



AUDIT COMMITTEE

Committee Report

Public

Date of Meeting: 26 September 2012

Title: TREASURY MANAGEMENT APRIL – JUNE 2012

Report of: Director of Resources

Report reference: RD28/12

Summary:

This report, which provides the regular quarterly summary of Treasury Management transactions for the first quarter of 2012/13, was received by the Executive on 6 August 2012. 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. The Committee is otherwise asked to note the report.

Recommendations:

That the report be received.

Contact Officer: Steven Tickner

Ext: 7280



REPORT TO EXECUTIVE

PORTFOLIO AREA : FINANCE, GOVERNANCE AND RESOURCES

Date of Meeting: 6 August 2012

Public

Key Decision: No

Recorded in Forward Plan:

No

Inside Policy Framework

Title: TREASURY MANAGEMENT APRIL – JUNE 2012

Report of: Director of Resources

Report reference: RD28/12

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 2012.

Contact Officer: Steven Tickner

Ext: 7280

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: The Prudential Code on Local Authority borrowing including related guidance notes; Financial Services working papers.

CITY OF CARLISLE

To: The Executive
6 August 2012

RD28/12

TREASURY TRANSACTIONS 2012/13

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 April 2012 – June 2012

- **Appendix A1** – Treasury Transactions April to June 2012
- **Appendix A2** – Investment Transactions April to June 2012
- **Appendix A3** – Outstanding Investments at June 2012 and

(ii) **Appendix B** discusses the Prudential Code and Prudential Indicators for 2012/13

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

2. CONSULTATION

2.1 Consultation to Date.
None.

2.2 Consultation proposed.
None.

3. RECOMMENDATIONS

3.1 That this report is received and the Prudential Indicators noted as at the end of June 2012.

4. REASONS FOR RECOMMENDATIONS

4.1 As per the report.

5. IMPLICATIONS

- Staffing/Resources – Not applicable.
- Financial – Included within the report.

- Legal – Not applicable.
- Corporate – Not applicable.
- Risk Management – Risk management lies at the heart of effective treasury management.
- Equality Issues – Not applicable.
- Environmental – Not applicable.
- Crime and Disorder – Not applicable.

6. IMPACT ASSESSMENTS

Does the change have an impact on the following?

Equality Impact Screening	Impact Yes/No?	Is the impact positive or negative?
Does the policy/service impact on the following?		
Age	No	N/A
Disability	No	N/A
Race	No	N/A
Gender/ Transgender	No	N/A
Sexual Orientation	No	N/A
Religion or belief	No	N/A
Human Rights	No	N/A
Health inequalities	No	N/A
Rurality	No	N/A

If you consider there is either no impact or no negative impact, please give reasons:

This report summarises Treasury Transactions for Quarter 1 2012/13

If an equality Impact is necessary, please contact the P&P team.

PETER MASON
Director of Resources

Contact Officer: Steven Tickner

Ext 7280

TREASURY TRANSACTIONS
APRIL to JUNE 2012

1. LOANS (DEBT)1.1 Transactions April to June 2012

	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
	0		0	

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 2012

	£
City of Carlisle Stock Issue	15,000,000
Short Term Loans	13,300
	15,013,300

1.4 Loans Due for Repayment (Short Term)

	PWLB £	Overnight £	Total £
Short Term Debt at end June 2012	0	0	13,300
			13,300

2 INVESTMENTS

	Made		Repaid	
	£	%	£	%
Short Term Investments	35,170,000	0.67-2.85	30,715,000	0.67-1.90
	35,170,000		30,715,000	

A full schedule of investment transactions is set out in Appendix A2. Appendix A3 shows outstanding investments at end of June 2012. The average return achieved on investments as at the end of June was 1.78%.

3 REVENUES COLLECTED

To: June 2012		Collected £	% of Amount Collectable %
2012/13	Council Tax NDR	14,130,535 13,977,288	29.86 34.12
Total		28,107,823	31.73
2011/12	Council Tax NDR	14,135,393 12,690,688	29.90 32.50
Total		26,826,081	31.41
2010/11	Council Tax NDR	14,165,907 12,039,342	29.90 33.34
Total		26,205,249	31.40

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

4 BANK BALANCE

At end of June 2012 £132,756.28 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 2012
 April –June 2012

	Estimate £000	Actual £000	Variance £000
Interest Receivable	(108)	(99)	9
Interest Payable	190	190	0
Less Rechargeable	0	0	0
	190	190	0
Principal Repaid	275	304	29
Debt Management	12	14	2
NET BALANCE	369	409	40

The estimate column is the profiled budget to end of June 2012.

