

## Resources and Fire & Rescue Overview and Scrutiny Committee

11 July 2018

### Treasury Management Monitoring Report 2017/18

#### Recommendation

That the Resources and Fire & Rescue Overview and Scrutiny Committee considers and comments on Treasury Management in respect of 2017/18.

#### 1 Introduction

1.1 Warwickshire County Council fully complies with the requirements of The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice (COP) on Treasury Management (Revised) 2009. The primary requirements of the Code are the:

- creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- receipt by the Cabinet of an Annual Treasury Management Strategy Report for the year ahead, a midyear review report (as a minimum) and an annual review report of the previous year.
- 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.

1.2 Under the CIPFA Code, the Cabinet is required to receive a report on the outturn of the annual treasury management activity for the authority. Monitoring reports regarding treasury management are an agenda item for the Resources and Fire & Rescue Overview and Scrutiny Committee throughout the year.

1.3 Treasury management in the context of this report is defined as:

"The management of the local authority's 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.” (CIPFA Code of Practice).

## 2 Investments

- 2.1 The Council has an investment portfolio consisting of reserves and cash arising from daily receipts being in excess of payments on a short term basis.
- 2.2 Security and liquidity of cash was prioritised above the requirement to maximise returns. The Council adopted a cautious approach to lending to financial institutions, and continuously monitored credit quality information regarding the institutions on the Council’s approved Lending List.
- 2.3 The Council’s investment portfolio at the end the financial year 2017/18 was as follows:

**Table 1: Investment Position at 31 March 2018**

	Invested at 31 March 2018
	£m
In house deposits	25.036
Money Market/External Funds	240.280
<b>Total</b>	<b>265.316</b>

- 2.4 Performance of the Council’s investments (weighted) versus the benchmark was:

**Table 2: Investment Performance to 31 March 2018**

	Average Interest rate year to date	Target rate: 7 day LIBID	Variance
	%	%	%
In house deposits	0.42	0.21	0.21
Money Market/External Funds	0.90	0.21	0.69
<b>Total</b>	<b>0.87</b>	<b>0.21</b>	<b>0.66</b>

2.5 The interest earned on the Council's investments was as follows:

**Table 3: Interest Earned to March 2018**

	Year to date
	£m
In house deposits	0.064
Money Market/External Funds	2.446
<b>Total</b>	<b>2.510</b>

2.6 The table below details our consultant's view on interest rates. With continued uncertainty over the final terms of Brexit, base rate, and therefore Money Market rates are likely to remain at low levels until mid-2019. The impact of this is the continuation of low returns on cash deposits and money market funds.

**Table 4: Interest Rate Forecast**

	Present – Sep 2018 %	Dec 2018 – Sept 2019 %	Dec 2019 %
Interest Rate Forecast	0.50	0.75	1.00

Source: Link Asset Services

### 3 Debt Financing

3.1 As at 31<sup>st</sup> March 2018 the authority had borrowing held with The Public Works Loans Board (PWLB) of £353.404m. The weighted average interest payable on the loans during 2017/18 was 4.85%. Total interest payable for the year was £17.166m.

3.2 During the financial year, maturing debt of £1.15m was repaid. The interest rate of repaid debt was 9.75%. The County did not undertake any new long term borrowing in 2017/18.

### 4 Compliance with Treasury Limits and Prudential Indicators

4.1 During 2017/18, the Council operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Policy Statement and Treasury Management Strategy. Full details of the Prudential Indicators set for 2018/19 are shown in **Appendix A**. Explanations of the terminology employed is set out in **Appendix B**.

## 5 Sensitivity Analysis

5.1 For the purposes of disclosure on Market Risk a sensitivity analysis has been carried out to show the impact of a change in interest rates of + 1% on the debt portfolios.

5.2 The following table shows the results of the sensitivity analysis:

	<b>Actual</b>	<b>+1% increase in Base Rate</b>	
	<b>F.V. at 31.03.2018 £m</b>	<b>F.V. at 31.03.2018 £m</b>	<b>Difference £m</b>
Debt (new borrowing)	543.889	458.018	<b>85.871</b>
Debt (early repayment)	647.789	536.974	<b>110.815</b>

### Background Papers

None

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The report was circulated to the following members prior to publication:

Local Member(s): N/A

Other members: Cllrs Kam Kaur, Andy Crump, Heather Timms, Parminder Singh Birdi, Maggie O'Rourke and Sarah Boad.