



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 18/60

MEETING	Dorset & Wiltshire Fire and Rescue Authority
DATE OF MEETING	13 December 2018
SUBJECT OF THE REPORT	Treasury Management Mid-year Report 2018-19
STATUS OF REPORT	For open publication
PURPOSE OF REPORT	For information and to note
EXECUTIVE SUMMARY	At the meeting of the Authority on 9 February 2018, Members received and approved the Treasury Management Strategy Statement and Prudential Indicators for 2018-19. This report updates Members on the Treasury Management performance for the six months to 30 September 2018.
RISK ASSESSMENT	None for the purposes of this report
COMMUNITY IMPACT ASSESSMENT	None for the purposes of this report
BUDGET IMPLICATIONS	Capital financing costs in 2018-19 and 2019-20 will be lower as a result of the reduced capital programme. Income from investing surplus cash is forecast at £60k, which is £20k below the original budget.
RECOMMENDATIONS	It is recommended that Members: 1. Note the treasury management position as at 30 September 2018.
BACKGROUND PAPERS	Authority Paper 18/06 February 2018 – Treasury Management 2018-19
APPENDICES	Appendix A - Current Borrowing Appendix B - Current Investments

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1. Introduction

- 1.1 The Authority has adopted the Chartered Institute of Public Finance and Accountancy Code of Practice for Treasury Management in the Public Sector and operates its treasury management function in compliance with this Code. This requires that the primary objective of the treasury management function is the effective management of risk, and that its borrowing activities are undertaken on a prudent, affordable and sustainable basis.
- 1.2 The code requires regular reporting of treasury management activities to include, as a minimum:
- a forecast of the likely activity for the forthcoming year (the Treasury Management Strategy for 2018-19 was agreed by the Authority on 9 February 2018);
 - a mid-year update on treasury management activity (this report); and
 - an annual review of the capital activity for the preceding year.

2. Approved Lending List

- 2.1 The 'Treasury Management Policy Statement and Practices' defines the policies adopted by the Authority for the year. The Approved Lending List was reviewed in April 2018, July 2018 and October 2018, and is available to Members on request.

3. Borrowing

- 3.1 Capital expenditure which cannot be immediately financed through revenue or capital resources requires funding through either new borrowing or the use of available cash resources pending borrowing (often referred to as 'internal borrowing').
- 3.2 At the start of the financial year the Authority had outstanding borrowing totalling £10.758m. The Authority also has an assessed Capital Financing Requirement (CFR) (for capital expenditure purposes), which is the Authority's underlying need to externally borrow to finance capital expenditure. This stood at £23.820m as at 1 April 2018, with the difference of £13.062m being the level of internal borrowing, commonly referred to as the level of under borrowing.
- 3.3 During the first half of the year principal repayments have been made in respect of one Equal Instalment of Payment (EIP) Loan and three Annuity Loans. These repayments totalled £110k bringing the level of outstanding long-term debt has down to £10.648m as at 30 September 2018. Appendix A provides the detail of this.

- 3.4 The level of outstanding borrowing will reduce further as one Maturity Loan for £562k, taken out in March 2006, was repaid in October 2018. Further repayments of £110k will be made in March 2019 in respect of the loans referred to in 3.3 above. Overall this will reduce the level of current outstanding borrowing to £9.976m by 31 March 2019.
- 3.5 The total of interest payments for the year due on current outstanding borrowing is £434k.
- 3.6 The Treasury Management Strategy assumed that new borrowing of £13m would be required in 2018-19. This included £7m for cashflow purposes and to reduce the level of under borrowing, and £6m in respect of the 2018-19 capital programme. No new long-term borrowing has currently been arranged as our cash flow position has remained positive and the reduced capital programme total requires less borrowing support. We are carefully monitoring the cash flow position, with a view to borrowing in the early part of 2019. A provisional sum of £7m has been included as a working assumption.