Most budget heads are performing very much in line with the original estimate. There will, however, be an over spend on the principal repaid figure (the minimum revenue provision - MRP) due to the capital programme in 2011/12 utilising more capital receipts than expected. This was due to anticipated receipts from the asset review not being generated and disposals slipping into 2012/13 which meant that the Capital Financing Requirement increased by more than expected and therefore the MRP required has increased.

APPENDIX A2

INVESTMENT TRANSACTIONS APRIL TO JUNE 2012

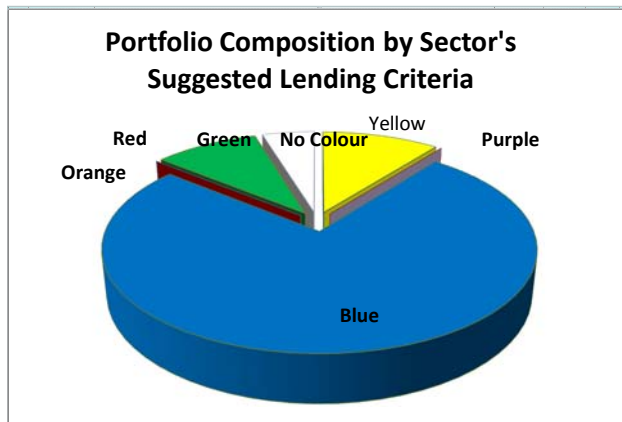
INVESTMENTS MADE		INVESTMENTS REPAID	
	£		£
Royal Bank of Scotland	1,055,000.00	Royal Bank of Scotland	985,000.00
Royal Bank of Scotland	1,000,000.00	Ignis , Money Market	985,000.00
Bank of Scotland	1,000,000.00	Ignis , Money Market	3,260,000.00
Bank of Scotland	1,000,000.00	Ignis , Money Market	275,000.00
Royal Bank of Scotland	2,000,000.00	Royal Bank of Scotland	560,000.00
Royal Bank of Scotland	140,000.00	Ignis , Money Market	2,880,000.00
Ignis , Money Market	2,940,000.00	Royal Bank of Scotland	1,000,000.00
Ignis , Money Market	774,000.00	Ignis , Money Market	110,000.00
Ignis , Money Market	806,000.00	Ignis , Money Market	760,000.00
Ignis , Money Market	4,000,000.00	Ignis , Money Market	1,710,000.00
Cumberland B.Soc	1,145,000.00	Ignis , Money Market	1,420,000.00
Royal Bank of Scotland	340,000.00	Santander	1,000,000.00
Ignis , Money Market	370,000.00	Bank of Scotland	1,000,000.00
Ignis , Money Market	2,510,000.00	Cumberland B.Soc	1,145,000.00
Royal Bank of Scotland	220,000.00	Royal Bank of Scotland	335,000.00
Royal Bank of Scotland	1,000,000.00	Royal Bank of Scotland	665,000.00
Nationwide	1,000,000.00	Bank of Scotland	1,000,000.00
Bank of Scotland	1,000,000.00	Santander	1,000,000.00
Bank of Scotland	1,000,000.00	Barclays	1,000,000.00
Ignis , Money Market	4,000,000.00	Ignis , Money Market	1,025,000.00
Nationwide	1,000,000.00	Santander	1,000,000.00
Royal Bank of Scotland	1,000,000.00	Barclays	1,000,000.00
Ignis , Money Market	1,025,000.00	Prime Rate, Money Mark	930,000.00
Prime Rate, Money Market	3,000,000.00	Prime Rate, Money Mark	210,000.00
Coventry B.Soc	1,000,000.00	Santander	1,000,000.00
Prime Rate, Money Market	845,000.00	Prime Rate, Money Mark	2,550,000.00
		Prime Rate, Money Mark	155,000.00
		Ignis , Money Market	1,755,000.00
TOTAL	35,170,000		30,715,000
		Bfwd	16,790,000
		Paid	35,170,000
		Repaid	30,715,000
		Total	21,245,000

