

## Report to Executive

Agenda  
Item:

**A.13**

Meeting Date: 5 August 2013  
Portfolio: Finance, Governance and Resources  
Key Decision: No  
Within Policy and Budget Framework YES  
Public / Private Public

Title: TREASURY MANAGEMENT: APRIL TO JUNE 2013  
Report of: DIRECTOR OF RESOURCES  
Report Number: RD30/13

### **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 2013.

### **Tracking**

Executive:	<b>5 August 2013</b>
Audit Committee:	<b>26 September 2013</b>
Council:	<b>Not applicable</b>

## **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 2013 – June 2013

- **Appendix A1** – Treasury Transactions April to June 2013
- **Appendix A2** – Investment Transactions April to June 2013
- **Appendix A3** – Outstanding Investments at June 2013

(ii) **Appendix B** discusses the Prudential Code and Prudential Indicators for 2013/14

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

## **2. CONSULTATION**

2.1 Consultation to Date:  
None.

2.2 Consultation proposed:  
None.

## **3. CONCLUSION AND REASONS FOR RECOMMENDATIONS**

3.1 That this report is received and the Prudential Indicators noted as at the end of June 2013.

## **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 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/RISKS:**

**Chief Executive's** – not applicable

**Community Engagement** – not applicable

**Economic Development** – not applicable

**Governance** – The Council has a fiduciary duty to manage its finances properly and the proper reporting of the budget monitoring is part of this process

**Local Environment** – not applicable

**Resources** - Included in the report

TREASURY TRANSACTIONS  
APRIL to JUNE 2013

1. LOANS (DEBT)

1.1 Transactions April to June 2013

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

This provides a summary of any loans that have been raised or repaid, analysed by type, since the previous report. There have been no transactions in the period. New procedures have been put in place to map the cash flow more accurately to enable better forecasting and to limit the amount of short term/overnight borrowing which may be required.

1.2 Loans (Debt) Outstanding at end of June 2013

	£
City of Carlisle Stock Issue	15,000,000
Short Term Loans	13,300
	<b>15,013,300</b>

1.4 Loans Due for Repayment (Short Term)

	PWLB £	Overnight £	Total £
Short Term Debt at end June 2013	0	0	13,300
			<b>13,300</b>

## 2 INVESTMENTS

	Made		Repaid	
	£	%	£	%
Short Term Investments	37,230,000	1.10-0.37	32,805,000	0.37-3.00
	<b>37,230,000</b>		<b>32,805,000</b>	

A full schedule of investment transactions is set out in Appendix A2. Appendix A3 shows outstanding investments at end of June 2013. The average return achieved on investments as at the end of June was 0.98%.

## 3 REVENUES COLLECTED

To: June 2013		Collected £	% of Amount Collectable %
2013/14	Council Tax NNDR	14,364,412 14,004,237	29.50 33.18
<b>Total</b>		<b>28,368,649</b>	<b>31.21</b>
2012/13	Council Tax NNDR	14,130,535 13,977,288	29.86 34.12
<b>Total</b>		<b>28,107,823</b>	<b>31.73</b>
2011/12	Council Tax NNDR	14,135,393 12,690,688	29.90 32.50
<b>Total</b>		<b>26,826,081</b>	<b>31.41</b>

Collection levels have been fairly stable in each of the past three years.

## 4 BANK BALANCE

At end of June 2013 £144,922.16 in hand.

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

5 PERFORMANCE ON TREASURY MANAGEMENT TRANSACTIONS  
TO END OF JUNE 2013  
 April –June 2013

	Estimate £000	Actual £000	Variance £000
Interest Receivable	(118)	(87)	31
Interest Payable	190	189	(1)
Less Rechargeable	0	0	0
	<b>190</b>	<b>189</b>	<b>(1)</b>
Principal Repaid	0	0	0
Debt Management	15	12	(3)
<b>NET BALANCE</b>	<b>87</b>	<b>114</b>	<b>27</b>

The estimate column is the profiled budget to end of June 2013.

Most budget heads are performing very much in line with the original estimate.

