

# Report to Audit Committee

Agenda  
Item:

**A.5**

Meeting Date: 24 September 2020  
 Portfolio: Finance, Governance and Resources  
 Key Decision: No  
 Within Policy and Budget Framework YES  
 Public / Private Public

Title: TREASURY MANAGEMENT: APRIL TO JUNE 2020  
 Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
 Report Number: RD 22/20

## Purpose / Summary:

This report, which provides the regular quarterly summary of Treasury Management transactions for the first quarter of 2020/21, was received by the Executive on 17 August 2020. 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.

## Recommendations:

That the report be noted.

## Tracking

Executive:	<b>17 August 2020</b>
Audit Committee:	<b>24 September 2020</b>
Council:	<b>Not applicable</b>

# Report to Executive

Agenda  
Item:

Meeting Date: 17 August 2020  
 Portfolio: Finance, Governance and Resources  
 Key Decision: No  
 Within Policy and Budget Framework YES  
 Public / Private Public

Title: TREASURY MANAGEMENT: APRIL TO JUNE 2020  
 Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
 Report Number: RD 22/20

## 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 2020.

## Tracking

Executive:	<b>17 August 2020</b>
Audit Committee:	<b>24 September 2020</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– June 2020

- **Appendix A1** – Treasury Transactions April to June 2020
- **Appendix A2** – Investment Transactions April to June 2020
- **Appendix A3** – Outstanding Investments at June 2020

(ii) **Appendix B** discusses the Prudential Code and Prudential Indicators for 2020/21

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

## **2. RISKS**

2.1 The Council's Treasury Management function is responsible for investing the Council's surplus cash balances and managing cash flows appropriately. The Treasury Management Strategy Statement and the Treasury Management Practices are completed and approved in line with the CIPFA Code and include appropriate mechanisms for dealing with the Council's investments and borrowing needs.

## **3. CONSULTATION**

3.1 Audit Committee will consider the report on 24 September 2020

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

4.1 That this report is received, and the Prudential Indicators noted as at the end of June 2020.

## **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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<b>Appendices attached to report:</b>	<b>Appendix A1 – Treasury Transactions</b>
	<b>Appendix A2 – Investment Transactions</b>
	<b>Appendix A3 – Outstanding Investments</b>
	<b>Appendix B1 – Prudential Code background</b>
	<b>Appendix B2 – Prudential Indicators</b>

**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**

**Legal** – Treasury Management activities are delegated to the Corporate Director of Finance and Resources and Financial Procedure Rule 3.19 requires that she prepare an annual report on the topic. This Report fulfils that obligation.

**Property Services** – Not applicable

**Finance** – Included in the report

**Equality** - This report raises no explicit issues relating to the public sector Equality Duty

**Information Governance** – No implications

TREASURY TRANSACTIONS  
APRIL to JUNE 2020

1. LOANS (DEBT)

1.1 Transactions April to June 2020

	Raised		Repaid	
	£	%	£	%
P.W.L.B	0	0.00	0	0.00
Local Bonds	0	0.00	0	0.00
Short Term Loans	0	0.00	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.

1.2 Loans (Debt) Outstanding at end of June 2020

	£
PWLB	8,887,500
PWLB	4,875,000
Short Term Loans	12,800
	<b>13,775,300</b>

1.3 Loans Due for Repayment (Short Term)

	PWLB £	Overnight £	Other £	Total £
Short Term Debt at end June 2020	475,000	0	12,800	<b>487,800</b>

## 2 INVESTMENTS

	Made		Repaid	
	£	%	£	%
Short Term Investments	9,200,000	0.10-0.67	17,810,000	0.10-0.96
	<b>9,200,000</b>		<b>17,810,000</b>	

A full schedule of investment transactions is set out in Appendix A2. Appendix A3 shows outstanding investments at end of June 2020. The weighted average return achieved on all investments as at the end of June was 1.36% (0.81% excluding Property Fund). Bank base rate is currently 0.10%.

## 3 REVENUES COLLECTED

To: June 2020		Collected £	% of Amount Collectable %
2020/21	Council Tax NNDR	18,885,338 6,493,519	28.22 28.27
<b>Total</b>		<b>25,378,857</b>	<b>28.23</b>
2019/20	Council Tax NNDR	18,583,582 13,667,431	29.07 31.14
<b>Total</b>		<b>32,251,012</b>	<b>29.92</b>
2018/19	Council Tax NNDR	17,467,897 14,038,501	29.07 31.21
<b>Total</b>		<b>31,506,398</b>	<b>29.98</b>

## 4 BANK BALANCE

At end of June 2020, £320,221.54 in hand.

