

Carlisle City Council

Report to Audit Committee

Meeting Date: 8 December 2022
Portfolio: Finance, Governance and Resources
Key Decision: No
Policy and Budget Framework: YES
Public / Private: Public

Title: TREASURY MANAGEMENT JULY TO SEPTEMBER 2022
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number: RD43/22

Purpose / Summary:

This report, which provides the regular quarterly summary of Treasury Management transactions for the second quarter of 2022/23 was received by the Executive on 21 November 2022. The Audit Committee is invited to make any observations on treasury matters which took place during this quarter. The Committee is otherwise asked to note the report.

Recommendations:

That the report be noted.

Tracking

Executive:	21 November 2022
Audit Committee:	08 December 2022
Council	n/a

Carlisle City Council

Report to Executive

Meeting Date: 21 November 2022
Portfolio: Finance, Governance and Resources
Key Decision: No
Policy and Budget Framework: YES
Public / Private: Public

Title: TREASURY MANAGEMENT JULY TO SEPTEMBER 2022
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number: RD43/22

Purpose / Summary:

This report provides the regular quarterly report on Treasury Transactions including the requirements of the Prudential Code.

Recommendations:

That this report be received, and the Prudential Indicators noted as at the end of September 2022.

Tracking

Executive:	21 November 2022
Audit Committee:	08 December 2022
Council	n/a

1. Introduction

1.1 The purpose of this report is to inform Members on various Treasury Management issues. The report is set out as follows:

(i) **Appendix A** sets out the schedule of Treasury Transactions for the period to 30th September 2022 as follows:

- **Appendix A1** – Treasury Transactions July to September 2022
- **Appendix A2** – Investment Transactions July to September 2022
- **Appendix A3** – Outstanding Investments at 30th September 2022

(ii) The Prudential Code and Prudential Indicators for 2022/23 are discussed at **Appendix B** as follows:

- **Appendix B1** – Prudential Code background
- **Appendix B2** – Prudential Indicators

2. Risks

2.1 The Council's Treasury Management function is responsible for investing the Council's surplus cash balances and managing cash flows appropriately. The Treasury Management Strategy Statement and the Treasury Management Practices are completed and approved in line with the CIPFA Code and include appropriate mechanisms for dealing with the Council's investments and borrowing needs.

3. Consultation

3.1 The Audit Committee will consider this report on 8 December 2022.

4. Conclusion and reasons for recommendations

4.1 That this report be received, and the Prudential Indicators noted as at the end of September 2022.

5. Contribution to the Carlisle Plan Priorities

5.1 To ensure that the Council's investments are in line with the appropriate policies including the Treasury Management Strategy Statement.

Contact details:

Contact Officer: **Emma Gillespie**

Ext: **7289**

Appendices attached to report:

- **Appendix A1 – Treasury Transactions July to 30 September 2022**
- **Appendix A2 – Investment Transactions July to 30 September 2022**
- **Appendix A3 – Outstanding Investments at 30 September 2022**
- **Appendix B1 – Prudential Code background**
- **Appendix B2 – Prudential Indicators**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications

Legal – Treasury Management activities are delegated to the Corporate Director of Finance and Resources and Financial Procedure Rule 3.19 requires that she prepare an annual report on the topic. This Report fulfils that obligation.

Property Services – Not applicable

Finance – Included in the report

Equality - This report raises no explicit issues relating to the public sector Equality Duty

Information Governance – No implications

TREASURY TRANSACTIONS
JULY 2022 to 30 SEPTEMBER 2022

1. LOANS (DEBT)

1.1 Transactions July to 30 September 2022

	Raised		Repaid	
	£	%	£	%
P.W.L.B	0	0	112,500	1.80
P.W.L.B	0	0	125,000	1.33
Local Bonds	0	0	0	0
Short Term Loans	0	0	0	0
Overnight Borrowing	0	0	0	0
	0		237,500	

This provides a summary of any loans that have been raised or repaid, analysed by type, since the previous report. Procedures, adopted to map the cash flow more accurately, ensure better forecasting and limits the amount of short term/overnight borrowing which may be required.

1.2 Loans (Debt) Outstanding at 30 September 2022

	£
P.W.L.B.	8,325,000
P.W.L.B.	4,250,000
Short Term Loans	12,800
	12,587,800

1.3 Loans Due for Repayment (Short Term)

	PWLB £	Overnight £	Other £	Total £
Short Term Debt at 30 September 2022	475,000	0	12,800	487,800

1.4 Interest Rates

Bank base rates for the period covered by this report increased from 1.25% to 1.75% (4th August 2022) and then to 2.25% (22nd September 2022). Both Link Group and Capital Economics are currently forecasting bank rate to rise to 5.00% by June 2023.

