

Public  
Key Decision – No

## HUNTINGDONSHIRE DISTRICT COUNCIL

**Title:** Treasury Management  
Review of Performance: 6 Monthly Review

**Meeting/Date:** Cabinet - 12<sup>th</sup> December 2013

**Executive Portfolio:** Resources: Councillor J A Gray

**Report by:** Assistant Director (Finance and Resources)

**Wards affected:** All Wards

---

### **Executive Summary:**

In February 2013 the Council adopted the 2013/14 Treasury Management Strategy. The Strategy requires members to be kept up to date in respect of treasury management activity for the first half of the year, including investment and borrowing activity and treasury performance.

### **Recommendation(s):**

It is recommended that Cabinet notes the report and recommends the report to Council.

This page is intentionally left blank

## **1. PURPOSE**

- 1.1 To update members, in line with best practice and prescribed Treasury Management guidance, on treasury management activity for the first half of the year, including investment and borrowing activity and treasury performance.

## **2. TREASURY MANAGEMENT STRATEGY**

- 2.1 The Council approved the 2013/14 treasury management strategy at its meeting on 20 February 2013.
- 2.2 All treasury management activity undertaken during the period complied with the CIPFA Code of Practice and relevant legislative provisions.
- 2.3 The investment strategy is to invest any surplus funds in a manner that balances low risk of default by the borrower with a fair rate of interest. The Council's borrowing strategy permits borrowing for cash flow purposes and funding current and future capital expenditure over whatever periods are in the Council's best interests.

## **3. TREASURY MANAGEMENT ACTIVITY**

### **Cash Flow Management**

- 3.1 The vast majority of activity over the past 6 months has been in managing short term fluctuations in cash flow by borrowing or investing for periods that ensure sustainable cash liquidity and at a cost that is the most economically advantageous for the council.
- 3.2 Much of the investment activity has been in liquidity accounts. These accounts offer two clear advantages considering the current investment market:
- ◆ One of the primary Treasury Management objectives is the security of funds invested; because these accounts allow immediate access to funds this reduces the risk of default.
  - ◆ These accounts provide a fair return on amounts invested.
- 3.3 There have also been deficits at various times over the period which has required the council to borrow temporarily from other Local Authorities at low rates (typically between 0.27% and 0.40%), the maximum period of borrowing has been 38 days.

### **Long Term Borrowing and Investments**

- 3.4 During the period the council has made available the following investment facilities:
- ◆ £1.500m to Huntingdon Regional College, which has been back-to-back funded by long-term borrowing for the same amount from the Public Works Loans Board (PWLB).
  - ◆ £0.300m to Huntingdon Gym. However the first tranche of £75,000 was invested in early October.
  - ◆ £0.012m to Alconbury Parish Council.

With regard to the investments in Huntingdon Gym and Alconbury Parish Council, these are currently being financed from within the Councils own working capital.

- 3.5 As at the 30 September the council had short and long term external investments of £13.3m and borrowing of £17.5m. The following table summarises the transactions during the period and further details analysis is shown in Appendix 1.

2012/13 £m			2013/14 £m
10.4	<b>Investments</b>	- as at 31 <sup>st</sup> March	6.4
(101.6)		- matured in period	(58.9)
106.2		- arranged in period	65.8
<b>15.0</b>		- as at 30 <sup>th</sup> September	<b>13.3</b>
(14.5)	<b>Borrowing</b>	- as at 31 <sup>st</sup> March	(16.0)
26.4		- matured/repaid in period	20.5
(21.9)		- arranged in period	(22.0)
<b>(10.0)</b>		- as at 30 <sup>th</sup> September	<b>(17.5)</b>
<b>(4.1)</b>	<b>Net investments at 31<sup>st</sup> March</b>		<b>(9.6)</b>
<b>5.0</b>	<b>Net investments at 30<sup>th</sup> September</b>		<b>(4.2)</b>

#### 4. PERFORMANCE – INTEREST RETURN

- 4.1 The portfolio comprises a mixture of short-term investments and temporary borrowing to manage cash flow. With regard to long term borrowing, £10.0m was borrowed from the PWLB in December 2008 at 3.9% and was temporarily invested in two £5.0m packages. The first £5.0m block matured in December 2012 (and is now absorbed into the Council's working capital) and the second £5.0m block, which was invested with the Skipton Building Society at 4.85%, will mature in December 2013.
- 4.2 As noted above, the Council borrowed a further £1.5m from the PWLB for 10 years, this was borrowed in August 2013 at 2.24% (2.44% less the 0.2% certainty rate). The investment with Huntingdonshire Regional College allows the council to make a small return on the cost of borrowing over the life of the investment.
- 4.3 To give an indication of net investment performance, the summary below, excludes the above long-term investments and borrowing to give a fairer comparison with the current benchmark of the 7 day rate.

