

**COMMITTEE:** COUNCIL **Ref: C/19/08**  
**DATE:** 24 JULY 2019  
**SUBJECT:** TREASURY MANAGEMENT PERFORMANCE 2018/19  
**PORTFOLIO HOLDER:** COUNCILLOR MARTIN COOK  
**HEAD OF SERVICE:** JOHN CHANCE

***Brief description of report content and the decision being asked for:***

The Treasury Management Code of Practice requires an annual report on Treasury Management activities to go to Council. This report complements the information supplied in the quarterly budget monitoring reports.

That the Treasury Management Operations for the period 1 April 2018 to 31 March 2019 be noted.

*This report has been prepared by David Wolton  
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***This report was prepared after consultation with:***

Helen Pluck, Chief Operating Officer  
John Chance, Head of Finance and Revenues  
Tom Minnican, Operations Manager – Finance and Procurement

***The following policies form a context to this report:***

*(all relevant policies must also be referred to in the body of the report)*

Financial Strategy  
Building a Better Ipswich  
Standing Orders  
Treasury Management Strategy

This report is not a key decision included in the Forward Plan

**LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW**

*(papers relied on to write the report but which are not published and do not contain exempt information –*

None.

**OTHER HELPFUL PAPERS**

*(papers which the report author considers might be helpful – this might include published material)*

1. Medium Term Financial Plan – Council 21 February 2018
2. Treasury Management Performance 2018/19 – Council 28 November 2018

## 1. INTRODUCTION

- 1.1 The treasury management service is an important part of the overall financial management of the Council's affairs, is strictly regulated by statutory requirements which leans on a professional code of practice (the CIPFA Code of Practice on Treasury Management).
- 1.2 The code requires the setting out of responsibilities and duties of the members and officers, allowing a framework for reporting and decision making on all aspects of Treasury Management. This information is held in a Treasury Management Systems Document, which is a requirement of the above Code of Practice, which is held in Financial Services and is an up to date record of the Treasury Management Systems and Operations.
- 1.3 The Section 151 Officer reports to Executive as part of the quarterly budgetary control report on treasury management activities.
- 1.4 Council approved the Treasury Management Policy Statement, Borrowing Limits and Annual Investment Strategy 2018/19 as part of the Medium Term Financial Plan on 21 February 2018.
- 1.5 The approved activities of the Treasury Management operation are as follows:
- 1.5.1 Borrowing funds and interest rate exposure management
  - 1.5.2 Debt repayment and rescheduling
  - 1.5.3 Investing surplus funds
  - 1.5.4 Use of external managers for temporary investment of funds
- 1.6 This report outlines what happened in relation to each of these four elements of the approved strategy for the period 1 April 2018 to 31 March 2019. The position in respect of borrowing and investments is summarised in the table below:

	Position at 31/3/18	Position at 31/3/19	Change
	£	£	£
<b>Borrowing</b>			
PWLB Maturity	71,050,527	93,050,527	22,000,000
PWLB Annuity	70,056,909	67,009,414	-3,047,495
PWLB EIP	30,992,654	29,518,096	-1,474,558
Market Loans	13,600,000	12,600,000	-1,000,000
<b>Total Borrowing</b>	<b>185,700,090</b>	<b>202,178,037</b>	<b>16,477,947</b>
<b>Investments</b>			
Fixed Term Investments	19,000,000	27,000,000	+8,000,000
Instant Access Accounts	5,000,000	5,000,000	0
Notice Accounts	6,000,000	6,000,000	0
Money Market Funds	4,420,000	3,250,000	-1,170,000
Inter Group Loans	66,487,822	88,255,288	+21,767,466
<b>Total Investments</b>	<b>100,907,822</b>	<b>129,505,288</b>	<b>+28,597,466</b>

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## **2. BACKGROUND**

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- 2.1 Executive on 13 March 2012 agreed that the Council would have two borrowing pools, one for General Fund (GF) and one for the Housing Revenue Account (HRA) and that all the Council's current debt as at 31 March 2012 would be allocated to the HRA. All future borrowing will be ringfenced to the GF or HRA as appropriate.
- 2.2 Over the last few years the Council has had a very risk averse strategy. With the rates on these accounts falling and more confidence in the market, the Council has undertaken a number of fixed term investments. These fixed term investments have been spread out, to further minimise risk and so they do not all mature at once. All fixed term investments are approved by the Section 151 Officer in consultation with the Finance Portfolio holder before they are undertaken.
- 2.3 Council sets the investment limits for individual organisations as part of the Medium Term Financial Plan for the year. The Section 151 Officer sets operational limits within these parameters.
- 2.4 In October the Government announced the abolition of the HRA Borrowing Cap as a further incentive to help Council's build more social housing.

