NFNPA RAPC 366/18

NEW FOREST NATIONAL PARK AUTHORITY

RESOURCES, AUDIT AND PERFORMANCE COMMITTEE – 14 MAY 2018

FINANCIAL OUTTURN AND TREASURY REPORT 2017/18

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 2017/18 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 2017/18.

Executive Summary:

The original budget for 2017/18, approved as NFNPA 519/17 and set within the context of the Medium-Term Financial Plan, estimated a £70,000 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 2018) estimated that the costs of the Local Plan would be higher than originally expected but there were no other significant variances.

The draft outturn figures (correct as at writing of this report in late-April) indicate a small overspend of £22,000 which equates to a 0.4% variance to the original budget. As a result a figure of around £92,000 will be taken from the Revenue Support Reserve.

1 General Fund Revenue Budget Outturn 2017/18

1.1 The draft year-end position is set out in the standard management reporting format in **Annex 1**. Further breakdowns, including within the standard accounting format, is shown in **Annex 2**. Detailed outturn for the Programme Fund and Partnership Projects can be found in **Annexes 3 and 4** respectively. The projected impact on the Reserves (general and earmarked) is shown in **Annex 5**.

1.2 The overall original income and expenditure budgets for 2017/18 were £5.50m, as shown in Annex 1. This included £1.19m from Authority-led partnership projects (externally-funded).

1.3 The overall expenditure position at year-end shows £5.32m spend (97% of budget). Without the partnership projects, spend was £4.32m from a budget of £4.31m (100%).

1.4 The overall income position shows £5.32m received (97% of budget). Without the partnership projects, income was £4.36m from a budget of £4.31m (101%).

1.5 The original budget required a contribution from the Revenue Support Reserve of £70,000 – as a result of the outturn position this has risen to £92,000. The variance is broken down in section 2 below, but the key pressure was a provision of £35,000 required to cover a review of the rent of Lymington Town Hall which, when completed, will be back-dated to late 2016.

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

2.1 Partnership Projects (£1m spent from an original estimate of £1.19m)

The variance is largely down to the Our Past, Our Future Landscape Partnership Scheme which only spent £758,000 from its original estimate of £1m spend for 2017/18. 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 4.

2.2 Central Costs (£32,000 overspend on accommodation)

In early 2018 the Authority was informed by NFDC, the landlord of our Lymington Town Hall offices, that a rent review was past due and that any increase would be backdated to late 2016. Negotiations are currently ongoing, but a prudent provision of £35,000 has been made to cover the potential shortfall for the period up to 31 March 2018.

2.3 Strategy & Planning (26,000 overspent)

Costs of the Local Plan were significantly higher than expected during 2017/18 due to the evidence required for the submission. These one-off costs have been covered by the increased planning fees detailed below.

2.4 Sustainable Communities Fund (£38,000 allocated but not spent)

A further £40,000 was successfully claimed this year, the outstanding total ‘allocated but yet unclaimed’ is now down to just £38,000 and will be set aside in a reserve awaiting those projects to be completed, reviewed and funds claimed.

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

3.1 Partnership Projects (£1m received from an original estimate of £1.19m)

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 £34,000)

As described during the Budgetary Control Reports this year, planning fees were expected to be above the original budgeted level due to the 20% increase in fees agreed by the government in January 2018. All of the additional fees as a result of the fee increase have been spent within the planning service. Application numbers were also up this year and the final total fees received were £329,000.

It should be noted that the planning fees still only cover, on average, under 50% 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 from MHCLG for 'new burdens' from changing legislation (regarding self/custom builds and a brownfield land register). This funding, slightly less than originally expected, will be set aside in an earmarked reserve at year-end.

3.3 Shared Services (shortfall £12,000)

A ranger post which was originally shared with HCC was brought fully in-house during the year, at no overall additional cost, resulting in a variance showing against this original budget line.

3.4 Investment & Interest Income (shortfall £2,000)

A full report on the Treasury function during 2017/18 is attached to this report as **Annex 6**. The interest received on investments and holdings for the year was £6,877; this equates to a 0.31% return, similar to the benchmarked return of 0.36%.

3.5 Contribution to Earmarked Reserves

The original budget projected that we would utilise £417,000 from our earmarked reserves during the 2017/18 financial year, the outturn position shows that in fact we have utilised a total of £426,000 this year. These figures include the release of the £200,000 capital grant toward RSPB's purchase of Franchise Lodge in the North of the Forest. The second largest amount (£109,000) related to ICT replacement – virtually all staff computers, the Authority website and a large plotter were all replaced during this year from funds set aside for such purposes in prior years.