4. Investments

- 4.1 Investments in the first half of 2018-19 were only made in 'Fixed Term Deposits' and 'On-Call Deposits' with a maturity date less than one year, in accordance with the Authority's Annual Investment Strategy. Investment transactions totalled £34.595m, and disinvestment transactions totalled £33.686m. Net investments therefore have increased by £0.909m so far during the year, bringing the total invested at 30 September 2018 to £10.450m. (Total invested at 1 April 2018 was £9.541m).
- 4.2 In the period 1 April 2018 to 30 September 2018 the gross yield from investments averaged 0.565%. Gross income from investments during that period total £27,624. For the purposes of comparison, the average 7-day lending rate for local authorities was 0.513%, therefore investment performance has been better by 0.052% against the average 7-day rate.
- 4.3 Details of investments as at 30 September 2018 are shown in Appendix B.

5. Investment Rate Movements

- 5.1 The Bank of England base rate was stable at 0.5% from March 2009, before dropping to 0.25% in August 2016, part of a package of measures introduced by the Bank following the UK's vote to leave the European Union. The base rate was increased back to 0.5% in November 2017, and then to 0.75% on 2 August 2018.

- 5.2 The low base rate has been impacting on the rates of investment return for quite some time now, although financial institutions have responded to the increase to 0.75% and we have been able to achieve slightly higher rates of return this year. We would still forecast that the budget target of £80k will not be achieved, with £60k being a more realistic target.

6. Non-compliance and Governance

- 6.1 There are no instances of non-compliance with the Authority's Treasury Management Policy Statement and Practices.

7. Summary and Key Points

- 7.1 The approved lending list is reviewed periodically and was revised in April, July and October 2018.
- 7.2 Taking account of the principal repayments made in September 2018, and that no new borrowing has been undertaken, the Authority's total amount of outstanding long-term debt has reduced to £10.648m as at 30 September 2018.
- 7.3 Investments in the first half of 2018-19 were only made in 'Fixed Term Deposits' and 'On-Call Deposits' with a maturity date less than one year. Net investments at 30 September 2018 total £10.450m. (Total invested at 1 April 2018 was £9.541m).
- 7.4 No new long-term borrowing has been undertaken so far this year, the cash flow position is being closely monitored.

December 2018

Appendix A

Borrowing as at 30 September 2018

Start Date	Maturity Date	Current Balance (£)	Interest Rate	Annual Interest (£)
Annuity Loans				
24/03/2000	11/03/2019	11,316	5.50%	925
24/03/2003	11/03/2020	76,119	4.65%	4,103
25/03/2005	11/03/2027	294,783	4.80%	14,484
		382,218		19,512
Maturity Loans				
21/12/2004	11/03/2030	200,000	4.55%	9,100
15/02/2005	11/03/2030	200,000	4.50%	9,000
01/03/2006	11/03/2031	1,307,000	4.05%	52,934
28/03/2006	07/10/2018	562,000	4.50%	12,645
09/03/2007	07/04/2022	574,000	4.75%	27,265
23/08/2007	11/09/2052	1,000,000	4.45%	44,500
06/09/2007	07/10/2027	500,000	4.90%	24,500
04/01/2008	11/03/2042	1,000,000	4.43%	44,300
09/01/2008	11/09/2042	500,000	4.39%	21,950
10/09/2008	11/03/2058	2,000,000	4.38%	87,600
07/11/2011	11/09/2021	2,000,000	3.30%	66,000
		9,843,000		399,794
EIP loan				
09/03/2010	09/03/2022	422,916	3.34%	15,134
		422,916		15,134
Total	@ 30/09/2018	10,648,134		434,440

Appendix B**Investments as at 30 September 2018**

Name of Borrower	Amount Invested (£)	Maturity Date	Interest Rate
Loans			
Goldman Sachs	1,500,000	13/02/2019	0.63%
Call Accounts			
Bank of Scotland	4,999,660		0.70%
Lloyds Bank	3,949,892		0.75%
HSBC No Notice Account	984		0.30%
Total Investments	10,450,536		