Brief description of report content and the decision being asked for:

The Treasury Management Code of Practice requires a mid-year report on Treasury Management activities to go to Council. This report complements the information supplied in the quarterly budget monitoring reports.

That the Treasury Management Operations for the period 1 April 2016 to 30 September 2016 be noted.

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This report was prepared after consultation with:
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The following policies form a context to this report:
(all relevant policies must also be referred to in the body of the report)

Financial Strategy
Building a Better Ipswich
Standing Orders
Treasury Management Strategy

This report is not a key decision included in the Forward Plan
LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW
(papers relied on to write the report but which are not published and do not contain exempt information –)

2.

OTHER HELPFUL PAPERS
(papers which the report author considers might be helpful – this might include published material)

1.
2.
3.
1. INTRODUCTION

1.1 The treasury management service is an important part of the overall financial management of the Council's affairs and is strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). This Council adopted the revised Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in Local Authorities (the Code), at Council on 25 February 2015. The code requires the setting out of responsibilities and duties of the members and officers, allowing a framework for reporting and decision making on all aspects of Treasury Management. This information is held in a Treasury Management Systems Document, which is a requirement of the above Code of Practice, which is held in Financial Services and is an up to date record of the Treasury Management Systems and Operations.

1.2 The Section 151 Officer reports to Executive as part of the quarterly budgetary control report on treasury management activities.


1.4 The approved activities of the Treasury Management operation are as follows:

1.4.1 Borrowing funds and interest rate exposure management

1.4.2 Debt repayment and rescheduling

1.4.3 Investing surplus funds

1.4.4 Use of external managers for temporary investment of funds

1.5 This report outlines what happened in relation to each of these four elements of the approved strategy for the period 1 April 2016 to 30 September 2016.

2. BACKGROUND

2.1 Executive on 13 March 2012 agreed that the Council would have two borrowing pools, one for General Fund (GF) and one for the Housing Revenue Account (HRA) and that all the Council’s current debt as at 31 March 2012 would be allocated to the HRA. All future borrowing will be ringfenced to the GF or HRA as appropriate.

2.2 Over the last six years the Council has had a very risk averse strategy to investments with most funds being held in instant access accounts. With the rates on these accounts falling and more confidence in the market, the Council has undertaken a number of fixed term investments. These fixed term investments have been spread out, to further minimise risk and so they do not all mature at once. All fixed term investments are approved by the Section 151 Officer in consultation with the Finance Portfolio holder before they are undertaken.

2.3 Council sets the investment limits for individual organisations as part of the Medium Term Financial Plan for the year. The Section 151 Officer sets operational limits within these parameters.

3. POLICY CONTEXT
3.1 The Treasury Management Policy Statement, Borrowing Limits and Annual Investment Strategy was approved for 2016/17 on 24 February 2016 and set the parameters the Council can work within for certain items, such as the authorised limit for borrowing and the counterparties the Council can invest with and the maximum amount that can be invested with one counterparty.

4. **RISK MANAGEMENT**

4.1 The security and return of investments is the biggest priority due to the current economic circumstances. As a general rule the more security an investment has, the lower the interest rate is. All investments in 2016/17 have been returned when they have been due.

5. **PERFORMANCE MONITORING**

5.1 For the first time in seven years there was a movement in the base rate, with the Monetary Policy Committee (MPC) cutting the rate from 0.50% to 0.25%. On the back of this interest rate cut, the Council has seen the interest rate on two of its instant access accounts and its notice accounts reduced. Also the levels for new fixed term investments have fallen and economists have revised their forecasts downwards for short term interest rate levels going forward.

5.2 The GF had a Capital Financing Budget of £2,253,170 for 2016/17 and it is forecast that actual expenditure will be lower than the budget.

5.3 The HRA had a Capital Financing Budget of £6,721,480 for 2016/17 and it is forecast that actual expenditure will be lower than the budget.

5.4 Investment income of £182,160 was budgeted for in 2016/17 and it is forecast that actual income will be higher.

5.5 The Council has undertaken a risk reduction strategy since the beginning of 2009, by repaying borrowing and thereby reducing investments. The Council has not undertaken any further borrowing between 1 April 2016 and 30 September 2016, but has repaid a further £1.602m of debt. An analysis of the Council debt movements between 1 April 2016 and 30 September 2016 is shown at Appendix A.

5.6 The Council has taken a more proactive approach during 2016/17 and has looked to place more fixed term investments to take advantage of higher rates. As at 30 September 2016, the Council had £24m of fixed term investments. An analysis of the Council’s fixed term investments as at 30 September 2016 is shown at Appendix B.

5.7 For working capital, the Council uses Instant access accounts and Money Market Funds (MMF’s). As at 30 September 2016, the Council had £19.380m of investments spread over these types of Investments. The Council only started using MMF’s during 2015/16, and the interest rates obtained are slightly higher than on the Council’s Instant access accounts. The other advantage of using MMF’s is that it gives the Council more scope to place investments with other counterparties on the Council’s approved investment list.

5.8 The Council also has two notice accounts with Santander. As at 30 September 2016, the Council had £3m in the 180 day notice account. An analysis of the Council’s Instant access accounts, MMF investments and notice accounts is shown at Appendix C.
5.9 Temporary lending to Ipswich Borough Assets is being made from balances, instead of incurring external borrowing costs, as this maximises the financial benefit to IBC of the transactions.

5.10 Councillors and Senior Officers continue to review the Council’s Investment Strategy to see if further value can be gained.

6. **CONCLUSIONS**

6.1 The economic conditions are still volatile and security of the Council’s assets should continue to be the Council’s prime objective.

6.2 All future quarterly budgetary control reports will include wider performance monitoring information on Treasury Management activities in line with the information included within this report.

7. **RECOMMENDED:**

7.1 that the Treasury Management Operations for the period 1 April 2016 to 30 September 2016 be noted.