

## REPORT TO EXECUTIVE



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| <b>DATE</b>          | <b>19<sup>th</sup> August 2008</b> |
| <b>PORTFOLIO</b>     | <b>Resources</b>                   |
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## Treasury Management Quarterly Monitoring Report 08/09

**PURPOSE**

1. To inform Members of the Council's treasury management dealings during the period 1 April 2008 to 30 June 2008, in compliance with the CIPFA codes of practice on Treasury Management in the Public Services, and the Prudential Code for Capital Finance in Local Authorities.

**RECOMMENDATION**

2. Members are asked to note the treasury management dealings carried out within the Finance Unit during the period 1 April 2008 to 30 June 2008.

**REASONS FOR RECOMMENDATION**

3. The Council is required to fulfil statutory and regulatory requirements set out by the CIPFA Code of Practice on Treasury Management in the Public Services and to provide a clear framework for local authority capital finance and treasury management, and the monitoring requirements for treasury were set out in both the Treasury Management Strategy for 2008/09 and The Prudential Indicators for 2008/09, approved at Council on the 27 February 2008.

**SUMMARY OF KEY POINTS**4. **TREASURY ACTIVITIES**

The prudential indicators required under the CIPFA Prudential Code are categorised under two headings, Affordability and Prudence.

For ease of clarification treasury management activity for the period 1 April to the 30 June 2008 has been grouped together under each of these headings along with an explanation of any changes that have occurred, as outlined below.

Indicators pertaining to Affordability are outlined within paragraphs 5 through to 8 and under Prudence, paragraphs 9 through to 13 relate.

## 5. **Affordability Indicators:**

### **Estimate of Capital Expenditure to be incurred**

Council on 27 February 2008 approved the 2008/09 capital programme, thereby setting an original budget of £24,432,111.

Since setting the original budget a number of changes have been reported through to the Executive Members resulting in revising the capital budget to £26,810,475 [as at 24<sup>th</sup> June 2008]. These changes can be summarised under the following headings.

- Carry forwards from 2007/08 on individual schemes reported to the Executive have been incorporated, amounting to £435,537.
- Amendments made to individual schemes approved by the Executive /Delegation Powers totalled £640,251.
- Executive on the 24<sup>th</sup> June revised the Housing Investment Programme resulting in increasing the programme by £1,302,576.

The revised budget of £26,810,475 is a significant amount but through obtaining the associated funding through grants, capital receipts and other contributions the borrowing requirement has been minimised and remains at the original level of £1,134,400. This means that the effect on the capital financing requirement on the Council's revenue account remains within the original limits factored into the 2008/09 revenue budget.

As at the end of June, capital expenditure recorded on the financial system totalled £6,359,890 being 24% spend against the revised budget for the quarter. Monitoring of the capital programme is presented to Members in more detail in a separate report.

## 6. **Authorised External Debt Limit**

The approved limit set for 2008/09 is £31.6M being the statutory limit set by the Council for external debt as determined under section 3(1) of the Local Government Act 2003.

## 7. **Operational Boundary for Total External Debt**

This is lower than the authorised limit for total external debt by the amount of headroom provided for "unusual cash movements".

The Council's operational boundary for 2008/09 was set at £28.7M and relates to the maximum level of external debt projected in estimates to provide for normal operational capacity. This is an early warning sign and if the level of debt exceeds this boundary it is not a breach of the prudential code.

External indebtedness as at 30 June 2008 totalled £23.8M and therefore is within the Council's operational boundary.

## 8. **Movements in External Debt**

By the end of the first quarter the level of net overall debt decreased by £1,830,264. The main factor being, the decrease in temporary market loans resulting from grant income received during April being utilised to repay short-term borrowing, taken out during March 2008.

Below is a summary of the Council's external indebtedness, as at 1 April 2008 and as at 30 June 2008.

|                                    | <u>As At<br/>01 April '08</u> | <u>As At<br/>30 June '08</u> | <u>Change +/-<br/>During this period</u> |
|------------------------------------|-------------------------------|------------------------------|--|
|                                    | £                             | £                            | £  |
| Public Works Loan Board            | 23,446,098                    | 23,444,651                   | (1,447)                                  |
| Long Term Market Loans             | NIL                           | NIL                          | NIL                                      |
| Temporary Market Loans             | 2,157,836                     | 329,019                      | (1,828,817)                              |
| Finance Leasing                    | <u>27,000</u>                 | <u>27,000</u>                | <u>NIL</u>                               |
| <b>Total level of Indebtedness</b> | <b><u>25,630,934</u></b>      | <b><u>23,800,670</u></b>     | <b><u>(1,830,264)</u></b>                |

## 9. Prudence Indicators:

### Upper Limits on Interest Rate Exposures

The limits are set at 100% for fixed rate exposure and 25% for variable rate. This means that under the monitoring process finance staff will ensure that fixed rate borrowing does not fall below 75% of overall borrowing and therefore variable rate borrowing will not exceed 25% of overall borrowing.

