

**ANNUAL TREASURY MANAGEMENT REPORT 2019-20****Purpose**

- 1 To present the Annual Treasury Management Report for the previous financial year to the WLGA Audit Committee.

**Background**

- 2 The Audit Committee received and approved the WLGA's updated Treasury Management Policy Statement at its inaugural meeting on 5<sup>th</sup> October 2017. This sets out a minimum reporting requirement:

- an annual report on the strategy and plan to be pursued in the coming year;
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year; and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

- 3 It should be noted that the WLGA does not undertake any borrowing, so the treasury management function is concerned only with managing any cash balances.
- 4 As set out in the Treasury Management Policy Statement, the primary objective of the WLGA's treasury management activities is the security of the principal sums available for investment.

**Economic Background**

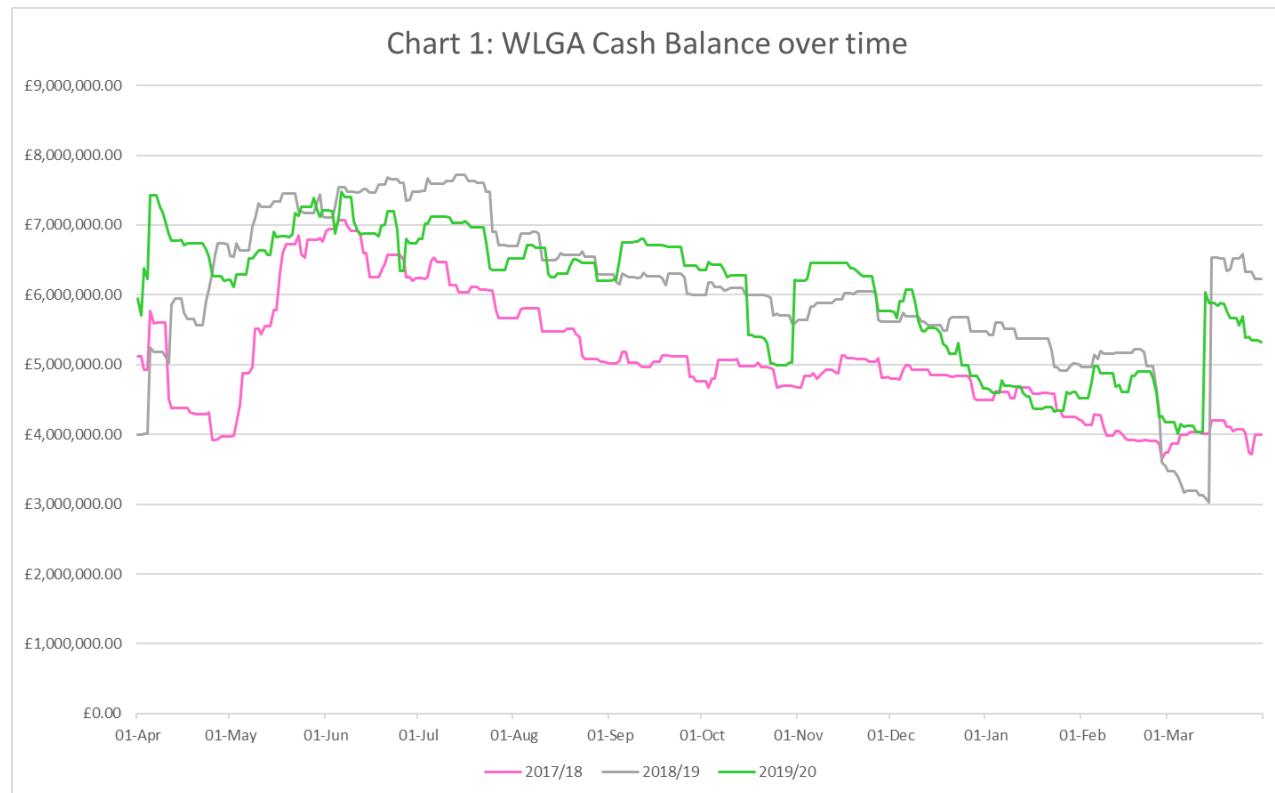
- 5 The UK economy continues to face a challenging outlook as the government continues to negotiate the country's exit from the European Union and COVID-19. GDP grew by 1.5% in 2019 compared with 1.3% in 2018. The Consumer Prices Index 12-month rate to March 2020 was 1.5%
- 6 The Bank of England's Monetary Policy Committee reduced the base rate from 0.75% to 0.25% on the 11th of March 2020 and then again to 0.1% on the 19th of March and the rate is currently forecast to remain at this level for the foreseeable future due to the impact of the COVID-19 pandemic.

**Cash Flow Patterns and Investment Strategy 2020-21**

- 7 Day to day cash flows are managed by Data Cymru on behalf of the WLGA. The WLGA operates 2 bank accounts with HSBC Bank plc, a business current account, through which all transactions flow, where the balance is maintained at around £1,000 and a Business Money Manager account where the cash balances are held. The

internal audit health check recommended that the WLGA should consider dividing its cash balances across at least 1 other provider.

- 8 The daily cash balances for the last three full financial years are shown in Chart 1 below. This shows that there is an annual pattern where cash balances peak in the first quarter of each financial year, as the WLGA received its income for subscriptions and year-end grant claims for the previous financial year. As the financial year progresses, regular expenditure then depletes those cash balances.



## Investment Performance 2019-20

- 9 The WLGA's bank accounts received interest of £12,149.28 for the period from 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020.

## Diversifying cash holdings with other providers

- 10 In previous years the Audit Committee has received reports recommending that the WLGA should consider dividing its cash balances across at least 1 other provider.
- 11 Looking at the options available with low interest rates across the board it was decided to invest in the CCLA's public sector deposit fund that has nearly £1.3bn already invested, the fund is aimed at local authorities and public sector investors seeking a high level of capital security and a competitive rate of interest for their short-term investments. We can get almost instant access to our funds but with triple a rated security and market leading interest rates.
- 12 The fund is invested in a diversified portfolio of high-quality sterling denominated deposits and securities. All investments purchased have the highest available short-term credit rating and a correspondingly strong long-term rating.

- 13 We currently hold £2.5m with CCLA which was the maximum amount agreed by the Audit Committee that we could hold without compromising the Association's cashflow position. We recommend that this is raised so that we can hold up to £4m.
- 14 Members should be aware that we will also be opening a 'Money Market' Interest Account with HSBC which also earns a little more than our standard deposit account. This would pose no further risk but just needs to be managed slightly more to maximise interest potential.

## **Recommendations**

- 15 That the Audit Committee receives the Annual Treasury Management report for the WLGA for 2019-20**
- 16 That the Audit Committee agrees to raise the threshold for alternative cash holding from a maximum of £2.5m to £4.0m, per paragraph 13**

---

**Author:** Jon Rae  
Director of Resources  
**Tel:** 07079018007  
**E-mail:** [jon.rae@wlga.gov.uk](mailto:jon.rae@wlga.gov.uk)