

Report to: Audit Committee
Date of meeting: 30 June 2011
Report of: Head of Strategic Finance
Title: Treasury Management Quarterly Report

1.0 **SUMMARY**

1.1 This report provides the first quarters review of the Council's Treasury Management Strategy and investment performance.

2.0 **RECOMMENDATIONS**

2.1 That the Committee notes the report.

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3.0 **Background**

3.1 The UK economy has experienced a slowing of its overall growth projections. This has been attributed to a global slowdown in economic activity (which has affected our export markets), combined with less consumer activity on the high streets (due to the real reductions in disposable income). This has resulted in the anticipated May 2011 increase in Base rate being delayed until probably February 2012. This is bad news for the Council's investment portfolio as the Base rate (currently 0.5%) determines the rates of interest that can be achieved on the money markets.

3.2 The estimate of interest to be earned in 2011/2012 was geared to achieving an average rate of return of 1.3% for the year (for the first quarter the average rate of return is currently 1.25%). At the present time the portfolio is earning circa 0.75% on its short term deposits; 1.2% on six month money; and 1.6% on 12 month money. In order to achieve an average 1.3% it will be necessary to lend a large proportion of the portfolio out for between 6 to 12 months. This is however subject to our cash flow forecasts regarding when funding is required for financing the capital programme/ and making precept and business rate payments. The current portfolio is attached at **Appendix 1**.

4.0 **IMPLICATIONS**

4.1 **Financial Issues**

The Head of Strategic Finance comments that all financial comments have been included within the body of the report.

4.2 **Legal Issues** (Monitoring Officer)

The Head of Legal and Property Services comments that there are statutory limitations governing cash fund investments and all proposals within this report ensure continued compliance.

4..3 **Potential Risks**

Potential Risk	Likelihood	Impact	Overall score
Investment with non approved body	1	4	4
Failure to achieve investment interest budget targets	2	4	8
Those risks scoring 9 or above are considered significant and will need specific attention in project management. They will also be added to the service's Risk Register.			

4.4 **Staffing**

None Directly

4.5 **Accommodation**

None Directly