

REPORT TO: POLICY & RESOURCES COMMITTEE - 8th SEPTEMBER 2014

REPORT ON: ANNUAL TREASURY MANAGEMENT ACTIVITY 2013/2014

REPORT BY: DIRECTOR OF CORPORATE SERVICES

REPORT NO: 321-2014

1 PURPOSE OF REPORT

To review the Treasury Management activities for the period 1 April 2013 to 31 March 2014.

2 RECOMMENDATION

The Committee is asked to note the information contained herein and agree the limits in Appendix 1.

3 FINANCIAL IMPLICATIONS

The financial implications of the Council's Treasury Management activities in 2013/2014 were that a saving of £1,409,000 in interest was made against the 2013/2014 budget provision in HRA and General Services. This was mainly due to the proactive use of short-term borrowing in line with the Treasury Management Strategy and prudential indicators and also from slippage in the capital plan.

4 BACKGROUND

At its meeting on 22 April 2013 the Policy and Resources Committee approved the Council's Treasury Policy Statement setting out the policies which govern all borrowing and lending transactions carried out by the Council.

The Treasury Policy Statement requires that the Policy and Resources Committee will receive and consider the Treasury Management strategy in advance of each new financial year and subsequently an annual monitoring report on the activities in that year.

This monitoring report covers the Treasury Management activity over the financial year 2013/2014.

5 DEBT POSITION

The Council's long-term debt position at the beginning and end of the financial year was as follows:-

		<u>1 April 2013</u>		<u>31 March 2014</u>	
		<u>Principal</u>	<u>Average</u>	<u>Principal</u>	<u>Average</u>
		<u>£m</u>	<u>Rate</u>	<u>£m</u>	<u>Rate</u>
			<u>%</u>		<u>%</u>
Fixed Rate Funding	PWLB	361.4	5.2	361.7	5.2
	Market	20.0	4.1	25.0	4.2
Variable Rate Funding	PWLB	0.0		0.0	
	Market	<u>20.0</u>	<u>4.7</u>	<u>15.0</u>	<u>4.6</u>
		<u>401.4</u>	<u>5.1</u>	<u>401.7</u>	<u>5.1</u>

6 THE TREASURY MANAGEMENT STRATEGY FOR 2013/2014

The Expectation for Interest Rates - The interest rate views incorporated within the Council's treasury strategy statement were based upon officers' views along with advice from our treasury advisers supported by a selection of City forecasts. The view on base rates was that they would remain stable at 0.50% throughout the year. Longer term fixed interest rates were expected to be around 4% during the year.

The Treasury Management Strategy for 2013/2014 indicated that the Council's borrowing requirement for capital expenditure would be approximately £30m.

7 ACTUAL BORROWING AND LENDING FOR 2013/2014

7.1 Interest Rates

Base rate stayed at 0.50% throughout the year. Long-term PWLB rates (45-50 years) started at 4.23% but moved between 4.05% and 4.71% throughout the year. These rates do not include the reduction of 0.20% certainty rate that Dundee City Council is eligible for.

7.2 Borrowing

7.2.1 Long-Term

Long-term borrowing of £10m was undertaken during the year. Repayment of existing loans amounted to £9.8m of this. The net borrowing was low due to slippage in the capital plan. The £10m was drawn down mainly in the early half of the year.

Date	Amount £	Rate %	Term (Years)	Maturity Date
02/04/2013	2,500,000	3.23	14.5	15/07/2027
02/04/2013	2,500,000	4.01	50.0	15/01/2063
10/04/2013	5,000,000	3.84	49.5	15/08/2062
	10,000,000			

These loans had an average interest rate of 3.73% and an average term of 40.9 years.

7.2.2 Short-Term

In order to indicate the level of short-term borrowing, shown below are the lowest and highest daily amounts outstanding each month, together with the short-term borrowing position at the end of every month and the range of interest rates at which borrowings were made:-

		LOWEST AMOUNT OUTSTANDING	HIGHEST AMOUNT OUTSTANDING	POSITION AT END OF MONTH	INTEREST RATE RANGE
		£m	£m	£m	%
2013	APR	16.3	20.8	16.3	0.27
	MAY	11.1	16.3	11.1	NO MARKET LOANS TAKEN
	JUN	11.1	14.6	14.6	0.30 TO 0.32
	JUL	14.6	17.6	17.6	0.29
	AUG	17.6	21.6	21.6	0.39
	SEPT	19.6	24.6	24.6	0.35 TO 0.45

	OCT	19.6	35.6	35.6	0.29 TO 0.35
	NOV	33.1	42.6	37.6	0.30 TO 0.45
	DEC	48.6	49.6	49.6	0.47 TO 0.55
2014	JAN	42.6	54.6	42.6	0.36 TO 0.43
	FEB	34.6	44.6	42.6	0.38 TO 0.41
	MAR	44.5	54.6	44.6	0.35 TO 0.40

The IORB rate which is paid on non-General Fund cash balances is based on the 7-day rate and averaged 0.36% throughout the year.

It can be seen from the above that short-term borrowing was undertaken throughout the year in line with Treasury Strategy Statement on short term borrowing.

8 LENDING

Balances on reserves and variations in cash flow requirements mean that there will be surplus funds which will be invested for short periods (maximum of 364 days).

Short term investments will be restricted to only those institutions identified in the Council's Approved Counter-parties list provided they have maintained their credit rating.

