NFNPA RAPC 297/16

NEW FOREST NATIONAL PARK AUTHORITY

RESOURCES, AUDIT AND PERFORMANCE COMMITTEE – 6 JUNE 2016

FINANCIAL OUTTURN AND TREASURY REPORT 2015/16

Report by: Bob Jackson, Chief Finance Officer and Nigel Stone, Finance and Performance Manager.

Purpose:

This report sets out the detailed projected outturn position for the Authority for the 2015/16 financial year. This information will latterly be formed into the annual Accounts, which will then be audited and presented for consideration and approval by the Authority in July. This report also includes the annual report on the Treasury Service and Prudential Indicators for 2015/16.

Executive Summary:

The original budget for 2015/16, approved as NFNPA 477/15 and set within the context of the Medium-Term Financial Plan, estimated a £46,000 contribution would be required from the Revenue Support Reserve to balance the budget. The latest Budgetary Control Report (which came to this Committee in February 2016) estimated a £40-70,000 saving due to some additional planning fee income and an added Icelandic Bank repayment.

The draft outturn figures (correct as at writing of this report in mid-May) indicate a saving of £59,000 which equates to less than a 1% variance to the original budget and is well within the revised estimate above. As a result a figure of around £13,000 will be added to the Revenue Support Reserve and, as previously agreed, these savings will be carried forward to fund the 2016/17 budgets.

1. General Fund Revenue Budget Outturn 2015/16

1.1 The draft year-end position is set out in the standard reporting format in **Annex 1**. Detailed outturn for the Programme Fund and Partnership Projects can be found in **Annex 2**. The projected impact on the Reserves (general and earmarked) is shown in **Annex 3**.

1.2 Total income and expenditure was £6.2m against an original budget of £6.8m (a £0.6m or 9% variance). The vast majority of this variance was due to lower than expected spend within the Partnership Projects but these are not limited by financial year and therefore the funds can easily be utilised in 2016/17 instead. After excluding the Partnership Projects, the variance equates to a £59,000 saving (as expected from the on-going budgetary control reporting), thus replacing the expected call on the Revenue Support Reserve of £46,000 with £13,000 being added to it.

1.3 For the first time the Authority's National Park Grant (from Defra) made up less than half of the total income received during the 2015/16 financial year - £3.0m out of £6.2m. This not only highlights the very successful grants and shared services income generated, but also that the Authority has worked hard, and will continue to do so, to reduce its reliance on the Defra Grant.

2 Expenditure – Key Variances (from table in Annex 1)

2.1 Partnership Projects (£2.5m spent from an original estimate of £3m)

The variance is largely down to the Our Past, Our Future Landscape Partnership Scheme which only spent £170,000 from its original estimate of £570,000 spend for 2015/16. This is simply due to the time it took to get the various projects up and running after receiving the HLF approval in late October. There is no requirement to spend specific amounts by financial years so no funding has been 'lost' due to this delay.

Further detail on all the partnership projects is shown in Annex 2

2.2 Central Costs (net £53,000 underspend)

ICT	+£18,000	Some additional 'setup' costs from outsourcing the GIS contract to NFDC. This will be more than matched by resultant savings in future years (c£20,000 pa).
ICT R&R	-£50,000	The majority of ICT replacement (scanners and computers) was delayed until 2016/17 whilst the new ICT service/structure was being established.
HR	-£12,000	Savings on training costs
Business Support	-£6,000	Savings made from the negotiation of a new insurance contract.

3 Income – Key Variances (from table in Annex 1)

3.1 Partnership Projects (£2.7m received from an original estimate of £3m)

As per para 2.1, less was spent that expected on the Our Past, Our Future Landscape Partnership Scheme and consequently less has been claimed so far from the various funding bodies (in particular the Heritage Lottery Fund).

The income for Partnership Projects was more than the expenditure and therefore the balances have been added to earmarked reserves at year-end (hence the contribution to such reserves being much higher than originally projected).

