

REPORT TO EXECUTIVE			
PORTFOL			
PORTFOLIO AREA: FINANCE AND RESOURCES			
Date of Meeting:	28 October 2002		
Public			
Key Decision:	No	Recorded in Forward Plan:	No
Inside Policy Framework			

Title: TREASURY TRANSACTIONS 1 JULY – 30 SEPTEMBER 2002

Report of: The City Treasurer

Report reference: Financial Memo 2002/03 No 62

Summary:

To provide the quarterly report on Treasury Transactions, as required under Financial Regulations. Also included is the interim report for 2002/03 on Treasury Management.

Recommendations:

That this report be received.

Contact Officer: David Steele

Ext: 7288

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CITY OF CARLISLE

To: The Executive Financial Memo

28 October 2002 2002/03 No 62

TREASURY TRANSACTIONS

1. INTRODUCTION

1. The purpose of this report is to inform Members on various Treasury Management issues. Appendix A to this report sets out the schedule of Treasury Transactions for the period 1 July 2002 – 30 September 2002. Appendix B sets out the interim report on Treasury Management issues in 2002/03.

2. CONSULTATION

1. Consultation to Date.

None.

2. Consultation proposed.

None.

3. STAFFING/RESOURCES COMMENTS

Not Applicable

4. CITY TREASURER'S COMMENTS

Included within the report

5. LEGAL COMMENTS

Not Applicable

6. CORPORATE COMMENTS

Not Applicable

7. RISK MANAGEMENT ASSESSMENT

Not Applicable

8. EQUALITY ISSUES

Not Applicable

9. ENVIRONMENTAL IMPLICATIONS

Not Applicable

10. CRIME AND DISORDER IMPLICATIONS

Not Applicable

11. RECOMMENDATIONS

11.1 It is recommended that this report be received.

12. REASONS FOR RECOMMENDATIONS

As per the report.

D THOMAS

City Treasurer

Contact: David Steele Ext: 7288

City Treasury

Carlisle

15 October 2002

DKS/EL/f620203

APPENDIX A

TREASURY TRANSACTIONS
1 JULY TO 30 SEPTEMBER 2002

1. LOANS

Raised % Repaid %

£ £

P.W.L.B Nil Nil

Local Bonds Nil Nil

Short Term Loans Nil Nil

Nil Nil

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

2. INVESTMENTS

Made Repaid

£ % £ %

Short Term Investments 35,180,000 3 – 4^{5/8} 34,630,000 3 - 4^{5/8}

Other - -

35,180,000 34,630,000

3. BOND TRANSACTIONS

Period: July 2002 to September 2002

Bonds Repaid: Nil Balance remaining: £102,600

This section details repayments of market bonds held by the City Council.

Repayments now refer only to the periodic repayments on bonds inherited from the former Border RDC.

4. CAPITAL BORROWING STATEMENT

£

Loans Fund overdrawn 1 April 2002 (2,083,000)

Deduct:

New Borrowing Approvals 2002/03 (1,140,000)

Repaid Debt to 30 September 2002 (76,000)

(3,299,000)

Add:

Repayments by borrowing accounts 560,000

2002/03

New Loans taken up to 30 September 2002 5,900

Loans Fund overdrawn 30 September 2002 (£2,733,100)

The Capital Borrowing Statement gives an indication of the extent to which the City Council is under or over borrowed in relation to its capital debt. It is Council policy for all capital debt to be funded by external long-term loans. At 30 September 2002 the City Council was under-funded by just under £2.75m. For technical reasons, no further borrowings are likely to be undertaken in advance of the potential housing stock transfer.

5. LOANS DUE FOR REPAYMENT

PWLB Local Bonds Total

£ £ £

November 2002 Nil Nil Nil

December 2002 Nil Nil Nil

January 2003 Nil Nil Nil

February 2003 Nil Nil Nil

Mar – Oct 2003 Nil 2,000 2,000

Nil 2,000 2,000

Short Term Debt at 30 September 2002 27,900£29,900

Shown here is a calendar of future loan repayments which can be a useful aid to cash flow management. Whilst no normal PWLB repayments are scheduled in the above timetable in fact a very substantial tranche of PWLB debt will be redeemed as part of the stock transfer planned for December 2002.

