TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

20 June 2012

Report of the Director of Finance

Part 1- Public

Matters for Recommendation to Council

1 TREASURY MANAGEMENT UPDATE AND 2011/12 OUTTURN

A report detailing treasury management activity undertaken in April and May of the current financial year is to be considered by Audit Committee on 18 June. That report also includes details of the treasury management outturn for the 2011/12 financial year. Cabinet are invited to recommend Council endorse the action taken by Officers thus far in the current financial year and note the outturn position for 2011/12.

1.1 Introduction

1.1.1 Council adopted the 2009 CIPFA Code of Practice for Treasury Management on 18 February 2010. That Code, and subsequent updates, requires as a minimum that full council receives an annual strategy published prior to the start of the financial year, a mid-year review of that strategy and an outturn report (this report).

1.1.2 Additional reports updating Members on current activity are presented to Audit Committee and performance is also reported on a regular basis to the Finance and Property Advisory Board. The combination of Member reporting and detailed scrutiny of activity ensures this Council complies with Best Practice.

1.2 2012/13 Treasury Management Performance

1.2.1 A gross annualised return of 1.45% was generated on investments (excluding Landsbanki) for the period April to May bettering the 7 day LIBID benchmark by 93 basis points. In cash terms investment income of £64,450 exceeded budget provision by £20,250.

1.2.2 The Treasury Management Strategy Statement and Annual Investment Strategy (TMSS&AIS) 2012/13 included a reduction in the minimum counterparty credit quality. To offset the Council's increased credit risk exposure the maximum percentage of funds that could be invested with individual counterparties or groups of related counterparty was reduced from 25% to 20% (Audit Committee 23 January 2012). Current investments, executed by our external fund manager, with Nationwide and Rabobank preceded the introduction of these lower exposure limits. Treasury Management Team has reviewed these investments and is content that they should be allowed to run to maturity. Exposure to Nationwide will comply with our lower 20% limit following a maturity on 1 June 2012. Exposure to Rabobank will comply with our lower 20% limit following a maturity on 10 August 2012.

1.3 2011/12 Treasury Management Outturn

1.3.1 The outturn report referred to Audit Committee is included in **[Annex 4]** of the Revenue and Capital Outturn report elsewhere on this agenda. Prudential and treasury indicators for 2011/12 are included at **[Annex 4 - Appendix 1]**.

1.3.2 Total investment income of £451,300 betters the 2011/12 revised estimate by £60,300. The gross return for the year of 1.45% exceeds the 7-day LIBID benchmark by 90 basis points.

1.4 Legal Implications

1.4.1 In respect of the "defaulted" £1m investment with Landsbanki, agreement to the Council's settlement was approved by the Icelandic District Court in May and payment of our first distribution of funds (£429,000) received 8 June. Subject to exchange rates, we anticipate that we will recover all of the £1m we had on deposit together with interest that was due had the deposit been repaid on time.

1.5 Financial and Value for Money Considerations

1.5.1 As outlined above interest earned thus far in the financial year and for the 2011/12 financial year as a whole exceeded budget provision. In addition, both internally and externally managed investments outperformed against relevant benchmarks.

1.5.2 All investment undertaken in 2011/12 complied with the requirements of the 2011/12 TMSS&AIS. All **new** investment placed since 1 April complies with the requirements of our current 2012/13 TMSS&AIS.

1.6 Risk Assessment

1.6.1 The application of best practice, including the regular reporting and scrutiny of treasury management activity, as identified by the CIPFA Code is considered to be the most effective way of mitigating the risks associated with treasury management.

1.7 Equality Impact Assessment

1.7.1 See 'Screening for equality impacts' table at end of report

1.8 Recommendations

1.8.1 Subject to any comments from the Audit Committee, Cabinet is invited to **RECOMMEND** that Council:

1) endorse the action taken by officers in respect of treasury management activity for the period April to May 2012;

2) endorses Officers decision not to call for the disposal of investments held by our external fund manager with Nationwide and Rabobank; and

3) Note the 2011/12 outturn position.

Background papers: contact: Michael Withey

Nil

Sharon Shelton
Director of Finance

Screening for equality impacts:		
Question	**Answer**	**Explanation of impacts**
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	N/A
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	No	N/A
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		N/A

In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.