

Treasury Management Performance 2015/16

Audit Committee

Date: 28th June 2016

Author: Cabinet Member for Finance and Corporate Services
Board Director, Resources

Wards: All

Locality Affected: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 This report sets out the Treasury Management performance for 2015/16.
- 1.2 The effective management of financial resources through robust financial management processes underpins the Council's ability to achieve its plans and priorities.

2. Recommendations

Cabinet is recommended to:

- 2.1 Note the 2015/16 Treasury Management performance as detailed at paragraphs 3.1 to 3.17 and Prudential Indicators shown at Appendix 1.

3. Detail

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- 3.1 The Council is involved in two types of treasury activity:
 - 3.1.1 Borrowing, both long term (for more than 1 year) for capital expenditure purposes and borrowing (for less than 1 year) for temporary cash flow purposes
 - 3.1.2 Lending, for investment of surplus cash relating to reserves and for cash flow purposes
- 3.2 The activity and performance in respect of each of these two activities is summarised in the sections below.
 - Borrowing
- 3.3 In 2015/16, £50m of new long-term loans were taken out as part of the overall capital financing requirement. These were taken out as "maturity loans", where the principal is repaid fully at loan maturity, and the interest is at fixed rates, per the following table:

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Date	Amount	Rate	Period
17 th November 15	£10m	3.35%	44 years
10 th December 15	£10m	2.58%	9 years
10 th December 2015	£10m	3.14%	43 years
22 nd December 2015	£10m	2.43%	8 years
8 th January 2016	£5m	3.22%	42 years
8 th January 2016	£5m	2.34%	7 years

- 3.4 These loans were taken out over various periods to reduce risk in accordance with the treasury strategy, which is to ensure they don't all mature at the same time and the Council has a balanced portfolio.
- 3.5 A number of long-term loans totalling £6.501m also matured during the year. These were running at an average rate of 1.95%. Total long-term debt has therefore increased from £242.3m to £285.8m over the year. The average maturity period on all existing long-term debt is 19 years.
- 3.6 Short-term borrowing as at March 31st was £7.68m. This figure fluctuates daily as reflects the Council's daily cash flow requirements are wholly dependent on the timings of receipts and payments.
- 3.7 The average rate the Council paid on all external debt (both long term and short term) over the whole of 2015/16 was 3.39%. This is a decrease of 0.16% on the average for the previous financial year.

Investments

- 3.8 During 2015/16 there was an *average* daily investment balance of £51 million which was a mixture of internally managed cash investments and an externally managed property fund (Local Authority property Fund or "LAPF"). The balance at 31st March 2016 of £59m was an increase from £20.2m at the same date of the previous year. This balance is comprised of working capital (where we hold cash temporarily as a result of timing differences between receipts and payments) as well as general reserve balances which are more stable.
- 3.9 In total, interest of £693k was earned in 2015/16 on all investments (cash and LAPF) at an average rate of 1.36%. The average investment rate achieved in 2014/15 was 0.64%.

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- 3.10 The average balance in the property fund during 2015/16 was £9.24m with an average return of 4.49%. The other investments had an average balance of £41.76m returning an average rate of 0.67%. This rate exceeded the 3-month LIBOR (London Interbank Offer Rate) rate of 0.58% which is our benchmark rate.
- 3.11 The Council's debt and investment position as at 31 March 2016 is summarised in the table below:

Analysis of Debt and Investments

Debt & Investments	31/03/2015		31/03/2016	
	£'000	Av. Rate (%)	£'000	Av. Rate (%)
Long Term Debt PWLB	192,259	3.74%	240,757	3.54%
Long Term Debt Market	50,000	3.23%	45,000	3.43%
Total Long Term Debt	242,259	3.64%	285,757	3.53%
<i>Of which HRA</i>	<i>135,532</i>		<i>130,532</i>	
<i>Of which GF</i>	<i>106,727</i>		<i>155,225</i>	
Short-term Borrowing	11,500	0.38%	7,680	0.46%
Total Debt	253,759	3.55%	293,437	3.39%
Investments	(20,186)	0.64%	(59,000)	1.36%
Net Borrowing Position	233,573		234,437	

Capital Financing Requirement

- 3.12 The Council undertakes capital expenditure on long-term assets. These activities may either be:
- 3.12.1 Financed immediately through the use of capital or revenue resources (such as capital receipts, capital grants or revenue contributions), which has no resultant impact on the Council's borrowing need, or
- 3.12.2 if insufficient funding is available, or a decision is taken not to apply other funding, the capital expenditure will give rise to a **borrowing need** to ultimately fund the expenditure.

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- 3.13 The Council's underlying borrowing need is measured through the **Capital Financing Requirement** ("CFR") and is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources.
- 3.14 Part of the Council's treasury activities is to address the funding requirements for this borrowing need and the treasury management team organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the PWLB or the money markets), or utilising temporary cash resources within the Council.
- 3.15 The CFR is always higher than the actual level of borrowing, the difference being termed "internal borrowing" which represents the temporary funding of capital spend from cash balances in advance of external borrowing being taken out.
- 3.16 The CFR has decreased from £459.6m to £459.4m over the year. This is due to a decrease in PFI liabilities of £1.4m, a decrease in the HRA CFR as £5m of debt was repaid, and an increase in the General Fund CFR of £6.2m.
- 3.17 The table below compares the CFR with the long-term debt position (split between the General fund and the Housing Revenue Account). This **excludes** Public Finance Initiative (PFI) liabilities of £54,156k, which are, technically, part of the CFR calculation.

Table 6 – Capital Financing Requirement "CFR"

	General Fund £k	Housing Revenue Account £k	Total £k
Actual Long Term Debt	155,225	130,532	285,757
CFR	274,718	130,532	405,250
Borrowing Need	119,493	-	119,493

Prudential Indicators (PI's)

- 3.18 In order to demonstrate that local authorities have fulfilled the objectives of the Prudential Code, the code sets out a basket of indicators that must be prepared and used. It should be noted that the prudential indicators are not for comparison between authorities, but are a means to support and record local decision-

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making. The PI's do not in themselves indicate either a good or bad financial position, they are merely a statement of fact. Further detail is provided underneath each of the PI's on the appendix itself at Appendix 1.

Compliance with Treasury Limits

- 3.19 During the 2015/16 Financial Year all Treasury activity was carried out within the Council's Treasury limits and Prudential Indicators as set out in the Council's Treasury Policy Statement and annual Treasury Strategy Statement.

4. Alternative Options

- 4.1 Any alternative options for specific areas are set out within the report.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 These have been reflected in the body of the report.

Legal and Human Rights Implications

- 5.2 All legal and human rights considerations have been taken fully into account in compiling this report. It is considered that the recommendations of this report are compatible with Convention rights.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 There are no such direct implications.

Diversity Impact Assessment (DIA)

- 5.4 There are no implications arising from this report

Risk Management

- 5.5 There are no direct risks arising from this report.

6. Consultees

- 6.1 The Board Director, Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Appendix 1 – Prudential Indicators
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Further information on the subject of this report can be obtained from Paul Smith on Direct Dial No.463976, or Email psmith2@swindon.gov.uk.

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9. Key Decision/Decision in Cabinet Work Programme and Forward Plan

- 9.1 This is not a Key Decision and is included in the Cabinet Work Programme / Forward Plan for June 2016.