

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

06 February 2007

Report of the Director of Finance

Part 1- Public

Matter for Recommendation to Council

1 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2007/08.

To seek Member approval of the Annual Treasury Management and Annual Investment Strategies for 2007/08, 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 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 two strategies are set out in a single statement at **[ANNEX 1]** to this report. As this is a complex technical document, I should be grateful if Members could **raise any queries with the author of this report (John Pickup 6112) in advance of the meeting.**

1.2 Key Issues

- 1.2.1 Members will note that the use of "Approved Specified" and "Approved Non-Specified" investments, as set out at **[Appendices 3 and 4]** of the Annex to this report, has been significantly extended as regards the 'in-house' management option. I can reassure Members that this does not presuppose that a change in the way we manage funds is imminent. It does however, reflect the advice of our treasury advisers and will provide the utmost speed and flexibility should a change prove necessary after considering the outturn position for 2006/07.
- 1.2.2 I am conscious that following the 6 September 2006 meeting of Cabinet, Council approved the management of up to 50% of our core funds - those available for

more than one year- internally. In preparedness for possible change, it would seem appropriate to consider removing that limitation subject to the application of the governance arrangements subsequently approved by Cabinet on 22 November 2006 and by Council on 12 December 2006.

1.3 Legal Implications

- 1.3.1 These are as set out above and at **[ANNEX 1]** to this report. In addition Sector Treasury Services are employed as consultants to advise on legislative and accounting issues that impact on the treasury management function.

1.4 Financial and Value for Money Considerations

- 1.4.1 The performance of our fund manager is monitored against all of the players in the public sector cash management market place using data provided by Sector Treasury Services. In addition, internal investments are monitored against the same bench mark as the external fund manager and also against a passive investment stance.

1.5 Risk Assessment

- 1.5.1 Sector Treasury Services are employed to advise on the content of the strategies and this, coupled with a regular audit of treasury activities, ensures that the requirements of them and the Treasury Policy Statement adopted by this Council are fully complied with. In the light of these safeguards and stringent Treasury Management Procedures, any risk to the authority implicit in these strategies is considered to be minimal.

1.6 Recommendations

- 1.6.1 I **RECOMMEND** that:

- 1) Cabinet consider the combined Treasury Management Strategy Statement and Annual Investment Strategy for 2007/08 set out at **[ANNEX 1]**;
- 2) Recommend the adoption of the same to Full Council; and also
- 3) Recommend to Full Council that 100% of core funds may be managed internally subject to the operation of the governance arrangements set out in the Council's Treasury Management Practices approved by Full Council on 12 December 2006.

Background papers:

contact: John Pickup

Templates and forecasts provided by Sector and Invecotec.

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Director of Finance