

Appendix 4

BORROWING AND LENDING TRANSACTIONS 2016/2017

1. In accordance with Financial Regulations and the Council's Treasury Management Policy Statement, the Chief Financial Officer is required to report annually on the activities of the Treasury Management operation.

2. This report details the borrowing and lending transactions undertaken by the Council for the 2016/17 financial year. Long term borrowing is used to fund Capital Projects and to replace principal sums repaid during the year. Lending transactions comprise instant access deposits, short-term investments on the London Money Markets and with the Debt Management Office's deposit facility, held at the Bank of England.

Background

3. The bank rate was further cut from a historically low 0.50% to 0.25% in August 2016. In line with the Treasury Management strategy approved by Council investments have been made with the UK Debt Management Office, other Local Authorities, selected banks and Money Market funds.

Borrowing

4. The borrowing transactions and debt outstanding for the Council in 2016/17 are summarised as follows:

Statement of Borrowing Transactions for the year ended 31 March 2017

	Short Term		Longer Term			Total Debt £'000
	Local Deposit Loans	Short Term Temporary Loans	PWLB Loans	Money Market Loans	Total Longer Term	
	£'000	£'000	£'000	£'000	£'000	
Debt Outstanding at 1 April 2016	253	0	284,492	50,000	334,492	334,745
Loans Raised	26	0	35,782	0	35,782	35,808
Loans Repaid	(1)	0	(7,369)	0	(7,369)	(7,370)
Net Borrowing	25	0	28,413	0	28,413	28,438
Debt Outstanding at 31 March 2017	278	0	312,905	50,000	362,905	363,183

5. Total debt outstanding increased from £334.7 million to £363.2 million during the year. This increase comprises of £35.8 million of new debt, a repayment of a £5 million loan which matured in February 2017 and repayment of £2.4 million annuity loans. All of the new debt relates to the Energy from Waste project. This level of debt is within the Capital Financing Requirement for 2016/17 (£544.6m) and also meets the Prudential Indicators for the authorised limit for external debt (£543.0m)

and the operational boundary (£520.0m). All debt is fixed rate and meets the Council's limits on the type of debt it holds (fixed and variable).

6. The Public Works Loans Board (PWLB) is the main source of longer-term borrowing for the Council and the following loans taken were annuity loans relating to the Energy from Waste Project.

Amount (£m)	Date Taken	Maturity Date	Rate (fixed to maturity)
10.940	25/04/2015	30/04/2042	2.86
8.730	01/06/2016	30/04/2042	2.70
9.116	22/06/2016	30/04/2042	2.51
6.897	03/02/2017	30/04/2042	2.63
0.099	21/03/2017	30/04/2042	2.40
35.782			2.62%

7. The total debt consists of longer and short-term debt. The longer-term debt of £363.2 million falls due for repayment as follows:

Within	£m	% of Total Debt
1 year	37.884	11.3
1 – 2 years	32.972	9.1
2 – 5 years	23.392	6.4
5 – 10 years	56.448	15.4
10 years and over	212.209	57.8
	362.905	100.0

8. Total debt outstanding is within plan and stands at £363.2 million at 31 March 2017, at an average rate of 3.83% (3.95% for 2015/16).

9. The short-term debt consists of local deposit loans repayable at seven days' notice which total £0.278 million on 31st March 2017. This was increased by £0.025m compared with March 2016.

Lending

10. The temporary lending transactions for 2016/17 of the Council's cash balances are summarised as follows:

	£m	£m
Balance at 01/04/2016		69
Investments made during the year (344)	920	
Less		
Investments recalled during the year (375)	(950)	
		(30)
Balance at 31/03/2017		39

11. All investments are made in accordance with the Council's Treasury Management Policy and to institutions that satisfy the criteria in the Council's Treasury Management Practices.

12. The average rate earned on investments during 2016/17 was 0.34%. The net interest earned on investments totalled £0.305 million.

13. The Chief Financial Officer concludes that the management of debt and short-term investments continues to be cost effective.