

HUNTINGDONSHIRE DISTRICT COUNCIL

Title: Treasury Management 6-month Performance Review

Meeting/Date: Overview & Scrutiny – 5th November 2015
Cabinet – 19th November 2015

Executive Portfolio: Resources: Councillor J A Gray

Report by: Head of Resources

Ward(s) affected: All Wards

Executive Summary:

Best practice and prescribed treasury management guidance requires Members to be kept up to date in respect of treasury management activity for the first half of the year, including investment and borrowing activity and treasury performance.

Recommendation(s):

The Cabinet are asked to:

- Note the treasury management performance for the first 6 months of 2015/16 and to recommend the report to Council for consideration.

1. WHAT IS THIS REPORT ABOUT/PURPOSE?

- 1.1 The purpose of this report is to update Members on the Council's treasury management activity for the first 6 months of the year, including investment and borrowing activity and treasury performance.

2. WHY IS THIS REPORT NECESSARY/BACKGROUND

- 2.1 It is regarded as best practice and prescribed treasury management guidance that Members are kept up to date in treasury management activity.
- 2.2 The Council approved the 2015/16 Treasury Management Strategy at its meeting on 12th February 2015.
- 2.3 All treasury management activity undertaken during the period complied with the CIPFA Code of Practice and relevant legislative provisions.
- 2.4 The investment strategy is to invest any surplus funds in a manner that balances low risk of default by the borrower with a fair rate of interest. The Council's borrowing strategy permits borrowing for cash flow purposes and funding current and future capital expenditure over whatever periods are in the Council's best interests.

3. OPTIONS CONSIDERED/ANALYSIS

Cash Flow Management

- 3.1 The vast majority of activity over the past 6 months has been in managing short term fluctuations in cash flow by borrowing or investing for periods that ensure sustainable cash liquidity and at cost that is the most economically advantageous for the Council.
- 3.2 Much of the investment activity has been in call accounts and Money Market Funds. These accounts offer two clear advantages considering the current investment market:
- One of the primary Treasury Management objectives is the security of funds invested; because these accounts allow immediate access to funds this reduces the risk of default.
 - These accounts provide a fair return on amounts invested.
- 3.3 There has been no temporary borrowing during the period.

Long Term Borrowing and Investments

- 3.4 At present the Council has the following investments with external organisations:
- £1.239m to Huntingdon Regional College, which has been back-to-back funded by long-term borrowing for the same amount from the Public Works Loans Board (PWLB).
 - £61,000 to Huntingdon Gym.
 - £4,000 to Alconbury Parish Council.

With regard to the investments in Huntingdon Gym and Alconbury Parish Council, these are currently being financed from within the Councils own working capital.

- 3.5 As at the 30th September the Council had short and long term external investments of £14.6m and borrowing of £11.2m. The following table summarises the transactions during the period and further detailed analysis is shown in Appendix 1.

2014/15 £m			2015/16 £m
3.5	Investments	- as at 31 st March	3.9
(100.8)		- matured in period	(100.3)
106.5		- arranged in period	111.0
9.2		- as at 30 th September	14.6
(17.4)	Borrowing	- as at 31 st March	(11.3)
20.0		- matured/repaid in period	0.1
(19.0)		- arranged in period	0.0
(16.4)		- as at 30 th September	(11.2)
(13.9)	Net investments at 31st March		(7.4)
(7.2)	Net investments at 30th September		3.4

Performance – Interest Return

- 3.6 To give an indication of net investment performance, the summary below excludes the above long-term investments and borrowing to give a fairer comparison with the current benchmark of the 7 day rate.

SHORT-TERM PERFORMANCE FOR THE 6 MONTHS APRIL 2015 – SEPTEMBER 2015					
Net investments	Performance	Benchmark	Variation from benchmark	Managed Funds	
				1 April £m	30 Sept £m
Excluding Huntingdon Regional College, Huntingdon Gym and Alconbury Parish Council	0.20%	0.18%	+0.02%	(2.5)	(13.3)
Note: The Benchmark performance is based on the 7 day LIBID rate provided by the Council's advisors Arlingclose.					

Performance – against budget in 2015/16

- 3.7 The latest forecast outturn is for the net cost of interest to be under budget by £105,000 (net cost of £0.372m against a budget of £0.477m). The small saving is attributable to a combination of low borrowing interest rates (especially between local authorities), reduction in revenue spending, delays in capital expenditure and higher than expected revenue reserves.