3.6 Contribution to Revenue Support Reserve

Largely due to the provision for additional rent costs, netted off by some savings within other variances, the overall financial position requires £92,000 from the Revenue Support Reserve this year, £22,000 (0.4%) more than originally budgeted.

4 Programme Fund – Key Variances (from table in Annex 3)

4.1 Narrative has been added to the table in Annex 3 where significant variances occurred. The overall total of £361,000 spent compared to an original budget estimate of £352,000 (103%).

4.2 The £361,000 includes some additional expenditure items which came up during the year such as the branding work (to link with the new website) and costs linked to the review of the Recreation Management Strategy. Due to close budgetary monitoring these were able to be funded from smaller savings occurring elsewhere within the Authority's budgets.

5 Partnership Projects (from table in Annex 4)

5.1 The Authority spent a total of over £1m during 2017/18 on Authority-led Partnership Projects as set out in the table in Annex 4. Of this funding, just £94,000 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 2018/19 through earmarked reserves - these relate to on-going projects where the 2017/18 spend was estimated but there was no specific requirement for it to be used within that financial year.

6 Reserves (from table in Annex 5)

6.1 The projected position of the Reserves is shown in Annex 5. The key changes in-year have already been detailed in 3.5 / 3.6 above.

6.2 Various transfers to and from earmarked reserves are listed in the table in Annex 5. 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 2018/19), as categorised below:

Spending – RPSB Franchises Lodge, ICT R&R, Concierge, WWII Legacy, HLS, Buildings Maintenance, Corporate Partnerships, Ranger Van, Enforcement, Local Plan, Green Halo, Habitats, Access and the Land Advice Service.

Ring-fenced – Landscape Partnership, SCF, Housing (Bransgore Rental Income), Pedall, NF Tour and Planning Grants;

Provisions – Rent Review

6.3 This gives draft 'key' reserve balances of:

Minimum Reserve	£300,000
Planning Risk Reserve	£150,000
Revenue Support Reserve	£47,000
Capital / Major Projects Reserve	£597,000

7 Developer Contributions (from table in Annex 5)

7.1 The first table of Annex 5 shows a summary of the Developer Contributions held by the Authority at year-end. A total of £135,000 was received during the year and £82,000 released.

8 Procurement Waivers

8.1 There were no procurement waivers in 2017/18.

9 Accounts and Accounting Policies 2017/18

9.1 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 2017/18. Should any changes latterly be required, this will be reported to the Authority alongside the final Financial Report in July.

9.2 The actuarial valuation of the HCC pension fund for the year-end has been completed and shows that the overall liability, which will show on our balance sheet, has increased from £6m to just under £6.5m.

10 Summary

10.1 The current projection indicates an increased call of £92,000 from the Revenue Support Reserve for 2017/18. This equates to a negative variance of around 0.4% on the original budget.

10.2 In addition to the movement on the Revenue Support Reserve, a further net £426,000 has been utilised from the other Earmarked Reserves, decreasing the total reserves held to around £1.52m.

11 Recommendations

It is recommended that Members

1 note the provisional outturn position;
2 note the Treasury Management Stewardship Report and Prudential Indicators 2017/18 in Annex 6; and
3 approve the *indicative* transfers to/(from) Reserves in 2017/18 as set out in section 6 and detailed in Annex 5.

Papers:

NFNPA RAPC 366/18	Report
NFNPA RAPC 366/18 - Annex 1	General Financial Outturn
NFNPA RAPC 366/18 - Annex 2	Standard Accounting Format
NFNPA RAPC 366/18 - Annex 3	Programme Fund Outturn
NFNPA RAPC 366/18 - Annex 4	Partnership Projects Outturn
NFNPA RAPC 366/18 – Annex 5	Projected Positions of the Reserves
NFNPA RAPC 366/18 – Annex 6	Treasury Management Stewardship - Report & Prudential Indicators

Equality and Diversity Implications:
There are no specific equality or diversity implications arising out of this report.