3.2 Planning Fees (additional £34,000)

As described during the Budgetary Control Reports this year, planning fees have always been above the original budgeted level. Although the overall number of applications was similar to previous years, the final total fees received were £284,000. The increase was solely due to a small number of particularly large applications.

It should be noted that the planning fees still only cover on average approximately 40% of the cost of determining an application, so this should not be viewed as a ‘profit’ gained from this service. It is proposed that some of the additional income be re-invested into completing the back-scanning of our old planning files (i.e. moving them from paper to online).

3.3 Investment & Interest Income (additional £19,000)

As described during the budgetary control reports this year, an additional repayment of £20,000 was received in respect of our 2008 investment in an Icelandic Bank (Heritable). This took the total repaid to more than the level of the original investment - the Authority has therefore only lost out on some of the expected interest on that original investment. It is not thought that any further amounts will be forthcoming in relation to this matter.

A full report on the Treasury function during 2015/16 is attached to this report as **Annex 4**. The interest received on investments and holdings for the year was £13,341 (a 0.49% return), comparing favourably to the benchmarked return of 0.36%.

3.4 Contribution to Earmarked Reserves

The original budget projected that we would utilise £133,000 from our earmarked reserves during the 2015/16 financial year. The outturn shows that in fact we will add £154,000 to the total this year. The key elements of this variance are explained in the table below:

ICT R&R	+£38,000 Reserve	As described in 2.2, ICT replacement was delayed until 2016/17 and so the funds set aside for this will instead be added to the earmarked reserve at year-end.
OPOF Landscape Partnership	+£129,000 Reserve	Significant income from partners was received but has not yet been spent; the balance has been added to an earmarked reserve.
Transport	+£72,000 Reserve	New Forest Tour and Concierge Income added to an earmarked reserve to be spent on these projects in future years.
Building Maintenance	+£36,000 Reserve	Defra have agreed that we may keep the remainder of the Accommodation Grant (originally given to upgrade the Town Hall site) – these funds will be earmarked for building maintenance in the coming years.

3.5 Contribution to Revenue Support Reserve

Largely due to the additional planning fees and Icelandic Bank repayment, the overall financial position allows the Authority to add £13,000 to this Reserve.

4 Programme Fund – Key Variances (from table in Annex 2)

4.1 Narrative has been added to the table in Annex 2 where a significant variances occurred. The overall total of £300,000 spent from an original budget of £316,000 (95%) is a very strong result; such projects can often have variances in both timings and costs.

5 Partnership Projects (from final table in Annex 2)

5.1 The Authority spent a total of over £2.5m during 2015/16 on Authority-led Partnership Projects as set out in the table in Annex 2. Of this funding, just £51,000 was put in by the Authority, meaning that on average for every £1 we put in, a further £13 was generated (this does not include the sustainable transport grants which required no Authority funding at all).

5.2 As you will see, most of the projects successfully spent on or near their original funding allocations (83% spent); excluding OPOF (due to its setup delays as previously mentioned) this figure rises to 95% spent. The remaining budgets will be carried forward to 2016/17 through earmarked reserves - these relate to on-going projects where the 2015/16 spend was estimated but there was no specific requirement for it to be used within that financial year.

6 Reserves (from table in Annex 3)

6.1 The projected position of the Reserves is shown in Annex 3. The key changes in-year have already been detailed in 3.4 / 3.5 above.

6.2 Various transfers to and from earmarked reserves are listed in the table in Annex 3. These generally constitute either spending from existing reserves, ring-fenced funding being added to a reserve or where provision is being made for non-standard costs in future years that we are currently aware of (the vast majority for use in 2016/17), as categorised below:

Spending – SCF, Climate Change, Sharepoint, Communications, HLS and Rockford Farm;

Ring-fenced – Land Advice Service, Landscape Partnership, New Forest Remembers and Transport;

Provisions – ICT R&R, Building Maintenance, Enforcement and Back-Scanning.

