Southend-on-Sea Borough Council

Agenda Item No.

Report of Strategic Director (Finance & Resources)
to
Cabinet
on
25 June 2019

Report prepared by: Caroline Fozzard
Group Manager – Financial Planning and Control

Annual Treasury Management Report – 2018/19
Policy and Resources Scrutiny Committee
Cabinet Member: Councillor Ron Woodley
A Part 1 Public Agenda Item

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1. Purpose of Report

1.1 The Annual Treasury Management Report covers the treasury activity for the period from April 2018 to March 2019 and reviews performance against the Prudential Indicators for 2018/19.

2. Recommendation

That Cabinet;

2.1 Approves the Annual Treasury Management Report for 2018/19 and the outturn Prudential Indicators for 2018/19.

2.2 Notes that the financing of 2018/19 capital expenditure of £50.899m has been funded in accordance with the schedule set out in Table 1 of section 4.

2.3 Notes that Capital Financing and Treasury Management were carried out in accordance with statutory requirements, good practice and in compliance with the CIPFA (The Chartered Institute of Public Finance and Accountancy) Prudential Code during 2018/19.

2.4 Approves the revised Operational Boundary of £350m and revised Authorised Limit of £360m for 2019/20 as set out in Section 5.

2.5 Notes the following in respect of the return on investment and borrowing;

- **The loan and investment portfolios were actively managed to minimise cost and maximise interest earned, whilst maintaining a low level of risk.**

- **£1.588m of interest and income distributions were received during 2018/19. The total investment income (including the movement on the unit price of externally managed funds) was £2.043m, giving a combined return of 2.93%. This is 2.42% over the average 7 day LIBID rate (London Interbank Bid Rate) and 2.26% over the average bank base rate. (Section 7).**

- **The level of borrowing from the Public Works Loan Board (PWLB) (excluding debt relating to services transferred from Essex County Council on 1st April 1998) increased from £227.8m to £267.8m (Housing Revenue Account (HRA): £77.0m, General Fund (GF): £190.8m) by the end of 2018/19.**

- **The level of financing for 'invest to save' schemes decreased from £8.74m to £8.73m by the end of 2018/19.**

3. Background

3.1 The CIPFA Prudential Code requires the Council to set Prudential Indicators for its capital expenditure and treasury management activities and to report on them after the end of the financial year.

3.2 This Council has adopted the 'CIPFA Code of Practice for Treasury Management in the Public Sector' and operates its treasury management service in compliance with this Code. The Code requires the reporting of treasury management activities to:

- Review actual activity for the preceding year (this report); and
- Forecast the likely activity for the forthcoming year (in the Treasury Management and Prudential Indicators Report in February).

3.3 The Prudential Code is the key element in the system of capital finance that was introduced from 1st April 2004 as set out in the Local Government Act 2003. The Code has been developed to support Local Authorities in taking capital investment decisions and to ensure that these decisions are supported by a framework which ensures prudence, affordability and sustainability.

3.4 To demonstrate compliance with these objectives of prudence, affordability and sustainability each local authority is required to produce a set of prudential indicators and to update these annually as part of setting the Council's budget.

4. Prudential Indicators

4.1 Appendix A provides a schedule of the prudential indicators.

4.2 Capital Expenditure

The first of these is the amount of capital expenditure in the year on long term assets. The table below shows this and the ways it has been financed.

