

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

21 June 2010

Report of the Director of Finance

Part 1- Public

Delegated

1 SCRUTINY OF TREASURY MANAGEMENT ACTIVITIES

Members are invited to scrutinise and endorse the Treasury Management Outturn Report for 2009/10 and Treasury Management activities for the current year.

1.1 Introduction

1.1.1 Because of the timing of meetings and pressures associated with the closure of accounts it is not always possible to give members of this Committee an opportunity to scrutinise treasury management activities before they are considered by Cabinet or the Finance and Property Advisory Board. However, I am conscious of the key scrutiny role played by this Committee in respect of treasury management activities and would ask members to scrutinise and endorse the Treasury Management Outturn Report for 2009/10 **[Annex 1]** and the first Treasury Management Update for 2010/11 **[Annex 2]**, previously considered by Cabinet and the Finance and Property Advisory Board in June and May 2010 respectively.

1.1.2 Members are also invited in a separate report to this meeting to receive, scrutinise and endorse the Treasury Management Practices (TMPs) for 2010/11.

1.2 Treasury Management Out-turn for 2009/10

1.2.1 Members will see the detail underpinning a return of £1.035m (including unrealised gains b/f from 2008/09) against an original estimate of £0.90m and a revised estimate of £0.93m at **[Annex 1]**.

1.2.2 Of particular note is the fact that returns in all areas were significantly better than the 7 day Libid target rate of 0.45% and that internally managed core funds exceeded that target by 5.79%.

1.3 Treasury Management Update for 2010/11

1.3.1 The position as at the end of April was reported to the Finance and Property Advisory Board on 26 May 2010. A copy of that report can be found at **[Annex 2]**.

Please note that members of that Board decided on balance not to take up the offer from Sector of a Compliance Audit at what would have been a cost of £2,500.

- 1.3.2 Although not all of the figures are to hand I am able to provide an update on treasury management activities to 28 May 2010, principally via the summary of investments as at 28 May 2010 and a copy of our internal lending list of the same date. These are appended at **[Annexes 3 and 4]** for members to consider and comment upon. Members may note by reference to **[Annex 3]** that the value of investments held at 28 May was £30.84m and that £14.3m of that figure was managed internally.
- 1.3.3 The annualised gross returns achieved on investments to 28 May 2010 were, subject to confirmation from Investec in respect of externally managed funds, expected to outperform the Libid benchmark as follows:

	Return achieved	Libid 7 day benchmark as of 30 April 2010	Level of out-performance
Cash flow	0.68%	0.48%	0.20%
Internally managed core funds	6.65%	0.48%	6.17%
Externally managed core funds	0.65%	0.48%	0.17%

1.4 Legal Implications

- 1.4.1 In respect of the Landsbanki investment, the position remains as outlined at **[Section 1.8.2 of Annex 2]**.

1.5 Financial and Value for Money Considerations

- 1.5.1 Although each of the investment categories out-performed the Libid benchmark the £79,000 of investment income earned during the first two months of this year fell short of the estimate by just over £21,000.
- 1.5.2 This shortfall is likely to grow for the reasons set out at **[Section 1.7 of Annex 2]** and, if so, it is likely that a variation to the budget for investment income will need to be brought forward to Members for consideration at the revised estimate stage.

1.6 Risk Assessment

- 1.6.1 The application of best practice, in the form of regular reporting and scrutiny of treasury management activities, as identified by the CIPFA Code is considered to

be the most effective way of mitigating the risks associated with treasury management.

1.6.2 Members of the Finance and Property Advisory Board on 26 May endorsed the decision by officers to not call for early repayment of the total of £5m of core investments with Barclays and Nationwide. The risk to those investments is not thought to have materially changed since then and members of this Committee are invited to endorse the continuation of that stance.

1.7 Recommendations

1.7.1 Members are **RECOMMENDED** to scrutinise and endorse:

- 1) the treasury management outturn report for 2009/10; and
- 2) the action taken by officers in respect of treasury management activities undertaken in April and May 2010.

Background papers:

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Nil

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