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## **3. POLICY CONTEXT**

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- 3.1 The Treasury Management Policy Statement, Borrowing Limits and Annual Investment Strategy was approved for 2018/19 on 21 February 2018 and set the parameters the Council can work within for certain items, such as the authorised limit for borrowing and the counterparties the Council can invest with and the maximum amount that can be invested with one counterparty.

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## **4. RISK MANAGEMENT**

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- 4.1 The security and return of investments is the biggest priority due to the current economic circumstances. As a general rule the more security an investment has, the lower the interest rate is. All investments in 2018/19 have been returned when they have been due.

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## **5. PERFORMANCE MONITORING**

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- 5.1 The MPC meet every month and at its 2 August meeting the base rate was increased from 0.50% to 0.75%. The increase had been built into the market rates leading up to the decision and it was not a surprise that the base rate was increased. All the Council's borrowing is at fixed interest rates, so there was no increase in costs arising from the change. The Council does expect to see higher investment income, as the returns on Money Market Funds (MMF's) and one instant access account that is linked to the base rate will increase. However, this will be offset by higher borrowing rates.

- 5.2 Overall the General Fund made savings on the capital financing budget of £369k during 2018/19. This was mainly due to the investment return on the investments made in the Council's arms-length companies.
- 5.3 Overall the Housing Revenue Account made savings on the capital financing budget of £456k during 2018/19. This was mainly due to the Council using internal balances rather than borrowing and having higher balances than expected.
- 5.4 During 2018/19 the Council repaid £5.522m of existing debt. The Council also borrowed £22m during the year. An analysis of the Council debt movements between 1 April 2018 and 31 March 2019 is shown at Appendix A.
- 5.5 As at 31 March 2019, the Council had £27m of fixed term investments. An analysis of the Council's fixed term investments as at 31 March 2019 is shown at Appendix B.
- 5.6 For working capital, the Council uses Instant access accounts and MMF's. As at 31 March 2019, the Council had £8.250m of investments spread over these types of Investments. The Council only started using MMF's during 2015/16, and the interest rates obtained are slightly higher than on the Council's Instant access accounts. The other advantage of using MMF's is that it gives the Council more scope to place investments with other counterparties on the Council's approved investment list.
- 5.7 The Council has also been using notice accounts and as at 31 March 2019, the Council had £6m in this type of account. An analysis of the Council's Instant access accounts, MMF investments and notice accounts is shown at Appendix C.
- 5.8 Temporary lending to arms-length companies is being made from balances and external borrowing. As at 31 March 2019 the Council had outstanding investments to the Council's arms-length companies of £88.255m.
- 5.9 The Prudential Indicators are shown at Appendix D.
- 5.10 Councillors and Senior Officers continue to review the Council's Investment Strategy to see if further value can be gained.

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## **6. CONCLUSIONS**

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- 6.1 The economic conditions are still volatile and security of the Council's assets should continue to be the Council's prime objective.

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## **7. RECOMMENDED: -**

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- 7.1 that the Treasury Management Operations for the period 1 April 2018 to 31 March 2019 be noted.**