SHORT-TERM PERFORMANCE FOR THE 6 MONTHS APRIL 2013 – SEPTEMBER 2013					
Net investments	Performance	Benchmark	Variation from benchmark	Managed Funds	
				1 April £m	30 Sept £m
Excluding Skipton and Huntingdon Regional College	0.54%	0.16%	+0.38%	4.6	(0.8)

## 5. PERFORMANCE – AGAINST BUDGET IN 2013/14

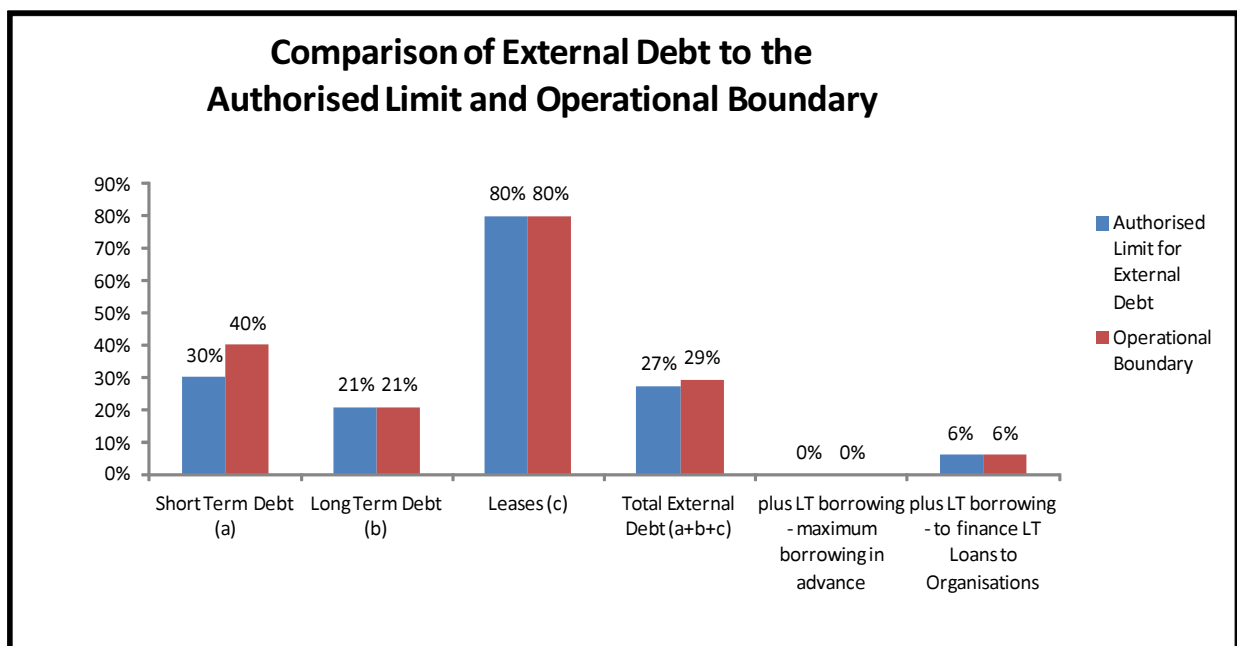
- 5.1 The latest forecast outturn is for the net cost of interest to be under budget by £33,000 (net cost of £0.206m against a budget of £0.239m). The small saving is attributable to a combination of low borrowing interest rates (especially between local authorities), delays in capital expenditure and higher than expected revenue reserves.

## 6. PRUDENTIAL INDICATORS

### 6.1 Operational Boundary and Authorised Limit for External Debt

The Authorised Limit for External Debt is the maximum external debt that the Council is authorised to borrow, whereas the Operational Boundary is an “early indicator” of when the Council is getting close to the Authorised Limit. As shown in the table below, currently the Council is well within the limits for both the Authorised Limit and Operational Boundary.

