

Annual Treasury Management Report 2018/2019 (FHDC)

Report No:	FRS/WS/19/001	
Report to and dates:	Financial Resilience Sub-Committee	15 July 2019
	Performance and Audit Scrutiny Committee	25 July 2019
	Cabinet	10 September 2019
Cabinet Member:	Councillor Sarah Broughton Cabinet Member for Resources and Performance Tel: 01284 703894 Email: sarah.broughton@westsuffolk.gov.uk	
Lead officer:	Gregory Stevenson Service Manager (Finance and Performance) Tel: 01284 757264 Email: gregory.stevenson@westsuffolk.gov.uk	

Decisions Plan: This item is included in the Cabinet's Decisions Plan

Wards impacted: All Wards

Recommendation: It is recommended that, the Financial Resilience Sub-Committee:

- (1) **Notes the Annual Treasury Management Report – 2018/2019 (FHDC); and**
- (2) **Makes recommendations as appropriate via the Performance and Audit Scrutiny Committee to Cabinet and Council.**

1. Annual Report 2018/2019 (FHDC)

1.1 The purpose of this report is to report on the Investment Activities of Forest Heath District Council from 1 April 2018 to 31 March 2019

1.2 Interest Earned from Treasury Investments during the year

The 2018/2019 Annual Treasury Management and Investment Strategy (report PAS/FH/18/009 refers approved 19 February 2018) sets out the Council's projections for the current financial year. The budget for investment income in 2018/19 was £224,000 which was based on a 0.75% target average rate of return on investments.

1.3 At the end of March 2019 interest actually earned during the financial year amounted to £145,597 (average rate of return of 0.724%) against a budget for the year of £224,000; a budgetary deficit of £78,404. This budgetary deficit was due to lower cash balances as a result of the re-phasing of some income generating projects. These projects were budgeted to be funded through external borrowing which would have boosted the cash balances and resultant interest. In addition investments were made on a shorter term basis for liquidity resulting in lower yields

1.4 The table below summaries the interest earned and the average rate of return achieved and compares this with the 3 month LIBOR average.

INTEREST EARNED AND AVERAGE RATE OF RETURN SUMMARY			
Investment Category	Total Average Investment	Average Rate of Return (%)	Interest Earned
City Deposit Cash Managers	2,000,000	0.798%	4,328.10
Temporary Investments	1,253,911	0.712%	98,433.97
Lloyds 95 Day Account	2,465,943	0.884%	21,808.64
NatWest LSA	32,699	0.952%	307.03
Barclays FIBCA	1,721,446	0.496%	8,541.22
Santander 180 Day Account	1,000,000	0.845%	8,452.06
Santander 95 Day Account	500,000	0.745%	3,726.03
Total Overall Average Return on Investments %			0.724%
Total Interest Earned - 1 April 2018 to 31 March 2019			145,597.05
LIBOR 3 Month Average			0.722%

1.5 The table below summarises the investment activities during the period:

TREASURY MANAGEMENT – INVESTMENT ACTIVITY SUMMARY	
	2018/2019
Opening Balance 01 April 2018	16,005,000
Investments made during the year (including transfers to business reserve accounts)	44,300,000
Sub Total	60,305,000
Investments realised during the year (including withdrawals from business reserve accounts)	44,005,000
Closing Balance 31 March 2019	16,300,000

1.6 The table below shows the list of investments held as at 31 March 2019:

Investments held as at 31 December 2018				
Counterparty	Principal Amount	Interest Rate	Date Loaned	Date Returned
National Counties B/S	1,500,000	0.89%	02/01/19	15/04/19
Nottingham B/Soc	1,500,000	0.81%	02/01/19	15/04/19
Coventry B/Soc	1,500,000	0.75%	02/01/19	15/04/19
Barclays Bank	1,000,000	0.80%	15/01/19	26/04/19
Principality B/Soc	1,000,000	0.89%	21/01/19	07/05/19
Coventry B/Soc	1,000,000	0.78%	11/02/19	20/05/19
Principality B/Soc	1,500,000	0.74%	19/02/19	12/04/19
Newcastle B/Soc	1,000,000	0.91%	25/02/19	20/05/19
Leeds B/Soc	1,000,000	1.00%	18/03/19	27/01/20
Lloyds 95 Day Account	2,400,000	0.80%	95 day	notice
Santander 180 Day	1,000,000	0.95%	180 day	notice
Santander 95 Day	500,000	0.85%	95 day	notice
Barclays FIBCA	1,400,000	*0.50%	Call	
TOTAL	16,300,000			

