

REPORT TO: POLICY & RESOURCES COMMITTEE - 09 SEPTEMBER 2013

REPORT ON: ANNUAL TREASURY MANAGEMENT ACTIVITY 2012/2013

REPORT BY: DIRECTOR OF CORPORATE SERVICES

REPORT NO: 346-2013

ITEM No ...8.....

1 PURPOSE OF REPORT

To review the Treasury Management activities for the period 1 April 2012 to 31 March 2013.

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 2012/2013 were that a saving of £1,163,000 in interest was made against the 2012/2013 budget provision partly due to 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 2012/2013.

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 2012</u>		<u>31 March 2013</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	327.1	5.5	361.4	5.2
	Market	0.0		20.0	4.1
Variable Rate Funding	PWLB	0.0		0.0	
	Market	<u>40.0</u>	<u>4.2</u>	<u>20.0</u>	<u>4.2</u>
		<u>367.1</u>	<u>5.3</u>	<u>401.4</u>	<u>5.2</u>

6 THE TREASURY MANAGEMENT STRATEGY FOR 2012/2013

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 range between 4.30% and 4.50% during the year.

The Treasury Management Strategy for 2012/2013 indicated that the Council's borrowing requirement for capital expenditure would be approximately £42m.

7 ACTUAL BORROWING AND LENDING FOR 2012/2013

7.1 Interest Rates

Base rate stayed at 0.50% throughout the year. Long-term PWLB rates (45-50 years) started at 4.43% but moved between 3.96% and 4.59% throughout the year.

7.2 Borrowing

7.2.1 Long-Term

Long-term borrowing of £42m was undertaken during the year. This was partly used to repay existing loans. The net borrowing of £36.3m was low due to slippage in the capital plan. The £42m was drawn down mainly in the second half of the year.

Date	Amount £	Rate %	Term (Years)	Maturity Date
29/08/2012	2,500,000	2.57	9.5	15/02/2022
05/10/2012	5,000,000	2.94	12.0	15/08/2024
30/11/2012	5,000,000	2.91	12.5	15/05/2025
30/11/2012	2,500,000	3.94	50.0	15/11/2062
31/12/2012	2,500,000	3.16	13.5	15/06/2026
31/12/2012	2,500,000	3.59	18.5	15/06/2031
25/02/2013	2,500,000	3.25	11.5	15/06/2024
25/02/2013	5,000,000	3.38	12.5	15/06/2025
28/02/2013	5,000,000	3.72	17.5	15/08/2030
04/03/2013	5,000,000	3.75	18.5	15/08/2031
05/03/2013	2,000,000	2.69	9.5	15/07/2022
14/03/2013	2,500,000	2.92	10.5	15/07/2023
	<u>42,000,000</u>			

These loans had an average interest rate of 3.27% and an average term of 15.9 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	%
2012	APR	17.6	18.6	17.6	NO MARKET LOANS TAKEN
	MAY	13.6	17.6	13.6	0.32
	JUN	13.6	21.4	18.4	0.28 TO 0.32
	JUL	18.4	18.4	18.4	NO MARKET LOANS TAKEN
	AUG	18.4	18.4	18.4	NO MARKET LOANS TAKEN
	SEPT	18.4	23.4	18.4	0.28
	OCT	18.4	20.9	20.9	0.27 TO 0.32
	NOV	20.9	20.9	20.9	NO MARKET LOANS TAKEN
	DEC	20.9	25.9	25.9	0.28
2013	JAN	20.9	25.9	25.9	0.26 TO 0.29
	FEB	20.9	25.9	20.9	0.32
	MAR	17.4	20.9	20.8	0.30 TO 0.40

The IORB rate which is paid on non-General Fund cash balances is based on the 7-day rate and averaged 0.40% 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 2013 shows:

