

# Treasury Management Performance 2016/17

**Cabinet**

**Date: 14<sup>th</sup> June 2017**

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Wards: All

Parishes Affected: All

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## **1. Purpose and Reasons**

- 1.1 This report sets out the Treasury Management performance for 2016/17.
- 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 2016/17 Treasury Management performance as detailed at paragraphs 3.1 to 3.17 and Prudential Indicators shown at Appendix 1.

## **3. Detail**

### **Treasury Management Performance 2016/17**

- 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 and
  - 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 2016/17, no new long-term loans (greater than one year) were taken out.
- 3.4 A number of long-term loans totalling £6.501m matured during the year. These were running at an average rate of 2.25%. Total long-term debt has therefore decreased from £285.8m to £279.3m over the year. The average maturity period on all existing long-term debt is 17 years and the average rate on all long-term debt over the year was 3.55%

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- 3.5 Short-term borrowing as at 31<sup>st</sup> March 2017 was £19.0m. This figure fluctuates daily as reflects the Council's daily cash flow requirements are is wholly dependent on the timings of receipts and payments.
- 3.6 The average rate the Council paid on all external debt (both long term and short term) over the whole of 2016/17 was 3.35%. This is a decrease of 0.04% on the average for the previous financial year.

## Investments

- 3.7 During 2016/17 there was an *average* daily investment balance of £68 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 31<sup>st</sup> March 2017 of £44m was a decrease from £59m 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.
- 3.8 In total, interest of £1.072m was earned in 2016/17 on all investments (cash and LAPF) at an average rate of 1.53%.The average investment rate achieved in 2015/16 was 1.36%.
- 3.9 The average balance in the property fund during 2016/17 was £15m with an average return of 4.36%. The other investments had an average balance of £53m returning an average rate of 0.72%. This rate exceeded the 3-month LIBOR (London Interbank Offer Rate) rate of 0.44% which is our benchmark rate.
- 3.10 Swindon is part of a bench marking group where performance is compared between 22 English Unitary Authorities. The report for the month of March 2017 showed that Swindon's average rate of return was 0.70% compared with the benchmarking group average of 0.67%.
- 3.11 The Council's debt and investment position as at 31 March 2017 is summarised in the table below:

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## Analysis of Debt and Investments

Debt & Investments	31/03/2016		31/03/2017	
	£'000	Av. Rate (%)	£'000	Av. Rate (%)
Long Term Debt PWLB	240,757	3.54%	239,256	3.54%
Long Term Debt Market	45,000	3.43%	40,000	3.59%
<b>Total Long Term Debt</b>	<b>285,757</b>	<b>3.53%</b>	<b>279,256</b>	<b>3.55%</b>
<i>Of which HRA</i>	<i>130,532</i>		<i>125,532</i>	
<i>Of which GF</i>	<i>155,225</i>		<i>153,724</i>	
Short-term Borrowing	7,680	0.46%	19,000	0.38%
<b>Total Debt</b>	<b>293,437</b>	<b>3.39%</b>	<b>298,256</b>	<b>3.35%</b>
Investments	(59,000)	1.36%	(44,000)	1.53%
<b>Net Borrowing Position</b>	<b>234,437</b>		<b>254,256</b>	

## 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 requirement** to ultimately fund the expenditure.
- 3.13 The Council's underlying borrowing requirement is measured through the **Capital Financing Requirement** ("CFR") and is simply the total ultimate borrowing requirement, regardless of whether that borrowing has actually taken place or not
- 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

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bodies (such as the Government, through the PWLB or the money markets), or utilising temporary cash resources within the Council.

- 3.15 The CFR (the ultimate borrowing requirement) 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 and working capital as a short-term measure.
- 3.16 The CFR has decreased from £459.6m to £458.3m over the year. This is a net reduction of £1.3m. The general fund capital expenditure of £11.7m, was funded from MRP (£1.8m), HRA loan repayment (£5m) and an accounting adjustment of £6.1m related to the sale of Thamesdown Transport Ltd.
- 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 £52,810k, which are, technically, part of the CFR calculation.

## Capital Financing Requirement “CFR”

	General Fund £'000	Housing Revenue Account £'000	Total £'000
Actual Long Term Debt	153,724	125,532	279,256
CFR (Total borrowing requirement)	279,942	125,532	405,474
Further borrowing requirement	126,218	-	126,218

## Prudential Indicators (PIs)

- 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-making. The PIs 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 PIs on the appendix itself at Appendix 1.

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## Compliance with Treasury Limits

- 3.19 During the 2016/17 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 The 2016/17 budget anticipated borrowing of £303m would be required in 2016/17. This compares with an actual year end borrowing position of £298m (inclusive of £19m of short term borrowing). The 2017/18 budget anticipates new borrowing of £15m, which would take total borrowing to £313m.
- 5.2 The average investment for the year was £68m this compares with an average of £51m from 2015/16. The 2017/18 budget has assumed that a similar level of interest will be achieved as that in 2016/17

### Legal and Human Rights Implications

- 5.3 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)

- 5.4 There are no such direct implications.

### Diversity Impact Assessment (DIA)

- 5.5 There are no implications arising from this report

### Risk Management

- 5.6 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

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## 8. Appendices

8.1 Appendix 1 – Prudential Indicators

## 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 2017.