

# Cabinet



Forest Heath  
District Council

<b>Title of Report:</b>	<b>Recommendations of the Performance and Audit Scrutiny Committee – 27 July 2016: Annual Treasury Management Report 2015-2016 and Investment Activity (1 April – 30 June 2016)</b>	
<b>Report No:</b>	<b>CAB/FH/16/036</b>	
<b>Report to and dates:</b>	<b>Cabinet</b>	13 September 2016
	<b>Council</b>	28 September 2016
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<b>Purpose of report:</b>	On 27 July 2016, the Performance and Audit Scrutiny Committee considered Report No: <b>PAS/FH/16/019</b> , which provided information on the Council's Annual Treasury Management Report summarising the investments activities for the year 2015-2016; and provided a summary of the investment activities for the first three months of 2016-2017 financial year.	
<b>Recommendation:</b>	<b>It is <u>RECOMMENDED</u> that, subject to the approval of full Council, the Annual Treasury Management Report 2015-2016, attached as Attachment 1 to Report No: PAS/FH/16/019, be approved.</b>	

<b>Key Decision:</b> <i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i>		<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
<b>Consultation:</b>		• See Report No: PAS/FH/16/019	
<b>Alternative option(s):</b>		• See Report No: PAS/FH/16/019	
<b>Implications:</b>			
<i>Are there any <b>financial</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input type="checkbox"/> • See Report No: PAS/FH/16/019	
<i>Are there any <b>staffing</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input type="checkbox"/> • See Report No: PAS/FH/16/019	
<i>Are there any <b>ICT</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input type="checkbox"/> • See Report No: PAS/FH/16/019	
<i>Are there any <b>legal and/or policy</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input type="checkbox"/> • See Report No: PAS/FH/16/019	
<i>Are there any <b>equality</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input type="checkbox"/> • See Report No: PAS/FH/16/019	
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (after controls)
	Low/Medium/ High*		Low/Medium/ High*
See Report No: PAS/FH/16/019			
<b>Ward(s) affected:</b>		All Wards	
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>		<a href="#">Report No PAS/FH/16/019</a> & <a href="#">Attachment 1</a> ; <a href="#">Appendix 1</a> ; <a href="#">Appendix 2</a> ; <a href="#">Appendix 3</a> ; <a href="#">Appendix 4</a> ; <a href="#">Appendix 5</a>	
<b>Documents attached:</b>		None	

## **1. Key issues and reasons for recommendation**

### **1.1 Annual Treasury Management Report 2015-2016**

- 1.1.1 The Council's Annual Treasury Management Report for 2015-2016 attached as Attachment 1 to Report No: PAS/FH/16/019. The report included tables summarising the interest earned during 2015-2016 on the various treasury management investments held by the Council; investment activity during the year and investments held as at 31 March 2016.
- 1.1.2 The budgeted income from investments in 2015-2016 was £379,500, (average rate of return of 1.75%). Interest actually earned during the year totalled £417,402, an overachievement of £37,902. The overachievement was mainly due as a result of timing differences in the receipts and payment of National Non-Domestic Rates (NDR), an under spend on the Council's original capital programme and higher than predicted revenue reserve balances being held.
- 1.1.3 Although the base rate remained at 0.5% throughout the year, investment returns continued to be one to two basis points above or below base rate, depending on duration. New investments of one year or more were attracting returns of around 1%.

### **1.2 Investment Activity 1 April to 30 June 2016**

- 1.2.1 The total amount invested at 1 April 2016 was £29.49m and at 30 June 2016 £30.70m. The increase in balances over this period was due primarily to timing differences in respect of the collection of local taxes; Council Tax and Non-Domestic Rates, and the payment of precepts i.e. to Suffolk County Council, Suffolk Police and central government.
- 1.2.2 The 2016-2017 Annual Treasury Management and Investment Strategy (report PAS/FH/16/007 refers) sets out the Council's projections for the current financial year. The budget for investment income in 2016-2017 was £347,000 which was based on a 1.50% target average rate of return on investments.
- 1.2.3 As at the end of June 2016, interest actually earned during the first quarter of the financial year amounted to £79,527 against a profiled budget for the period of £86,750; a budget deficit of £7,223. The budget deficit was due to the continuing low Bank of England base rate and subsequent poor investment rates being offered by the banks, building societies and financial institutions and falling rates being offered on call accounts/notice accounts.
- 1.2.4 The Committee was advised that following the vote in favour of leaving the European Union in the referendum held on 23 June 2016, markets around the world were still coming to terms with the immediate reaction to the news and markets remained volatile. The treasury team would continue to closely monitor the situation and provide updated information as it became available.
- 1.2.5 The Performance and Audit Scrutiny Committee considered the report and Committee has put forward a recommendation as set out on page one of this report.