

AGENDA MANAGEMENT SHEET

Name of Committee Corporate Services & Community Safety
Overview and Scrutiny Committee
Date of Committee 8 December 2009
Report Title Treasury Management Monitoring Report
2009/10

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

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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	<input type="checkbox"/>
Local Member(s)	<input type="checkbox"/>	
Other Elected Members	<input type="checkbox"/>	Cllr Appleton, Cllr Gittus, Cllr Davis, Cllr Moss
Cabinet Members	<input checked="" type="checkbox"/>	Cllr Heatley
Chief Executive	<input type="checkbox"/>
Legal	<input checked="" type="checkbox"/>	Sarah Duxbury
Finance	<input checked="" type="checkbox"/>	Strategic Director, Resources – reporting officer
Other Chief Officers	<input type="checkbox"/>
District Councils	<input type="checkbox"/>
Health Authority	<input type="checkbox"/>

Police ☐

Other Bodies/Individuals ☐

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 ☐

Corporate Services & Community Safety Overview and Scrutiny Committee - 8 December 2009

Treasury Management Monitoring Report

Report of the Strategic Director, Resources

Recommendation

That the 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 Board 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 seven months of 2009/10 to 31 October 2009:

Table 1: Investment Position at 31 October 2009

	Invested at 31 October 2009
	£m
In-house time deposits	64.9
Abbey (call account)	0.0
Total In-house	64.9
Aviva Investors	44.3
Total All Investments	109.2

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 versus the benchmark is:

Table 2: Investment Performance to 31 October 2009

	Average Interest rate year to date	Target rate (7 day LIBID (+10% for Aviva))	Variance
	%	%	%
In house	1.38	0.44	0.93
Abbey call account	0.80	0.44	0.36
Total In house	1.34	0.44	0.90
Aviva Investors	6.14	0.48	5.66
Total All Investments	3.24	0.51	2.73

2.6 There has been no deposit in the Abbey call account since August 2009, hence the generous out-performance. Current rates paid on the account would be at the rate 0.55%

Table 3: Interest Earned to 31 October 2009

	Year to date
	£000
In house	454
Abbey	23
Total In house	474
Aviva Investors	1,512
Total All Investments	1,986

- 2.7 The out-performance in Table 2 for in house deals is now likely to diminish throughout the remainder of the year. This is due to older deals at a higher rate maturing and being replaced with shorter deals at a lower rate.
- 2.8 The table below details our consultant's view on interest rates. Based on this opinion, the money market will continue to be at current levels until the end of 2010 when rate rises are predicted.

Table 4: Interest Rate Forecast

	Dec 2009	Mar 2010	Jun 2010	Sep 2010	Dec 2010	Mar 2011
Interest Rate Forecast	0.50%	0.50%	0.50%	0.75%	1.25%	1.75%

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 taken additional loans from the Public Works Loans Board totalling £30m. The table below details our performance against average rates to 31 October 2009

Table 5: PWLB Performance versus Average Rate to Date

Amount Borrowed	Average Rate
WCC Loans totalling £30m	4.22%
PWLB Average Rate to Date (30 year)	4.48%
Out/(Under) Performance	0.26%

- 3.2 The Council still has a remaining borrowing requirement of around £30m for 2009/10. We are likely to fund this from our internal cash which will mean a reduced investment portfolio.

4 Compliance with Treasury Limits and Prudential Indicators

- 4.1 During the second 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
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Warwick
November 2009