## APPENDIX A2

### INVESTMENT TRANSACTIONS APRIL TO JUNE 2013

INVESTMENTS MADE		INVESTMENTS REPAYD	
	£		£
Barclays	4,000,000.00	Nationwide	1,000,000.00
Nationwide	2,000,000.00	Bank of Scotland	1,000,000.00
HSBC	700,000.00	Prime Rate	70,000.00
Nationwide	1,000,000.00	Prime Rate	950,000.00
HSBC	290,000.00	Prime Rate	1,350,000.00
HSBC	350,000.00	HSBC	1,000,000.00
Cumberland	1,000,000.00	HSBC	1,500,000.00
Bank of Scotland	1,000,000.00	Prime Rate	1,385,000.00
HSBC	480,000.00	Prime Rate	220,000.00
HSBC	440,000.00	Royal Bank of Scotland	2,000,000.00
Prime Rate	870,000.00	Ignis	50,000.00
Prime Rate	1,500,000.00	Prime Rate	2,460,000.00
Prime Rate	3,500,000.00	Ignis	1,820,000.00
HSBC	2,500,000.00	Prime Rate	135,000.00
Prime Rate	445,000.00	Prime Rate	190,000.00
Royal Bank of Scotland	2,000,000.00	HSBC	2,475,000.00
Ignis	1,870,000.00	Cumberland B Soc	1,000,000.00
Prime Rate	445,000.00	HSBC	25,000.00
Royal Bank of Scotland	1,000,000.00	HSBC	1,500,000.00
Bank of Scotland	1,000,000.00	Barclays	120,000.00
HSBC	520,000.00	Bank of Scotland	1,000,000.00
Prime Rate	1,450,000.00	Royal Bank of Scotland	1,000,000.00
HSBC	3,480,000.00	Prime Rate	540,000.00
Barclays	120,000.00	Prime Rate	15,000.00
Prime Rate	515,000.00	Prime Rate	765,000.00
Prime Rate	755,000.00	Royal Bank of Scotland	1,000,000.00
Ignis	3,000,000.00	Prime Rate	340,000.00
Royal Bank of Scotland	1,000,000.00	Ignis	3,000,000.00
		Prime Rate	1,060,000.00
		HSBC	220,000.00
		HSBC	3,615,000.00
<b>TOTAL</b>	<b>37,230,000</b>		<b>32,805,000</b>
		Bfwd	18,740,000
		Paid	37,230,000
		Repaid	32,805,000
		<b>Total</b>	<b>23,165,000</b>

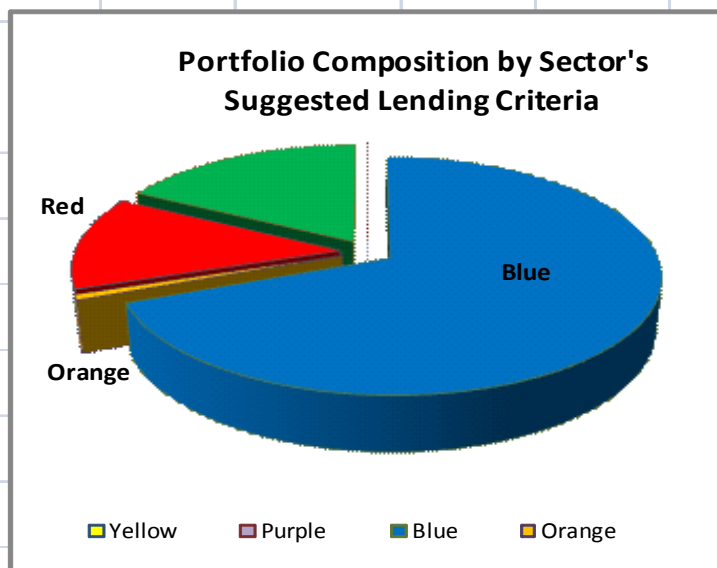
<b>Outstanding Investments as at 30 June 2013</b>							
<b>Category</b>	<b>Borrower</b>	<b>Principal (£)</b>	<b>Interest Rate</b>	<b>Start Date</b>	<b>Maturity Date</b>	<b>Days to maturity at execution</b>	<b>Total Interest Expected (£)</b>
G	Barclays Bank	4,000,000	0.65%		Call		
O	HSBC	165,000	0.50%		Call		
B	Bank of Scotland	1,000,000	2.85%	02/08/2012	02/08/2013	365	28,500
B	Royal Bank of Scotland	2,000,000	0.85%		Call90	90	
B	Royal Bank of Scotland	1,000,000	0.85%		Call90	90	
B	Royal Bank of Scotland	1,000,000	0.85%		Call90	90	
B	Royal Bank of Scotland	2,000,000	0.80%		Call95	95	
B	Royal Bank of Scotland	1,000,000	0.80%		Call95	95	
B	Royal Bank of Scotland	1,000,000	1.75%	05/10/2012	04/10/2013	364	17,452
R	Nationwide Building Society	1,000,000	0.61%	04/04/2013	19/12/2013	259	4,328
R	Nationwide Building Society	2,000,000	0.63%	02/04/2013	02/01/2014	275	9,493
B	Bank of Scotland	1,000,000	1.10%	04/01/2013	03/01/2014	364	10,970
B	Bank of Scotland	1,000,000	1.10%	13/02/2013	14/02/2014	366	11,030
B	Bank of Scotland	1,000,000	1.10%	25/03/2013	28/03/2014	368	11,090
B	Bank of Scotland	1,000,000	1.10%	27/03/2013	28/03/2014	90	2,712
B	Bank of Scotland	1,000,000	1.10%	28/03/2013	28/03/2014	95	2,863
B	Bank of Scotland	1,000,000	1.10%	11/04/2013	10/04/2014	364	10,970
B	Bank of Scotland	1,000,000	1.05%	30/05/2013	30/05/2014	365	10,500
	<b>Total Investments</b>	<b>£23,165,000</b>	<b>0.98%</b>			<b>233</b>	<b>£119,909</b>

