NFNPA RAPC 334/17

NEW FOREST NATIONAL PARK AUTHORITY

RESOURCES, AUDIT AND PERFORMANCE COMMITTEE – 5 JUNE 2017

FINANCIAL OUTTURN AND TREASURY REPORT 2016/17

Report by: Nigel Stone, Chief Finance Officer and Chris Pathmadeva, Finance and Procurement Officer

Purpose:

This report sets out the detailed projected outturn position for the Authority for the 2016/17 financial year. This information will latterly be formed into the annual Financial Report (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 2016/17.

Executive Summary:

The original budget for 2016/17, approved as NFNPA 497/16 and set within the context of the Medium-Term Financial Plan, estimated a £83,000 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 2017) estimated a £40-50,000 saving due to some additional planning fee income and salary savings.

The draft outturn figures (correct as at writing of this report in mid-May) indicate a saving of £58,000 which equates to less than a 1% variance to the original budget and similar to the revised estimate above. As a result a figure of around £25,000 will be taken from the Revenue Support Reserve and, as previously agreed, the remaining savings will be carried forward to fund the 2017/18 budgets.

1. General Fund Revenue Budget Outturn 2016/17

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 £4.8m against an original budget of £5.4m (a £0.6m or 11% 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 2017/18 instead. After excluding the Partnership Projects, the variance equates to a £58,000 saving (as expected from the on-going budgetary control reporting), thus reducing the expected call on the Revenue Support Reserve of £83,000 down to £25,000.

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

2.1 Partnership Projects (£0.94m spent from an original estimate of £1.37m)

The variance is largely down to the Our Past, Our Future Landscape Partnership Scheme which only spent £830,000 from its original estimate of £1.29m spend for 2016/17. This is simply due to the time it took to get the various projects up and running after receiving the HLF approval. There is no requirement to spend specific amounts by financial years so no funding has been 'lost' as a result.

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

2.2 Central Costs (net £110,000 underspend)

Replacement of staff computers and the costs of updating our website were both expected in late 2016/17 but this will now take place during May-August 2017. This funding has therefore been set aside in an earmarked reserve at year-end.

2.3 Sustainable Communities Fund (£27,000 allocated but not spent)

A further £100,000 was successfully claimed this year, meaning a total of nearly £0.5m has been paid out in the last three financial years. The outstanding total 'allocated but yet unclaimed' is now down to just £27,000.

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

3.1 Partnership Projects (£0.94m received from an original estimate of £1.37m)

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).

3.2 Planning Fees (additional £24,000)

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 £314,000.

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.

A total of £35,000 in grants has been received late in the year from DCLG for 'new burdens' from changing legislation (regarding self/custom builds and a brownfield land register). This funding will be set aside in an earmarked reserve at year-end as the burdens and our response to them are reviewed.

3.3 Investment & Interest Income (shortfall £6,000)

A full report on the Treasury function during 2016/17 is attached to this report as **Annex 4**. The interest received on investments and holdings for the year was £8,747 (a 0.34% return), comparing favourably to the benchmarked return of 0.11%.

3.4 Contribution to Earmarked Reserves

The original budget projected that we would utilise £245,000 from our earmarked reserves during the 2016/17 financial year. The outturn shows that in fact we have used just £98,000 in total this year. The largest variance (£119,000) relates to the ICT slippage mentioned in para 2.2 above, with further information given in para 6 below.

3.5 Contribution to Revenue Support Reserve

Largely due to the additional planning fee income and smaller savings within the other budgets, the overall financial position requires just £25,000 from the Revenue Support Reserve this year.

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

4.1 Narrative has been added to the table in Annex 2 where significant variances occurred. The overall total of £298,000 spent from an original budget of £300,000 (99%) is a very strong result; such projects can often have variances in both timings and costs.

4.2 The £298,000 also includes some additional expenditure items which came up during the year such as the Green Halo work and Visitor Gift Scheme review. Due to close budgetary monitoring these were able to be funded from smaller savings occurring elsewhere within the Programme Fund budgets.

5 Partnership Projects (from final table in Annex 2)

5.1 The Authority spent a total of over £0.94m during 2016/17 on Authority-led Partnership Projects as set out in the table in Annex 2. Of this funding, just £101,000 was put in by the Authority, meaning that once the project funds are fully spent/claimed, on average for every £1 we put in, a further £13 was generated.

5.2 The remaining partnership project budgets will be carried forward to 2017/18 through earmarked reserves - these relate to on-going projects where the 2016/17 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 2017/18), as categorised below:

Spending – SCF, Back-scanning, Sharepoint, Communications, HLS, Transport, Buildings Maintenance, Corporate Partnerships, Navitus Bay, Habitats and Land Advice Service;

Ring-fenced – Landscape Partnership, Access Works, Housing (Bransgore Rental Income) and Planning Grants;

Provisions – ICT R&R, Ranger Van, National Parks England Post, Local Plan and Green Halo.