Table 1: Capital Expenditure and Financing

	2018/19 Revised Budget £000s	2018/19 Actual £000s	2018/19 Variance £000s
Total Capital Expenditure	**52,648**	**50,899**	**(1,749)**
Financed by:			
Borrowing(1)	12,977	20,135	7,158
Invest to Save Financing(1)	438	369	(69)
Capital Receipts	2,083	2,051	(32)
Capital Grants Utilised	25,913	18,201	(7,712)
Major Repairs Reserve	7,113	6,076	(1,037)
Other Revenue/ Capital Reserve Contributions	2,688	3,146	458
Other Contributions	1,436	921	(515)
Total Financing	**52,648**	**50,899**	**(1,749)**

Note 1 - this relates to both internal and external borrowing

The capital expenditure financed by borrowing is higher than budgeted and the capital expenditure financed by grants is lower than budgeted. This is mainly due to the project for the increased provision of secondary school places where the grant funding is to be paid in instalments over several years and so has been notionally financed by borrowing in the meantime (no actual borrowing has been taken out for this).

Under self-financing, there was an absolute cap on the amount that the Housing Revenue Account (HRA) could borrow, be it actual external borrowing or notional internal borrowing. During 2018/19 the Ministry of Housing, Communities & Local Government (MHCLG) removed the HRA borrowing cap. As at 31 March 2019 actual borrowing by the HRA was £98.740m, comprising £77.049m external borrowing and £21.691m internal borrowing.

The HRA can also finance its capital spend from the major repairs reserve, from grants and directly from the HRA by way of revenue contributions to capital.

4.3 Capital Financing Requirement (CFR)

The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a measure of the Council's debt position and represents capital expenditure up to the end of 2018/19 which has not yet been charged to revenue. The process of charging the capital expenditure to revenue is a statutory requirement and is done by means of the Minimum Revenue Provision (MRP). The Council's CFR is shown in table 2 and is a key prudential indicator.

Table 2: Capital Financing Requirement (CFR)

	31st March 2019 Revised Budget £000s	**31st March 2019 Actual £000s**
Balance 1st April 2018	343,187	343,187
Plus: capital expenditure financed by borrowing (internal and invest to save financing)	13,415	20,504
Less: capital expenditure financed by borrowing from prior years - reversed	0	(1,134)
Plus: fixed assets subject to finance leases	167	167
Less: Capital Receipts used to repay borrowing	0	(2,000)
Less: Minimum Revenue Provision	(780)	(762)
Balance 31st March 2019	355,989	359,962

The CFR is the Council's theoretical need to borrow but the Section 151 Officer can manage the Council's actual borrowing position by either borrowing to the CFR, choosing to use temporary cash flow funds instead of borrowing (internal borrowing) or borrowing for future increases in the CFR (borrowing in advance of need). The Section 151 Officer currently manages the Council's actual borrowing position in the second of the above CFR scenarios.

Of the sum in table 2 above, the Council has already addressed the theoretical need to borrow by having undertaken external borrowing and credit arrangements of £279.383m and by internally borrowing the remaining £80.579m.

4.4 Treasury Position on Borrowing and Investments

The overall treasury position at 31 March 2019 compared with the previous year is set out in the table on the next page.

Table 3: Treasury Position

	31 March 2019 Revised Budget	31 March 2019 Actual	
	Principal £000s	Principal £000s	Average Rate (%)
Total gross Debt# (excluding ECC transferred debt)	279,382	279,383	4.49

This includes PWLB borrowing of £267.816m with the balance being invest to save financing, short term borrowing for cash flow purposes and finance leases (as these are credit arrangements).
In order to ensure that borrowing levels are prudent over the medium term, the Council's gross external borrowing must only be for a capital purpose. Gross borrowing should not therefore, except in the short term, exceed the CFR for 2018/19 plus the expected changes to the CFR over 2019/20 and 2020/21. The table below shows that the Council has complied with this requirement.

Table 4: CFR compared to Gross Borrowing Position

	31 March 2019 Revised Budget £000s	31 March 2019 Actual £000s
Gross borrowing position	279,382	279,383
Estimated Capital Financing Requirement at 31 March 2021		415,741

4.5 Authorised Limit, Operational Boundary and Ratio of Financing Costs

In addition to ensuring that the net borrowing position is lower than the CFR, the Council is required to set gross borrowing limits. These are detailed below with the actual positions during the year.

