

Mid-Year Treasury Performance 2018/19

Cabinet

Date: 5th December 2018

Author: Cabinet Member for Finance
Director of Finance

Wards: All

Locality Affected: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 This report sets out the mid-year Treasury Management performance for 2018/19.
- 1.2 The effective management of financial resources through robust financial management processes underpins the Council's ability to achieve its plans and priorities.

2. Recommendations

Cabinet is recommended to:

- 2.1 Note the mid-year Treasury Management performance.

3. Detail

- 3.1 The CIPFA Treasury Code of Practice recommends that Treasury Management performance is reported at least twice a year. This report sets out the mid-year performance for the Council to the end of September 2018.
 - 3.2 The Treasury Management Strategy Statement, (TMSS), for 2018/19 was approved by this Council on 22nd February 2018 (Council minute 84 refers). There are no policy changes to the TMSS.
 - 3.3 The Council is involved in two types of treasury activity, both of which are affected by the economic environment:
 - 3.3.1 Borrowing **long-term** (greater than 1 year) for capital investment purposes, and **short-term** (less than 1 year) for temporary cash flow purposes;
 - 3.3.2 Investment of surplus cash.
 - 3.4 The performance in respect of each of these two activities is summarised below.
 - 3.5 The changes to the capital programme and their impact on financing requirements are shown as part of the Capital Monitoring Quarter 2 report that is elsewhere on this agenda.
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Further information on the subject of this report can be obtained from Ian Burbidge on Direct Dial No.07769 281 641, or Email imburbidge@swindon.gov.uk.

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Borrowing

- 3.6 The Council has not taken out any new long term loans in the first 6 months of this financial year.
- 3.7 In addition to long-term borrowing, the Council also undertakes short-term borrowing in order to smooth out peaks and troughs in its daily cash flow. As at the 30th September 2018, the Council had £17m worth of short-term borrowing. It should be emphasised that as short-term borrowing is undertaken in respect of daily cash flow activities, this figure can fluctuate significantly from day to day dependent on income received or payments due out.
- 3.8 The Council's total long-term debt decreased from £307.8m on 31st March 2018 to £297.0m on 30th September 2018 as a single loan of £10m plus a small element of other loans matured. The overall average long-term borrowing rate has remained the same as at 1st April 2018 at 3.48%
- 3.9 There is a significant further long-term borrowing requirement to fund the capital programme and any further loans will be taken out in accordance with the approved Treasury Management Strategy taking into account prevailing interest rates and future projections.

Investments - Lending

- 3.10 As at the 30th September 2018, total investments stood at £45.5m. The average investment balance over the 6 months was £50.4m returning an average rate of **1.93%**.
- 3.11 There are three main categories of investment:
- 3.11.1 Liquid Investments – investments that are instantly accessible and are used primarily to smooth the peaks and troughs in the Council's daily cash flow. These include money market funds, instant access accounts and any balances in our own bank account. The average balance on these funds was £7.1m over the first 6 months of the year achieving an average investment rate of 0.52%.
- 3.11.2 Fixed Term investments – these are locked in for a specific period of time and therefore gain the maximum return (once security and liquidity have been ensured using the Council's creditworthiness parameters.) These investments are made with banks for a fixed term up to 2 years. The average balance of these investments over the first 6 months was £28.3m, achieving an average rate of 0.66% comparing favourably with the benchmark 3 Month LIBOR rate of 0.55%.
- 3.11.3 Local Authority Property Fund ("LAPF") - £15m is invested in this fund with an average rate of return of **4.30%**.

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3.11.4 The LAPF gives local authorities an exposure to a diversified portfolio of commercial property throughout the UK and its objectives are to generate long-term growth in capital and an attractive income over time (5 years or more). The trustees of the fund are the Local Authorities' Mutual Investment Trust (LAMIT), a body controlled by representatives of the Local Government Association, the Convention of Scottish Local Authorities, the Northern Ireland Local Government Officers' Superannuation Committee and investors in the Fund.

3.12 The Council's debt and investment position as at 30th September 2018 compared with 31st March 2018 is shown in the table below:

Analysis of Debt and Investments

Debt & Investments	31/03/2018		30/09/2018	
	£'000	Rate (%)	£'000	Rate (%)
Long Term Debt - PWLB	267,755	3.39%	267,004	3.39%
Long Term Debt - Market	40,000	3.59%	30,000	4.30%
Total Long Term Debt	307,755	3.42%	297,004	3.48%
Short-term Borrowing	8,000	0.48%	17,000	0.75%
Total Debt	315,755	3.34%	314,004	3.33%
Investments	(48,000)	1.67%	(45,500)	1.93%
Net Borrowing Position	267,755		268,504	

Compliance with Treasury Limits

3.13 During the 2018/19 Financial Year to date, all Treasury activity has been carried out within the Council's Treasury limits and Prudential Indicators, as set out in the Council's Treasury Management Strategy.

Housing Revenue Account (HRA) current position

3.14 The table below provides a summary of the HRA debt position together with the estimated debt and reserves position as at 31/3/19. The HRA budget assumes a £5m repayment of its outstanding loans at the end of March 2019. The HRA loans attract interest at 3.32%, the reserves attract interest based on the pooled investment income rate for the entire Council portfolio.

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HRA Debt Limit £m	1 st April 2018	Estimated 31 st March 2019
	£'000's	£'000's
HRA debt cap	172,600	-
HRA loans outstanding	114,015	109,015
HRA headroom	58,585	-
Interest on HRA loans	-	3,618
HRA investment balance	21,521	25,000

- 3.15 Members will be aware that the Government has recently announced the removal of the HRA debt cap, instead relying only on the requirement that any borrowing is carried out in a prudent manner.

4. Alternative Options

- 4.1 Any alternative options for specific areas are set out within the report.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 These have been reflected in the body of the report.

Legal and Human Rights Implications

- 5.2 All legal and human rights considerations have been taken fully into account in compiling this report. It is considered that the recommendations of this report are compatible with Convention rights.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 There are no such direct implications.

Diversity Impact Assessment (DIA)

- 5.4 There is no impact on DIA associated with management of the Councils cash balances.

Risk Management

- 5.5 There are no direct risks arising from this report.

6. Consultees

- 6.1 The Director of Finance (Section 151 Officer) and Interim Director of Law (Monitoring Officer) are consulted in respect of all reports.

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7. Background Papers

7.1 None

8. Appendices

8.1 None

9. Key Decision/Decision in Cabinet Work Programme and Forward Plan

9.1 This is not a key decision and is included in the Cabinet Work Programme / Forward Plan for December 2018.