

By: Chairman Superannuation Fund Committee
Director of Finance

To: Governance & Audit Committee – 15 September 2010

Subject: **TREASURY MANAGEMENT UPDATE**

Classification: Unrestricted

Summary: To present a quarterly treasury management update.

FOR DECISION

INTRODUCTION

1. This is the quarterly update on treasury management issues.

TREASURY ADVISORY GROUP

2. There has been no TAG meeting since the last report to this Committee due to difficulties arranging the treasury adviser selection meeting. Cabinet will have received Treasury reports in June and September period.

SUMMARY OF DEVELOPMENTS

3. £40m of short term borrowing matured in August. After discussion with our treasury advisers we had decided in the short term not to re-finance immediately. At the end of August borrowing rates once again dropped as concern over a double dip recession came to the fore. PWLB rates fell and on 1 September with the agreement of the Director of Finance and Cabinet Member for Finance we borrowed £20m at 3.95% for 49/50 years and £20m at 1.94% for 10 years.
4. Cashflow is closely monitored and cash balances are reported weekly to TAG and quarterly to this Committee.
5. After an EU compliant tender process the banking contract has been awarded to National Westminster Bank. This decision was taken under the Director of Finance's delegated powers after consultation with TAG.
6. Santander UK remains suspended as a counterparty. Arlingclose in light of improvements in Banco Santander's credit worthiness on 24 August recommended that the maturity limit for Santander UK be increased from

1 month to 6 months. In light of this a recommendation will be made to cabinet to resume use of Santander UK.

7. In July officers were able to negotiate an agreement with HSBC to start taking deposits.
8. In line with the June Cabinet decision to allow longer duration deposits we have started implementing this in early September with Nationwide.
9. In July a further quarterly dividend was received from Heritable of 6p in the £ or £1.15m. Total recoveries from the £18m deposited are now £7.5m. The Head of Financial Services continues to be actively involved as a member of the Creditors Committee in key decisions over the future administration of the bank. KCC is a test case in Iceland on both Landsbanki and Glitnir. These will be submitted to the District Court in Reykjavik in September and timescales after that remain unclear due to Icelandic legal processes.

QUARTERLY PERFORMANCE REPORT

10. The June quarterly performance report is attached in Appendix 1.

STATEMENT OF DEPOSITS

11. A statement as at 20 August is attached in the Appendix 2.

Nick Vickers
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