Table 5: Borrowing limits

	2018/19 (£000s)
Authorised Limit	295,000
Operational Boundary	285,000
Maximum gross borrowing position during the year	282,960
Financing costs as a proportion of net revenue stream	6.34%

The Authorised Limit is the “Affordable Borrowing Limit” required by the Local Government Act 2003. This is the outer boundary of the Council’s borrowing based on a realistic assessment of the risks. The table above demonstrates that during 2018/19 the Council has maintained gross borrowing within its Authorised Limit.

The Operational Boundary is the expected borrowing position of the Council during the year, and periods where the actual position is either below or over the Boundary are acceptable subject to the Authorised Limit not being breached. The Council has maintained borrowing within the boundary throughout 2018/19.

The indicator “financing costs as a proportion of net revenue stream” identifies the cost of capital (borrowing costs net of investment income) as a proportion of the Council’s total budget. For the General Fund the actual figure in 2018/19 was 6.34%.

4.6 Maturity structure of borrowing (against maximum position)

The table below shows the upper limits for which the Council delegates its length of borrowing decisions to the Strategic Director (Finance and Resources)/Section 151 Officer in 2018/19 and the actual maturity structure of the borrowing as at 31st March 2019.

Table 6: Maturity Structure of Borrowing

	Upper limit %	**Outstanding debt maturity at 31st March 2019 %**
Under 12 months	20	3
12 months and within 24 months	30	0
24 months and within 5 years	40	1
5 years and within 10 years	60	16
10 years and within 20 years	100	43
20 years and within 30 years	100	11
30 years and above	80	26

The percentages in each category for the upper limits do not add up to 100% as they do not represent an actual allocation.

5. Treasury Management Strategy

5.1 During 2018/19 the Council complied with all of the relevant statutory and regulatory requirements which limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of the Code of Practice for Treasury Management means its treasury practices demonstrate a low risk approach.

5.2 The Council is aware of the risks of passive management of the treasury portfolio and has taken steps to improve the proactive management of the debt and investments over the year with the support of its treasury management advisers.

5.3 Shorter-term variable rates and likely future movements in these rates predominantly determine the Council's in-house investment return. These returns can therefore be volatile and, whilst the risk of loss of principal is minimised through the annual investment strategy, accurately forecasting future returns can be difficult.

5.4 UK interest rates continued to be low throughout 2018/19. The bank base rate stayed at 0.5% until August when the Bank of England increased the rate to 0.75%. With on-going concerns over counterparty risk since the banking crisis and the uncertainty in the financial markets about the timing of future rises in interest rates, investments were placed in instant access accounts.

5.5 Long term interest rates from the Public Works Loans Board (PWLB) fluctuated throughout 2018/19 in response to economic events: 10 year PWLB rates between 1.84% and 2.53%; 25 year PWLB rates between 2.33% and 2.93% and 50 year PWLB rates between 2.16% and 2.79%. These rates are after the PWLB 'certainty rate' discount of 0.20%.

5.6 The current levels of external borrowing are well below the Council's underlying need to borrow. Given the high levels of uncertainty due to prevailing political situation the PWLB rates have fluctuated quite widely. Within those fluctuations the long term rates have at times reached historic lows and when this happens it can be economically advantageous to take out loans at those exceptionally low rates.

5.7 When the 2019/20 limits on external borrowing were set it was anticipated that £20m of new borrowing would be undertaken in 2018/19 and a further £31m would be undertaken in 2019/20. However, due to the uncertainty around Brexit in the run up to the expected leaving date of 29 March the PWLB rates reached advantageously low levels, so the £20m originally anticipated for 2018/19 and £20m of the 2019/20 borrowing was taken out to capture those good rates. With the uncertainty continuing the rates continued to be volatile and reached advantageously low levels again in early June and another £10m PWLB loan was taken to capture that good rate. With this recent borrowing activity there is little headroom to allow further borrowing, should the rates reach new exceptionally low levels. It is therefore proposed that the limits on external borrowings are revised to allow the headroom to achieve this. It is proposed that the operational boundary for 2019/20 be increased from £290m to £350m and the authorised limit for 2019/20 be increased from £300m to £360m. It should be noted that these limits do not indicate the planned levels of borrowing but do allow scope in exceptional circumstances.

