

**The Highland Council**

**Resources Committee**

**15 April 2009**

Agenda Item	
Report No	

**Treasury Management - Summary of Transactions for January 2009**

**Report by Depute Chief Executive**

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

Date: 07-Apr-09

Background Papers

1. Loans Documentation
2. Financial Ledger

Author: Mr B Williams

Tel No.: (01463) 702427

The Highland Council - Resources Committee.

Treasury Management - Summary of Transactions for the Month to

31-Jan-09

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	25,000,000	51,300,000	389,850,650	5 yr 10 yr 30 yr	3.00 3.59 4.02	3.13 4.15 4.66
Mortgage Bonds (Incs. Covenants)	118,398,583	0	0	118,398,583	1 yr 5 yr	3.15 3.20	2.50 2.98
Temporary Loans	20,616,899	49,800,000	28,100,000	42,316,899			
Bank Balance	(134,954)	1,647	0	(133,307)		3.00	2.50
<b>GROSS EXTERNAL BORROWING</b>	<b>555,031,178</b>	<b>74,801,647</b>	<b>79,400,000</b>	<b>550,432,825</b>			
<i>Temporary Deposits</i>	<i>49,406,100</i>	<i>50,213,282</i>	<i>54,349,882</i>	<i>45,269,500</i>	7 D/N 3 MTH	1.50 3.05	1.40 2.25
NET EXTERNAL BORROWING	505,625,078	24,588,364	25,050,118	505,163,325	Loans Fund Monitor	5.30	

**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	-0.61	25.00
Borrowing at variable rates of interest as a % of the Council's total outstanding loan debt	15.43	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 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.**

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

31-Jan-09

a) External Debt

	Authorised Limit	Operational Boundary	Month End	Min Position During Month	Max Position During Month
	£M	£M	£M	£M	£M
31 January 2009	642.6	622.3	550.6	540.3	555.2

b) Debt Net of Investments

	Upper Limit Fixed	Upper Limit Variable	Month End Fixed	Month End Variable
	£M	£M	£M	£M
31 January 2009	638.8	223.6	427.2	78.0

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 January 2009	11.2	1.1	0.0	3.4	84.3	84.3

**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.

### Premature Repayment of Debt

- A) During January 2009 one fixed rate, maturity Public Works Loan Board loan with an average remaining life of 42.7y and an interest rate of 4.25%, was prematurely repaid to take advantage of market conditions and reduce the Council's investment risk.

The repayment generated savings at a minimal premium cost of £83.2k

Start Date	Principal £	Coupon %	Maturity Date	Estimated Annual Savings £
19-Jul-06	6,000,000	4.25%	30-Sep-51	165,000

### Savings

This repayment exercise will generate savings of approximately £165k per annum for the following 42 years.

- B) Also in January three fixed rate, maturity Public Works Loan Board loans with an average remaining life of 41.4 year and an average rate of 4.442% were prematurely repaid to take advantage of market conditions, reduce the Council' investment risk and generate savings.

The loans were partially replaced with two fixed rate loans, totalling £25m, and the exercise generated initial estimated annual savings of £1.251m at a minimal premium cost.

### Loans Repaid

Start Date	Principal £	Coupon %	Maturity Date	Estimated Annual Savings £
02/12/2003	6200000	5	30/09/2033	205,811.00
15/01/2007	31700000	4.42	31/03/2052	814,543.00
05/07/2007	7400000	4.36	30/09/2056	230,846.00
				<u>1,251,200.00</u>

### Savings

This repayment exercise will generate average savings of approximately £1.127m per annum for the next 3 years and further savings of £814.5k for the following 40 years based on anticipated favourable funding levels.

**The Highland Council**

**Resources Committee**

**15 April 2009**

Agenda Item	
Report No	

**Treasury Management - Summary of Transactions for February 2009**

**Report by Depute Chief Executive**

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

Date: 07-Apr-09

Background Papers

1. Loans Documentation
2. Financial Ledger

Author: Mr B Williams

Tel No.: (01463) 702427

The Highland Council - Resources Committee.

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

**28-Feb-09**

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	389,850,650	0	0	389,850,650	5 yr 10 yr 30 yr	3.13 4.15 4.66	2.88 3.90 4.53
Mortgage Bonds (Incs. Covenants)	118,398,583	0	0	118,398,583	1 yr 5 yr	2.50 2.98	2.40 3.11
Temporary Loans	42,316,899	52,450,000	61,200,000	33,566,899			
Bank Balance	(133,307)	85,352	0	(47,955)		2.50	2.00
<b>GROSS EXTERNAL BORROWING</b>	<b>550,432,825</b>	<b>52,535,352</b>	<b>61,200,000</b>	<b>541,768,177</b>			
<i>Temporary Deposits</i>	<i>45,269,500</i>	<i>8,808,300</i>	<i>28,811,800</i>	<i>25,266,000</i>	7 D/N 3 MTH	1.40 2.25	1.00 2.15
NET EXTERNAL BORROWING	505,163,325	43,727,051	32,388,200	516,502,177	Loans Fund Monitor	5.25	

**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	1.62	25.00
Borrowing at variable rates of interest as a % of the Council's total outstanding loan debt	17.09	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 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.**

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

28-Feb-09

a) External Debt

	Authorised Limit	Operational Boundary	Month End	Min Position During Month	Max Position During Month
	£M	£M	£M	£M	£M
28 February 2009	642.6	622.3	527.7	514.2	550.6

b) Debt Net of Investments

	Upper Limit Fixed	Upper Limit Variable	Month End Fixed	Month End Variable
	£M	£M	£M	£M
28 February 2009	638.8	223.6	428.4	88.3

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%	
28 February 2009	9.7	0.0	1.1	3.5	85.7	85.7

**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.