Treasury Management Indicators

3.8 The Council measures its exposures to certain treasury management risks with the following indicators which generally relate to the position as at 30th September.

3.9 Interest rate exposures

It is therefore proposed to replace it with the following indicators which better illustrate the position:

		Limits		Actual Sept 2015
		Max.	Min.	
Borrowing: longer than 1 year	Fixed	100%	75%	100%
	Variable	25%	0%	
Investments: longer than 1 year	Fixed	100%	100%	100%
	Variable	0%	0%	

All borrowing and investing for less than one year is variable by definition. Control over the Council's exposure to interest rates will be achieved as follows:

3.10 Maturity structure of borrowing

This indicator prescribes the limits within which the Council can borrow to either maintain effective cash flow or to cover capital expenditure.

Borrowing	Upper	Lower	Actual
Under 12 months	90%	0%	1%
12 months and within 24 months	90%	0%	1%
24 months and within five years	90%	0%	4%
Five years and within 10 years	91%	1%	5%
10 years and above	100%	9%	89%

3.11 Investment repayment profile – limit on the value of investments that cannot be redeemed within 364 days

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The total principal sums invested to final maturities beyond the period end were:

	2015-16 £m	2016/17 £m	2017/18 £m
Limit on investments over 364 days as at 31 March each year.	33.8	37.2	37.6
Actual principal invested beyond year end as at 30 September 2015	1.2	1.0	0.9

4. COMMENTS OF OVERVIEW & SCRUTINY PANEL

4.1 Comments from the Overview & Scrutiny (Economic Well-being) Panel have been included separately on the Cabinet's agenda at item 11, Comments from Overview and Scrutiny.

5. KEY IMPACTS/RISKS? HOW WILL THEY BE ADDRESSED?

5.1 Key impacts and risks are noted in the report above.

6. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

6.1 Actions will be taken as necessary on the borrowing and investing requirement of the Council within agreed policies and approval.

7. LINK TO THE CORPORATE PLAN

7.1 The treasury management function enables the required funds to be available for all Council expenditure and as such linked to all of the Councils strategic theme and outcomes. It is especially linked in with "become more business-like and efficient in the way we deliver services".

8. CONSULTATION

8.1 No consultation has been undertaken.

9. LEGAL IMPLICATIONS

9.1 There are no legal implications

10. RESOURCE IMPLICATIONS

10.1 Resource implications are noted within the report above.

11. OTHER IMPLICATIONS

11.1 There are no known other implications at the present time.

12 REASONS FOR THE RECOMMENDED DECISIONS

12.1 Best practice and prescribed treasury management guidance requires that Members be informed in respect of treasury management activity and therefore the Cabinet is requested to note the report and recommend it to Council for consideration.

13. LIST OF APPENDICES INCLUDED


13.1 Appendix 1 – Investments and Borrowing as at 30th September 2015.

BACKGROUND PAPERS


Working papers in Resources.

CONTACT OFFICER

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APPENDIX 1

Investments as at 30 September 2015

	£m	Investment date	Rate %	Repayment date
Term Deposits				
Alconbury Parish Council	0.004	08/07/13	0.50	08/07/16
Huntingdonshire Regional College	1.239	05/08/13	3.34	05/08/23
Huntingdon Gym	0.061	2/10/13	5.13	30/09/23
Coventry Building Society	1.500	14/09/15	0.41	14/10/15
Nationwide Building Society	1.000	10/09/15	0.43	12/10/15
Nationwide Building Society	1.000	15/09/15	0.43	15/10/15
	4.804			
Liquidity Accounts				
NatWest	0.706	28/09/15	0.25	Call
Cambridge Building Society	0.100	09/10/13	0.50	Call
Blackrock MMF	1.000	21/09/15	0.47	Call
Santander	0.900	29/09/15	0.25	Call
Handelsbanken	1.000	22/09/15	0.30	Call
Barclays	2.175	21/09/15	0.45	Call
Legal & General MMF	1.280	30/09/15	0.47	Call
Standard Life Liquidity MMF	1.600	28/09/15	0.44	Call
PSDF MMF	1.000	15/09/15	0.45	Call
TOTAL	9.761			

Borrowing as at 30 September 2015

	£m	Borrowing date	Rate %	Repayment date
Long Term				
PWLB	1.226	07/08/13	2.44	07/08/23
PWLB	5.000	19/12/08	3.91	19/12/57
PWLB	5.000	19/12/08	3.90	19/12/58
TOTAL	11.226			