NFNPA RAPC 400/19

NEW FOREST NATIONAL PARK AUTHORITY

RESOURCES, AUDIT AND PERFORMANCE COMMITTEE – 3 JUNE 2019

FINANCIAL OUTTURN AND TREASURY REPORT 2018/19

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 2018/19 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 2018/19.

Executive Summary:

The original budget for 2018/19, approved as NFNPA 542/18 and set within the context of the Medium-Term Financial Plan, estimated a £40,000 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 2019) estimated that, other than a potential pressure regarding the final costs of the Local Plan, there were no known significant net variances.

The draft outturn figures (correct as at writing of this report in mid-May) indicate a small underspend of £13,000 which equates to a 0.25% variance to the original budget. As a result, a figure of around £27,000 will be taken from the Revenue Support Reserve.

1 General Fund Revenue Budget Outturn 2018/19

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 2018/19 were £5.16m, as shown in Annex 1. This included £1.14m from Authority-led partnership projects (externally-funded).

1.3 The overall expenditure position at year-end shows £5.05m spend (97% of budget). Without the partnership projects, spend was £4.06m from a budget of £4.02m (101%).

1.4 The overall income position shows £5.05m received (97% of budget). Without the partnership projects, income was £4.06m from a budget of £4.02m (101%).

1.5 The original budget required a contribution from the Revenue Support Reserve of £40,000 – as a result of the outturn position this has fallen to £27,000. The variance is broken down in sections 2 to 4 below.

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

2.1 Employee Costs (+£32,000)

The Authority had slightly lower than forecast vacancy savings during this financial year, alongside some additional costs for temporary planning posts and higher than usual employee travel expenses. There were also significant additional employee salary costs which have been funded through extended shared services arrangements through the Higher-Level Stewardship scheme (see 3.2 below).

2.2 Strategy & Planning (+18,000)

As stated within the Budgetary Control Reports this year, it has been difficult to accurately forecast the costs related to updating our Local Plan and this has led to a variance from the original budget of an additional £18,000 - this will be covered by the additional planning fee income received (see 3.1 below).

2.3 Central Costs (-£27,000)

A number of small savings were found within the HR, finance, accommodation and ICT budgets this year, accumulating into a total saving of £27,000.

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

3.1 Planning Fees (-£36,000)

Planning fee income was £36,000 higher than originally forecast; total fees received was £396,000.

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. The additional fees were/will used to resource the planning team and to cover the costs of the Local Plan.

3.2 Shared Services (-£28,000)

Additional income, above that which was originally budgeted, was forthcoming through offering Communications support to the Higher-Level Stewardship scheme and from providing more ranger services over the summer.

3.3 Investment & Interest Income (-£4,000)

A full report on the Treasury function during 2018/19 is attached to this report as **Annex 6**. The interest received on investments and holdings for the year was £13,798; this equates to a 0.60% return, similar to the benchmarked return of 0.57%.

3.4 Contribution to Earmarked Reserves

The original budget projected that we would utilise £40,000 from our earmarked reserves during the 2018/19 financial year, the outturn position shows that in fact we have utilised a total of £24,000 this year. The variance largely related to less than expected spend on ICT replacement this year.

3.5 Contribution to Revenue Support Reserve

Largely due to some additional income netting off some small pressures, the overall financial position requires £27,000 from the Revenue Support Reserve this year, £13,000 (0.25%) less 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 £317,000 spent compared to an original budget estimate of £286,000 (111%).

4.2 The £317,000 includes some additional expenditure items which came up during the year such as costs linked to the review of the Recreation Management Strategy, Green Halo partnership and towards sustainable transport initiatives. 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 £0.94m during 2018/19 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; once the project funds are fully spent/claimed, on average for every £1 we put in, a further £13 was generated.