2 INVESTMENTS

	Made		Repaid	
	£	%	£	%
Short Term Investments	14,940,000	1.63 - 3.15	14,650,000	0.91 - 1.35
	14,940,000		14,650,000	

A full schedule of short-term investment transactions is set out in **Appendix A2**. **Appendix A3** shows outstanding short-term investments at 30 September 2022.

3 REVENUES COLLECTED

To: 30 September 2022		Collected £	% of Amount Collectable %
2022/23	Council Tax NNDR	41,723,886 24,508,027	56.86 57.32
Total		66,231,913	57.03
2021/22	Council Tax NNDR	39,492,304 18,594,961	56.25 50.09
Total		58,087,265	54.12
2020/21	Council Tax NNDR	36,788,494 11,184,691	55.04 49.97
Total		47,973,185	53.77

4 BANK BALANCE

At 30 September 2022 £369,568.12 in hand.

This records the Council's bank balance at the end of the last day covered by the report.

5 PERFORMANCE ON TREASURY MANAGEMENT TRANSACTIONS
TO 30 SEPTEMBER 2022

April – 30 September 2022

	Profiled Budget £000	Actual £000	Variance £000
Interest Receivable	(99)	(212)	(113)
Interest Payable	443	105	(338)
Less Rechargeable	0	0	0
	443	105	(338)
Principal Repaid (MRP)	268	68	(200)
Debt Management	12	13	1
NET BALANCE	624	(26)	(650)

The profiled budget is to 30 September 2022

Interest receivable is ahead of expectations due to higher than forecast average cash balances and increased interest rates.

Interest payable is lower than expected as no new borrowing has been undertaken in this financial year.

The CCLA property investment saw a slight decrease in the capital value to the end of September. Dividends and yield levels are currently 3.40%.

Increases in interest rates will impact on the Council's investment income achieved in 2022/23, with the Council investing mainly with UK banks. The Council's external borrowing is on fixed rate interest, so is unaffected by changes in PWLB rates as a result of bank rate changes, however any future borrowing required may be at a higher level than anticipated when the MTFP was produced.

APPENDIX A2

SHORT TERM INVESTMENT TRANSACTIONS JULY TO 30th SEPTEMBER 2022

INVESTMENTS MADE			INVESTMENTS REPAYD	
	£			£
HSBC	240,000.00		HSBC	3,700,000.00
Nationwide	1,000,000.00		Standard Chartered	1,000,000.00
Nationwide	1,000,000.00		HSBC	5,000,000.00
Nationwide	1,000,000.00		Standard Chartered	1,000,000.00
Nationwide	1,000,000.00		HSBC	3,850,000.00
HSBC	3,700,000.00		Federated Investors	100,000.00
Standard Chartered	1,000,000.00			
Standard Chartered	1,000,000.00			
HSBC	5,000,000.00			
TOTAL	14,940,000			14,650,000
			Bfwd	29,828,820
			Paid	14,940,000
			Repaid	14,650,000
			Total	30,118,820
			CCLA	(172,741)
			Total	29,946,079

Outstanding Investments as at 30 September 2022

Category	Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Current Days to Maturity	Days to maturity at execution	Total Interest Expected (£)
	MMF Federated Investors (UK)	3,900,000	1.88%			MMF		
	HSBC UK Bank Plc (RFB)	1,150,000	2.16%			Call1		
	Nationwide Building Society	1,000,000	1.63%	18/07/2022	28/10/2022	28		
	Standard Chartered Bank	1,000,000	1.48%	29/04/2022	28/10/2022	28	182	7,380
	HSBC UK Bank Plc (RFB)	5,000,000	1.75%			Call31		
	Nationwide Building Society	1,000,000	1.73%	18/07/2022	25/11/2022	56	130	6,162
	Standard Chartered Bank	1,000,000	1.59%	27/05/2022	25/11/2022	56	182	7,928
	Nationwide Building Society	1,000,000	1.87%	18/07/2022	22/12/2022	83	157	8,044
	Standard Chartered Bank	1,000,000	2.05%	24/06/2022	22/12/2022	83	181	10,166
	Nationwide Building Society	1,000,000	2.03%	18/07/2022	27/01/2023	119	193	10,734
	Standard Chartered Bank	1,000,000	2.23%	29/07/2022	27/01/2023	119	182	11,119
	Standard Chartered Bank	1,000,000	3.15%	26/08/2022	24/03/2023	175	210	18,123
	Santander UK	7,000,000	1.21%			Call180		
Total Investments		£26,050,000	1.72%			83	177	£79,656

