

	<p style="text-align: center;">Audit Committee 4th March 2009</p> <p style="text-align: center;">Report from the Director of Finance and Corporate Resources</p>
<p style="text-align: right;">Wards Affected: NONE</p>	
<p>Treasury Management Strategy 2009/10</p>	

1.0 Summary

- 1.1 The Annual Budget report to Full Council on 2nd March 2009 covers the Treasury Management Strategy and the Annual Investment Strategy for 2009/10. It includes proposals for a greater degree of member involvement in treasury management issues. The Audit Committee is being asked to consider the section of the report dealing with the Treasury Management Strategy, to comment in particular on the proposals to extend the lending list, and to consider the frequency and nature of reports to members.

2.0 Recommendations

- 2.1 Members are asked to comment on the Treasury Management Strategy, in particular the proposals to extend the Lending List when the current market turmoil eases.
- 2.2 Members are asked to consider the frequency and nature of future reports to the Audit Committee on treasury issues.

3.0 Detail

- 3.1 The report to Full Council detailing the Treasury Management Strategy and Annual Investment Strategy is attached.
- 3.2 Members will be aware that the market turmoil of September / October 2008 forced a number of financial institutions into either bankruptcy, administration or forced mergers (see paragraphs 11.9 – 11.12). Two deposits to Icelandic banks have not yet been repaid. In order to reduce risk, the Council strengthened the criteria required for a deposit to be made – overseas banks and some UK banks were removed from the Lending List, the size of the

maximum deposit was reduced in some cases, and senior authorisations were required for some loans.

- 3.3 It is proposed (paragraph 11.15) that the revised list remains in effect until the current problems in the inter-bank market are eased. It is also proposed to continue to lend for less than one month until conditions are calmer.
- 3.4 However, as set out in paragraph 11.16, there are operational difficulties in running a reduced list, as well as a cost in foregone interest receipts. The proposals set out in paragraph 11.18 seek to build on the diversification and use of credit ratings evident in the previous list, but also avoid riskier countries, improve diversification, and apply higher credit criteria.
- 3.5 The report also sets out proposals to increase member engagement in treasury issues in paragraphs 11.28 and 11.29.
- 3.6 Members are asked to comment on the Treasury Management Strategy, in particular the proposals to extend the Lending List when market conditions ease, and also to consider the frequency and nature of future reporting to the Audit Committee.

4.0 Financial Implications

These are covered in the report.

5.0 Diversity Implications

The proposals in this report have been subject to screening and officers believe that there are no diversity implications arising from it.

6.0 Staffing Implications

None.

7.0 Legal Implications

There are no legal implications arising from the plans.

8.0 Background

Persons wishing to discuss the above should contact the Exchequer and Investment Section, Finance and Corporate Resources, on 020 8937 1472/74 at Brent Town Hall.

DUNCAN McLEOD
Director of Finance and
Corporate Resources

MARTIN SPRIGGS
Head of Exchequer and Investment