6. Borrowing

PWLB and short term borrowing

6.1 The table on the next page summarises the PWLB borrowing activities during the financial year 2018/19:

Table 7: PWLB borrowing

Quarter	Borrowing at beginning of quarter (£m)	New Borrowing (£m)	Re-financing (£m)	Borrowing repaid (£m)	Borrowing at end of quarter (£m)
April to June 2018	227.8	0	0	(0)	227.8
July to September 2018	227.8	0	0	(0)	227.8
October to December 2018	227.8	0	0	(0)	227.8
January to March 2019	227.8	40	0	(0)	267.8

All PWLB debt held is repayable on maturity. Four new PWLB loans were taken out in March 2019: £10m at 2.38% for 44 years, £10m at 2.37% for 47½ years, £10m at 2.24% for 45 years and £10m at 2.24% for 46 years.

6.2 The Council's outstanding PWLB borrowing as at 31st March 2019 was:

- Southend-on-Sea Borough Council £267.816m*
- ECC transferred debt £11.282m

* £190.8m General Fund and £77.0m Housing Revenue Account.

6.3 Repayments in 2018/19 were:

- Southend-on-Sea Borough Council £0m
- ECC transferred debt £0.60m

6.4 Outstanding debt relating to services transferred from Essex County Council (ECC) on 1st April 1998, remains under the management of ECC. Southend Borough Council reimburses the debt costs incurred by the County. The debt is recognised as a deferred liability on our balance sheet.

6.5 The table below summarises our PWLB borrowing position as at the end of 2018/19:

Table 8: Debt position

	31 March 2019		31 March 2018	
	Principal (£000s)	Average Rate (%)	Principal (£000s)	Average Rate (%)
-PWLB – Fixed	267,816*	4.61	227,816	4.62
-ECC Transferred Debt	11,282	2.55	11,879	2.61

* £190.8m General Fund and £77.0m Housing Revenue Account.

6.6 Some of the Council’s borrowings are at a higher interest rate than the current rate of borrowing. To redeem these loans before their maturity date (i.e. to redeem them early) the Council would be required to pay a premium (this is like paying to redeem a mortgage early except the amount of the penalty depends on the prevailing rate of interest). New loans could then be taken out at the current rate.

6.7 In November 2007 the PWLB changed its structure of interest rates so that any early repayment of PWLB debt has a higher repayment rate applied. No PWLB restructuring was carried out in 2018/19 due to the higher cost of PWLB repayments making it uneconomical and giving no benefit to the Council.

6.8 On 1st November 2012 HM Treasury implemented a ‘certainty rate’ at a discount of 0.2% on loans for those local authorities providing improved information and transparency on their locally-determined long-term borrowing and associated capital spending plans. This Council provided the necessary information again in 2018/19 and was therefore eligible for this ‘certainty rate’.

6.9 The total interest payments during the year were £10.5m, compared to the original budget of £11.1m. The original budget assumed that the Council would take out £40m of loans during 2018/19. Although £40m of new loans were taken out by the Section 151 Officer they were taken out in March, later in the financial year than anticipated and at lower rates than anticipated. This therefore led to the underspend on the interest payments against the original budget.

