

Report of:	Meeting	Date	Item No.
Cllr. Alan Vincent, Resources Portfolio Holder and Philippa Davies, Corporate Director of Resources	Council	26 July 2012	13

TREASURY MANAGEMENT ACTIVITY 2011/12

1. Purpose of Report

- 1.1 To report on the overall position and activities in respect of Treasury Management for the financial year 2011/12.

2. Outcomes

- 2.1 An informed Council who have an understanding of Treasury Management activity, in line with the approved Treasury Management Policy and Strategy Statements and Treasury Management Practices.

3. Recommendation

- 3.1 That the Annual Report on Treasury Management Activity for the 2011/12 financial year be approved.

4. Background

- 4.1 In order to demonstrate compliance with the CIPFA Code of Practice for Treasury Management a review of the Treasury Management Policy Statement, Treasury Management Procedures, Strategy and Minimum Revenue Provision Policy Statement is undertaken each year and reported to Cabinet in March. The Council, in accordance with legislation is also formally required to approve the formulation of the plan or strategy for the control of the authority's borrowing, investments or capital expenditure and for the determination of the authority's minimum revenue provision. This is agreed by Council in April.

- 4.2 A requirement of the Treasury Management Code of Practice is the reporting of the results of treasury management activity twice a year. Cabinet considered the results for the six months ending 30 September

at their meeting on 7 December 2011 and this report covers the 2011/12 financial year in its entirety.

4.3 The annual report is presented to Council at the earliest practicable meeting after the end of the financial year. The report should include the following issues, where relevant:

- a) Total debt and investments at the beginning and close of the financial year and average interest rates;
- b) Explanations for variance between original strategies and actual
- c) Debt rescheduling done in the year;
- d) Actual borrowing and investment rates achieved through the year;
- e) Comparison of return on investments to the investment benchmark; and
- f) Compliance with Prudential and Treasury Indicators.

5. Key Issues and Proposals

5.1 The table below illustrates the Council's debt and investment position at the beginning and end of the 2011/12 financial year:

	1 April 2011 £	31 March 2012 £
Loans - Temporary	0	0
- Cash Overdrawn	1,199,851	0
Total Short term Debt	1,199,851	0
Loans - Long Term Borrowing	2,552,000	2,552,000
Total Long term Debt	2,552,000	2,552,000
Investments - Temporary	3,900,000	2,295,164
Cash in Bank	0	133,684
Internal - Cash/Bank	3,090	2,540
Total Short term Investments	3,903,090	2,431,388

5.2 In respect of the 2011/12 financial year, the Council has complied with approved policy, practice and statutory and regulatory requirements.

5.3 The Prudential Code for Capital Finance aims to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. The code sets out indicators that must be used and requires local authorities to set relevant limits and ratios. The indicators for the 2011/12 financial year were originally agreed at Council on 7 April 2011. During the financial year, the Council operated within these treasury limits and Prudential Indicators.

5.4 When the 2011/12 Budget was being prepared, the Capital Programme for 2010/11 to 2014/15 reflected borrowing in excess of £2.8m. However, after regular Capital Programme Reviews and Monitoring Reports (the

most recent approved by Cabinet 15 February 2012) and the creation of the Capital Investment Reserve, no additional borrowing has been necessary.

- 5.5** There were no short-term borrowing transactions (i.e. less than 365 days) during 2011/12.
- 5.6** During 2011/12, there were only three instances when the Council's net bank account position was overdrawn. With effect from 1 September 2011 and following a cost/benefit analysis, the Council ceased its formal overdraft facility and is now charged at 4% over the current base rate for any overdrawn balances. Two of these instances were as a result of income not being received and the cost to the Council in overdraft charges was 48p.
- 5.7** The 2011/12 final accounts (approved by Audit Committee on 26 June 2012 but subject to external audit) include interest payments in respect of long term borrowing of £89,488 compared to a budgeted figure of £89,530 inclusive of miscellaneous interest payments.
- 5.8** In view of the volatility in the financial markets, the Council has continued to invest any surplus balances with the Council's Bank, NatWest (on call deposit facility), Money Market Funds (MMF) with Prime Rate Capital Management, Deutsche Global Liquidity Managed Sterling Fund Bank Group and newly set up during 2011/12 Ignis Sterling Liquidity Fund and BlackRock ICS Sterling Fund. There have been occasions when all call accounts and MMFs have been fully utilised and brokers have been approached to facilitate temporary lending. Unfortunately, due to the short term nature of the deposits, the rates offered have not always been sufficient to make the investment worthwhile and therefore funds have remained in the Council's accounts as a surplus balance. During 2011/12, the funds held in call deposit accounts with the Yorkshire Bank, Clydesdale Bank, and Santander were withdrawn as their ratings fell below the criteria set in the credit worthiness policy detailed in the Treasury Management and Investment Strategy. A new facility has recently been set up, however, with the Bank of Scotland, which allows a various range of deposits to be made (call or fixed term). The overall equated investments for the 2011/12 were as follows:-

	Equated Investment Principal £	Interest Received £	Equated Rate of Return	Benchmark Return
Base Rate Tracker Call A/c's	5,390,823	44,367	0.82%	0.48%
Money Market Funds	3,306,764	26,307	0.80%	0.48%
Other Temporary Lending	192,338	717	0.37%	0.48%
TOTAL	8,889,925	71,391	0.80%	0.48%

Note: the benchmark is the 7-day LIBID rate.(London Interbank Bid rate)

5.9 The table reflects that investments earned an average return of 0.80% against a benchmark 7-day average of 0.48%. The Bank of England base rate has remained unchanged at 0.5%

5.10 The 2011/12 final accounts reflect overall interest receivable of £74,833 compared to a budgeted figure of £51,820 inclusive of other miscellaneous interest receipts. Interest received during 2011/12 exceeded the budget mainly due to an increase in the cash available for investment. The continued use of the NatWest on call deposit account enabled the Council to place surplus funds on deposit for short periods without incurring bank charges for electronic transfers, which is the case when depositing funds with other call accounts. In addition significant levels of capital expenditure occurred later in the year than programmed with some schemes slipping to 2012/13 increasing the value of surplus funds available to invest.

IMPLICATIONS	
Finance	Considered in detail in the report above
Legal	The approval of the recommendation will ensure that the statutory requirements have been complied with.
Community Safety	None arising from this report.
Equality and Diversity	None arising from this report.
Sustainability	None arising from this report.
Health and Safety	None arising from this report.
Risk Management	The Treasury Management Policy Statement and Treasury Management Practices are important controls against risk to Council's funds. These policies are reviewed annually in March.
Asset Management	None arising from this report.
Climate Change	None arising from this report.

Report Author	Telephone No.	Email	Date
P Jones	01253 887298	Penny.jones@wyre.gov.uk	12 June 2012

List of Background Papers:		
Name of Document	Date	Where available for inspection
CIPFA Code of Practice for Treasury Management 2009	2009	CIPFA Website
Revenue Budget, Council Tax and Capital Programme (including CIPFA Prudential Code for Capital Finances in Local Authorities)	3 March 2011	Intranet/Financial Services
Treasury Management and Annual Investment Strategy and Minimum Revenue Provision Policy Statement 2011/12. Report to Council	07 April 2011	Intranet/Financial Services
Treasury Management Policy Statement and Practices. Report to Cabinet	07 March 2011	Intranet/Financial Services

LIST OF APPENDICES

None

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