CITY OF
YORK
COUNCIL

Executive

21 July 2009

Report of the Director of Resources

Treasury Management Annual Report & Review of Prudential Indicators

Summary of Report

1. This reports updates the Executive on Treasury Management performance for 2008/09 compared against the budget taken to Council on 21 February 2008. The report summarises the economic environment over the 2008/09 financial year and reviews treasury management performance in the following areas:

   - Long term Borrowing,
   - Debt Restructure,
   - Short term Investments,
   - Investment credit criteria policy,
   - Post Icelandic Bank Collapse,
   - The Venture Fund,
   - Treasury Management Outturn and
   - The Prudential Indicators.

Consultation

2. The majority of this report is for information purposes and reporting on the performance of the treasury management function. Members through the budget process set the level of budget and expected performance of the Councils treasury management function.

Options/Analysis

3. In accordance with the Local Government Act 2003, it is a requirement under the CIPFA Prudential code and the CIPFA Treasury Management in Local Authorities that the Executive of the Council receives an annual treasury management review report of the previous year -08/09- by 30 September the following year – 30 September 2009.

Corporate Priorities

4. The Council will meet its Corporate Strategy Value of “Encouraging improvement in everything we do” by effectively and proactively managing its treasury activities. Effective treasury management is concerned with the

management of the Council's cash flows, it's banking, money market and capital transactions, the management of debt, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks.

Economic Background

5. The performance of the Council's treasury management function is an outcome of the long-term borrowing and short-term investment decisions that were affected by the following economic conditions during the 2008/09 financial year.

   a. When the 2008/09 budget was set in February 2008, the Bank of England base rate was at 5.5%, with a predication that the base rate would fall in March 2008 to 5.25%. Expectations at this time suggested that the rate would fall during quarter 1 of 2008/09 to 5% and remain at this level for the majority of the year, with the possibility of a quarter of a per cent (0.25%) reduction to 4.75% in the autumn of 2008.

   b. In a year that can only be described as unparalleled and extraordinary the Annual Treasury Report for 2008/09 is summarised in the graphs at Annex A and B. These graphs show the major events of the financial year and the impact they had on both PWLB and investment rates. The financial crisis, commonly known as the 'credit crunch', had a major downward impact on the levels of interest rates around the world. Although interest rates initially fell sharply in the US they were followed, eventually, by the Bank of England.

   c. At the start of the financial year, on 1st April 2008 Bank Rate was 5% and the Bank of England was focused on fighting inflation. Market fears were that rates were going to be raised as CPI, the Government's preferred inflation target, was well above the 2% target (two years ahead). The money market yield curve reflected these concerns with one-year deposits trading well above the 6% level. PWLB rates in both 5 and 10 years edged above Bank Rate during the summer as markets maintained the belief that inflation was the major concern of the monetary authorities. The money markets were reflecting some concerns about liquidity at this time and, as shown in the graph at Annex A, the spread between Bank Rate and 3 month LIBOR was greater than had historically been the case.

   c. This phase continued throughout the summer until the 15th September when Lehman Brothers, a US investment bank, was allowed to file for bankruptcy in the total absence of any other institution being willing to buy it due to the perceived levels of toxic debt it had. This event caused a huge shock wave in world financial markets and threatened to completely destabilise them. As can be seen from the chart, at Annex A and B, this also led to an immediate spike up in investment rates as

markets grappled with the implications this might have on other financial institutions, their credit standing and indeed their viability. On 7th October the Icelandic government took control of their banks and this was followed a few days later by the UK government pumping a massive £37bn into three UK clearing banks, RBS/HBOS/Lloyds, as liquidity in the markets dried up. The Monetary Policy Committee meantime had reduced interest rates by 50bp on 9th October. This had little impact on 3 month LIBOR, however, as the spread, or 'disconnect' as it became known, against Bank Rate widened out. On the other hand the short end of the PWLB fell dramatically as investors, very concerned about their counterparty limits post the Icelandic banks' collapse, fled to the quality of Government debt forcing yields lower.

d. Market focus now shifted from inflation concerns to concerns about recession, depression and deflation. Although CPI was still well above target it was seen as no barrier to interest rates being cut further. The MPC duly delivered another cut in interest rates in November, this time by an unprecedented 1.5%. Investors continued to pour money into Government securities across the curve, at the front end because of credit concerns and the longer end because of the economic consequences reducing inflation, driving yields in 10 year PWLB temporarily below 4% and 5 years to around 3.5%. In December as the ramifications of the 'credit crunch' became increasingly clear the Bank of England cut interest rates to 2%-a drop this time of 1%. The whole interbank yield curve shifted downwards but the 'disconnect' at the short end remained very wide, negating to some degree the impact of the cuts in Bank Rate. 50 year PWLB rates dropped below 4% at the turn of the year, marking the low point, as it turned out, in this maturity.

e. The New Year of 2009 brought little relief to the prevailing sense of crisis and on 8th January the MPC reduced rates by 0.5% to 1.5%, a record low. More Government support for the banking sector was announced on 19th January 2009. The debt markets had a sharp sell-off at this stage as they took fright at the amount of gilt issuance likely to be needed to finance the help provided to the banks. There was also discussion about further measures that could be introduced to kick-start lending and economic activity. These included quantitative easing by the Bank of England, effectively printing money.