Borrower	Current Market Value (£)	Current Yield	Start Date	Initial Investment (£)	Entry Cost (£) ¹	Initial Market Value (£)	Unrealised Growth (£)
CCLA Property Fund	3,896,079	3.40%	31/07/2014	3,000,000	(163,104)	2,836,896	896,079

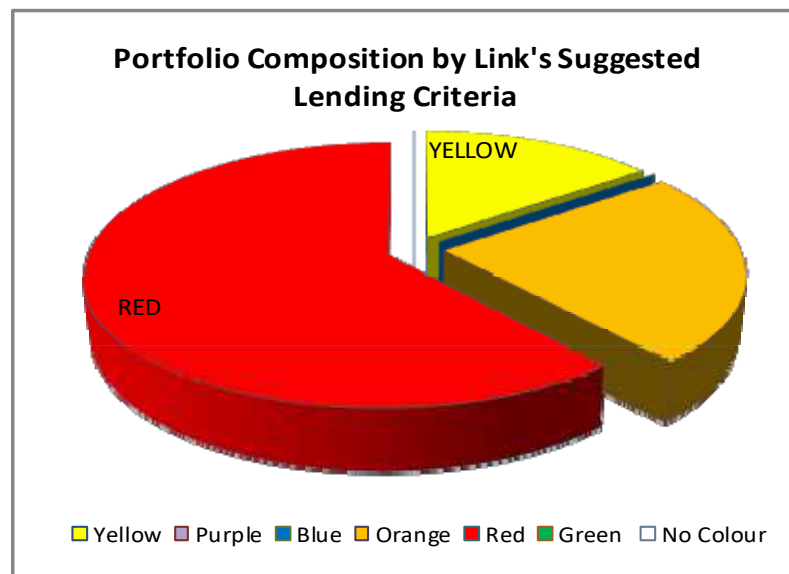
1. Entry Costs were charged against Treasury Management Budget in 2014/15

Investment Summary Sheet

						Weighted Average Rate of Return	Weighted Average Days to Maturity	Weighted Average Days to Maturity from Execution WAM at Execution
	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	
Yellow	14.97%	3,900,000	100.00%	3,900,000	14.97%	1.88%	0	0
Purple	0.00%	-	0.00%	-	0.00%	0.00%	0	0
Blue	0.00%	-	0.00%	-	0.00%	0.00%	0	0
Orange	23.61%	6,150,000	100.00%	6,150,000	23.61%	1.83%	25	25
Red	61.42%	16,000,000	43.75%	7,000,000	26.87%	1.64%	125	174
Green	0.00%	-	0.00%	-	0.00%	0.00%	0	0
No Colour	0.00%	-	0.00%	-	0.00%	0.00%	0	0
	100.0%	26,050,000	65.45%	17,050,000	65.45%	1.72%	83	113

Risk Score for Colour (1 = Low, 7 = High)	Sep 2022	Jun 2022	Mar 2022	Dec 2021
1	0.1	0.2	0.0	0.1
2	0.0	0.0	0.0	0.0
3	0.0	0.0	0.0	0.0
4	0.9	1.5	1.8	1.5
5	3.1	2.3	2.7	2.4
6	0.0	0.0	0.0	0.0
7	0.0	0.0	0.0	0.0
	4.2	4.0	4.5	4.0

	Link's Suggested Criteria
Y	Up to 5 Years
P	Up to 2 Years
B	Up to 1 Year
O	Up to 1 Year
R	Up to 6 months
G	Up to 3 months
N/C	No Colour



Normal' Risk Score	3.5	3.5	3.5	3.5
-----------------------	-----	-----	-----	-----

APPENDIX B1

THE PRUDENTIAL CODE AND PRUDENTIAL BORROWING

1. Introduction

- 1.1 The Local Government Act 2003 brought about a new borrowing system for local authorities known as the Prudential Code (the Code). This gives to Councils much greater freedom and flexibility to borrow without government consent so long as they can afford to repay the amount borrowed.
- 1.2 The aim of the Code is to support local authorities when making Capital investment decisions. These decisions should also be in line with the objectives and priorities as set out in the Council's Corporate Plan.
- 1.3 The key objectives of the Code are to ensure, within a clear framework, that the Capital investment plans of the Council are affordable, prudent and sustainable, or if appropriate, to demonstrate that they may not be. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability. These objectives are consistent with and support local strategic planning, local asset management planning and proper option appraisal. They also encourage sound treasury management decisions.

