

**The Highland Council**

**Resources Committee**

**18 February 2009**

Agenda Item	
Report No	

**Treasury Management - Summary of Transactions for November 2008**

**Report by Depute Chief Executive & Director of Finance**

This report on the treasury management transactions undertaken within the period is submitted to Committee in compliance with CIPFA's Code of Practice on Treasury Management and the Council's approved Financial Regulations.

**Please see attached Tables**

Signature:

Designation: Depute Chief Executive & Director of Finance

Date: 12-Feb-09

Background Papers

1. Loans Documentation
2. Financial Ledger

Author: Mr B Williams

Tel No.: (01463) 702427

The Highland Council - Resources Committee.  
Treasury Management - Prudential Indicators for the Month to

30-Nov-08

a) External Debt

	Authorised Limit	Operational Boundary	Month End	Min Position During Month	Max Position During Month
	£M	£M	£M	£M	£M
30 November 2008	642.6	622.3	552.3	549.7	580.5

b) Debt Net of Investments

	Upper Limit Fixed	Upper Limit Variable	Month End Fixed	Month End Variable
	£M	£M	£M	£M
30 November 2008	638.8	223.6	449.0	55.7

c) Maturity Structure of  
Fixed Rate Borrowing

	Under 12 Months Upper Limit 30%	12 months and within 24 months Upper Limit 30%	24 months and within 5 years Upper Limit 30%	5 years and within 10 years Upper Limit 50%	10 years and above Upper Limit 100% Lower Limit 25%	
30 November 2008	3.6	0.0	1.0	0.2	95.2	95.2

**Definitions:-**

**The Authorised Limit**

The Authorised Limit represents an upper limit of borrowing that could be afforded in the short term but may not be sustainable over the longer term. This limit includes a risk assessment of exceptional events taking into account the demands of revenue and capital cash flows. The Authorised Limit gauges events that may occur over and above those transactions which have been included in the Operational Boundary.

**The Operational Boundary**

The Operational Boundary represents an estimate of the most likely, prudent, but not worst case scenario and provides a parameter against which day to day treasury management activity can be monitored.

These Prudential Indicators are constantly monitored and any required revisions will be reported on this statement for Committee approval.

The Highland Council - Resources Committee.

**Treasury Management - Summary of Transactions for the Month to**

**30-Nov-08**

Type of Borrowing	Outstanding debt at beginning of month £	Raised £	Repaid £	Outstanding debt at end of month £	Rate of Interest during Month		
					Term	% - beg	% - end
Public Works Loan Board	455,937,744	0	39,787,094	416,150,650	5 yr 10 yr 30 yr	4.12 4.73 4.71	3.06 3.63 4.47
Mortgage Bonds (Incs. Covenants)	118,400,947	0	2,364	118,398,583	1 yr 5 yr	6.10 4.50	3.85 3.60
Temporary Loans	6,116,382	18,200,517	6,600,000	17,716,899	7 D/N 3 MTH	4.25 5.80	3.00 3.70
Bank Balance	(88,598)	0	229,415	(318,013)		5.50	4.00
<b>GROSS EXTERNAL BORROWING</b>	<b>580,366,475</b>	<b>18,200,517</b>	<b>46,618,873</b>	<b>551,948,119</b>			
<i>Temporary Deposits</i>	<i>68,312,500</i>	<i>54,558,209</i>	<i>75,582,709</i>	<i>47,288,000</i>			
<b>NET EXTERNAL BORROWING</b>	<b>512,053,975</b>	<b>-36,357,692</b>	<b>-28,963,836</b>	<b>504,660,119</b>	Loans Fund Monitor	5.41	

**Borrowing / Lending internal parameters as per approved Treasury Management Practices**

**Actual %**

**Approved Max%**

Short Term borrowing ( net of investments) as a % of the Council's outstanding long term debt	-5.59	25.00
Borrowing at variable rates of interest as a % of the Council's total outstanding loan debt	11.03	35.00

**Temporary Deposits - (Lending)**

The Council's Treasury Management Consultants provide a creditworthiness matrix to aid the assessment of risk involved in lending to individual counterparties. The Council's lending policy has been reviewed (Nov '07) and is constantly monitored in conjunction with the matrix.

