

TREASURY MANAGEMENT – BUDGET MONITORING REPORT
(Quarter 3 to 31st December 2011)

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WHY HAS THIS REPORT COME TO THE EXECUTIVE?

To inform Executive of the budget position for the Treasury Management Investment Interest 2011/12 at 31st December 2011 and a forecast outturn position of the estimated investment interest at 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 third quarter of 2011/12 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 alongside other revenue budgets on 22nd February 2011. It was reported at this time that the Council had suffered significantly with regards to the investment interest earned in 2010/11, due to the reduction in interest rates from low bank base rates. The budget was prepared assuming that this position would not change in the foreseeable future however, as expected in previous years, there was still a possibility that interest rates would rise from the current level. With this expectation, the budget for Treasury Management interest was set at £252,822. 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 The forecast for investment interest at Quarter 3 is £259,141, resulting in a favourable variance of £6,319. This is shown in Table 1 overleaf.

Table 1

Budget £	Received to Date	Forecast to 31/03/11	Total Forecast	Variance £
252,822	207,139	52,002	259,141	6,319

- 2.3 Actual interest earned at Quarter 3 was £207,139. Of this, £99,134 was actual interest received and £108,005 was confirmed interest yet to be returned on current investments.
- 2.4 The deficit reported at quarter 2 forecast of £35,000 has been eliminated during quarter 3 as it has been possible to obtain improved yields by placing investments for slightly longer periods with an increased number of approved counter-parties. Both quarters 1 & 2 saw severe restrictions on our counterparty list with a reduction in the number of eligible institutions, therefore two additional AAA rated Money Market Funds were opened to facilitate the secure placement of funds on a daily basis. The authority also amended its strategy on the limit of investments which saw an increase with 2 part-nationalised banks, RBS and Lloyds Group, allowing the opportunity to place investments at rates higher than the money market, thus allowing the Council to make the best of continuing low interest rates. Opportunities continue to be investigated with our Treasury advisers to increase yields within acceptable risk parameters.
- 2.5 The forecast for periods 10-12 (January – March 2012) shown in Table 1 above as the forecast to 31/03/2011 is £52,002. This forecast has been based on the expected placement of 12 month investment in February 2012 at the current rate available from our part nationalised counterparty (2.50%); and an anticipated accumulation of interest received from our call accounts/Money Market Funds based on known rates but estimated balances for the next three months.

This above approach is thought to be the most accurate way of calculating the estimated interest for the remainder of the financial year. The interest rate forecast advised by our Treasury Advisors (Sector) is much more cautious but the above considered approach is possible due to the close proximity to the financial year end.

- 2.6 Attached at Appendix A shows the Councils investments as held at the end of quarter 3, 31st December 2011 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 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 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 31st December 2011

List of Background Documents:

APPENDIX A

TEMPORARY INVESTMENTS AT 31/12/11

	AMOUNT	PERIOD OF LOAN	VALUE DATE	MATURITY DATE	RATE	BASE RATE
BANK OF SCOTLAND	1,000,000	CALL			0.75%	
RBS MMF	2,658,000	CALL			0.59%	
BARCLAYS	4,991,000	CALL			0.75%	
RBS CALL	4,484,000	CALL			0.80%	
RBS 2	1,500,000	60 DAY NOTICE	17/11/2011	19/01/2011	0.90%	
RBS 3	1,000,000	90 DAY NOTICE	30/09/2011	03/01/2012	0.95%	
BOS DEPOSIT	1,000,000	364 DAYS	15/02/2011	14/02/2012	2.05%	
LLOYDS DEPOSIT	3,000,000	364 DAYS	16/02/2011	15/02/2012	2.10%	
BOS DEPOSIT	1,000,000	3 MONTHS	15/12/2011	16/03/2012	1.40%	
BOS DEPOSIT	500,000	3 MONTHS	01/11/2011	01/02/2012	1.25%	
BOS DEPOSIT	1,000,000	3 MONTHS	07/11/2011	14/02/2012	1.35%	
BOS DEPOSIT	1,900,000	3 MONTHS	15/11/2011	15/02/2011	1.30%	
TOTAL	24,033,000					0.50%

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SUMMARY

BANK OF SCOTLAND/LLOYDS	9,400,000
RBS MMF	2,658,000
RBS	6,984,000
BARCLAYS	4,991,000
TOTAL	24,033,000