

Report to Audit Committee

Agenda
Item:

A.8

Meeting Date: 26 September 2013
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and Budget Framework: Yes
Public / Private: Public

Title: TREASURY MANAGEMENT: APRIL TO JUNE 2013
Report of: DIRECTOR OF RESOURCES
Report Number: RD30/13

Purpose / Summary:

This report, which provides the regular quarterly summary of Treasury Management transactions for the first quarter of 2013/14, was received by the Executive on 5 August 2013. 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 noted

Tracking

| | |
|------------|----------------------|
| Executive: | 5 August 2013 |
|------------|----------------------|

Report to Executive

Agenda
Item:

Meeting Date: 5 August 2013
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and Budget Framework YES
Public / Private Public

Title: TREASURY MANAGEMENT: APRIL TO JUNE 2013
Report of: DIRECTOR OF RESOURCES
Report Number: RD30/13

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 2013.

Tracking

| | |
|------------------|--------------------------|
| Executive: | 5 August 2013 |
| Audit Committee: | 26 September 2013 |
| Council: | Not applicable |

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 2013 – June 2013

- **Appendix A1** – Treasury Transactions April to June 2013
- **Appendix A2** – Investment Transactions April to June 2013
- **Appendix A3** – Outstanding Investments at June 2013

(ii) **Appendix B** discusses the Prudential Code and Prudential Indicators for 2013/14

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

2. CONSULTATION

2.1 Consultation to Date:
None.

2.2 Consultation proposed:
None.

3. CONCLUSION AND REASONS FOR RECOMMENDATIONS

3.1 That this report is received and the Prudential Indicators noted as at the end of June 2013.

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.

Contact Officer: Steven Tickner

Ext: 7280

Appendices attached to report:
Appendix A1 – Treasury Transactions
Appendix A2 – Investment Transactions
Appendix A3 – Outstanding Investments
Appendix B1 – Prudential Indicators

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/RISKS:

Chief Executive's – not applicable

Community Engagement – not applicable

Economic Development – not applicable

Governance – The Council has a fiduciary duty to manage its finances properly and the proper reporting of the budget monitoring is part of this process

Local Environment – not applicable

Resources - Included in the report

TREASURY TRANSACTIONS
APRIL to JUNE 2013

1. LOANS (DEBT)

1.1 Transactions April to June 2013

| | 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 2013

| | £ |
|------------------------------|-------------------|
| 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 2013 | 0 | 0 | 13,300 |
| | | | 13,300 |

2 INVESTMENTS

| | Made | | Repaid | |
|------------------------|-------------------|-----------|-------------------|-----------|
| | £ | % | £ | % |
| Short Term Investments | 37,230,000 | 1.10-0.37 | 32,805,000 | 0.37-3.00 |
| | 37,230,000 | | 32,805,000 | |

A full schedule of investment transactions is set out in Appendix A2. Appendix A3 shows outstanding investments at end of June 2013. The average return achieved on investments as at the end of June was 0.98%.

3 REVENUES COLLECTED

| To: June 2013 | | Collected £ | % of Amount Collectable % |
|---------------|---------------------|--------------------------|---------------------------------|
| 2013/14 | Council Tax NNDR | 14,364,412 14,004,237 | 29.50 33.18 |
| Total | | 28,368,649 | 31.21 |
| 2012/13 | Council Tax NNDR | 14,130,535 13,977,288 | 29.86 34.12 |
| Total | | 28,107,823 | 31.73 |
| 2011/12 | Council Tax NNDR | 14,135,393 12,690,688 | 29.90 32.50 |
| Total | | 26,826,081 | 31.41 |

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

4 BANK BALANCE

At end of June 2013 £144,922.16 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 2013
 April –June 2013

| | Estimate £000 | Actual £000 | Variance £000 |
|---------------------|------------------|----------------|------------------|
| Interest Receivable | (118) | (87) | 31 |
| Interest Payable | 190 | 189 | (1) |
| Less Rechargeable | 0 | 0 | 0 |
| | 190 | 189 | (1) |
| Principal Repaid | 0 | 0 | 0 |
| Debt Management | 15 | 12 | (3) |
| NET BALANCE | 87 | 114 | 27 |

The estimate column is the profiled budget to end of June 2013.

Most budget heads are performing very much in line with the original estimate.