f. In February 2009 the MPC adopted the traditional method of monetary easing by cutting interest rates again by 0.5% to 1%. Interbank rates drifted down with the spread in the 3 months still well above Bank Rate. In early March Lloyds Banking Group, which now included HBOS, took part in the Government's Asset Protection scheme. The MPC cut interest rates yet again to 0.5% and announced the quantitative easing scheme would start soon. This scheme would focus on buying up to £75bn of gilts in the 5-25 year maturity periods and £10 -15bn of

corporate bonds. This led to a substantial rally in the gilt market, particularly in the 5 and 10 year parts of the curve, and PWLB rates fell accordingly. Finally at the end of March it was announced that the Dunfermline Building Society had run into difficulties and its depositors and good mortgages were taken over by Nationwide whilst the Treasury took on its doubtful loans.

6. Figure 1 shows the base rate movements since 2004/05 with predictions from economic commentators for 2009/10. In these unprecedented times it is currently forecast that the base rate will start to rise again during 2010 and the economy will slowly start to recover.

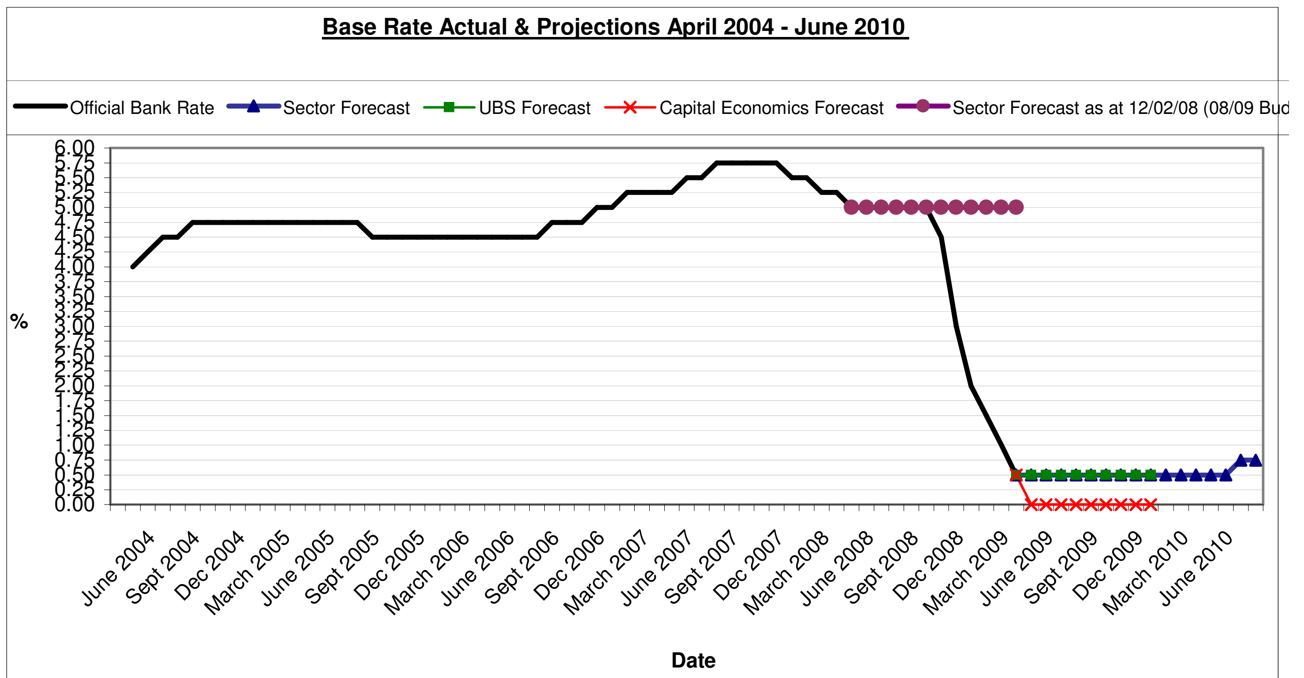


Figure 1 - Base Rates 2004- 2010 as at April 09

Long term Borrowing

7. The Council is permitted to borrow to fund capital expenditure. The majority of Council borrowing is funded by the government through the Revenue Support Grant (RSG), which provides the Council with revenue funding to allow it to meet the interest and repayment costs of borrowing. This funding is linked to the delivery of capital investment programmes such as the Local Transport Plan and Schools' Modernisation programmes. The introduction of the Prudential Code in April 2004 gives the Council more flexibility in respect of how much and when it borrows. Under the Prudential Code, Councils are free to borrow up to a level that is deemed prudent, affordable and sustainable and within their prudential indicator limits. Any borrowing that is undertaken using the prudential code framework is not supported by government and has to be funded by the Council.

8. The flexibility of borrowing under the prudential code allows the Council to borrow in advance of need. The level of borrowing the Council requires is determined by the Capital Financing Requirement (CFR) which is the cumulative borrowing that the Council undertakes to fund capital expenditure and identifies the Council's underlying need to borrow. The CFR is forecast over the next 5 years and shows that the Council will have an increasing need to borrow due to the requirement of the Administrative Accommodation project. This allows for the proactive treasury management decision to borrow in advance of need, to take advantage over favourable interest rates when they arise, not to have to borrow in one specific year and therefore spreads the interest rate risk.

