

AUDIT COMMITTEE

REPORT OF THE HEAD OF FINANCIAL SERVICES – DAVE REES

25th November 2016

Matters for Information

Wards Affected - All

TREASURY MANAGEMENT MONITORING 2016/17

1. Purpose of Report

- 1.1 This report sets out treasury management action and information recently reported to Policy and Resources Cabinet Board (2nd November 2016) which also needs to be reviewed by the Audit Committee.

2. Rates of Interest

- 2.1 After remaining at 0.50% for over seven years the Bank of England's Monetary Policy Committee voted on the 4th August 2016 to reduce the bank rate to 0.25%. The cut in rate is intended to reduce borrowing costs in an attempt to stimulate growth in the economy.

Effective Date	Bank Rate
10 April 2008	5.00%
08 October 2008	4.50%
06 November 2008	3.50%
04 December 2008	2.00%
08 January 2009	1.50%
05 February 2009	1.00%
05 March 2009	0.50%
04 August 2016	0.25%

2.2 The following table provides examples of external borrowing costs as provided by the Public Works Loans Board as at 18th October 2016.

	Equal Instalments of Principal		Annuity		Maturity	
	Previous 25Aug16	Current 18Oct16	Previous 25Aug16	Current 18Oct16	Previous 25Aug16	Current 18Oct16
	%	%	%	%	%	%
5-5.5 years	1.12	1.27	1.12	1.28	1.27	1.57
10-10.5 years	1.27	1.57	1.27	1.58	1.72	2.16
20-20.5 years	1.72	2.16	1.74	2.20	2.26	2.73
35-35.5 years	2.18	2.65	2.22	2.71	2.20	2.69
49.5-50 years	2.32	2.80	2.31	2.78	2.09	2.58

3. General Fund Treasury Management Budget

3.1 The following table sets out details of the treasury management budget for 2016/17. The budget consists of a gross budget for debt charges i.e. repayment of debt principal and interest, and interest returns on investment income.

2015/16 Outturn Position £'000		2016/17 Original Budget £'000
14,799	Principal and Interest charges	16,762
	Investment Income	
(740)	- Total	(614)
218	- less allocated to other funds*	260
(522)	Subtotal Income	(354)
(97)	Contribution to/(from) treasury management reserve	
2,900	Contribution to voluntary redundancy reserve	
17,080	Net General Fund	16,408

NB: Other funds include Trust Funds, Social Services Funds, Schools Reserves, Bonds etc.

4. Borrowing

- 4.1 No long term borrowing has been undertaken since the last report.

5. Investment Income

- 5.1 In line with the Council's Investment Strategy, the 2016/17 Original Budget for investment income is £614k; treasury management investment income generated on investments made to date is £521k.

The recent cut in bank rate has led to a reduction in the interest rate paid to the Council on its investments for example the interest paid by the Government's Debt Management Agency has been reduced from 0.25% to 0.15%. Interest paid by Banks and Building Societies has also been reduced. The expectation is that for this financial year interest generated will now be nearer to £550k not the £614k included in the budget.

The Council also pays interest to other funds such as planning bonds (Escrow Accounts), the rate of interest paid on these funds will now reduce from 0.5% to 0.25% which should provide some savings to offset against the reduction in investment interest. This could mean a shortfall of some £60k which if required will be funded from the Council's Base Budget or Treasury Management Reserve.

Members should note that the majority of investments are classified as 'specified' i.e. up to 12 months and are currently deposited with Local Authorities, UK banks including Barclays, Lloyds Group, Bank Santander and Nationwide Building Society.

- 5.2 The Council policy will allow investments up to a maximum of £25m for periods of more than 1 year and up to 5 years, and this will be considered when decisions on investing surplus funds are made.
- 5.3 No additional long term investments have been carried out since the last report. The Council currently has £10m invested for periods in excess of 12 months:

Counterparty	Value £'000	Period	Maturity	Rate %
Eastbourne Borough Council	4,000	4.5 Years	June 18	2.20%
Peterborough City Council	6,000	5.0 Years	Dec 18	2.10%
TOTAL	10,000			

Financial Impact

6. The report is for information only. All relevant financial information is provided in the body of the report.

Equality Impact Assessment

7. An equality impact assessment was not required for this report.

Workforce Impacts

8. There are no workforce impacts arising from this report.

Legal Impacts

9. There are no legal impacts arising from this report.

Risk Management

10. There are no risk management issues arising from this report.

Consultation

11. There is no requirement under the Constitution for external consultation on this item.

Appendices

12. None

List of Background Papers

Treasury Management Files
PWLB Notice Number 404/16

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