AUDIT COMMITTEE

Committee Report

Public

Date of Meeting: **11 January 2013**

Title: **TREASURY MANAGEMENT APRIL – SEPTEMBER 2012**

Report of: **Director of Resources**

Report reference: **RD47/12**

Summary:
This report, which provides the regular quarterly summary of Treasury Management transactions for the second quarter of 2012/13, was received by the Executive on 19 November 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

CARLISLE CITY COUNCIL

www.carlisle.gov.uk

REPORT TO EXECUTIVE

PORTFOLIO AREA : FINANCE, GOVERNANCE AND RESOURCES

Date of Meeting: 19 November 2012

Public

Key Decision: No **Recorded in Forward Plan: No**

Inside Policy Framework

Title: **TREASURY MANAGEMENT JULY – SEPTEMBER 2012 AND FORECASTS FOR 2013/14 to 2017/18**

Report of: **Director of Resources**

Report reference: **RD47/12**

Summary:

This report provides the regular quarterly report on Treasury Transactions together with an interim report on Treasury Management as required under the Financial Procedure Rules.

The report also discusses the City Council's Treasury Management estimates for 2013/14 with projections to 2017/18. Also included is information regarding the requirements of the Prudential Code on local authority capital finance.

Recommendations:

That this report be received and that the projections for 2013/14 to 2017/18 be incorporated into the budget reports elsewhere on the agenda.

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 RD47/12
19 November 2012

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 1 April 2012 – 30 September 2012

- **Appendix A1 –** Treasury Transactions April to September 2012
- **Appendix A2 –** Investment Transactions April to September 2012
- **Appendix A3 –** Outstanding Investments at 30 September 2012 and

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

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

(iii) **Appendix C** sets out the base Treasury Management estimates for 2013/14 with projections to 2017/18 which are included as budget pressures elsewhere on the agenda.

2. CONSULTATION

2.1 Consultation to Date.
None.

2.2 Consultation proposed.
The Resources Overview and Scrutiny Panel and the Audit Committee will consider this report as part of the budget process.

3. RECOMMENDATIONS

That this report be received and that the projections for 2013/14 to 2017/18 be incorporated into the budget reports elsewhere on the agenda.

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**
Social exclusion	**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 2 2012/13 and estimates for Treasury Management for the period 2013/14 to 2017/18

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

PETER MASON
Director of Resources

Contact Officer: Steven Tickner Ext 7280

APPENDIX A1

TREASURY TRANSACTIONS
1 APRIL 2012 to 30 SEPTEMBER 2012

1. LOANS (DEBT)

1.1 Transactions 1 July to 30 September 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	0.00
	0		**0**	

This provides a summary of any loans that have been raised or repaid, analysed by type, since the previous report. 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 30 September 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 30 September 2012	0	0	13,300
			13,300

1.5 Interest Rates

Sector is not forecasting an interest rate rise until Quarter 4 of 2014.

2 INVESTMENTS

	Made		Repaid	
	£	%	£	%
Short Term Investments	34,678,000	0.57-2.85	32,665,000	0.57-1.50
	34,678,000		**32,665,000**	

A full schedule of investment transactions is set out in Appendix A2. Appendix A3 shows outstanding investments at 30 September 2012.

3 REVENUES COLLECTED

To: 30 September 2012		Collected £	% of Amount Collectable %
2012/13	Council Tax	27,409,813	57.42
	NNDR	24,438,969	60.08
Total		**51,848,781**	**58.64**
2011/12	Council Tax	27,331,978	57.60
	NNDR	23,320,145	60.62
Total		**50,652,122**	**58.97**
2010/11	Council Tax	27,326,116	57.70
	NNDR	21,962,403	61.20
Total		**49,288,519**	**59.23**

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

4 BANK BALANCE

At 28 September 2012 £280,463.69 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 30 SEPTEMBER 2012

July – 30 September 2012

	Estimate £000	Actual £000	Variance £000
Interest Receivable	(216)	(202)	14
Interest Payable	190	190	0
Less Rechargeable	(7)	(7)	0
	183	**183**	**0**
Principal Repaid	275	304	29
Debt Management	14	14	0
NET BALANCE	**256**	**299**	**43**

The estimate column is the profiled budget to 30 September 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 expected receipts from the asset review not being generated and disposals slipping into 2012/13. This meant that the Capital Financing Requirement increased by more than expected and therefore the MRP required has increased.

