



PART A:	MATTERS DEALT WITH UNDER DELEGATED POWERS
REPORT TO:	POLICY AND RESOURCES COMMITTEE
DATE:	30 SEPTEMBER 2010
REPORT OF THE:	CORPORATE DIRECTOR (s151) PAUL CRESSWELL
TITLE OF REPORT:	TREASURY MANAGEMENT MONITORING REPORT
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 To report on treasury management activities for 2010/11 and to update Members on current investments in accordance with the CIPFA Code of Practice on Treasury Management (the Code).

2.0 RECOMMENDATIONS

2.1 It is recommended that:

- (i) Members receive this report; and
- (ii) The current investments and performance in 2010/2011 be noted.

3.0 REASON FOR RECOMMENDATIONS

3.1 The Council has adopted the Code. A provision of the Code is that regular reports must be made to the Council relating to treasury management activities.

4.0 SIGNIFICANT RISKS

4.1 There are no significant risks in considering this report. There are significant risks when investing public funds especially with unknown institutions. However, by the adoption of the CIPFA Code and a prudent investment policy these are minimised. The employment of Treasury Advisors also helps reduce the risk.

REPORT

5.0 BACKGROUND AND INTRODUCTION

5.1 As outlined in paragraph 3.1 the CIPFA Code stated that Members would receive

reports on its Treasury Management policies, practices, and activities at regular intervals including an annual strategy, a mid-year review of the strategy and performance, an annual outturn report and monitoring reports.

6.0 POLICY CONTEXT

6.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in Local Authorities and this report complies with the requirements under this code.

7.0 CONSULTATION

7.1 The Council use the services of Sector Treasury Services Limited (Sector) to provide treasury management information and advice.

8.0 REPORT DETAILS

8.1 The Council aims to achieve the optimum return on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short-term and only invest with highly credit rated financial institutions.

8.2 The following table shows the relative performance of the external and internally managed funds with the 7-day benchmark for the period ended 31 August 2010:

	Average Investment (£)	Gross Rate of Return	Net Rate of Return	Benchmark Return
Internally Managed:				
Temporary Investments	1,340,890	0.60%	n/a	n/a
Fixed Term Deposits	1,250,000	1.09%	n/a	n/a
Externally Managed	1,250,000	1.12%	1.06%	0.43%

8.3 As illustrated above the authority has to date outperformed the benchmark. The Council's budgeted investment return for 2010/11 is £230k. The interest received from investments and loans for the five-month period to 31 August 2010 total £56k, which is significantly below the profiled budget.

8.4 The forecast at the time of the preparation of the Council's budget was for interest rates to start to increase in the second quarter of 2010/11. Sector's latest economic forecast predicts that the first Bank Rate increase will be in the second quarter of 2011/12 to 0.75%, with continuing increases to eventually reach 3.25% in the first quarter of 2013/14.

8.5 As at 31 August 2010 managed investments totalled £13,220,000 which were lent out as follows:

	Internally Managed (£)	Externally Managed (£)
Temporary Investments	3,220,000	0
Fixed Term Deposits:		
Repayable within 1 month	0	0
Repayable 1 month to 3 months	1,000,000	1,500,000
Repayable 3 months to 6 months	2,500,000	3,500,000
Repayable 6 months to 12 months	1,500,000	0
Repayable 12 months to 24 months	0	0
Total	8,220,000	5,000,000

8.6 The above investments were held with the following types of institutions:

Type of Institution	Internally Managed (£)	Externally Managed (£)
UK Clearing Banks	7,220,000	1,000,000
Foreign Banks	1,000,000	2,500,000
Building Societies	0	1,500,000
Total	8,220,000	5,000,000

8.7 Listed below are the current investments with foreign banks:

Foreign Bank	Investment (£)	Latest Credit Rating Position
DBS Bank Ltd	2,000,000	Credit rating of up to 12 months
CIC Group	1,500,000	Credit rating of up to 6 months

8.8 This Council uses the creditworthiness service provided by Sector Treasury Services as specified in the Council's Investment Strategy approved by Full Council 22 February 2010. The service uses a sophisticated modelling approach with credit ratings from all three agencies – Fitch, Moodys and Standard & Poors, forming the core element. The modelling approach combines credit ratings, credit watches, credit outlooks and credit default swap spreads in a weighted scoring system, which indicates the relative creditworthiness of counterparties. All the above borrowers met the required credit rating at the time of investment and continue to do so.

8.9 Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the period 1 April 2010 to 31 August 2010.

9.0 IMPLICATIONS

9.1 The following implications have been identified:

a) Financial

The results of the investment strategy affect the funding of the Capital Programme.

- b) Legal
There are no legal implications regarding this report.
- c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)
None to report.

**Paul Cresswell
Corporate Director (s151)**

Author: Paul Cresswell, Corporate Director (s151)
Telephone No: 01653 600666 ext: 214
E-Mail Address: paul.cresswell@ryedale.gov.uk

Background Papers:
None.

Background Papers are available for inspection at:
None.