



CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

Committee Report

Public

Date of Meeting: 22 February 2007

Title: TREASURY TRANSACTIONS 2006/07

Report of: THE DIRECTOR OF CORPORATE SERVICES

Report reference: CORP81/06

Summary:

This report provides the regular quarterly report on Treasury Transactions including the requirements of the Prudential Code.

In November 2006 the Executive increased the revised estimate for interest receivable by some £300,000 for the year 2006/07. Members' attention is drawn to the budgetary position as at December 2006, which shows an improvement of £44,000 in respect of Interest Receivable over and above this revised estimate.

Recommendations:

Members of the Corporate Resources Overview and Scrutiny Committee are asked to note the Treasury Transactions position and the Prudential Indicators as at 31 December 2006.

Contact Officer: David Steele

Ext: 7288

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



REPORT TO EXECUTIVE

PORTFOLIO AREA : FINANCE AND PERFORMANCE MANAGEMENT

Date of Meeting: 19 February 2007

Public

Key Decision: No

Recorded in Forward Plan:

No

Inside Policy Framework

Title: TREASURY TRANSACTIONS 2006/07

Report of: Director of Corporate Services

Report reference: CORP81/06

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 31 December 2006.

Contact Officer: David Steele

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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
19 February 2007

CORP81/06

TREASURY TRANSACTIONS 2006/07

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) **Appendices A1-A3** set out the schedule of Treasury Transactions for the period 1 October 2006 – 31 December 2006:

- **Appendix A1** – Treasury Transactions October to December 2006
- **Appendix A2** – Investment Transactions October to December 2006
- **Appendix A3** – Outstanding Investments at 31 December 2006

(ii) **Appendices B1-B2** discuss the Prudential Code and Prudential Indicators for 2006/07 and 2007/08 (as proposed):

- **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 be received and the Prudential Indicators noted as at 31 December 2006.

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.

ANGELA BROWN
Director of Corporate Services

Contact Officer: David Steele Ext: 7288

Financial Services
Carlisle City Council
1 February 2007
DKS/CH/CORP81-06 Treas Trans 06-07 Exec 19.2.07

TREASURY TRANSACTIONS1 OCTOBER 2006 TO 31 DECEMBER 20061. LOANS (DEBT)1.1 Transactions 1 October to 31 December 2006:

	<u>Raised</u>	%	<u>Repaid</u>	%
	£		£	
P.W.L.B	Nil		Nil	
Local Bonds	Nil		1,100	5.75-6.75
Short Term Loans	Nil		Nil	
	<hr/>		<hr/>	
	Nil		1,100	

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

1.2 Bond Transactions

Period: October 2006 to December 2006

Bonds Repaid: £1,100 Balance remaining: £65,500

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

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

1.3 Loans (Debt) Outstanding at 31 December 2006

	£
City of Carlisle Stock Issue	15,000,000
Local Bonds and Short Term Loans	<u>124,100</u>
	15,124,100

1.4 Loans Due for Repayment

	<u>PWLB</u>	<u>Local Bonds</u>	<u>Total</u>
	£	£	£
March 2007	Nil	Nil	Nil
April 2007	Nil	Nil	Nil
May 2007	Nil	1,000	1,000
June 2007	Nil	Nil	Nil
July 2007 – February 2008	<u>Nil</u>	<u>1,000</u>	<u>1,000</u>
	Nil	2,000	2,000

Short Term Debt at 31 December 2006	<u>58,600</u>
	<u>£60,600</u>

Shown here is a calendar of future loan repayments which can be a useful aid to cash flow management. Following the repayment of the City Council's remaining PWLB debt in July 2004, no major debt repayments can be anticipated for some time.

1.5 Interest Rates

<u>Date</u>	<u>PWLB Maturity (Higher Quota Rates)</u>		
	<u>1 Year</u>	<u>10 Years</u>	<u>25 Years</u>
03 October 2006	5.15	4.65	4.30
10 October 2006	5.15	4.70	4.30
17 October 2006	5.20	4.80	4.35
24 October 2006	5.25	4.85	4.40
31 October 2006	5.25	4.70	4.25
07 November 2006	5.25	4.75	4.30
14 November 2006	5.25	4.70	4.30
21 November 2006	5.20	4.65	4.35
28 November 2006	5.20	4.70	4.30
05 December 2006	5.15	4.60	4.25
12 December 2006	5.20	4.75	4.35
19 December 2006	5.35	4.85	4.45
27 December 2006	5.35	4.85	4.45

Interest rates firmed slightly in the period under review, a trend that has continued more markedly in this calendar year following the base rate rise on 11 January.

2 INVESTMENTS

	<u>Made</u>		<u>Repaid</u>	
	£	%	£	%
Short Term Investments	25,700,000	4.74 – 5.33	19,830,000	4.50 – 5.08
	<u>25,700,000</u>		<u>19,830,000</u>	

A full schedule of investment transactions is set out in Appendix A2. Appendix A3 shows outstanding investments at 31 December 2006.