APPENDIX A2

INVESTMENT TRANSACTIONS APRIL TO JUNE 2013

| INVESTMENTS MADE | | INVESTMENTS REPAYD | |
|------------------------|-------------------|------------------------|-------------------|
| | £ | | £ |
| Barclays | 4,000,000.00 | Nationwide | 1,000,000.00 |
| Nationwide | 2,000,000.00 | Bank of Scotland | 1,000,000.00 |
| HSBC | 700,000.00 | Prime Rate | 70,000.00 |
| Nationwide | 1,000,000.00 | Prime Rate | 950,000.00 |
| HSBC | 290,000.00 | Prime Rate | 1,350,000.00 |
| HSBC | 350,000.00 | HSBC | 1,000,000.00 |
| Cumberland | 1,000,000.00 | HSBC | 1,500,000.00 |
| Bank of Scotland | 1,000,000.00 | Prime Rate | 1,385,000.00 |
| HSBC | 480,000.00 | Prime Rate | 220,000.00 |
| HSBC | 440,000.00 | Royal Bank of Scotland | 2,000,000.00 |
| Prime Rate | 870,000.00 | Ignis | 50,000.00 |
| Prime Rate | 1,500,000.00 | Prime Rate | 2,460,000.00 |
| Prime Rate | 3,500,000.00 | Ignis | 1,820,000.00 |
| HSBC | 2,500,000.00 | Prime Rate | 135,000.00 |
| Prime Rate | 445,000.00 | Prime Rate | 190,000.00 |
| Royal Bank of Scotland | 2,000,000.00 | HSBC | 2,475,000.00 |
| Ignis | 1,870,000.00 | Cumberland B Soc | 1,000,000.00 |
| Prime Rate | 445,000.00 | HSBC | 25,000.00 |
| Royal Bank of Scotland | 1,000,000.00 | HSBC | 1,500,000.00 |
| Bank of Scotland | 1,000,000.00 | Barclays | 120,000.00 |
| HSBC | 520,000.00 | Bank of Scotland | 1,000,000.00 |
| Prime Rate | 1,450,000.00 | Royal Bank of Scotland | 1,000,000.00 |
| HSBC | 3,480,000.00 | Prime Rate | 540,000.00 |
| Barclays | 120,000.00 | Prime Rate | 15,000.00 |
| Prime Rate | 515,000.00 | Prime Rate | 765,000.00 |
| Prime Rate | 755,000.00 | Royal Bank of Scotland | 1,000,000.00 |
| Ignis | 3,000,000.00 | Prime Rate | 340,000.00 |
| Royal Bank of Scotland | 1,000,000.00 | Ignis | 3,000,000.00 |
| | | Prime Rate | 1,060,000.00 |
| | | HSBC | 220,000.00 |
| | | HSBC | 3,615,000.00 |
| TOTAL | 37,230,000 | | 32,805,000 |
| | | Bfwd | 18,740,000 |
| | | Paid | 37,230,000 |
| | | Repaid | 32,805,000 |
| | | Total | 23,165,000 |

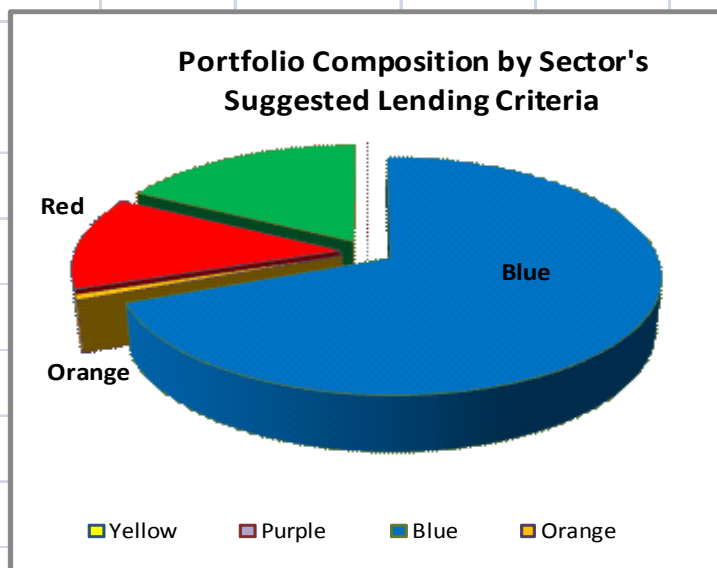
| Outstanding Investments as at 30 June 2013 | | | | | | | |
|---|-----------------------------|----------------------|----------------------|-------------------|----------------------|--------------------------------------|------------------------------------|
| Category | Borrower | Principal (£) | Interest Rate | Start Date | Maturity Date | Days to maturity at execution | Total Interest Expected (£) |
| G | Barclays Bank | 4,000,000 | 0.65% | | Call | | |
| O | HSBC | 165,000 | 0.50% | | Call | | |
| B | Bank of Scotland | 1,000,000 | 2.85% | 02/08/2012 | 02/08/2013 | 365 | 28,500 |
| B | Royal Bank of Scotland | 2,000,000 | 0.85% | | Call90 | 90 | |
| B | Royal Bank of Scotland | 1,000,000 | 0.85% | | Call90 | 90 | |
| B | Royal Bank of Scotland | 1,000,000 | 0.85% | | Call90 | 90 | |
| B | Royal Bank of Scotland | 2,000,000 | 0.80% | | Call95 | 95 | |
| B | Royal Bank of Scotland | 1,000,000 | 0.80% | | Call95 | 95 | |
| B | Royal Bank of Scotland | 1,000,000 | 1.75% | 05/10/2012 | 04/10/2013 | 364 | 17,452 |
| R | Nationwide Building Society | 1,000,000 | 0.61% | 04/04/2013 | 19/12/2013 | 259 | 4,328 |
| R | Nationwide Building Society | 2,000,000 | 0.63% | 02/04/2013 | 02/01/2014 | 275 | 9,493 |
| B | Bank of Scotland | 1,000,000 | 1.10% | 04/01/2013 | 03/01/2014 | 364 | 10,970 |
| B | Bank of Scotland | 1,000,000 | 1.10% | 13/02/2013 | 14/02/2014 | 366 | 11,030 |
| B | Bank of Scotland | 1,000,000 | 1.10% | 25/03/2013 | 28/03/2014 | 368 | 11,090 |
| B | Bank of Scotland | 1,000,000 | 1.10% | 27/03/2013 | 28/03/2014 | 90 | 2,712 |
| B | Bank of Scotland | 1,000,000 | 1.10% | 28/03/2013 | 28/03/2014 | 95 | 2,863 |
| B | Bank of Scotland | 1,000,000 | 1.10% | 11/04/2013 | 10/04/2014 | 364 | 10,970 |
| B | Bank of Scotland | 1,000,000 | 1.05% | 30/05/2013 | 30/05/2014 | 365 | 10,500 |
| | Total Investments | £23,165,000 | 0.98% | | | 233 | £119,909 |