6.3 This gives draft 'key' reserve balances of:

Minimum Reserve	£300,000
Planning Risk Reserve	£150,000
Revenue Support Reserve	£138,000
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 £101,000 was received during the year and £430,000 released. Of the released funding, £328,000 was used to complete the Bransgore Affordable Homes development; a further £10,500 is contractually committed to this scheme as the final part of the retention amount (due to be paid over during 2017/18).

8 Accounts and Accounting Policies 2016/17

8.1 At this time it is not expected that any significant changes will be required to the Authority's existing Accounting Policies in order to produce the Financial Report (Statement of Accounts) for 2016/17. 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 £58,000 has been achieved, largely as a result of additional planning fee income and smaller savings across the organisation. This would reduce the budgeted £83,000 call on the Revenue Support Reserve to £25,000.

9.2 In addition to the movement on the Revenue Support Reserve, a further net £98,000 has been utilised from the other Earmarked Reserves, decreasing the total reserves held to around £2.03m.

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 2016/17 in Annex 4; and**
3. **approve the *indicative* transfers to/(from) Reserves in 2016/17 as set out in section 6 and detailed in Annex 3.**

Papers:

NFNPA RAPC 334/17	Report
NFNPA RAPC 334/17 - Annex 1	General Financial Outturn
NFNPA RAPC 334/17 - Annex 2	Programme Fund & Partnership Project Outturn
NFNPA RAPC 334/17 - Annex 3	Projected Positions of the Reserves
NFNPA RAPC 334/17 - Annex 4	Treasury Management Stewardship - Report & Prudential Indicators

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Annex 1

Draft Summary Accounts for the period 1 April 2016 – 31 March 2017

	Original Budget	Payments to date	% of Budget Spent
	£000	£000	
Expenditure:			
Employee Costs (Salary, Travel, Pensions etc)	2,674	2,679	100%
Programme Fund	300	298	99%
Sustainable Communities Fund	128	101	79%
Strategy & Planning	91	72	79%
Central Costs (split below)	842	732	87%
Subtotal	**4,035**	**3,882**	**96%**
Authority-led Partnership Projects	1,368	941	69%
Total Expenditure	**5,403**	**4,823**	**89%**

Income:			
National Park Grant	-3,089	-3,089	100%
Planning Income	-290	-314	108%
Planning Grants	0	-35	-
Shared Services	-306	-306	100%
Income Generation	-7	-6	86%
Investment & Interest Income	-15	-9	60%
Contribution from Revenue Support Reserve (estimated)	-83	-25	29%
Contribution from Other Earmarked Reserves (estimated)	-245	-98	40%
Subtotal	**-4,035**	**-3,882**	**96%**
Authority-led Partnership Projects	-1,368	-941	69%
Total Income	**-5,403**	**-4,823**	**89%**

Central Costs Split

	Latest Budget £000	Payments to Date £000	Variance £000
Secretariat	47	48	1
Human Resources	73	73	0
ICT Services	210	219	9
ICT R&R Fund	122	3	-119
Member Services	55	55	0
Finance & Audit Services	50	44	-6
Accommodation	200	205	5
Business Support (e.g. insurance, printing, stationery)	85	85	0
TOTAL	**842**	**732**	**-110**

Formal Defra Reporting Format

	Net Expenditure Chargeable to Reserves £000
Conservation of the Natural Environment	482
Conservation of Cultural Heritage	324
Recreation Management and Transport	317
Promoting Understanding	479
Rangers, Estates and Volunteers	99
Development Control	491
Forward Planning and Communities	452
Corporate and Democratic Core	442
Exceptional Items (Pensions/Capital)	135
TOTAL	**3,221**
National Park Grant	(3,089)
Interest Income	(9)
(Surplus)/Deficit on Provision of Services	**123**
Transfer to/(from) Revenue Support Reserve	(25)
Transfer to/(from) Other Earmarked Reserves	(98)

