

**AGENDA MANAGEMENT SHEET**

**Name of Committee** Corporate Services & Community Safety Overview and Scrutiny Committee  
**Date of Committee** 16 September 2009  
**Report Title** Treasury Management Monitoring Report 2009/10

**Summary** This report sets out the progress of the treasury management process during 2009/10.

**For further information please contact:** Phil Triggs  
 Group Manager  
 Tel: 01926 412227  
 philtriggs@warwickshire.gov.uk

**Would the recommended decision be contrary to the Budget and Policy Framework?** [please identify relevant plan/budget provision]  
 No.

- Background papers**
- CIPFA publication "Treasury Management in the Public Services: Code of Practice and Guidance notes for Local Authorities"
  - Treasury Management Strategy 2009/10

**CONSULTATION ALREADY UNDERTAKEN:-** Details to be specified

- Other Committees  .....
- Local Member(s)
- Other Elected Members  Cllr Appleton, Cllr Gittus, Cllr Davis, Cllr Moss
- Cabinet Members  Cllr Heatley
- Chief Executive  .....
- Legal  Sarah Duxbury
- Finance  Strategic Director, Resources – reporting officer
- Other Chief Officers  .....
- District Councils  .....
- Health Authority  .....

Police  .....

Other Bodies/Individuals  Janet Purcell, Executive & Member Support  
Manager

**FINAL DECISION YES**

**SUGGESTED NEXT STEPS:**

Details to be specified

Further consideration by  
this Committee  .....

To Council  .....

To Cabinet  .....

To an O & S Committee  .....

To an Area Committee  .....

Further Consultation  .....

## Executive Summary

Warwickshire County Council escaped the Icelandic bank crash last year as a result of strict adherence to its treasury management policy and the maintenance of a high quality lending list. The events of 2008 have put treasury management into the spotlight and, as a result, monitoring reports will be put to the Committee during the year, rather than depending purely on a single outturn report at the year end.

As at 31 July 2009, total cash reserves amounted to £88.1m. This is invested with various institutions according to a low risk, high quality lending list. A significant proportion of funds is placed with the UK Government Debt Management Office. Preservation of capital is deemed more important than the pursuit of a high yield investment return.

The Council has a borrowing requirement of around £70m for 2009/10 for the funding of capital expenditure. As at 31 July 2009, no borrowing had been undertaken. There are plans to borrow later in the year.

The Council has operated within the treasury limits and Prudential Indicators set out in the approved Council's Treasury Policy Statement and Treasury Management Strategy.

16 September 2009

## Treasury Management Monitoring Report

### Report of the Strategic Director, Resources

#### Recommendation

That Corporate Services & Community Safety Overview and Scrutiny Committee agree the report.

## 1 Introduction

- 1.1 Warwickshire County Council fully complies with the requirements of The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice (COP) on Treasury Management 2001.
- 1.2 Under the CIPFA Code, the Cabinet is required to receive a report on the outturn of the annual treasury management activity for the authority. Given the events last year concerning the Icelandic banks, monitoring reports regarding treasury management will be an agenda item for the O&S Committee throughout the year.
- 1.3 Treasury management in the context of this report is defined as:

"The management of the local authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks." (*CIPFA Code of Practice*).

## 2 Investments

- 2.1 The Council has an investment portfolio consisting of reserves and short-term cash flows. This cash is invested partly by an external cash manager and partly in house.
- 2.2 The Council's investment portfolio at the end of the first four months of 2009/10 to 31 July 2009 was:

**Table 1: Investment Position at 31 July 2009**

	Invested at 31 July 2009
	£
In-house time deposits	44.5
Abbey (call account)	0.0
<b>Total In-house</b>	<b>44.5</b>
Aviva Investors	43.6
<b>Total All Investments</b>	<b>88.1</b>

- 2.3 The council is currently investing according to a low risk, high quality lending list and is using a policy which is more restrictive than the policy approved by the Treasury Management Strategy 2009/10. A significant proportion of funds is placed with the UK Government Debt Management Office for a period of up to three months.
- 2.4 All other counterparties with the exception of Barclays Bank (three months) have a time limit of one calendar month. Higher minimum ratings for overseas institutions are currently adhered to. At this time, there are no deposits placed outside the UK.
- 2.5 Performance of the Council's investments over the quarter versus the benchmark is:

