



## **REPORT TO EXECUTIVE**

### **PORTFOLIO AREA : GOVERNANCE AND RESOURCES**

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**Date of Meeting:** 14 February 2011

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**Public**

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**Key Decision:** No

**Recorded in Forward Plan:**

**No**

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**Inside Policy Framework**

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**Title:** TREASURY MANAGEMENT OCTOBER – DECEMBER 2010

**Report of:** Assistant Director (Resources)

**Report reference:** RD77/10

#### **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 2010.

**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  
14 February 2011

RD77/10

### TREASURY TRANSACTIONS 2010/11

#### **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 October 2010 – 31 December 2010:
  - **Appendix A1** – Treasury Transactions October to December 2010
  - **Appendix A2** – Investment Transactions October to December 2010
  - **Appendix A3** – Outstanding Investments at 31 December 2010
- (ii) **Appendix B** discusses the Prudential Code and Prudential Indicators for 2010/11:
  - **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 2010.

#### **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?**

<b>Equality Impact Screening</b>	<b>Impact Yes/No?</b>	<b>Is the impact positive or negative?</b>
Does the policy/service impact on the following?		
Age	<b>No</b>	<b>N/A</b>
Disability	<b>No</b>	<b>N/A</b>
Race	<b>No</b>	<b>N/A</b>
Gender/ Transgender	<b>No</b>	<b>N/A</b>
Sexual Orientation	<b>No</b>	<b>N/A</b>
Religion or belief	<b>No</b>	<b>N/A</b>
Human Rights	<b>No</b>	<b>N/A</b>
Health inequalities	<b>No</b>	<b>N/A</b>
Rurality	<b>No</b>	<b>N/A</b>

**If you consider there is either no impact or no negative impact, please give reasons:**

This report summarises Treasury Transactions for Quarter 3 2010/11

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

PETER MASON  
Assistant Director (Resources)

Contact Officer: Steven Tickner

Ext 7280

TREASURY TRANSACTIONS  
1 OCTOBER 2010 to 31 DECEMBER 2010

1. LOANS (DEBT)

1.1 Transactions 1 October to 31 December 2010

	Raised		Repaid	
	£	%	£	%
P.W.L.B	0		0	0
Local Bonds	0		0	0
Short Term Loans	0		0	0.00
Overnight Borrowing	730,000	0.55-.055	730,000	0.55-0.55
	<b>730,000</b>		<b>730,000</b>	

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 31 December 2010

	£
City of Carlisle Stock Issue	15,000,000
Short Term Loans	11,800
	<b>15,011,800</b>

1.4 Loans Due for Repayment (Short Term)

	PWLB £	Overnight £	Total £
Short Term Debt at 31 December 2010	0	0	11,800
			<b>11,800</b>

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 are anticipated.

## 1.5 Interest Rates

Date	PWLB Maturity		
	1 Year %	10 Years %	25 Years %
05 October 2010	0.66	3.17	4.03
12 October 2010	0.64	3.07	4.03
19 October 2010	0.66	3.23	4.20
26 October 2010	1.61	4.16	5.07
02 November 2010	1.55	4.14	5.07
09 November 2010	1.58	4.24	5.12
16 November 2010	1.61	4.35	5.26
23 November 2010	1.58	4.52	5.25
30 November 2010	1.56	4.49	5.25
07 December 2010	1.60	4.64	5.37
14 December 2010	1.69	4.75	5.42
21 December 2010	1.70	4.62	5.27
29 December 2010	1.75	4.68	5.32

## 2 INVESTMENTS

	Made		Repaid	
	£	%	£	%
Short Term Investments	34,090,000	0.25-2.50	31,190,000	0.25-1.30
	<b>34,090,000</b>		<b>31,190,000</b>	

A full schedule of investment transactions is set out in Appendix A2. Appendix A3 shows outstanding investments at 31 December 2010.

