

Report to Executive

Meeting Date: 21 February 2022
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and Budget Framework YES
Public / Private Public

Title: TREASURY MANAGEMENT OCTOBER – DECEMBER 2021
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number: RD 72/21

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 December 2021.

Tracking

Executive:	21 February 2022
Audit Committee:	17 March 2022
Council:	Not applicable

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 to October - December 2021

- **Appendix A1** – Treasury Transactions October to December 2021
- **Appendix A2** – Investment Transactions October to December 2021
- **Appendix A3** – Outstanding Investments at December 2021

(ii) **Appendix B** discusses the Prudential Code and Prudential Indicators for 2021/22:

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

2. RISKS

2.1 Treasury Management considers risks associated with investments with counterparties however the Treasury Management strategy statement outlines the risk management approach to minimise this.

3. CONSULTATION

3.1 Consultation to Date.
None.

4. CONCLUSION AND REASONS FOR RECOMMENDATIONS

4.1 That this report be received, and the Prudential Indicators noted as at the end of December 2021.

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

5.1 To ensure that the Council's investments are in line with the appropriate policies including the Treasury Management Strategy Statement.

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**Appendices
attached to report:**

**Appendix A1 – Treasury Transactions October to December
2021**

**Appendix A2 – Investment Transactions October to December
2021**

Appendix A3 – Outstanding Investments at December 2021

Appendix B1 – Prudential Code background

Appendix B2 – Prudential Indicators

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- **None**

Corporate Implications:

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

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
OCTOBER 2021 to DECEMBER 2021

1. LOANS (DEBT)1.1 Transactions October to December 2021

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

This provides a summary of any loans that have been raised or repaid, analysed by type, since the previous report. Procedures, adopted to map the cash flow more accurately, ensure better forecasting and limits the amount of short term/overnight borrowing which may be required.

1.2 Loans (Debt) Outstanding at December 2021

	£
P.W.L.B.	8,550,000
P.W.L.B.	4,500,000
Short Term Loans	12,800
	13,062,800

1.3 Loans Due for Repayment (Short Term)

	PWLB £	Overnight £	Other £	Total £
Short Term Debt at end of December 2021	475,000	0	12,800	487,800

1.4 Interest Rates

Bank base rates for the period covered by this report remained static at 0.25%; however, the Bank of England increased this base rate to 0.50% on 3 February 2022 to try and control inflation.

2 INVESTMENTS

	Made		Repaid	
	£	%	£	%
Short Term Investments	10,000,000	0.01 - 0.21	8,000,000	0.01 - 0.19
	10,000,000		8,000,000	

A full schedule of short term investment transactions is set out in **Appendix A2**. **Appendix A3** shows outstanding short-term investments at 31 December 2021.

3 REVENUES COLLECTED

To: 31 December 2021		Collected £	% of Amount Collectable %
2021/22	Council Tax NNDR	59,038,440 29,270,978	84.02 79.75
Total		88,309,418	82.55
2020/21	Council Tax NNDR	55,482,133 17,181,774	83.13 77.31
Total		72,663,907	81.68
2019/20	Council Tax NNDR	54,392,007 36,575,629	84.83 82.38
Total		90,967,636	83.83

Collection levels have begun to show signs of recovery from 2020/21 levels which were significantly reduced due to the impact of COVID-19.

4 BANK BALANCE

At 31 December 2021 £15,940,585 in hand.

This records the Council's bank balance at the end of the last day covered by the report. This is unusually higher than normal as there is an expectation of a significant repayment to DLUHC in the last quarter of the year; and availability of appropriate net returns on short dated MMF/Call accounts has not made it financially viable to invest short-term.

5 PERFORMANCE ON TREASURY MANAGEMENT TRANSACTIONS TO DECEMBER 2021

April –December 2021

	Profiled Budget £000	Actual £000	Variance £000
Interest Receivable	(125)	(135)	(10)
Interest Payable	321	91	(230)
Less Rechargeable	0	0	0
	321	91	(230)
Principal Repaid (MRP)	0	0	0
Debt Management	12	13	1
NET BALANCE	208	(31)	(239)

The profiled budget is to 31 December 2021.

Interest receivable is ahead of expectations due to higher than forecast average cash balances even though interest rates remain low.

Interest payable is lower than expected as no new borrowing has been undertaken in this financial year.

The CCLA property investment saw an increase in the capital value to the end of December. Dividends and yield levels are currently 3.46%.

APPENDIX A2

SHORT TERM INVESTMENT TRANSACTIONS OCTOBER TO DECEMBER 2021

INVESTMENTS MADE			INVESTMENTS REPAID	
	£			£
Standard Chartered	1,000,000.00		HSBC	3,000,000.00
HSBC	3,000,000.00		Standard Chartered	1,000,000.00
HSBC	1,000,000.00		HSBC	1,000,000.00
Federated Investors	4,000,000.00		Standard Chartered	1,000,000.00
Standard Chartered	1,000,000.00		Standard Chartered	1,000,000.00
			Standard Chartered	1,000,000.00
TOTAL	10,000,000			8,000,000
			Bfwd	28,518,783
			Paid	10,000,000
			Repaid	8,000,000
			Total	30,518,783
			CCLA Change	177,446
			Total	30,696,229