		HIGHEST AMOUNT OUTSTANDING	POSITION AT END OF MONTH	INTEREST RATE RANGE
		£m	£m	%
2012	APR	31.9	14.4	0.25 TO 0.87
	MAY	30.9	8.0	0.25 TO 0.87
	JUN	32.7	15.6	0.25 TO 0.87
	JUL	34.4	4.1	0.25 TO 0.87
	AUG	24.8	7.7	0.25 TO 0.87
	SEPT	30.8	10.2	0.52 TO 0.87
	OCT	23.2	6.9	0.61 TO 0.87
	NOV	16.2	8.0	0.85 TO 0.87
	DEC	29.8	8.9	0.45 TO 0.87

2013	JAN	24.0	7.6	0.45 TO 0.87
	FEB	16.8	8.1	0.45 TO 0.87
	MAR	32.3	6.1	0.40 TO 0.87

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 with the exception of 22 to 26 June and 18 July 2012. On these occasions, The Royal Bank of Scotland's online system failed and maximum deposit limits were exceeded as it was considered prudent in light of the general uncertainty to leave additional funds there.

9 **CONSOLIDATED LOANS FUND INTEREST RATE**

When setting the 2012/2013 Revenue Budget, the Council set its Loans Fund interest rate at 4.80%. The actual interest rate payable was 4.38%.

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

28 AUGUST 2013

APPENDIX 1**DUNDEE CITY COUNCIL****PRUDENTIAL CODE INDICATORS - TREASURY MANAGEMENT INDICATORS**

Adoption of Revised CIPFA Treasury Management Code of Practice 2011	<input type="text" value="YES"/>
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Upper limit for variable rate exposure

%

Net principal re variable rate borrowing/investments	2012/13	<input type="text" value="30"/>
	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"/>

Net principal re fixed rate borrowing/investments	2012/13	<input type="text" value="100"/>
	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"/>

Actual external debt (£000)	2012/13	<input type="text" value="£422,252"/>
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Maturity structure of fixed rate borrowing 2012/13

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	N/A
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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
2012/13	459,000	81,000	540,000
2013/14	489,000	79,000	568,000
2014/15	500,000	77,000	577,000
2015/16	521,000	75,000	596,000
2016/17	530,000	73,000	603,000
Operational boundary for external debt with limit for borrowing and other long term liabilities separately identified	Borrowing £000	Other £000	Total £000
2012/13	424,772	80,525	505,297
2013/14	464,000	79,000	543,000
2014/15	475,000	77,000	552,000
2015/16	496,000	75,000	571,000
2016/17	505,000	73,000	578,000

PRUDENTIAL CODE INDICATORS - PRUDENTIAL INDICATORS

Capital Expenditure	Non-HRA £000	HRA £000	Total £000
2012/13	60,635	23,076	83,711
2013/14	70,945	17,727	88,672
2014/15	79,114	15,106	94,220
2015/16	87,819	14,609	102,428
2016/17	45,828	16,742	62,570
Ratio of financing costs to net revenue stream		Non-HRA %	HRA %
2012/13		6.7	40.3
2013/14		7.5	44.7
2014/15		7.6	43.8
2015/16		7.6	43.3
2016/17		7.5	41.3

Net Borrowing Requirement

	b/f 1 April £000	c/f 31 March £000	In Year £000
2012/13	382,583	419,122	36,539
2013/14	419,122	462,000	42,878
2014/15	462,000	473,000	11,000
2015/16	473,000	494,000	21,000
2016/17	494,000	503,000	9,000

Capital Financing Requirement

	General Services £000	HRA £000	Total £000	Annual Movement £000
2012/13	284,578	175,781	460,359	36,483
2013/14	322,000	178,000	500,000	39,641
2014/15	335,000	177,000	512,000	12,000
2015/16	357,000	176,000	533,000	21,000
2016/17	364,000	178,000	542,000	9,000

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

	Total £000
2012/13	41,237
2013/14	38,000
2014/15	39,000
2015/16	39,000
2016/17	39,000

**Incremental Impact of Capital Investment
Decisions**

	Increase in Council Tax (Band D) per annum (£)	Increase in average housing rent per week (£)
2012/13	0.05	1.07
2013/14	0.75	0.33
2014/15	1.55	(0.11)
2015/16	0.47	(0.16)
2016/17	4.52	0.21

