

REPORT TO THE EXECUTIVE		Report No. 10
Date of Meeting	1st November 2007	
Title of Report	Recommendations from the Treasury Management and Investment Strategy Working Group	
Portfolio	Policy – Leader’s Responsibilities	
Link to Corporate Priorities	Finance	
Key Decision	No	
Executive Workplan Ref	B368	
Public Report	Yes	

Summary of Report

The purpose of the report is to update the Executive on the current position in respect of Treasury Management and seek endorsement of the strategies proposed.

Officer Recommendations

It is recommended that Members:

1. **Note the report.**
2. **Note the increase in forecast of interest earned of £0.288M and that this is a one-off income.**
3. **Approve the Treasury Management and Investment Strategy Working Group proposal to invest in the money market for the remainder of 2007/08 and financial year 2008/09.**
4. **Approve the Treasury Management and Investment Strategy Working Group recommendation not to draw down further capital borrowing.**

Other than those implications agreed with the relevant Officers and referred to below, there are no other implications associated with this report.

Financial Implications	Legal Implications	Community & Environmental Implications	Human Resources Implications	Equality & Diversity Implications
Yes	None	None	None	None
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1. Introduction

- 1.1. The Treasury Management and Investment Strategy Working Group (TM&ISWG) met on 28th September 2007 to receive an update on the NWDC Treasury activity, a financial market update from our advisors, Sector and discuss current performance and future investment strategies.
- 1.2. As a result of that meeting it was felt appropriate to provide a report to the Executive to highlight improved performance and seek endorsement to the proposals agreed at that meeting.

2. Treasury Performance

- 2.1. The NWDC Treasury performance is exceeding budget expectation and has reported a forecast increase in interest receipts of £0.288M. However this has been due to maximising opportunities in interest rates resulting from abnormal market movements, which cannot be expected again in 2008/09.
- 2.2. Sector, the consultants that advise on Treasury matters, endorsed the NWDC decision to bring the investment management back in house as according to their statistics we are now performing in the upper quartile and ahead of our ex-investment managers and the market they invested in by 0.75%.
- 2.3. The Treasury function and the TM&ISWG are keen to provide assurance that all of our funds are only ever invested in the highest rated financial institutions and a portfolio approach is maintained. At present our funds are invested in eighteen different institutions, for periods of between days to three years.

3. Investment Strategy

- 3.1. The working group discussed investment strategies with Sector and it was agreed that given the attractive rates available with cash deposits over various time periods and the lack lustre performance of other markets, combined with the expected transition to a unitary authority, NWDC should continue to invest in the cash deposit area of the money markets. These investments would be spread over time periods of twelve months or less.
- 3.2. The TM&ISWG therefore seek endorsement by the Executive to this proposed investment strategy.

4. Borrowing Strategy

- 4.1. The previous Interim Section 151 Officer had promoted a strategy to borrow to fund capital projects, whilst investing capital receipts to provide interest. The intention had been to draw down £16.000M as Prudential Borrowing. This strategy was sound whilst the market allowed for the investment of funds at rates marginally higher than those for borrowing. A single £4.000M loan was drawn down and coincided with a similar term fixed deposit.
- 4.2. However the markets moved dramatically and the benefit cannot now be achieved, therefore the TM&ISWG have accepted that there is no value in drawing down the additional £12.000M.

4.3. TM&ISWG therefore seek the Executives endorsement on their proposal to not draw down the additional £12.000M, but fund any Capital projects through capital receipts or Capital reserves.

Previous decisions connected with this report

Report	Committee & Date	Minute Reference
None		