6.3 This gives draft 'key' reserve balances of:

Minimum Reserve	£300,000
Planning Risk Reserve	£150,000
Revenue Support Reserve	£163,000
Capital / Major Projects Reserve	£817,000

7 Developer Contributions (from table in Annex 3)

7.1 The table at the bottom of Annex 3 shows a summary of the Developer Contributions held by the Authority at year-end. A total of £289,000 was received during the year and £166,000 released. Of the released funding, £119,000 was used to fund the Bransgore Affordable Homes development; a further £323,000 is contractually committed to this scheme for completion of the works in 2016/17.

8 Accounts and Accounting Policies 2015/16

8.1 At this time it is not expected that any changes will be required to the Authority's existing Accounting Policies in order to produce the Financial Report (Statement of Accounts) for 2015/16. Should any changes latterly be required, this will be reported to the Authority alongside the final Financial Report in July.

9 Summary

9.1 The current projection indicates a saving of £59,000 has been achieved, largely as a result of additional planning fee income from a small number of large applications and the Icelandic Bank repayment. This would reduce the budgeted £46,000 call on the Revenue Support Reserve to zero and a further £13,000 can then be added to the Reserve.

9.2 In addition to the movement on the Revenue Support Reserve, a further net £154,000 will be added to the other Earmarked Reserves, increasing the total reserves held by £167,000 to around £2.16m.

10 Equality Impact Assessment

10.1 There are no specific equality or diversity implications arising out of this report.

11 Recommendations

It is recommended that Members

1 note the provisional outturn position;
2 note the Treasury Management Stewardship Report and Prudential Indicators 2015/16 in Annex 4; and
3 approve the *indicative* transfers to/(from) Reserves in 2015/16 as set out in section 6 and detailed in Annex 3.

Papers:

NFNPA RAPC 297/16	Report
NFNPA RAPC 297/16 - Annex 1	General Financial Outturn
NFNPA RAPC 297/16 - Annex 2	Programme Fund & Partnership Project Outturn
NFNPA RAPC 297/16 - Annex 3	Projected Positions of the Reserves
NFNPA RAPC 297/16 - Annex 4	Treasury Management Stewardship - Report & Prudential Indicators

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Annex 1

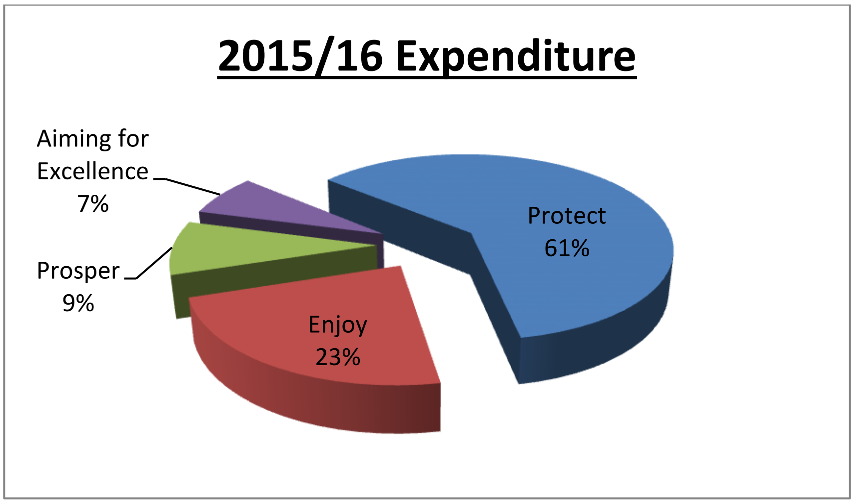
Draft Summary Accounts for the period 1 April 2015 – 31 March 2016