6.10 In addition, short term borrowing was undertaken during the 2018/19 financial year for cash flow purposes. The average rate paid in 2018/19 was 0.80% and the details of the loans are shown in the table below:

Table 9: Short term borrowing

Counterparty	Amount of loan (£m)	Loan Rate (%)	Period of loan (days)	Return date
Middlesbrough County Council @	7.0m	0.80	34	18/04/2018
Derbyshire County Council @	3.5m	0.80	725	29/03/2019
South Cambridgeshire District Council	3.0m	0.80	50	24/01/2019
Barnsley Metropolitan Borough Council	7.0m	0.80	49	24/01/2019
Ceredregion County Council	2.0m	0.70	28	12/03/2019
Stockport Metropolitan Borough Council	6.0m	0.80	28	13/03/2019

@ This loan is spread over financial years 2017/18 to 2018/19.

Funding for Invest to Save Schemes

6.11 Capital projects were completed on draught proofing and insulation in the Civic Centre, replacement lighting on Southend Pier and lighting replacements at University Square Car Park and Westcliff Library which will generate on-going energy savings. These are invest-to-save projects and the predicted revenue streams cover as a minimum the financing costs of the project.

6.12 To finance these projects in total the Council has taken out interest free loans of £0.287 with Salix Finance Ltd which is an independent, not for profit company, funded by the Department for Energy and Climate Change that delivers interest-free capital to the public sector to improve their energy efficiency and reduce their carbon emissions. The loans are for periods of four and five years with equal instalments to be repaid every six months. There are no revenue budget implications of this funding as there are no interest payments to be made and the revenue savings generated are expected to exceed the amount needed for the repayments. £0.052m of these loans were repaid during the year.

6.13 At the meeting of Cabinet on 23rd June 2015 the LED Street Lighting and Illuminated Street Furniture Replacement Project was approved which was to be partly funded by 25 year reducing balance 'invest to save' finance from L1 Renewables Ltd. Repayments of £0.026m were made during the year and the balance outstanding at 31 March 2019 was £8.59m.

7. Investments

7.1 The table on the next page summarises the Council's investment position at the end of 2018/19:

Table 10: Investment position

	31 March 2019	2018/19		31 March 2018	2017/18	
	Principal (£000s)	Average Balance (£000s)	Average Rate (%)	Principal (£000s)	Average Balance (£000s)	Average Rate (%)
Notice accounts	0	0	N/A	0	9,107	0.50
Call accounts #	8,080	8,456	0.64	8,186	8,407	0.63
Money Market Funds	33,000	12,921	0.78	13,000	28,082	0.40
Total investments managed in-house	**41,080**	**21,377**	**0.74**	**21,186**	**45,596**	**0.47**
Enhanced Cash Funds	5,066	5,053	0.81	5,038	5,035	0.33
Short Dated Bond Funds	15,377	15,272	2.20	15,193	15,208	0.45
Property Funds	28,385	28,296	5.34	22,625	16,546	10.58
Total externally managed funds	**48,828**	**48,621**	**3.88**	**42,856**	**36,789**	**4.99**
Total investments@	**89,908**	**69,998**	**2.93**	**64,042**	**82,385**	**2.49**

This includes the council's main current account.
@ This excludes the cash held by schools.

7.2 In summary the key factors to note are:

- An average of £21.4m of investments were managed in-house. These earned £0.155m of interest during the year at an average rate of 0.74%. This is 0.23% over the average 7 day LIBID and 0.07% over the average bank base rate;
- An average of £5.1m was managed by an enhanced cash fund manager. This earned £0.041m during the year at an average rate of 0.81%;

- An average of £15.3m was managed by two short dated bond fund managers. This earned £0.335m during the year from a combination of an increase in the value of the units and income distributions, giving a combined return of 2.20%;
- An average of £28.3m was managed by two property fund managers. This earned £1.512m during the year from a combination of an increase in the value of the units and income distributions, giving a combined return of 5.34%.

7.3 During the year there was a change in the capital finance and accounting regulations. As a result a Financial Instrument Revaluation reserve will be used to capture all the changes in the unit value of the externally managed funds and these will not impact the revenue account, with only the income distributions impacting that. As a total over all the investments, £1.588m of interest and income distributions were received during the year. The total investment income (including the movement on the unit price of externally managed funds) was £2.043m, giving a combined return of 2.93%.

