

The Highland Council

**Finance, Housing and Resources Committee –
22 January 2014**

Agenda Item	7
Report No	FHR/ 04/14

Treasury Management - Summary of Transactions

November 2013 and December 2013

Report by Director of Finance

Summary

This report on the treasury management transactions undertaken within the period is submitted to Committee in compliance with CIPFA's Code of Practice on Treasury Management and the Council's approved Financial Regulations.

This report is produced in support of the Council's corporate governance process, which in turn is designed to support/augment the Council's overall/corporate delivery of all its obligations in terms of the Single Outcome Agreement.

1. Background

- 1.1 This report sets out treasury management transactions during the period, reflecting activity undertaken to manage the Council's cash flows, and borrowing to fund capital expenditure.
- 1.2 In managing the Council's cash flow position, the Finance Service will look to take external Public Works Loan Board (PWLB) borrowing at the most opportune time, to take advantage of the historically low interest rates available.

The Council will also consider short-term borrowing opportunities, and during the period temporary loans were taken, to take advantage of low interest rates and meet the Council's short-term cashflow requirements.
- 1.3 It should be noted that the average interest rate on deposits continues to be low due to the low rates on call accounts and money market funds attributable to the current market environment.
- 1.4 When placing temporary deposits (lending) the Council uses a creditworthiness matrix provided by Capita Treasury Services Ltd to assess the risks involved in lending to individual counterparties. The Council's lending policy is constantly monitored in conjunction with the matrix. This affords a balance of operational flexibility and risk awareness in managing the Council's temporary investments.
- 1.5 The Council's Treasury Management Policy is regularly reviewed.

2. Implications

- 2.1 The resource implications are covered in the attached tables. There are no legal, equality, climate change\Carbon Clever or risk implications relating to this report.

3. Recommendation

It is recommended that the Committee consider the Treasury Management Summary of Transactions reports.

Please see attached Tables

Designation: Director of Finance

Date: 8 January 2014

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Background Papers: Loan Documentation, Financial Ledger

Treasury Management - Summary of Transactions for the Month to 30 November 2013

Type of Borrowing	Outstanding debt at start of month £	Raised £	Repaid £	Outstanding debt at end of month £	Average Interest Rate	
					beg %	end%
Public Works Loan Board	550,410,650	0	0	550,410,650	5.04	5.04
Mortgage Bonds	118,056,000	0	0	118,056,000	4.87	4.87
Temporary Loans	21,400,000	34,700,000	(1,400,000)	54,700,000	0.53	0.50
Bank Balance	(118,021)	41,528	0	(76,493)		
GROSS EXTERNAL BORROWING	689,748,629	34,741,528	(1,400,000)	723,090,157		
<i>Temporary Deposits</i>	<i>(64,584,000)</i>	<i>(45,256,700)</i>	30,557,300	<i>(79,283,400)</i>	0.61	0.58
NET EXTERNAL BORROWING	625,164,629	(10,515,172)	29,157,300	643,806,757		
Total average					4.87	4.66
Budgeted LF rate 2013/14					5.02	
<u>Borrowing / Lending internal parameters as per approved Treasury Management Practices</u>					<u>Actual %</u>	<u>Approved Max%</u>
Short term borrowing (net of investments) as % of the Council's outstanding long term debt					(3.69)	25.00
Borrowing at variable rates of interest as % of the Council's total outstanding loan debt					6.26	35.00

Treasury Management - Summary of Transactions for the Month to 31 December 2013

Type of Borrowing	Outstanding debt at start of month £	Raised £	Repaid £	Outstanding debt at end of month £	Average Interest Rate	
					beg %	end%
Public Works Loan Board	550,410,650	0	0	550,410,650	5.04	5.04
Mortgage Bonds	118,056,000	0	0	118,056,000	4.87	4.87
Temporary Loans	54,700,000	5,000,000	0	59,700,000	0.50	0.50
Bank Balance	(76,493)	42,353	0	(34,139)		
GROSS EXTERNAL BORROWING	723,090,157	5,042,353	0	728,132,511		
<i>Temporary Deposits</i>	<i>(79,283,400)</i>	<i>(65,017,700)</i>	46,578,000	<i>(97,723,100)</i>	0.58	0.59
NET EXTERNAL BORROWING	643,806,757	(59,975,347)	46,578,000	630,409,411		
Total average					4.66	4.64
Budgeted LF rate 2013/14					5.02	
<u>Borrowing / Lending internal parameters as per approved Treasury Management Practices</u>					<u>Actual %</u>	<u>Approved Max%</u>
Short term borrowing (net of investments) as % of the Council's outstanding long term debt					(5.69)	25.00
Borrowing at variable rates of interest as % of the Council's total outstanding loan debt					4.31	35.00

The Highland Council - Finance, Housing and Resources Committee
 Treasury Management - Prudential Indicators for the Month to 31 December 2013

a) External Debt

Month	Authorised Limit*	Operational Boundary**	Month End	Min Position during month	Max Position during month
30 Nov 2013	£846.1m	£773.1m	£723.2m	£689.9m	£723.2m
31 Dec 2013	£846.1m	£773.1m	£728.2m	£723.2m	£728.2m

* **The Authorised Limit** represents an upper limit of borrowing that could be afforded in the short term but may not be sustainable over the longer term. This limit includes a risk assessment of exceptional events taking into account the demands of revenue and capital cash flows. The Authorised Limit gauges events that may occur over and above those transactions which have been included in the Operational Boundary. The limits effective from 01/04/13 are set out in the Treasury Management Strategy Statement 2012/13 (approved by Council 07/03/13).

** **The Operational Boundary** represents an estimate of the most likely, prudent, but not worst case scenario and provides a parameter against which day to day treasury management activity can be monitored.

b) Debt Net of Investments

Month	Upper Limit Fixed	Upper Limit Variable	Month End Fixed	Month End Variable
30 Nov 2013	£750.1m	£262.5m	£603.5m	£40.3m
31 Dec 2013	£750.1m	£262.5m	£603.2m	£27.2m

Note the change between the March and April limits as the Treasury Management Strategy Statement 2012/13 (approved by Council 07/03/13) set revised limits effective from 01/04/13.

c) Maturity Structure of Fixed Rate Borrowing

Fixed Rate Borrowing	Under 12 months	12 months and within 24 months	24 months and within 5 years	5 years and within 10 years	10 years and above
Upper Limit	30%	30%	30%	50%	100%
Lower Limit	N/A	N/A	N/A	N/A	25%
As at 30 Nov 2013	11.4%	1.6%	10.7%	14.5%	61.8%
As at 31 Dec 2013	12.1%	1.6%	10.7%	16.0%	59.6%