Annex 2

Programme Fund 2016/17	Original Project Budget	Payments to date	% of Budget Spent	Notes on significant variations
	£000	£000		
PROTECT*				
Landscape Projects	7	2	29%	Some projects delayed until 2017/18
Ecology and Catchment Co-ordination	14	12	86%	
Woodfuel and Woodland Projects	5	5	100%	
Natural Environment Evidence Base (HBIC / WRC)	8	7	88%	
Our Past, Our Future (Landscape Partnership)	56	56	100%	
FC Archaeology SLA	6	7	117%	
World War I Project	7	0	0%	Funded from legacy reserve
OTHER (Projects less than £5,000)	7	18	257%	Includes £9k Green Halo work
PROTECT SUBTOTAL	**110**	**107**	**97%**	
ENJOY*				
Access and Recreation	12	18	150%	Additional works undertaken
Education	8	8	100%	
Educational Campaigns	7	7	100%	
Interpretation & Information	8	12	150%	
New Forest Centre Agreement	40	40	100%	
New Forest Show	6	3	50%	Very successful show in July 2016
Media and Promotion	25	21	84%	
Publications	24	21	88%	
Partnership Publications	8	6	75%	
Ranger Projects	8	9	113%	
People and Wildlife Ranger Projects	5	5	100%	
OTHER (Projects less than £5,000)	4	3	75%	
ENJOY SUBTOTAL	**155**	**153**	**99%**	

	Original Project Budget	**Payments to date**	**% of Budget Spent**	**Notes on significant variations**
	£000	**£000**		
PROSPER*				
New Forest Marque	15	15	100%	
Sustainability Projects	8	7	88%	
Sustainable Tourism	6	10	167%	Additional costs from Visitor Gift Scheme evaluation report
OTHER (Projects less than £5,000)	6	6	100%	
PROSPER SUBTOTAL	**35**	**38**	**109%**	
TOTAL EXPENDITURE	**300**	**298**	**99%**	

*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 (see Annex 1).

Draft Authority-led Partnership Projects 2016/17

	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**		
HLF Our Past, Our Future	89	1,201	1,290	830	64%	Funding to be spent by all partners – On track, but not limited by financial years
New Forest Remembers	7	23	30	1	3%	Remaining funding does not have to be spent this year
Pedall	0	6	6	3	50%	Currently applying for new funding
Family Trees Project	0	10	10	7	70%	Funding received from Tesco “Bags of Help” scheme
Higher Level Stewardship	0	60	60	60	100%	Extension to Comms/PR work agreed
Land Advice Service	5	68	73	40	55%	
TOTAL	**101**	**1,368**	**1,469**	**941**	**64%**	

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

Annex 3

Projected Reserves Position

	Position 01/04/2016 £000	Movement £000	Projected 1/04/2017 £000
Earmarked:			
Sustainable Communities Fund	78	(50)	28
ICT Replacement	77	32	109
Climate Change	3	0	3
Habitats	17	(10)	7
Rockford Farm	43	0	43
Access Works	0	5	5
Land Advice Service	57	(13)	44
Landscape Partnership	149	1	150
HLS Reserve	15	(9)	6
New Forest Remembers Legacy	23	0	23
Data Quality / Sharepoint	5	(5)	0
Planning Back-scanning	23	(23)	0
New Forest Centre Upgrade	15	0	15
New Forest Transport	127	(60)	67
Communications	12	(12)	0
Corporate Partnerships	18	(8)	10
Navitus Bay	19	(19)	0
Building Maintenance	43	(10)	33
Enforcement	5	0	5
Ranger Van	0	7	7
Housing (Bransgore Income)	0	12	12
Local Plan	0	10	10
Planning Grants	0	34	34
Green Halo	0	16	16
NPE Post	0	4	4
Planning Risk Reserve	150	0	150
Revenue Support Reserve	163	(25)	138
Capital / Major Projects Reserve	817	0	817
	1,858	**(123)**	**1,735**
General Fund:			
Minimum Level	300	0	300
	300	**0**	**300**
TOTAL RESERVES	**2,158**	**(123)**	**2,035**

Developer Contributions (Ring-fenced):

	Open Space £000	Affordable Housing £000	Ecological Mitigation £000
Opening Balance at 1 April 2016	**138**	**826**	**14**
Total Contributions Received	21	37	43
Contributions Released	(91)	(328)	(11)
Closing Balance at 31 March 2017	**68**	**535**	**46**

Annex 4

ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND ACTUAL PRUDENTIAL INDICATORS 2016/17

1. Introduction

1.1 The annual treasury report is a requirement of the Authority's reporting procedures and covers the treasury activity for 2016/17. The report also covers the actual Prudential Indicators for 2016/17 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 2016/17;
- A summary of the economic factors affecting the strategy over 2016/17;
- The decisions taken and performance of the treasury service and their revenue effects;
- The Authority's treasury position at 31 March 2017.

Appendix 2

- The main Prudential Indicators and compliance with limits;
- Performance indicators set for 2016/17;
- Risk and performance.

APPENDIX 1

TREASURY MANAGEMENT STEWARDSHIP REPORT – 2016/17

1. Introduction

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

2. Treasury strategy for 2016/17

The Authority approved the Treasury Management Strategy for 2016/17 in March 2016 (NFNPA 497/16).

