



Cabinet 30 July 2008

Treasury Management 2008/2009: 1 April to 30 June 2008

1. Summary and Reasons for Recommendation

- 1.1 This report summarises the investment activity for the first three months of the 2008/2009 financial year and is submitted in accordance with good practice.
- 1.2 At the end of June 2008 interest earned amounted to £841,500 against the budget for the period of £524,100, a surplus of £317,400. The over achievement of interest on investments during this period was due to higher than expected interest rates and to slippage on the capital programme. The target investment rate for the year is 4.75%. In the three month period covered by this report, the average rate of interest achieved was 5.44%.
- 1.3 The budget for investment income in 2008/2009 is £2,102,000, equivalent to £55.92 for each Council Tax Band D property.

2. Recommendation

- 2.1 Information on the Treasury Management function for the period 1 April to 30 June 2008, as detailed in this report, be noted.

3. Corporate Objectives

- 3.1 The recommendation meets the following, as contained within the Corporate Plan:-
- (a) Corporate Priority : *'To raise corporate standards and efficiency'*; and
 - (b) Cabinet Commitment : *'Improving Efficiency and Value for Money'*.

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4. Key Issues

4.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management, adopted by the Council in March 2002, together with best practice requires that the Cabinet receives progress reports on treasury management activity. This report outlines the investment position for the current financial year to 30 June 2008.

Investment Position

4.2 The total amount invested at 1 April 2008 was £56.2m and at 30 June 2008 £56.45m.

4.3 The budget for investment income in 2008/2009 is £2,102,000, equivalent to £55.92 for each Council Tax Band D property. At the end of June 2008 interest earned amounted to £841,500 against the budget for the period of £524,100, a surplus of £317,400. The over achievement of interest on investments during this period was due to higher than expected interest rates and to slippage on the capital programme. The target investment rate for the year is 4.75%. In the three month period covered by this report, the average rate of interest achieved has been 5.44%. Furthermore, as at 30 June 2008 only £2,482,600 had been spent out of the full year's original capital programme budget of £29,468,000.

Interest Rates

4.4 The target investment rate of 4.75% was set in February 2008 as part of the budget process on the basis of interest projections provided by the Council's external treasury advisors, Sector Treasury Services Limited. The base rate at 1 April 2008 was 5.25% which fell to 5.00% on 10 April. Due to continued concerns about inflationary pressures within the economy, the Bank of England's Monetary Policy Committee held rates at this level throughout the period.

4.5 Sector are currently projecting that rates will remain at this level throughout the remainder of the year. As a result, investments are currently being made at rates above the budgeted rate. Provided that spending on capital projects and receipts from the sale of assets are in line with the approved budget then the higher than anticipated interest rates should mean that the target for investment income for the year will be met comfortably.

5. Other Options considered

5.1 The Code of Practice requires that regular progress reports on Treasury Management are presented to Cabinet.

6. Community impact *(including Section 17 of the Crime and Disorder Act 1998 and diversity issues)*

6.1 General

6.1.1 The level of interest earned on investments reduces the demand on the Council Tax payer to fund the cost of service provision.

6.2 Diversity

6.2.1 All Council Taxpayers in the St Edmundsbury area will benefit from the interest achieved on investments.

7. Consultation

7.1 Portfolio Holder for Resources and Efficiency and the Corporate Management Team.

8. Resource implications <i>(including asset management implications)</i>												
8.1 Interest on investments of £2,102,000 is budgeted in the 2008/2009 financial year, this equates to £55.92 for each Council Tax Band D property.												
9. Risk Assessment <i>(including Health & Safety, potential hazards or opportunities affecting corporate, service or project objectives)</i>												
9.1 Investment activities are carried out in accordance with the approved Annual Strategy and comply with the CIPFA Code of Practice. The Council has a high level of capital receipts. The interest obtained on these receipts is significant and helps to support the annual level of Council Tax. As fluctuations in interest rates and levels of capital expenditure and receipts can impact considerably on the Council's budget the Council has established an Interest Equalisation Reserve which can be used to help smooth out year-on-year variances in investment returns. In addition the portfolio of investments includes loans for varying periods of duration of up to five years at fixed rates of interest and these give some certainty of return for a proportion of the investments.												
<table border="1"> <thead> <tr> <th>Risk area</th> <th>Inherent level of Risk (before controls)</th> <th>Controls</th> <th>Residual Risk (after controls)</th> </tr> </thead> <tbody> <tr> <td>Economic (fluctuations in interest rates)</td> <td>Medium</td> <td>Spread of investments for periods of up to five years.</td> <td>Low</td> </tr> <tr> <td></td> <td></td> <td>Interest Equalisation Account</td> <td>Low</td> </tr> </tbody> </table>	Risk area	Inherent level of Risk (before controls)	Controls	Residual Risk (after controls)	Economic (fluctuations in interest rates)	Medium	Spread of investments for periods of up to five years.	Low			Interest Equalisation Account	Low
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10. Legal or policy implications												
10.1 Consideration of the report complies with Council policy and the CIPFA Code of Practice on Treasury Management.												

Ward(s) affected	All	Portfolio Holder	Resources and Efficiency
Background Papers		Subject Area	Finance

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