



<b>Report of:</b>	<b>Meeting</b>	<b>Date</b>	<b>Item No.</b>
Cllr Alan Vincent, Resources Portfolio Holder and Clare James, Head of Finance	Council	15 June 2017	10

### **Treasury Management Activity 2016/17**

#### **1. Purpose of report**

- 1.1 To report on the overall position and activities in respect of Treasury Management for the financial year 2016/17.

#### **2. Outcomes**

- 2.1 An informed Council who have an understanding of Treasury Management activity, in line with the approved Treasury Management Policy and Strategy Statements and Treasury Management Practices.

#### **3. Recommendation**

- 3.1 That the Annual Report on Treasury Management Activity for the 2016/17 financial year be approved.

#### **4. Background**

- 4.1 In order to demonstrate compliance with the CIPFA Code of Practice for Treasury Management, a review of the Treasury Management Policy Statement, Treasury Management Procedures, Strategy and Minimum Revenue Provision Policy Statement is undertaken each year and reported to Cabinet in March. The Council, in accordance with legislation is also formally required to approve the formulation of the plan or strategy for the control of the authority's borrowing, investments or capital expenditure and for the determination of the authority's minimum revenue provision. This is agreed by Council in April.

- 4.2 A requirement of the Treasury Management Code of Practice is the reporting of the results of treasury management activity twice a year. Council considered the results for the six-month period ending 30 September 2016 at their meeting on 1 December 2016 and this report

covers the 2016/17 financial year in its entirety.

**4.3** The Treasury Management Procedures indicate that the report should include the following issues, where relevant:

- a) Total debt and investments at the beginning and end of the financial year and average interest rates;
- b) Borrowing strategy for the year compared to actual strategy;
- c) Investment strategy for the year compared to actual strategy;
- d) Explanations for variance between original strategies and actual;
- e) Debt rescheduling done in the year (where applicable);
- f) Actual borrowing and investment rates achieved through the year;
- g) Comparison of return on investments to the investment benchmark;  
and
- h) Compliance with Prudential and Treasury Indicators.

## **5. Key issues and proposals**

**5.1** The table below illustrates the council's debt and investment position at the beginning and end of the 2016/17 financial year:

	1 <sup>st</sup> April 2016	31 <sup>st</sup> March 2017
	£	£
Loans - Temporary	0	0
- Cash Overdrawn	180,874	179,366
<b>Total Short-Term Debt</b>	<b>180,874</b>	<b>179,366</b>
Loans - Long-Term Borrowing	1,552,000	1,552,000
<b>Total Long-Term Debt</b>	<b>1,552,000</b>	<b>1,552,000</b>
Investments - Temporary	0	0
<b>Total Short-Term Investments</b>	<b>0</b>	<b>0</b>
Investments - Temporary	16,366,442	19,191,041
Cash in Bank	0	0
Cash held by the Authority	2,634	2,547
<b>Total Cash and Cash Equivalents</b>	<b>16,369,076</b>	<b>19,193,588</b>

**5.2** The Prudential Code for Capital Finance aims to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. The code sets out indicators that must be used and requires local authorities to set relevant limits and ratios. The indicators for the 2016/17 financial year were originally considered by Cabinet at their meeting on 17 February 2016 and approved at the Council meeting on 3 March 2016. During the financial year, the council operated within these Prudential and Treasury Indicators.

**5.3** The 2016/17 Budget assumed no additional long-term borrowing and that capital schemes were to be funded by grants and contributions, capital receipts and the Capital Investment Reserve.

