

Report To:	CABINET	Date:	13TH JULY 2017
Heading:	COUNCIL'S TREASURY MANAGEMENT AND BORROWING ACTIVITIES		
Portfolio Holder:	CLLR JACKIE JAMES - CORPORATE SERVICES		
Ward/s:			
Key Decision:	NO		
Subject To Call-In:	NO		

Purpose Of Report

To receive a report on the position of the Council with regard to Treasury Management and Borrowing.

This report gives Members information on the activities which the Council carries out to manage both its funding and its cash flow, with the aim of minimising the risks to which the Council is exposed when borrowing and lending.

It sets out the performance in 2016/17 against the prudential indicators, which was agreed by Members in order to ensure that borrowing and lending are controlled within reasonable limits, in line with good practice.

Recommendation(s)

Members are requested to:

- i) Note the performance as outlined in the report.

Reasons For Recommendation(s)

To meet the requirements of the Council's Financial Regulations (C.29).

Alternative Options Considered (With Reasons Why Not Adopted)

None.

Detailed Information

TREASURY MANAGEMENT - ANNUAL REPORT 2016/17

1. Introduction

The Treasury Management Policy Statement includes a requirement for the production of an Annual Report on the Treasury Management activities undertaken during the year. This requirement is also incorporated in the Council's Financial Regulations and is considered as good practice in the CIPFA Code of Practice for Treasury Management. The CIPFA Code of Practice on Local Authority Accounting requires the balance sheet values for Financial Instruments, including loans to be included at fair value. In accordance with the CIPFA Code loans and other financial instruments are included in the balance sheet at fair value. However, the figures included in this report are at face value.

2. Borrowing

The borrowing activities undertaken during the year are summarised below:

Type of Loan	Amount Outstanding 01.04.16 £000	Borrowed £000	Repaid £000	Amount Outstanding 31.03.17 £000
Long Term Loans				
- PWLB	29,949	0	0	29,949
- Mortgage Loan	45,500	0	0	45,500
- Overdraft	6	0	6	0
Total External Debt	75,455	0	6	75,449

The table represents the actual transactions undertaken and therefore will differ to that shown in the statement of accounts due to the differences in notional valuation.

3. Prudential Borrowing Limits

One of the requirements of the CIPFA Prudential Code is to report performance indicators against a range of indicators to Members. Underpinning the Prudential system for borrowing is the fundamental objective that any investment in assets needs to be both affordable and remain within sustainable limits. To this end the Council sets its own targets, boundaries or limits to monitor actual performance against, which for 2016/17 were set at Cabinet 24th March 2016. The comparison of out-turn to those targets are set out in Appendix 1 to this report.

4. Loan Interest Payments

4.1 There are two measures of performance used for assessing the Council's borrowing activities, the total amount of interest paid compared to estimate figures and the average rate of interest paid on external loans. An analysis of interest payments compared to the revised estimates is given below:

4.2

	Revised Estimate	Actual
	£000	£000
PWLB	1,322	1,322
Mortgage Loans	2,035	2,035
Total	3,357	3,357

The actuals are in line with the revised estimate.

4.3 External Borrowing Rate - the average borrowing rate of all external loans was 4.45% as forecast at the revised estimate stage.

5. Investments

5.1 Cash flow surpluses are placed in investment accounts or on short term money market deals. The movement in external investments during the year is given below:

	Temporary Advances
	£000
Balance at 1.04.16	15,231
New Investments	109,622
Repayments	105,799
Balance at 31.03.17	19,054
Annual Return	0.51%

This compares favourably to the current 3 month London Interbank Bid (LIBID) rate of 0.17%.

5.2 Overall Investment Income return achieved compared to the revised budget is as follows:

Revised Estimates	Actual
£000	£000
105	114

5.3 The above figures demonstrate that investments are an important element of the Council's budget. Relatively small movements in interest rates can have a significant impact on the income received.

5.4 During 2016/17 the base rate started at 0.5% and ended the year at 0.25%.

Implications

Corporate Plan:

The reporting of the position with regard to insurance indirectly supports all of the Council's main objectives through contributing to business efficiency and effectiveness.