During the period 1 April to 30 June 2008 the minimum level of fixed rate borrowing was 99% and the maximum level of variable rate borrowing was 1%.

## 10. Upper and Lower Limits for Maturity Structure of Borrowing

This indicator limits the period to repayment of overall expected debt outstanding and shows five bands. There are minimum and maximum proportions of overall debt within each band. This means that the amount of debt in each band will fall within this range as a proportion of overall debt.

Summarised below under each band is the approved limit set for the year as well as the actual percentage of debt maturing within each band as at the end of the first quarters monitoring period.

|                              | <u>Approved<br/>Limit</u> | <u>As at 30/06/08<br/>Actual % of Debt Falling Due</u> |
|------------------------------|---------------------------|--|
| Under 12 months              | 0% - 25%                  | -  |
| 12 months & within 24 months | 0% - 15%                  | 4%   |
| 24 months & within 5 years   | 5% - 25%                  | 15%  |
| 5 years & within 10 years    | 20% - 45%                 | 26%  |
| 10 years and above           | 45% - 70%                 | 55%  |

Members can see from this summary that during the current financial year there are no large repayments of outstanding debt falling due.

## 11. Interest Payable on External Borrowing / Interest Receivable

Provision is made in the revenue budget to meet the net interest payable on external borrowing. The figure in the original budget for 2008/09 was set at £985,168. This represents the difference between interest paid on external borrowing and interest receivable on external short-term investments.

As a result of monitoring performance during April up to July, Members are asked to note there is no requirement to amend the budget originally set.

## 12. Short – Term Investment Limits

At any one time with any institution, or group of institutions with shared ownership the maximum individual amount that can be investment is £3m for a maximum period of three months.

There are strict limits in terms of the type of institution with which funds may be deposited and these are reviewed annually and reported to Members within the Treasury Management Strategy.

Market investments for the period 1 April to 30 June 2008 totalled £32.5 million comprising 35 loans in total, split 24 with HSBC Sterling Line and 11 with individual counter parties through the brokerage facility. Appendix 1 to this report lists the approved counterparties along with the volume of investments placed as a total for 1 April 2008 to 30 June 2008.

At the end of quarter 1 the interest receivable on temporary investments totaled £31,056.

## 13. Interest Rates

Members will be aware that the Bank of England have decreased the bank base rate by half a percent over the last 12 months and as such this impacts on the interest rates which are made available to local authority's.

Set out below are a number of key interest rate bands and the rate available as at 30 June 2008, 31 March 2008 and one year ago.

|                                   | 30/06/08 | 31/03/08 | 30/06/07 |
|-----------------------------------|----------|----------|----------|
|                                   | %        | %        | %        |
| Bank Base Rate                    | 5.00     | 5.25     | 5.50     |
| 7 Day Money Market Borrowing Rate | 5.00     | 5.25     | 5.50     |
| PWLB Quota Rates – 5 Years        |          |          |          |
| - Maturity                        | 5.33     | 4.21     | 5.85     |
| - Equal Instalments of Principal  | 5.31     | 4.15     | 5.90     |
| - Annuity                         | 5.31     | 4.15     | 5.90     |
| PWLB Quota Rates – 10 Year        |          |          |          |
| - Maturity                        | 5.36     | 4.56     | 5.60     |
| - Equal Instalments of Principal  | 5.34     | 4.22     | 5.80     |
| - Annuity                         | 5.34     | 4.24     | 5.80     |

## **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

14. There are no budget changes resulting from this monitoring report and the budget for net interest payable remains at the original figure of £985,168.

## **POLICY IMPLICATIONS**

15. All transactions are in accordance with the Council's approved Treasury Policy Statement.

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| <b>DETAILS OF CONSULTATION</b> |
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16. None.

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| <b>BACKGROUND PAPERS</b> |
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17. Treasury Management Strategy Report & Prudential Indicators Report for 2008/09.  
External Borrowing & Investment Files. PWLB Transactions & Interest Files.

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| <b>FURTHER INFORMATION</b> |
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**PLEASE CONTACT:**

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**ALSO:**

**Phil Moore, Head of Finance**

[Appx 1](#)