



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 09

MEETING	Finance and Audit Committee
DATE OF MEETING	17 November 2016
SUBJECT OF THE REPORT	Treasury Management Mid-year Report 2016/17
STATUS OF REPORT	For open publication
PURPOSE OF REPORT	For information and consideration
EXECUTIVE SUMMARY	At the meeting of the Shadow Fire and Rescue Authority on 12 February 2016 Members received and approved the Treasury Management Strategy Statement and Prudential Indicators for 2016-17. This report updates members on the Treasury Management performance for the period ending 30 September 2016.
RISK ASSESSMENT	No risk issues arise directly from this report.
COMMUNITY IMPACT ASSESSMENT	N/A
BUDGET IMPLICATIONS	All treasury and budget implications are reported as part of the revenue and capital monitoring reports presented to Finance and Audit Committee.
RECOMMENDATIONS	It is recommended that Members note and comment on the updated Treasury Management position.
BACKGROUND PAPERS	Fire Authority Paper 12 February 2016 – agenda item 7: Treasury Management Policy Statement and Practices 2016/17, Minimum Revenue Provision and Prudential Indicators
APPENDICES	A: Current Borrowing B: Current Investments
REPORT ORIGINATOR AND CONTACT	Ian Cotter, Head of Financial Services, Tel: (01722) 691109, email: ian.cotter@dwfire.org.uk

1. Introduction

- 1.1 The Fire Authority has adopted the CIPFA 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 2016-17 was agreed by the Shadow Fire and Rescue Authority on 12 February 2016);
 - 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 formally and was amended in April 2016 and July 2016, i.e. within the first half of the financial year, and more recently on 3 October 2016.
- 2.2 The latest approved lending list applicable to 2016-17 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 £12.472m. The Authority also has an assessed Capital Finance Requirement (CFR) (for capital expenditure purposes), which is the Authority's underlying need to externally borrow to finance capital expenditure. This stood at £26.658m as at 1 April 2016. The difference of £14.186m is the current level of internal borrowing.
- 3.3 Principal repayments have been made in respect of one Equal Instalment of Payment (EIP) Loan and three Annuity Loans. These repayments totalled £0.105m and were made in September 2016.
- 3.4 Taking account of the principal repayments made in September 2016, and the fact that no new borrowing has been undertaken, means the Authority's total amount of outstanding long term debt has reduced to £12.367m as at 30 September 2016. Details of borrowing outstanding as at 30 September 2016 are shown in Appendix A.

- 3.5 The level of outstanding borrowing will reduce further as one Maturity Loan for £0.311m, taken out in March 2005, is due to be repaid in October 2016.
- 3.6 The total of interest payments due on outstanding borrowing for the year is £0.513m.
- 3.7 No long term borrowing has been arranged in respect of the capital programme this year. Our cash flow position does not require any borrowing at this stage, but we are currently reviewing longer term capital financing options as we formulate next year's budget and medium term finance plan.

4. Investments

- 4.1 Investments in the first half of 2016-17 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 £46.335m, and disinvestment transactions totalled £36.403m. Net investments therefore have increased by £9.932m so far during the year, bringing the total invested at 30 September 2016 to £14.354m. (Total invested at 1 April 2016 was £4.422m).
- 4.2 In the period 1 April 2016 to 30 September 2016 the gross yield from investments averaged 0.52%. Gross income from investments also during that period total £35,141. For the purposes of comparison, the average 7-day lending rate for the year was 0.32%, therefore investment performance has been better by 0.20% against the average 7-day rate for local authorities.
- 4.3 Details of investments as at 30 September 2016 are shown in Appendix B.

5. Investment Rate Movements

- 5.1 The Bank of England base rate has been set at 0.5% since March 2009. At its meeting on 3 August 2016 the Bank's Monetary Policy Committee voted in favour of a further reduction in the base rate to 0.25%. The reduction in base rate was part of a package of measures introduced by the Bank following the UK's vote to leave the European Union, and the impact on exchange rates and growth forecasts.
- 5.2 The reduction in base rate is now impacting on the rates of investment return that we are seeing and may mean that the budget target of £80k is not achieved.

6. Non-compliance and Governance

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

DARRAN GUNTER
Chief Fire Officer

17 November 2016