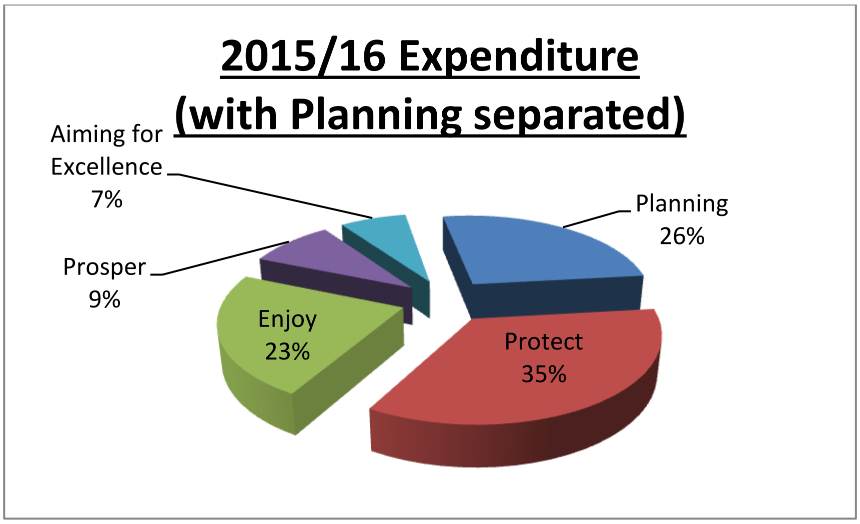
	Approved Budget	Spent / Received	Variance
	£000	£000	£000
Expenditure:			
Authority-led Partnership Projects	2,993	2,532	-461
Employee Costs (Salary, Travel, Pensions etc)	2,600	2,568	-32
Programme Fund	316	300	-16
Sustainable Communities Fund (all funds now allocated)	30	30	0
Strategy & Planning	76	54	-22
Central Costs (split below)	796	743	-53
Total Expenditure	**6,811**	**6,227**	**-584**

Income:			
Authority-led Partnership Projects	-2,993	-2,690	303
National Park Grant	-3,037	-3,037	0
Planning Income	-250	-284	-34
Shared Services	-320	-328	-8
Income Generation	-17	-21	-4
Investment & Interest Income	-15	-34	-19
Contribution from Earmarked Reserves (est)	-133	154	287
Contribution from Revenue Support Reserve (est.)	-46	13	59
Total Income	**-6,811**	**-6,227**	**584**

Central Costs Split

	Latest Budget £000	Payments to Date £000	Variance £000
Secretariat	32	35	3
Human Resources	76	64	-12
ICT Services	215	233	18
ICT R&R Fund	57	7	-50
Member Services	58	59	1
Finance & Audit Services	66	63	-3
Accommodation	200	196	-4
Business Support (e.g. insurance, printing, stationery)	92	86	-6
TOTAL	**796**	**743**	**-53**





Annex 2

Programme Fund 2015/16	**Approved Budget**	**Payments to date**	**% of Budget Spent**	**Notes on significant variations**
	£000	**£000**	**%**	
PROTECT*				
Landscape Projects	10	6	60%	
Ecology and Catchment Co-ordination	14	13	93%	
Woodfuel and Woodland Projects	15	15	100%	
Natural Environment Evidence Base (HBIC / WRC)	6	7	117%	
Archaeological Advice to FC	6	8	133%	Additional spend funded by FC
Archaeological Projects	10	10	100%	
World War I Project	8	8	100%	
Landscape Partnership	28	28	100%	
OTHER (Projects less than £5,000)	6	3	50%	Low Boundary Marker and Wildlife Forum costs
PROTECT SUBTOTAL	**103**	**98**	**95%**	
ENJOY*				
Access and Recreation	16	14	88%	
Health & Wellbeing	5	4	80%	
Education	9	8	89%	
Educational Campaigns	8	7	88%	
Interpretation & Information	15	14	93%	
New Forest Centre Agreement	40	40	100%	
New Forest Show	6	6	100%	
Media and Promotion	25	21	84%	
Publications	24	34	142%	Extra edition of Park Life as Easter in March 2016, consequent saving will be made in 2016/17
Partnership Publications	8	6	75%	

