

**TREASURY MANAGEMENT ANNUAL REPORT 2010/11  
(Report by the Overview and Scrutiny Panel (Economic Well-Being))**

**1. INTRODUCTION**

- 1.1 In accordance with the CIPFA Code of Practice, the Economic Well-Being Panel has formal responsibility for scrutinising the Council's Treasury Management. At its meeting held on 7<sup>th</sup> July 2011, the Overview and Scrutiny Panel (Economic Well-Being) considered a report by the Head of Financial Services on the Council's performance for the year ending 31<sup>st</sup> March 2011 in the investment of its Capital receipts. As part of this, the Panel has also been acquainted with the Council's Strategies for both borrowing and investing funds in the current year. The following paragraphs contain a summary of the Panel's discussions on the report.

**2. THE PANEL'S DISCUSSIONS**

- 2.1 The Panel has noted that the performance of the funds in a year when rates have stayed very low has been very good, with both the benchmark and the budgeted investment interest having been significantly exceeded.
- 2.2 The Panel has been reminded that, in December 2008, the Council invested £10M in advance of its need for the funds over a 50 year period. Members have been pleased to note that the return from the investment of these monies until they are required has been greater than the cost of the monthly repayments. As a result, a Member has asked whether there is any scope to lend money to other authorities at a still higher rate. However, owing to the current preference for minimising risk, it is unlikely that other authorities will pay more than the rates currently asked by the Public Works Loan Board.
- 2.3 The Council has needed to borrow on average £3m during the year to manage its cash flow. The Panel has acknowledged that there are extreme fluctuations during the year which result from the fact that the Council collects precepts on behalf of other local bodies but also has to pay out their levies to those authorities in addition to the monthly payment of salaries and meeting the cost of capital expenditure on a monthly basis.
- 2.4 With regard to paragraph 3.1 of the report, Members have noted the reduction in the average interest rates that have been paid on investments during the year. This has been attributed to the fact that investments, which have been made at higher rates in previous years, have matured and only lower rates are now available.
- 2.5 The Panel has discussed the Authority's Strategy for long-term borrowing, which allows for 'must borrow' to finance that part of the capital programme that cannot be met from internal funds and 'may borrow' which allows borrowing in anticipation of need. Members have noted that the capital programme for the next 5 years assumes an expenditure of approximately £23M plus any slippages from individual years. Provided that the Council can demonstrate that it has the capacity to afford the repayments, there is no limit to the level of borrowing which can be undertaken by an individual Council.

- 2.6 Members have been advised that, as the Council's reserves have fallen over the last few years, the number of fund managers required has reduced, leaving just CDCM at the start of the year. At the end of September the fund was closed when the last investment reached maturity and all investments (£15.5M) are now managed in-house.
- 2.7 Arising from their deliberations, the Panel has concluded that it is satisfied with the performance reported by the Head of Financial Services and with the Council's strategies for borrowing and investing funds.

### **3. RECOMMENDATION**

- 3.1 The Cabinet is requested to take into consideration the views of the Overview and Scrutiny Panel (Economic Well-Being) as set out above when considering this item.

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