Legal:

The recommendations contained in the report ensure compliance with Financial Regulation C.29.

Finance:

This report is effective from 13/07/2017 and has the following financial implications:

Budget Area	Implication
General Fund – Revenue Budget	None. Report is for information
General Fund – Capital Programme	None. Report is for information
Housing Revenue Account – Revenue Budget	None. Report is for information
Housing Revenue Account – Capital Programme	None. Report is for information

Human Resources / Equality and Diversity:

No adverse Human Resources / Equality implications could be identified.

Other Implications:

None

Reason(s) for Urgency (if applicable):

Not applicable

Exempt Report:

Not applicable

Background Papers

None

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APPENDIX 1 PRUDENTIAL INDICATORS OUT-TURN 2016/17

1. Prudential Indicators of Affordability

a) **Ratio of financing costs to net revenue stream for the next three years split between the Housing Revenue Account and the General Fund**

The Council is required to calculate an estimated ratio of its financing costs divided by its net revenue stream for both the General Fund and the Housing Revenue Account.

2016/17	Target %	Actual %
Housing Revenue Account	15	14
General Fund	8	7

The variance to target on the General Fund is primarily due to the Minimum Revenue Provision (MRP) being less than originally expected and the variance for the HRA is mainly due to Capital Expenditure being lower than expected.

b) **Estimate of the incremental impact of capital investment decisions on the Council Tax and Rent Levels**

Authorities are required to estimate the impact on the Council Tax (General Fund) and Rent levels (Housing Revenue Account) of the capital programme including the non financing costs.

2016/17	Target £	Actual £
Housing Revenue Account (52 Weeks)	0.00	0.00
General Fund (Band D)	3.10	1.51

The variance for the General Fund is largely due to borrowing being less than anticipated.

c) **Net borrowing and the Capital Financing Requirement split between the General Fund and the Housing Revenue Account**

In order to ensure that in the medium term borrowing is only undertaken for capital purposes local authorities are required to ensure that net external borrowing does not exceed, except in the short term, the total of their capital financing requirement. In broad terms the capital financing requirement reflects an authorities need to borrow for capital purposes and is a measure of the assets contained on the balance sheet which have as yet not been fully financed, i.e. there is still some debt outstanding.

31 st March 2017	Target £m	Actual £m
Housing Revenue Account	80	80
General Fund	21	19

The variance for the General Fund is due to borrowing being less than planned in 2016/17.

d) **Estimates of borrowing for capital expenditure split between the General Fund and the Housing Revenue Account**

2016/17	Target £m	Actual £m
Housing Revenue Account	0.0	0.0
General Fund	1.3	1.1

The variance for the General Fund is largely due to an underspend on vehicle purchases.

e) **Authorised Limit of external debt**

The Council is required to set an authorised limit for its total external debt, gross of investments and includes the need to borrow on a short term basis to cover for temporary shortfalls in cash flow.

2016/17	Authorised Limit £m	Actual Borrowing £m
Borrowing	120	75

f) **Operational Boundary**

The operational boundary is based on the most likely or prudent but not worst case scenario in relation to cash flow.

2016/17	Operational Boundary £m	Actual Borrowing £m
Borrowing	110	75

2. Prudential Indicators for Prudence

a) **Interest rate exposure**

This indicator gives the following maximum levels of exposure to fixed and variable interest rate payments.

Principal Outstanding 2016/17	Target £000	Actual £000
At Fixed Rates	120,000	49,949
At Variable rates	48,000	25,500

b) **Maturity Structure of fixed rate borrowing**

The Council is required to set both upper and lower limits for the maturity structure of its borrowing. As this indicator relates only to fixed rate debt it is therefore a measure of the longer term risk of exposure to interest rate fluctuations.

Maturity	Lower £000	Limit	Upper £000	Limit	Actual 31 st March 2017 £000
Less than 12 months		0	20,000		701
12 months to 24 months		0	25,000		5,000
24 months to 5 years		0	25,000		13,012
5 years to 10 years		0	50,000		14,690
10 year and over		10	100,000		42,046

Principal sums invested for more than 364 days

2016/17	Limit £m	Actual £m
Upper Limit	5	5