	Original Project Budget	Payments to date	% of Budget Spent	Notes
Ranger Projects	12	12	100%	
People and Wildlife Ranger (NFDC)	5	3	60%	
OTHER (Projects less than £5,000)	2	1	50%	
ENJOY SUBTOTAL	**175**	**170**	**97%**	
PROSPER*				
New Forest Business Partnership Events	5	2	40%	
New Forest Marque	15	15	100%	
Sustainability Projects	9	6	67%	Some small projects delayed until 16/17
Sustainable Tourism	7	7	100%	
OTHER (Projects less than £5,000)	2	2	100%	
PROSPER SUBTOTAL	**38**	**32**	**84%**	
TOTAL EXPENDITURE	**316**	**300**	**95%**	

*****The designation of projects to ‘Protect, Enjoy & Prosper’ are for illustrative purposes only and do not constitute the total funding allocated to each area by the Authority.

Draft Authority-led Partnership Projects 2015/16

	Authority Direct Financial Contributions	Partner Financial Contributions	Total Project Budget	Total Payments to date	Payments as % of budget	Notes on significant variations
	£000	**£000**	**£000**	**£000**	**%**	
New Forest Remembers (WWII)	0	70	70	40	57%	Remaining funds will be used for legacy work and are set aside in an earmarked reserve
Higher Level Stewardship	0	60	60	44	73%	
Land Advice Service	0	60	60	62	103%	
Water Catchment Pilot	0	15	15	15	100%	Project Complete
New Forest Produce	15	15	30	10	33%	Future options for NF Marque currently being considered
HLF Landscape Partnership (Dev)	0	70	70	80	114%	Development Phase Complete
HLF Our Past, Our Future	28	541	569	170	30%	Lower than expected spend in first six months as projects still being established. Funds will still all be spent.
World War I Project	8	12	20	20	100%	
Local Sustainable Transport Fund (2 National Parks)	0	1,000	1,000	917	92%	Project Complete
DfT Family Cycling Experiences	0	1,150	1,150	1,174	102%	Project Complete
TOTAL	**51**	**2,993**	**3,044**	**2,532**	**83%**	

On average, for every £1 the Authority contributed it generated a further £13 from partner organisations

Annex 3

Projected Reserves Position

	Position 01/04/2015 £000	Movement £000	Projected 1/04/2016 £000
Earmarked:			
SCF	181	(103)	78
ICT Replacement	39	38	77
Climate Change	23	(20)	3
Habitats	17	0	17
Rockford Farm	46	(3)	43
Land Advice Service	40	17	57
Landscape Partnership	20	129	149
HLS Reserve	21	(7)	14
New Forest Remembers Legacy	8	15	23
Data Quality / Sharepoint	20	(15)	5
Planning Back-scanning	20	3	23
New Forest Centre Upgrade	15	0	15
New Forest Transport	55	72	127
Communications	30	(18)	12
Corporate Partnerships	13	5	18
Navitus Bay	19	0	19
Building Maintenance	7	36	43
Enforcement	0	5	5
Planning Risk Reserve	150	0	150
Revenue Support Reserve	150	13	163
Capital / Major Projects Reserve	817	0	817
	1,691	**167**	**1,858**
General Fund:			
Minimum Level	300	0	300
	300	**0**	**300**
TOTAL RESERVES	**1,991**	**167**	**2,158**

Developer Contributions (Ring-fenced):

	Open Space £000	Affordable Housing £000	Ecological Mitigation £000	Transport £000
Opening Balance at 1 April 2015	**83**	**748**	**6**	**18**
Total Contributions Received	63	197	10	18
Contributions Released	(8)	(119)	(2)	(36)
Closing Balance at 31 March 2016	**138**	**826**	**14**	**0**

Annex 4

ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND ACTUAL PRUDENTIAL INDICATORS 2015/16

1. Introduction

1.1 The annual treasury report is a requirement of the Authority's reporting procedures and covers the treasury activity for 2015/16. The report also covers the actual Prudential Indicators for 2015/16 in accordance with the requirements of the Prudential Code.