9. The current level of borrowing (£102.1m) held by the Council is slightly above the CFR (£98.7m). This is as a result of proactive treasury management decisions in the past to borrow in advance of need when interest rates were favourable. More recently less borrowing has been undertaken as it is forecast rates will become increasingly favourable going forwards. It should be noted that when borrowing is undertaken it is not taken for any specific scheme or project but rather to fund the Council's capital financing requirement as a whole.

10. The Council's current borrowing strategy (set for 2008/09 at Full Council on 21 February 2008) follows advice from the Council's treasury management advisors –Sector Treasury Services -, to borrow primarily from the PWLB when interest rates are advantageous and hold back on borrowing when rates are relatively high. The Council set a trigger point for taking long term borrowing of 4.30% during 2008/09. Long term borrowing rates for the 45-50 year period started the year at the 4.43% mark fluctuating throughout the year between 3.86% and 4.84%. Figure 2 illustrates the PWLB rates (the grey area showing rates between 25 and 50 years) for 2007/08 – 2008/09 including the loans borrowed by the Council. It is interesting to note the PWLB rates remain significantly higher compared to the base rate.

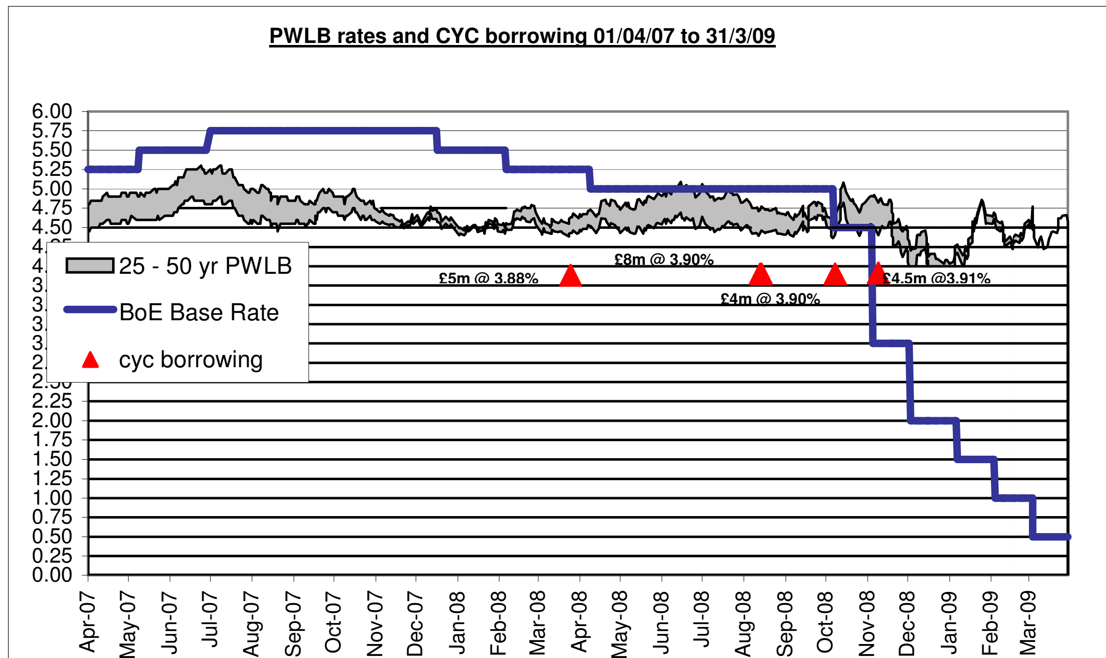


Figure 2 - PWLB rates vs. Bank of England vs. CYC borrowing levels

11. PWLB debt of £5m was repaid in May 2008, in line with the original maturity date of the loan. The economic forecast in paragraph 5 above portrays the volatility of borrowing rates throughout the year. Paragraph 5c highlights that in October 2008 short-term rates fell and the average 1 year PWLB rate was 3.264%. However a decision was taken that short term borrowing would not be beneficial in light of the continuing volatility of the market and the maturity profile of the Council's debt portfolio seen in Figure 3 below. Paragraph 5d highlights the start of the fall in longer-term PWLB rates during November and December when the Council borrowed £4.5m of PWLB debt in November 2008 at a rate of 3.91%. The average 49-50 year PWLB rate during the year was 4.44%.

12. In addition to the long term borrowing described above, the Council also rescheduled PWLB debt in 2008/09 with a repayment of £13.8m in June 2008 and subsequent debt of £12m being taken in August and September. Further details are supplied in the Debt Rescheduling section below at paragraphs 16-19.

13. No further debt was taken during 2008/09 due to a proactive decision that due to continued quantitative easing and advice from treasury management advisors –Sector Treasury services - that long term PWLB interest rate would continue to fall in 2009/10 and there would be favourable rates to take advantage of going forwards. Also, after the Icelandic banks defaulted in October, in light of the perceived increased risk around holding spare cash as investments and the likely poor rate of return available on such investments once the MPC had made further cuts in Bank Rate, it was

decided to run down cash balances by not undertaking new borrowing from the PWLB to finance capital expenditure.