5.2 The variance from the original budgeted spend of £1.14m is largely down to the Our Past, Our Future Landscape Partnership Scheme which only spent £734,000 from its original estimate of £1m spend for 2018/19. There is no requirement to spend specific amounts by financial years, so no funding has been 'lost' as a result. A full financial review of the scheme has recently been undertaken by the Delivery Manager, reported to the Board, and any identified underspends reallocated.

5.3 The remaining partnership project budgets will be carried forward to 2019/20 through earmarked reserves.

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 3.4 / 3.5 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 a provision is being made for non-standard costs in future years that we are currently aware of (the vast majority for use in 2019/20), as categorised below:

Spending – Transport Grants, Concierge, WWII Legacy, HLS, Buildings Maintenance, OPOF Landscape Partnership, Land Advice Service and Planning Grants.

Ring-fenced – Pedall, SCF, Affordable Housing (Bransgore Rental Income), ICT replacement, Educational Donations, Planning / Risk.

Provisions – One planning costs award case (still outstanding from 17/18).

6.3 This gives draft 'key' reserve balances of:

Minimum Reserve	£300,000
Planning / Risk Reserve	£132,000
Revenue Support Reserve	£36,000
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 £36,000 was received during the year and £53,000 released.

8 Procurement Waivers

8.1 There were three procurement waivers granted in 2018/19; all related to further extensions of existing project management contracts whereby value for money had been clearly evidenced within the recent original award processes and further procedures were therefore considered onerous for all concerned.

9 Accounts and Accounting Policies 2018/19

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 2018/19. 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 decreased slightly from £6.44m to £6.13m.

10 Summary

10.1 The current projection indicates a decreased call of £27,000 from the Revenue Support Reserve for 2018/19. This equates to a positive variance of around 0.25% on the original budget.

10.2 In addition to the movement on the Revenue Support Reserve, a further net £24,000 has been utilised from the other Earmarked Reserves, decreasing the total reserves held to around £1.56m.

11 Recommendations

It is recommended that Members

1 note the provisional outturn position;
2 note the Treasury Management Stewardship Report and Prudential Indicators 2018/19 in Annex 6; and
3 approve the *indicative* transfers to/(from) Reserves in 2018/19 as set out in section 6 and detailed in Annex 5.

Papers:

NFNPA RAPC 400/19	Report
NFNPA RAPC 400/19 - Annex 1	General Financial Outturn
NFNPA RAPC 400/19 - Annex 2	Standard Accounting Format
NFNPA RAPC 400/19 - Annex 3	Programme Fund Outturn
NFNPA RAPC 400/19 - Annex 4	Partnership Projects Outturn
NFNPA RAPC 400/19 – Annex 5	Projected Positions of the Reserves
NFNPA RAPC 400/19 – 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 2018/19
Summary Draft Accounts for the period 1 April 2018 – 31 March 2019

	Original Budget	Payments to date	% of Budget Spent
	£000	£000	
Expenditure:			
Employee Costs (Salary, Travel, Pensions etc)	2,828	2,860	101%
Programme Fund	286	317	111%
Sustainable Communities Fund	50	38	76%
Strategy & Planning	122	140	115%
Central Costs (split below)	734	707	96%
Subtotal	**4,020**	**4,062**	**101%**
Authority-led Partnership Projects	1,138	943	83%
Total Expenditure	**5,158**	**5,005**	**97%**

Income:			
National Park Grant	-3,196	-3,196	100%
Planning Income	-360	-396	110%
Planning Grants	-35	-34	97%
Shared Services	-327	-355	109%
Income Generation	-12	-16	133%
Investment & Interest Income	-10	-14	140%
Contribution from Revenue Support Reserve (estimated)	-40	-27	68%
Contribution from Other Earmarked Reserves (estimated)	-40	-24	60%
Subtotal	**-4,020**	**-4,062**	**101%**
Authority-led Partnership Projects	-1,138	-943	83%
Total Income	**-5,158**	**-5,005**	**97%**

Central Costs Split:

