

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

13 October 2009

Report of the Director of Finance

Part 1- Public

Matters for Recommendation to Cabinet

1 TREASURY MANAGEMENT – FURTHER STRENGTHENING OF CORPORATE GOVERNANCE THROUGH AMENDMENT OF THE TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2009/10

This report provides an update on treasury management activities together with an opportunity to endorse the changes to the Treasury Management Strategy Statement and Annual Investment Strategy for 2009/10, which are due to be endorsed by Cabinet on 14 October following consideration by Finance & Property Advisory Board on 30 September.

1.1 Introduction

1.1.1 Members endorsed the proposals for the reporting of treasury management activities on 22 June 2009. Accordingly, an update on those activities is provided in the body of this report and in the relevant annexes.

1.1.2 In respect of the amendments to the treasury Management Strategy Statement and Annual Investment Strategy for 2009/10, I am conscious that the Cabinet meeting at which those changes are to be endorsed is on the day after this meeting. It will, therefore, be necessary to verbally report upon any recommendations or observations made by this Committee.

1.2 Developing Treasury Management Understanding and Skills

1.2.1 By the time members consider this report in Committee we should all have benefitted from the next in a series of treasury seminars undertaken on our behalf by Sector Treasury Services Ltd. On this occasion the training was designed to give a wider view of treasury activities than the earlier seminar, which focussed on credit worthiness.

1.2.2 I trust that members will have found the course helpful and will be pleased to receive feedback on the quality of the presentation and content as well as suggestions for future events.

1.3 Treasury Management Activities

- 1.3.1 An extract from the Financial Planning and Control Report considered by the Finance and Property Advisory Board on 30 September is set out at **[Annex 1]** for consideration along with a copy of our current lending list **[Annex 2]** and a summary of investments as at 29 September 2009 **[Annex 3]**.
- 1.3.2 In accordance with the approved Annual Investment Strategy further cash flow surpluses available for longer than three months were moved to external fund management during the quarter. This takes the total of cash flow funds managed by them to £6m.
- 1.3.3 In respect of the defaulted Landsbanki investment of £1m, the latest information suggests that the recoverable amount is now likely to be around 83% rather than the 95% reported to this Committee in June. Our legal advisers, Bevan and Brittan, have been provided with all of the information necessary to lodge a formal claim with the Landsbanki Winding up Committee before the 30 October 2009 deadline. Further information on the extent of any settlement is not now expected before November 2009.

1.4 Treasury Management Strategy Statement and Annual Investment Strategy for 2009/10

- 1.4.1 A copy of the report and relevant annexes considered by the Finance and Property Advisory Board on 30 September 2009 are set out at **[Annexes 4 to 7]**. Members are invited to consider those changes and to recommend any changes considered necessary.

1.5 Legal Implications

- 1.5.1 The contract with Landsbanki remains in default. All of the necessary steps have been taken to ensure that the Council's claim is registered with the Winding up Committee by the 30 October deadline.

1.6 Financial and Value for Money Considerations

- 1.6.1 The degree to which the deposit of £1m with Landsbanki will be repaid remains unlikely to be known before November 2009. There are no significant cash flow issues arising from the default or the small proportion of legal and other fees for which we are responsible on a pro rata to exposure basis.

1.7 Risk Assessment

- 1.7.1 This report identifies ways in which the risk of exposure to sovereign nations, groups and individual counter parties can be further strengthened.

1.8 Recommendations

1.8.1 Members are **RECOMMENDED** to:

- 1) Endorse the action taken by officers in respect of recent treasury management activities; and to
- 2) Make **RECOMMENDATIONS** to Cabinet on the adequacy of the proposed amendments to the Treasury Management Strategy Statement and Annual Investment Strategy for 2009/10.

Background papers:

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Nil

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