

# Cabinet



Forest Heath  
District Council

<b>Title of Report:</b>	<b>Recommendations of the Performance and Audit Scrutiny Committee – 27 July 2017: Annual Treasury Management Report 2016-2017 and Investment Activity (1 April – 30 June 2017)</b>	
<b>Report No:</b>	<b>CAB/FH/17/042</b>	
<b>Report to and dates:</b>	<b>Cabinet</b>	12 September 2017
	<b>Council</b>	18 October 2017
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<b>Purpose of report:</b>	On 27 July 2017, the Performance and Audit Scrutiny Committee considered Report No: <b>PAS/FH/17/023</b> , which provided information on the Council's Annual Treasury Management Report summarising the investments activities for the year 2016-2017; and provided a summary of the investment activities for the first three months of 2017-2018 financial year.	
<b>Recommendation:</b>	<b>It is <u>RECOMMENDED</u> that, subject to the approval of full Council, the Annual Treasury Management Report 2016-2017, attached as Attachment 1 to Report No: PAS/FH/17/023, 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/17/023	
<b>Alternative option(s):</b>		• See Report No: PAS/FH/17/023	
<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/17/023	
<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/17/023	
<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/17/023	
<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/17/023	
<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/17/023	
<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/17/023			
<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>		Report No: <a href="#">PAS/FH/17/023</a> and <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 2016-2017**

- 1.1.1 The Council's Annual Treasury Management Report for 2016-2017 was attached as Attachment 1 to Report No: PAS/FH/17/023. The report included tables summarising the interest earned during 2016-2017 on the various treasury management investments held by the Council; investment activity during the year and investments held as at 31 March 2017.
- 1.1.2 The budgeted income from investments in 2016-2017 was £350,000 (average rate of return of 1.50%). Interest actually earned during the year totalled £250,747, an under achievement in interest of £99,253. The under achievement was primarily due to use of £14m of investment funds to purchase the Solar Farm at Toggam Farm. This, combined with the continuing low rates of return offered by our counterparties, has resulted in this under achievement.
- 1.1.3 The Performance and Audit Scrutiny Committee considered the report and asked questions to which Officers duly responded. Members particularly asked for an update on the position in relation to the longer term loan of £4m and the negotiations with the Lender to achieve a reasonable redemption figure. The Assistant Direct confirmed that an update on this position would be reported back to the Cabinet shortly.

### **1.2 Investment Activity 1 April to 30 June 2017**

- 1.2.1 The total amount invested at 1 April 2017 was £18.005m and at 30 June 2017 £18.505m. 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 2017-2018 Annual Treasury Management and Investment Strategy (report PAS/FH/16/006 refers) sets out the Council's projections for the current financial year. The budget for investment income in 2017-2018 was £181,000 which was based on a 0.75% target average rate of return on investments.
- 1.2.3 As at the end of June 2017, interest actually earned during the first quarter of the financial year amounted to £32,311 against a profiled budget for the period of £42,250; a budget deficit of £12,939. 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 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.