

AGENDA MANAGEMENT SHEET

Name of Committee Overview and Scrutiny Board
Date of Committee 12 January 2011
Report Title Treasury Management Monitoring Report 2010/11

Summary This report sets out the progress of the treasury management process during 2010/11.

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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 2010/11

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, Cllr Wright
- Chief Executive
- Legal Sarah Duxbury, Janet Purcell
- Finance Strategic Director, Resources – reporting officer
- Other Chief Officers
- District Councils
- Health Authority

- 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

12 January 2011

Treasury Management Monitoring Report

Report of the Strategic Director, Resources

Recommendation

That the Overview and Scrutiny Board consider and comment on 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. 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 eight months of 2010/11 to 30 November 2010:

Table 1: Investment Position at 30 November 2010

	Invested at 30 November 2010
	£m
In-house time deposits	74.2
Santander (call account)	10.0
Total In-house	84.2
Aviva Investors	45.5
Total All Investments	129.7

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 2010/11. A significant proportion of funds is placed with the UK Government Debt Management Office for a period of up to twelve months.

2.4 Other counterparties also have a time limit of one year. 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 30 November 2010

	Average Interest rate year to date	Target rate (7 day LIBID (+10% for Aviva))	Variance
	%	%	%
In house	0.37	0.43	-0.06
Santander call account	0.80	0.43	0.37
Total In house	0.43	0.43	0.00
Aviva Investors	1.80	0.47	1.33
Total All Investments	0.94	0.44	0.50

Table 3: Interest Earned to 30 November 2010

	Year to date
	£000
In house	162
Santander	53
Total In house	215
Aviva Investors	539
Total All Investments	754

- 2.6 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 2011 when rate rises are predicted.

Table 4: Interest Rate Forecast

	Mar 2011	Jun 2011	Sep 2011	Dec 2011	Mar 2012	Jun 2012
Rate Forecast	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%

Source: Sector Treasury Services

3 Borrowing

- 3.1 The O&S monitoring report at 31 July 2010 gave an overall outstanding Public Works Loans Board (PWLB) borrowing figure of £355.8m, which included £20m taken in the current financial year. Since this time, the Council has taken an additional loan of £20m from the Public Works Loans Board totalling £40m for the financial year to date. The table below details our performance against average rates to 30 November 2010, showing that the Authority timed the loans well against the interest rate cycle.

Table 5: PWLB Performance versus Average Rate to Date

Amount Borrowed	Average Rate %
WCC Loans totalling £40m	3.14
PWLB Average Rate to Date (18.5 year rate average)	4.35
Out/(Under) Performance	1.21

- 3.2 The Council still has a remaining borrowing requirement of around £20m. It is likely that this will be financed from internal cash resources.

4 Compliance with Treasury Limits and Prudential Indicators

- 4.1 During the first quarter of 2010/11, 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 2010/11 are shown in **Appendix A**.

DAVID CLARKE
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January 2011

Appendix A

PRUDENTIAL INDICATOR (1). AFFORDABILITY PRUDENTIAL INDICATORS	2008/09	2009/10	2010/11	2011/12	2012/13
	actual	estimate	estimate	estimate	estimate
Capital Expenditure	£'000 109,189	£'000 114,467	£'000 140,699	£'000 22,102	£'000 2,532
Ratio of financing costs to net revenue stream	% 9.22	% 9.84	% 11.28	% 11.28	% 10.99
Net borrowing requirement	£'000	£'000	£'000	£'000	£'000
brought forward 1 April	282,685	305,142	372,824	403,722	403,672
carried forward 31 March	305,142	372,824	403,722	403,672	401,120
in year borrowing requirement	22,457	67,682	30,899	(50)	(2,553)
In year Capital Financing Requirement	£'000 40,618	£'000 37,486	£'000 30,799	£'000 (13,833)	£'000 (16,414)
Capital Financing Requirement as at 31 March	£'000 329,246	£'000 366,732	£'000 397,530	£'000 383,697	£'000 367,283
Affordable Borrowing Limit					
Position as agreed at March 2007 Council	£ 14.13	£ 7.05	£	£	£
Increase per council tax payer					
Position as agreed at February 2008 Council	13.15	14.80	9.33		
Increase per council tax payer					
Position as agreed at March 2009 Council	12.87	22.46	16.10	2.17	
Increase per council tax payer					
Updated position of Current Capital Programme					
Increase per council tax payer	11.91	15.28	22.46	9.50	-3.44
PRUDENTIAL INDICATOR (2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	2008/09	2009/10	2010/11	2011/12	2012/13
	approved	approved	estimate	estimate	estimate
Authorised limit for external debt -	£'000	£'000	£'000	£'000	£'000
Borrowing	431,739	463,481	489,204	467,927	467,773
other long term liabilities	600	12,000	12,000	12,000	12,000
TOTAL	432,339	475,481	501,204	479,927	479,773
Operational boundary for external debt -	£'000	£'000	£'000	£'000	£'000
Borrowing	359,783	386,234	407,670	389,939	389,811
other long term liabilities	500	10,000	10,000	10,000	10,000
TOTAL	360,283	396,234	417,670	399,939	399,811
Upper limit for fixed interest rate exposure					
Net principal re fixed rate borrowing / investments	100%	100%	100%	100%	100%
Upper limit for variable rate exposure					
Net principal re variable rate borrowing / investments	25%	25%	25%	25%	25%
Upper limit for total principal sums invested for over 364 days (per maturity date)	£ £0	£ £0	£ £0	£ £0	£ £0
Maturity structure of new fixed rate borrowing during 2008/09	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%			