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## **EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 27 JUNE 2011**

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### **EX.062/11    TREASURY MANAGEMENT OUTTURN 2010/11 (Key Decision)**

(In accordance with Paragraph 15(i) of the Overview and Scrutiny Procedure Rules, the Mayor has agreed that call-in procedures should not be applied to this item)

**Portfolio**     Governance and Resources

#### **Subject Matter**

The Assistant Director (Resources) submitted report RD.13/11 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 2011 to 31 March 2011. 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. He pointed out that the Bank of New York was a new addition to the list detailed at Appendix B2.

The Assistant Director (Resources) reminded Members that 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 2010/11 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. The effect upon the City Council could be gauged by the fact that investment income in 2010/11 was over £0.4 m lower than in the previous year. Furthermore, the budget for 2011/12 anticipated a reduction of nearly 50% and it was difficult to see when that trend was likely to be reversed. The reduction in investment income posed a very significant challenge for the City Council.

In conclusion, the Assistant Director (Resources) stated that, although the outlook for interest rates in the UK remained uncertain, there was a general expectation that rates would start to rise during the second half of the year.

The Resources Overview and Scrutiny Panel had on 16 June 2011 (Minute ROSP.40/11) considered and noted the report. A copy of the Minute Excerpt had been circulated.

The Chairman of the Resources Overview and Scrutiny Panel referred the Executive to Appendix A2 and, in particular, the average return on investment of 1.53% in the year. He asked what further comment could be made on that issue.

In response the Assistant Director (Resources) advised that the average bank base rate was 0.50% and, although there was no expectation that that would increase, the Council had beaten the market.

The Performance and Development Portfolio Holder referred to pages 8 and 10 of the report, pointing out that the City Council had not yet repaid a penny on the £15 m stock issue.

In conclusion, the Governance and Resources Portfolio Holder expressed the view that the Treasury Management function continued to be well managed in this local authority.

**Summary of options rejected**    None

## **DECISION**

That Report RD.13/11 providing the Annual Report on Treasury Management be received and recommended to the City Council for approval.

## **Reasons for Decision**

To receive the annual report on Treasury Management.