14. The Councils long-term borrowing started the year at £104.4m.

	Date	£	Prevailing Base Rate	Weighted %	Year of Maturity
Total Debts as at 1/4/08		**104,364,956**	**5.25%**	**4.605%**	
Less Loans Repaid	05/05/08	5,000,000		3.90%	2008/09
Less Loans Repaid Prematurely	03/06/08	13,800,000		4.875%	2015/16-2025/26
Plus New Loans	15/08/08	8,000,000		4.39%	2057/58
	09/10/08	4,000,000		4.39%	2043/44
	10/11/08	4,500,000		3.91%	2014/15
Total Debts as at 31/03/09		**102,064,956**	**0.50%**	**4.547%**	

Table 1 - Movement In Long Term Borrowing 2008/09

15. All of the new borrowing decisions were taken in light of the maturity structure of the Council's current long term borrowing. Prudential indicator 9 sets the permitted maturity structure of borrowing, as detailed in Figure 3 and attached at Annex C, along with all the Prudential Indicators approved by full Council in the Treasury Management Strategy report 21 February 2008. The borrowing of long duration loans reflects the Councils underlying need to borrow for capital purposes and is forecast to rise steadily year on year for the foreseeable future in line with the capital programme.

16. Figure 3 illustrates the 2007/08, 2008/09 and 2009/10 maturity profile of the Council's outstanding loans. The profile moving forward in 2009/10 highlights that the debt portfolio is spread over different maturity periods, which diversifies the risk of borrowing in any 1 year.

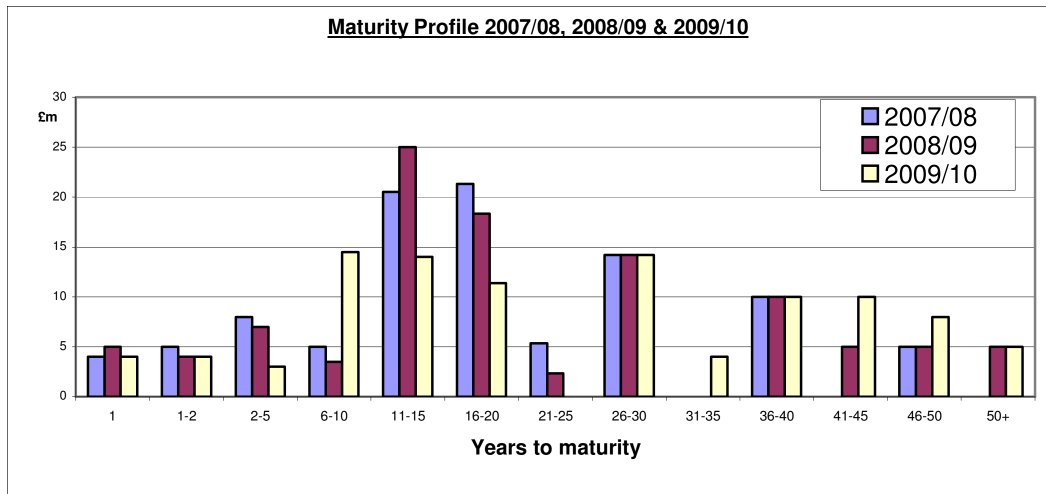


Figure 3 - Debt Maturity Profile 07/08, 08/09 & 2009/10

17. As a result of the borrowing undertaken in-year, the average rate of interest on the Council's long term borrowing has fallen from 4.61% in 2007/08 to 4.57% by the end of 2008/09. This is 0.051% lower than the latest available average long term borrowing rate (source CIPFA Statistics) for unitary authorities of 5.08% for 07/08. Although the Councils average rate is lower than other similar authorities were it not for the Club Loan of £10m at a rate of 7.155%, which the Council is unable to restructure, the Councils consolidates rate of interest could be as a low as 4.27% (assuming the £10m Club loan where to be replaced at a level of 4.5%). Figure 4 shows the Council's long term borrowing compared to the national average and other unitary authorities.

