

REPORT FOR RESOLUTION

SUBJECT: Treasury Management Statement 2011/12

REPORT OF: The Lead Officer on behalf of the Advisory Board

PURPOSE OF THE REPORT

At its meeting on June 2011, the Joint Committee was presented with a Treasury Management Statement. It was agreed that this would be reviewed on an annual basis.

RECOMMENDATIONS

It is recommended that the Joint Committee:

1. Approves the proposal for 2011/12 to place reserves on deposit as set out in the report.
2. Delegates the task of approving an Annual Investment Strategy to the Executive Sub Committee at its meeting in January 2012 for 2012/13 in accordance with the Annual Investment Strategy requirements set out in this report.

FINANCIAL CONSEQUENCES OF THE REVENUE BUDGET

There are no immediate consequences to the revenue budget.

CONTACT OFFICER

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**PATROL ADJUDICATION JOINT COMMITTEE:
TREASURY MANAGEMENT STATEMENT SEPTEMBER 2011****1. Introduction**

With effect from 1st April 2011, the PATROL bank account stands independently from the Lead Authority. This means that the Joint Committee's reserves can be managed to take account of opportunities for increased interest/income from a longer term deposit account

This paper sets out responsibilities in relation to investment decisions and arrangements for 2011/12 and 2012/13.

2. Background

At its meeting on 25 January 2011, the Joint Committee approved the Reserves Policy Statement 2011/12 which identified three specific elements of reserves:

2.1 Operating Reserves

These reserves ensure the continuation of service should there be an unexpected underachievement of income or unforeseen expenditure. The approved operational reserve for 2011/12 was £487,793.

2.2 Property Reserves

These reserves provide assurance to the Lead Authority in respect of entering into a new lease. This is set at £194,000 following a reduction in the size of premises.

2.3 Capital Investment

The Joint Committee committed £200,000 towards the cost of the new case management system and web portal.

2.4 PATROL banks with the Cooperative Bank who operate a Fixed Term Guaranteed Investment Account. Indicative rates at 30th August 2011 are as follows:

Duration	£25,000 to £99,999	£100,000 to 499,999
1 month	0.78125%	0.78125%
3 month	1.43750%	1.43750%
6 month	1.53125%	1.53125%

12 month	2.00000%	2.00000%
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Having undertaken a market comparison, these rates are favourable

3.0 Current Position

3.1 The monthly cashflow and account balance have been monitored and, in accordance with the Reserve account requirements, it is proposed that the following amounts be placed in deposit account with the Cooperative Bank as follows:

Operational Reserve:	£487,793 – 6-mth deposit with interest at 1.5%
Property Reserve:	£194,000 – 6-mth deposit with interest at 1.5%

3.2 The six month deposit period has been determined because the risk of having to withdraw the operational reserve or the property reserve within the six month period is low and the penalty of doing so will be loss of interest rather than having to rely on borrowing.

3.3 These interest rates compare with a flat rate of 0.5% previously. This was based on all monies on deposit (interest paid in arrears calculated on the average balance from the previous quarter). The interest attracted from these deposits is estimated at this time to increase the amount of interest received during the second half of 2011/12 from £3,200 to £5,200. The minimum value that must be retained within the ordinary account is £25,000.

3.4 The Joint Committee's cash flow will continue to be monitored to explore the possibility of future investment gaining a higher return on cash balances. At the same time, consideration will be given to opening a further bank account to facilitate BACS payments through the Joint Committee's accounting system which cannot be facilitated through the Cooperative Bank. The deposit rates of banks approached in the light of this will be compared to inform the treasury management arrangements for 2011/12. The Joint Committee's Executive Sub Committee will receive a report on 2011/12 returns and will be asked to approve arrangements for 2012/13 at its meeting in January 2012.

4. Annual Investment Strategy

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- 4.1 The Joint Committee or its Executive Sub Committee will be responsible for approving the Joint Committee's Treasury Management Statement on at least an annual basis.
 - 4.2 The Head of Service will prepare the Treasury Management Statement in consultation with the Treasury Manager of the Lead Authority.
 - 4.3 The proposals for 2011/12 are based on securing the best return from the Joint Committee's current bank.
 - 4.4 In preparation for 2012/13, the Annual Investment Strategy will be informed by a comparison of other bank rates, including those of any banks which may be approached to facilitate BACS payments to suppliers.
 - 4.5 The Annual Investment Strategy 2012/13 will be informed by monitoring of cashflow throughout the year and will set out the criteria for the size and length of investment.
 - 4.6 The Annual Investment Strategy 2012/13 will be informed by the CIPFA Code "Treasury Management in the Public Sector Code of Practice and Cross Sector Guidance Notes (2009).

5.0 Recommendations for 2011/12

It is recommended that the Joint Committee:

- 5.1 Approves the proposal for 2011/12 to place reserves on deposit as set out in the report.
- 5.2 Delegates the task of approving an Annual Investment Strategy to the Executive Sub Committee at its meeting in January 2012 for 2012/13 in accordance with the Annual Investment Strategy requirements set out in this report.