**EXTERNAL LOANS OUTSTANDING AS AT 31/3/2019**

Loan No.	Interest Rate	Date Loan Taken Out	Date Loan Matures	Principal Outstanding as at 31/3/18	Loans Raised During Period	Loans Repaid During Period	Principal Outstanding as at 31/3/19
<b>PWLB Maturity</b>							
479528	7.375%	28/05/1997	28/05/2057	3,000,000	0	0	3,000,000
488921	4.950%	05/08/2004	30/09/2029	2,000,000	0	0	2,000,000
489703	4.700%	25/02/2005	31/03/2030	3,000,000	0	0	3,000,000
491461	4.350%	27/04/2006	31/03/2053	3,000,000	0	0	3,000,000
491462	4.350%	27/04/2006	31/03/2055	3,230,527	0	0	3,230,527
500168	3.500%	28/03/2012	01/04/2058	1,660,000	0	0	1,660,000
500158	3.500%	28/03/2012	01/08/2058	1,660,000	0	0	1,660,000
500163	3.500%	28/03/2012	01/12/2058	1,660,000	0	0	1,660,000
500149	3.500%	28/03/2012	01/05/2059	1,660,000	0	0	1,660,000
500167	3.500%	28/03/2012	01/09/2059	1,660,000	0	0	1,660,000
500148	3.490%	28/03/2012	01/01/2060	1,660,000	0	0	1,660,000
500151	3.490%	28/03/2012	01/06/2060	1,660,000	0	0	1,660,000
500159	3.490%	28/03/2012	01/10/2060	1,660,000	0	0	1,660,000
500146	3.490%	28/03/2012	01/02/2061	1,660,000	0	0	1,660,000
500133	3.480%	28/03/2012	01/07/2061	1,660,000	0	0	1,660,000
500152	3.480%	28/03/2012	01/11/2061	1,660,000	0	0	1,660,000
500128	3.480%	28/03/2012	01/03/2062	1,660,000	0	0	1,660,000
503548	2.070%	15/12/2014	15/12/2019	1,400,000	0	0	1,400,000
503549	2.230%	15/12/2014	15/12/2020	2,000,000	0	0	2,000,000
503550	2.490%	15/12/2014	15/12/2022	2,000,000	0	0	2,000,000
503551	2.590%	15/12/2014	15/12/2023	2,000,000	0	0	2,000,000
503552	2.690%	15/12/2014	15/12/2024	2,000,000	0	0	2,000,000
503553	2.770%	15/12/2014	15/12/2025	1,000,000	0	0	1,000,000
506561	2.670%	08/11/2017	08/11/2037	26,500,000	0	0	26,500,000
508042	2.270%	15/11/2018	15/11/2028	0	22,000,000	0	22,000,000
				71,050,527	22,000,000	0	93,050,527

**EXTERNAL LOANS OUTSTANDING AS AT 31/3/2019**

Loan No.	Interest Rate	Date Loan Taken Out	Date Loan Matures	Principal Outstanding as at 31/3/18	Loans Raised During Period	Loans Repaid During Period	Principal Outstanding as at 31/3/19
<b>PWLB Annuity</b>							
140313	3.000%	19/11/1948	31/12/2027	298	0	26	272
500157	2.520%	28/03/2012	01/04/2031	1,234,006	0	77,796	1,156,211
500144	2.520%	28/03/2012	01/05/2031	1,232,521	0	77,702	1,154,819
500138	2.520%	28/03/2012	01/06/2031	1,232,521	0	77,702	1,154,819
500164	2.520%	28/03/2012	01/07/2031	1,232,521	0	77,702	1,154,819
500112	2.520%	28/03/2012	01/08/2031	1,232,521	0	77,702	1,154,819
500113	2.520%	28/03/2012	01/09/2031	1,232,521	0	77,702	1,154,819
500122	2.570%	28/03/2012	01/10/2031	1,247,606	0	75,087	1,172,519
500126	2.570%	28/03/2012	01/11/2031	1,247,606	0	75,087	1,172,519
500161	2.570%	28/03/2012	01/12/2031	1,247,606	0	75,087	1,172,519
500129	2.570%	28/03/2012	01/01/2032	1,247,606	0	75,087	1,172,519
500142	2.570%	28/03/2012	01/02/2032	1,247,606	0	75,087	1,172,519
500154	2.570%	28/03/2012	01/03/2032	1,247,606	0	75,087	1,172,519
500147	3.320%	28/03/2012	01/04/2046	1,488,501	0	32,024	1,456,477
500131	3.320%	28/03/2012	01/05/2046	1,488,501	0	32,024	1,456,477
500130	3.320%	28/03/2012	01/06/2046	1,488,501	0	32,024	1,456,477
500114	3.320%	28/03/2012	01/07/2046	1,488,501	0	32,024	1,456,477
500127	3.320%	28/03/2012	01/08/2046	1,488,501	0	32,024	1,456,477
500141	3.320%	28/03/2012	01/09/2046	1,488,501	0	32,024	1,456,477
500143	3.340%	28/03/2012	01/10/2046	1,493,176	0	31,172	1,462,004
500169	3.340%	28/03/2012	01/11/2046	1,493,176	0	31,172	1,462,004
500135	3.340%	28/03/2012	01/12/2046	1,493,176	0	31,172	1,462,004
500166	3.340%	28/03/2012	01/01/2047	1,493,176	0	31,172	1,462,004
500156	3.340%	28/03/2012	01/02/2047	1,493,176	0	31,172	1,462,004
500165	3.340%	28/03/2012	01/03/2047	1,493,176	0	31,172	1,462,004
503615	2.270%	08/01/2015	08/01/2030	7,344,302	0	538,934	6,805,369
506559	2.150%	08/11/2017	08/11/2037	12,440,000	0	503,805	11,936,195
506560	2.150%	08/11/2017	08/11/2037	17,500,000	0	708,728	16,791,272
				70,056,909	0	3,047,495	67,009,414

