
**Treasury Management Half Yearly Activity Report
as at 30 September 2012**

Synopsis

To provide an update on the activity of the Treasury Management function for the first half of 2012/13

1. Background

This report is designed to provide members with details of fixed term loans/deposits made during the first half of the year and an outline of our current borrowing strategy.

The Treasury Management Strategy for 2012/13 has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year. The Code also recommends that members are informed of Treasury Management activities at least twice a year. This report therefore ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.

Treasury management is defined as: "The management of the local authority's investments and 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."

Overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives.

2. Treasury Position As At 30 September 2012

The Council's debt and investment half yearly position is shown in Appendix 1.

At 1 April 2012 the Council had total borrowing of £115,046m (£44.4m Non HRA Self financing debt and £70.646m HRA Self financing debt). At the end of September 2012 the total debt stands at £113.546m following repayment of £1.5m of Non HRA Self Financing Debt in July. The Council has paid a further £1m of Non HRA Self Financing Debt in October and is reviewing the position going forward as to whether further debt can be repaid.

The cost of borrowing for the first six months is £1.4m (£1.38m in interest and £16k in brokers fees).

Aside from borrowing costs, during the year, overnight cash funds have generated £44k for the first six months (£24k September 2011).

3. Future Cash Requirements

In the previous committee report it was envisaged that the Council would repay £2.7m of debt in 2012/13 from capital receipts and through continuous monitoring of cash flow. The Council has repaid £1.5m of debt in July 2012 and £1m in October 2012. It is envisaged that the target of £2.7m of debt repayment will be achieved. The Council continues to review the position going forward.

The plan is to reduce Non HRA Self Financing debt to £31.8m by using capital receipts when received. The following table shows how we are doing against this plan:

Year	Debt on Non HRA Self Financing	Debt Repayment	Net Borrowing Balance
2011/12	£47.4m	£3.0m (Achieved)	£44.4m
2012/13	£44.4m	£2.7m (on target)	£41.7m
2013/14-2014/15	£41.7m	£9.9m	£31.8m

HRA Self Financing – There is no plan to repay this debt until the first maturity date in 9.5 years. However, the council will be putting funds aside for the maturity of the debt over coming years.

Arlingclose (Treasury Management Advisors) have indicated that interest rates in the short-term will remain low with steady increases after 2015. Therefore the Council continues to take advantage of low borrowing costs on short-term loans, with a view to converting these into medium-term loans (2 – 5 years) as and when the base rate moves in a continuous upward trend.

4. Issues to be taken into account:-

Policy Priorities

The Treasury Management Activity follows the Treasury Management Strategy which is an integral part of Financial Strategy for the Council

Financial Implications

The net cost of borrowing for the first six months of 2012/2013 was £1.352m (£1.38m interest payable, £16k brokers fees, less £44k interest receivable).

Legal Implications

Ensure compliance with CLG guidance on investments & Prudential Code as set out in the Local Government Act 2003.

Compliance with CIPFA's Treasury Management in the Public Services Code of Practice.

Money Laundering Regulations 2007

Human Rights, Equalities, Community Safety

No specific issues to highlight.

Best Value Implications

The Treasury Management Function aims to maximise investment returns while minimising risk to the authority as outline in the Treasury Management Strategy.

5. Conclusion

The Council is continuing to adopt a short-term borrowing strategy combined with placing surplus funds into money market funds when possible to maximise the Council's financial position.

The Council is working closely with their Treasury Advisors to ensure that any risk within the short-term borrowing strategy is monitored and evaluated on a regular basis.

The target of repaying £2.7m of Non HRA Self Financing debt in 2012/13 is envisaged to be achieved. Future repayment of this debt is dependent on capital receipts being received and at the planned financial levels.

6. Recommendation

That Members note the information contained in the report

Background Papers

Working papers held within the EnCor Financial Services

External Consultations

None

List of Appendices

Appendix 1 – Summary of Treasury Activity to 30 September 2012

Wards

All

Officers to Contact

Alan Hughes – EnCor Financial Services Manager

Debt and Investment Activity As at 30 September 2012

	As at 30 September 2012 Principal	Interest Rate/Return	Period	Maturity Date
Fixed Rate Funding:				
PWLB	£1,600,000	2.83%	5 year	21.09.14
PWLB	£4,000,000	1.93%	3 year	04.03.13
East Riding of Yorkshire	£3,000,000	0.85%	10 months	19.10.12
Oxfordshire County Council	£7,000,000	0.90%	364 days	17.12.12
Surrey County Council	£2,800,000	0.50%	360 days	30.08.13
Derbyshire County Council	£6,000,000	0.85%	364 days	18.02.13
South Somerset District Council	£2,000,000	0.80%	364 Days	12.03.12
West Midlands Police Authority	£3,000,000	0.80%	364 Days	12.03.13
London Borough of Hackney	£4,500,000	0.45%	364 Days	26.06.13
Nottinghamshire Fire & Rescue Service	£2,000,000	0.55%	364 Days	28.06.13
Hampshire County Council	£5,000,000	0.60%	364 days	24.07.13
Hampshire Police Authority	£2,000,000	0.60%	364 days	24.07.13
Subtotal	£42,900,000			
HRA Self Financing Fixed Rate Funding:				
PWLB	£10,646,000	2.40%	10 Years	27.03.22
PWLB	£15,000,000	3.30%	20 Years	27.03.32
PWLB	£15,000,000	3.44%	25 Years	27.03.37
PWLB	£30,000,000	3.50%	30 Years	27.03.42
Subtotal	£70,646,000			
Total Debt	£113,546,000			

Investments:	As at 30 September 2012 Principal	Interest Rate/Return	Period	
Money Market Fund Prime Rate Capital Management	£3,518,267	0.61%	Daily	
Natwest Special Interest Bearing Account	£6,435,408	0.80%	Daily	
Total Investments	£9,953,675			

Cumulative Average Payable on Borrowings

	30 Sept 2012	31st March 2012
Total	2.39%	1.26%

Cumulative Average Interest Returns on Investments

	30th Sept 2012	31st March 2012
Total	0.76%	0.82%
Fixed	-	-
SIBA	0.80%	0.80%
MMF	0.72%	0.83%