

Performance and Audit Scrutiny Committee



Forest Heath
District Council

Title of Report:	Mid-Year Treasury Management Report 2017/18 and Investment Activity 1 April to 30 September 2017	
Report No:	PAS/FH/17/039	
Report to and date/s:	Performance and Audit Scrutiny Committee	29 November 2017
	Cabinet	12 December 2017
	Council	20 December 2017
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Lead officer:	Rachael Mann Assistant Director (Resources and Performance) Tel: 01638 719245 Email: rachael.mann@westsuffolk.gov.uk	
Purpose of report:	To present the Council's Mid-Year Treasury Management Report summarising the investment activity for the period 1 April to 30 September 2017.	
Recommendation:	It is <u>RECOMMENDED</u> that the Performance and Audit Scrutiny Committee: Make recommendations as appropriate to Cabinet and Council regarding the approval of the Mid-Year Treasury Management Report for 2017-2018, attached as Appendix 1.	

<p>Key Decision:</p> <p><i>(Check the appropriate box and delete all those that do not 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>Consultation:</p>	<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.
<p>Alternative option(s):</p>	<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.
<p>Implications:</p>	
<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><i>Are there any legal and/or policy 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"> This report is in-line with the Treasury Management Practice 6, (TMP6), of the Treasury Management Code of Practice, which requires a mid year monitoring report to be submitted to Council by 31 December each year
<p><i>Are there any equality implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>
<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
Ward(s) affected:	All Ward		
Background papers: <i>(all background papers are to be published on the website and a link included)</i>	Annual Treasury Management and Investment Strategy 2017/18. (Report COU/FH/17/003)		
Documents attached:	Appendix 1 – Treasury Management Monitoring Report 2017-2018		

1. Mid-Year Monitoring Report 2017/18

1.1 Full details of treasury management activities during the period 1 April to 30 September 2017 are included in **Appendix 1** of this report.

1.2 Below is a summary of those investment activities:

INTEREST EARNED AND AVERAGE RATE OF RETURN SUMMARY			
	Budget	Actual	Difference
Investment Interest Earned	£90,500	£57,852	- £32,648
Average Rate of Return	0.75%	0.58%	- 0.17%

- The purchase of the Solar Farm last year, continues to have a knock on effect on the funds available for investment (as we used cash balances instead of external borrowing to fund the purchase), this in turn has reduced the interest earned this year.
- 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 2017 we held £20,005,000 of investments.

INVESTMENT ACTIVITY SUMMARY	
	2017/18 £
Opening Balance 01 April 2017	18,005,000
Investments made during the year (including transfers to business reserve accounts)	18,850,000
Sub Total	36,855,000
Investments realised during the year (including withdrawals from business reserve accounts)	16,850,000
Closing Balance 30 September 2017	20,005,000

2. Borrowings and Temporary Loans

2.1 Below is a summary of the borrowings and temporary loans as at 30 September 2017;

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