This affords a balance of operational flexibility and risk awareness in managing the Council's temporary investments.

**The Council's Treasury Management Policy is regularly reviewed in consultation with Treasury Consultants. A revised Policy was approved by Resources Committee in November 2007.**

### Premature Repayment of Debt

During November 2008 six fixed rate, maturity Public Works Loan Board loans with an average remaining life of 30.5years, and an average interest rate of 4.5%, were prematurely repaid to take advantage of market conditions and reduce the Council's investment risk.

In addition to the savings detailed below, the debt repayment exercise generated a loan breakage discount of £17.3k

Start Date	Principal £	Coupon %	Maturity Date	Estimated Annual Savings £
02-Dec-03	4,969,094	5.00%	30-Sep-03	99,382
14-Jan-04	13,000,000	4.85%	30-Sep-32	240,500
04-Oct-04	5,118,000	4.75%	30-Sep-34	89,565
08-May-06	5,700,000	4.35%	30-Sep-46	76,950
29-Sep-06	4,000,000	4.05%	30-Sep-51	42,000
23-Jan-06	7,000,000	3.70%	31-Mar-46	49,000
	<u>39,787,094</u>			<u>597,397</u>

### Savings

This repayment exercise will generate savings of approximately £598k per annum for the following 30 years.

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The Highland Council - Resources Committee.  
Treasury Management - Prudential Indicators for the Month to

31-Dec-08

a) External Debt

	Authorised Limit	Operational Boundary	Month End	Min Position During Month	Max Position During Month
	£M	£M	£M	£M	£M
31 December 2008	642.6	622.3	555.2	534.7	559.0

b) Debt Net of Investments

	Upper Limit Fixed	Upper Limit Variable	Month End Fixed	Month End Variable
	£M	£M	£M	£M
31 December 2008	638.8	223.6	437.8	67.8

c) Maturity Structure of  
Fixed Rate Borrowing

	Under 12 Months Upper Limit 30%	12 months and within 24 months Upper Limit 30%	24 months and within 5 years Upper Limit 30%	5 years and within 10 years Upper Limit 50%	10 years and above Upper Limit 100% Lower Limit 25%	
31 December 2008	4.3	1.1	0.0	0.2	94.4	94.4

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**Treasury Management - Summary of Transactions for the Month to**

**31-Dec-08**

Type of Borrowing	Outstanding debt at beginning of month £	Raised £	Repaid £	Outstanding debt at end of month £	Rate of Interest during Month		
					Term	% - beg	% - end
Public Works Loan Board	416,150,650	0	0	416,150,650	5 yr 10 yr 30 yr	3.06 3.63 4.47	3.00 3.59 4.02
Mortgage Bonds (Incs. Covenants)	118,398,583	0	0	118,398,583	1 yr 5 yr	3.85 3.60	3.15 3.20
Temporary Loans	17,716,899	41,000,000	38,100,000	20,616,899			
Bank Balance	(318,013)	183,059	0	(134,954)		4.00	3.00
<b>GROSS EXTERNAL BORROWING</b>	<b>551,948,119</b>	<b>41,183,059</b>	<b>38,100,000</b>	<b>555,031,178</b>			
<i>Temporary Deposits</i>	<i>47,288,000</i>	<i>31,498,406</i>	<i>29,380,306</i>	<i>49,406,100</i>	7 D/N 3 MTH	3.00 3.70	1.50 3.05
<b>NET EXTERNAL BORROWING</b>	<b>504,660,119</b>	<b>9,684,652</b>	<b>8,719,694</b>	<b>505,625,078</b>	Loans Fund Monitor	5.35	

**Borrowing / Lending internal parameters as per approved Treasury Management Practices**

**Actual %**

**Approved Max%**

Short Term borrowing ( net of investments) as a % of the Council's outstanding long term debt	-5.41	25.00
Borrowing at variable rates of interest as a % of the Council's total outstanding loan debt	13.41	35.00

**Temporary Deposits - (Lending)**

The Council's Treasury Management Consultants provide a creditworthiness matrix to aid the assessment of risk involved in lending to individual counterparties. The Council's lending policy has been reviewed (Nov '07) and is constantly monitored in conjunction with the matrix.

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