

REPORT TO: POLICY & RESOURCES COMMITTEE – 8 DECEMBER 2014

**REPORT ON: TREASURY MANAGEMENT ACTIVITY 2014/2015
(SIX MONTHS TO 30 SEPTEMBER 2014)**

REPORT BY: DIRECTOR OF CORPORATE SERVICES

REPORT NO: 431-2014

1 PURPOSE OF REPORT

To review the Treasury Management activities for the period 1 April 2014 to 30 September 2014.

2 RECOMMENDATION

The Committee is asked to note the information contained herein.

3 FINANCIAL IMPLICATIONS

The Treasury Management activity during the first half of the current financial year indicates that the Loans Fund interest rate of 4.30%, assumed when setting the 2014/2015 Revenue Budget, will be more than achieved. A saving of £400,000 is projected as at 31st October 2014 due to lower than anticipated interest rates together with a reduction in the required level of borrowing due to slippage on expenditure in the capital programme.

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 would 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 at the beginning of each new financial year.

On 10 March 2014, the Policy and Resources Committee approved the Council's Treasury Management Strategy for 2014/2015.

This monitoring report covers the Treasury Management activity over the first six months of 2014/2015 financial year.

5 BORROWING

**5.1 Long-Term
Public Work Loans Board**

<u>DATE TAKEN</u>	<u>AMOUNT</u>	<u>RATE</u>	<u>YEARS</u>	<u>MATURITY</u>
22/09/2014	2,500,000.00	3.94	50.0	15/08/2064
30/09/2014	2,500,000.00	3.81	50.0	15/08/2064
	<u>5,000,000.00</u>			

5.2 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:-

<u>Month</u>	<u>Lowest Amount Outstanding £m</u>	<u>Highest Amount Outstanding £m</u>	<u>Borrowing Position at End of Month £m</u>	<u>Interest Rate Range %</u>
April 2014	52.6	57.6	53.6	0.37 to 0.40
May	45.6	53.6	45.6	No market loans taken
June	35.6	45.6	42.6	0.35 to 0.37
July	43.1	45.1	43.1	0.43 to 0.45
August	38.1	43.1	38.1	No market loans taken
September	38.1	52.1	52.1	0.26 to 0.50

The Council's Treasury Strategy document provides that the amount of the overall borrowing which may be outstanding by way of variable rate exposure should be no greater than 30% of net borrowings included in Prudential Code Indicators (circa £132m).

6 **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 only to those institutions identified in the Council's Approved Counterparties list provided they have maintained a suitable credit rating.

The lending figures shown include funds held on behalf of Tay Road Bridge Joint Board, Tayside Valuation Joint Board and Tayside Contracts.

An analysis of the lending position to 30 September 2014 shows:

<u>Month</u>	<u>Highest Daily Amount Lent £m</u>	<u>Lending Position at End of Month £m</u>	<u>Interest Rate Range %</u>
April 2014	43.6	26.8	0.40 to 0.80
May	29.9	13.4	0.43 to 0.80
June	19.0	5.7	0.50 to 0.80
July	26.3	15.3	0.40 to 0.80
August	25.1	6.5	0.45 to 0.80
September	22.7	16.2	0.45 to 0.80

All of these lendings were in compliance with the Treasury Policy Statement.

7 **OUTLOOK FOR THE SECOND HALF OF 2014/2015**

Further borrowing will be required in the second half of the year to fund the capital programme. This will be a combination of PWLB and shorter term market loans based on an overview of interest rates over different maturities and the impact on future years borrowing strategy.

8 PRUDENTIAL CODE INDICATORS

The Treasury Management activity at mid year was maintained within the prudential code limits. Updated indicators are shown in Appendix 1. Limits for future years have been amended to take account of current expectations.

9 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.

10 CONSULTATIONS

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

11 BACKGROUND PAPERS

None.

MARJORY M STEWART
DIRECTOR OF CORPORATE SERVICES

01 DECEMBER 2014

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

Adoption of Revised CIPFA Treasury Management Code of Practice 2011	<div>YES</div>
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Upper limit for variable rate exposure

Net principal re variable rate borrowing/investments	2013/14	<div>30%</div>
	2014/15	<div>30%</div>
	2015/16	<div>30%</div>
	2016/17	<div>30%</div>
	2017/18	<div>30%</div>

Net principal re fixed rate borrowing/investments	2013/14	<div>100%</div>
	2014/15	<div>100%</div>
	2015/16	<div>100%</div>
	2016/17	<div>100%</div>
	2017/18	<div>100%</div>

Actual external debt (£000)	2013/14	<div>£446,236</div>
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Maturity structure of fixed rate borrowing 2014/15

Where the periods are	Lower %	Upper %
Under 12 months	<div>0</div>	<div>10</div>
12 months & within 24 months	<div>0</div>	<div>15</div>
24 months & within 5 years	<div>0</div>	<div>25</div>
5 years & within 10 years	<div>0</div>	<div>25</div>
10 years +	<div>50</div>	<div>95</div>

Upper limit for total principal sums invested for over 364 days	N/A	No sums will be invested longer than 364 days
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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	99,862
2015/16	83,286	15,677	98,963
2016/17	67,872	14,810	82,682
2017/18	41,303	13,575	54,878

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)