**EXTERNAL LOANS OUTSTANDING AS AT 31/3/2019**

Loan No.	Interest Rate	Date Loan Taken Out	Date Loan Matures	Principal Outstanding as at 31/3/18	Loans Raised During Period	Loans Repaid During Period	Principal Outstanding as at 31/3/19
<b>PWLB EIP</b>							
500137	2.760%	28/03/2012	01/04/2036	1,253,469	0	67,755	1,185,714
500153	2.760%	28/03/2012	01/05/2036	1,253,469	0	67,755	1,185,714
500155	2.760%	28/03/2012	01/06/2036	1,253,469	0	67,755	1,185,714
500136	2.760%	28/03/2012	01/07/2036	1,253,469	0	67,755	1,185,714
500120	2.760%	28/03/2012	01/08/2036	1,253,469	0	67,755	1,185,714
500134	2.760%	28/03/2012	01/09/2036	1,253,469	0	67,755	1,185,714
500160	2.790%	28/03/2012	01/10/2036	1,261,600	0	66,400	1,195,200
500123	2.790%	28/03/2012	01/11/2036	1,261,600	0	66,400	1,195,200
500132	2.790%	28/03/2012	01/12/2036	1,261,600	0	66,400	1,195,200
500115	2.790%	28/03/2012	01/01/2037	1,261,600	0	66,400	1,195,200
500145	2.790%	28/03/2012	01/02/2037	1,261,600	0	66,400	1,195,200
500125	2.790%	28/03/2012	01/03/2037	1,261,600	0	66,400	1,195,200
500117	3.010%	28/03/2012	01/04/2041	1,322,373	0	56,271	1,266,102
500119	3.010%	28/03/2012	01/05/2041	1,322,373	0	56,271	1,266,102
500116	3.010%	28/03/2012	01/06/2041	1,322,373	0	56,271	1,266,102
500170	3.010%	28/03/2012	01/07/2041	1,322,373	0	56,271	1,266,102
500121	3.010%	28/03/2012	01/08/2041	1,322,373	0	56,271	1,266,102
500139	3.010%	28/03/2012	01/09/2041	1,322,373	0	56,271	1,266,102
500162	3.030%	28/03/2012	01/10/2041	1,328,000	0	55,333	1,272,667
500150	3.030%	28/03/2012	01/11/2041	1,328,000	0	55,333	1,272,667
500124	3.030%	28/03/2012	01/12/2041	1,328,000	0	55,333	1,272,667
500118	3.030%	28/03/2012	01/01/2042	1,328,000	0	55,333	1,272,667
500111	3.030%	28/03/2012	01/02/2042	1,328,000	0	55,333	1,272,667
500140	3.030%	28/03/2012	01/03/2042	1,328,000	0	55,333	1,272,667
				30,992,654	0	1,474,558	29,518,096
<b>Market Loans</b>							
D26004	4.350%	05/02/2007	05/02/2077	3,700,000	0	0	3,700,000
D26005	4.790%	05/03/2007	05/03/2076	5,300,000	0	0	5,300,000
	1.300%	04/09/2015	31/03/2023	4,600,000	0	1,000,000	3,600,000
				13,600,000	0	1,000,000	12,600,000
<b>Total Outstanding Debt</b>				185,700,090	22,000,000	5,522,053	202,178,037



## APPENDIX B

**FIXED TERM INVESTMENTS OUTSTANDING AS AT 31/03/19**

<b>BORROWER</b>	<b>INTEREST RATE</b>	<b>DATE INVESTMENT TAKEN OUT</b>	<b>DATE INVESTMENT MATURES</b>	<b>PRINCIPAL OUTSTANDING AS AT 31/03/19</b>
	<b>%</b>			<b>£</b>
Goldman Sachs	1.1200	27/04/2018	26/04/2019	2,000,000.00
Lloyds Bank plc	1.0500	10/08/2018	12/08/2019	2,000,000.00
Barclays Bank	0.9300	11/09/2018	10/09/2019	2,000,000.00
Santander	0.9700	12/09/2018	11/09/2019	2,000,000.00
Goldman Sachs	1.1700	20/09/2018	19/09/2019	2,000,000.00
Lloyds Bank plc	1.0500	25/09/2018	23/09/2019	2,000,000.00
Barclays Bank	0.9390	25/09/2018	24/09/2019	2,000,000.00
Barclays Bank	0.9490	26/09/2018	25/09/2019	2,000,000.00
Goldman Sachs	1.1800	19/10/2018	18/10/2019	2,000,000.00
Goldman Sachs	1.3000	02/11/2018	01/11/2019	1,000,000.00
Goldman Sachs	1.3000	08/11/2018	08/11/2019	2,000,000.00
Santander	1.0900	08/11/2018	07/11/2019	2,000,000.00
Santander	1.1000	03/12/2018	02/12/2019	2,000,000.00
Goldman Sachs	1.2200	07/12/2018	06/12/2019	2,000,000.00
<b>TOTAL OUTSTANDING FIXED TERM INVESTMENTS</b>				<b>27,000,000.00</b>