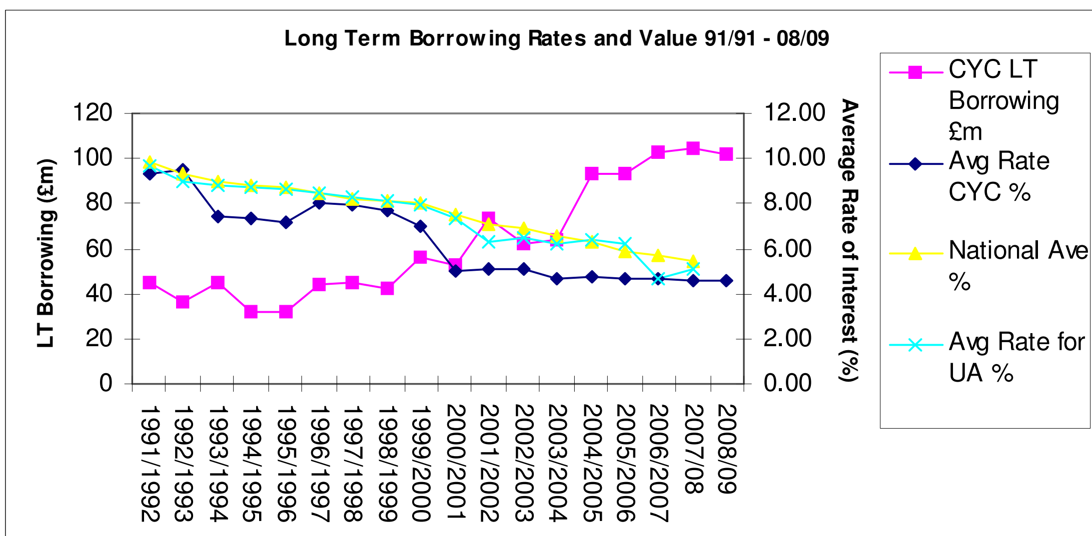


Figure 4 - CYC borrowing vs National Average vs Unitary Authority

Debt Restructure

18. The treasury management team monitor the markets daily for rates that would allow favourable restructures. The reasons for rescheduling to take place in 2008/09, as reported in the 2008/09 treasury management strategy was for:
    a. the generation of cash savings and / or discounted cash flow savings;
    b. enhancing the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

19. The Council therefore undertook debt-restructuring exercise in June 2008, when it prematurely repaid £13.8m of PWLB debt with an interest rate of 4.875%. The Council drew down £12m of PWLB debt throughout August and September 2008 at an average rate of 4.390% to replace the prematurely repaid debt.

20. This tied in with the Treasury Management Strategy which stated in February 2008 that "As average PWLB rates are expected to be marginally higher at the start rather than later in the financial year, and as the base rate is expected to fall more than longer term borrowing rates, this will mean that the differential between long and short term rates will narrow, implying that there will be greater potential for making interest rate savings on debt by debt restructuring earlier on in the year".

21. As a result of the debt rescheduling exercise, an interest rate saving resulted of £52k pa for 12 years and a total discount of £85k. The discount occurred due to the differential between the rates when borrowing is repaid when the current market rate is higher than the rate of the borrowing being repaid.

Short Term Investments

22. The strategy and policies adopted in the Treasury Management Strategy Report and Annual Investment Strategy for 2008-09 approved by the Council on 21 February 2008 was subject to major revision during the year due to the unprecedented impact of the credit crunch on world economies and the world banking system. This impact resulted in a rapid fall in central bank rates around the world during the year, including the U.K. and correspondingly in the Council's investment returns in the second half of the year.

23. Throughout the last financial year the characteristic of market interest rates was set by the continuing lack of liquidity in the market place with banks remaining uneasy about lending. Governments commenced a series of stimulus packages aimed at kick starting the global economy and central banks, helped by a downturn in inflation and inflation expectations, and so began an aggressive policy of interest rate cuts

which has seen interest rates, though maintaining elevated credit spreads, crashing to record low levels.

24. The Council manages all its surplus cash investments in-house and invests with the Institutions listed in the Council's approved lending list. The Council invests for a range of periods from overnight to 364days, dependent on the Council's cash flows, its interest rate view and the interest rates on offer. The Council also invests longer term when rates are considered favourable and core cash balances are available.

25. The Council's in-house funds are mainly cash flow derived, however the Annual investment strategy set for 08/09 saw the Council seeking to lock some element of the investment portfolio, which represents the core balances, in to longer period investments where rates were forecast to be higher at he beginning of the financial year.

26. Interest earned during the year on cash balances totalled £3.160m (£3.924m in 2007/08). The Council's average balance available for investment in 2008/09 has decreased from £67.8m in 2007/08 to £58.9m in 2008/09. This decrease in cash balances mainly resulted from the restructuring of the debt portfolio, with £5m of debt naturally maturing in May 2008 and £13.8m being prematurely repaid in June 2008 but further debt not being taken until August, September and November 2008.

27. The average rate of interest earned on investments in 2008/09 was 5.35% (5.78% in 07/08). This was 1.66% higher in 0/8/09 (0.20% in 07/08) than the average 7 day London Inter-Bank Bid Rate (LIBID) (the standard benchmark for short-term cash management) of 3.69% (5.58% in 2007/08). This shows the turmoil and unprecedented times in the market when interest investments rates to be earned from counterparties in some areas of the market were dislocated and not in alignment with the overall market consensus.

28. During the year, the Council made 134 investments totalling £368m compared with 171 totalling £378m in 2007/08. The decrease is due to the lower level of balances available. There was also a decrease in money market investments that have taken place falling from 69 (£176.2m) in 07/08 to 22 (£64.0m) in 08/09. This is due to the volatility of interest rates on the market and the favourable rates available on the Council's call accounts.

29. The Treasury Team continually monitor the performance of the money market brokers. The Council operates on the money markets with four brokerage organisations. In 2008/09 a review was carried out and in light of the investment interest rates on offer, the four brokerage organisations currently used are:ICAP, Sterling International Brokers Tradition and Tullett Prebon. It is intended to retain these four brokerage organisations going forwards.

Investment credit criteria policy review

30. The default of the Icelandic banks in October 2008 led to a review of the Council's credit policy, to ensure that the credit risk exposure was at an acceptable level. The review showed that no institutions in which investments were made had any difficulty in repaying investments and interest in full during the year.