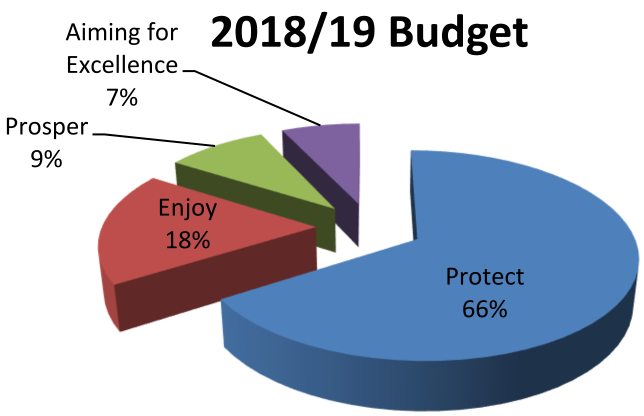
	Latest Budget £000	Payments to Date £000	% of Budget Spent
Secretariat	56	57	102%
Human Resources	77	68	88%
ICT Services	173	171	99%
ICT R&R Fund	40	19	48%
Member Services	60	59	98%
Finance & Audit Services	51	48	94%
Accommodation	205	205	100%
Business Support (e.g. insurance, printing, stationery)	72	80	111%
TOTAL	**734**	**707**	**96%**

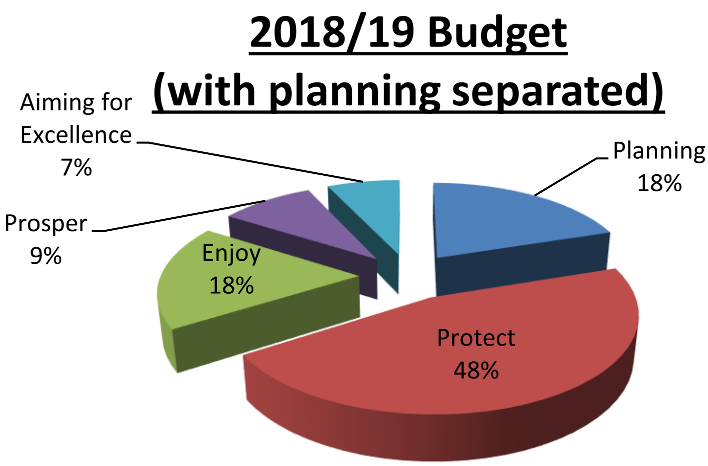
Annex 2

2018/19 Original Budget (£4.02m – 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)	1,886	456	263	223
Programme Fund	104	144	38	-
Sustainable Development Fund (approximation)	35	10	5	-
Strategy & Planning	122	-	-	-
Central Costs (allocated)	507	114	56	57
TOTAL	**2,654***	**724**	**362**	**280**

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





2018/19 Budget position in Authority's formal reporting format

	Budgeted Net Cost of Services		Projected Expenditure	Projected Income	Net Position
	£000		**£000**	**£000**	**£000**
Conservation of the Natural Environment	499		1,317	-720	597
Conservation of Cultural Heritage	336		341	-16	325
Recreation Management and Transport	214		480	-210	270
Promoting Understanding	508		502	-49	453
Rangers, Estates and Volunteers	116		158	-66	92
Development Control	617		1,013	-543	470
Forward Planning and Communities	522		529	-92	437
Corporate and Democratic Core	474		460	0	460
Exceptional Items	0		175	(18)	157
SUBTOTAL	**3,286**		**4,975**	**-1,714**	**3,261**
National Park Grant	-3,196				-3,196
Investment & Interest Income	-10				-14
Use of Reserves	-80				-51
TOTAL	**0**				**0**