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

Investments Summary Sheet

| | % of Portfolio | Amount | % of Colour in Calls | Amount of Colour in Calls | % of Call in Portfolio | Weighted Average Rate of Return | Weighted Average Days to Maturity | Weighted Average Dats to Maturity from Execution | Weighted Average Risk | | | | |
|-----------|----------------|-------------------|----------------------|---------------------------|------------------------|---------------------------------|-----------------------------------|--|---|------------|------------|------------|------------|
| | | | | | | WARoR | WAM | WAM at Execution | Risk Score for Colour (1 = Low, 7 = High) | Jun 2013 | Mar 2013 | Dec 2012 | Sep 2012 |
| Yellow | 0.00% | - | 0.00% | - | 0.00% | 0.00% | 0 | 0 | 1 | 0.0 | 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 | 69.07% | 16,000,000 | 43.75% | 7,000,000 | 30.22% | 1.13% | 164 | 246 | 3 | 2.1 | 2.6 | 2.1 | 2.1 |
| Orange | 0.71% | 165,000 | 100.00% | 165,000 | 0.71% | 0.50% | 0 | 0 | 4 | 0.0 | 0.4 | 0.0 | 0.0 |
| Red | 12.95% | 3,000,000 | 0.00% | - | 0.00% | 0.62% | 181 | 270 | 5 | 0.6 | 0.3 | 0.0 | 0.0 |
| Green | 17.27% | 4,000,000 | 100.00% | 4,000,000 | 17.27% | 0.65% | 0 | 0 | 6 | 1.0 | 0.0 | 1.0 | 1.0 |
| No Colour | 0.00% | - | 0.00% | - | 0.00% | 0.00% | 0 | 0 | 7 | 0.0 | 0.0 | 0.6 | 0.6 |
| | 100.00% | 23,165,000 | 48.20% | 11,165,000 | 48.20% | 0.98% | 137 | 205 | | 3.8 | 3.2 | 3.8 | 3.8 |

| | 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

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 2013/14 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 2013/14 to date as detailed in the Treasury Management Strategy Statement for 2013/14.

(a) Affordability

| | 2013/14 Original Estimate £ | 2013/14 Revised Estimate £ |
|---|--------------------------------------|-------------------------------------|
| (i) Capital Expenditure | 7,780,000 | 4,655,200 |
| (ii) Financing Costs Total Financing Costs | 845,959 | 845,959 |
| (iii) Net Revenue Stream Funding from Govt Grants/Local Taxpayers | 13,454,000 | 13,454,000 |
| (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. | 6.29% | 6.29% |
| (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. | 0.56 | 0.56 |
| (vi) Authorised Borrowing Limit Maximum Level of Borrowing and Other Long term Liabilities | 37,600,000 | 37,600,000 |
| | 15,013,300 | 15,013,300 |
| 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. | | |

| | 2013/14 Original Estimate £ | 2013/14 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. | (5,293,000) | n/a |

(b) Prudence and Sustainability

| | 2013/14 Original £ |
|--|--------------------------|
| (i) New Borrowing to Date No Long Term Borrowing has been taken in 2013/14 to date | 0 |
| (ii) Percentage of Fixed Rate Long Term Borrowing at June 2013 | 100% |
| (iii) Percentage of Variable Rate Long Term Borrowing at June 2013 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 2013 As part of the Investment Strategy for 2013/14, 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% 91.00% |