31. All surplus cash balances in 2008/09 were invested with authorised counterparties in accordance with the Council's Treasury Policy Statement. Counterparties are authorised for use based on their credit ratings. The Council's credit rating criteria is set using a matrix provided by our Treasury Management Advisors – Sector Treasury Services. The matrix is based on credit ratings provided by agencies Fitch and Moody's, and determines both time and financial limits in order to spread counterparty (credit) risk when investing money with approved counterparties. T

32. The higher the credit rating assigned to a counterparty, the more secure the counterparty is. The Council has investment limits of £15m for periods up to 1 year with high credit rated counterparties and for those with a lower credit ratings an amount of £8m and up to 3months.

33. The Authority's Credit Criteria is set at a level to ensure the security of the council's invest funds, whilst balancing this with return achieved. During the latter part of 2008/09, it was found that the number of authorised Counter parties that the Council could invest with has been massively reduced due to the credit rating changes prompted by the "credit crunch".

34. The collapse of Lehman's and the Icelandic banking system in September/October 2008 created an environment of fear, and the nationalisation and part nationalisation of many financial institutions was necessary to secure the global financial system in the face of hundreds of billions of pounds worth of toxic asset related losses.

35. Therefore, it is necessary that Executive approve the extension of the Council's credit rating criteria, by including the use of nationalised banks.

36. In the wake of the credit crunch, institutions which were supported by the British Government and effectively nationalised fell out of the range of the matrix, due to the high level of backing they received from the Government. Sector Treasury Services have since added an extra category to their matrix, for these nationalised banks. They advise a maximum investment of 1yr with these institutions (with the exception of Northern Rock, which is 3 months).

37. The Banks in this Category are:
    1. Bank of Scotland Plc which includes the following subsidiaries:
        - Lloyds TSB Bank Plc
        - Cheltenham and Gloucester
    2. Royal Bank of Scotland Plc which includes the following subsidiaries:
        - National Westminster Bank Plc
        - Ulster Bank Plc
        - ABN AMRO Bank NV
    3. Northern Rock Plc

38. The Executive is requested to approve the inclusion of these Nationalised banks on the Council's credit rating criteria policy.

Post Icelandic Banks Collapse – Risk & Return

39. In March 2009 the Audit Commission undertook a review of treasury management in Local Authorities and the impact of the collapse of the Icelandic banking sector. The report was entitled Risk and Return. The Audit Commission reported that 157 Local Authorities held £954million on deposit with Icelandic banks, which amounted to about 3 percent of the total funds on deposit.

40. Some Local authorities reacted to warning signs available on the market with regards to the stability of Icelandic banks. City of York Council (CYC) was one such authority. As early as May 2008, the Icelandic banking institutions had been removed from CYC investment lending list due to the banks being placed on credit rating watch negative alert.

41. CYC used their credit rating criteria policy to select the financial institutions with which they would invest to ensure the security of their funds.

42. Audit Commission concluded in their "Risk & return " report that many authorities have acted prudently, used advice and information wisely and balanced their risk with returns. They commented that the overarching treasury management framework is the right one, although it has its weakness and that CIPFA guidance gives insufficient attention to risks and more guidance is needed about how to manage the full range of risks. They concluded that Local authorities should remain in control of their own funds but they must ensure that their treasury management is properly resourced, managed and scrutinised.

43. CIPFA's response to the credit crunch risk was to also to produce a bulletin in March 2009 titled " Treasury management in Local Authorities – post Icelandic Banks Collapse". CIPFA intends to revise both the

Treasury Management code and Guidance notes in light of the lessons learnt and the bulletin provides interim advice on local authorities treasury managment practices in light of the continued “credit crunch”.

44. City of York Council continues to prudently monitor, manage and report on its treasury management and credit criteria investment policies. Objectives are clearly set out in the treasury strategy and annual reports, staff are aware of current matters and advice is taken from treasury management advisers along with other information.

45. Sector Treasury Services have further developed their credit criteria risk matrix and the Council now also considers “Credit default swaps” when considering the security of potential counterparties. Credit default swaps give earlier warning signs than credit rating agencies to the potential risks on the market. (A credit default is an insurance policy/contract, which indemnifies the buyer against an adverse credit event occurring to a third party and the market decides on the level of risk associated with the third party. The higher the value of the CDS the riskier the market perceives the third party to be). By using market information, credit rating criteria and now credit default swaps; the Council continues to provide a proactive and prudently managed treasury management function. Figure 6 below shows how the spread on credit default swaps highlighted the concern of the Icelandic banking sector, along with the credit rating agencies.