Contact:
Nigel Stone
Chief Finance Officer
Tel: 01590 646655
Email: nigel.stone@newforestnpa.gov.uk

Annex 1

Budget Monitoring 2017/18
Summary Draft Accounts for the period 1 April 2017 – 31 March 2018

	Original Budget	Payments to date	% of Budget Spent
	£000	£000	
Expenditure:			
Employee Costs (Salary, Travel, Pensions etc)	2,780	2,785	100%
Programme Fund	352	361	103%
RSPB Capital Grant	200	200	100%
Sustainable Communities Fund	78	40	51%
Strategy & Planning	80	106	133%
Central Costs (split below)	822	826	100%
Subtotal	**4,312**	**4,318**	**100%**
Authority-led Partnership Projects	1,192	999	84%
Total Expenditure	**5,504**	**5,317**	**97%**

Income:			
National Park Grant	-3,142	-3,142	100%
Planning Income	-295	-329	112%
Planning Grants	-45	-35	78%
Shared Services	-324	-312	96%
Income Generation	-10	-12	120%
Investment & Interest Income	-9	-7	78%
Contribution from Revenue Support Reserve (estimated)	-70	-92	131%
Contribution from Other Earmarked Reserves (estimated)	-417	-426	104%
Subtotal	**-4,312**	**-4,358**	**101%**
Authority-led Partnership Projects	-1,192	-959	80%
Total Income	**-5,504**	**-5,317**	**97%**

Central Costs Split

	Latest Budget £000	Payments to Date £000	% of Budget Spent
Secretariat	49	54	110%
Human Resources	76	64	84%
ICT Services	163	174	107%
ICT R&R Fund	138*	102	74%
Member Services	60	62	103%
Finance & Audit Services	53	53	100%
Accommodation	204	236	116%
Business Support (e.g. insurance, printing, stationery)	79	81	103%
TOTAL	**822**	**826**	**100%**

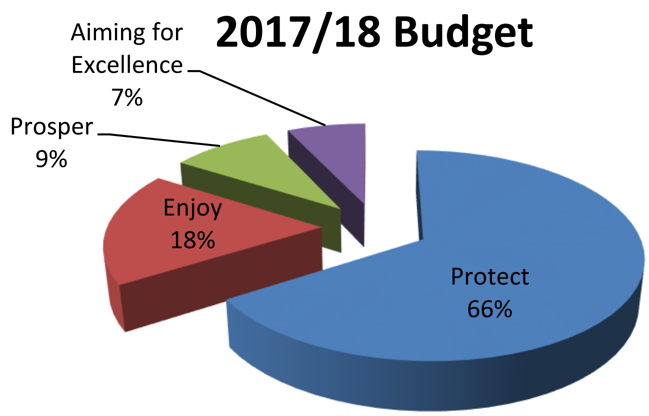
* The budget for the Replacement & Renewals fund is high this year due to a significant amount of ICT equipment and systems being replaced (including most of the staff computers, plotters, microfiche and website system).

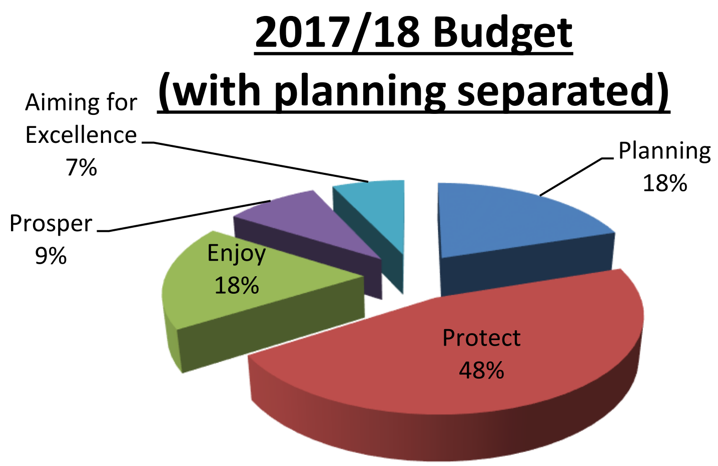
Annex 2

2017/18 Original Budget (£4.11m – not including partnership projects) shown as 'Protect, Enjoy, Prosper & Aiming for Excellence'

	Protect*	Enjoy	Prosper	Aiming for Excellence
	£000	**£000**	**£000**	**£000**
Employee Costs (allocated)	1,888	434	233	225
Programme Fund	129	179	44	-
Sustainable Development Fund (approximation)	55	15	8	-
Strategy & Planning	80	-	-	-
Central Costs (allocated)	558	128	69	67
TOTAL	**2,710***	**756**	**354**	**292**

*Includes up to £0.75m of costs directly related to the Planning Service





2017/18 Indicative Budget position in Authority's formal reporting format

	Budgeted Net Cost of Services 2017/18		Projected Expenditure	Projected Income	Net Position
	£000		**£000**	**£000**	**£000**
Conservation of the Natural Environment	507		1,457	-750	707
Conservation of Cultural Heritage	347		363	-16	347
Recreation Management and Transport	293		477	-184	293
Promoting Understanding	530		563	-33	530
Rangers, Estates and Volunteers	136		199	-63	136
Development Control	633		1,107	-474	633
Forward Planning and Communities	504		594	-90	504
Corporate and Democratic Core	488		557	-40	517
SUBTOTAL	**3,438**		**5,317**	**-1,650**	**3,667**
National Park Grant	-3,142				-3,142
Investment & Interest Income	-9				-7
Use of Reserves	-287				-518
TOTAL	**0**				**0**