Outstanding Investments as at end June 2012

Category	Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Current Days to Maturity	Days to maturity at execution	Total Interest Expected (£)
Y	IGNIS MMF	2,245,000	0.68%		Call			
B	Royal Bank of Scotland	1,000,000	0.96%	02/04/2012	02/07/2012	2	91	2,393
B	Bank of Scotland	1,000,000	1.50%	02/04/2012	02/08/2012	33	122	5,014
G	Nationwide BS	1,000,000	0.93%	15/05/2012	15/08/2012	46	92	2,344
G	Nationwide BS	1,000,000	0.90%	01/06/2012	03/09/2012	65	94	2,318
N/C	Coventry BS	1,000,000	0.82%	15/06/2012	14/09/2012	76	91	2,044
B	Royal Bank of Scotland	1,000,000	1.50%	03/01/2012	27/09/2012	89	268	11,014
B	Royal Bank of Scotland	2,000,000	1.32%	16/04/2012	22/10/2012	114	189	13,670
B	Royal Bank of Scotland	1,000,000	2.22%	05/12/2011	30/11/2012	153	361	21,957
B	Royal Bank of Scotland	1,000,000	2.22%	07/12/2011	06/12/2012	159	365	22,200
B	Bank of Scotland	1,000,000	2.50%	05/01/2012	04/01/2013	188	365	25,000
B	Bank of Scotland	1,000,000	3.10%	13/01/2012	13/02/2013	228	397	33,718
B	Bank of Scotland	2,000,000	3.10%	01/03/2012	13/02/2013	228	349	59,282
B	Royal Bank of Scotland	1,000,000	1.43%	15/05/2012	15/02/2013	230	276	10,813
B	Bank of Scotland	1,000,000	2.00%	25/05/2012	27/02/2013	242	278	15,233
B	Royal Bank of Scotland	1,000,000	1.51%	01/06/2012	07/03/2013	250	279	11,542
B	Bank of Scotland	1,000,000	3.00%	02/04/2012	11/04/2013	285	374	30,740
B	Bank of Scotland	1,000,000	2.85%	31/05/2012	30/05/2013	334	364	28,422
Total Investments		£21,245,000	1.78%			160	256	£297,704

Investments Summary Sheet

	% 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 Dats to Maturity from Execution WAM at Execution	Weighted Average Risk				
									Risk Score for Colour (1 = Low, 7 = High)	June 2012	Mar 2011	Dec 2011	Sept 2011
Yellow	10.57%	2,245,000	100.00%	2,245,000	10.57%	0.68%	0	0	1	0.1	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	75.31%	16,000,000	0.00%	-	0.00%	2.09%	180	289	3	2.3	1.9	1.4	1.0
Orange	0.00%	-	0.00%	-	0.00%	0.00%	0	0	4	0.0	0.0	0.0	0.0
Red	0.00%	-	0.00%	-	0.00%	0.00%	0	0	5	0.0	0.0	0.0	0.0
Green	9.41%	2,000,000	0.00%	-	0.00%	0.92%	56	93	6	0.6	0.7	2.1	2.3
No Colour	4.71%	1,000,000	0.00%	-	0.00%	0.82%	76	91	7	0.3	1.7	1.1	1.9
100.00%									3.3	4.3	4.6	5.2	
21,245,000													
10.57%													
2,245,000													
10.57%													
1.78%													
144													
230													



	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
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The category colour represents the duration of investment recommended by Sector, the Council's Treasury Advisors. Those investments with No colour, are still within the Council's investment Strategy and are therefore deemed suitable for investing.

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

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 2012/13 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 2012/13 to date as detailed in the Treasury Management Strategy Statement for 2012/13.

(a) Affordability

	2012/13 Original Estimate £	2012/13 Revised Estimate £
(i) Capital Expenditure	10,940,000	13,098,500
(ii) Financing Costs Total Financing Costs	1,163,000	1,192,000
(iii) Net Revenue Stream Funding from Govt Grants/Local Taxpayers	13,535,000	13,535,000
(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.	8.59%	8.81%
(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.	8.09%	9.01
(vi) Authorised Borrowing Limit Maximum Level of Borrowing and Other Long term Liabilities	37,600,000	37,600,000
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.	15,013,300	15,013,300

	2012/13 Original Estimate £	2012/13 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.	32,600,000 15,013,300	32,600,000 15,013,300
(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.	(2,992,000)	n/a

(b) Prudence and Sustainability

	2012/13 Original £
(i) New Borrowing to Date No Long Term Borrowing has been taken in 2012/13 to date	0
(ii) Percentage of Fixed Rate Long Term Borrowing at June 2012	100%
(iii) Percentage of Variable Rate Long Term Borrowing at June 2012 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 2012	50.00% 100.00%
As part of the Investment Strategy for 2012/13, 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.	