



Report to Audit Committee

Meeting Date: 24 September 2021
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and Budget Framework YES
Public / Private Public

Title: TREASURY MANAGEMENT: APRIL TO JUNE 2021
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number: RD 34/21

Purpose / Summary:

This report, which provides the regular quarterly summary of Treasury Management transactions for the first quarter of 2021/22, was received by the Executive on 31 August 2021. The Audit Committee is invited to make any observations on treasury matters which took place during this quarter although it will be noted from the report that this was a relatively quiet period in treasury terms.

Recommendations:

That the report be noted.

Tracking

Executive:	31 August 2021
Audit Committee:	24 September 2021
Council:	Not applicable

Report to Executive

Agenda
Item:

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 Within Policy and Budget Framework YES
 Public / Private Public

Title: TREASURY MANAGEMENT: APRIL TO JUNE 2021
 Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
 Report Number: RD 34/21

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 June 2021.

Tracking

Executive:	31 August 2021
Audit Committee:	24 September 2021
Council:	Not applicable

1. BACKGROUND

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 April– June 2021

- **Appendix A1** – Treasury Transactions April to June 2021
- **Appendix A2** – Investment Transactions April to June 2021
- **Appendix A3** – Outstanding Investments at June 2021

(ii) **Appendix B** discusses the Prudential Code and Prudential Indicators for 2021/22

- **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 Audit Committee will consider the report on 24 September 2021.

4. CONCLUSION AND REASONS FOR RECOMMENDATIONS

4.1 That this report is received, and the Prudential Indicators noted as at the end of June 2021.

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

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

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**Appendices
attached to report:**

**Appendix A1 – Treasury Transactions
Appendix A2 – Investment Transactions
Appendix A3 – Outstanding Investments
Appendix B1 – Prudential Code background
Appendix B2 – Prudential Indicators**

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 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
APRIL to JUNE 2021

1. LOANS (DEBT)

1.1 Transactions April to June 2021

	Raised		Repaid	
	£	%	£	%
P.W.L.B	0	0.00	0	0.00
Local Bonds	0	0.00	0	0.00
Short Term Loans	0	0.00	0	0.00
Overnight Borrowing	0	0.00	0	0.00
	0		0	

This provides a summary of any loans that have been raised or repaid, analysed by type, since the previous report.

1.2 Loans (Debt) Outstanding at end of June 2021

	£
PWLB	13,287,500
Short Term Loans	12,800
	13,300,300

1.3 Loans Due for Repayment (Short Term)

	PWLB £	Overnight £	Other £	Total £
Short Term Debt at end June 2021	475,000	0	12,800	487,800

2. INVESTMENTS

	Made		Repaid	
	£	%	£	%
Short Term Investments	20,700,000	0.01-0.190	10,700,000	0.01-0.01
	20,700,000		10,700,000	

A full schedule of investment transactions is set out in Appendix A2. Appendix A3 shows outstanding investments at end of June 2021. The weighted average return achieved on all investments as at the end of June was 0.79%. Bank base rate is currently 0.10%.

3 REVENUES COLLECTED

To: June 2021		Collected £	% of Amount Collectable %
2021/22	Council Tax NNDR	20,326,669	28.88
		8,764,152	32.61
Total		29,090,821	29.61
2020/21	Council Tax NNDR	18,885,338	28.22
		6,493,519	28.27
Total		25,378,857	28.23
2019/20	Council Tax NNDR	18,583,582	29.07
		13,667,431	31.14
Total		32,251,012	29.92

4 BANK BALANCE

At end of June 2021, £1,172,032 in hand.

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

5 PERFORMANCE ON TREASURY MANAGEMENT BUDGET
TO END OF JUNE 2021
 April – June 2021

	Profiled Budget £000	Actual £000	Variance £000
Interest Receivable	(42)	(43)	(1)
Interest Payable	103	0	(103)
Less Rechargeable	0	0	0
	103	0	(103)
Principal Repaid (MRP)	0	0	0
Debt Management	12	13	1
NET BALANCE	73	(30)	(103)

The profiled budget is to the end of June 2021.

Interest receivable is in line with current budget expectations.

The dividends received from the property fund have maintained an income of approximately £33,000 per quarter. The yield to the end of June was 4.18%. The valuation of the investment at the end of June was £3,402,054.

Interest payable is currently below budget due to no new borrowing entered into yet.

APPENDIX A2

INVESTMENT TRANSACTIONS APRIL TO JUNE 2021

INVESTMENTS MADE			INVESTMENTS REPAYD	
	£			£
HSBC	4,000,000.00		HSBC	3,000,000.00
HSBC	5,200,000.00		HSBC	3,200,000.00
Goldman Sachs	1,000,000.00		HSBC	1,500,000.00
Goldman Sachs	1,000,000.00		HSBC	3,000,000.00
Goldman Sachs	1,000,000.00			
HSBC	2,000,000.00			
Standard Chartered	1,000,000.00			
Standard Chartered	1,000,000.00			
Standard Chartered	1,000,000.00			
HSBC	3,500,000.00			
TOTAL	20,700,000			10,700,000
			Bfwd	14,289,358
			Paid	20,700,000
			Repaid	10,700,000
			Total	24,289,358
			CCLA	112,696
			Total	24,402,054

