account.

3.8 The following corporate bonds were held at the end of the March 2019:

Bond held	Valuation £	Coupon Interest Rate	Effective Interest Rate	Maturity date
Asif II (a)	91,359	6.38%	5.49%	05/10/20
Asif II (b)	30,096	6.38%	5.33%	05/10/20
Asif II (c)	48,367	6.38%	6.41%	05/10/20
UK Treasury	162,286	8.00%	4.77%	07/06/21
Atlantia SPA (a)	63,023	6.25%	5.65%	09/06/22
Atlantia SPA (b)	99,509	6.25%	5.55%	09/06/22
UK Treasury	68,701	6.00%	4.76%	07/12/28
Total	563,341			

3.9 The weighted average interest rate earned on fixed rate investments in the year was 0.79%.

3.10 Link Asset Services is engaged by the Council as its Treasury Management consultants providing advice on investment, performance and regulations where necessary.

4 Corporate Implications

- 4.1 A comparison between the actual and budgeted interest returns for 2018/19 is shown in the table below:

	Budget 2018/19 £000	Actual 2018/19 £000
Fixed Deposits		26
Short Term Investments		30
Money Market Funds		46
Farnham Trust Clubhouse Loan		36
Other Miscellaneous Interest ⁽¹⁾		4
Corporate Bonds		27
Consilio Loan		50
Total Interest	150	219

Note 1: miscellaneous interest includes interest from car loans and Swan Road.

- 4.2 There was an overachievement of £69k from the budget during 2018/19. Fixed term investments earned less interest than budgeted as returning investments were not reinvested during the year, short term investments and Money Market Funds earned a higher rate of interest than budgeted. However, the main reason behind the overachievement of the budget was interest from the loan with Consilio which was not budgeted.
- 4.3 The target figure for investment income for 2019/20 has been set at £100,000.

Background Papers:	None
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