

**DRAFT TREASURY MANAGEMENT – BUDGET MONITORING REPORT  
(Quarter 1 to 30<sup>th</sup> June 2012)**

**EXECUTIVE MEMBER:** Councillor Gillian Troughton  
**LEAD OFFICER:** Darienne Law, Head of Corporate Resources  
**REPORT AUTHOR:** Leanne Barwise, Senior Accounting Officer

**WHY HAS THIS REPORT COME TO THE EXECUTIVE?**

To inform Executive of the Treasury Management Investment Interest received to 30<sup>th</sup> June 2012 and provide a forecast estimated investment interest to year end.

**1. INTRODUCTION**

1.1 The Treasury Management budget is subject to a detailed monthly review and forms part of the Revenue Budget Monitoring report presented to Executive on a quarterly basis. This report further details the monitoring position at the end of the first quarter of 2012/13 and provides an estimate of expected investment income to the year end.

**2. INVESTMENT INCOME TO DATE & FORECAST YEAR END POSITION**

2.1 The Treasury Management budget was set by Council alongside other revenue budgets on 23<sup>rd</sup> February 2012. The budget was prepared assuming that interest rates would remain at the current low level for the foreseeable future however, as expected in previous years, there was still a possibility that interest rates could rise. With this expectation, the budget for Treasury Management interest was set at £227,822. This was based on the Councils anticipated potential to generate income from possible future investments, given the market conditions and forecasts at the time.

2.2 Actual interest earned at Quarter 1 was £186,481 as shown in Table 1 in 2.3 overleaf. Of this, £20,900 was actual interest received, £5,470 was call account interest due for June that will be received early July and £160,111 was confirmed interest yet to be returned on current outstanding fixed rate deposits.

2.3 The full year forecast for investment interest at Quarter 1 is £284,531, resulting in a possible favourable variance of £56,709 if current market conditions prevail. This is shown in Table 1 overleaf.

**Table 1**

<b>Budget £</b>	<b>Received to Date</b>	<b>Interest on current outstanding investments</b>	<b>Forecast of expected investments to 31/03/13</b>	<b>Total Forecast position as at 31/03/13</b>	<b>Variance £</b>
227,822	20,900	165,581	98,050	284,531	56,709

- 2.4 The Treasury Management Strategy revision in October 2011 upped the limit of investments affording the Council the opportunity to make a reasonable return in light of the continuing low interest rates by enabling the placement of investments at rates higher than can be earned in the money market. Opportunities continue to be investigated with our Treasury Advisers to increase yields within acceptable risk parameters.
- 2.5 The forecast for periods 4-12 (July – March 2013) shown in Table 1 earlier in this report as the forecast of expected investments to 31/03/2013 is £98,050. This forecast has been based on assumptions that deposit principal will remain the same and will be reinvested at a prudent estimated interest rate of 1% (as the future rate is not known at this time), and the call deposits will reduce in accordance with current known factors.
- 2.6 The above approach is thought to be the most accurate way of calculating the estimated interest for the remainder of the financial year, however Members should note that the financial markets remain very uncertain and the anticipated forecast outcome cannot be guaranteed. Any fluctuation in the 1% rate will impact on the interest receivable.
- 2.7 Attached at Appendix A shows the Council's investments as held at the end of quarter 1, 30<sup>th</sup> June 2012 detailing each counterparty, principal invested, period of investment, maturity date and yield.

### **3. WHAT ARE THE LEGAL, FINANCIAL AND HUMAN RESOURCES IMPLICATIONS?**

- 3.1 Investment income will continue to be monitored and reported to Members on a quarterly basis in the Revenue monitoring report, and explicitly in this report, also on a quarterly basis.

### **4. STATUTORY OFFICER COMMENTS**

- 4.1 The Monitoring Officer's comments are: No comments
- 4.2 The Section 151 Officer's comments are: Within the body of this report
- 4.3 EIA Comments: EIA Completed as part of the budget setting process.
- 4.4 Policy Framework: This is consistent with our Treasury Management Strategy

4.5 Other consultee comments, if any: Contained within the report

**5. HOW WILL THE PROPOSALS BE PROJECT MANAGED AND HOW ARE THE RISKS GOING TO BE MANAGED?**

5.1 It is imperative that all budgets are monitored monthly with exceptions reported through Corporate Leadership Team and Executive so that management action can be taken to ensure the effective use of resources as planned by the Council.

5.2 The Treasury Management function will continue to be monitored and reported to Members. The budget monitoring process continues to be refined to provide members and officers with the up-to-date financial information needed to make key decisions on resource allocations during the year to feed into the Council's budget process.

**List of Appendices:**

Appendix A – List of Investments as at 30<sup>th</sup> June 2012.

## APPENDIX A

### TEMPORARY INVESTMENTS AT 30/06/12

	AMOUNT	PERIOD OF LOAN	VALUE DATE	MATURITY DATE	RATE	BASE RATE
RBS CALL	1,984,000	CALL			0.80%	
RBS MMF	2,601,000	CALL			0.54%	
IGNIS MMF	4,500,000	CALL			0.71%	
BLACKROCK MMF	2,000,000	CALL			0.57%	
LLOYDS DEPOSIT	4,000,000	364 DAYS	15/02/2012	13/02/2013	3.10%	
BOS DEPOSIT	1,000,000	3 MONTHS	18/06/2012	30/10/2012	1.65%	
BOS DEPOSIT	2,500,000	3 MONTHS	27/06/2012	30/10/2012	1.65%	
RBS 95 DAY NOTICE	5,000,000	95 DAYS	27/06/2012	01/10/2012	1.25%	
<b>TOTAL</b>	<b><u>23,585,000</u></b>				1.35%	0.50%

### SUMMARY

	BALANCE	LIMIT	AVAILABLE HEADROOM
BANK OF SCOTLAND/LLOYDS	7,500,000	10,000,000 *	2,500,000
RBS MMF	2,601,000	5,000,000	2,399,000
RBS	6,984,000	10,000,000 *	3,016,000
IGNIS MMF	4,500,000	5,000,000	500,000
BLACKROCK MMF	2,000,000	5,000,000	3,000,000
	<b><u>23,585,000</u></b>	<b><u>35,000,000</u></b>	<b><u>11,415,000</u></b>

\* Investment limit of £7.5m, however ultimate limit of up to £10m with prior approval of S151 and for short term investments only.