2. Background

2.1 The Authority's treasury management activities are regulated by a variety of professional codes, statutes and guidance:

- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
- The SI also requires the Authority to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
- Under the Act the DCLG has issued Investment Guidance to structure and regulate the Authority's investment activities.

2.2 This Authority has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates its treasury management service in compliance with this Code and the above requirements. These require that the prime objective of the treasury management activity is the effective management of risk, and that any activities are undertaken in a prudent, affordable and sustainable basis.

2.3 The Code requires, as a minimum, the regular reporting of treasury management activities to:

- Forecast the likely activity for the forthcoming year (in the Annual Treasury Strategy Report); and

- At least two reports on activity and performance one of which will be the annual report (this report).

2.4 This report sets out the information in the following appendices: -

Appendix 1

- A summary of the treasury strategy agreed for 2015/16;
- A summary of the economic factors affecting the strategy over 2015/16;
- The decisions taken and performance of the treasury service and their revenue effects;
- The Authority's treasury position at 31 March 2016.

Appendix 2

- The main Prudential Indicators and compliance with limits;
- Performance indicators set for 2015/16;
- Risk and performance.

APPENDIX 1

TREASURY MANAGEMENT STEWARDSHIP REPORT – 2015/16

1. Introduction

This appendix sets out the performance for the Authority's treasury management activities.

2. Treasury strategy for 2015/16

The Authority approved the Treasury Management Strategy for 2015/16 in March 2015 (NFNPA 477/15).

The main principles of the investment strategy cover: -

- The security of investments;
- The liquidity of investments;
- Monitoring investment categories and counterparties;
- The use of money brokers;
- Performance indicators.

3. The Economy and Interest Rates

3.1 UK Economic Background & Outlook

UK GDP is continuing to grow (2.2% in 2015) but at a slightly slower rate than previously projected, however the Bank of England is still forecasting 2% growth for 2016 and 2.2% for the year after. Unemployment is generally continuing to fall but both productivity and wage growth are still fairly slow.

Inflation (CPI) is still historically low and currently stands at 0.5%, with RPI equally low at 1.6%. CPI is well below the Bank of England target of 2% but the Bank expects these figures to converge within two years.

Interest rates have now remained at the historic low of 0.5% for seven years and the latest estimates for the first rate rise are now coming in around April-June 2017, then rising to around 1.25% by the end of 2018.

Date	**Bank Base Rate**
At 1 April 2015	0.50%
31 March 2016	0.50%

3.2 Global Outlook

The Eurozone economy grew by 1.6% in 2015 and is projected to grow by a further 1.7% in 2016. Its inflation forecast for 2016 has been cut to 0.5% which is significantly below the Central Bank target of 2%. Greece is still struggling to manage its debt burden and is likely to request significant debt relief over the coming months, conceivably triggering further problems for the Eurozone economy.

The US economy grew by 2.4% in 2015 but has slowed during the early part of 2016. This is likely to slow further interest rate rises such as the 0.25% rise seen in December 2015. Many of the emerging economies, in particular China, have also seen a slowdown in growth figures in recent months and this has an impact across global trade.

Oil prices fell by a further third in 2015; many other commodities and the wider global trade economy had an equally bad year too. Prices have begun to creep up more recently but it is yet to be seen if this can be sustained.