Outstanding Investments as at 31 December 2021

Category	Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Current Days to Maturity	Days to maturity at execution	Total Interest Expected (£)
Y	MMF Federated Investors (UK)	4,000,000	0.04%			MMF		
O	HSBC UK Bank Plc (RFB)	5,000,000	0.14%			Call1		
R	Standard Chartered Bank	2,000,000	0.08%	01/10/2021	04/01/2022	4	95	416
R	Goldman Sachs International Bank	1,000,000	0.15%	13/07/2021	28/01/2022	28	199	818
O	HSBC UK Bank Plc (RFB)	2,000,000	0.25%			Call31		
O	HSBC UK Bank Plc (RFB)	3,000,000	0.25%			Call31		
R	Goldman Sachs International Bank	1,000,000	0.18%	30/07/2021	01/02/2022	32	186	917
R	Goldman Sachs International Bank	1,000,000	0.13%	27/08/2021	25/02/2022	56	182	648
R	Standard Chartered Bank	1,000,000	0.21%	24/12/2021	25/03/2022	84	91	524
R	Santander UK PLC	2,000,000	0.58%			Call180		
R	Santander UK PLC	3,000,000	0.58%			Call180		
R	Santander UK PLC	2,000,000	0.58%			Call180		
Total Investments		£27,000,000	0.26%					£3,323

Borrower	Current Market Value (£)	Current Yield	Start Date	Initial Investment (£)	Entry Cost (£) ¹	Initial Market Value (£)	Unrealised Growth (£)
CCLA Property Fund	3,696,229	3.46%	31/07/2014	3,000,000	(163,104)	2,836,896	696,229

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.

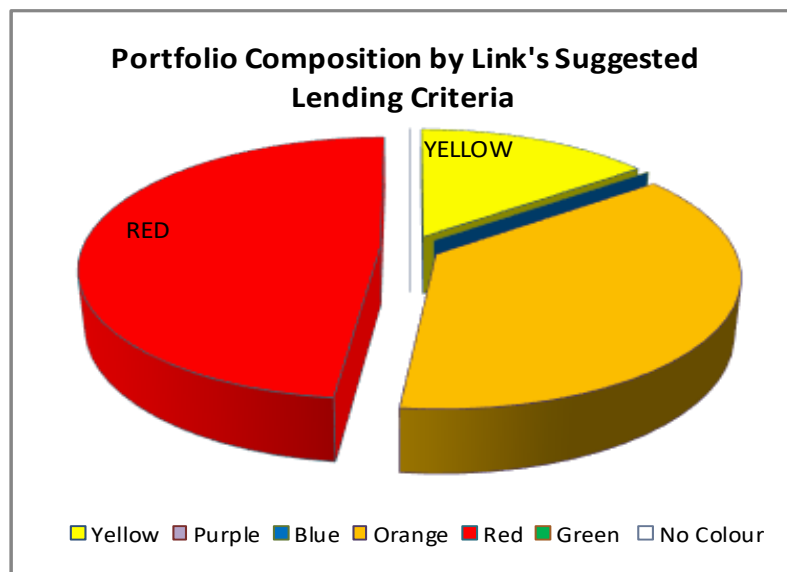
The category colour represents the duration of investment recommended by Link, the Council's Treasury Advisors. Those investments with no colour, are still within the Council's investment Strategy and are therefore deemed suitable for investing.

Investment Summary Sheet

						Weighted Average Rate of Return	Weighted Average Days to Maturity	Weighted Average Days to Maturity from Execution
	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution
Yellow	14.81%	4,000,000	100.00%	4,000,000	14.81%	0.04%	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	37.04%	10,000,000	100.00%	10,000,000	37.04%	0.20%	16	16
Red	48.15%	13,000,000	53.85%	7,000,000	25.93%	0.38%	113	162
Green	0.00%	-	0.00%	-	0.00%	0.00%	0	0
No Colour	0.00%	-	0.00%	-	0.00%	0.00%	0	0
	100.0%	27,000,000	77.78%	21,000,000	77.78%	0.26%	60	84

Risk Score for Colour (1 = Low, 7 = High)	Dec 2021	Sep 2021	Jun 2021	Mar 2021
1	0.1	0.0	0.00	0.0
2	0.0	0.0	0.0	0.0
3	0.0	0.0	0.0	0.0
4	1.5	1.7	1.9	2.2
5	2.4	2.8	2.6	2.3
6	0.0	0.0	0.0	0.0
7	0.0	0.0	0.0	0.0
	4.0	4.5	4.5	4.5

	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 2021/22 to date as detailed in the Treasury Management Strategy Statement for 2021/22.

(a) Affordability

	2021/22 Original Estimate £	2021/22 Revised Estimate £
(i) Capital Expenditure	19,070,400	32,642,900
(ii) Financing Costs		
Total Financing Costs	458,100	(44,442)
(iii) Net Revenue Stream		
Funding from Govt Grants/Local Taxpayers	13,848,000	13,848,000
(iv) Ratio of Financing Costs to Net Revenue Stream	3.31%	(0.32%)
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.		
(v) Incremental Impact on Council Tax	12.82	18.19
This indicator allows the effect of the totality of the Council's capital investment decisions to be considered at budget setting time.		
(vi) Authorised Borrowing Limit	45,100,000	48,100,000
Maximum Level of Borrowing and Other Long term Liabilities	34,380,000	34,380,000
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.		

	2021/22 Original Estimate £	2021/22 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.	40,100,000 34,380,000	43,100,000 34,380,000
(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.	39,601,000	40,948,000

(b) Prudence and Sustainability

	2021/22 Original £
(i) New Borrowing to Date Long Term Borrowing has been taken in 2021/22 to date	0 0
(ii) Percentage of Fixed Rate Long Term Borrowing at December 2021	100%
(iii) Percentage of Variable Rate Long Term Borrowing at December 2021 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 December 2021 As part of the Capital Investment Strategy for 2021/22, 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%