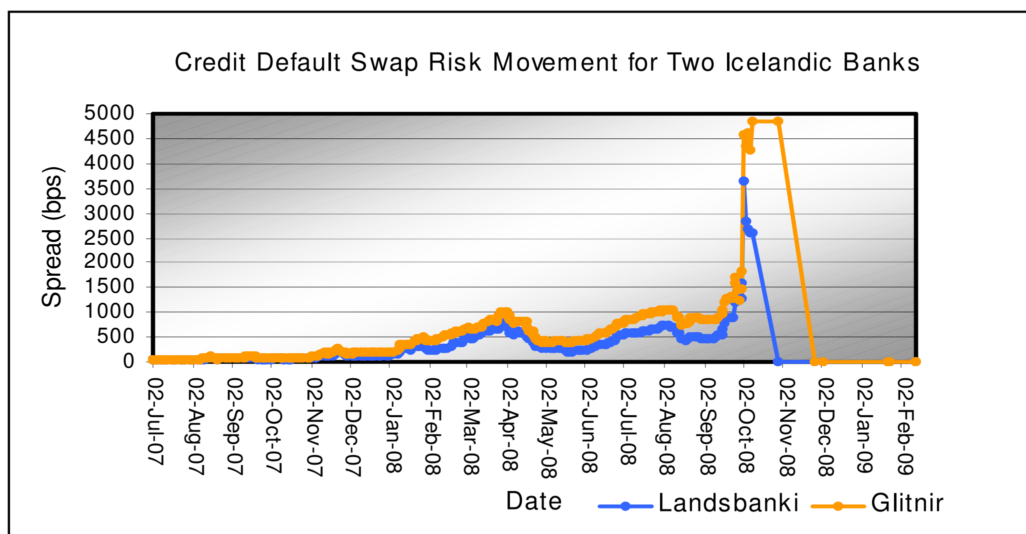


Figure 5: Credit Default Swap risk movement

Venture Fund

46. The Venture Fund is used to provide short to medium term investment for internal projects that provide a robust new revenue stream or recognisable budget reductions and contribute to operational benefits or

policy objectives. The movements on the Venture Fund in the year are shown in table 2.

	£'000
Balance at 1 April 2008	**2,729**
New Loan Advances	(1,319)
Loan Repayments Received	837
Net Interest Received	28
Balance at 31 March 2009	**2,275**

Table 2 - Venture Fund Movement 2008/09

47. New loan advances were made in 2008/09 for LPSA2 08/09 of £0.227m, and for the funding required from reserves for the Administrative Accommodation Project abortive costs of £1.091m. 8 existing schemes repaid their annual instalments totalling £0.837m. This included £0.437m for LPSA 2007/08 and £0.245m for Amy Johnson Way.

48. In 2008/09 the Venture Fund has been used to fund the abortive costs from the administrative accommodation project at £1,091k, these funds will not be repaid. In addition the Administrative Accommodation project will need to drawdown funds from the Venture Fund of c£1.061m between 2010/11 and 2012/13. This is to fund the initial finance costs of borrowing in the early years of the project prior to the revenue budgets coming available from previously leased establishments.

49. It is currently projected that in 09/10 - when £696k of loans are repaid and advances of £750k have been made (£100k for street lighting as approved at Council in February 2009 and £650 for the Easy at York programme) - the balance on the Venture Fund will be £2.221m. Over a five year forecast to 2013/14 the balance of the Venture Fund will be £1.416m. The Venture Fund is forecast to have sufficient funds to meet the required draw downs of the Administrative Accommodation project over the next five years

Financial Implications - Budget Outturn

50. Treasury Management activity is contained within the Corporate Budget, which was approved by Council on 21st February 2008 at £6,937k for 2008/09. Since the budget was set there have been a number of changes made by the Executive and under officers' delegated power which has resulted in a revised budget of £6,984k. The increase in budget was due to the requirement for increased departmental prudential borrowing during the year and a transfer of that budget from departments.

51. The outturn was £5,885k, an underspend of £1,099k. The main report explains the underlying reasons for this underspend, namely the favourable conditions on the money markets in the first half of the year as a result of the credit crunch and dislocation of market investment interest being more favourable compared to the base rate.

52. It should be noted the underspend projected at monitor 3 was £1,226k compared to an actual underspend of £1,099k. This was due to a larger amount of interest being paid to departments on their surplus balances than originally expected.

53. The Council received one Bank of Credit and Commerce International (BCCI) dividends during 2008/09 as the seventh dividend payment made. A total of £42k was received taking the total recovered losses to £1,318k, which is 94% of the investments made with the BCCI in 1990 when it collapsed. The amount recovered is now £452k more than was written off by the Council and represents additional unbudgeted for income.

Review of the Prudential Indicators

54. In accordance with the Prudential Code, the Prudential Indicators set by full Council on 21st February 2008 must be reviewed. Full detail on the indicators are given in Annex C.

Human Resources Implications

55. There are no HR implications as a result of this report.

Equalities

56. There are no equalities implications as a result of this report.

Legal Implications

57. Treasury Management activities have to conform to the Local Government Act 2003, which specifies that the Council is required to adopt the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice. The scheme of Minimum Revenue Provision ("MRP") was set out in former regulations 27, 28 and 29 of the *Local Authorities (Capital Finance and Accounting) (England) Regulations 2003* [SI 2003/3146, as amended] ("the 2003 Regulations"). This system has been revised by the *Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008* [SI 2008/414], ("the 2008 Regulations") in conjunction with the publication by CLG of this MRP guidance.

Crime and Disorder Implications

58. There are no crime and disorder implications as a result of this report.

Information Technology Implications

59. There are no IT implications as a result of this report

Property Implications

60. There are no property implications as a result of this report.

Risk Management

61. The treasury function is a high-risk area because of the level of large money transactions that take place. As a result of this there are strict procedures set out as part of the Treasury Management Practices statement.