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

## Investments Summary Sheet

						Weighted Average Rate of Return	Weighted Average Days to Maturity	Weighted Average Dats to Maturity from Execution	Weighted Average Risk				
	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Risk Score for Colour (1 = Low, 7 = High)	Jun 2013	Mar 2013	Dec 2012	Sep 2012
Yellow	0.00%	-	0.00%	-	0.00%	0.00%	0	0	1	0.0	0.0	0.0	0.0
Purple	0.00%	-	0.00%	-	0.00%	0.00%	0	0	2	0.0	0.0	0.0	0.0
Blue	69.07%	16,000,000	43.75%	7,000,000	30.22%	1.13%	164	246	3	2.1	2.6	2.1	2.1
Orange	0.71%	165,000	100.00%	165,000	0.71%	0.50%	0	0	4	0.0	0.4	0.0	0.0
Red	12.95%	3,000,000	0.00%	-	0.00%	0.62%	181	270	5	0.6	0.3	0.0	0.0
Green	17.27%	4,000,000	100.00%	4,000,000	17.27%	0.65%	0	0	6	1.0	0.0	1.0	1.0
No Colour	0.00%	-	0.00%	-	0.00%	0.00%	0	0	7	0.0	0.0	0.6	0.6
	<b>100.00%</b>	<b>23,165,000</b>	<b>48.20%</b>	<b>11,165,000</b>	<b>48.20%</b>	<b>0.98%</b>	<b>137</b>	<b>205</b>		<b>3.8</b>	<b>3.2</b>	<b>3.8</b>	<b>3.8</b>

	Sector'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

### 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 C2 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 Code any local authority borrowing was essentially based upon a government 'permission to borrow'. Differing types of government control operated over the years but since 1990 these had been termed credit approvals. The level of an authority's previous years' credit approvals is also included in the revenue support grant (RSG) allocation so that ultimately any borrowing is 'supported' via RSG.

- 3.2 This element of supported borrowing is still part of the RSG system although the City Council has previously resolved that its capital borrowing would be limited to its level of supported borrowing. In 2013/14 this is estimated to be Nil.
- 3.3 However, there may be circumstances in which the City Council will wish to undertake some prudential borrowing and the issues surrounding unsupported and supported borrowing are discussed below.
- 3.4 Authorities are permitted to borrow in excess of their supported borrowing allocation. This is referred to as prudential or unsupported borrowing. This can be undertaken so long as the Council 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 2013/14 to date as detailed in the Treasury Management Strategy Statement for 2013/14.

**(a) Affordability**

	2013/14 Original Estimate £	2013/14 Revised Estimate £
<b>(i) Capital Expenditure</b>	7,780,000	4,655,200
<b>(ii) Financing Costs</b> Total Financing Costs	845,959	845,959
<b>(iii) Net Revenue Stream</b> Funding from Govt Grants/Local Taxpayers	13,454,000	13,454,000
<b>(iv) Ratio of Financing Costs to Net Revenue Stream</b> 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.	6.29%	6.29%
<b>(v) Incremental Impact on Council Tax</b> This indicator allows the effect of the totality of the Council's capital investment decisions to be considered at budget setting time.	0.56	0.56
<b>(vi) Authorised Borrowing Limit</b> Maximum Level of Borrowing and Other Long term Liabilities	37,600,000	37,600,000
	15,013,300	15,013,300
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.		

	2013/14 Original Estimate £	2013/14 Revised Estimate £
<b>(vii) Operational Borrowing Limit</b> 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.	32,600,000  15,013,300	32,600,000  15,013,300
<b>(viii) Capital Financing Requirement (CFR)</b> As at 31 March The CFR is a measure of the underlying borrowing requirement of the authority for capital purposes.	(5,293,000)	n/a

**(b) Prudence and Sustainability**

	2013/14 Original £
<b>(i) New Borrowing to Date</b> No Long Term Borrowing has been taken in 2013/14 to date	0
<b>(ii) Percentage of Fixed Rate Long Term Borrowing</b> at June 2013	100%
<b>(iii) Percentage of Variable Rate Long Term Borrowing</b> at June 2013 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%
<b>(iv) Minimum Level of Investments Classified as Specified</b> Level of Specified Investments as at June 2013  As part of the Investment Strategy for 2013/14, 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% 91.00%