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

5 PERFORMANCE ON TREASURY MANAGEMENT BUDGET  
TO END OF JUNE 2020  
 April – June 2020

	Profiled Budget £000	Actual £000	Variance £000
Interest Receivable	(66)	(113)	(47)
Interest Payable	795	169	(626)
Less Rechargeable	0	0	0
	<b>795</b>	<b>169</b>	<b>(626)</b>
Principal Repaid (MRP)	0	0	0
Debt Management	12	13	1
<b>NET BALANCE</b>	<b>741</b>	<b>69</b>	<b>(672)</b>

The profiled budget is to the end of June 2020.

Interest receivable is higher than anticipated due to increased levels of investment. These extra funds were due to delays in capital projects which have now commenced. It should also be noted that since the onset of the coronavirus pandemic, interest rates have dropped significantly therefore future yields are expected to be much lower in the short term.

The dividends received from the property fund have maintained an income of approximately £36,000 per quarter. The yield to the end of June was 4.48%. The valuation of the investment at the end of June was £3,181,143.

Interest payable is currently below budget due to no new borrowing entered into yet and also a budget saving against the final stock issue interest payment.

## APPENDIX A2

## INVESTMENT TRANSACTIONS APRIL TO JUNE 2020

INVESTMENTS MADE			INVESTMENTS REPAYD	
	£			£
Federated Investors	4,000,000.00		Goldman Sachs	1,000,000.00
Svenska	600,000.00		Goldman Sachs	1,000,000.00
Standard Chartered	1,000,000.00		HSBC	8,000,000.00
Federated Investors	3,600,000.00		Standard Chartered	1,000,000.00
			Federated Investors	3,600,000.00
			Federated Investors	3,210,000.00
<b>TOTAL</b>	<b>9,200,000</b>			<b>17,810,000</b>
			Bfwd	29,712,995
			Paid	9,200,000
			Repaid	17,810,000
			<b>Total</b>	<b>21,102,995</b>
			<b>CCLA</b>	<b>(131,852)</b>
			<b>Total</b>	<b>20,971,143</b>



### Outstanding Investments as at 30 June 2020

Category	Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Days to maturity at execution	Total Interest Expected (£)
Y	MMF Federated Investors	790,000	0.27%		MMF		
R	Handelsbanken	4,000,000	0.10%		Call1		
R	Bank of Scotland Plc (RFB)	2,000,000	1.10%	11/09/2019	04/08/2020	328	19,770
R	Bank of Scotland Plc (RFB)	2,000,000	1.10%	01/11/2019	04/09/2020	308	18,564
R	Bank of Scotland Plc (RFB)	2,000,000	1.10%	05/11/2019	05/11/2020	366	22,060
R	Bank of Scotland Plc (RFB)	1,000,000	1.10%	07/01/2020	18/12/2020	346	10,427
R	Bank of Scotland Plc (RFB)	1,000,000	1.10%	20/01/2020	18/12/2020	333	10,036
R	Santander	2,000,000	1.00%		Call180		
R	Santander	3,000,000	1.00%		Call180		
<b>Total Investments</b>		<b>£17,790,000</b>	<b>0.81%</b>			<b>336</b>	<b>£80,858</b>

Borrower	Current Market Value (£)	Current Yield	Start Date	Initial Investment (£)	Initial Market Value (£)	Unrealised Growth (£)	% Growth
<b>CCLA Property Fund</b>	<b>3,181,143</b>	<b>4.48%</b>	31/07/2014	3,000,000	2,836,896	<b>181,143</b>	6.0%

1. Entry Costs were charged against Treasury Management Budget in 2014/15

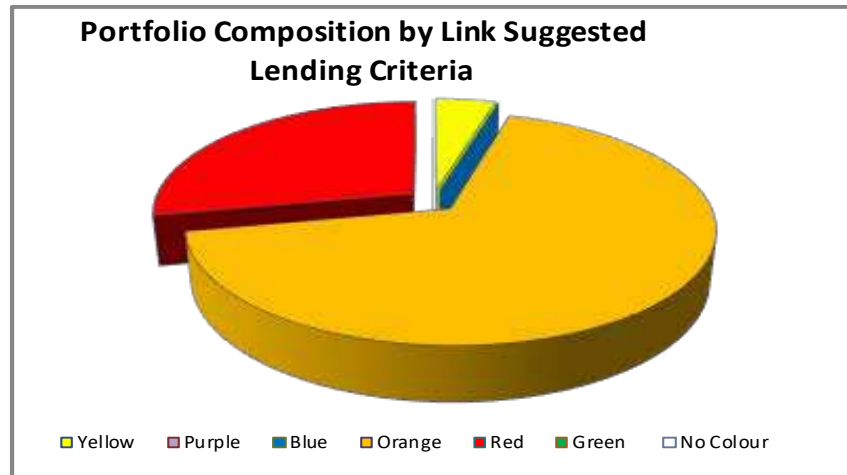
N.B Interest is recognised in the appropriate financial year in which it is due.

