

By: Cabinet Member for Finance
Director of Finance

To: Governance and Audit Committee – 30 April 2010

Subject: **TREASURY MANAGEMENT**

Classification: Unrestricted

Summary: To report on Treasury management.

FOR INFORMATION

INTRODUCTION

1. As part of the new control regime for treasury management it is proposed to report quarterly to Governance & Audit Committee. This report specifically addresses requirements from the CIPFA Treasury Management Code of Practice and gives the opportunity to gain assurance that the activities are being appropriately managed.
2. This report is in the format agreed at the last meeting.

TREASURY ADVISORY GROUP

3. There have been two TAG meetings since the last report to this Committee:
 - (1) 11 December the main issues discussed were:
 - Treasury Management Strategy
 - Treasury Adviser Tender Requirement and Terms and Conditions
 - Bank Tender
 - CIPFA Treasury Management Code
 - DCLG Investment Guidelines Consultation
 - PWLB Fixed Rate Consultation
 - Training
 - (2) 26 March the main issues discussed were:
 - Icelandic Update
 - Economic Update and Approach to Borrowing and Investment
 - Treasury Adviser Tender

SUMMMARY OF MAJOR DEVELOPMENTS

4. The major developments in the period have been:
- (1) Treasury Strategy - the Treasury Strategy was agreed at Cabinet in January and by the Budget County Council meeting in February.
 - (2) Counterparties - the Treasury Strategy added Nationwide to the list of approved counterparties with a £20m limit.
 - (3) Duration of deposits - under the Treasury Strategy the maximum duration of deposits is 6 months. At its meeting on 26 March TAG agreed a paper which would extend the maximum duration to 12 months - this will now go forward to Cabinet for decision.
 - (4) Icelandic recoveries - to date recoveries from Heritable are £6.3m - the administrators projected base case recovery is 79-85p in the £. Legal processes have commenced in Iceland to confirm the preferred creditor status of depositors and a report on this will be made to Cabinet.
 - (5) CIPFA Treasury Management in Public Services - CIPFA published this revised document in late 2009. Its requirements are reflected in the Treasury Strategy and the detailed Treasury Management Practices. This states the following:
 - This organisation (i.e. full body / council) will receive reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMP's.
 - This organisation delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to Director of Finance, who will act in accordance with the organisation's policy statement and TMPs and, if he / she is a CIPFA member, CIPFA's standard of professional practice on treasury management.
 - This organisation nominates the Treasury Advisory Group and Governance and Audit Committee to be responsible for ensuing effective scrutiny of the treasury management strategy and policies.
 - (6) Treasury adviser - the Treasury advisory service was tendered on 8 April. A decision will be made by the Director of Finance in consultation with TAG in July.

- (7) Internal Audit - in late March 2010 Deloitte undertook a review of the implementation of PWC's recommendations. Their report is awaited. A full Treasury Management audit will be undertaken in 2010.

QUARTERLY PERFORMANCE REPORT

5. A performance report for March 2010 is attached in Appendix 1.

STATEMENT OF DEPOSITS

6. A statement at 16 April is attached in Appendix 2.

RECOMMENDATION

7. Members are asked to note the quarterly report.

Nick Vickers
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