3.3 UK Interest Rate Forecast

The following increases in the Bank Base Rate are currently forecast (by averaging responses from a number of economic forecasters):

June 2016	0.50%
Sept 2016	0.50%
Dec 2016	0.50%
Mar 2017	0.75%
June 2017	0.75%
Sept 2017	0.75%
Dec 2017	1.00%
Mar 2018	1.00%
June 2018	1.00%
Sept 2018	1.25%
Dec 2018	1.25%

4. Investment strategy

4.1 During the year, no investments were made for 1 year; all were for shorter periods or in deposits with instant access. All investments during the year have allowed for anticipated cash flow movements both on a daily and annual basis.

3.2 Short-term temporary investments in 2015/16 have been for an average period of 31 days; this does not include the instant access accounts where the Authority invests. This is shorter than the average of 94 days for 2014/15 due to the change in investment strategy to low risk / low reward holdings.

5. Investments / Holdings

5.1 Temporary Investments are deposits which are capable of being repaid within one year. The term of the loans are negotiated from overnight to 364 days.

5.2 The interest rate earned on temporary investments for the year was 0.49%.

5.3 For 2015/16, the interest receivable on temporary money market investments is £13,341; this is slightly below the estimated £15,000 which was budgeted. This variance is due to the continued low interest rates available in the market and the need for funds to cash-flow larger projects such as LSTF, NFFCE and OPOF.

5.4 A list of investments/holdings at 31 March 2016 is shown below:-

Borrower	**Amount £**	**Interest Rate %**	**Maturity Date**
Temporary Investments/Holdings			
Debt Mmgt Office (Govt)	750,000	0.25	Instant access
Standard Life Money Market Fund	1,228,000	0.43	Instant access
Lloyds Current Account	569,000	0.40	Instant access
Total	**2,547,000**		

5.5 All temporary investments have been invested according to the parameters set within the Authority's Treasury Policy Statement.

6. Investment benchmark

6.1 The temporary investment interest earnings are measured against a target benchmark. It is expected that earnings will at least equal the benchmark.

6.2 The benchmark is equivalent to the average 7 day LIBID rate available through the money markets and is measured over the financial year.

6.3 The 1 year LIBID benchmark is also included at 6.5 below for comparison purposes as there were two deposits that were invested over a one year term. Funds were invested in deposits with a variety of maturity dates and this has moderated the overall interest earnings achieved.

6.4 The table below shows the performance of the Authority's investments compared to the benchmark.

6.5 Results to 31 March 2016 are summarised as follows:

	7 day LIBID %	**1 year LIBID %**
Benchmark Return	0.36	0.89
Actual Return	0.49	0.49
Return above Benchmark	**0.13**	**-0.40**

6.6 As at 31 March 2016 temporary investment interest earnings exceeded the 7 day benchmark by 0.13%; this equates to £3,539.

7. Investment instruments

7.1 All of the investments are made in money market deposits other than balances held in the Money Market Fund and Heritable bank in default.

7.2 All of these deposits earn a yield that is made up entirely of interest earnings. There is no capital appreciation/depreciation. No Gilts or Certificates of Deposits are used.

8. Borrowing Strategy

8.1 It was envisaged that no borrowing, other than the bank overdraft facility, would be required in 2015/16 and no loans were raised during the year.

8.2 The Authority's overdraft facility with the bank was not used at all during the year and therefore no interest was charged.

9. Compliance with the CIPFA code of practice

9.1 All treasury functions and debt management procedures, which were undertaken during the period, complied with the existing CIPFA Code of Practice on Treasury Management, as set out in the Authority's Treasury Policy Statement, and the Treasury Management Strategy for 2015/16.

