

# Performance and Audit Scrutiny Committee



Forest Heath  
District Council

<b>Title of Report:</b>	<b>Mid-Year Treasury Management Report 2016/17 and Investment Activity 1 April to 30 September 2016</b>	
<b>Report No:</b>	<b>PAS/FH/16/033</b>	
<b>Report to and date/s:</b>	<b>Performance and Audit Scrutiny Committee</b>	24 November 2016
	<b>Cabinet</b>	13 December 2016
	<b>Council</b>	21 December 2016
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<b>Lead officer:</b>	Rachael Mann Head of Resources and Performance <b>Tel:</b> 01638 719245 <b>Email:</b> <a href="mailto:rachael.mann@westsuffolk.gov.uk">rachael.mann@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	To present the Council's Mid-Year Treasury Management Report summarising the investment activity for the period 1 April to 30 September 2016	
<b>Recommendation:</b>	<p><b>It is <u>RECOMMENDED</u> that:</b></p> <p><b>(1) the Mid-Year Treasury Management Report be <u>noted</u>; and</b></p> <p><b>(2) the Performance and Audit Scrutiny Committee makes recommendations as appropriate to Cabinet and Council regarding the approval of the Mid-Year Treasury Management Report for 2016-2017, attached as Appendix 1.</b></p>	

<p><b>Key Decision:</b></p> <p><i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i></p>	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>Yes, it is a Key Decision - <input type="checkbox"/></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p>
<p><b>Consultation:</b></p>	<ul style="list-style-type: none"> <li>Treasury management activities are undertaken in consultation with CDCM/Tradition (the Council's appointed brokers for long term investments) and also takes into account information obtained from other investment brokers and economic commentators. Any changes in strategies or policies are subject to approval by the Head of Resources and Performance, Cabinet and full Council.</li> </ul>
<p><b>Alternative option(s):</b></p>	<ul style="list-style-type: none"> <li>Options for the management of Council investments are formally considered within the Annual Treasury Management and Investment Strategy. This includes key strategies in respect of the Council's borrowings, the continuation of in-house management of funds and the approach to be adopted in establishing the credit-worthiness of potential counterparties. The changing nature of the economic climate requires that these key areas are subject to on-going review.</li> </ul>
<p><b>Implications:</b></p>	
<p><i>Are there any <b>financial</b> implications? If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> <li>Please refer to main report</li> </ul>
<p><i>Are there any <b>staffing</b> implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> <li></li> </ul>
<p><i>Are there any <b>ICT</b> implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> <li></li> </ul>
<p><i>Are there any <b>legal and/or policy</b> implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> <li>This report is in-line with the Treasury Management Practice 6, (TMP6), of the Treasury Management Code of Practice, which requires that a current year review of Treasury Services, against adopted annual strategy, be reported to Council by 30 November each financial year.</li> </ul>
<p><i>Are there any <b>equality</b> implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>
<p><b>Risk/opportunity assessment:</b></p>	<p><i>(potential hazards or opportunities affecting corporate, service or project objectives)</i></p>

<b>Risk area</b>	<b>Inherent level of risk (before controls)</b>	<b>Controls</b>	<b>Residual risk (after controls)</b>
Fluctuations in interest rates or in projected cash flows having significant impact on budgeted investment income.	High	Spread of investments for periods of up to two years. Budget monitoring and quarterly performance reports.	Medium
Bank / building society failure resulting in loss of Council funds.	High	Use of CDCM/Tradition advice on counterparty credit ratings (based on Fitch and Moody ratings) and the setting of lending limits. Use of non-rated building societies based on asset base and additional credit checks.	Medium
<b>Ward(s) affected:</b>	All Ward		
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>	Annual Treasury Management and Investment Strategy 2016/17. (Report No: <a href="#">PAS/FH/16/007</a> )		
<b>Documents attached:</b>	Appendix 1 – Treasury Management Monitoring Report		

## 1. Mid-Year Monitoring Report 2016/17

- 1.1 Full details of treasury management activities during the period 1 April to 30 September 2016 are included in **Appendix 1** of this report.
- 1.2 Below is a summary of those investment activities:

<b>INTEREST EARNED &amp; AVERAGE RATE OF RETURN SUMMARY</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Difference</b>
Investment Interest Earned	£175,000	£145,778	- £29,222
Average Rate of Return	1.50%	1.07%	- 0.43%

- The under-achievement of interest earned was mainly due to the reduction in funds available for investment following the purchase of the Toggam Solar Farm.
- The reduced average rate of return is due to the reduction in the Bank of England base rate and resulting reduction of interest rates offered by institutions.
- As at 30 September 2016 we held £18,425,000 of investments.

<b>INVESTMENT ACTIVITY SUMMARY</b>	
	<b>2016/17 £</b>
<b>Opening Balance 01 April 2016</b>	<b>29,490,000</b>
Investments made during the year (including transfers to business reserve accounts)	52,800,000
Sub Total	82,290,000
Investments realised during the year (including withdrawals from business reserve accounts)	63,865,000
<b>Closing Balance 30 September 2015</b>	<b>18,425,000</b>

## 2. Borrowings and Temporary Loans

- 2.1 Below is a summary of the borrowings and temporary loans as at 30 September 2016;

<b>BORROWINGS AND TEMPORARY LOANS</b>		
<b>Lender / Loan number</b>	<b>Balance outstanding</b>	<b>Maturity date</b>
Barclays LOBO	£4,000,000	31 March 2078
1557	£1,000	7 Days Notice
1735	£1,000	7 Days Notice