7.4 The actual rate on investments earned in 2018/19 was 2.93% compared to a forecast of 1.53% which was included in the budget. This forecast was based on the best estimates of balances and future interest rates at the time the budget was set.

7.5 The Council earned a total of £2.043m of interest through the investment of surplus funds both in-house and with the fund managers. The interest earned was £0.974m higher than the budgeted figure of £1.069m. This increased level of interest was due to the externally managed funds achieving a higher than forecast interest rate, especially the property funds. These forecasts were based on the best estimates at the time the budget was set.

7.6 The Council's investment policy is governed by the CIPFA Code of Practice for Treasury Management in the Public Sector, which has been implemented in the Annual Treasury Management Investment Strategy approved by the Council on 22 February 2018. The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

7.7 The majority of the cash balances held by the Council are required to meet short term cash flow requirements and therefore throughout the year monies were placed 41 times for periods of one year or less. In the light of the banking crisis and the prevailing financial market conditions there has been greater emphasis on counterparty risk and the security of the principal sums invested. The table below shows the most used counterparties overall and the countries in which they are based. All deals are in sterling despite the country the counterparties are based in.

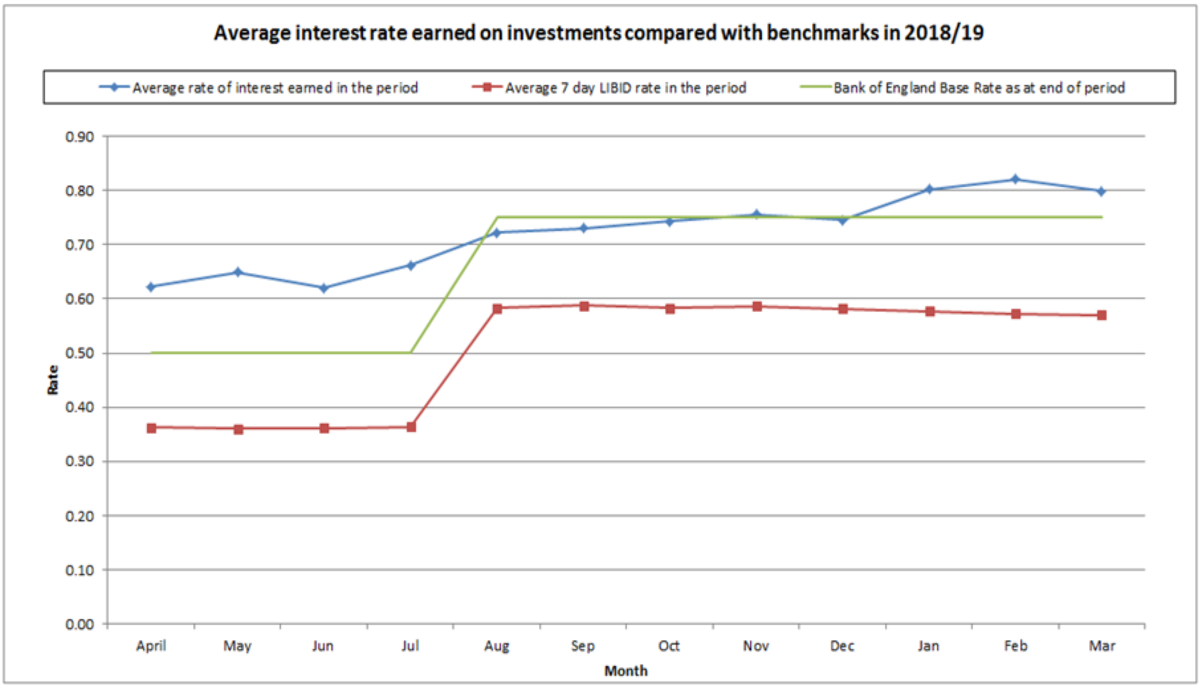
Table 11: Counterparties used

Counterparty	Country	No. of Deals	Value of Deals (£m)
Blackrock	Money Market Fund (Various Counterparties)	19	106
Aberdeen Liquidity Fund (formerly Standard Life)	Money Market Fund (Various Counterparties)	14	80
Goldman Sachs	Money Market Fund (Various Counterparties)	4	22
Insight Investment Management Ltd	Money Market Fund (Various Counterparties)	4	19
Total		**41**	**227**

7.8 In addition to the above, use was also made of call accounts during the year, because they provide instant access to funds. This meant that funds were available for unexpected cash flow events to avoid having to pay higher rates to borrow from the market. During 2018/19 an average of £8.5m was held in such accounts.

7.9 The performance during the year is compared to the average 7 day LIBID rate. The graph below shows the Council's performance month by month compared to this benchmark and the bank base rate.

Graph1: Investment performance compared to benchmarks



7.10 Overall, performance on in-house managed funds was 0.23% over the average 7 day LIBID rate for the year and averaged 0.07% higher than the average base rate for the year.

7.11 An average of £5.1m was managed by the enhanced cash fund manager Payden & Rygel. During the year the value of the fund started at £5.038m and increased by £0.028m due to an increase in the unit value and a reinvested income distribution, giving an average return of 0.81%. The fund ended the year at £5.066m.

8 Short Dated Bond Funds

