

Performance and Audit Scrutiny Committee



Forest Heath
District Council

Title of Report:	Third Quarter Treasury Management Report 2016/17 Regarding Investment Activity 1 April to 31 December 2016	
Report No:	PAS/FH/17/006	
Report to and date/s:	Performance and Audit Scrutiny Committee	25 January 2017
	Cabinet	14 February 2017
	Council	22 February 2017
Portfolio holder:	Stephen Edwards Portfolio Holder for Resources, Governance and Performance Tel: 01638 660518 Email: stephen.edwards@forest-heath.gov.uk	
Lead officer:	Rachael Mann Head of Resources and Performance Tel: 01638 719245 Email: rachael.mann@westsuffolk.gov.uk	
Purpose of report:	To present the Council's Third Quarter Treasury Management Report summarising the investment activity for the period 1 April to 31 December 2016.	

Recommendation:	<p>It is <u>RECOMMENDED</u> that Performance and Audit Scrutiny Committee:</p> <p>1) Scrutinises the content of the report, including details of the treasury management performance for the first nine months of the 2016-2017 financial year; and</p> <p>2) Makes recommendations, as appropriate to Cabinet and Council regarding the <u>approval</u> of the Third Quarter Treasury Management Report for 2016-2017, attached as Appendix 1.</p>
Key Decision: <i>(Check the appropriate box and delete all those that do not apply.)</i>	<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>
Consultation:	<ul style="list-style-type: none"> 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.
Alternative option(s):	<ul style="list-style-type: none"> 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.
Implications:	
<p><i>Are there any financial 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"> Please refer to main report
<p><i>Are there any staffing 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">
<p><i>Are there any ICT 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">

<p>Are there any legal and/or policy implications? If yes, please give details</p>		<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> 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. 	
<p>Are there any equality implications? If yes, please give details</p>		<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> 	
<p>Risk/opportunity assessment:</p>		<p><i>(potential hazards or opportunities affecting corporate, service or project objectives)</i></p>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
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
<p>Ward(s) affected:</p>		<p>All Ward</p>	
<p>Background papers: <i>(all background papers are to be published on the website and a link included)</i></p>		<p>Annual Treasury Management and Investment Strategy 2016/17 - PAS/FH/16/007</p>	
<p>Documents attached:</p>		<p>Appendix 1 – Third Quarter Treasury Management Monitoring Report 2016/17 - 1 April 16 to 31 December 16</p>	

1. Third Quarter Monitoring Report 2016/17

1.1 Full details of treasury management activities during the period 1 April to 31 December 2016 are included in Appendix 1 of this report.

1.2 Below is a summary of those investment activities:

INTEREST EARNED & AVERAGE RATE OF RETURN SUMMARY			
	Budget	Actual	Difference
Investment Interest Earned	£262,500	£206,109	- £56,391
Average Rate of Return	1.50%	1.11%	- 0.39%

- 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 31 December 2016 we held £19,755,000 of investments.

INVESTMENT ACTIVITY SUMMARY	
	2016/17 £
Opening Balance 01 April 2016	29,490,000
Investments made during the year (including transfers to business reserve accounts)	60,400,000
Sub Total	89,890,000
Investments realised during the year (including withdrawals from business reserve accounts)	70,135,000
Closing Balance 31 December 2016	19,755,000

2. **Borrowings and Temporary Loans**

2.1 Below is a summary of the borrowings and temporary loans as at 31 December 2016;

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