APPENDIX A2

INVESTMENT TRANSACTIONS 1 JULY TO 30 SEPTEMBER 2012

INVESTMENTS MADE			INVESTMENTS REPAID	
	£			£
Prime Rate, Money Market	3,845,000.00		Royal Bank of Scotland	1,000,000.00
Ignis , Money Market	1,755,000.00		Prime Rate, Money Market	1,060,000.00
Royal Bank of Scotland	1,000,000.00		Prime Rate, Money Market	630,000.00
Cumberland B.Soc	1,000,000.00		Prime Rate, Money Market	155,000.00
Prime Rate, Money Market	2,700,000.00		Prime Rate, Money Market	700,000.00
Ignis , Money Market	2,092,000.00		Prime Rate, Money Market	390,000.00
Prime Rate, Money Market	3,500,000.00		Prime Rate, Money Market	215,000.00
Bank of Scotland	1,000,000.00		Prime Rate, Money Market	275,000.00
Prime Rate, Money Market	420,000.00		Prime Rate, Money Market	1,266,000.00
Prime Rate, Money Market	1,280,000.00		Prime Rate, Money Market	1,854,000.00
Barclays FIBCA	2,560,000.00		Ignis , Money Market	1,827,000.00
Coventry B Soc	745,000.00		Ignis , Money Market	265,000.00
Ignis , Money Market	950,000.00		Prime Rate, Money Market	1,200,000.00
Prime Rate, Money Market	3,365,000.00		Bank of Scotland	1,000,000.00
Ignis , Money Market	2,638,000.00		Nationwide	1,000,000.00
Coventry B Soc	500,000.00		Coventry B Soc	79,000.00
Prime Rate, Money Market	1,875,000.00		Prime Rate, Money Market	587,000.00
Barclays FIBCA	1,840,000.00		Barclays FIBCA	400,000.00
Royal Bank of Scotland	1,000,000.00		Coventry B Soc	666,000.00
Ignis , Money Market	613,000.00		Prime Rate, Money Market	3,072,000.00
			Prime Rate, Money Market	341,000.00
			Ignis , Money Market	3,436,000.00
			Ignis , Money Market	152,000.00
			Nationwide	1,000,000.00
			Prime Rate, Money Market	1,240,000.00
			Coventry B Soc	1,000,000.00
			Prime Rate, Money Market	935,000.00
			Coventry B Soc	500,000.00
			Prime Rate, Money Market	1,915,000.00
			Prime Rate, Money Market	145,000.00
			Prime Rate, Money Market	250,000.00
			Prime Rate, Money Market	755,000.00
			Ignis , Money Market	2,355,000.00
			Royal Bank of Scotland	1,000,000.00
TOTAL	**34,678,000**			**32,665,000**
			Bfwd	21,245,000
			Paid	34,678,000
			Repaid	32,665,000
			Total	**23,258,000**

APPENDIX A3

Outstanding Investments as at 30 September 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	2,258,000	0.61%		Call			
G	Barclays Bank	4,000,000	0.65%		Call			0
B	Royal Bank of Scotland	1,000,000	0.80%		Call			0
N/C	Cumberland Building Society	1,000,000	1.02%	06/07/2012	02/10/2012	2	88	2,459
B	Royal Bank of Scotland	2,000,000	1.32%	16/04/2012	22/10/2012	22	189	13,670
B	Royal Bank of Scotland	1,000,000	2.22%	05/12/2011	30/11/2012	61	361	21,957
B	Royal Bank of Scotland	1,000,000	2.22%	07/12/2011	06/12/2012	67	365	22,200
B	Royal Bank of Scotland	1,000,000	1.10%	02/07/2012	03/01/2013	95	185	5,575
B	Bank of Scotland	1,000,000	2.50%	05/01/2012	04/01/2013	96	365	25,000
B	Bank of Scotland	1,000,000	3.10%	13/01/2012	13/02/2013	136	397	33,718
B	Bank of Scotland	2,000,000	3.10%	01/03/2012	13/02/2013	136	349	59,282
B	Royal Bank of Scotland	1,000,000	1.43%	15/05/2012	15/02/2013	138	276	10,813
B	Bank of Scotland	1,000,000	2.00%	25/05/2012	27/02/2013	150	278	15,233
B	Royal Bank of Scotland	1,000,000	1.51%	01/06/2012	07/03/2013	158	279	11,542
B	Bank of Scotland	1,000,000	3.00%	02/04/2012	11/04/2013	193	374	30,740
B	Bank of Scotland	1,000,000	2.85%	31/05/2012	30/05/2013	242	364	28,422
B	Bank of Scotland	1,000,000	2.85%	02/08/2012	02/08/2013	306	365	28,500
	Total Investments	**£23,258,000**	**1.69%**			**129**	**303**	**£309,111**

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

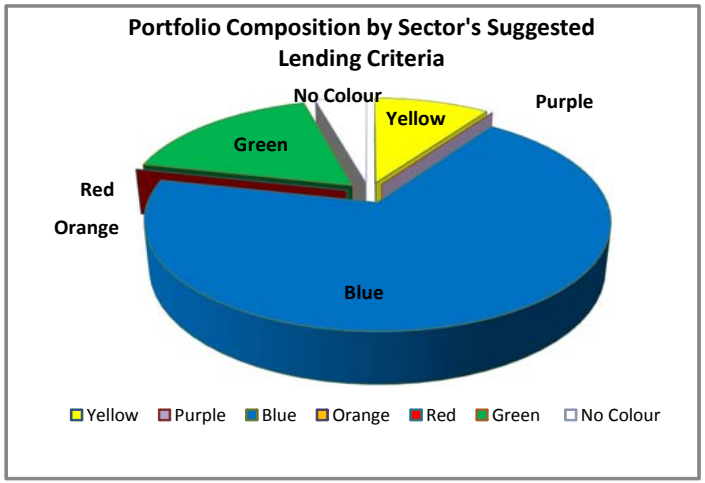
The category colour represents the duration of investment recommended by Sector, the Council's Treasury Advisors. Those investments with No colour, are still within the Council's investment Strategy and are therefore deemed suitable for investing.