6. REVENUES COLLECTEDTo: 30 September Collected % of AmountCollectable

£ %

2002/03 Council Tax 17,138,263 56.5

NNDR 16,790,666 62.7TOTAL 33,925,929 59.6

2001/02 Council Tax 15,606,020 56.3

NNDR 16,022,430 61.0TOTAL 31,628,450 58.7

2000/01 Council Tax 14,682,881 55.9

NNDR 13,005,991 54.8TOTAL 27,688,872 55.47. INTEREST RATESDate PWLB Maturity (Higher Quota Rates)1 Year 10 Years 25 Years02 July 2002 $4\frac{3}{4}$ $5\frac{3}{8}$ $5\frac{1}{4}$ 09 July 2002 $4\frac{3}{4}$ $5\frac{1}{2}$ $5\frac{3}{8}$

15 July 2002 $4\frac{1}{2}$ $5\frac{3}{8}$ $5\frac{1}{4}$

16 July 2002 $4\frac{1}{2}$ $5\frac{1}{4}$ $5\frac{1}{4}$

23 July 2002 $4\frac{1}{4}$ $5\frac{1}{4}$ $5\frac{1}{4}$

30 July 2002 $4\frac{1}{4}$ $5\frac{1}{4}$ $5\frac{1}{4}$

02 August 2002 4 $5\frac{1}{8}$ $5\frac{1}{8}$

06 August 2002 4 5 $5\frac{1}{8}$

13 August 2002 4 5 5

20 August 2002 $4\frac{1}{8}$ $5\frac{1}{8}$ 5

28 August 2002 $4\frac{1}{8}$ $5\frac{1}{8}$ 5

03 September 2002 4 5 $4\frac{7}{8}$

10 September 2002 4 $4\frac{7}{8}$ $4\frac{7}{8}$

17 September 2002 4 $4\frac{3}{4}$ $4\frac{3}{4}$

24 September 2002 $3\frac{7}{8}$ $4\frac{3}{4}$ $4\frac{3}{4}$

The regular changes in PWLB rates are shown here. Rates for all periods continued to ease during the last quarter though base rate has remained constant at 4% since November 2001.

8. INTEREST RECEIPTS

To 30 September 2002

Estimate Actual Variance

£000s £000s £000s

Interest Receivable 800 1,001

Less Rechargeable to non General (50) (98)

Fund Accounts

Net Balance 750 903

The estimate column to 30 September 2002 is shown as one half of the annual estimate. Interest receipts are still above the original estimate due to a combination of beneficial cash flow coupled with much higher balances than forecast. However the recharge to the HRA is also above the forecast due to the increased HRA balance while the average interest yield to date of some 4.2% is below the 4.5% anticipated for 2002/03. General Fund debt servicing costs, which are excluded from this analysis, may also have risen if the effect of RTB Sales reduces the recharge of these costs to the HRA by more than the estimate assumptions.

9. BANK BALANCE

At 30 September 2002 £1,498 in hand.

This simply records the Council's bank balance at the end of the last day covered by the report. One aim of cash management is to keep the daily bank balance as close to zero as possible though there are days when this is not always very practical. Interest on any overdraft is charged at Base Rate plus 1%. At present no allowance is given when the account is in credit.

City Treasury

Carlisle

15 October 2002

DKS/EL/f620203

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APPENDIX A1INVESTMENT TRANSACTIONS 1 JULY 2002 TO 30 SEPTEMBER 2002INVESTMENTS MADE £ INVESTMENTS REPAID £

Britannia B Soc 1,000,000 Darlington B Soc 1,000,000
 Northern Rock 1,000,000 Loughborough B Soc 500,000
 Skipton B Soc 1,000,000 Monmouthshire B Soc 500,000
 Coventry B Soc 1,580,000 Tipton & Coseley B Soc 500,000
 Loughborough B Soc 500,000 Leek United B Soc 1,000,000
 Leeds & Holbeck B Soc 1,250,000 Cheshire B Soc 500,000
 Britannia B Soc 1,000,000 Stroud & Swindon B Soc 500,000
 Cumberland B Soc 1,000,000 Progressive B Soc 500,000
 Coventry B Soc 1,000,000 Derbyshire B Soc 1,000,000
 Coventry B Soc 450,000 Coventry B Soc 1,250,000
 Coventry B Soc 2,000,000 Britannia B Soc 1,000,000
 Derbyshire B Soc 1,000,000 Northern Rock 1,000,000
 Tipton & Coseley B Soc 500,000 Skipton B Soc 1,000,000
 Leek United B Soc 1,000,000 Coventry B Soc 1,580,000
 Britannia B Soc 1,000,000 Britannia B Soc 1,000,000
 Britannia B Soc 1,530,000 Cumberland B Soc 1,000,000
 HSBC 800,000 Coventry B Soc 1,000,000
 Britannia B Soc 1,500,000 Coventry B Soc 450,000
 Nationwide B Soc 1,500,000 Coventry B Soc 2,000,000
 Cumberland B Soc 1,000,000 Derbyshire B Soc 1,000,000
 HSBC 690,000 Leek United B Soc 1,000,000