Annex 3

Programme Fund 2018/19	Original Project Budget	Projected Expenditure	% of Budget Spent	Notes on significant variations
PROTECT*	**£000**	**£000**		
Ecology and Catchment Co-ordination	14	13	93%	
Woodfuel and Woodland Projects (NFLAS)	5	5	100%	
Natural Environment Evidence Base (HBIC / WRC)	8	9	113%	
Our Past, Our Future (Landscape Partnership)	56	56	100%	
Archaeology Work (FC/NFDC)	6	6	100%	
Green Halo Partnership	5	20	400%	Additional funds from Comms efficiencies
OTHER (Projects less than £5,000)	10	7	70%	Small savings
PROTECT SUBTOTAL	**104**	**116**	**112%**	
ENJOY*	**£000**	**£000**		
Access and Recreation	12	20	167%	Additional RMS expenditure
Health and Wellbeing	5	6	120%	
Education (Travel Grants and Resources)	8	9	113%	
Educational Campaign Resources	7	7	100%	
Interpretation & Information	8	12	150%	Printed extra copies of the walking guides
NF Centre / Information Services	30	30	100%	
New Forest Show	5	9	180%	Some exhibits reused elsewhere
Media and Promotion	23	10	44%	Budget used for Green Halo work
Publications	24	29	121%	Using saving below
Partnership Publications	8	3	38%	Saving used above
Ranger Projects	7	8	114%	
People and Wildlife Ranger Projects	5	5	100%	
OTHER (Projects less than £5,000)	2	1	50%	
ENJOY SUBTOTAL	**144**	**149**	**103%**	

	Original Project Budget	**Projected Expenditure**	**% of Budget Spent**	**Notes on significant variations**
PROSPER*	**£000**	**£000**		
New Forest Marque	22	22	100%	
Sustainable Transport	5	23	460%	Additional funds for signage at railway stations and small Lepe Bus subsidy; £10k from reserves towards Marchwood cycleway.
OTHER (Projects less than £5,000)	11	7	64%	Small savings
PROSPER SUBTOTAL	**38**	**52**	**137%**	
TOTAL EXPENDITURE	**286**	**317**	**111%**	

***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 2018/19

	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	734	73%	Funding to be spent by all partners – On track, but not limited by financial years
New Forest Remembers	0	22	22	4	18%	Remaining legacy funding does not have to be spent this year
Pedall (Big Lottery)	0	80	80	91	114%	Funding not limited by financial years.
Higher Level Stewardship	0	60	60	45	75%	
Land Advice Service	5	65	70	69	99%	
TOTAL	**94**	**1,138**	**1,232**	**943**	**77%**	

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	530	87	85
Funds Received	0	0	36
Funds Spent / Released	(6)	(19)	(28)
Current Balance	**524**	**68**	**93**

Current Reserve Balances

	Starting Balance	Projected Movement	Closing Balance
	£000	**£000**	**£000**
General Fund Reserve	300	0	300
Earmarked Reserves:			
Revenue Support Reserve	63	(27)	36
Capital / Major Projects Reserve	597	0	597
Planning / Risk Reserve	122	10	132
Sustainable Communities Fund	38	12	50
Other	488	(46)	442
TOTAL	**1,608**	**(51)**	**1,557**

Annex 6

ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND ACTUAL PRUDENTIAL INDICATORS 2018/19

1. Introduction

1.1 The annual treasury report is a requirement of the Authority's reporting procedures and covers the treasury activity for 2018/19. The report also covers the actual Prudential Indicators for 2018/19 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 2018/19;
- A summary of the economic factors affecting the strategy over 2018/19;
- The decisions taken and performance of the treasury service and their revenue effects;
- The Authority's treasury position at 31 March 2019.

Appendix 2

- The main Prudential Indicators and compliance with limits;
- Performance indicators set for 2018/19;
- Risk and performance.

APPENDIX 1

TREASURY MANAGEMENT STEWARDSHIP REPORT – 2018/19

1. Introduction

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

2. Treasury strategy for 2018/19

The Authority approved the Treasury Management Strategy for 2018/19 in March 2018 (NFNPA 542/18).

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 2018 by 1.4% (1.8% in 2017) but at a slightly slower rate than previously projected, however the Bank of England is still forecasting 1.2% growth for 2019 and 1.5% 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 1.9% in March 2019. CPI is therefore now close to the Bank of England target of 2% and the Bank expects it to remain so in the short term.