- 5.4** The council has not had a formal overdraft facility and annual arrangement fee since 2011. The council now incurs charges at 4% over the current base rate for net overdrawn balances with no annual arrangement fee. There have been three instances when the council's net bank account position was overdrawn during the 2016/17 financial year. The first two instances were reported in the Treasury Management Activity April 2016 to September 2016 report to Council 1 December 2016. The third instance occurred in February 2017 after updates were made to the daily cash-flow spreadsheet resulting in an overdrawn balance overnight of £18,136 and a charge of £2.11. The error in formula was identified and corrected the same day to avoid further overdrawn balances occurring.
- 5.5** There were no short-term borrowing transactions (i.e. less than 365 days) during 2016/17.
- 5.6** Interest payments in respect of short-term and long-term borrowing for the 2016/17 financial year total £68,830 compared to the full year budget of £68,830. Including miscellaneous payments, the actual interest payments for the year to 31 March is £68,905 compared to the full year budget of £68,850. This includes £55.79 payable to HMRC and £19.17 payable to the Fielden Trust.
- 5.7** In view of the financial markets, the council has continued to invest any surplus balances with the council's Bank, NatWest (on call deposit), Money Market Funds (MMF) with Prime Rate Capital Management and Insight Funds. In order to maximise return whilst maintaining our low risk strategy the council has extended its use of fixed term deposit facilities to include Standard Chartered International Bank and Goldman Sachs International Bank in addition to the Bank of Scotland. The council has also invested in 60 day and 95 day Notice Accounts with Santander.
- 5.8** There have been 7 occasions during the year where funds over £100,000 have remained in the council's accounts overnight as a surplus balance, four of which were reported in the Treasury Management Activity April 2016 to September 2016 report to Council 1 December 2016. Of the remaining three, one instance was intentional, to ensure that sufficient funds were available for any significant payments during the Christmas closedown. Another instance was where a balance of £610,000 remained in the account overnight to cover a direct debit which had in fact already gone through the bank that day but was missed on the bank statement. The final instance was unavoidable and was due to a receipt coming in late in the evening.
- 5.9** The equated investments for 2016/17 are analysed in the table overleaf:-

	Equated Investment Principal	Interest Due	Rate of Return	Benchmark Return
	£	£		
NatWest Call Account	2,185,607	3,672	0.17%	0.20%
Money Market Funds	5,344,534	20,551	0.38%	0.20%
Bank of Scotland (Overnight/Call)	1,052,620	2,927	0.28%	0.20%
Bank of Scotland (3 and 6 Month Fixed)	3,142,467	19,442	0.62%	0.20%
Svenska Handelsbanken (Instant Access)	1,050,896	3,515	0.33%	0.20%
Svenska Handelsbanken (35 Day Notice)	523,721	2,156	0.41%	0.20%
Nationwide BS (3 Month Fixed)	120,548	616	0.51%	0.20%
Santander (60 Day Notice)	3,000,001	18,144	0.60%	0.20%
Santander (31 Day Notice)	164,384	1,069	0.65%	0.20%
Santander (95 Day Notice)	1,791,781	11,770	0.66%	0.20%
Standard Chartered (1 and 3 Month Fixed)	936,986	3,718	0.40%	0.20%
Goldman Sachs IB (3 and 6 Month Fixed)	1,443,836	7,776	0.54%	0.20%
<b>Total</b>	<b>20,757,381</b>	<b>95,356</b>	<b>0.46%</b>	<b>0.20%</b>

- 5.10** The table above reflects that investments earned an average return of 0.46% against a benchmark LIBID (London Interbank Bid Rate) 7-day average of 0.20%. The Bank of England base rate has remained at 0.25%.
- 5.11** Interest receivable from investments for the 2016/17 financial year totals £95,356 compared to the full year budget of £77,560. Interest overall including miscellaneous items, received in the year totalled £95,871 compared to a budgeted figure of £78,080. The increase in interest and investment income over that budgeted of £17,796 is due to an improved return on investment and an improved cash flow situation in the latter half of the financial year owing to the council receiving external grant monies that have not been spent.
- 5.12** Within the council's current Annual Investment Strategy, the Investment Policy criteria are based on Sector's creditworthiness service. The council, to date, has adopted a very cautious approach and regularly monitors organisations with which investments are held to ensure they meet the Investment Policy criteria.

<b>Financial and legal implications</b>	
Finance	Considered in detail in the report above.
Legal	The approval of the recommendation will ensure that the statutory requirements have been complied with.

**Other risks/implications: checklist**

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with an x.

<b>risks/implications</b>	<b>✓ / x</b>
community safety	x
equality and diversity	x
sustainability	x
health and safety	x

<b>risks/implications</b>	<b>✓ / x</b>
asset management	x
climate change	x
data protection	x

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<b>List of background papers:</b>		
name of document	date	where available for inspection
none		

**List of appendices**

None

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