### 3 REVENUES COLLECTED

To: 30 December 2010		Collected £	% of Amount Collectable %
2010/11	Council Tax NDR	40,755,631 31,779,907	86.20 88.47
<b>Total</b>		<b>72,535,538</b>	<b>87.17</b>
2009/10	Council Tax NDR	39,840,556 30,743,190	86.00 87.10
<b>Total</b>		<b>70,583,746</b>	<b>86.50</b>
2008/09	Council Tax NDR	30,441,662 30,482,576	85.90 87.80
<b>Total</b>		<b>60,924,238</b>	<b>86.70</b>

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

### 4 BANK BALANCE

At 31 December 2010, £853,776 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 2010

April – December 2010

	Estimate £000	Actual £000	Variance £000
Interest Receivable	(385)	(323)	62
Interest Payable	853	856	3
Less Rechargeable	(7)	(7)	0
	<b>846</b>	<b>849</b>	<b>3</b>
Principal Repaid	141	184	43
Debt Management	14	14	0
<b>NET BALANCE</b>	<b>616</b>	<b>724</b>	<b>108</b>

The estimate column is the profiled budget to 31 December 2010.

Current money rates are now below the level anticipated at the time of the budget although this factor has been somewhat mitigated through cash balances being generally higher than forecast. Overall, final investment interest for the year is likely to fall short of the original budget (£513,000) due to investment rates not increasing as expected when the budget was set. The position continues to be monitored closely.

Most other 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 2009/10 utilising more capital receipts than expected. This meant that the Capital Financing Requirement increased by more than expected and therefore the MRP required has increased.



**APPENDIX A2**

INVESTMENT TRANSACTIONS 1 OCTOBER 2010 TO 31 DECEMBER 2010

INVESTMENTS MADE			INVESTMENTS REPAID	
	£			£
Coventry B.Soc	2,400,000.00		Coventry B.Soc	1,640,000.00
Cumberland B.Soc	1,000,000.00		Coventry B.Soc	60,000.00
Bank of Scotland	1,000,000.00		Coventry B.Soc	700,000.00
Leeds	1,000,000.00		HSBC	1,000,000.00
Coventry B.Soc	800,000.00		Coventry B.Soc	2,200,000.00
HSBC	1,000,000.00		Coventry B.Soc	160,000.00
Coventry B.Soc	2,200,000.00		Coventry B.Soc	940,000.00
Coventry B.Soc	1,100,000.00		Coventry B.Soc	300,000.00
Cumberland B.Soc	1,000,000.00		Clydesdale Bank	1,000,000.00
Coventry B.Soc	1,000,000.00		Cumberland	1,000,000.00
Coventry B.Soc	1,000,000.00		Cumberland	1,000,000.00
Coventry B.Soc	1,000,000.00		Coventry B.Soc	500,000.00
Clydesdale Bank	1,000,000.00		Coventry B.Soc	100,000.00
Leeds	1,000,000.00		Coventry B.Soc	200,000.00
Cumberland B.Soc	1,000,000.00		Coventry B.Soc	700,000.00
Nationwide	1,000,000.00		Clydesdale Bank	1,000,000.00
Coventry B.Soc	1,000,000.00		Nationwide	1,000,000.00
Coventry B.Soc	1,300,000.00		Coventry B.Soc	600,000.00
Cater Allen	1,000,000.00		Coventry B.Soc	400,000.00
Ulster Bank	1,000,000.00		Coventry B.Soc	1,000,000.00
Nationwide	1,000,000.00		Cumberland	1,000,000.00
Coventry B.Soc	1,000,000.00		Nationwide	1,000,000.00
Coventry B.Soc	1,000,000.00		Cater Allen	1,000,000.00
Clydesdale Bank	1,000,000.00		Clydesdale Bank	1,000,000.00
Cumberland B.Soc	1,000,000.00		Coventry B.Soc	350,000.00
HSBC	600,000.00		Ulster Bank	1,000,000.00
Ulster Bank	1,000,000.00		Coventry B.Soc	950,000.00
HSBC	2,000,000.00		Ulster Bank	1,000,000.00
Ulster Bank	1,000,000.00		HSBC	100,000.00
Coventry B.Soc	790,000.00		HSBC	940,000.00
Cumberland B.Soc	900,000.00		Ulster Bank	1,000,000.00
			HSBC	60,000.00
			HSBC	350,000.00
			Ulster Bank	1,000,000.00
			HSBC	20,000.00
			HSBC	1,130,000.00
			Coventry B.Soc	1,000,000.00
			Cumberland	1,000,000.00
			Ulster Bank	1,000,000.00
			Coventry B.Soc	140,000.00
			HSBC	650,000.00
<b>TOTAL</b>	<b>34,090,000</b>			<b>31,190,000</b>
			Bfwd	25,000,000
			Paid	34,090,000
			Repaid	31,190,000
			<b>Total</b>	<b>27,900,000</b>