2. Prudential Indicators

- 2.1 To demonstrate that the Council has fulfilled these objectives, the Code sets out indicators that must be used. It is for the council to set any indicative limits or ratios. It is also important to note that these indicators are not designed to be comparative performance figures indicators but to support and record the Council's decision making process.
- 2.2 Appendix B2 sets out the latest performance indicators for the current year.

3. Prudential Borrowing

- 3.1 Local authorities have always funded a substantial element of their capital programme via borrowing. This continues to be the case but until the introduction of the Prudential Code any local authority borrowing was essentially based upon a government 'permission to borrow'. Following the introduction of the Prudential Code, the permission to borrow was essentially withdrawn and Councils were given greater freedom to borrow so long as they can demonstrate that the revenue consequences of such borrowing (i.e. the cost of the debt) are sustainable, affordable and prudent in the medium to long term.

PRUDENTIAL INDICATORS

Central to the operation of the Prudential code is the compilation and monitoring of prudential indicators covering affordability, prudence, Capital expenditure, and treasury management. Set out below are the indicators for 2022/23 to date as detailed in the Treasury Management Strategy Statement for 2022/23.

(a) Affordability

	2022/23 Original Estimate £	2022/23 Revised Estimate £
(i) Capital Expenditure	36,074,100	40,710,900
(ii) Financing Costs Total Financing Costs	1,049,900	(38,933)
(iii) Net Revenue Stream Funding from Govt Grants/Local Taxpayers	14,309,000	14,309,000
(iv) Ratio of Financing Costs to Net Revenue Stream The figures monitor financing costs as a proportion of the total revenue stream from government grants and local taxpayers. The increase in the ratio of financing costs is mainly attributable to the forecast reduction in investment income.	7.34%	(0.27%)
(v) Incremental Impact on Council Tax This indicator allows the effect of the totality of the Council's capital investment decisions to be considered at budget setting time.	8.85	8.85
(vi) Authorised Borrowing Limit Maximum Level of Borrowing and Other Long term Liabilities	52,100,000	52,100,000
	41,106,000	41,106,000
The authorised borrowing limit is determined by Council prior to the start of the financial year. The limit must not be altered without agreement by Council and should not be exceeded under any foreseeable circumstances.		

	2022/23 Original Estimate £	2022/23 Revised Estimate £
(vii) Operational Borrowing Limit Maximum Level of Borrowing and Other Long term Liabilities The operational borrowing limit is also determined by Council prior to the start of the financial year. Unlike the authorised limit, it may be breached temporarily due to cashflow variations but it should not be exceeded on a regular basis.	47,100,000 41,106,000	47,100,000 41,106,000
(viii) Capital Financing Requirement (CFR) As at 31 March The CFR is a measure of the underlying borrowing requirement of the authority for capital purposes.	50,878,000	50,878,000

(b) Prudence and Sustainability

	2022/23 Original £
(i) New Borrowing to Date Long Term Borrowing has been taken in 2022/23 to date	0
(ii) Percentage of Fixed Rate Long Term Borrowing at September 2022	100%
(iii) Percentage of Variable Rate Long Term Borrowing at September 2022 Prudent limits for both fixed and variable rate exposure have been set at 100%. This is due to the limited flexibility available to the authority in the context of its overall outstanding borrowing requirement.	0%
(iv) Minimum Level of Investments Classified as Specified Level of Specified Investments as at September 2022 As part of the Capital Investment Strategy for 2022/23, the Council set a minimum level of 50% for its specified as opposed to non specified investments. The two categories of investment were defined as part of the Strategy but for the City Council non specified investments will presently refer mainly to either investments of over one year in duration or investments placed with building societies that do not possess an appropriate credit rating. These tend to be the smaller building societies.	50.00% 100.00%

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 21 NOVEMBER 2022

EX.152/22 TREASURY MANAGEMENT JULY TO SEPTEMBER 2022
(Non Key Decision)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel People Panel

Subject Matter

The Finance, Governance and Resources Portfolio Holder submitted report RD.43/22 providing the regular quarterly report on Treasury Transactions including the requirement of the Prudential Code. (RD.43/22)

The Finance, Governance and Resources Portfolio Holder concluded by moving the recommendation set out in the report. The Leader seconded the recommendation.

Summary of options rejected none

DECISION

That Report RD.43/22 be received and the Prudential Indicators noted as at the end of September 2022.

Reasons for Decision

To inform the Executive of the Council's Treasury Management issues.