



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 17/61

MEETING	Dorset & Wiltshire Fire and Rescue Authority
DATE OF MEETING	5 December 2017
SUBJECT OF THE REPORT	Treasury Management Mid-year Report 2017-18
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 2017 Members received and approved the Treasury Management Strategy Statement and Prudential Indicators for 2017-18. This report updates members on the Treasury Management performance for the period ending 30 September 2017.
RISK ASSESSMENT	None for the purposes of this report
COMMUNITY IMPACT ASSESSMENT	None for the purposes of this report
BUDGET IMPLICATIONS	All treasury and budget implications are reported as part of the revenue and capital monitoring reports presented to Finance, Governance and Audit Committee.
RECOMMENDATIONS	It is recommended that: 1. Members consider and note the updated Treasury Management position as at 30 September 2017.
BACKGROUND PAPERS	Authority Paper 9 February 2017 – agenda item 8: Treasury Management 2017-18.
APPENDICES	A: Current Borrowing

	B: Current Investments
REPORT ORIGINATOR AND CONTACT	Phil Chow, Finance Director and Treasurer, Email: phil.chow@dwfire.org.uk Telephone No: 01722 691071

1. Introduction

- 1.1 The Authority has adopted the Chartered Institute of Public Finance and Accountancy (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 2017-18 was agreed by the Fire Authority on 9 February 2017);
 - 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 2017 and July 2017, ie. within the first half of the financial year, and more recently on 2 October 2017.
- 2.2 The latest approved lending list applicable to 2017-18 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 £11.949m. 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 £25.235m as at 1 April 2017. The difference of £13.286m is the current level of internal borrowing, commonly referred to as our current level of under 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 £107k and were made in September 2017.
- 3.4 Taking account of the principal repayments made in September 2017, and the fact that no new borrowing has been undertaken, means the Authority's total amount of outstanding long term debt has reduced to £11.842m as at 30 September 2017. Details of borrowing outstanding as at 30 September 2017 are shown in Appendix A.
- 3.5 The level of outstanding borrowing will reduce further as one Maturity Loan for £976k, taken out in March 2003, was repaid in October 2017.
- 3.6 The total of interest payments due on outstanding borrowing for the year is £471k.
- 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 years' budget and the medium term finance plan.

4. Investments

- 4.1 Investments in the first half of 2017-18 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 £52.664m, and disinvestment transactions totalled £47.676m. Net investments therefore have increased by £4.988m so far during the year, bringing the total invested at 30 September 2017 to £17.537m. (Total invested at 1 April 2017 was £12.549m).
- 4.2 In the period 1 April 2017 to 30 September 2017 the gross yield from investments averaged 0.37%. Gross income from investments during the same period total £28,369. For the purposes of comparison, the average seven day lending rate for the year was 0.20%, therefore investment performance has been better by 0.17% against the average seven day rate for local authorities.
- 4.3 Details of investments as at 30 September 2017 are shown in Appendix B.

5. Investment Rate Movements

- 5.1 The Bank of England base rate was 0.5% during the period March 2009 to August 2016, when the Banks Monetary Policy Committee voted in favour of a further reduction in the base rate to 0.25%. Recently this has risen to 0.5%. The initial 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 low base rate is 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.

7. **Summary & Key Points**

- 7.1 The approved lending list is reviewed periodically and was revised in April and July 2017.
- 7.2 Taking account of the principal repayments made in September 2017, and that no new borrowing has been undertaken, the Authority's total amount of outstanding long term debt has reduced to £11.842m as at 30 September 2017.
- 7.3 Investments in the first half of 2017-18 were only made in 'Fixed Term Deposits' and 'On-Call Deposits' with a maturity date less than one year. Net investments at 30 September 2017 total £17.537m. (Total invested at 1 April 2017 was £12.549m).
- 7.4 The low base rate is impacting on the rates of investment return that we are seeing and may mean that the budget target of £80k is not achieved.

5 December 2017

APPENDIX A**Borrowing as at 30 September 2017**

Start Date	Maturity	Amount	Interest Rate	Interest Payable
Annuity Loans				
24/03/2000	11/03/2019	33,047	5.50%	2,105
24/03/2003	11/03/2020	124,026	4.65%	6,305
25/03/2005	11/03/2027	322,283	4.80%	15,788
		479,356		24,198
Maturity Loans				
26/03/2003	07/10/2017	976,000	4.90%	23,912
21/12/2004	11/03/2030	200,000	4.55%	4,550
15/02/2005	11/03/2030	200,000	4.50%	4,500
01/03/2006	11/03/2031	1,307,000	4.05%	52,933
28/03/2006	07/10/2018	562,000	4.50%	25,290
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
		10,819,000		427,300
EIP loans				
09/03/2010	09/03/2022	543,750	3.34%	19,170
Total	@30/09/2017	11,842,106		470,668

Appendix B**Investments as at 30 September 2017**

NAME OF BORROWER	AMOUNT INVESTED £	MATURITY DATE	INT RATE %
Loans			
Bank of Scotland	1,000,000	20/06/2018	0.44
Lloyds Bank	1,500,000	19/10/2017	0.55
Lloyds Bank	1,500,000	21/12/2017	0.36
Commonwealth Bank of Australia	1,500,000	31/01/2018	0.36
Goldman Sachs	1,500,000	01/02/2018	0.63
Close Brothers	1,500,000	27/07/2018	0.80
HSBC	2,000,000	01/11/2017	0.24
Nationwide Building Society	1,500,000	24/01/2018	0.32
Coventry Building Society	1,500,000	31/01/2018	0.30
Call Accounts			
Santander	537		0.05
Bank of Scotland	2,954,101		0.20
Lloyds Bank	876,004		0.10
HSBC No Notice Account	206,518		0.05
Total Investments	17,537,160		