

Report to: Audit Committee

Date: 6th December 2013

Report of: Deputy Chief Executive

Report No:

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Report Title: Treasury Management Quarter 2 Monitoring Report for 2013/14

**Confidential /
Non Confidential:**

(***Non-Confidential***) This report does **not** contain information which warrants its consideration in the absence of the press or members of the public

Purpose:

The treasury management outturn report is a requirement of the Council's reporting procedures. It covers the treasury management activity during the second quarter of 2013/14 and the associated Prudential Indicators for the second quarter of 2013/14.

This report was considered by the Executive Cabinet Member – Leader's Portfolio on 21st October 2013 and is presented to Audit Committee as part of the scrutiny role.

Recommendations:

That Audit Committee are asked to note the contents of the report.

Background Docs:

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1. **OVERALL STRATEGY**

The overall objective of the Authority's Cash Management Strategy is to minimise costs and maximise returns, bearing in mind a prudent level of current and future risk. CIPFA's definition of Treasury Management is:

"The management of the Council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

The sources of long term borrowing available to the Authority are the Public Works Loan Board (PWLb) and the Money Markets.

2. **BORROWING**

The External Borrowing at the 30th September 2013 is summarized below:

	Variable Rate	Fixed Rate	Total
	£000	£000	£000
Market Loans	70,250	20,000	90,250

Appendix 1 now shows the Maturity profile from 2013/14 to 2058/59, the profile shows when the lender can exercise an option to increase the interest rate rather than the actual length of the loan. **No new long term borrowing has been taken during the year.**

3. **LENDING**

Members are aware that the Authority has strict guidelines governing which institutions it is prepared to lend money. The current counterparty list based on the criteria approved by Council on 20th February 2013 (updated on 23rd July 2013 using the Council's Emergency Procedures), is attached at Appendix 2 and details of investments outstanding at 30th September 2013 are attached at Appendix 3. No investments were made over the investment limits during the period under review.

Up to 30th September 2013 the Council had received fourteen distributions amounting to £3.81 million in relation to the £ 4 million deposited with Heritable Bank. No further distributions are anticipated.

Up to 30th September 2013 the Council had received four distributions amounting to £1.18 million in relation to the £ 2 million deposited with Landsbanki.

4. **BASE RATE**

Base rate was 0.50% on 1st April 2013 and remains unchanged at 30th September 2013.

5. **BACKGROUND PRUDENTIAL INDICATORS**

Under the terms of the Local Government Act 2003 and Regulation 2 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, the Authority set its Prudential Indicators for 2013/14 on 20th February 2013.

There are ten indicators; four relating to capital expenditure and affordability, two relating to capital expenditure and external debt and four relating to treasury management. The two indicators relating to external debt and the four relating to treasury management are covered by this report. Prudential Indicators for 2013/14 and future years were approved at the Council meeting on the 20th February 2013.

6. **PRUDENTIAL INDICATORS FOR CAPITAL EXPENDITURE AND EXTERNAL DEBT**

Authorised limit for external debt

This indicator limits total long term and short term debt and the estimate for 2013/14 was **£228.4m**. The long and short term debt outstanding at 30th September 2013 is **£ 90.3m**. This indicator has not been exceeded during the year.

Operational boundary for external debt

This indicator is similar to the above but limits long term debt only and the estimate for 2013/14 was **£111.3m**. The long term debt outstanding at 30th September 2013 is **£ 90.3m**. This indicator has not been exceeded during the year.

7. **PRUDENTIAL INDICATORS FOR TREASURY MANAGEMENT**

Limits on fixed and variable interest rate exposures

This indicator is to ensure that there is a balance of fixed and variable interest borrowing. The estimate for 2013/14 was for a maximum fixed interest rate exposure of **+£25m** of borrowing. At the 30th September 2013 **-£73m** of borrowing was at a fixed interest rate. The estimate for 2013/14 was for a maximum variable interest rate exposure of **+£66m** of borrowing. At the 30th September 2013 **+£42m** of borrowing was at a variable interest rate.

