

REPORT TO: POLICY & RESOURCES COMMITTEE – 09 DECEMBER 2013

**REPORT ON: TREASURY MANAGEMENT ACTIVITY 2013/2014
(SIX MONTHS TO 30 SEPTEMBER 2013)**

REPORT BY: DIRECTOR OF CORPORATE SERVICES

REPORT NO: 497-2013

1 PURPOSE OF REPORT

To review the Treasury Management activities for the period 1 April 2013 to 30 September 2013.

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 4.50%, assumed when setting the 2013/2014 Revenue Budget, will be achieved. A saving of £769,000 is projected as at 31st October 2013 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.

At the same meeting on 22 April 2013, the Policy and Resources Committee approved the Council's Treasury Management Strategy for 2013/2014.

This monitoring report covers the Treasury Management activity over the first six months of 2013/2014 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>
02/04/2013	2,500,000.00	3.23	14.50	15/07/2027
02/04/2013	2,500,000.00	4.01	50.00	15/01/2063
10/04/2013	<u>5,000,000.00</u>	3.84	49.50	15/08/2062
	<u>10,000,000.00</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 2013	16.3	20.8	16.3	0.27
May	11.1	16.3	11.1	No market loans taken
June	11.1	14.6	14.6	0.30 to 0.32
July	14.6	17.6	17.6	0.29
August	17.6	21.6	21.6	0.39
September	19.6	24.6	24.6	0.35 to 0.45

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 £128m).

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 2013 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 2013	20.5	3.9	0.40 to 0.87
May	20.1	5.4	0.40 to 0.60
June	14.6	6.1	0.43 to 0.80
July	24.5	9.7	0.44 to 0.80
August	20.1	5.6	0.44 to 0.80
September	19.4	4.0	0.43 to 0.80

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

7 **OUTLOOK FOR THE SECOND HALF OF 2013/2014**

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

02 DECEMBER 2013

**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"/>
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"/>

Actual external debt (£000) 2012/13

Maturity structure of fixed rate borrowing 2013/14

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
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
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
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 %
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
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
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
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 (£)
2013/14	0.75	0.33
2014/15	1.44	(0.11)
2015/16	0.45	(0.16)
2016/17	0.00	0.21