3 REVENUES COLLECTED

To: 31 December	<u>Collected</u>	<u>% of Amount Collectable</u>
	£	%
2006/07 Council Tax	34,795,534	85.3
NNDR	<u>27,574,460</u>	<u>87.8</u>
TOTAL	<u>61,923,385</u>	<u>86.4</u>
2005/06 Council Tax	32,533,211	85.4
NNDR	<u>26,220,675</u>	<u>88.9</u>
TOTAL	<u>58,753,886</u>	<u>86.9</u>
2004/05 Council Tax	31,496,341	85.8
NNDR	<u>25,500,032</u>	<u>88.9</u>
TOTAL	<u>56,996,373</u>	<u>87.2</u>

Collection levels have fallen slightly in each of the past three years

4 BANK BALANCE

At 31 December 2006 £16,576 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
DECEMBER 2006

April – December 2006

	Estimate £000s	Actual £000s	Variance £000s
Interest Receivable	<u>(1,167)</u>	<u>(1,211)</u>	<u>(44)</u>
Interest Payable	993	993	Nil
Less Rechargeable	<u>(27)</u>	<u>(27)</u>	<u>Nil</u>
	966	966	Nil
Principal Repaid	418	418	Nil
Debt Management	41	41	Nil
Net Balance	<u>258</u>	<u>214</u>	<u>(44)</u>

The estimate column to 31 December 2006 is shown as three quarters of the full year revised estimate.

The revised estimate for interest receivable was increased by some £300,000. As at 31 December actual interest received was close to though a little above the revised estimate. The last quarter of the year normally sees an adverse cash flow pattern for the City Council, though as interest rates have remained firm, the total investment interest budget for the year should be attained.

The other estimates are shown as being very close to budget as at the end of 2006. No external borrowing has so far been undertaken in 2006/07, in line with the Council's approved treasury management strategy.

Financial Services
Carlisle City Council
1 February 2007

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APPENDIX A2**INVESTMENT TRANSACTIONS 1 OCTOBER 2006 TO 31 DECEMBER 2006**

<u>INVESTMENTS MADE</u>	£	<u>INVESTMENTS REPAID</u>	£
Skipton B.Soc	1,000,000	Coventry B.Soc	1,140,000
Portman B.Soc	1,000,000	Bradford & Bingley	1,000,000
Clydesdale Bank	1,000,000	Coventry B.Soc	1,070,000
Coventry B.Soc	1,140,000	Leeds B.Soc	1,000,000
Portman B.Soc	1,000,000	Newcastle B.Soc	1,000,000
Derbyshire B.Soc	1,000,000	Skipton B.Soc	1,000,000
Britannia B.Soc	1,160,000	Principality B.Soc	1,000,000
Nationwide B.Soc	1,000,000	Britannia B.Soc	1,160,000
Cheshire B.Soc	1,000,000	Skipton B.Soc	1,000,000
Coventry B.Soc	1,070,000	Portman B.Soc	1,000,000
Newcastle B.Soc	1,000,000	Derbyshire B.Soc	1,000,000
West Bromwich B.Soc	1,000,000	Derbyshire B.Soc	1,000,000
Skipton B.Soc	1,000,000	West Bromwich B.Soc	1,000,000
Principality B.Soc	1,000,000	Coventry B.Soc	460,000
Skipton B.Soc	1,000,000	Skipton B.Soc	1,000,000
Principality B.Soc	1,000,000	Britannia B.Soc	2,000,000
Britannia B.Soc	2,000,000	Principality B.Soc	1,000,000
Skipton B.Soc	1,000,000	Skipton B.Soc	1,000,000
Northern Rock B.Soc	1,000,000	Cheshire B.Soc	1,000,000
Derbyshire B.Soc	1,000,000		
Coventry B.Soc	460,000		
Skipton B.Soc	1,000,000		
Nationwide B.Soc	1,000,000		
Coventry B.Soc	800,000		
Coventry B.Soc	1,000,000		
Skipton B.Soc	1,000,000		
Coventry B.Soc	230,000		
	<u>£25,700,000</u>		<u>£19,830,000</u>

