

# TONBRIDGE & MALLING BOROUGH COUNCIL

## CABINET

03 February 2009

### Report of the Director of Finance

#### Part 1- Public

#### Matters for Recommendation to Council

#### **1 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2009/10**

**To seek Member approval of the Treasury Management Strategy Statement and Annual Investment Strategy for 2009/10 as required by the Local Government Act 2003.**

#### **1.1 Introduction**

- 1.1.1 The Local Government Act 2003 requires the Council to 'have regard to the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
- 1.1.2 The Act, therefore, requires the Council to set out its Treasury Management Strategy Statement for borrowing and to prepare an Annual Investment Strategy; this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 1.1.3 The Strategy is set out in a single document at **[Annex 1]** to this report. As this is a complex technical document and is a specialist area of work, I should be grateful if Members could **raise any queries with the author of this report (John Pickup 6112) in advance of the meeting as John will not be present on 3 February.**

#### **1.2 Legal Implications**

- 1.2.1 These are set out above and at [Annex 1] to this report. In addition, Sector Treasury Services are employed to provide independent advice on legislative and professional changes that impact on the treasury management function.

#### **1.3 Financial and Value for Money Considerations**

- 1.3.1 The performance of our fund manager and internal management of core funds is monitored against all of the players in the public sector cash management market

place using data provided by Sector Treasury Services, our treasury management consultants. In addition, internal cash flow investments are monitored against the money market and a passive investment policy.

- 1.3.2 Members will be aware from an earlier report that this authority currently has an investment of £1m plus interest frozen in Landsbanki. The Icelandic Government has stated its intention to honour all its commitments as a result of their banks being placed into receivership. The UK Government is working with the Icelandic Government to help bring this about. At the current time it is not possible to say with certainty that we will recover all of our investment or when reimbursement will be made. Please refer to section 9 of **[Annex 1]** to this report for a summary of the current position.

## **1.4 Risk Assessment**

- 1.4.1 Sector Treasury Services are employed to advise on the content of the Treasury Management Strategy Statement and Annual Investment Strategy and this, coupled with a regular audit of treasury activities ensures that the requirements of the Strategy and the Treasury Policy Statement adopted by this Council are complied with.
- 1.4.2 The additional risks arising from systemic weakness in the banking sector and the subsequent “credit crunch” effect and our response to those risks are addressed in detail at section 9.5 of **[Annex 1]** to this report. Essentially whilst credit ratings will remain a key tool in assessing risk it is recognised that their use needs to be supplemented with sovereign ratings, market intelligence, sovereign and group limits and the availability of government guarantees. In addition, the process for authorising investments was reviewed and this is now restricted to the Chief Executive, Director of Finance and Chief Accountant.
- 1.4.3 In the light of these safeguards and stringent Treasury Management Procedures it is considered that any risks to the authority implicit in the Strategy have been minimised.

## **1.5 Recommendations**

- 1.5.1 I **RECOMMEND** that:
- 1) Cabinet consider the Treasury Management Strategy Statement and Annual Investment strategy for 2009/10 set out at **[Annex 1]**; and
  - 2) Recommend the adoption of the same to full Council.

Background papers:

contact: John Pickup

Templates and forecasts provided by sector and Investec.

Sharon Shelton  
Director of Finance