

REPORT TO: POLICY & RESOURCES COMMITTEE - 14 JANUARY 2013

**REPORT ON: TREASURY MANAGEMENT ACTIVITY 2012/2013
(SIX MONTHS TO 30 SEPTEMBER 2012)**

REPORT BY: DIRECTOR OF CORPORATE SERVICES

REPORT NO: 485-2012

1 PURPOSE OF REPORT

To review the Treasury Management activities for the period 1 April 2012 to 30 September 2012.

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 4.80%, assumed when setting the 2012/2013 Revenue Budget, will be achieved. A saving of £250,000 is projected 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 March 2010, 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 before the commencement of each new financial year.

At its meeting on 26 March 2012, the Policy and Resources Committee approved the Council's Treasury Management Strategy for 2012/2013.

This monitoring report covers the Treasury Management activity over the first six months of 2012/2013 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 Date</u>
29/08/2012	2,500,000	2.57%	9.50	15/02/2022
	<u>2,500,000</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 2012	17.6	18.6	17.6	No market loans taken
May	13.6	17.6	13.6	0.32
June	13.6	21.4	18.4	0.28 to 0.32
July	18.4	18.4	18.4	No market loans taken
August	18.4	18.4	18.4	No market loans taken
September	18.4	23.4	18.4	0.28

The Council's Treasury Strategy document provides that the amount of the overall borrowing which may be outstanding by way of fixed rate short-term borrowing with an initial term of less than one year should be no greater than circa £38m (10% of total debt).

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 2012 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 2012	31.8	14.4	0.25 to 0.87
May	30.9	14.9	0.25 to 0.87
June	32.7	15.6	0.25 to 0.87
July	34.4	4.1	0.25 to 0.87
August	37.0	7.7	0.25 to 0.87
September	31.6	10.2	0.52 to 0.87

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

7 OUTLOOK FOR THE SECOND HALF OF 2012/2013

Some long term borrowing will be required in the second half of the year to fund the capital programme. This will largely be PWLB and will be taken 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

19 DECEMBER 2012

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

Adoption of Revised CIPFA Treasury Management Code of Practice 2009

Finance Committee 22/03/10 Report No 162-2010

Upper limit for variable rate exposure %

Net principal re variable rate borrowing/investments	2011/12	<input type="text" value="30"/>
	2012/13	<input type="text" value="30"/>
	2013/14	<input type="text" value="30"/>
	2014/15	<input type="text" value="30"/>

Upper limit for fixed interest rate exposure %

Net principal re fixed rate borrowing/investments	2011/12	<input type="text" value="100"/>
	2012/13	<input type="text" value="100"/>
	2013/14	<input type="text" value="100"/>
	2014/15	<input type="text" value="100"/>

Actual external debt (£000) 2011/12

Maturity structure of fixed rate borrowing 2011/12

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

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
2011/12	413,000	83,000	496,000
2012/13	460,000	81,000	541,000
2013/14	480,000	79,000	559,000
2014/15	483,000	77,000	560,000
Operational boundary for external debt with limit for borrowing and other long term liabilities separately identified	Borrowing £000	Other £000	Total £000
2011/12	389,233	82,711	471,944
2012/13	435,000	81,000	516,000
2013/14	455,000	79,000	534,000
2014/15	458,000	77,000	535,000

PRUDENTIAL CODE INDICATORS - PRUDENTIAL INDICATORS

Capital expenditure	Non-HRA £000	HRA £000	Total £000
2011/12	63,610	23,244	86,854
2012/13	58,094	24,652	82,746
2013/14	37,026	17,825	54,851
2014/15	33,662	14,660	48,322
Ratio of financing costs to net revenue stream		Non-HRA %	HRA %
2011/12		6.7	39.3
2012/13		6.7	41.8
2013/14		6.8	44.2
2014/15		6.8	44.2

Net borrowing requirement

	b/f 1 April £000	c/f 31 March £000	In Year £000
2011/12	348,886	382,583	33,697
2012/13	382,583	435,000	52,417
2013/14	435,000	455,000	20,000
2014/15	455,000	458,000	3,000

Estimates of capital financing requirement

	General Services £000	HRA £000	Total £000	Annual Movement £000
2011/12	255,674	168,202	423,876	36,102
2012/13	296,000	176,000	472,000	48,124
2013/14	313,000	178,000	491,000	19,000
2014/15	318,000	177,000	495,000	4,000

Difference between net borrowing and capital financing requirement

	Total £000
2011/12	41,293
2012/13	37,000
2013/14	36,000
2014/15	37,000

Incremental impact of capital investment decisions

(Increase in Council Tax per Report 144-2011 - Treasury Management Strategy & Annual Investment Strategy 2011/2012)

	Increase in Council Tax (Band D) per annum (£)	Increase in average housing rent per week (£)
2011/12	0.00	1.43
2012/13	0.00	1.07
2013/14	0.00	0.30
2014/15	0.00	0.00