



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 19/25

MEETING	Dorset & Wiltshire Fire and Rescue Authority
DATE OF MEETING	6 June 2019
SUBJECT OF THE REPORT	Treasury Management Annual Report 2018-19
STATUS OF REPORT	For open publication
PURPOSE OF REPORT	For information
EXECUTIVE SUMMARY	At the meeting of the Dorset & Wiltshire Fire and Rescue Authority (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 actual Treasury Management performance for 2018-19 and follows on from the six-monthly report presented in December 2018.
RISK ASSESSMENT	No risk issues arise directly from this report of treasury management performance for 2018-19.
COMMUNITY IMPACT ASSESSMENT	None for the purposes of this report
BUDGET IMPLICATIONS	None for the purposes of this report
RECOMMENDATIONS	Members are asked to note the report
BACKGROUND PAPERS	Treasury Management Policy Statement and Practices 2018-19, Dorset & Wiltshire Fire and Rescue Authority (February 2018).
APPENDICES	Appendix A - Capital Prudential Indicators

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1. Introduction

- 1.1 The purpose of this report is to set out the performance of the Dorset & Wiltshire Fire and Rescue Authority's (the Authority) treasury management activity in 2018-19.
- 1.2 The Authority's 'Treasury Management Policy Statement and Practices', approved in February 2018 (in respect of 2018-19), requires "an annual report on the performance of the treasury management function; on the effects of decisions taken and transactions executed in the past year; and on any circumstances of non-compliance with the Authority's treasury management policy statement and treasury management practices".

2. Approved Lending List

- 2.1 During 2018-19 the 'Approved Lending List' was reviewed on four occasions, in April 2018, July 2018, October 2018 and January 2019, in line with the Treasury Management policy.
- 2.2 Amendments were made on each occasion to reflect changes in external risk ratings, assessed financial stability and financial outlook rating, resulting in alterations to the eligibility of institutions under our Treasury Management Policy. No significant changes were required.
- 2.3 The approved lending lists applicable to 2018-19 and the current 2019-20 lending list (which was reviewed in April 2019) are available to Members on request.

3. Borrowing 2018-19

- 3.1 Borrowing is undertaken, if required, to fund the ongoing capital programme as approved by the Authority, and to address any short term temporary shortfalls in cash flow.
- 3.2 The Authority has been using surplus cash to fund the capital programme, rather than borrowing, therefore no loans were required in 2018-19. During 2018-19 borrowing interest rates quoted by the Public Works Loan Board (PWLB) were regularly monitored and a view formed on the prudence of undertaking new borrowing. During the early part of 2019 professional advice was sought confirming our view that the current practice of using surplus cashflows was the most effective strategy, given our current financial circumstances. This position is reviewed on a regular basis.

3.3 In respect of our current borrowing commitments, repayments of £782k were made during 2018-19, reducing the Authority's total amount of long term debt to £9.975m as at 31 March 2019. Total interest paid during 2018-19 was £434k equivalent to an average borrowing rate of 4%.

3.4 In summary:

Loans (number)	Balance 1 April 2018	Repayments	Balance 31 March 2019	Interest Paid 2018-19
Annuity Loans (3)	£431,373	-£99,510	£331,863	£19,512
Maturity Loans (12)	£9,843,000	-£562,000	£9,281,000	£399,794
*EIP Loans (1)	£483,334	-£120,834	£362,500	£15,134
TOTAL	£10,757,707	-£782,344	£9,975,363	£434,440

**Equal Instalments of Principle*

4. Investments

4.1 The Authority has a surplus or deficit of cash on a month by month basis, dictated by timing differences between the receipt of income (e.g. grants and precepts) and our need to spend (e.g. for payroll and other purposes). In addition cash balances arise monthly and between years from the financing of the capital programme, the amounts held in reserves and any budget under and overspending.

4.2 Surplus cash is invested where possible. Investments in 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 £61.347m and disinvestment transactions totalled £66.486m. Net investments therefore decreased by £5.139m during the year, bringing the total invested at 31 March 2019 to £4.403m (total invested at 1 April 2018 was £9.541m).

4.3 The gross yield from the investments averaged 0.6%. Gross income from investments totalled £54k, compared to the original budget target of £80k. For the purposes of comparison, the average seven-day lending rate for local authorities for the year was 0.5% therefore, investment performance has been better by 0.1%.

5. Interest 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, which was 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. It is anticipated that there could be one or two small increases during 2019-20, with further small increases thereafter.

- 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.

6. Prudential Indicators

- 6.1 Under the Local Government Act 2003 and the Prudential Code for Capital Finance in Local Authorities, local authority capital spending and its borrowing to fund that spending is limited by what is affordable, prudent and sustainable.

- 6.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code sets out a number of indicators that enables the Authority to assess affordability and prudence. The Prudential Indicators that relate to Treasury Management in the Public Services are:

- adoption of the CIPFA Code of Practice for Treasury Management in the Public Services
- upper limits for fixed rate exposure and variable rate exposure
- limits on maturity structure of borrowing
- values of principal sums invested over one year.

- 6.3 Other prudential indicators, aligned to the Treasury Management Strategy in relation to the capital programme, are reported in Appendix A.

- 6.4 The Authority adopted and complied with the CIPFA Code of Practice for Treasury Management in the Public Services by putting in place a policy that makes it clear that the control of risks is a prime objective, it also clearly endorses the importance of the pursuit of best value and the measurement of performance.

- 6.5 The interest rate exposures for 2018-19 were as follows:

- Upper Limit – Fixed rates 100%
- Upper Limit – Variable rates 10%

All investments were made on a fixed rate and there were no investments made on a variable rate basis.

- 6.6 The Authority's Borrowing Strategy for 2018-19, and performance against that strategy, was as follows:

- the Authority planned only to borrow short-term (up to twelve months) for the purpose of maintaining sufficient cash flow. As per paragraph 3.1, no borrowing was required for this purpose during the year

- the limit set on the total amount of outstanding borrowing at any time in 2018-19 i.e. the Operational Boundary was £37.107m and an Authorised Limit of £39.607m. The total outstanding borrowing was maintained well within these boundary limits for 2018-19.

6.7 The maturity structure of borrowing for 2018-19 compared to target limits is as follows:

Maturity Structure	1 Apr 2018	% Total	31 Mar 2019	% Total	Upper Limit %	Lower Limit %
Under 12 mths	0.782	7%	0.202	2%	15%	0%
12 mths and within 24 mths	0.202	2%	0.151	2%	15%	0%
24 mths and within 5 yrs	2.913	27%	2.797	28%	30%	0%
5 yrs and within 10 yrs	0.653	6%	0.618	6%	50%	0%
10 yrs and above	6.207	58%	6.207	62%	80%	0%
	10.757		9.975			

6.8 For 2018-19, in line with the Authority's Treasury Management Policy Statement and Practices, no investments were made for a period of more than one year.

7. Summary and Key Points

- 7.1 The Authority's treasury management activity is controlled through the Treasury Management Policy Statement and Practices approved in February each year, for the new financial year starting in April.
- 7.2 Taking account of repayments made during the year, and that no new borrowing has been undertaken, the Authority's total amount of outstanding long-term debt has reduced to £9.975m as at 31 March 2019.
- 7.3 Net investments of surplus funds decreased by £5.1m during the year, bringing the total invested at 31 March 2019 to £4.4m, compared to £9.5m at the beginning of the year. Investment returns totalled £54k compared to an original budget target of £80k.

June 2019