Interest rates have remained at historic lows, despite rising by 0.25% to 0.75% in August 2018, and are not projected to rise significantly for some considerable time yet.

Date	Bank Base Rate
At 1 April 2018	0.50%
2 August 2018 (rise)	0.75%
31 March 2019	0.75%

3.2 Global Outlook

The Eurozone economy grew by 1.8% in 2018 (2.5% in 2017) and is projected to grow by a further 2.2% in 2019. European countries are generally seeing their highest growth figures since the economic downturn.

The US economy grew by 2.9% in 2018 (1.7% in 2017) 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 times and this has an impact across global trade.

Oil prices started to rise in 2016/17 and 2017/18; many other commodities and the wider global trade economy had a similar year too, but it is still to be seen if (re)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 2019	0.75%
Sept 2019	1.00%
Dec 2019	1.00%
Mar 2020	1.25%
June 2020	1.25%
Sept 2020	1.50%
Dec 2020	1.50%
Mar 2021	2.00%
June 2021	2.00%
Sept 2021	2.50%
Dec 2021	2.50%

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 2018/19 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 0.60%.

5.3 For 2018/19, the interest receivable on temporary money market investments is £13,798; this is above the estimated £10,000 which was originally budgeted. This variance is due to the slightly higher interest rates available in the market following the bank base rate rise in August.

5.4 A list of investments/holdings at 31 March 2019 is shown below:-

Borrower	**Amount £**	**Interest Rate %**	**Maturity Date**
Temporary Investments/Holdings			
Debt Mmgt Office (Govt)	1,000,000	0.51	Instant access
Standard Life Money Market Fund	500,000	0.65	Instant access
Lloyds Current Account	630,000	0.60	Instant access
Total	**2,130,000**		

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 2019 are summarised as follows:

	7 day LIBID %	**1 year LIBID %**
Benchmark Return	0.57	0.93
Actual Return	0.60	0.60
Return above/(below) Benchmark	**0.03**	**(0.33)**

6.6 As at 31 March 2019 temporary investment interest earnings was above of the 7-day benchmark by 0.03%; this equates to around £600.

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 2018/19 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 2018/19.

10. Treasury Position at 31 March 2019

10.1 The following table shows the treasury position at the 31 March 2019 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 2018		**31 March 2019**	
	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	£1.96m	0.25%	£1.63m	0.49%
Money Market Fund	£0.50m	0.35%	£0.50m	0.65%
Total Investments	**£2.46m**	**0.31%**	**£2.13m**	**0.53%**

APPENDIX 2

PRUDENTIAL INDICATORS AND COMPLIANCE ISSUES TO 31 MARCH 2019

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 2018/19 with the original indicator for 2018/19 and the actual figure for 2017/18.

2.2 The original indicator for 2018/19 is the same as was included in the Treasury Management Policy and Strategy Report 2018/19 (NFNPA 542/18).

		2017/18 Actual £000	**2018/19 Original Indicator £000**	**2018/19 Actual £000**
1	Capital Expenditure	587	1,000	288
2	Treasury Position at 31 March Investments - Money Market	2,496	2,600	2,130
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 N/A	Maximum 100%	Maximum N/A
6	Investments - Upper limits on variable interest rates (against maximum position)	Maximum 74%	Maximum 100%	Maximum 100%
7	Interest on Net Investments	7	10	14
8	Maximum principal funds invested (against maximum position)	Maximum 2,950	Maximum 4,000	Maximum 3,103
9	Ratio of capital financing costs to net revenue stream	20%	38%	14%

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 2018/19 the Authority has maintained gross borrowing within its Authorised Limit.

	2018/19
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 2018/19

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 0.57% for the year; the performance was 0.60% 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 2019 that this was likely to crystallise.

4.5 Section 5 of appendix 1 (p.18/19) shows the returns for 2018/19.