Maturity structure of borrowing

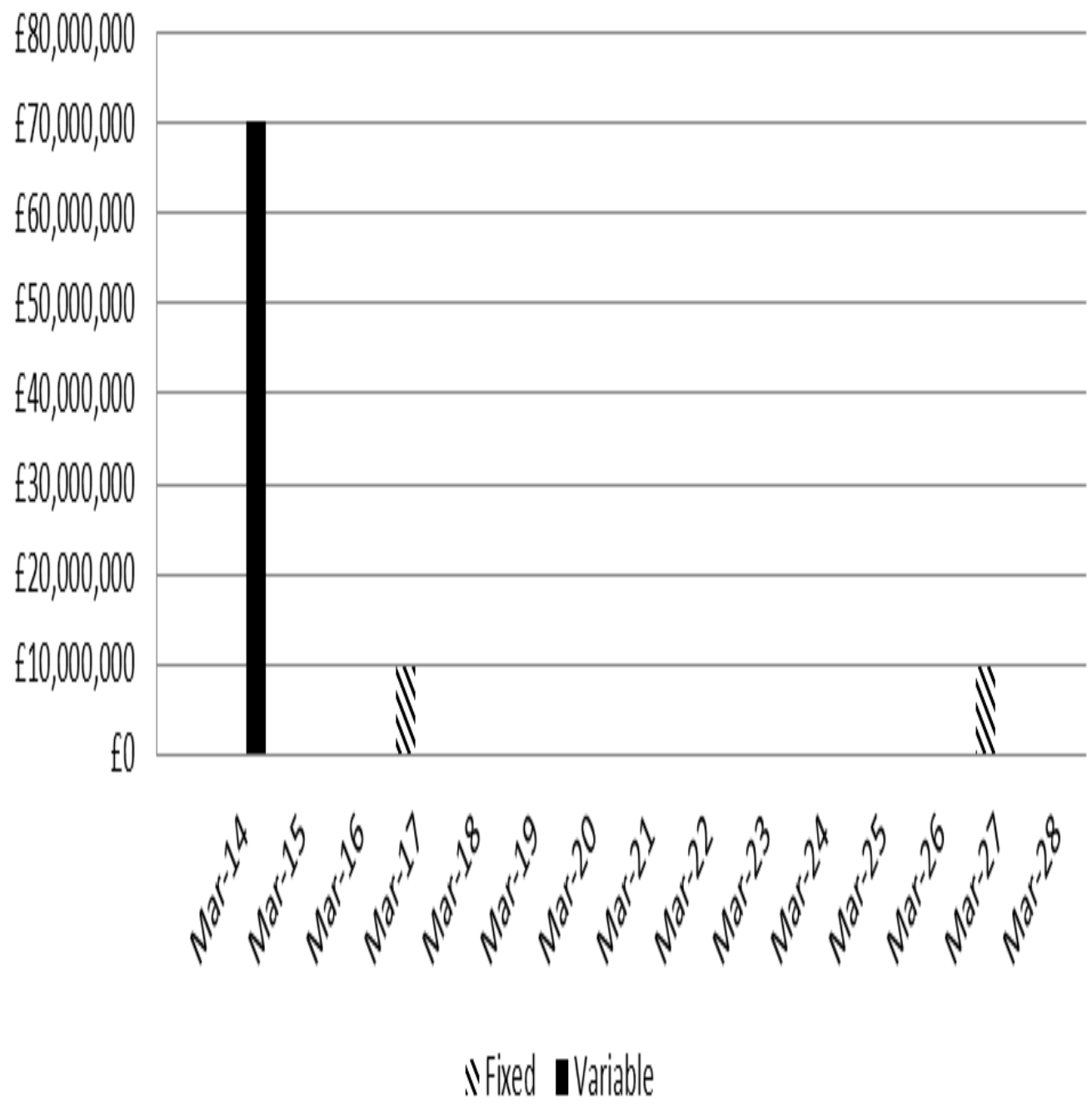
This indicator ensures that there is a spread of principal repayments on fixed interest borrowing.

Maturity Structure of fixed interest rate borrowing 2013/14			
	Lower Limit	Upper Limit	30th September 2013
Under 12 months	0%	80%	-
12 months to 2 years	0%	80%	-
2 years to 5 years	0%	80%	50%
5 years to 10 years	0%	80%	-
10 years to 20 years	0%	80%	50%
20 years to 30 years	0%	80%	-
30 years to 40 years	0%	80%	-
40 years to 50 years	0%	80%	-
50 years and above	0%	80%	-

Total principal sums invested for periods longer than 364 days

This indicator limits investments made beyond 364 days to £15m. At the 30th September 2013 there were investments of £5m with a period longer than 364 days outstanding. This indicator has not been exceeded during the year.