## APPENDIX A3

## OUTSTANDING INVESTMENTS AS AT 31 DECEMBER 2010

DATE	BORROWER	AMOUNT	TERMS	RATE %	INTEREST
14/05/2009	Barclays Bank	£1,000,000	13 May 2011	2.4800	49,532.05
02/07/2009	Royal Bank of Scotland	£1,000,000	05 January 2011	2.0100	30,397.81
14/01/2010	Bank of Scotland (inc HBOS)	£1,000,000	13 January 2011	1.8200	18,150.14
21/01/2010	Ulster Bank Ltd	£1,000,000	20 January 2011	1.2500	12,465.75
09/04/2010	Bank of Scotland (inc HBOS)	£1,000,000	08 April 2011	1.9000	18,947.95
04/05/2010	Clydesdale Bank	£1,000,000	25 March 2011	1.1500	10,239.73
17/05/2010	Leeds	£1,000,000	13 May 2011	1.2500	12,363.01
27/05/2010	Bank of Scotland (inc HBOS)	£1,000,000	27 May 2011	1.8400	18,400.00
04/06/2010	Barclays Bank	£1,000,000	01 June 2012	1.7500	34,904.11
09/06/2010	Nationwide	£1,000,000	25 March 2011	1.1700	9,263.84
16/06/2010	Barclays Bank	£1,000,000	15 June 2012	1.9000	38,000.00
05/07/2010	Bank of Scotland (inc HBOS)	£1,000,000	05 January 2011	1.2600	6,351.78
02/08/2010	Cater Allen	£1,000,000	27 July 2011	2.5000	24,589.04
10/08/2010	Bank of Scotland (inc HBOS)	£1,000,000	10 February 2011	1.3000	6,553.42
03/09/2010	Cater Allen	£1,000,000	02 September 2011	2.5000	24,931.51
14/09/2010	Coventry	£1,000,000	25 March 2011	1.0000	5,260.27
29/09/2010	Cater Allen	£1,000,000	27 September 2011	2.5000	24,863.01
01/10/2010	Leeds	£1,000,000	27 September 2011	1.3000	12,857.53
01/10/2010	Bank of Scotland (inc HBOS)	£1,000,000	27 September 2011	1.9000	18,791.78
29/10/2010	Coventry	£1,000,000	10 March 2011	0.8500	3,073.97
01/11/2010	Leeds	£1,000,000	25 February 2011	0.6800	2,161.10
01/11/2010	Cumberland	£1,000,000	10 March 2011	0.8500	3,004.11
26/11/2010	Cater Allen	£1,000,000	25 November 2011	2.5000	24,931.51
30/11/2010	Ulster Bank Ltd	£1,000,000	30 November 2011	1.4500	14,500.00
30/11/2010	Nationwide	£1,000,000	30 November 2011	1.3500	13,500.00
01/12/2010	Coventry	£1,000,000	01 December 2011	1.3500	13,500.00
01/12/2010	Clydesdale Bank	£1,000,000	01 December 2011	1.2000	12,000.00
24/12/2010	Cumberland	£900,000	27 January 2011	0.5200	435.95
	Total	£27,900,000	Weighted Average	1.56	463,969.37

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

## 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 C2 sets out the latest performance indicators for the current year together with the proposed indicators for 2011/12.

### 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 2011/12 this is estimated to be Nil. In 2010/11 the City Council received a capital grant in lieu of a borrowing allocation but as part of the Government's Spending Review, and confirmed by the recent RSG announcement, this capital grant has been removed with effect from 2011/12.
- 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 2010/11 to date as detailed in the Treasury Management Strategy Statement for 2010/11.

**(a) Affordability**

	<b>2010/11 Revised £</b>	<b>2010/11 Estimate £</b>
<b>(i) Capital Expenditure</b>	8,797,800	11,334,000
<b>(ii) Financing Costs</b> Total Financing Costs	950,000	989,000
<b>(iii) Net Revenue Stream</b> Funding from Govt Grants/Local Taxpayers	17,047,000	17,047,000
<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.	5.57%	5.80%
<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.	N/A	6.08
<b>(vi) Authorised Borrowing Limit</b> 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  15,011,800	37,600,000

