

**TREASURY MANAGEMENT – BUDGET MONITORING REPORT
(Quarter 3 to 31st December 2010)**

EXECUTIVE MEMBER: Councillor Elaine Woodburn, Leader
LEAD OFFICER: Joanne Wagstaffe, Corporate Director for Resources and Transformation
REPORT AUTHOR: Leanne Barwise, Senior Accountancy Officer

WHY HAS THIS REPORT COME TO THE EXECUTIVE?

Key Decision

To inform Executive of the budget position for the Treasury Management Investment Interest 2010/11 at 31st December 2010 and a forecast outturn position of the estimated investment interest at year end.

RECOMMENDATION:

Executive are asked to:

1. Note the contents of this report.

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 monthly basis. This report provides the monitoring position at the end of the third quarter of 2010/11 and provides an estimate of expected investment income to the year end.

2. INVESTMENT INCOME TO DATE & FORECAST YEAR END POSITION

- 2.1 Members will recall that the revenue budget was set on 2nd March 2010, and at this time, the interest rates were expected to rise from the current level. With this expectation, the budget for Treasury Management interest was set at £401,749. 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 The forecast for investment interest at Quarter 3 is £220,948, resulting in an adverse variance (budget deficit) of £180,801. This is shown in Table 1 on page 2 of this report.

Table 1

Budget £	Received to Date	Forecast to 31/03/11	Total Forecast	Variance £
401,749	197,046	23,902	220,948	(180,801)

2.3 The expected rise in the market interest rates did not materialise and so due to the very poor short term interest rates being offered by the principal institutions, actual interest received to Quarter 3 was £197,046 (budgeted £301,312). Of this, £142,409 was actual interest received and £54,637 was confirmed interest yet to be returned on current investments.

2.4 The forecast for periods 10-12 shown in Table 1 above as the forecast to 31/03/2011 of £23,902, this is a prudent estimate given the current market conditions.

2.5 The estimated shortfall of £180,801 will be financed through the Treasury Management Budget Support earmarked reserve (£140,522) and the remainder (£40,279) from general fund balances.

2.6 Copeland has set within the Annual Investment Strategy an additional limit of £5m to be invested at any one time with any one institution. This is a self imposed level and is not prescribed by statute. During December 2010 this self imposed limit was temporarily breached. The controls and procedures in place meant this was identified quickly and allowed immediate action to bring the level of investment down to the appropriate level. Since December further procedures have been put in place to prevent future breaches.

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 monthly basis in the Revenue monitoring report, and explicitly in this report, on a quarterly basis.

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

4.1 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.

- 4.2 The budget monitoring process is fully integrated into the planning process to ensure that Council objectives and priorities as outlined in the Corporate Plan are fully resourced as plan

List of Appendices

None

List of Background Documents:

Interest Estimate 2010/11 Period 9