

Annual Treasury Management Report 2018/2019 (SEBC)

Report No:	FRS/WS/19/002	
Report to and dates:	Financial Resilience Sub-Committee	15 July 2019
	Performance and Audit Scrutiny Committee	25 July 2019
	Cabinet	10 September 2019
Cabinet Member:	Councillor Sarah Broughton Cabinet Member for Resources and Performance Tel: 01284 703894 Email: sarah.broughton@westsuffolk.gov.uk	
Lead officer:	Gregory Stevenson Service Manager (Finance and Performance) Tel: 01284 757264 Email: gregory.stevenson@westsuffolk.gov.uk	

Decisions Plan: This item is included in the Cabinet's Decisions Plan

Wards impacted: All Wards

Recommendation: It is recommended that, the Financial Resilience Sub-Committee:

- (1) **Notes the Annual Treasury Management Report – 2018/2019 (SEBC); and**
- (2) **Makes recommendations as appropriate via the Performance and Audit Scrutiny Committee to Cabinet and Council.**

1. Annual Report 2018/2019 (SEBC)

- 1.1 The purpose of this report is to report on the Investment Activities of St Edmundsbury Borough Council from 1 April 2018 to 31 March 2019
- 1.2 **Interest Earned from Treasury Investments during the year**
- 1.3 The 2018/19 Annual Treasury Management and Investment Strategy Statements (report COU/SE/18/002 approved 20 February 2018) sets out the Council’s projections for the current financial year. The budget for investment income in 2018/19 was £308,000 which was based on a 0.70% target average rate of return on investments.
- 1.4 At the end of March 2019 interest actually earned during the financial year amounted to £344,766 (average rate of return of 0.751%) against a budget for the year of £308,000 (average rate of return of 0.70%); a budgetary surplus of £36,766.
- 1.5 The table below summaries the interest earned and the average rate of return achieved and compares with the LIBOR 3 month average at 31 March 2019.

INTEREST EARNED AND AVERAGE RATE OF RETURN SUMMARY			
Investment Category	Total Average Investment	Average Rate of Return (%)	Interest Earned
Temporary Investments (Term Deposits)	1,860,668	0.744%	221,400
Bank of Scotland Current Account	4,885,357	0.579%	28,005
Barclays Reserve Account	3,055,813	0.329%	10,065
NatWest Call Account	84,776	0.010%	1
Clydesdale 30 Day Account	81	0.250%	1
Bank of Scotland Base Plus Account	325	0.250%	1
Santander 365 Day Account	8,000,000	1.042%	85,293
Total Overall Average Return on Investments %			0.751%
Total Interest Earned - 1 April 2018 to 31 March 2019			£344,766
LIBOR 3 month Average			0.722%

1.6 The table below summarises the investment activities during the period:

TREASURY MANAGEMENT – INVESTMENT ACTIVITY SUMMARY	
	2018/2019
Opening Balance 01 April 2018	36,350,000
Investments made during the year (including transfers to business reserve accounts)	100,200,000
Sub Total	136,550,000
Investments realised during the year (including withdrawals from business reserve accounts)	110,100,000
Closing Balance 31 March 2019	26,450,000

1.7 The table below shows the list of investments held as at 31 March 2019:

Investments held as at 31 March 2019				
Counterparty	Principal Amount	Interest Rate	Date Loaned	Date Returned
Principality B/Soc	1,500,000	0.99%	21/12/18	21/06/19
Barclays Bank	4,500,000	0.84%	02/01/19	30/04/19
Nottingham B/Soc	2,000,000	0.83%	02/01/19	23/04/19
Principality B/Soc	1,500,000	0.78%	15/01/19	05/04/19
Newcastle B/Soc	2,000,000	0.95%	01/02/19	20/05/19
Principality B/Soc	1,000,000	0.80%	11/02/19	20/05/19
National Counties B/Soc	2,000,000	0.90%	04/03/19	20/05/19
National Counties B/Soc	2,000,000	0.90%	04/03/19	24/05/19
Leeds B/Soc	1,000,000	1.00%	18/03/19	20/01/20
Barclays FIBCA	950,000	0.50%	Call	
Santander 365 Day	8,000,000	1.15%	365 day	notice
TOTAL	26,450,000			

2. Borrowing and Capital Costs

2.1 The 2018/2019 Budget had, for the first time, assumptions on borrowing for capital projects included within it. This borrowing was based around four specific projects:

- West Suffolk Operational Hub
- Suffolk Business Park Loan
- Investing in our Growth Fund
- Olding Road (DHL Depot)

2.2 The details of these Budgets is laid out below:

SUMMARY OF CAPITAL BORROWING BUDGET 2018/2019			
Project	External Borrowing	Minimum Revenue Provision (MRP)	Interest Payable
West Suffolk Operational Hub	£5,550,000	£0	£0
Suffolk Business Park Loan	£3,000,000	£0	£0
Investing in our Growth Fund	£20,000,000	£600,000	£412,500
Olding Road DHL Depot	£0	£197,750	£128,250
Total Value of Investments	£28,550,000	£797,750	£540,750

2.3 The position on each of these projects for the full year of 2018/2019 is as below:

SUMMARY OF CAPITAL BORROWING FOR 2018/2019				
Project	External Borrowing	Use of Available Revenue Reserves (in place of External Borrowing)	Minimum Revenue Provision (MRP)	Interest Payable
West Suffolk Operational Hub	£0	£4,900,918	£0	£0
Suffolk Business Park Loan	£0	£0	£0	£0
Investing in our Growth Fund	£0	£7,821,241	£48,839	£0
Olding Road DHL Depot	£0	£0	£193,672	£0
Total Value of Investments	£0	£12,722,159	£242,511	£0

2.4 The original forecast position moved due to the following reasons:

- Suffolk Business Park loan facility no longer being required.
- £7.821m of the Growth Fund being invested in:
 - o 20 High Street Haverhill
 - o 17/18 Cornhill, Bury St Edmunds
 - o Beetons Way Warehouse
 - o Vicon House, Western Way, Bury St Edmunds
 - o 33-35 High Street Haverhill
- The purchase of Olding Road DHL Depot in 2017/2018 did not require external borrowing.

The impact of these changes was a reduction in forecast Interest Payable of £540,750 in 2018/2019.

- 2.5 As at the end of March 2019 there had been no requirement to borrow externally. Therefore there was no interest payable.

3. Other Market Considerations

- 3.1 Uncertainty surrounding the Brexit negotiations remained throughout the year, the financial markets remained volatile with low rates of return being offered by the banks and building societies.

4. Borrowing and Temporary Loans

- 4.1 St Edmundsbury Borough Council had no borrowings or temporary loans during 2018/2019.