Nationwide B Soc 1,000,000 Britannia B Soc 1,000,000

Coventry B Soc 1,830,000 Britannia B Soc 1,530,000

Britannia B Soc 1,500,000 HSBC 800,000

Coventry B Soc 1,000,000 Britannia B Soc 1,500,000

Britannia B Soc 1,000,000 Nationwide B Soc 1,500,000

National Counties B Soc 2,000,000 Cumberland B Soc 1,000,000

Coventry B Soc 1,000,000 HSBC 690,000

Skipton B Soc 1,550,000 Nationwide B Soc 1,000,000

Coventry B Soc 1,000,000 Coventry B Soc 1,830,000

Coventry B Soc 1,000,000 Britannia B Soc 1,500,000

Coventry B Soc 1,000,000

TRANSACTIONS 1 JULY TO 30 SEPTEMBER 2002

INVESTMENT MADE £ INVESTMENTS REPAID £

Britannia B Soc 1,000,000

Coventry B Soc 1,000,000

_____ 35,180,000
34,630,000

City Treasury

Carlisle

15 October 2002

DKS/EL/f620203 App A1

OUTSTANDING INVESTMENTS AS AT 30TH SEPTEMBER 2002

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DATE	BORROWER	AMOUNT	TERMS
ONGOING	DRESDNER GLOBAL INVESTMENTS	£14,680,000	NO FIXED TERM
ONGOING	NAT. SAVINGS INCOME BOND	£200,000	NO FIXED TERM
ONGOING	CUMBRIA COUNTY COUNCIL	£194,000	NO FIXED TERM
25/01/02	LAMBETH B.SOC	£1,000,000	TO 24 JANUARY 2003
01/02/02	NOTTINGHAM B.SOC	£1,000,000	TO 24 NOVEMBER 2002
07/02/02	WEST BROMWICH B.SOC	£1,000,000	TO 25 NOVEMBER 2002
07/03/02	CHESHIRE B.SOC	£500,000	TO 6 MARCH 2003
07/03/02	CHESHIRE B.SOC	£1,000,000	TO 9 DECEMBER 2002
20/03/02	CUMBERLAND B.SOC	£1,000,000	TO 20 DECEMBER 2002
22/03/02	CHESHIRE B.SOC	£1,000,000	TO 21 MARCH 2003
28/03/02	NOTTINGHAM B.SOC	£1,000,000	TO 31 OCTOBER 2002
02/03/02	NORWICH & PETERBOROUGH B.SOC	£1,000,000	TO 24 MARCH 2003
04/04/02	LOUGHBOROUGH B.SOC	£500,000	TO 4 OCTOBER 2002
08/04/02	LAMBETH B.SOC	£500,000	TO 8 OCTOBER 2002
10/04/02	PROGRESSIVE B.SOC	£1,000,000	TO 31 OCTOBER 2002
12/04/02	WEST BROMWICH B.SOC	£1,000,000	TO 31 OCTOBER 2002
18/04/02	STAFFORDSHIRE B.SOC	£500,000	TO 17 OCTOBER 2002
26/04/02	DERBYSHIRE B.SOC	£500,000	TO 25 OCTOBER 2002
01/05/02	MANCHESTER B.SOC	£1,000,000	TO 31 OCTOBER 2002
01/05/02	NORWICH & PETERBOROUGH B.SO	£1,000,000	TO 30 APRIL 2003

07/05/02	IPSWICH B.SOC	£1,000,000	TO 7 NOVEMBER 2002
10/05/02	NORTHERN ROCK	£1,000,000	TO 20 NOVEMBER 2002
15/05/02	KENT RELIANCE B.SOC	£1,000,000	TO 25 FEBRUARY 2003
05/06/.02	LEEK UNITED B.SOC	£1,000,000	TO 5 MARCH 2003
05/06/02	MARKET HARBOROUGH B.SOC	£1,000,000	TO 5 DECEMBER 2002
10/06/02	KENT RELIANCE B/SOC	£1,00,000	TO 20 DECEMBER 2002
11/06/02	NORWICH & PETERBOROUGH B.SO	£1,000,000	TO 10 JUNE 2003
13/06/02	TIPTON & COSELEY B.SOC	£500,000	TO 13 DECEMBER 2002
14/06/02	PROGRESSIVE B.SOC	£500,00	TO 14 MARCH 2003
18/06/02	DUDLEY B.SOC	£500,000	TO 18 DECEMBER 2002
04/07/02	LOUGHBOROUGH B.SOC	£500,000	TO 3 JANUARY 2003
04/07/02	LEEDS & HOLBECK B.SOC	£1,250,000	TO 3 OCTOBER 2002
26/.07/02	TIPTON & COSELEY B.SOC	£500,000	TO 24 JANUARY 2003
13/09/02	NATIONAL COUNTIES B.SOC	£2,000,000	TO 25 OCTOBER 2002
16/09/02	SKIPTON B.SOC	£1,550,000	TO 18 OCTOBER 2002

27/09/02	COVENTRY B.SOC	£1,000,000	TO 11 OCTOBER 2002
30/09/02	COVENTRY B.SOC	£1,000,000	OVERNIGHT

TOTAL

 £45,832,000
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WEIGHTED AVERAGE
 WEIGHTED AVERAGE
 (less Dresdner Global Investr

APPENDIX BTREASURY MANAGEMENT 2002/031. INTRODUCTION

1.1 The purpose of this report is to provide an interim report on Treasury Management in 2002/03 as recommended by the CIPFA Code of Practice on Treasury Management. This requirement is also enshrined within the Council's constitution. A final and more detailed report will be submitted after the end of the financial year.

