Appendix 1

Summary of action taken in the period October 2012 to March 2013

New borrowing

No new long term borrowing was raised in the second half of 2012/13

Debt maturity

No debt matured during second the half year.

Lender options, where the lender has the exclusive option to request an increase in the loan interest rate and the council has the right to reject the higher rate and repay instead, on four loans were due in the 6 month period but no option was exercised.

Weighted average maturity of debt portfolio

With no movement in the long-term debt portfolio the weighted average maturity period of the portfolio has decreased naturally by 6 months, from 32.8 years to 32.3 years.

Debt rescheduling

No debt rescheduling was undertaken during the second half-year.

Capital financing requirement

The prudential code introduces a number of indicators that compare ‘net’ borrowing (i.e. after deducting investments) with the capital financing requirement (CFR) – the CFR being amount of capital investment met from borrowing that is outstanding. Table 3 compares the CFR with net borrowing and actual borrowing.

Table 1 – Capital financing requirement compared to debt outstanding

	1 April 2012	31 March 2013	Movement in period
Capital financing requirement (CFR)	£344.4m		
Less PFI element	-£61.1m		
Net CFR	£283.3m	£282.3m	-£1.0m
Long-term debt	£207.8m	£207.8m	£0.0m
Investments – in house team	-£28.1m	-£30.3m	+£2.2m
Investments – cash manager	-£24.7m	-£25.1m	-£0.4m
Net debt	£155.0m	£152.4m	+£2.7m
O/s debt to CFR (%)	73.3%	73.6%	+0.3%
Net debt to CFR (%)	54.7%	54.0%	-0.7%

Traditionally the level of borrowing outstanding is at or near the maximum permitted in order to reduce the risk that the council needs to borrow significant amounts when long-term interest rates are high (i.e. interest rate risk). However given the continued volatility and uncertainty within the financial markets and investment rates far below borrowing rates, the council has maintained the strategy to keep borrowing at much lower levels using investments to repay debt. Currently outstanding debt represents 74% of the net capital financing requirement. In the medium term decisions will need to be taken about when to increase long-term borrowing.

Cash flow debt / investments

The TMPS states the profile of any short-term cash flow investments will be determined by the need to balance daily cash flow surpluses with cash flow shortages. An analysis of the cash flows reveals a net shortfall for the 2nd half-year of £31.1 million which is consistent with the normal annual pattern of higher levels of income in the earlier part of the year and higher levels of spending in the latter.

Table 2 – Cash flow October 2012 to March 2013

	October 12 to March 13			Apr 12 to Mar 13
	Payments	Receipts	Net cash	Net cash
Total cash for period	£417.9m	£383.0m	-£34.9m	+£4.7m
Represented by:				
Movement in in-house investments			+£37.5m	-£2.2m
Increase in long-term borrowing			£0.0m	£0.0m
Decrease in Short term borrowing (SDNPA)			-£2.0m	-£2.0m
Movement in balance at bank			-£0.6m	-£0.5m
			+£34.9m	-£4.7m

Overall the cash position for the financial year is a net surplus of £4.7 million.

Prudential indicators

Budget Council approved a series of prudential indicators for 2012/13 at its meeting in February 2012. Taken together the indicators demonstrate that the council's capital investment plans are affordable, prudent and sustainable.

In terms of treasury management the main indicators are the 'authorised limit' and 'operational boundary'. The authorised limit is the maximum level of borrowing that can be outstanding at any one time. The limit is a statutory requirement as set out in the Local Government Act 2003. The limit includes 'headroom' for unexpected borrowing resulting from adverse cash flow.

The operational boundary represents the level of borrowing needed to meet the capital investment plans approved by the council. Effectively it is the authorised limit minus the headroom and is used as an in-year monitoring indicator to measure actual borrowing requirements against budgeted forecasts.

Table 3 compares both indicators with the maximum debt outstanding in the second half year.

Table 3 – Comparison of outstanding debt with Authorised Limit and Operational Boundary 2012/13

	Authorised limit	Operational boundary
Indicator set	£383.0m	£371.0m
Less PFI element	-£62.0m	-£62.0m
Indicator less PFI element	£321.0m	£309.0m
Maximum amount o/s in second half of year	£207.8m	£207.8m
Variance	(*)£113.2m	£101.2m

(*) cannot be less than zero

Performance

Details of the performance of both the in-house and external cash managers are shown in the graphs 4a and 4b at appendix 2. The actual investment rates achieved have exceeded the benchmarks set.

Approved organisations – investments

No further new organisations have been added to the list approved in the AIS 2012/13 at full Council in July.

A number of changes to the short-term and long-term ratings have been assessed by the credit rating agencies but with the exception of the Co-op Bank these have had no impact on the council's approved lending list or limits. An update on the latest position regarding the Co-op Bank is included in the body of the report.