8.1 Throughout the year medium term funds were invested in two short dated bond funds: Royal London Investment Grade Short Dated Credit Fund and the AXA Sterling Credit Short Duration Bond Fund.

8.2 The monies are invested in units in the fund, the fund is then invested as a whole by the fund managers into corporate bonds in the one to five year range. An income distribution will be generated from the coupon on the bond. Until November these income distributions were being reinvested back into the fund but are now being paid into the Council's bank account. This change was driven by a change in the capital finance and accounting regulations. The price of units can rise and fall, depending on the price of bonds in the fund so these funds are invested over the medium term with the aim of realising higher yields than short term investments.

8.3 Following the change in the capital finance and accounting regulations a Financial Instrument Revaluation reserve will be used to capture all the changes in the unit value of the funds. Members should be aware that the investment returns in some quarters will look very good and in other quarters there may be losses reported, but these will not impact the revenue account as only the income distributions will impact that and not the change in the unit price.

8.4 An average of £7.6m was managed by AXA Investment Managers UK Limited. During the year the value of the fund increased by £0.073m due to an increase in the unit value. There were also income distributions relating to that period of £0.055m. The combined return was 1.70%.

8.5 The AXA fund started the year at £7.563m and increased by £0.073m during the year due to the increase in the value of the units, with the fund ending the year at £7.636m.

8.6 An average of £7.7m was managed by Royal London Asset Management. During the year, the value of the fund decreased by £0.034m due to a decrease in the unit value. There were also income distributions relating to that period of £0.241m. The combined return was 2.69%.

8.7 The Royal London fund started the year at £7.630m. The fund decreased by £0.034m during the year due to the decrease in the value of the units and increased by £0.144m due to reinvested income distributions, with the fund ending the year at £7.740m.

9 Property Funds

9.1 Throughout the year long term funds were invested in two property funds: Rockspring Hanover Property Unit Trust and Lothbury Property Trust.

9.2 The monies are invested in units in the fund, the fund is then invested as a whole by the fund managers into properties. An income distribution is generated from the rental income streams from the properties in the fund. Until November these income distributions were being reinvested back into the fund but are now being paid into the Council's bank account. This change was driven by a change in the capital finance and accounting regulations. There are high entrance and exit fees and the price of the units can rise and fall, depending on the value of the properties in the fund, so these funds are invested over the long term with the aim of realising higher yields than other investments.

