

Mid-Year Treasury Performance 2017/18

**Cabinet
Audit Committee**

**Date: 6th December 2017
Date: 28th November 2017**

Author: Cabinet Member for Finance and Commercialisation
Corporate Director, Resources and Growth

Wards: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 This report sets out the mid-year Treasury Management performance for 2017/18.
- 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. Recommendation

- 2.1 That the mid-year Treasury Management performance be noted.

3. Detail

- 3.1 The CIPFA Treasury Code of Practice recommends that Treasury Management performance is reported at least twice a year. This report sets out the mid-year performance for the Council to the end of September 2017.
- 3.2 The Council is involved in two types of treasury activity, both of which are affected by the economic environment:
 - 3.2.1 Borrowing long-term for capital investment purposes, and short-term for temporary cash flow purposes;
 - 3.2.2 Investment of surplus cash.
- 3.3 The performance in respect of each of these two activities is summarised below.
Borrowing
- 3.4 The Council has taken out two new long term maturity loans (interest only loans with a maturity of greater than a year) in the first 6 months of this financial year, both for £10 million. The first for 9 years at 1.89%, and the second for 50 years at 2.31%.
- 3.5 In addition to long-term borrowing, the Council also undertakes short-term borrowing in order to smooth out peaks and troughs in its daily cash flow. As at the 30th September 2017, the Council had no short-term borrowing. It should be emphasised that as short-term borrowing is undertaken in respect of daily cash

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flow activities, this figure can fluctuate significantly from day to day dependent on income received or payments due out.

- 3.6 The Council's total long-term debt increased from £279.3m on 31st March 2017 to £298.5m as at 30th September 2017 as a small element of loans matured and two new loans of £10m were taken out as noted above. The overall long-term pool borrowing rate has now dropped from 3.55% at 1st April 2017 to 3.45% at the 30th September 2017 as a result of the rates on the new loans being lower than the previous average rate.
- 3.7 There is a significant long-term borrowing requirement to fund the capital programme and any further loans will be taken out in accordance with the approved Treasury Management Strategy and based on prevailing interest rates and the projections for the future.

Investments - Lending

- 3.8 As at the 30th September 2017, investments stood at £77.2m running at an average rate of 1.47%.
- 3.9 There are three main categories of investment:
- 3.9.1 Liquid Investments – investments that are instantly accessible and are used primarily to smooth the peaks and troughs in the Council's daily cash flow. These include money market funds, instant access accounts and any balances in our own bank account. The average balance on these funds was £11m over the first 6 months of the year achieving an average investment rate of 0.18%.
- 3.9.2 Fixed Term investments – these are locked in for a specific period of time and therefore gain the maximum return (once security and liquidity have been ensured using the Council's creditworthiness parameters.) These investments are made with banks for a fixed term up to 2 years. The average balance of these investments over the first 6 months was £35.4m, achieving an average rate of 0.62% comparing favourably with the benchmark 3 Month LIBOR rate of 0.30%.
- 3.9.3 Local Authority Property Fund ("LAPF") - £15m is invested in this fund and the average rate of return on this investment so far is 4.38%.
- 3.9.4 The LAPF gives local authorities an exposure to a diversified portfolio of commercial property throughout the UK and its objectives are to generate long-term growth in capital and an attractive income over time (5 years or more). The trustees of the fund are the Local Authorities' Mutual Investment Trust (LAMIT), a body controlled by representatives of the Local Government Association, the Convention of Scottish Local

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Authorities, the Northern Ireland Local Government Officers'
Superannuation Committee and investors in the Fund.

- 3.10 The combined return of all investments for the period to 30th September was 1.47%.
- 3.11 The Council's debt and investment position as at 30th September 2017 compared with 31st March 2017 is shown in the table below:

Analysis of Debt and Investments

Debt & Investments	31/03/2017		30/09/2017	
	£'000	Rate (%)	£'000	Rate (%)
Long Term Debt - PWLB	239,256	3.54%	258,506	3.43%
Long Term Debt - Market	40,000	3.59%	40,000	3.59%
Total Long Term Debt	279,256	3.55%	298,506	3.45%
Short-term Borrowing	19,000	0.38%	0	0%
Total Debt	298,256	3.35%	298,506	3.45%
Investments	(44,000)	1.53%	(77,200)	1.47%
Net Borrowing Position	254,256		221,306	

Compliance with Treasury Limits

- 3.12 During the 2017/18 Financial Year to date, all Treasury activity has been carried out within the Council's Treasury limits and Prudential Indicators, as set out in the Council's Treasury Management Strategy.

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.

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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 is no impact on the DIA associated with management of the Council's cash balances.

Risk Management

5.5 There are no direct risks arising from this report.

6. Consultees

6.1 The Director of Finance (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 None

9. Key Decision/Decision in Cabinet Work Programme

9.1 This is not a key decision and is included in the Cabinet Work Programme for December 2017.