	2013/14 Estimate		2013/14 To Date
	Authorised Limit	Operational Boundary	
	£m	£m	£m
Short Term Debt	20.0	15.0	6.0
Long Term Debt	48.0	48.0	10.0
Leases	5.0	5.0	4.0
<b>Total External Debt</b>	<b>73.0</b>	<b>68.0</b>	<b>20.0</b>
Plus Long Term based on the maximum borrowing in advance	14.0	14.0	0.0
Plus Long term borrowing to finance Long Term Loans to Organisations	25.0	25.0	1.5



## 7. TREASURY MANAGEMENT INDICATORS

7.1 The Council measures its exposures to certain treasury management risks with the following indicators which generally relate to the position as at 30 September.

### 7.2 Interest rate exposures

This indicator prescribes the exposure to fixed and variable interest rates in respect of borrowing and investment activity.

All borrowing and investments are within the approved exposure limits.

		Limits		Actual Sept 2013
		Max.	Min.	
<b>Borrowing:</b>				
longer than 1 year	Fixed	100%	75%	100%
	Variable	25%	0%	0%
<b>Investments:</b>				
longer than 1 year	Fixed	100%	100%	100%
	Variable	0%	0%	0%

*All borrowing and investing for less than one year is variable by definition.*

### 7.3 Maturity structure of borrowing

This indicator prescribes the limits within which the Council can borrow to either maintain effective cash flow or to cover capital expenditure.

All borrowing is within the approved limits.

Borrowing	Upper Limit	Lower Limit	Actual
Under 12 months	86%	0%	34%
12 months and within 24 months	86%	0%	0%
24 months and within five years	86%	0%	0%
Five years and within 10 years	86%	0%	9%
10 years and above	100%	14%	57%

### 7.4 Investment repayment profile – limit on the value of investments that cannot be redeemed within 364 days

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments.

The total principal sums invested beyond 364 days are within the approved limits.

	2013/14 £m	2014/15 £m	2015/16 £m
Limit on investments over 364 days as at 31 March each year.	32.6	33.2	33.2
Actual principal invested beyond year end as at 30 September 2013	1.512	1.512	1.512

**8. LEGAL IMPLICATIONS**

8.1 None, on the basis of the statement in paragraph 2.2.

**9. RESOURCE IMPLICATIONS**

9.1 The resource implications are noted within this report.

**10 REASONS FOR THE RECOMMENDED DECISIONS**

10.1 It is recommended that Overview and Scrutiny notes the report and recommends the report to Cabinet and then to Council.

**11. LIST OF APPENDICES INCLUDED**

Appendix 1 – Investments and Borrowing as at 30 September 2013

**BACKGROUND PAPERS**

Working papers in Financial Services

**Contact Officers:** Steve Couper, Assistant Director (Finance and Resources)

☎ 01480 388103/

Clive Mason, Accountancy Manager

☎ 01480 388157

This page is intentionally left blank



## Investments as at 30 September 2013

		£m	Investment date	Rate %	Repayment date
<b>Term Deposits</b>					
Skipton Building Society	Temporary investment of PWLB borrowing	5.000	19/12/08	4.85	19/12/13
Alconbury Parish Council		0.012	08/07/13	0.05	08/07/16
Huntingdonshire Regional College		1.500	05/08/13	3.34	05/08/23
<b>Liquidity Accounts</b>					
Cambridge Building Society		3.000	16/09/13	0.50	call
Ignis Liquidity Fund		2.000	24/09/13	0.49	call
NatWest		1.760	30/09/13	0.50	call
<b>TOTAL</b>		<b>13.272</b>			

\* The above investment profile does not include the £75,000 investment in Huntingdon Gym as this investment was not taken out until October 2013.

## Borrowing as at 30 September 2013

	£m	Borrowing date	Rate %	Repayment date
<b>Long Term</b>				
PWLB	1.500	07/08/13	2.44	07/08/23
PWLB	5.000	19/12/08	3.91	19/12/57
PWLB	5.000	19/12/08	3.90	19/12/58
<b>Short Term</b>				
Worcestershire County Council	5.000	11/09/13	0.30	09/10/13
Shropshire Council	1.000	11/09/13	0.30	11/10/13
<b>TOTAL</b>	<b>17.500</b>			