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1 February 2007

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APPENDIX A3

OUTSTANDING INVESTMENTS AS AT 31 DECEMBER 2006

DATE	BORROWER	AMOUNT	TERMS	RATE %
Ongoing	National Savings Income Bond	£200,000	No Fixed Term	4.7000
04/03/2005	Britannia B.Soc	£1,000,000	To 05 Mar 2007	5.1700
03/08/2005	Chelsea B.Soc	£1,000,000	To 03 Aug 2007	4.6000
10/10/2005	Cheshire B.Soc	£1,000,000	To 19 Oct 2007	4.5550
11/11/2005	Dunfermline B.Soc	£1,000,000	To 11 May 2007	4.7200
27/01/2006	Coventry B.Soc	£1,000,000	To 25 Jan 2008	4.7000
03/02/2006	Norwich & Peterborough B.Soc	£1,000,000	To 02 Feb 2007	4.6200
15/03/2006	Chelsea B.Soc	£1,000,000	To 17 Mar 2008	4.7500
20/03/2006	Norwich & Peterborough B.Soc	£1,000,000	To 19 Mar 2007	4.6450
18/04/2006	Nationwide B.Soc	£1,000,000	To 17 Apr 2007	4.7300
28/04/2006	Northern Rock	£1,000,000	To 27 Apr 2007	4.7900
02/05/2006	Norwich & Peterborough B.Soc	£1,000,000	To 01 May 2007	4.8200
04/05/2006	Bradford & Bingley	£1,000,000	To 05 Feb 2007	4.7900
12/05/2006	Bank of Ireland	£1,000,000	To 12 Nov 2007	5.0100
01/08/2006	Leeds B.Soc	£1,000,000	To 27 Mar 2007	4.8600
09/08/2006	Dunfermline B.Soc	£1,000,000	To 09 Aug 2007	5.2300
15/08/2006	Chelsea B.Soc	£1,000,000	To 15 Aug 2008	5.3700
01/09/2006	Principality B.Soc	£1,000,000	To 27 Feb 2007	5.0400
04/09/2006	Northern Rock	£1,000,000	To 03 Sep 2007	5.1700
02/10/2006	Portman B.Soc	£1,000,000	To 26 Jan 2007	5.0600
02/10/2006	Clydesdale Bank	£1,000,000	To 01 Oct 2007	5.2500
06/10/2006	Portman B.Soc	£1,000,000	To 18 Jan 2007	5.0600
16/10/2006	Derbyshire B.Soc	£1,000,000	To 18 Jan 2007	5.0900
17/10/2006	Nationwide B.Soc	£1,000,000	To 16 Oct 2007	5.3100
17/10/2006	Cheshire B.Soc	£1,000,000	To 27 Feb 2007	5.1200
01/11/2006	West Bromwich B.Soc	£1,000,000	To 26 Jan 2007	5.1300
01/11/2006	Newcastle B.Soc	£1,000,000	To 14 Mar 2007	5.1800
01/12/2006	Derbyshire B.Soc	£1,000,000	To 27 Mar 2007	5.2200
01/12/2006	Northern Rock	£1,000,000	To 21 May 2007	5.2550
08/12/2006	Nationwide B.Soc	£1,000,000	To 07 Dec 2007	5.3300
28/12/2006	Skipton B.Soc	£1,000,000	To 26 Jan 2007	5.2100
29/12/2006	Coventry B.Soc	£230,000	Overnight	5.2500

TOTAL £30,430,000

Weighted Average 4.9929

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 together with the proposed indicators for 2007/08.

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Carlisle City Council

1 February 2007

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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 2006/07 to date and for 2007/08 as detailed in the Treasury Management Strategy Statement for 2007/08 (CORP75/06).

(a) Affordability

	<u>2006/07</u> <u>Revised</u> £000's	<u>2007/08</u> <u>Estimate</u> £000's
(i) Capital Expenditure	<u>9,746</u>	<u>6,016</u>
(ii) Financing Costs		
Interest Payable re Borrowing	1,286	1,292
Minimum Revenue Provision	558	625
Investment Income	(1,558)	(1,635)
Total Financing Costs	<u>286</u>	<u>282</u>
(iii) Net Revenue Stream: Funding from		
Govt Grants/Local Taxpayers	15,511	16,122
(iv) Ratio of Financing Costs to Net Revenue Stream	1.8%	1.7%

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 increase in the minimum revenue provision combined with a reduction in investment income.

	<u>2006/07</u>	<u>2007/08</u>
	<u>Revised</u>	<u>Estimate</u>
	£000's	£000's
v) Incremental Impact on Council Tax	N/A	£3.25 (est.)

This indicator allows the effect of the totality of the Council's capital investment decisions to be considered at budget setting time.

	£000's	£000's
(iv) Authorised Borrowing Limit	22,500	22,500
Maximum Level of Borrowing and Other Long Term Liabilities	15,240	N/A

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.

(iv) Operational Borrowing Limit	17,500	17,500
Maximum Level of Borrowing and Other Long Term Liabilities	15,240	N/A

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.

(v) Capital Financing Requirement (CFR) (as at 31 March)	15,176	14,551
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The CFR is a measure of the underlying borrowing requirement of the authority for capital purposes. It can be compared with the current total of external loans (£15.1m) which indicates no underlying need to borrow in 2006/07 or 2007/08.

(b) Prudence and Sustainability

2006/07

£000's

(i) New Borrowing to date

NIL

No long term borrowing to date has been undertaken in 2006/07.

(ii) Percentage of Fixed Rate Long Term Borrowing

at 31 December 2006

100%

(iii) Percentage of Variable Rate Long Term Borrowing

at 31 December 2006

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%

Level of Specified Investments as at 31 December 2006

74%

As part of the Investment Strategy for 2006/07, 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.

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1 February 2007

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