10. Treasury Position at 31 March 2016

10.1 The following table shows the treasury position at the 31 March 2016 compared with the previous year. All investments have interest payable at a fixed coupon rate for the period of the investment other than the Instant Access account and the Money Market Fund which are variable: -

	31 March 2015		31 March 2016	
	Principal	**Average Rate**	**Principal**	**Average Rate**
Temporary Cash-flow Investments				
Bank & Building Society Fixed Deposits	£1.00m	0.96%	0	N/A
Bank, Building Society & Gov't Instant Access - Variable Deposit	£0.92m	0.27%	£1.32m	0.31%
Money Market Fund	£0.71m	0.43%	£1.23m	0.43%
Total Investments	**£2.63m**	**0.85%**	**£2.55m**	**0.37%**

APPENDIX 2

PRUDENTIAL INDICATORS AND COMPLIANCE ISSUES TO 31 MARCH 2016

1. Introduction

1.1 The Authority is required by the Prudential Code to report the actual prudential indicators after the year-end.

1.2 The following table, at Paragraph 2.2, provides a schedule of all the mandatory prudential indicators applicable to the Authority. However only the Authorised Borrowing Limit is statutory and must not be breached; the other prudential indicators are for guidance only.

1.3 Certain of these indicators must be compared to others and are detailed later in this appendix.

2. Estimated and actual treasury position and prudential indicators

2.1 The following table compares the actual figure for 2015/16 with the original indicator for 2015/16 and the actual figure for 2014/15.

2.2 The original indicator for 2015/16 is the same as was included in the Treasury Management Policy and Strategy Report 2015/16 (NFNPA 477/15).

		2014/15 Actual £000	**2015/16 Original Indicator £000**	**2015/16 Actual £000**
1	Capital Expenditure	152	1,500	1,238
2	Treasury Position at 31 March Investments - Money Market	2,623	2,500	2,547
3	Authorised Borrowing Limit (against maximum position)	0	0	0
4	Operational Borrowing Limit (against average position)	0	0	0
5	Investments - Upper limits on fixed interest rates (against maximum position)	Maximum 96%	Maximum 100%	Maximum 38%
6	Investments - Upper limits on variable interest rates (against maximum position)	Maximum 43%	Maximum 100%	Maximum 75%
7	Interest on Net Investments	22	15	13
8	Maximum principal funds invested (against maximum position)	Maximum 3,044	Maximum 3,600	Maximum 3,010
9	Ratio of capital financing costs to net revenue stream	3.0%	23%	20%

2.3 There were no breaches of any statutory limits during the year.

2.4 The Authorised Limit must not be breached. The table demonstrates that during 2015/16 the Authority has maintained gross borrowing within its Authorised Limit.

	2015/16
Authorised Limit	£2.00m
Operational Boundary	£0.00m
Maximum gross borrowing position during the year	£0.00m
Minimum gross borrowing position during the year	£0.00m

The Operational Boundary is the expected average borrowing position of the Authority during the year, and periods where the actual position is over the Boundary is acceptable subject to the Authorised Limit not being breached.

2.5 In addition to the above the Authority has adopted the CIPFA Code of Practice which is required as a Prudential Indicator.

3. Treasury service performance indicators for 2015/16

3.1 The treasury service has set the following performance indicator:

- For money market investments, the benchmark for return should be set above the average 7 day LIBID rate.

3.2 The performance indicator was 0.36% for the year; the performance was 0.49% as explained in paragraph 6.5 in appendix 1 above.

4. Risk and performance

4.1 The Authority has complied with all of the relevant statutory and regulatory requirements that limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means that its capital expenditure is prudent, affordable and sustainable, and that its treasury practices demonstrate a cautious approach.

4.2 The Authority is aware of the risks of passive management of the treasury portfolio and has proactively managed the investments over the year subject to both counterparty and cash flow constraints but tempered by the uncertain market conditions.

4.3 Shorter-term market rates and likely future movements of interest rates predominantly determine the Authority's investment return. These returns can therefore be volatile and, whilst the risk of loss of principal is minimised (though never totally negated) through the annual investment strategy, accurately forecasting future returns can be difficult.

4.4 The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of default applies to all of the Authority's deposits, but there was no evidence at 31 March 2016 that this was likely to crystallise.

4.5 Section 5 of appendix 1 (p.16) shows the returns for 2015/16.