Annex 3

Programme Fund 2017/18	Original Project Budget	Projected Expenditure	% of Budget Spent	Notes on significant variations
PROTECT*	**£000**	**£000**		
Landscape Projects	5	3	60%	
Ecology and Catchment Co-ordination	14	13	93%	Work with Freshwater Habitats Trust
Woodfuel and Woodland Projects	5	5	100%	Upfront grant payment
Natural Environment Evidence Base (HBIC / WRC)	8	8	100%	All invoiced in Q2
Our Past, Our Future (Landscape Partnership)	56	56	100%	Upfront grant payment
FC Archaeology SLA	6	6	100%	
Green Halo	25	26	104%	
OTHER (Projects less than £5,000)	10	11	110%	
PROTECT SUBTOTAL	**129**	**128**	**99%**	
ENJOY*	**£000**	**£000**		
Access and Recreation	12	21	175%	Additional RMS expenditure
Health and Wellbeing	5	4	80%	
Education	8	7	88%	
Educational Campaigns	7	7	100%	
Interpretation & Information	8	11	138%	
New Forest Centre Agreement	40	40	100%	
Media and Promotion	23	30	130%	Additional branding work
Publications	24	25	104%	
Partnership Publications	8	7	88%	
Ranger Projects	31	26	84%	Includes purchase of replacement van
People and Wildlife Ranger Projects	5	5	100%	
OTHER (Projects less than £5,000)	8	8	100%	
ENJOY SUBTOTAL	**179**	**191**	**107%**	

	Original Project Budget	**Projected Expenditure**	**% of Budget Spent**	**Notes on significant variations**
PROSPER*	**£000**	**£000**		
New Forest Marque	25	25	100%	Upfront grant payment
Sustainability Projects	5	4	80%	
Sustainable Tourism	6	5	83%	
Sustainable Transport	5	5	100%	
OTHER (Projects less than £5,000)	3	3	100%	
PROSPER SUBTOTAL	**44**	**42**	**95%**	
TOTAL EXPENDITURE	**352**	**361**	**103%**	

*****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 2).

Annex 4

Authority-led Partnership Projects 2017/18

	Authority Direct Financial Contributions	Partner Financial Contributions	Total Project Budget	Projected Expenditure	Payments as % of budget	Notes on significant variations
	£000	**£000**	**£000**	**£000**		
Our Past, Our Future (HLF)	89	911	1,000	758	76%	Funding to be spent by all partners – On track, but not limited by financial years
New Forest Remembers	0	23	23	2	9%	Remaining legacy funding does not have to be spent this year
Pedall (Big Lottery)	0	133	133	73	55%	Funding not limited by financial years.
Higher Level Stewardship	0	60	60	59	98%	
Land Advice Service	5	65	70	67	96%	
TOTAL	**94**	**1,192**	**1,286**	**959**	**75%**	

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

Annex 5

Developer Contributions:

	Affordable Housing	Open Space	Ecological Mitigation
	£000	**£000**	**£000**
Starting Balance	535	68	46
Funds Received	24	52	59
Funds Spent / Released	(29)	(33)	(20)
Current Balance	**530**	**87**	**85**

Current Reserve Balances:

	Starting Balance	Projected Movement	Closing Balance
	£000	**£000**	**£000**
General Fund Reserve	300	0	300
Earmarked Reserves:			
Revenue Support Reserve	139	(92)	47
Capital / Major Projects Reserve	817	(220)	597
Planning / Risk Reserve	150	0	150
Sustainable Communities Fund	28	10	38
ICT R&R Fund	109	(109)	0
Other	493	(108)	385
TOTAL	**2,036**	**(519)**	**1,517**

Annex 6

ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND ACTUAL PRUDENTIAL INDICATORS 2017/18

1. Introduction

1.1 The annual treasury report is a requirement of the Authority's reporting procedures and covers the treasury activity for 2017/18. The report also covers the actual Prudential Indicators for 2017/18 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 2017/18;
- A summary of the economic factors affecting the strategy over 2017/18;
- The decisions taken and performance of the treasury service and their revenue effects;
- The Authority's treasury position at 31 March 2018.

Appendix 2

- The main Prudential Indicators and compliance with limits;
- Performance indicators set for 2017/18;
- Risk and performance.

