Appendix 1

Summary of action taken in the period October 2013 to March 2014

New borrowing

No new long term borrowing was raised in the second half of 2013/14

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 five 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 31.8 years to 31.3 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 borrowing with the capital financing requirement (CFR) – the CFR being amount of capital investment met from borrowing that is outstanding. Table 1 compares the CFR with actual borrowing.

Table 1 – Capital financing requirement compared to debt outstanding

	1 April 2013	31 March 2014	Movement in period
Capital financing requirement (CFR)	£341.8m		
Less PFI element	-£59.5m		
Net CFR	£282.3m	£278.4m	-£4.9m
Long-term debt	£207.8m	£207.8m	£0.0m
O/s debt to CFR (%)	73.6%	74.6%	+1.0%

Traditionally the level of borrowing outstanding is at or near the maximum permitted in order to reduce the risk that demand for capital investment (and hence resources) falls in years when long-term interest rates are high (i.e. interest rate risk). However given the uncertainty within the financial markets, the council has maintained the strategy to keep borrowing at much lower levels (as investments are used to repay debt). The 2014/15 Treasury Management Strategy (approved by Policy and Resources Committee in March 2014) includes a borrowing strategy with a view to increase borrowing levels. Currently outstanding debt represents 74.6% of the capital financing requirement.

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 £23.8 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 2013 to March 2014

	October 13 to March 14			Apr 13 to Mar 14
	Payments	Receipts	Net cash	Net cash
Total cash for period	£442.0m	£418.2m	-£23.8m	+£14.2m
Represented by:				
Movement in in-house investments			-£16.9m	+£22.0m
Increase in long-term borrowing			£0.0m	£0.0m
Decrease in Short term borrowing (SDNPA)			-£2.0m	-£2.5m
Movement in balance at bank			-£4.9m	-£5.3m
			-£23.8m	+£14.2m

Overall the cash position for the financial year is a net surplus of £14.2 million.

Prudential indicators

Budget Council approved a series of prudential indicators for 2013/14 at its meeting in February 2013. 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 2013/14

	Authorised limit	Operational boundary
Indicator set	£371.0m	£360.0m
Less PFI element	-£60.0m	-£60.0m
Indicator less PFI element	£311.0m	£300.0m
Maximum amount o/s in second half of year	£207.8m	£207.8m
Variance	(*)£103.2m	£92.2m

(*) can not be less than zero

Performance

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

Approved organisations – investments

Council approved an expansion to the AIS 2013/14 in December 2013 to include a small number of Non-UK banks.

The changes to the AIS 2013/14 also specified additional liquid instruments that the in-house Treasury Team were able to invest in. This included Certificates of Deposit (CDs) and Enhanced Money Market Funds (EMMF).

No investments in CDs or EMMFs were undertaken in 2013/14. The in-house Treasury Team have since invested in Certificates of Deposit in Standard Chartered Bank during 2014/15. The council currently holds a total of £11m over three separate Certificates of Deposit with Standard Chartered Bank, the last of which matures in November 2014.

No other changes have been made to AIS 2013/14