Recommendations

62. The Executive is advised to:
    a) **Note** the 2008/09 performance of the Treasury Management activity, movements on the Venture Fund and the Treasury Management Outturn.
    b) **Approve** the addition of Nationalised Banks to the Investment Credit Criteria Policy, paragraphs 30 to 38 refer
    c) **Note** the movements in the Prudential Indicators.
    d) **Note** the Councils proactive and prudent management of the Treasury Management portfolio in light of the Icelandic banking crisis.

Contact Details

Author:	**Chief Officer Responsible for the report:**		
Louise Branford-White	Ian Floyd		
Technical Finance Manager	Director of Resources		
Ross Brown			
Principal Accountant			
	Report **Approved**	Date	21/07/09
	Keith Best		
	Assistant Director of Resources (Finance)		

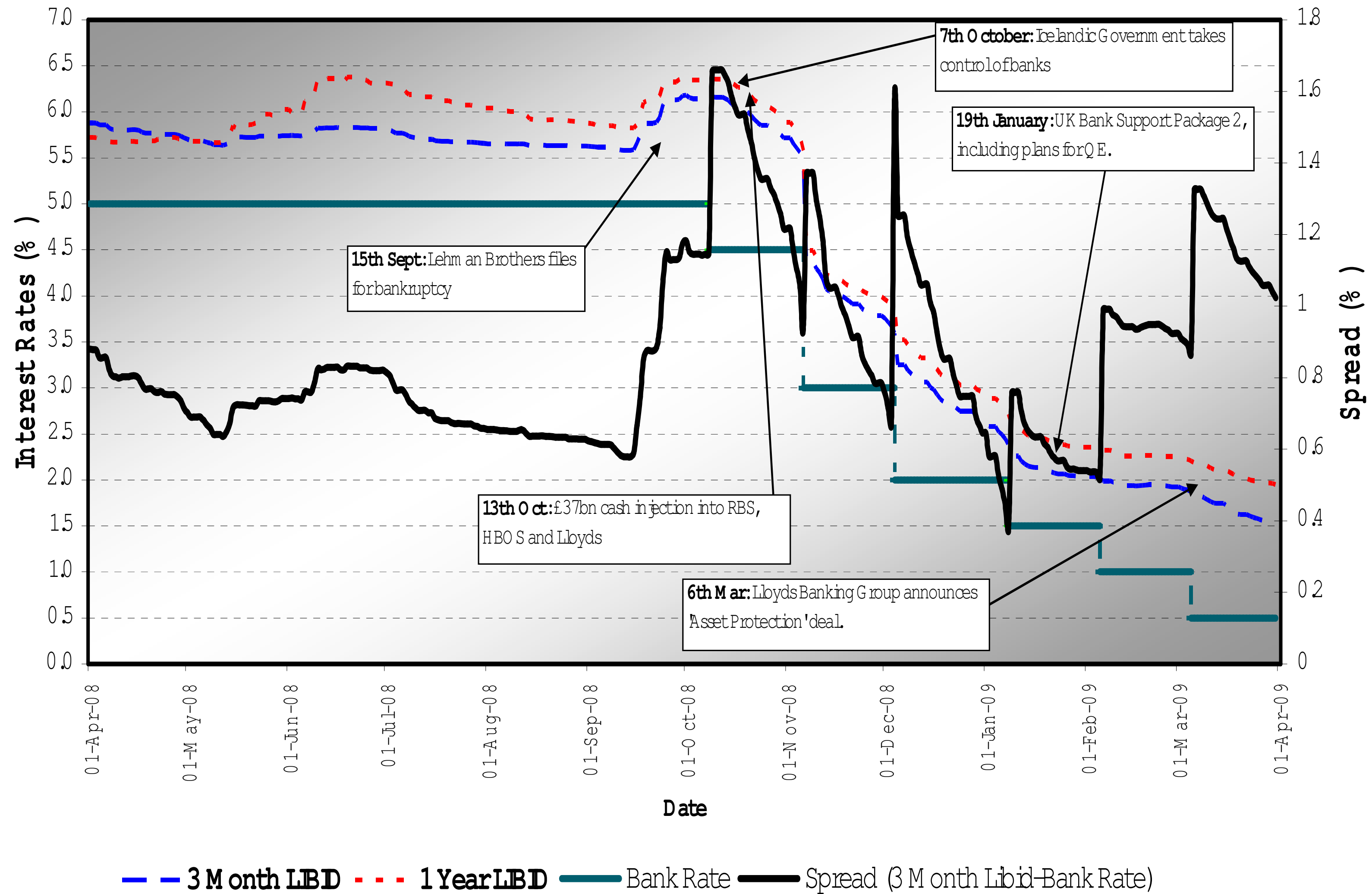
Wards Affected: All

None

Specialist Implication Officers: None
For further information please contact the author of the report

Background Papers
Cash-flow Model 08/09, Investment Register 08/09, PWLB Debt Register, Capital Financing Requirement 08/09 outturn, Venture Fund 08/09, Prudential Indicators 08/098, Statistics 08/09.

Annex A



Annex B