

9 DECEMBER 2015

AUDIT AND GOVERNANCE COMMITTEE

ITEM 7 – TREASURY MANAGEMENT ACTIVITY REPORT – APRIL TO OCTOBER 2015

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- 7.7 Short term interest rates remain low resulting in a lengthening of investment periods, where cash-flow permits, in order to lock in higher rates of return. Fourteen fixed term investments were taken out during the period. These investments were for amounts ranging from £1m to £2.5m. Eight fixed term investments have matured within the period. The Authority and its advisors remain on a state of alert for signs of credit or market distress that may adversely affect the Authority.
- 7.8 The Authority has budgeted to achieve £145,000 of income from its investment activity in 2015/16. Investment activity from April to October 2015 has achieved £124,158 in interest. The current forecast that is estimated to be achieved is £225,000.
- 7.9 Of this total, an element is applied to balances held on external income. This external income represents balances from S106 contributions that have not yet been spent. The estimated amount forecast to be applied is approximately £20,100 subject to the balances remaining at the end of the financial year. There is no budget applied to this element as S106 contributions are only achieved when specific conditions are met and are anticipated to be spent.
- 7.10 The estimated remaining balance of interest (£204,900) received on investment income is budgeted to be apportioned between General Fund and the Housing Revenue Account based on the estimated cash flow position. For 2015/16, the budgeted investment income is apportioned as follows: £92,000 General Fund and £53,000 Housing Revenue Account. Any over or under achievement of interest is apportioned on this basis and the current forecast is anticipated as follows:

	Budget	Projected
General Fund	£92,000	£130,000
HRA	£53,000	£74,900
Sub-Total	£145,000	£204,900
External Balances	£ 0	£20,100
Total	£145,000	£225,000

- 7.11 The Authority sets maximum investment limits per counterparty in its Investment Policy and Strategy. The Authority's current bank account is now included in these limits. The previous current account was not included in the limits. The banking provider altered from the Co-op to Lloyds in the recent procurement exercise and the reason for the change is because the account attracts interest.

- 7.12 The major income and expenditure streams are accounted for as part of the daily treasury management operational processes. Variations in income are anticipated by ensuring that there is scope to absorb estimated fluctuations in the bank account. Variations in income of up to £100,000 are a prudent estimate based on historical experience.
- 7.13 The breaches in the following paragraphs (7.14 and 7.15) were reported in the Treasury Management Activity Report – April to August 2015 which was presented to Audit and Governance on 23 September 2015. No further breaches have occurred in the period to October 2015.
- 7.14 On 25th June, the counterparty limit was breached by £0.9m as a maturity was returned to the Authority by the investment counterparty one day earlier than requested. This is not something the Council could have taken action to avoid.