

AUTHORITY REPORT: TREASURY MANAGEMENT OUTTURN 2010/11

1. Confidential Report

1.1 No

2. Recommendations

2.1 To note this report.

3. Introduction

3.1 The Treasury Management Strategy including borrowing and investment strategies is approved by Members on an annual basis. The 2010/11 Strategy was agreed in February 2010 and this report details the outturn against the background of this Strategy.

3.2 Under ELWA's Standing Orders, the Finance Director is responsible for all the Authority's banking, borrowing and investment activities. The Treasury Management function is carried out by the London Borough of Redbridge on behalf of ELWA.

3.3 The Authority's activities are regulated by statutory requirements, ELWA's Standing Orders, and a professional code of practice, the CIPFA Code of Practice on Treasury Management. The Authority has adopted this code as part of its Financial Standing Orders. The Code recommends that Authorities produce an annual report on Treasury Management after the year-end, which would include Treasury Management indicators.

3.4 This report is presenting to Members the Treasury Outturn for 2010/11 and covers all borrowing and investment activities undertaken during the last financial year.

4. Current Portfolio Position

External Borrowing

4.1 The external borrowing position is summarised below:

	31.03.11 £000's	Average Rate	31.03.10 £000's	Average Rate
Public Works Loans Board	1,610	9.6%	1,610	9.6%

4.2 These loans were taken out many years ago when interest rates were much higher

than they are today. Early repayment/rescheduling has been considered but given the PWLB redemption rates, the cost of early repayment would be prohibitive.

Investments

- 4.3 The Authority is required to produce an Annual Investment Strategy that sets out the Authority's policies in managing its investments. This was approved by Members as part of the Treasury Management Strategy at your meeting in February 2010.
- 4.4 The main objective of the investment strategy is to ensure the security of investments the Authority makes and also to maintain the liquidity of its investments in order to meet known liabilities. To meet this requirement, the Authority has approved creditworthiness criteria which must be strictly adhered to when making investment decisions.
- 4.5 The financial year 2010/11 continued to present challenging circumstances with regard to investments. An operational lending list restricted to highly rated institutions remained in place throughout the year. All investment was carried out in accordance with the approved creditworthiness criteria.
- 4.6 In 2008, Heritable Bank went into administration. Ernst & Young LLP, the administrators of Heritable Bank, have reassessed the amount recovered by creditors and dividends and the projected return has increased again. The current projection is between 86p and 90p in the £ as opposed to the earlier estimate of between 79p and 85p in the £. The total repayment received as at 31 March 2011 was £529,000.
- 4.7 The summary position for the Authority in terms of investments at 31 March 2011 is as follows: –

	31.03.10	31.03.11
	£000's	£000's
Long Term	283	471
Short Term	21,231	16,713
	21,514	17,184

5. Borrowing Requirements/Capital Programme 2010/11

- 5.1 In February 2010 the Authority was advised that the estimated total borrowing at 31 March 2010 was £1,610,000 consisting of Public Work Loans Board (PWLB) loans on a fixed rate basis and that the financing of future capital expenditure would be via

the temporary use of cash balances or to raise loans via the PWLB and capital markets. The Authority was also advised that ELWA might need to make arrangements to finance capital expenditure in 2010/11 as a result of the ongoing review of landfill sites. Taking account of borrowing at 31 March 2010 it was recommended that a borrowing requirement of £400,000 was set for 2010/11.

5.2 No capital expenditure was incurred in 2010/11.

6. Prudential Indicators

6.1 The Authority is required by regulation to give due regard to the requirements of the CIPFA Prudential Code for Capital Finance in Local Authorities, and set Prudential Indicators for Treasury Management prior to the start of the financial year. Prudential Indicators cover borrowing, lending and capital expenditure levels and these are monitored on a monthly basis by the Finance Director.

6.2 In the Finance Director's report of February 2010, Prudential Indicators for 2010/11 were agreed.

6.3 Members have been advised previously that there was a significant change in the accounting treatment of the ELWA PFI scheme with the need for PFI assets and liabilities to be brought on to the balance sheet. This change in the requirement occurred after the Prudential Indicators limits for 2010/11 were set. Consequently in November 2010 as part of the consideration of the Treasury Management and Mid Year Strategy Review Members agreed revised Prudential Indicators.

6.4 Appendix A shows the performance against the revised indicators agreed in November 2010.

7. Conclusion

7.1 The Authority managed its treasury management arrangements in accordance with the strategy kept within its prudent indicators and all investment was carried out in accordance with the approved creditworthiness criteria.

8. Relevant Officer

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9. Appendices attached

Appendix A: Prudential Performance Indicators.

East London Waste Authority

26 September 2011

10. Background Papers

22 November 2010 – Treasury Management & Mid Year Strategy Review & Minute No. 2010/42.

27 June 2011 – Final Financial Outturn Report for 2010/11 & Minute No. 2011/7.

11. Legal Considerations.

None

12. Financial Considerations

As outlined in this report.

13. Performance Management Considerations

None.

14. Risk Management Considerations

Main objective of the investment strategy is the security of investments.

15. Follow-up Reports

Half yearly monitoring in 2011/12.

16. Websites and e-mail links for further information.

None

17. Glossery

CIPFA – Chartered Institute of Public Finance and Accountancy

ELWA – East London Waste Authority

PFI – Private Finance Initiative

PWLB – Public Works Loans Board

18. Approved by Management Board

12 September 2011

19. Confidentiality

Not applicable

