

Performance and Audit Scrutiny Committee



Forest Heath
District Council

Title of Report:	Treasury Management Report 2017-2018 and Investment Activity (1 April to 31 December 2017)	
Report No:	PAS/FH/18/008	
Report to and dates:	Performance and Audit Scrutiny Committee	31 January 2018
	Cabinet	13 February 2018
	Council	21 February 2018
Portfolio holder:	Councillor Stephen Edwards Portfolio Holder for Resources and Performance Tel: 01799 530325 Email: stephen.edwards@forest-heath.gov.uk	
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 third Quarter Treasury Management Report summarising the investment activity for the period 1 April 2017 to 31 December 2017.	

Recommendation:	<p>It is <u>RECOMMENDED</u> that the Performance and Audit Scrutiny Committee:</p> <p>(1) Scrutinises the content of this report, including details of the treasury management performance for the first nine months of 2017-2018 financial year; and</p> <p>(2) Makes recommendations as appropriate to Cabinet and Council regarding the approval of the third Quarter Treasury Management Report for 2017-2018, 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:	
<i>Are there any financial implications? If yes, please give details</i>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> Please refer to main report
<i>Are there any staffing implications? If yes, please give details</i>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none">
<i>Are there any ICT implications? If yes, please give details</i>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none">
<i>Are there any legal and/or policy implications? If yes, please give details</i>	<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.

<i>Are there any equality implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
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. <i>(Report No: COU.FH.17.003)</i>	
Documents attached:		Appendix 1 – Third Quarter Treasury Management Report 2017-2018	

1. Third Quarter Treasury Management Report 2017-2018

1.1 Full details of treasury management activities during the period 1 April to 31 December 2017 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	£135,750	£86,730	- £49,020
Average Rate of Return	0.75%	0.61%	- 0.14%

- 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 continuing low Bank of England base rate and resulting low of interest rates offered by institutions. In addition as the Council now holds less funds, we have fewer longer term investment which are the investment that generate the higher rates of return.
- As at 31 December 2017 we held £19,955,000 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)	26,300,000
Sub Total	44,305,000
Investments realised during the year (including withdrawals from business reserve accounts)	24,350,000
Closing Balance 31 December 2017	19,955,000

Summary of Funds held	
Fund	£
Revenue Reserves*	14,649,947
Capital Receipts Reserves*	2,758,970
General Funds Reserve	2,000,217
Cash flow Balances	545,866
Total Value of Investments	19,955,000

* these funds will be utilised through the Council's 5 year financial planning period

2. Borrowings and Temporary Loans

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