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 continued to grow in 2016 by 2.0% (2.2% in 2015) but at a slightly slower rate than previously projected, however the Bank of England is still forecasting 1.9% growth for 2017 and 1.7% for the year after. Unemployment is generally continuing to fall but both productivity and wage growth are still fairly slow.

Inflation (CPI) was historically low at the start of 2016/17 but has since been rising quickly, hitting 1.0% in September 2016 and 2.3% in March 2017 (with RPI also rising to 3.1%). CPI is therefore now above the Bank of England target of 2% and the Bank expects it to rise further in the coming year before falling back to around the target level.

Interest rates have remained at historic lows, falling to 0.25% in August 2016 and are not projected to rise significantly for some considerable time yet.

Date	Bank Base Rate
At 1 April 2016	0.50%
4 August 2016 (cut)	0.25%
31 March 2017	0.25%

3.2 Global Outlook

The Eurozone economy grew by 1.7% in 2016 (1.6% in 2015) and is projected to grow by a further 1.5% in 2017. Its inflation in March was 1.9%, close to the Central Bank target of 2% but currently rising sharply. Greece is still struggling to manage its debt burden but has recently agreed a further deal with the Eurozone to unlock the latest bailout payment.

The US economy grew by 1.6% in 2016 (2.4% in 2015). This slowdown is likely to curtail further interest rate rises such as the rise to 1.0% seen in March 2017. 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 started to rise in 2016 and early 2017; many other commodities and the wider global trade economy had a similar year too but it is still to be seen if growth 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 2017	0.25%
Sept 2017	0.25%
Dec 2017	0.25%
Mar 2018	0.50%
June 2018	0.50%
Sept 2018	0.50%
Dec 2018	0.50%
Mar 2019	0.75%
June 2019	0.75%
Sept 2019	1.00%
Dec 2019	1.00%

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.

4.2 Short-term temporary investments in 2016/17 have been on average for a period of 30-60 days; this does not include the instant access accounts where the Authority invests.

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 0.34%.

5.3 For 2016/17, the interest receivable on temporary money market investments is £8,747; this is 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 the Our Past, Our Future Landscape Partnership Scheme.

5.4 A list of investments/holdings at 31 March 2017 is shown below:-

Borrower	**Amount £**	**Interest Rate %**	**Maturity Date**
Temporary Investments/Holdings			
Debt Mmgt Office (Govt)	1,000,000	0.10	Instant access
Standard Life Money Market Fund	1,000,000	0.20	Instant access
Lloyds Current Account	588,000	0.25	Instant access
Total	**2,588,000**		

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 2017 are summarised as follows:

	7 day LIBID %	1 year LIBID %
Benchmark Return	0.11	0.59
Actual Return	0.34	0.34
Return above Benchmark	**0.23**	**-0.25**

6.6 As at 31 March 2017 temporary investment interest earnings exceeded the 7 day benchmark by 0.23%; this equates to £5,917.

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 2016/17 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 2016/17.

10. Treasury Position at 31 March 2017

10.1 The following table shows the treasury position at the 31 March 2017 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 2016		**31 March 2017**	
	Principal	**Average Rate**	**Principal**	**Average Rate**
Temporary Cash-flow Investments				
Bank & Building Society Fixed Deposits	0	N/A	0	N/A
Bank, Building Society & Gov't Instant Access - Variable Deposit	£1.32m	0.31%	£1.59m	0.16%
Money Market Fund	£1.23m	0.43%	£1.00m	0.20%
Total Investments	**£2.55m**	**0.37%**	**£2.59m**	**0.18%**

APPENDIX 2

PRUDENTIAL INDICATORS AND COMPLIANCE ISSUES TO 31 MARCH 2017

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 2016/17 with the original indicator for 2016/17 and the actual figure for 2015/16.

2.2 The original indicator for 2016/17 is the same as was included in the Treasury Management Policy and Strategy Report 2016/17 (NFNPA 497/16).

		2015/16 Actual £000	**2016/17 Original Indicator £000**	**2016/17 Actual £000**
1	Capital Expenditure	1,238	1,500	1,043
2	Treasury Position at 31 March Investments - Money Market	2,547	2,500	2,588
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 38%	Maximum 100%	Maximum 82%
6	Investments - Upper limits on variable interest rates (against maximum position)	Maximum 75%	Maximum 100%	Maximum 67%
7	Interest on Net Investments	13	15	9
8	Maximum principal funds invested (against maximum position)	Maximum 3,010	Maximum 3,600	Maximum 3,250
9	Ratio of capital financing costs to net revenue stream	20%	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 2016/17 the Authority has maintained gross borrowing within its Authorised Limit.

	2016/17
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 2016/17

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 0.11% for the year; the performance was 0.34% 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 2017 that this was likely to crystallise.

4.5 Section 5 of appendix 1 (p.17) shows the returns for 2016/17.