An analysis of the lending position to 31 March 2014 shows:

		HIGHEST AMOUNT OUTSTANDING	POSITION AT END OF MONTH	INTEREST RATE RANGE
	LENDING	£m	£m	%
2013	APR	20.5	3.9	0.40 TO 0.87
	MAY	20.1	5.4	0.40 TO 0.87
	JUN	14.6	6.1	0.43 TO 0.80
	JUL	24.5	9.7	0.44 TO 0.80
	AUG	20.3	5.6	0.44 TO 0.80
	SEPT	19.4	4.0	0.43 TO 0.80
	OCT	25.4	13.8	0.40 TO 0.80
	NOV	30.3	10.3	0.40 TO 0.80
	DEC	35.2	23.5	0.40 TO 0.80
2014	JAN	38.6	9.0	0.44 TO 0.80
	FEB	23.3	6.0	0.50 TO 0.80
	MAR	28.5	9.5	0.42 TO 0.80

The lending activity shown above related solely to short-term positions. All of these lendings were in compliance with the Treasury Strategy Statement provisions on such lending with regards to amounts and institutions involved.

9 CONSOLIDATED LOANS FUND INTEREST RATE

When setting the 2013/2014 Revenue Budget, the Council set its Loans Fund interest rate at 4.50%. The actual interest rate payable was 4.27%.

10 PRUDENTIAL CODE INDICATORS

The Treasury Management activity at the year end was maintained within the prudential code limits. All borrowing was maintained within the authorised borrowing limit throughout

the year. All lending was in compliance with the Treasury Policy Statement provisions, with regard to amounts and institutions involved.

11 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are no major issues.

12 CONSULTATION

The Chief Executive and Head of Democratic and Legal Services have been consulted in the preparation of this report.

13 BACKGROUND PAPERS

None

**MARJORY STEWART
DIRECTOR OF CORPORATE SERVICES**

1 SEPTEMBER 2014

APPENDIX 1**DUNDEE CITY COUNCIL
PRUDENTIAL CODE INDICATORS - TREASURY MANAGEMENT INDICATORS**Adoption of Revised CIPFA Treasury Management Code of Practice 2011 **Upper limit for variable rate exposure**

Net principal re variable rate borrowing/investments	2013/14	<input type="text" value="30%"/>
	2014/15	<input type="text" value="30%"/>
	2015/16	<input type="text" value="30%"/>
	2016/17	<input type="text" value="30%"/>
	2017/18	<input type="text" value="30%"/>

Net principal re fixed rate borrowing/investments	2013/14	<input type="text" value="100%"/>
	2014/15	<input type="text" value="100%"/>
	2015/16	<input type="text" value="100%"/>
	2016/17	<input type="text" value="100%"/>
	2017/18	<input type="text" value="100%"/>

Actual external debt (£000)	2013/14	<input type="text" value="£446,236"/>
------------------------------------	---------	---------------------------------------

Maturity structure of fixed rate borrowing 2014/15

Where the periods are

	Lower %	Upper %
Under 12 months	<input type="text" value="0"/>	<input type="text" value="10"/>
12 months & within 24 months	<input type="text" value="0"/>	<input type="text" value="15"/>
24 months & within 5 years	<input type="text" value="0"/>	<input type="text" value="25"/>
5 years & within 10 years	<input type="text" value="0"/>	<input type="text" value="25"/>
10 years +	<input type="text" value="50"/>	<input type="text" value="95"/>

Upper limit for total principal sums invested for over 364 days No sums will be
invested longer
than 364 days

Authorised limit for external debt with limit for borrowing and other long term liabilities identified	Borrowing £000	Other £000	Total £000
2013/14	475,000	79,000	554,000
2014/15	489,000	77,000	566,000
2015/16	526,000	75,000	601,000
2016/17	547,000	73,000	620,000
2017/18	555,000	71,000	626,000

Operational boundary for external debt, excluding investments, with limit for borrowing and other long term liabilities separately identified	Borrowing £000	Other £000	Total £000
2013/14	448,391	78,375	527,086
2014/15	464,000	77,000	541,000
2015/16	501,000	75,000	576,000
2016/17	522,000	73,000	595,000
2017/18	530,000	71,000	601,000

PRUDENTIAL CODE INDICATORS - PRUDENTIAL INDICATORS

Capital Expenditure	Non-HRA £000	HRA £000	Total £000
2013/14	63,794	20,283	84,077
2014/15	82,323	17,539	96,653
2015/16	83,286	15,677	103,496
2016/17	67,872	14,810	60,638
2017/18	41,303	13,575	13,575

Ratio of financing costs to net revenue stream	Non-HRA %	HRA %
2013/14	7.6	42.7
2014/15	7.6	43.2
2015/16	7.6	42.6
2016/17	7.5	41.7
2017/18	7.5	41.3

Net Borrowing Requirement

	b/f 1 April £000	c/f 31 March £000	In Year £000
2013/14	419,122	439,391	20,269
2014/15	439,391	460,000	10,000
2015/16	460,000	496,000	36,000
2016/17	496,000	516,000	20,000
2017/18	516,000	524,000	8,000

Capital Financing Requirement

	General Services £000	HRA £000	Total £000	Annual Movement £000
2013/14	303,267	181,041	484,308	36,483
2014/15	317,000	183,000	500,000	15,692
2015/16	353,000	183,000	536,000	36,000
2016/17	373,000	183,000	556,000	20,000
2017/18	381,000	183,000	564,000	8,000

**Difference between Net Borrowing
and Capital Financing Requirement**

	Total £000
2013/14	44,917
2014/15	40,000
2015/16	40,000
2016/17	40,000
2017/18	40,000

**Incremental Impact of Capital Investment
Decisions**

	Increase in Council Tax (Band D) per annum (£)	Increase in average housing rent per week (£)
2013/14	0.00	1.43
2014/15	0.54	0.30
2015/16	2.96	0.07
2016/17	3.27	0.01
2017/18	n/a	(0.01)