Maturity Profile as at 31st March 2014



Counterparty List

Bolton Council operates an Investment Policy which was approved by the Council on the 20th February 2013 (updated on 23rd July 2013 using the Council's Emergency Procedures), states with which organisations the Authority will invest short and long term surplus cash balances, the maximum exposure limits with any one borrower and the latest approved credit ratings applied to such organisations. The Current Counterparty list based upon the approved policy is:

	Fitch's				Moody's			S & P			
Name	Short Term	Long Term	Individual	Support	Short Term	Long Term	Fin Strength	Short Term	Long Term	Time Limit	Money Limit
<u>United Kingdom (Sovereign Rating)</u>	F1+	AA+				Aa1		A-1+	AAA		
Bank of Scotland	F1	A		1	P-1	A2	D+	A-1	A	1 year	£ 15 m
Bolton at Home										90 days	£ 3 m
Co-operative Bank	B	BB-	bb-	5	NP	Caa1	E			1 year	£ 5 m
UK Debt Management Office (which is an Executive Agency of HM Treasury)										6 month	No Limit
HSBC Bank	F1+	AA-	a+	1	P-1	Aa3	C	A-1+	AA-	1 year	£ 5 m
Lloyds Bank	F1	A	bbb+	1	P-1	A2	C-	A-1	A	1 year	£ 15 m
Local Authorities										1 year	£ 10 m
Greater Manchester Waste Disposal Authority										3 years	£ 10 m
<i>MBNA Europe Bank</i>	<i>F1</i>	<i>A-</i>		<i>1</i>						<i>1 year</i>	<i>£ 5 m</i>
Money Market Funds										Liquid	£ 10 m
Nationwide Building Society	F1	A	a	1	P-1	A2	C	A-1	A	1 year	£ 5 m
National Westminster Bank	F1	A		1	P-2	A3	D+	A-1	A	1 year	£ 15 m
Royal Bank of Scotland	F1	A	bbb	1	P-2	A3	D+	A-1	A	1 year	£ 15 m
<i>Standard Chartered Bank</i>	<i>F1+</i>	<i>AA-</i>	<i>aa-</i>	<i>1</i>	<i>P-1</i>	<i>A1</i>	<i>B-</i>	<i>A-1+</i>	<i>AA-</i>	<i>1 year</i>	<i>£ 5 m</i>
<i>Sumitomo Mitsui Banking Corporation Europe Limited</i>	<i>F1</i>	<i>A-</i>		<i>1</i>	<i>P-1</i>	<i>Aa3</i>	<i>C</i>	<i>A-1</i>	<i>A+</i>	<i>1 year</i>	<i>£ 5 m</i>

Counterparties in Italics do not normally borrow from Local Authorities

INVESTMENTS AS AT 30th September 2013

REPAYMENT DATE	AMOUNT £	BORROWER		INTEREST RATE (%)	DATE RAISED
	100,000	GOLDMAN SACHS MMF	Cash	0.35990	15/04/2011
	100,000	MORGAN STANLEY MMF	Cash	0.42660	27/02/2012
	100,000	SCOTTISH WIDOWS MMF	Cash	0.34620	12/03/2012
	13,000,000	NAT WEST BANK	Cash	0.50000	01/12/2011
	15,000,000	ROYAL BANK OF SCOTLAND	Cash	0.70000	27/05/2010
22/08/2016	5,000,000	GREATER MANCHESTER WASTE	Long Term	1.60000	20/08/2013
23/09/2014	1,000,000	LLOYDS TSB	Short Term	0.98000	24/09/2013
03/07/2014	5,000,000	LLOYDS TSB	Short Term	1.01000	05/07/2013
03/07/2014	5,000,000	BANK OF SCOTLAND	Short Term	1.01000	05/07/2013
03/07/2014	5,000,000	LLOYDS TSB	Short Term	1.01000	04/07/2013
16/05/2014	4,000,000	BANK OF SCOTLAND	Short Term	1.05000	17/05/2013
07/04/2014	5,000,000	FIFE COUNCIL	Short Term	0.50000	08/04/2013
03/04/2014	10,000,000	MAYORS OFFICE FOR POLICING	Short Term	0.57000	04/04/2013
19/03/2014	5,000,000	FIFE COUNCIL	Short Term	0.50000	15/04/2013
31/01/2014	4,000,000	LLOYDS TSB	Short Term	1.10000	31/01/2013
31/01/2014	6,000,000	BANK OF SCOTLAND	Short Term	1.10000	31/01/2013
13/01/2014	5,000,000	LB ISLINGTON	Short Term	0.40000	11/04/2013
09/12/2013	3,000,000	GLASGOW CITY COUNCIL	Short Term	0.55000	10/12/2012
15/11/2013	5,000,000	EASTLEIGH BOROUGH COUNCIL	Short Term	0.45000	16/11/2012
15/11/2013	10,000,000	PETERBOROUGH CITY COUNCIL	Short Term	0.45000	15/11/2012
25/10/2013	10,000,000	BIRMINGHAM CITY COUNCIL	Short Term	0.45000	26/10/2012
18/10/2013	5,000,000	NORTH LANARKSHIRE COUNCIL	Short Term	0.45000	19/10/2012
	121,300,000				

Cash Equivalent £ 28,300,000
 Short Term Investments £ 88,000,000
 Long Term Investments £ 5,000,000

The Weighted Average Life is 0.40 years, i.e. about 21 weeks.