

EXETER CITY COUNCIL
SCRUTINY COMMITTEE - RESOURCES
4 DECEMBER 2013

EXECUTIVE
10 DECEMBER 2013

TREASURY MANAGEMENT – 2013/14 – HALF YEAR UPDATE

1. PURPOSE OF REPORT

- 1.1 To report on the current performance for the 2013/14 financial year and the position regarding investments and borrowings at 30 September 2013. The report is a statutory requirement and is for information only with no key decisions required.

2. TREASURY MANAGEMENT STRATEGY

- 2.1 The Council approved the 2012/13 treasury management strategy at its meeting on 26 February 2013. The Council's stated investment strategy was to continue to hold only small surplus funds and to use the Government's Debt Management Office, Local Authorities and to pursue the opening of a Money Market Fund. The Council's stated borrowing strategy was to maintain short-term borrowing as long as rates remained low. The Council is currently borrowing over 1 year periods.
- 2.2 The Assistant Director Finance is pleased to report that all treasury management activity undertaken during the period complied with the approved strategy, the *CIPFA Code of Practice*, and the relevant legislative provisions.

3. INTEREST RATE PROSPECTS

- 3.1 Interest rate forecasts, provided by our Advisors, are set out below.

Period	Bank Rate	20-year PWLB rate
Q4 2013	0.50	4.25
Q1 2014	0.50	4.30
Q2 2014	0.50	4.35
Q3 2014	0.50	4.40
Q4 2014	0.50	4.45
Q1 2015	0.50	4.50
Q2 2015	0.50	4.55
Q3 2015	0.50	4.65
Q4 2015	0.50	4.75
Q1 2016	0.50	4.85
Q2 2016	0.50	5.05
Q3 2016	0.50	5.15
Q4 2016	0.50	5.15

4. NET INTEREST POSITION

4.1 The General Fund shows an estimated net reduction in interest payable compared to the budget, the position is:

	Estimate	Sept 13	Estimated Outturn	Variation
	£	£	£	£
Interest paid	125,000	25,100	75,000	(50,000)
Interest earned				
Temporary investment interest	(36,000)	(10,450)	(42,000)	(6,000)
Other interest earned	(1,750)	(650)	(1,000)	750
Less				
Interest to HRA	41,500	20,250	40,500	(1,000)
Interest to s106 agreements	8,250	4,125	8,250	0
Interest to Trust Funds	2,500	1,250	2,500	0
Lord Mayors Charity	500	250	500	0
GF interest (received) / paid out	<u>15,000</u>	<u>14,775</u>	<u>8,750</u>	<u>(6,250)</u>
Net interest	<u>140,000</u>	<u>39,875</u>	<u>83,750</u>	<u>(56,250)</u>

4.2 The other interest earned relates principally to car loan repayments.

5. INVESTMENT INTEREST

5.1 The Council is utilising the Government's Debt Management Office account and call accounts with the Bank of Scotland and Barclays. Appendix A sets out the institutions that the Council can use for deposits – this is known as our Counterparty list. A new Money Market Fund has also been set up by the Council, which also allows immediate access to our funds and spreads risk as it is pooled with investments by other organisations and invested across a wide range of financial institutions. Details of our current investments are set out below.

Amount	Investment	Interest rate	Date of repayment
£3,000,000	Bank of Scotland	0.40%	Immediate Access
£3,000,000	Barclays	0.50%	Immediate Access
£3,000,000	Ignis Money Market Fund	0.44% Estimate	Immediate Access

5.3 In respect of the Icelandic investments, further repayments of £160,000 have been made by Landsbanki meaning that £1.666 million has now been received back by the Council. Further repayments will be made as and when assets are sold.

6. BORROWINGS

6.1 The Council has maintained short term borrowing at £15m and long term borrowing at £56.884m. Details of the loans are set out in 7.2. The loan requiring repayment in January will be replaced and the Council may need to take out an additional £5m during the final three months of the financial year.

6.2

Amount	Lender	Interest rate	Date of repayment
£5,000,000	Oxfordshire CC	0.55%	14/01/2014
£5,000,000	Leicester CC	0.45%	15/09/2014
£5,000,000	Hull CC	0.50%	05/11/2014
56,884,000	PWLB	3.48%	28/03/2062

7. FUTURE POSITION

7.1 Short term borrowing remains very cheap and therefore the Council will continue to utilise this in the short term. Interest rates continue to fall and borrowing is being taken over a 364 day period.

7.2 Short term investments are being made through call accounts and money market funds, where cash can be accessed immediately. This has an ongoing impact on returns but increases the security of our cash.

8. RECOMMENDATION

8.1 That the Treasury Management report for the first six months of 2013/14 be noted.

ASSISTANT DIRECTOR FINANCE

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling the report:

None