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
Yellow	9.71%	2,258,000	100.00%	2,258,000	9.71%	0.61%	0	0
Purple	0.00%	-	0.00%	-	0.00%	0.00%	0	0
Blue	68.79%	16,000,000	6.25%	1,000,000	4.30%	2.14%	122	293
Orange	0.00%	-	0.00%	-	0.00%	0.00%	0	0
Red	0.00%	-	0.00%	-	0.00%	0.00%	0	0
Green	17.20%	4,000,000	100.00%	4,000,000	17.20%	0.65%	0	0
No Colour	4.30%	1,000,000	0.00%	-	0.00%	1.02%	2	88
	100.00%	**23,258,000**	**31.21%**	**7,258,000**	**31.21%**	**1.69%**	**84**	**205**

	Weighted Average Risk				
Risk Score for Colour (1 = Low, 7 = High)	Sep 2012	June 2012	Mar 2012	Dec 2011
1	0.1	0.1	0.0	0.0
2	0.0	0.0	0.0	0.0
3	2.1	2.3	1.9	1.4
4	0.0	0.0	0.0	0.0
5	0.0	0.0	0.0	0.0
6	1.0	0.6	0.7	2.1
7	0.3	0.3	1.7	1.1
	3.5	**3.3**	**4.3**	**4.6**
Normal' Risk Score	**3.5**	**3.5**	**3.5**	**3.5**

	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



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. 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.

APPENDIX B2

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 £	2012/13 Revised £
(i) Capital Expenditure	10,940,000	8,105,200
(ii) Financing Costs Total Financing Costs	1,163,000	1,207,565
(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%	8.92%
(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.	N/A	9.00
(vi) Authorised Borrowing Limit Maximum Level of Borrowing and Other Long term Liabilities 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.	37,600,000 15,013,300	37,600,000

	2012/13 Original £	2012/13 Revised £
(vii) Operational Borrowing Limit	32,600,000	32,600,000
Maximum Level of Borrowing and Other Long term Liabilities	15,013,300	
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.		
(viii) Capital Financing Requirement (CFR)	(2,992,000)	n/a
As at 31 March		
The CFR is a measure of the underlying borrowing requirement of the authority for capital purposes.		

(b) Prudence and Sustainability

	2012/13 Revised £
(i) New Borrowing to Date	0
No Long Term Borrowing has been taken in 2012/13 to date	
(ii) Percentage of Fixed Rate Long Term Borrowing	
at 30 September 2012	100%
(iii) Percentage of Variable Rate Long Term Borrowing	
at 30 September 2012	0%
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.	
(iv) Minimum Level of Investments Classified as Specified	50.00%
Level of Specified Investments as at 30 September 2012	96.00%
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.	

TREASURY AND DEBT MANAGEMENT BASE ESTIMATES **APPENDIX C**

Set out below are the base treasury management estimates for 2012/13 and 2013/14 with projections to 2017/18

Treasury Management Budget	2012/13 Original Estimate £	2012/13 Revised Estimate £	2013/14 Estimate £	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £
Interest Payable	1,319,050	1,319,050	1,319,050	1,319,625	1,474,756	1,470,988	1,466,578
Core MRP	275,226	304,386	0	0	0	206,052	203,362
Principal Repayments					131,997	136,339	140,825
Debt Management							
Sector	14,289	14,289	14,689	15,100	15,523	15,958	16,405
Publications	500	500	500	500	500	500	500
Recharge - Transferred Debt	(25,000)	(25,000)	(23,000)	(21,000)	(21,000)	(21,000)	(21,000)
Total Expenditure	**1,584,065**	**1,613,225**	**1,311,239**	**1,314,225**	**1,601,776**	**1,808,837**	**1,806,670**
Interest Receivable	(431,671)	(415,871)	(473,091)	(823,021)	(1,085,870)	(971,118)	(1,103,607)
Other Interest Recharged	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Total Income	**(428,671)**	**(412,871)**	**(470,091)**	**(820,021)**	**(1,082,870)**	**(968,118)**	**(1,100,607)**
Treasury Management Net Expenditure	**1,155,394**	**1,200,354**	**841,148**	**494,204**	**518,905**	**840,719**	**706,063**
MTFP Position	**1,153,100**	**1,153,100**	**716,600**	**376,100**	**65,700**	**180,700**	**180,700**
Difference to MTFP Position	**2,294**	**47,254**	**124,548**	**118,104**	**453,205**	**660,019**	**525,363**