**Table 2: Investment Performance to 31 July 2009**

	Average Interest rate year to date	Target rate (7 day LIBID (+10% for Morley))	Variance
	%	%	%
In house	1.74	0.48	1.26
Abbey call account	0.80	0.48	0.32
<b>Total In house</b>	<b>1.63</b>	<b>0.49</b>	<b>1.14</b>
Aviva Investors	6.19	0.53	5.66
<b>Total All Investments</b>	<b>3.51</b>	<b>0.51</b>	<b>3.00</b>

**Table 3: Interest Earned to 31 July 2009**

	Year to date
	£000
In house	315.0
Abbey	23.0
<b>Total In house</b>	<b>338.0</b>
Morley	852.0
<b>Total All Investments</b>	<b>1190.0</b>

- 2.5 The performance earned in house at 1.74% is due to longer deals which were entered into pre recession. Therefore, we expect this out-performance to diminish throughout 2009/10. The interest rate forecast in Table 4 shows no signs of an immediate interest rate increase.

**Table 4: Interest Rate Forecast**

	Sep 2009	Dec 2009	Mar 2010	Jun 2010	Sep 2010	Dec 2010
Interest Rate Forecast	0.50%	0.50%	0.50%	1.00%	1.50%	2.00%

Source: Sector Treasury Services

### **3 Borrowing**

- 3.1 The Treasury Management Outturn Report for 2008/09 gave an overall outstanding Public Works Loans Board (PWLB) borrowing figure of £305.1m at 31 March 2009. Since this time, the Council has not taken additional loans from the Public Works Loans Board due to high borrowing costs. We have taken the decision to fund part of the borrowing requirement from our internal cash which has meant a reduced investment portfolio.
- 3.2 The Council has a borrowing requirement of around £70m for 2009/10. Further borrowing will be undertaken later in the year.

### **4 Compliance with Treasury Limits and Prudential Indicators**

- 4.1 During the first quarter of 2009/10, the Council operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Policy Statement and Treasury Management Strategy. Full details of the Prudential Indicators set for 2009/10 are shown in **Appendix A**.

DAVID CLARKE  
Strategic Director, Resources  
Shire Hall  
Warwick  
August 2009

## Appendix A

### In year Monitoring 2009/10

PRUDENTIAL INDICATOR	2009/10		Quarter 1	Variance to Budget
<b>(1). AFFORDABILITY PRUDENTIAL INDICATORS</b>	Budget			
	<b>£'000</b>			
<b>Capital Expenditure</b>	<b>£'000</b> 124,768		<b>£'000</b> 124,768	<b>£'000</b> 0
<b>Ratio of financing costs to net revenue stream</b>	% 10.76		% 10.66	% -0.10
<b>Net borrowing requirement</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
brought forward 1 April	342,462		305,142	-37,320
carried forward 31 March	386,189		379,420	-6,768
in year borrowing requirement	43,726		74,278	30,552
<b>In year Capital Financing Requirement</b>	<b>£'000</b> 43,737		<b>£'000</b> 44,093	<b>£'000</b> 356
<b>Capital Financing Requirement as at 31 March</b>	<b>£'000</b> 380,106		<b>£'000</b> 373,339	<b>£'000</b> -6,767
<b>Affordable Borrowing Limit</b>				
<b>Updated position of Current Capital Programme (Jan 08)</b>	£		£	£
Increase per council tax payer				
<b>Position as agreed at February 2008 Council</b>	22.46		19.31	-3.15
Increase per council tax payer				

PRUDENTIAL INDICATOR	2008/09		Quarter 1	Variance to Budget
<b>(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS</b>	estimate			
	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
<b>Authorised limit for external debt -</b>				
Borrowing	463,481		463,481	0
other long term liabilities	12,000		12,000	0
<b>TOTAL</b>	<b>475,481</b>		<b>475,481</b>	<b>0</b>
<b>Operational boundary for external debt -</b>				
Borrowing	386,234		386,234	0
other long term liabilities	10,000		10,000	0
<b>TOTAL</b>	<b>396,234</b>		<b>396,234</b>	<b>0</b>
<b>Upper limit for fixed interest rate exposure</b>				
Net principal re fixed rate borrowing / investments	100%		100%	0.00
<b>Upper limit for variable rate exposure</b>				
Net principal re variable rate borrowing / investments OR:-	25%		25%	0%
<b>Upper limit for total principal sums invested for over 364 days</b>				
(per maturity date)	£ 0		£ 0.00	0.00

Maturity structure of new fixed rate borrowing during 2009/10	upper limit	lower limit		
	under 12 months	20%	0%	
12 months and within 24 months	20%	0%		
24 months and within 5 years	60%	0%		
5 years and within 10 years	100%	0%		
10 years and above	100%	0%		