9.3 Following the change in the capital finance and accounting regulations a Financial Instrument Revaluation reserve will be used to capture all the changes in the unit value of the funds. Members should be aware that the investment returns in some quarters will look very good and in other quarters there may be losses reported, but these will not impact the revenue account as only the income distributions will impact that and not the change in unit price.

9.4 An average of £14.6m was managed by Rockspring Hanover Investment Management Limited. During the year the value of the fund increased by £0.464m due to an increase in the unit value. There were also income distributions relating to that period of £0.694m. The combined return was 7.92%.

9.5 The Rockspring fund started the year at £14.198m. The fund increased by £0.464m during the year due to the increase in the value of the units and increased by £0.163m due to reinvested income distributions, with the fund ending the year at 14.825m.

9.6 An average of £13.7m was managed by Lothbury Investment Management Limited. During the year the value of the fund decreased by £0.065m due to a decrease in the unit value. There were also income distributions relating to that period of £0.419m. The combined return was 2.59%.

9.7 The Lothbury fund started the year at £8.427m. The fund increased by £4.989m due to the purchase of additional units in April, decreased by £0.065m during the year due to the decrease in the value of the units and increased by £0.208m due to reinvested income distributions, with the fund ending the year at £13.559m.

10. Other Options

10.1 There are many options available for the operation of the Treasury Management function, with varying degrees of risk associated with them. The Treasury Management Policy aims to effectively control risk to within a prudent level, whilst providing optimum performance consistent with that level of risk.

11. Reasons for Recommendations

11.1 The CIPFA Code of Practice on Treasury Management recommends that Local Authorities should submit reports regularly. The Treasury Management Policy Statement for 2018/19 set out that reports would be submitted to Cabinet quarterly on the activities of the treasury management operation.

12. Corporate Implications

12.1 Contribution to Council's Vision & Critical Priorities

Treasury Management practices in accordance with statutory requirements, together with compliance with the prudential indicators acknowledge how effective treasury management provides support towards the achievement of the Council's ambition and desired outcomes.

12.2 Financial Implications

The financial implications of Treasury Management are dealt with throughout this report.

12.3 Legal Implications

This Council has adopted the ‘CIPFA Code of Practice for Treasury Management in the Public Sector’ and operates its treasury management service in compliance with this code.

12.4 People Implications

None.

12.5 Property Implications

None.

12.6 Consultation

The key Treasury Management decisions are taken in consultation with our Treasury Management advisers.

12.7 Equalities Impact Assessment

None.

12.8 Risk Assessment

The Treasury Management Policy acknowledges that the successful identification, monitoring and management of risk are fundamental to the effectiveness of its activities.

12.9 Value for Money

Treasury Management activities include the pursuit of optimum performance consistent with effective control of the risks associated with those activities.

12.10 Community Safety Implications

None.

12.11 Environmental Impact

None.

13. Background Papers

None.

14. Appendices

Appendix A - Prudential Indicators 2018/19

Prudential Indicators 2018/19

	Figures are for the financial year unless otherwise titled in italics	2018/19 Revised Indicator	2018/19 Actual
1	Capital Expenditure	£52.648m	£50.899m
2	Capital Financing Requirement (CFR)	£355.989m	£359.962m
3	Gross Borrowing at 31 March	£279.382m	£279.383m
4	Authorised Limit *(against maximum position)*	£295.000m	£295.000m
5	Operational Boundary	£285.000m	£285.000m
6	Ratio of financing costs to net revenue stream	7.00%	6.34%
7	Maturity structure of fixed rate borrowing: *(against maximum position)*		
	Under 12 months	20%	3%
	12 months to 2 years	30%	0%
	2 years to 5 years	40%	1%
	5 years to 10 years	60%	16%
	10 years to 20 years	100%	43%
	20 years to 30 years	100%	11%
	30 years and above	80%	26%
	Total	N/A	100%