Outstanding Investments as at 30 June 2021

Category	Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Days to maturity at execution	Total Interest Expected (£)
O	HSBC UK Bank Plc (RFB)	8,000,000	0.01%		Call1		
R	Goldman Sachs International Bank	1,000,000	0.13%	29/04/2021	30/07/2021	92	328
O	HSBC UK Bank Plc (RFB)	2,000,000	0.10%		Call31		
R	Goldman Sachs International Bank	1,000,000	0.16%	29/04/2021	27/08/2021	120	526
R	Goldman Sachs International Bank	1,000,000	0.19%	29/04/2021	24/09/2021	148	770
R	Standard Chartered Bank	1,000,000	0.11%	16/06/2021	29/10/2021	135	407
R	Standard Chartered Bank	1,000,000	0.12%	16/06/2021	26/11/2021	163	536
R	Standard Chartered Bank	1,000,000	0.15%	16/06/2021	24/12/2021	191	785
R	Santander	2,000,000	0.58%		Call180		
R	Santander	3,000,000	0.58%		Call180		
Total Investments		£21,000,000	0.19%			142	£3,352

Borrower	Current Market Value (£)	Current Yield	Start Date	Initial Investment (£)	Initial Market Value (£)	Unrealised Growth (£)	% Growth
CCLA Property Fund	3,402,054	4.18%	31/07/2014	3,000,000	2,836,896	402,054	13.4%

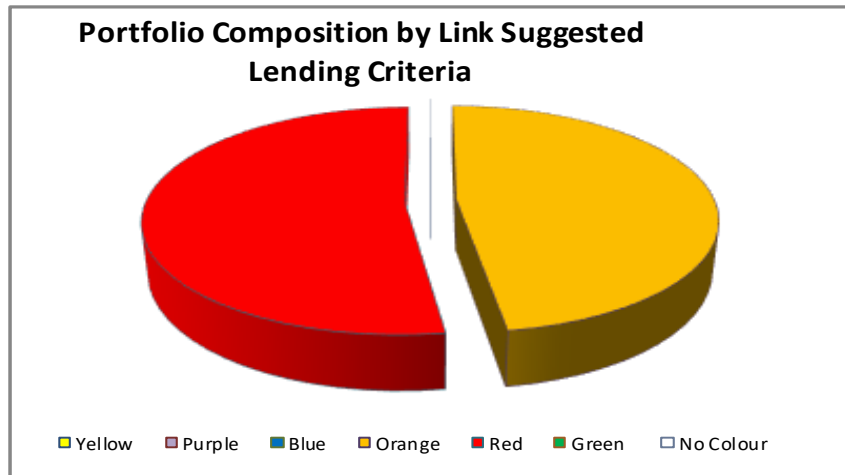
1. Entry Costs were charged against Treasury Management Budget in 2014/15

N.B Interest is recognised in the appropriate financial year in which it is due.

Investment Summary

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	Weighted Average Rate of Return WARoR	Weighted Average Days to Maturity WAM	Weighted Average Days to Maturity from Execution WAM at Execution
Yellow	0.00%	-	0.00%	-	0.00%	0.00%	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	47.62%	10,000,000	100.00%	10,000,000	47.62%	0.03%	7	7
Red	52.38%	11,000,000	45.45%	5,000,000	23.81%	0.34%	138	159
Green	0.00%	-	0.00%	-	0.00%	0.00%	0	0
No Colour	0.00%	-	0.00%	-	0.00%	0.00%	0	0
	100.00%	21,000,000	71.43%	15,000,000	71.43%	0.19%	76	87

	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



Risk Score for Colour (1 = Low, 7 = High)	Jun-21	Mar-21	Dec-20	Sep-20
1	0.00	0.0	0.2	0.2
2	0.0	0.0	0.0	0.0
3	0.0	0.0	0.0	0.0
4	1.9	2.2	2.1	1.9
5	2.6	2.3	1.3	1.5
6	0.0	0.0	0.0	0.0
7	0.0	0.0	0.0	0.0
	4.5	4.5	3.6	3.6

Normal' Risk Score	3.5	3.5	3.5	3.5
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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. Supported and Unsupported (or 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 in 2003, 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 2021/22 to date as detailed in the Treasury Management Strategy Statement for 2021/22.

(a) Affordability

	2021/22 Original Estimate £	2021/22 Current £
(i) Capital Expenditure	19,070,400	29,649,200
(ii) Financing Costs Total Financing Costs	458,100	(42,612)
(iii) Net Revenue Stream Funding from Govt Grants/Local Taxpayers	13,848,000	13,848,000
(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.	3.24%	(0.31%)
(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.	12.82	18.54
(vi) Authorised Borrowing Limit Maximum Level of Borrowing and Other Long term Liabilities	45,100,000	48,100,000
	34,380,000	34,380,000
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.		

	2021/22 Original Estimate £	2021/22 Current £
(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.	40,100,000 34,380,000	43,100,000 34,380,000
(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.	39,601,000	40,948,000

(b) Prudence and Sustainability

	2021/22 Original £
(i) New Borrowing to Date No Long Term Borrowing has been taken in 2021/22 to date	0
(ii) Percentage of Fixed Rate Long Term Borrowing at June 2021	100%
(iii) Percentage of Variable Rate Long Term Borrowing at June 2021 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 June 2021 As part of the Investment Strategy for 2021/22, 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%