

The Highland Council

Resources Committee – 28 May 2014

Agenda Item	7
Report No	RES/05/14

Treasury Management - Summary of Transactions

February, March & April 2014

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.
- 1.3 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.
- 1.4 During February 2014 £11.1m was borrowed from the PWLB, £10m of which was for capital requirements and the remaining £1.1m of this was on behalf of the National Housing Trust 2 programme.
- 1.5 During March 2014, there was £40m borrowed from the PWLB (2 separate tranches of £20m) for capital requirement. PWLB rates are monitored daily and the borrowing was undertaken when rates were low to due to unrest in Ukraine.

- 1.6 All long-term borrowing undertaken during 2013/14 is listed below along with the period and the rate.

Start date	Maturity date	Rate	Period (years)	Principal
07/02/14	31/03/34	4.17%	20.5	£10,000,000
17/02/14	31/03/20	3.02%	6.5	£1,100,000*
05/03/14	30/09/57	4.20%	44	£20,000,000
18/03/14	30/09/63	4.19%	50	£20,000,000

Total long term borrowing £51,100,000

* Borrowing was for the National Housing Trust.

Planned long term borrowing for 2013/14 was £56.063m to provide for General Fund and HRA capital, and maturing loans.

- 1.7 Due to the actual borrowing undertaken in the year being later than expected and the rate lower than predicted, the loans fund interest rate is lower than forecast. In addition, overall long-term borrowing was less than planned (£4.96m less). Due to these factors, the estimated implications on loan charge budget for 2013/14 are an underspend for the General Fund of £2.438m and for the Housing Revenue Account of £0.877m.
- 1.8 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.
- 1.9 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.
- 1.10 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, risk or Gaelic 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:	13 May 2014
Author:	David Robertson, Head of Accounting and Budgeting
Background Papers:	Loan Documentation, Financial Ledger

Treasury Management - Summary of Transactions for the Month to 28 February 2014

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	11,100,000	0	561,510,650	5.04	5.02
Mortgage Bonds	118,056,000	0	0	118,056,000	4.87	4.87
Temporary Loans	54,700,000	2,100,000	(7,000,000)	49,800,000	0.50	0.50
Bank Balance	(103,273)	28,114	0	(75,159)		
GROSS EXTERNAL BORROWING	723,063,377	13,228,114	(7,000,000)	729,291,491		
<i>Temporary Deposits</i>	<i>(97,298,800)</i>	<i>(47,593,600)</i>	65,581,000	<i>(79,311,400)</i>	0.58	0.57
NET EXTERNAL BORROWING	625,764,577	(34,365,486)	58,581,000	649,980,091		
Total average					4.66	4.68
Budgeted LF rate 2013/14					5.02	
Borrowing / Lending internal parameters as per approved Treasury Management Practices					Actual %	Approved Max%
Short term borrowing (net of investments) as % of the Council's outstanding long term debt					(4.35)	25.00
Borrowing at variable rates of interest as % of the Council's total outstanding loan debt					7.33	35.00

Treasury Management - Summary of Transactions for the Month to 31 March 2014

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	561,510,650	40,000,000	(17,500,000)	584,010,650	5.02	5.02
Mortgage Bonds	118,056,000	0	0	118,056,000	4.87	4.87
Temporary Loans	49,800,000	5,000,000	(13,700,000)	41,100,000	0.50	0.48
Bank Balance	(75,159)	0	(63,278)	(138,436)		
GROSS EXTERNAL BORROWING	729,291,491	45,000,000	(31,263,278)	743,028,214		
<i>Temporary Deposits</i>	(73,311,400)	(97,847,400)	100,232,100	(76,926,700)	0.57	0.56
NET EXTERNAL BORROWING	649,980,091	(52,847,400)	68,968,822	666,101,514		
Total average					4.68	4.74
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					(5.12)	25.00
Borrowing at variable rates of interest as % of the Council's total outstanding loan debt					6.03	35.00

Treasury Management - Summary of Transactions for the Month to 30 April 2014

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	584,010,650	0	0	584,010,650	5.02	5.02
Mortgage Bonds	118,056,000	0	0	118,056,000	4.87	4.87
Temporary Loans	41,100,000	3,000,000	(2,000,000)	42,100,000	0.48	0.46
Bank Balance	(138,436)	0	(105,466)	(243,902)		
GROSS EXTERNAL BORROWING	743,028,214	3,000,000	(2,105,466)	743,922,748		
<i>Temporary Deposits</i>	<i>(76,926,700)</i>	<i>(60,435,450)</i>	57,037,350	<i>(80,324,800)</i>	0.56	0.55
NET EXTERNAL BORROWING	666,101,514	(57,435,450)	54,931,884	663,597,948		
Total average					4.74	4.74
Budgeted LF rate 2013/14					4.94	
<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					(5.48)	25.00
Borrowing at variable rates of interest as % of the Council's total outstanding loan debt					6.64	35.00

**The Highland Council - Finance, Housing and Resources Committee
Treasury Management - Prudential Indicators**

a) External Debt

Month	Authorised Limit*	Operational Boundary**	Month End	Min Position during month	Max Position during month
28 Feb 2014	£846.1m	£773.1m	£729.4m	£723.2m	£733.2m
31 March 2014	£846.1m	£773.1m	£743.2m	£729.4m	£770.7m
30 April 2014	£916.5m	£854.5m	£744.2m	£743.2m	£746.2m

* **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 01/04/14 are set out in the Treasury Management Strategy Statement 2013/14 (approved by Council 13/03/14).

** **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
28 Feb 2014	£750.1m	£262.5m	£602.3m	£47.7m
31 March 2014	£750.1m	£262.5m	£625.9m	£40.2m
30 April 2014	£825.5m	£288.9m	£619.5m	£44.1m

Note the change between the March and April limits as the Treasury Management Strategy Statement 2014/15 (approved by Council 13/03/14) set revised limits effective from 01/04/14.

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 28 Feb 2014	10.6%	1.6%	10.6%	14.5%	62.7%
As at 31 March 2014	6.3%	1.5%	10.4%	14.2%	67.6%
As at 30 April 2014	8.0%	3.3%	11.4%	11.4%	65.9%