APPENDIX 1

TREASURY MANAGEMENT STEWARDSHIP REPORT – 2017/18

1. Introduction

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

2. Treasury strategy for 2017/18

The Authority approved the Treasury Management Strategy for 2017/18 in March 2017 (NFNPA 519/17).

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 2017 by 1.7% (2.0% in 2016) but at a slightly slower rate than previously projected, however the Bank of England is still forecasting 1.8% growth for 2018 and 1.7% for the year after. Unemployment is still historically low but both productivity and wage growth are still fairly slow.

Inflation (CPI) was historically low during 2016/17 but has since been rising quickly, hitting 3.0% by autumn 2017 before falling back to 2.5% in March 2018. CPI is therefore now above the Bank of England target of 2% but the Bank expects it to soon fall back to around the target level.

Interest rates have remained at historic lows, despite rising by 0.25% to 0.5% in November 2017, and are not projected to rise significantly for some considerable time yet.

Date	Bank Base Rate
At 1 April 2017	0.25%
2 November 2017 (rise)	0.50%
31 March 2018	0.50%

3.2 Global Outlook

The Eurozone economy grew by 2.5% in 2016 (1.7% in 2016) and is projected to grow by a further 2.3% in 2018. European countries are generally seeing their highest growth figures since the economic downturn and are projecting strong figures for the years ahead.

The US economy grew by 2.9% in 2017 (1.6% in 2016), has kept up that pace in early 2018 and is expected to continue at this level for the next few years. Many of the emerging economies, in particular China, have seen a slowdown in growth figures in recent months and this has an impact across global trade.

Oil prices started to rise in 2016/17 and has continued to do so in 2017/18; 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 for the longer term.

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 2018	0.75%
Sept 2018	0.75%
Dec 2018	0.75%
Mar 2019	1.00%
June 2019	1.00%
Sept 2019	1.25%
Dec 2019	1.25%
Mar 2020	1.50%
June 2020	1.50%
Sept 2020	1.75%
Dec 2020	1.75%

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 2017/18 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 0.31%.

5.3 For 2017/18, the interest receivable on temporary money market investments is £6,877; this is below the estimated £9,000 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 2018 is shown below:-

Borrower	**Amount £**	**Interest Rate %**	**Maturity Date**
Temporary Investments/Holdings			
Debt Mmgt Office (Govt)	1,000,000	0.40	Instant access
Standard Life Money Market Fund	500,000	0.30	Instant access
Lloyds Current Account	996,000	0.25	Instant access
Total	**2,496,000**		

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 2018 are summarised as follows:

	7 day LIBID %	**1 year LIBID %**
Benchmark Return	0.36	0.89
Actual Return	0.31	0.31
Return below Benchmark	**0.05**	**0.58**

6.6 As at 31 March 2018 temporary investment interest earnings fell short of the 7 day benchmark by 0.05%; this equates to around £1,200.

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 2017/18 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 2017/18.

10. Treasury Position at 31 March 2018

10.1 The following table shows the treasury position at the 31 March 2018 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 2017		**31 March 2018**	
	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	£1.59m	0.16%	£1.96m	0.25%
Money Market Fund	£1.00m	0.20%	£0.50m	0.35%
Total Investments	**£2.59m**	**0.18%**	**£2.46m**	**0.31%**

APPENDIX 2

PRUDENTIAL INDICATORS AND COMPLIANCE ISSUES TO 31 MARCH 2018

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 2017/18 with the original indicator for 2017/18 and the actual figure for 2016/17.

2.2 The original indicator for 2017/18 is the same as was included in the Treasury Management Policy and Strategy Report 2017/18 (NFNPA 519/17).

		2016/17 Actual £000	**2017/18 Original Indicator £000**	**2017/18 Actual £000**
1	Capital Expenditure	1,043	450	587
2	Treasury Position at 31 March Investments - Money Market	2,588	2,700	2,496
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 82%	Maximum 100%	Maximum N/A
6	Investments - Upper limits on variable interest rates (against maximum position)	Maximum 67%	Maximum 100%	Maximum 74%
7	Interest on Net Investments	9	9	7
8	Maximum principal funds invested (against maximum position)	Maximum 3,250	Maximum 4,000	Maximum 2,950
9	Ratio of capital financing costs to net revenue stream	20%	20%	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 2017/18 the Authority has maintained gross borrowing within its Authorised Limit.

	2017/18
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 2017/18

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 0.31% 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 2018 that this was likely to crystallise.

4.5 Section 5 of appendix 1 (p.18/19) shows the returns for 2017/18.