

## TREASURY MANAGEMENT MID-YEAR UPDATE REPORT 2015/16

### SUMMARY

1. This report provides an update on the Authority's treasury management activities for the first half of the financial year 2015/16.

### RECOMMENDATIONS

2. That Members consider the treasury management activities undertaken during the first half of 2015/16 and the Prudential Indicators as outlined in paragraphs 16 and 17 and detailed in Appendix 1.

### BACKGROUND

3. Treasury Management, as defined by the Chartered Institute of Public Finance and Accountancy (CIFPA) Code of Practice 2009 is:

“The management of the organisation's investments and cash-flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of the optimum performance consistent with those risks.”

4. The Authority on 16 March 2015 approved the annual Treasury Management Policy Statement and agreed a range of Prudential Indicators aimed at ensuring effective treasury management and affordability of capital plans.
5. This report ensures compliance with recommended practice as outlined in the Code, by providing Members with an update on treasury management undertaken since the beginning of the financial year and highlighting key Prudential Indicator information.

### INVESTMENT ACTIVITY

6. The Authority's temporary investments totalled £23M as at 30 September 2015, with a further £1.09M in the Authority's Special Interest Bearing Account (SIBA).

Table 1 – Investment income earned April to September 2015

Interest Earned April to September 2015	Rate of return April to September 2015	Benchmark return at 30 September 2015*	Difference (Favourable) April to September 2015
£63k	0.48%	0.35%	(0.13%)

\* Benchmark set as 7 day compounded LIBID

7. The Authority's rate of return is in line with the benchmark return provided by Capita Asset Services.
8. Interest earned during the first six months of 2015/16 exceeded the budget by £23k.

## BORROWING

### Short-Term Borrowing

9. The Authority has not taken any short-term borrowing in the first six months of the year. The Authority is unlikely to undertake short-term borrowing in the second half of the financial year.

### Long-Term Borrowing

10. Long-term loans are taken out either to replace existing loans which have matured or to fund capital expenditure. Under the Prudential Regime there are no longer centrally imposed limits on borrowing, but individual Authorities are required to determine themselves what is a sustainable and affordable level of borrowing as an integral part of their Medium-Term Financial Planning processes.
11. The Authority's level of borrowing was £16.6M as at 30 September 2015, with an equated average rate of interest payable at 4.44%. An expected £710k of interest is projected to be payable on external debt for 2015/16.
12. The Authority has not undertaken any new long-term borrowing so far this financial year and is unlikely to during the remainder of the 2015/16 financial year.
13. Limited opportunities for rescheduling of debt in order to secure savings in interest have been available given the prevailing market climate, thus no re-scheduling has been undertaken during the course of the financial year to date. The Authority continues to monitor the market in conjunction with its treasury management advisors with a view to capitalising on opportunities should they arise during the remainder of the year.

## PRUDENTIAL INDICATORS

14. Appendix 1 details the Prudential Indicators agreed by Members at the Fire Authority on 16 March 2015 and shows for comparison the actual figures as at 30 September 2015.
15. During the period April to September 2015, the Authority operated wholly within the limits approved.

### Capital Expenditure

16. The S.151 Officer considers the current capital programme to be affordable and sustainable with the revenue effects of capital investment built into the Medium-Term Financial Plan. Through the Service and Finance Planning Process the Authority has ensured alignment of its capital resources to key strategic priorities.

### Treasury Management

17. External debt is currently £11M below the agreed authorised limit for 2015/16 and the maturity structure for both borrowing and investments remain within the approved upper and lower limits. Subsequent borrowing or re-scheduling will take in to account prevailing interest rates on offer from the Public Works Loans Board, the current maturity structure of loans, balanced with the need to reduce capital risk by maintaining prudently low levels of cash-balances.

## STRATEGIC PLAN COMPATIBILITY

18. Treasury management is an integral part of the financial management of the Authority. Utilising approved borrowing and investment strategies will maximise investment income whilst minimising exposure to liquidity and market risks.

## FINANCIAL/RESOURCES/VALUE FOR MONEY IMPLICATIONS

19. The Authority's approach to investment of surplus funds is designed to further mitigate against potential losses as a consequence of counterparty failure and reflects a prudent approach to treasury management activity.

## LEGAL IMPLICATIONS

20. The Authority must comply with the requirements of the CIPFA Code of Practice on Treasury Management and the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. This report ensures such compliance.

## EQUALITY IMPACT ASSESSMENT/HR IMPLICATIONS

21. No direct issues arise from this report.

## CORPORATE RISK MANAGEMENT IMPLICATIONS

22. The application of and regular monitoring thereafter of a prudent Treasury Management Policy and related Prudential Indicators ensures that the Authority effectively manages financial risks such as exposure to interest rate changes, liquidity and market risk whilst minimising borrowing costs and maximising investment income. As an integral part of the financial planning process, it ensures that the financial plans upon which the Authority's Strategic Plan is based are effective and robust.

## HEALTH AND SAFETY IMPLICATIONS

23. No issues arising.

## COMMUNICATIONS ACTIONS ARISING

24. No direct issues arising.

## DETAILS OF CONSULTATION

25. The Authority's current approved Treasury Management Strategy reflects guidance and market information supplied by the Authority's treasury management advisors.

## BACKGROUND PAPERS

26. 'Treasury Management and Capital Expenditure Prudential Indicators, Treasury Management Policy Statement 2015/16 and Minimum Revenue Provision for 2015/16' – Report to Fire Authority 16 March 2015.  
CIPFA Code of Practice on Treasury Management 2009  
CIPFA Treasury Management Guidance - March 2009

## RECOMMENDATIONS RESTATED

27. That Members consider the treasury management activities undertaken during the first half of 2015/16 and the Prudential Indicators as outlined in paragraphs 16 and 17 and detailed in Appendix 1.

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