

## CHESHIRE FIRE AUTHORITY

MEETING OF : CHESHIRE FIRE AUTHORITY  
DATE : 7<sup>th</sup> DECEMBER 2016  
REPORT OF : HEAD OF FINANCE  
AUTHOR : PAUL VAUGHAN

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SUBJECT : TREASURY MANAGEMENT - MID YEAR  
REPORT 2016-17

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### Purpose of Report

1. To update Members on performance against the Authority's Treasury Management Strategy (TMS).

### Recommended That:

[1] the report be noted.

### Background

#### General

2. Treasury Management is the management of the Authority's cash flows, banking, money market and capital market transactions, together with the effective control of the risks associated with those activities.
3. The Authority agreed its annual TMS for 2016-17 at its meeting on 10<sup>th</sup> February 2016.
4. The table below shows the Authority's treasury portfolio at the end of September 2016:

Treasury Portfolio	Balance 31March 2016	Balance 31 Sept 2016	Movement during the year
	£000	£000	£000
Long term borrowing	(1,914)	(1,914)	0
Investments	22,800	22,950	150
Net position	20,886	21,036	150

## Investments

5. The Authority continues to maintain high levels of cash which are suitably invested. The Authority's strategy in recent years has been to fund the capital (and revenue) costs of the Emergency Response Programme and other Integrated Risk Management Plan related programmes from reserves and capital grant rather than to borrow. More generally going forward, the strategy is to fund capital from revenue, in the likely absence of capital grants.
6. The Authority continues to invest prudently in line with its agreed investment policy. At 30<sup>th</sup> September 2016 the Authority had the following investments:

	£000
Lloyds	9,950
Barclays	7,500
Santander UK	5,500
<b>Total</b>	<b>22,950</b>

## Borrowing

7. The Authority's overall long term borrowing position at 30<sup>th</sup> September 2016 is a total of £1,914k. The Authority has Public Works Loan Board loans of £1,892k, having recently repaid a maturing PWLB loan of £322k. The Authority also has an interest free loan with Salix of £33k, but £11k of the Salix loan will be repaid in the current financial year and so is treated as short term borrowing, leaving £22k to be included as long term borrowing.
8. The Authority's latest Medium Term Financial Plan (MTFP), which covers the period up to 2020-21 does not currently show any need for borrowing. The MTFP is kept under review and will be regularly updated and shared with Members during the forthcoming 2017-18 budget preparation.
9. The Authority will review its long term borrowing as it builds its budget for 2016-17, and considers its likely capital programme for the life of the current MTFP and beyond, and more detail will be brought to Members as part of the budget process. This will include a review of the feasibility of premature debt repayment.

## Compliance with Prudential Indicators.

10. The following table compares the estimated performance on key Prudential Indicators in 2015-16 against those which are currently approved.

Prudential Indicator	2016-17 Indicator	2015-16 Estimated Performance
Capital Expenditure	£14,999k	£12,770k
Every effort is made to avoid slippage so these two numbers should be as near to each other as possible. However, there has been slippage on vehicle procurement. This reflects, a desire to ensure that robust specification and procurement processes lead to value for money for the Authority. In addition, the estimate slightly overestimated the amount of spend on ERP in the year.		
Ratio of financing costs (borrowing costs to revenue streams)	1.33%	1.33%
This measures the impact on Council Tax of the increase in borrowing cost has on precept as a ratio. At this stage, there is no estimated change.		
Capital Financing Requirement (CFR)(underlying need to borrow)	£7,646	£7,646k
This reflects the strategy of the Authority in fully funding capital from reserves.		
Gross borrowing requirement (compares CFR to actual debt)	£5,693k	£5,693k
This shows the CFR less outstanding debt. The Authority's strategy of fully funding from reserves means that this will remain fairly low for the life of the MTFP.		
Authorised limit for external debt.	£3,953k	£3,953k
This is the limit of debt which the Authority has approved given the current capital programme.		
Operational boundary for external debt	£1,992k	£1,914k
This is the estimated likely level of debt given the current capital programme.		

Prudential Indicator	2016-17 Indicator	2015-16 Estimated Performance
Fixed interest rate exposure	100%	100%
This reflects the current debt position, as all debt is at a fixed interest rate. This offers certainty and protects the Authority from interest rate volatility. The debt the Authority has was all taken out before the financial crisis, and the subsequent significant lowering of interest rates.		
Variable interest rate exposure	40%	0
The estimated performance is based on borrowing which has been in place for some years and is all at a fixed rate. Should the Authority wish to borrow in future years, setting this indicator to allow some variable interest rate exposure gives the Authority room to consider whether the variable or fixed interest rates would be the most appropriate at the time.		
Investment periods	£5,000k only for more than 364 days	No more than £5,000k at any time
This protects against a lack of flexibility in the Authority's investments and is being adhered to.		

## Financial Implications

11. The subject of this report is financial.

## Legal Implications

12. The TMS is required in order to comply with obligations imposed by the Local Government Act 2003, the 2009 CIPFA Treasury Management Code of Practice and the latest investment guidance from Central Government which came into effect in April 2010.

## Equality & Diversity Implications

13. There are no known equality and diversity issues arising from this report.

## Environmental Implications

14. There are no known environmental issues arising from this report.

**CONTACT: JOANNE SMITH, FIRE SERVICE HQ, WINSFORD  
TEL [01606] 868804**