
EXCERPT FROM THE MINUTES OF THE RESOURCES OVERVIEW AND SCRUTINY PANEL HELD ON 14 JUNE 2012

ROSP.41/12

TREASURY MANAGEMENT OUTTURN 2011/12

The Finance, Governance and Resources Portfolio Holder presented report RD.12/12 providing the annual report on Treasury Management, as required under both the Financial Procedure Rules and the CIPFA Code of Practice on Treasury Management. He also submitted the regular report on Treasury Transactions for the period 1 January 2012 to 31 March 2012. Members' attention was further drawn to developments in the Money Markets over the previous twelve months and their effect on the Council's investments, together with the various performance statistics included within the report.

The City Council had only one substantial long term loan (the £15m stock issue) which was likely to remain on the books for some time yet as the cost of making a premature repayment would be very prohibitive in the present climate, particularly with interest rates being at such depressed levels. There were no plans to undertake any prudential or other borrowing during the current financial year. The focus of the authority's treasury management activities remained therefore very much on the investment aspect of the function.

He added that although investment conditions were, in one sense, as exceptional in 2011/12 as had been the case during the previous year, they were very different as investors coped with some of the lowest interest rates ever seen in the world economy. Although the effect on the City Council's investment interest was slightly down on the previous year, the performance achieved was significantly better than was originally budgeted and had helped to counteract some of the other budgetary pressures seen in the year. For this authority, as indeed for most others, the reduction in investment income posed a very significant financial challenge.

Although the outlook for interest rates in the UK remained uncertain, there was a general expectation that rates would not start to rise again until well into 2013.

The matter had been considered by Executive on 1 June 2012 (EX.060/12).

It was resolved:

“That Report RD.12/12 providing the Annual Report on Treasury Management be received and recommended to the City Council for approval.”

In considering the Treasury Management Outturn Report Members raised the following comments and questions:

- The Panel asked that the Executive reconsider the Asset Management Plan to ensure that the Council was carrying out the best reinvestment and achieving the best rate of interest possible.

Dr Gooding responded that the targets set out in the Asset Management Plan were being achieved and more detailed information would be submitted to a future meeting of the Panel.

- The Panel asked for a brief explanation of how the Council used Treasury Management.

Miss Taylor informed the Panel that the Financial Services section received a daily bank balance and they used this to look at the cash flow of the authority and to keep the balance as near to zero as possible. The key aim of the Treasury Management policy is to protect the capital in all cases, with the rate of return being the secondary criteria. All investments in financial institutions are made in accordance with the Council's Treasury Management Policy. The Asset Management Plan is the tool under which the Council is able to invest in alternative investment assets such as property. Miss Taylor added that the Council viewed investments using external advice on annual basis in line with the Council's Policy.

- Would there be any training for Member's about Treasury Management.

Miss Taylor informed the Panel that training had been arranged for the Audit Committee and arrangements would be made for Members of the Panel to be invited to that training.

- Members asked for an explanation in the increase of the ratio of financing costs to net revenue stream.

Dr Gooding informed the Panel that the ratio of financing costs to net revenue stream figures monitored financing costs as a proportion of the total revenue stream from Government grants and local taxpayers. The increase in the ratio of financing costs was mainly attributable to the forecast reduction in investment income.

RESOLVED – 1) That the Treasury management Outturn 2011/12 be noted.

2) That Members of the Panel be invited to future Treasury Management training events.