

The Highland Council

Resources Committee – 27 August 2014

Agenda Item	11.i
Report No	RES/37/14

Treasury Management - Summary of Transactions

May and June 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 June 2014 £0.870m was borrowed from the PWLB. This was on behalf of the National Housing Trust for its Kiltarlity programme.
- 1.5 The average interest rate on deposits reduced from 0.58% to 0.54% during June due in part to the repayment of £15m of temporary deposits that had been held on a 95 day notice account. This deposit was withdrawn as the rate on the account reduced from 0.60% to 0.30% and repayment was received before the decreased rate was effective.
- 1.6 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.

- 1.7 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.
- 1.8 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; Equalities; Climate Change/Carbon Clever; Risk; Gaelic and Rural 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: 30 July 2014

Author: David Robertson, Head of Corporate Finance

Tel No: 01463 702 302

Background Papers: Loan Documentation, Financial Ledger

Treasury Management - Summary of Transactions for the Month to 31 May 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	42,100,000	8,000,000	(17,100,000)	33,000,000	0.43	0.42
Bank Balance	(243,902)	51,488	0	(192,414)		
GROSS EXTERNAL BORROWING	743,922,748	8,051,488	(17,100,000)	734,874,236		
<i>Temporary Deposits</i>	(80,324,800)	(46,350,200)	52,175,000	(74,500,000)	0.55	0.58
NET EXTERNAL BORROWING	663,597,948	(38,298,712)	35,075,000	660,374,236		
Total average					4.74	4.79
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					(5.94)	25.00
Borrowing at variable rates of interest as % of the Council's total outstanding loan debt					8.62	35.00

Treasury Management - Summary of Transactions for the Month to 30 June 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	870,000	0	584,880,650	5.02	5.02
Mortgage Bonds	118,056,000	0	0	118,056,000	4.87	4.87
Temporary Loans	33,000,000	10,200,000	(21,000,000)	22,200,000	0.42	0.42
Bank Balance	(192,414)	98,340	0	(94,074)		
GROSS EXTERNAL BORROWING	734,874,236	11,168,340	(21,000,000)	725,042,576		
<i>Temporary Deposits</i>	<i>(74,500,000)</i>	<i>(39,137,600)</i>	34,223,700	<i>(79,413,900)</i>	0.58	0.54
NET EXTERNAL BORROWING	660,374,236	(27,969,260)	13,223,700	645,628,676		
Total average					4.79	4.86
Budgeted LF rate 2014/15					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					(8.15)	25.00
Borrowing at variable rates of interest as % of the Council's total outstanding loan debt					7.87	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
31 May 2014	£916.5m	£854.5m	£735.1m	£730.2m	£744.2m
30 June 2014	£916.5m	£854.5m	£725.1m	£724.3m	£735.1m

* **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 2014/15 (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
31 May 2014	£825.5m	£288.9m	£603.5m	£56.9m
30 June 2014	£825.5m	£288.9m	£594.8m	£50.8m

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 31 May 2014	6.8%	3.4%	11.7%	11.7%	66.4%
As at 30 June 2014	5.1%	3.4%	11.7%	11.9%	67.9%