



Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

FINANCE & PERFORMANCE SCRUTINY      21 May 2018

WARDS AFFECTED: All Wards

---

## TREASURY MANAGEMENT QUARTER 4 2017/18

---

### Report of Head of Finance

1.     PURPOSE OF REPORT

- 1.1    To inform the Committee of the Council's Treasury Management activity in the fourth quarter of 2017/18.

2.     RECOMMENDATION

- 2.1    That the Committee note the report.

3.     BACKGROUND TO THE REPORT

- 3.1    At its meeting in 23 February 2017 Council approved the Council's Treasury Management Policy for the year 2017/18 and delegated the oversight of the execution of the Policy to this Committee.

This report sets out the Treasury Management activities in 2017/18 and shows that they are in line with the limits set out in the Policy.

Treasury Management covers two main areas:-

1. The management of day to day cash flows by way of short term investing and borrowing. Longer term investment opportunities may arise depending on cash flow requirements.
2. Management of the Council's Long term debt portfolio which is used to finance capital expenditure that cannot be immediately funded by internal resources (e.g. by Capital Receipts).

3.2    Economic Background

The latest forecasts are detailed in the table below:

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Bank Rate	0.75%	0.75%	1.00%	1.00%	1.00%
5yr PWLB rate	2.00%	2.10%	2.10%	2.20%	2.30%
10yr PWLB rate	2.50%	2.60%	2.70%	2.70%	2.80%
25yr PWLB rate	2.90%	3.00%	3.10%	3.20%	3.20%
50yr PWLB rate	2.70%	2.80%	2.90%	3.00%	3.00%

### 3.3 Investment Activity

The Council's investment strategy primary objectives are safeguarding the repayment of the principal and interest of its investments on time, ensuring adequate liquidity, with the investment return being the final objective. If required, officers implement an operational strategy which tightens the controls already in place in the approved investment strategy. The Council's investment criterion was approved by Council in February 2017.

Funds for investment come from the following Sources

- a) Revenue Account Balances held by the Council
- b) Earmarked Reserves and Provisions
- c) Unapplied Capital Receipts
- d) Cash flow balances - income received before expenditure needs to be invested.

Depending on the flow of cash (difference between income receipts and payments) the bank balance will vary. Where there is a surplus balance monies are invested. When there is a need for cash, investments are called in to ensure funds are not overdrawn. As at 31<sup>st</sup> March 2018 the Council held the following investments totalling £15,382,175 Investments as at 31st March are summarised below:-

Counterparty	Investment Date	Maturity Date	Amount	Interest Rate
Hinckley & Rugby BS	25/01/2018	25/04/2018	£3,000,000	0.5000
Hsbc Bank	29/03/2018	01/04/2018	£2,582,172	0.3300
Nottingham City Council	02/10/2017	03/04/2018	£2,000,000	0.4000
Cumberland BS	02/01/2018	03/04/2018	£1,400,000	0.5500
Cumberland BS	15/01/2018	16/04/2018	£1,400,000	0.5500
Furness BS	06/10/2017	05/10/2018	£1,000,000	0.8500
Furness BS	06/10/2017	05/10/2018	£1,000,000	0.8500
Furness BS	16/10/2017	15/10/2018	£1,000,000	0.8500
Mid & East Antrim Borough Council	01/12/2017	01/06/2018	£1,000,000	0.5500
National Counties BS	29/03/2018	28/09/2018	£1,000,000	0.7300
<b>Total</b>			<b>£15,382,175</b>	

Details of investments held from April 2017 to March 2018 are available on request.

Details of the weighted average investment to March 2018 are shown in the table below together with the average overnight, 7 day and 1 month London Inter Bank Bid (LIBID) as a bench mark to the rates received by the Council. The Council received a rate of return that is comparable with the returns available in the market. Additionally, the weighted average period is within the maximum set of 0.5 years. Average investments returns are higher than the comparable inter bank rate (a return of 0.42% compared against 0.23%).

Period	Weighted Average invested	Average period (days)	HBBC Average Return	Overnight LIBID	7 Days LIBID	1 Month LIBID
Apr to Mar 18	£22,870,028	16	<b>0.4241</b>	0.2011	0.2151	0.2334

### 3.4 Borrowing Activities

#### *Long term borrowing to finance Capital Expenditure*

Excluding the HRA self financing element the Council has a Capital Financing Requirement of £37.08m for the current year which arises from previous decisions to incur Capital Expenditure that was not financed immediately by internal resources e.g. Capital Receipts or Grants giving rise to the need to borrow to finance the expenditure. This borrowing requirement can either be met by long or short term external borrowing or by internal borrowing i.e. using the cash behind the authority's balances and reserves and foregoing investment income. At the present time the interest payable on long term borrowing is significantly greater than the returns the Council could expect on its investments and therefore the Council has adopted a policy of being "under-borrowed" by £28.78m with only £8.3m of long term loans on its books.

Additionally, as part of the Self Financing HRA Settlement £67.652m has been borrowed from PWLB. Repayment options have been discussed with members and were presented to the Executive on 13<sup>th</sup> March 2012. Repayments for principal amounts for these loans will commence in March 2020. The loan will be repaid in equal instalments of £2.9414m over 23 yrs.

### 3.5 Short Term Borrowing

Short term borrowing took place to cover temporary cash flow shortfall. The movements are as follows:-

Amount outstanding at 1April 2017	Nil
Plus Amount borrowed to Mar 2018	£2,000,000
Less Total Amount repaid to Mar 2018	£2,000,000
Amount outstanding at 31 Mar 2018	Nil

The average amount borrowed was	£35,616
Average period of loan	7 Days
Number of occasions	2
<b>Average rate of interest paid</b>	<b>0.4077</b>

4. EXEMPTIONS IN ACCORDANCE WITH THE ACCESS TO INFORMATION PROCEDURE RULES

4.1 Report to be taken in open session.

5. FINANCIAL IMPLICATIONS [IB]

5.1 Any variations to budgets resulting from borrowing investing activities are reported within the Outturn position.

6. LEGAL IMPLICATIONS [MR]

6.1 There are no legal implications arising directly from this report.

7. CORPORATE PLAN IMPLICATIONS

7.1 This report supports the following Corporate Aims

- Thriving Economy

8. CONSULTATION

8.1 None

9. RISK IMPLICATIONS

9.1 It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

9.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

9.3 The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
That the Council has insufficient resources to meet its aspirations and cannot set a balanced budget	Budgets are scrutinised on an ongoing to ensure assumptions are robust and reflect financial performance and sufficient levels of reverses and balances are maintained to ensure resilience	A.Wilson

10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

10.1 None

## 11. CORPORATE IMPLICATIONS

11.1 By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Procurement implications
- Human Resources implications
- Planning implications
- Data Protection implications
- Voluntary Sector

---

Background papers: Civica Reports  
Capita Reports

Contact Officer: Ilyas Bham, Accountancy Manager x5924  
Executive Member: Councillor M Hall