

## Appendix 8

### BORROWING AND LENDING TRANSACTIONS 2017/2018

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 2017/18 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, Ultra Short duration Bond Funds and with the Debt Management Office's deposit facility, held at the Bank of England.

#### Background

3. The Bank base rate was increased to 0.50% in November 2017. 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, Short Bond Funds and Money Market funds.

#### Borrowing

4. The borrowing transactions and debt outstanding for the Council in 2017/18 are summarised as follows:

#### Statement of Borrowing Transactions for the year ended 31 March 2018

	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	
<b>Debt Outstanding at 1 April 2017</b>	<b>278</b>	<b>0</b>	<b>312,905</b>	<b>50,000</b>	<b>362,905</b>	<b>363,183</b>
Loans Raised	131	0	102,683	0	102,683	<b>102,814</b>
Loans Repaid	(30)	(0)	(21,825)	(0)	(21,825)	<b>(21,855)</b>
Net Borrowing	101	0	80,858	0	80,858	<b>80,959</b>
<b>Debt Outstanding at 31 March 2018</b>	<b>379</b>	<b>0</b>	<b>393,763</b>	<b>50,000</b>	<b>443,763</b>	<b>444,142</b>

5. Total debt outstanding increased from £363.2 million to £444.1 million during the year. This increase comprises of £102.8 million of new debt, a repayment of a £5 million loan which matured in February 2018 and repayment of £16.8 million annuity loans. All of the new debt is to support the financing of the approved capital programme and to mitigate interest rate risk. This level of debt is

within the Capital Financing Requirement for 2017/18 (£559.8m) and also meets the Prudential Indicators for the authorised limit for external debt (£593.0m) and the operational boundary (£570.0m). 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 £40 million of the borrowing was to support the Capital Programme. The remaining £62.683m was taken to mitigate the interest rate risk in financing the prepayment of Pension Contributions, by temporarily utilising the Council's internal borrowing position.

<b>Amount (£m)</b>	<b>Date Taken</b>	<b>Maturity Date</b>	<b>Rate (fixed to maturity)</b>
14.692	28/04/2017	28/04/2018	0.82
23.384	28/04/2017	28/04/2019	0.84
24.607	28/04/2017	28/04/2020	0.87
5.000	05/10/2017	02/08/2036	2.72
5.000	05/10/2017	02/08/2037	2.74
10.000	05/10/2017	02/08/2044	2.78
5.000	29/03/2018	02/08/2038	2.57
5.000	29/03/2018	02/08/2039	2.57
10.000	29/03/2018	02/08/2046	2.56
<b>102.683</b>			<b>1.55%</b>

7. The total debt consists of longer and short-term debt. The longer-term debt of £443.8 million falls due for repayment as follows:

<b>Within</b>	<b>£m</b>	<b>% of Total Debt</b>
1 year	77.558	17.5
1 – 2 years	37.219	8.4
2 – 5 years	34.446	7.8
5 – 10 years	53.655	12.1
10 years and over	240.885	54.2
	<b>443.763</b>	<b>100.0</b>

8. Total debt outstanding is within plan and stands at £444.1 million at 31 March 2018, at an average rate of 3.07% (3.83% for 2016/17).

9. The short-term debt consists of local deposit loans repayable at seven days' notice which total £0.379 million on 31<sup>st</sup> March 2018. This has increased by £0.101m compared with March 2017.

### **Lending**

10. The temporary lending transactions for 2017/18 of the Council's cash balances are summarised as follows:

	<b>£m</b>	<b>£m</b>
<b>Balance at 01/04/2017</b>		39
Investments made during the year (287)	799	

**Less**

Investments recalled during the year (322)	(795)	4
<b>Balance at 31/03/2018</b>		<b>43</b>

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 2017/18 was 0.28%. The net interest earned on investments totalled £0.078 million.
13. The Chief Financial Officer concludes that the management of debt and short-term investments continues to be cost effective.