**APPENDIX C**

<b>INSTANT ACCESS, NOTICE ACCOUNTS AND MONEY MARKET FUNDS - ANALYSIS</b>							<b>01/04/2018</b>	<b>-</b>	<b>31/03/2019</b>
<b>Financial Institution</b>	<b>Current Interest Rate</b>	<b>Highest Balance</b>	<b>Lowest Balance</b>	<b>Average Balance over period</b>	<b>Principal Outstanding as at 31/3/2018</b>	<b>Amount Invested</b>	<b>Amount Repaid</b>	<b>Principal Outstanding as at 31/03/2019</b>	
	<b>%</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	
<b>INSTANT ACCESS ACCOUNTS</b>									
Lloyds	0.65%	5,000,000	4,350,000	5,000,000	5,000,000	7,330,000	7,330,000	5,000,000	
Santander	0.40%	0	0	0	0	0	0	0	
				5,000,000	5,000,000	7,330,000	7,330,000	5,000,000	
<b>NOTICE ACCOUNTS</b>									
Santander 180 day notice	0.95%	2,000,000	2,000,000	2,000,000	2,000,000	0	0	2,000,000	
Goldman Sachs 370 day notice	1.31%	2,000,000	2,000,000	2,000,000	2,000,000	0	0	2,000,000	
Goldman Sachs 370 day notice	1.31%	2,000,000	2,000,000	2,000,000	2,000,000	0	0	2,000,000	
				6,000,000	6,000,000	0	0	6,000,000	
<b>MONEY MARKET FUNDS</b>									
Insight Liquidity	Variable	5,000,000	1,780,000	4,452,240	4,420,000	18,260,000	19,430,000	3,250,000	
Aberdeen Asset Management (Was Standard Life)	Variable	5,000,000	0	3,464,426	0	39,765,000	39,765,000	0	
Blackrock	Variable	5,000,000	0	560,492	0	32,250,000	32,250,000	0	
Legal & General	Variable	4,380,000	0	897,923	0	35,370,000	35,370,000	0	
				9,375,082	4,420,000	125,645,000	126,815,000	3,250,000	
<b>Note</b>									
The interest rates on Money Market Funds vary on a daily basis. The table below shows you the highest and lowest rates achieved this year:									
	Highest	Lowest							
Insight Liquidity	0.78%	0.44%							
Aberdeen Asset Management	0.68%	0.46%							
Blackrock	0.76%	0.62%	Investments only made after base rate increase						
Legal & General	0.77%	0.41%							

**Prudential Indicator Variances 2018/19**

<b>Indicator</b>	<b>Estimate</b>	<b>Actuals</b>	<b>Reason</b>
<b>Ratio of financing costs to net revenue stream</b>			
GF	1.69%	0.18%	Increased income from investments in companies
HRA	18.76%	17.81%	
<b>Capital Expenditure</b>			
GF – Supported	£10.904m	£10.235m	
GF – Unsupported	£41.799m	£29.483m	Slippage on Capital Programme
HRA – Supported	£30.863m	£9.162m	Slippage on Capital Programme
HRA – Unsupported	£0	£0	
Overall – Supported	£41.767m	£19.397m	
Overall – Unsupported	£41.799m	£29.483m	
<b>Capital Financing Requirement</b>			
GF	£127.056m	£134.253m	Increased investment in companies
HRA	£116.060m	£115.976m	
Overall	£243.116m	£250.229m	
HRA Debt Cap	£144.885m	£115.976m	
Authorised Limit	£350m	£204.376m	
Operational Limit	£340m	£204.376m	
Gross Borrowing as at 31/3/19		£202.178m	
<b>Interest Rate Exposures</b>			
Fixed	100% max	100%	
Variable	50% max	0%	
<b>Maturity structure of Borrowings as at 31/03/19</b>			
Up to 1 year	50% max	3.46%	
1 year up to 2 years	50% max	3.80%	
2 years up to 5 years	50% max	9.94%	
5 years up to 10 years	75% max	25.17%	
10 years up to 20 years	100% max	34.59%	
20 years and above	100% max	23.04%	
<b>Investments</b>			
Investments for periods longer than 12 months	£20m	£4m	