

# Mid-Year Treasury Performance 2015-16

**Audit Committee**

**Date: 17<sup>th</sup> November 2015**

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Author:	Cabinet Member for Finance, People and Performance Board Director, Resources
Wards:	All
Locality Affected:	All
Parishes Affected:	All

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## **1. Purpose and Reasons**

- 1.1 This report sets out the mid-year 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**

Audit Committee is recommended to:

- 2.1 Note the mid-year Treasury Management performance;

## **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 2015.
- 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 There has been no new long term borrowing (loans with a maturity of greater than a year) in the first 6 months in this financial year.
- 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 30<sup>th</sup> September 2015, the Council had £16m of short-term borrowing running at an average rate of 0.34%. It should be emphasised that as short-term

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borrowing is undertaken in respect of daily cash 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 decreased from £242.3m on 31<sup>st</sup> March 2015 to £236.5m as at 30<sup>th</sup> September 2015 as a small element of loans matured and were not replaced. The overall long-term borrowing rate has increased marginally from 3.64% to 3.67% as the rates on the maturing loans were lower than the average.
- 3.7 The Council's average rate on all debt (both long term and short term) for the year to 30<sup>th</sup> September 2015 is 3.50%, which is a slight decrease from 3.55% at the end of the previous financial year.
- 3.8 The long term borrowing requirement, as measured by the Capital Financing Requirement, has not reduced over the period. Therefore there is still a significant long-term borrowing requirement to fund the underlying capital programme and loans will be taken out as and when officers deem rates to be advantageous.

## Investments - Lending

- 3.9 As at the 30<sup>th</sup> September 2015, investments stood at £32.8m running at an average rate of 1.31%.
- 3.10 There are three main categories of investment:
  - 3.10.1 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 £21.1m over the first 6 months of the year achieving an average investment rate of 0.43%.
  - 3.10.2 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 £16.5m, achieving an average rate of 0.81% comparing favourably with the benchmark 3 Month LIBOR rate of 0.58%.
  - 3.10.3 Local Authority Property Fund ("LAPF") - £5m was invested in this fund at beginning of May 2015 and the average rate of return on this investment so far is 4.75 %.
  - 3.10.4 The LAPF gives local authorities an exposure to a diversified portfolio of commercial property throughout the UK and its objectives are to generate

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

- 3.11 The standard comparator for investment performance is the 'benchmark 7 day rate', which for the year to 30<sup>th</sup> September 2015 stood at 0.35%. The Council exceeded this rate with an average return on its investments over the 6 month period of 0.86% on an average investment balance of £50.4m. The average rate achieved in the previous full financial year was 0.64%
- 3.12 The Council's debt and investment position as at 30<sup>th</sup> September 2015 compared with 31<sup>st</sup> March 2015 is shown in the table below:

## Analysis of Debt and Investments

Debt & Investments	31/03/2015		30/09/2015	
	£'000	Rate (%)	£'000	Rate (%)
Long Term Debt PWLB	192,259	3.74%	191,508	3.72%
Long Term Debt Market	50,000	3.23%	45,000	3.44%
<b>Total Long Term Debt</b>	<b>242,259</b>	<b>3.64%</b>	<b>236,508</b>	<b>3.67%</b>
Short-term Borrowing	11,500	0.38%	16,000	0.34%
<b>Total Debt</b>	<b>253,759</b>	<b>3.55%</b>	<b>252,508</b>	<b>3.50%</b>
Investments	(20,186)	0.64%	(32,760)	1.31%
<b>Net Borrowing Position</b>	<b>233,573</b>		<b>219,748</b>	

## Compliance with Treasury Limits

- 3.13 During the 2015/16 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.

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## 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 is no impact on DIA associated with management of the Councils cash balances.

## 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 None

## **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 September 2015.