## Investment Summary

	% 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 Days to Maturity from Execution WAM at Execution
Yellow	4.44%	790,000	100.00%	790,000	4.44%	0.27%	0	0
Purple	0.00%	-	0.00%	-	0.00%	0.00%	0	0
Blue	0.00%	-	0.00%	-	0.00%	0.00%	0	0
Orange	67.45%	12,000,000	33.33%	4,000,000	22.48%	0.77%	67	224
Red	28.11%	5,000,000	100.00%	5,000,000	28.11%	1.00%	180	180
Green	0.00%	-	0.00%	-	0.00%	0.00%	0	0
No Colour	0.00%	-	0.00%	-	0.00%	0.00%	0	0
	<b>100.00%</b>	<b>17,790,000</b>	<b>55.03%</b>	<b>9,790,000</b>	<b>55.03%</b>	<b>0.81%</b>	<b>94</b>	<b>198</b>

Risk Score for Colour (1 = Low, 7 = High)	Jun-20	Mar-20	Dec-19	Sep-19
1	0.04	0.0	0.1	0.0
2	0.0	0.0	0.0	0.0
3	0.0	0.0	0.0	0.0
4	2.7	2.8	1.9	2.1
5	1.4	1.1	2.3	2.3
6	0.0	0.0	0.0	0.0
7	0.0	0.0	0.0	0.0
	<b>4.1</b>	<b>3.9</b>	<b>4.3</b>	<b>4.4</b>

	Link'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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## 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. 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 Prudential Code any local authority borrowing was essentially based upon a government 'permission to borrow'. Following the introduction of the Prudential Code in 2003, the permission to borrow was essentially withdrawn and Councils were given greater freedom to borrow so long as they 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 2020/21 to date as detailed in the Treasury Management Strategy Statement for 2020/21.

**(a) Affordability**

	2020/21 Original Estimate £	2020/21 Revised Estimate £
<b>(i) Capital Expenditure</b>	14,160,600	29,945,800
<b>(ii) Financing Costs</b> Total Financing Costs	1,241,500	936,500
<b>(iii) Net Revenue Stream</b> Funding from Govt Grants/Local Taxpayers	13,386,000	13,386,000
<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.	11.02%	7.00%
<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.	8.39	17.69
<b>(vi) Authorised Borrowing Limit</b> Maximum Level of Borrowing and Other Long term Liabilities	44,100,000	44,100,000
	28,775,300	13,775,300
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.		

	2020/21 Original Estimate £	2020/21 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.	39,100,000	39,100,000
	28,775,300	13,775,300
<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.	38,793,000	34,814,000

**(b) Prudence and Sustainability**

	2020/21 Original £
<b>(i) New Borrowing to Date</b> No Long Term Borrowing has been taken in 2020/21 to date	0
<b>(ii) Percentage of Fixed Rate Long Term Borrowing</b> at June 2020	100%
<b>(iii) Percentage of Variable Rate Long Term Borrowing</b> at June 2020 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 2020  As part of the Investment Strategy for 2020/21, 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% 100.00%

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## **EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 17 AUGUST 2020**

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**EX.98/20      TREASURY MANAGEMENT: APRIL TO JUNE 2020**  
(Non Key Decision)

**Portfolio**      Finance, Governance and Resources

**Relevant Scrutiny Panel**      Business and Transformation

### **Subject Matter**

The Deputy Leader presented report RD.22/20, the purpose of which was to inform Members on various Treasury Management issues.

Appendix A set out the Schedule of Treasury Transactions for the period April - June 2020, whilst Appendix B discussed the Prudential Code and Prudential Indicators for 2020/21.

The Deputy Leader then moved, and the Leader seconded, that the Executive receive the report and note the Prudential Indicators as at the end of June 2020.

**Summary of options rejected**      None

### **DECISION**

That Report RD.22/20 be received, and the Prudential Indicators noted as at the end of June 2020.

### **Reasons for Decision**

To inform the Executive of various Treasury Management issues