

Bath & North East Somerset Council

MEETING:	Cabinet	
MEETING DATE:	10th August 2011	
TITLE:	Treasury Management Monitoring Report to 30th June 2011	EXECUTIVE FORWARD PLAN REFERENCE: E 2286
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Performance Against Prudential Indicators Appendix 2 – The Council's Investment Position at 30 th June 2011 Appendix 3 – Average monthly rate of return for 1 st 3 months of 2011/12 Appendix 4 – The Council's External Borrowing Position at 30 th June 2011 Appendix 5 – Sterling Consultant's Economic & Market Review 1 st 3 months of 2011/12 Appendix 6 – Interest & Capital Financing Budget Monitoring 2011/12		

1 THE ISSUE

1.1 In February 2010 the Council adopted the 2009 edition of the CIPFA Treasury Management in the Public Services: Code of Practice, which requires the Council to approve a Treasury Management Strategy before the start of each financial year, review performance during the year, and approve an annual report after the end of each financial year.

1.2 This report gives details of performance against the Council's Treasury Management Strategy and Annual Investment Plan 2011/12 for the first three months of 2011/12.

2 RECOMMENDATION

The Cabinet agrees that:

2.1 the Treasury Management Report to 30th June 2011, prepared in accordance with the CIPFA Treasury Code of Practice, is noted

2.2 the Treasury Management Indicators to 30th June 2011 are noted.

3 FINANCIAL IMPLICATIONS

3.1 The financial implications are contained within the body of the report.

4 CORPORATE PRIORITIES

4.1 This report is for information only and is therefore there are no proposals relating to the Council's Corporate Priorities.

5 THE REPORT

Summary

- 5.1 The average rate of investment return for the first three months of 2011/12 is 0.63% above the benchmark rate.
- 5.2 The Councils Prudential Indicators for 2011/12 were agreed by Council in February 2011 and performance against the key indicators is shown in **Appendix 1**. All indicators are within target levels.

Summary of Returns

- 5.3 The Council's investment position as at 30th June 2011 is given in **Appendix 2**. The balance of deposits as at 31st March 2011 & 30th June 2011 is also set out in the pie charts in this appendix.
- 5.4 Gross interest earned on investments for the first three months totalled £271k. Net interest, after deduction of amounts due to West of England Growth Points, PCT and schools, is £211k. **Appendix 3** details the investment performance, the average rate of interest earned over this period was 1.13%, which is 0.63% above the benchmark rate of average 7 day LIBID +0.05% (0.50%).

Summary of Borrowings

- 5.5 No new borrowing has taken place in the first quarter of 2011/12. The Council's total borrowing is currently £90 million. The Council's Capital Financing Requirement (CFR) as at 31st March 2011 was £112.7 million with a projected total of £151 million by the end of 2011/12 based on the capital programme approved at February 2011 Council. This represents the Council's need to borrow to finance capital expenditure, and demonstrates that the borrowing taken to date relates to funding historical capital spend.
- 5.6 Following Local Government Reorganisation in 1996, Avon County Council's residual debt is administered by Bristol City Council. All successor Unitary Authorities make an annual contribution to principal and interest repayment, for which there is a provision in the Council's revenue budget. The amount of residual debt outstanding as at 31st March 2011 apportioned to Bath & North East Somerset Council is £16.43m. Since this borrowing is managed by Bristol City Council and treated in the Council's Statement of Accounts as a deferred liability, it is not included in the borrowing figures referred to in paragraph 5.5.
- 5.7 The current borrowing portfolio is shown in **Appendix 4**.

Strategic & Tactical Decisions

- 5.8 As shown in the charts in **Appendix 2**, investments continue to be focussed on UK banks & Building Societies that have either already or are likely to receive support from the UK Government should they experience financial difficulties. £14m has been invested with other Local Authorities in the first quarter of 2011/12 to increase diversification whilst maintaining strong counterparty rating. The amount invested with the Debt Management Office continues to remain between 0-10% of total investments.
- 5.9 Due to concerns related to the current Eurozone debt situation, the Council does not currently hold any investments with banks in countries within the Eurozone. The Council's investment counterparty list does not include any banks from the countries most affected by the debt situation in the Eurozone (Portugal, Ireland, Greece, Spain and Italy).

Future Strategic & Tactical Issues

- 5.10 Our treasury management advisors economic and market review for the first quarter 2011/12 is included in **Appendix 5**.
- 5.11 The Bank of England base rate has remained constant at 0.50% since March 2009.

Budget Implications

- 5.12 A breakdown of the revenue budget for interest and capital financing and the forecast year end position based on the period April to June is included in **Appendix 6**. This is currently forecast to be on target by the end of 2011/12.

6 RISK MANAGEMENT

- 6.1 The Council's lending & borrowing list is regularly reviewed during the financial year and credit ratings are monitored throughout the year. All lending/borrowing transactions are within approved limits and with approved institutions. Investment & Borrowing advice is provided by our Treasury Management consultants Sterling.
- 6.2 The 2009 edition of the CIPFA Treasury Management in the Public Services: Code of Practice requires the Council nominate a committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. In May 2010, the Council's treasury advisors provided training to the Corporate Audit Committee to carry out this scrutiny.
- 6.3 In addition, the Council maintain a risk register for Treasury Management activities, which is regularly reviewed and updated where applicable during the year.

7 EQUALITIES

- 7.1 This report provides information about the financial performance of the Council and therefore no specific equalities impact assessment has been carried out on the report.

8 RATIONALE

8.1 The Prudential Code and CIPFA's Code of Practice on Treasury Management requires regular monitoring and reporting of Treasury Management activities.

9 OTHER OPTIONS CONSIDERED

9.1 None.

10 CONSULTATION

10.1 Consultation has been carried out with the Deputy Leader of The Council & Cabinet Member for Resources, Section 151 Finance Officer, Chief Executive and Monitoring Officer.

10.2 Consultation was carried out via e-mail.

11 ISSUES TO CONSIDER IN REACHING THE DECISION

11.1 This report deals with issues of a corporate nature.

12 ADVICE SOUGHT

12.1 The Council's Monitoring Officer (Council Solicitor) and Section 151 Officer (Divisional Director - Finance) have had the opportunity to input to this report and have cleared it for publication.

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Background papers	<i>2011/12 Treasury Management & Investment Strategy</i>
Please contact the report author if you need to access this report in an alternative format	