*+ 0.1% bonus if average annual balance above 1m

2. Borrowing and Capital Costs

2.1 The 2018/2019 Budget has new assumptions on borrowing for capital projects included within it. This borrowing was based around seven specific projects, including:

- West Suffolk Operational Hub
- Mildenhall Hub
- Barley Homes – Loan facility
- Investing in our Growth Agenda Fund

There is also the long-standing £4.0m loan relating to the Newmarket Leisure Centre and £2.29m of internal borrowing relating to the purchase of the Toggam Solar Farm.

The details of these Budgets is laid out below:

SUMMARY OF CAPITAL BORROWING BUDGET 2018/2019 (including c/f amounts)			
Project	Borrowing	Minimum Revenue Provision (MRP)	Interest Payable
West Suffolk Operational Hub	£2,585,263	£0	£0
Mildenhall Hub*	£4,560,000	£0	£0
Place based projects	£224,000	£0	£0
Barley Homes – Loan Facility *	£1,695,750	£0	£0
Investing in our Growth Fund	£20,000,000	£600,000	£412,500
Newmarket Leisure Centre (relating to £4m from 2008)	£4,000,000	£122,250	£169,600
Toggam Solar Farm (amount carried forward from 2017/18)	£2,290,041	£436,000	£202,000
Total	£35,355,054	£1,158,250	£784,100

* These projects were originally to be funded from capital receipts, however the Council took advantage of utilising capital receipts available at the time to finance the solar farm projects – creating additional (albeit temporary) savings in borrowing costs. The borrowing costs to fund these projects sits within the Toggam Solar Farm line.

2.2 The position on each of these projects for the full year of 2018/2019 is as below:

SUMMARY OF CAPITAL BORROWING FOR 2018/2019				
Project	External Borrowing	Use of Available Revenue Reserves (in place of External Borrowing)	Minimum Revenue Provision (MRP)	Interest Payable
West Suffolk Operational Hub	£0	£2,700,343	£0 **	£0
Mildenhall Hub	£0	£643,454	£0 **	£0
Place based Projects	£0	£0	£0	£0
Barley Homes*	£0	£246,250	£0	£0
Investing in our Growth Fund	£0	£743,160	£18,531	£0
Newmarket Leisure Centre	£4,000,000	£0	£117,528	£169,600
Toggam Solar Farm	£0	£2,290,041	£116,584	£0
Total	£4,000,000	£6,641,339	£252,643	£169,600

* These project budgets are now not expected to be spent/spent in full in 2018/19, they will be carried forward into 2019/2020.

** MRP is not charged until the asset goes into operation, neither West Suffolk Operational Hub nor Mildenhall Hub became operational in 2018/2019.

2.3 This position for the Investing in our Growth Fund has moved due to the following reason:

- £0.74m of the Growth Fund being invested in 113 High Street Newmarket which was funded by internal borrowing.
- Lack of investment opportunities to utilise the Investment in our Growth Fund

2.4 The impact of utilising internal funds was a reduction in interest payable in 2018/19.

2.5 As at the end of March 2019 there had been no requirement to borrow externally over and above the £4.0m Barclays loan. Therefore the only interest payable for the year was the £169,600.00 relating to this.

3. The Market During 2018/2019

- 3.1 Uncertainty surrounding the Brexit negotiations remained throughout the year, the financial markets remained volatile with low rates of return being offered by the banks and building societies.

4. Borrowing and Temporary Loans

- 4.1 Below is a summary of the borrowings and temporary loans as at 31 March 2019.

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