2. MONEY MARKET CONDITIONS

1. Bank Base Rate stood at 4% on 1 April 2002, having reached that level back in November 2001. That last movement ended a period of successive falls from 5 ¾% the previous April.
2. Since then, base rate has remained unchanged to produce an unusual though not unprecedented period of stability. In 2000/01, Base Rate was unchanged at 6% for a whole year. Looking back a little further, it remained at 15% for a similar twelve month period in 1989/90.
3. Six months ago, the conventional wisdom was that 4% was a low point and that rates would gradually move up to perhaps 5% by the end of this financial year. This would have accorded with the average investment rate of 4½% that was built into the City Council's budget for 2002/03.
4. Now if anything there is a greater expectation of a rate cut rather than a rate rise. Even one-year money does not currently attract a rate of much more than 3.9% while shorter period rates are lower still. Thus if the City Council does attain its investment income forecast for 2002/03 and I am hopeful that this will be the case, it will be only as a result of beneficial cash flow factors, combined with a higher level of balances resulting from last year's underspend.
5. Whilst an average base rate of 4% rather than 4½% may seem to be a modest variation, at such low absolute levels it does translate into a shortfall of over 11% or £165,000 on the current base estimate of £1,500,000 for investment income.

3. LONG TERM FUNDING

1. The City Council's long term funding requirements in 2002/03 have been forecast as follows:

£M

Borrowing Approval 2002/03 1.3

Add Maturing Long Term Debt 4.4

Gross Requirement 5.7

Less Principal Repaid (0.6)

Net Requirement £5.1m

2. The above calculation excludes the fact that the City Council was some £2.1m under funded at the start of the financial year i.e. there was a shortfall of loans held compared to capital debt.
3. To date the City Council has not taken up any new loans this year although there is an estimated requirement of £5.1m. The combination of an LSVT and the externalisation of Leisuretime suggest that significant new long term commitments should not be entered into at least until after these events have taken place. The LSVT in particular will have a very substantial impact on the City Council's loans portfolio through the redemption of over £18m of Public Works Loans Board debt.
4. Although the City Council still retains its PWLB quota of £5.7m for 2002/03, it is probable that no drawdown on that sum will be undertaken this year. However the position is kept under review as long term borrowing rates have fallen quite significantly during the course of this financial year.

4. SHORT TERM TRANSACTIONS

1. The City Council continues to be a frequent lender in the short term money market, with the total of outstanding investments currently over £45m. The building society sector is still the favoured depository for period deposits (1 month – 364 days) though banks and local authorities are also used on occasions. Holding a small balance of overnight funds normally enables closer fine-tuning of the daily bank balance.

5. CITY OF CARLISLE INVESTMENT FUND

1. In July I reported (FM 2002/03 No 23) on the sale of their local authority cash business by Dresdner RCM, who currently manage the City of Carlisle Investment Fund, to Morley Fund Management (MFM). The Executive authorised the City Treasurer to agree a new contract with MFM for the residue of the current three year mandate (to May 2003), on the same terms as with Dresdner and subject to satisfaction on any issues as advised by Sector who act as the City Council's treasury consultants.

5.2 I have now had the opportunity to visit MFM at their offices together with a representative of Sector. I am now satisfied with the arrangements that MFM will put in place for their management of the Fund and the appropriate contract documentation, is in course of preparation with the intention of contracts being signed by 1 November 2002. Meanwhile MFM are already operating the Fund as agents of Dresdner.

6. CONCLUSIONS

1. The most noteworthy feature of this financial year to date has been the continuing level of short term interest rates at levels not seen for 40 years and where investment in one month money has been as low as 3¾ %. Opinion is currently divided as to whether the next move in interest rates will be up or down but few people expect any dramatic variation in short term rates during the remainder of this financial year.
2. As regards long term funding, the policy of not taking any new long term debt which was a feature of 2001/02 has continued into 2002/03. Rather like 'the dog which did not bark' in one of the

Sherlock Holmes stories, this fact is not without significance.

D THOMAS

City Treasurer

City Treasury

Carlisle

15 October 2002

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