

## Appendix 2 – Quarter 4 2017-18 Finance Report

### Year End Treasury Management Report

The Local Government Finance Act (NI) 2011, and the supporting Prudential and Treasury Codes introduced a new capital financing system and legislative framework within which the Council may manage its finances.

The Act and the supporting Codes requires the Council to adopt certain financial policies. The following were approved by Council on 2 February 2012.

- Treasury Management Policy Statement
- Annual Treasury Management Strategy
- Prudential Indicators

It is set out in the Councils Treasury Management policy, that the Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy, a mid-year review and an annual report after the close of the financial year.

This report meets the latter requirement and is structured to highlight key changes to the Councils capital activity and the actual and proposed treasury management activity.

### Prudential Indicators

The Act and CIPFA's Prudential Code require Council to set and monitor a series of Prudential Indicators (PIs). The key objective of which is to ensure that, within a clear framework, the capital investment plans of the Council are affordable, prudent and sustainable.

#### 1.1 Capital Expenditure PI (Gross)

	Original	Actual
Indicator	£'000	£'000
Estimates of Capital Expenditure 2017/18	43,778	24,208

The original estimate reflects the capital budgets that were approved by Council on 24 March 2017. The reduction in the forecast for this year is mainly due to the re-profiling of capital programme. However, as the overall total has not changed, this does not affect the financing of the capital programme.

#### 1.2 Other Prudential Indicators

The following table summarises the other key PIs.

	Original Estimate	Actual
Indicator	£'000	£'000
Capital Financing Requirement (CFR)	128,074	94,309
Gross Borrowing Within CFR	yes	yes

As can be seen above the CFR has reduced. This was due to financing decisions made at the end of the previous financial year (2016/17) and slippage in that year's capital programme. Further slippages in this year's capital programme has resulted in a lower than forecasted CFR. The Council has remained within the Authorised Borrowing Limit for the year, and the CFR indicates that over the medium term borrowings will only be for a capital purpose.

## **2 Treasury Management**

The Council's Treasury Management Policy and Strategy adopt the key principles of CIPFAs Code of Practice and have taken account of the guidance issued by the Department of The Environment on Local Government Investments.

### **2.1 Debt Activity**

During 2017/18 the Council borrowed £5m from the General Loans Fund as well as taking advantage of internal borrowing, i.e. cash surpluses, to fund capital expenditure.

In addition, loan principal repayments of £4,844,735 have been made during the same period. The level of external borrowings at 31 March 2018 is £36,763,023.

### **2.2 Investment Strategy 2017-18**

The objectives of the Council's investment strategy are safeguarding the repayment of the principal and interest of its investments on time – the investment return being a secondary objective. The current investment climate is one of overriding risk consideration, particularly that of counterparty risk. As a result, officers continue to implement an operational investment strategy which maintains investments short term with high quality counterparties.

The Council has earned £63,169 in interest in the period from 1 April 2017 to 31 March 2018. During this period the Council has placed deposits with Bank of Scotland, Santander UK, HSBC and Barclays. All four institutions meet the council's approval criteria.

The Council's limit for total principal sums invested for periods longer than 364 days is £2,000,000. During the year ended 31 March 2018, the Council did not make any investments which were for periods longer than 364 days.

### **2.3 Other Treasury Management Indicators**

Two other Treasury Management indicators were set at the start of the year as follows: -

- Upper Limits for Fixed and Variable Rate Borrowing
- Limits on the Maturity of Fixed Rate Borrowing

Officers can confirm that the limits set have not been breached and no changes to the current limits are required.