

PLYMOUTH CITY COUNCIL

6 DECEMBER 2010

Audit Committee Minute 52 of the meeting held on 15 November 2010 TREASURY MANAGEMENT STRATEGY 2010/11 – MID-YEAR REVIEW

The Assistant Director for Finance, Assets and Efficiencies gave an overview of the report and its highlights which included that the City Council –

- had reduced its overall borrowing by £6.977m
- had repaid a debt of £33.9m to Devon County Council
- was currently only investing in UK institutions and for periods of no longer than 12 months
- was forecasting a favourable revenue outturn of £0.139m
- was continuing to challenge Icelandic investments through the Local Government Association and Bevan Brittan.

It was also reported that, in looking forward, the Council would –

- consider making investments of up to 2 years in order to benefit from higher interest rates
- upon the advice of our professional advisors, look to increase its counter-party list to include top credit rated organizations outside of the UK
- optimise short term borrowing rates
- continue to balance risk versus return

In response to questions raised, Members were advised that -

- (a) cash projection updates were done daily as part of an automated process linked to the Council's creditors/payroll system;
- (b) the Council had had to pay part year interest repaying the Devon debt. This transaction was financially beneficial for Plymouth, generating a full year revenue saving of approximately £150k, whilst giving the Council flexibility of managing the debt itself;
- (c) the availability of a version of the November 2010 revised Treasury Management Practices, highlighting changes from the previous version, would be made available to the Committee;
- (d) the Council had a policy of paying suppliers in line with agreed terms of trade and service standards and was performing well in this regard;
- (e) instructions for banking of receipts were set out in the Council's

Financial Regulations, however, it was acknowledged that this could be improved and a piece of work was currently being undertaken to help tighten up the income collection process. Officers would investigate the delay in processing cheques through the Lord Mayor's Parlour;

- (f) the Council's Treasury Management advisors, Arlingclose, had been appointed in January 2009, shortly after the collapse of the Icelandic banks. The Council had not made any long-term financial investments since this appointment as its policy response was to keep investment maturities to a maximum of 12 months;
- (g) there were still a few longer-term investments in the system, made before October 2010, that exceed 12 months in duration, for example a sum of £3m invested in Barclays at a rate of 7.1%;
- (h) Regarding Icelandic investments, no calculations had been done to estimate what would have been received had the money been invested at the current interest rates.

Agreed –

- (1) that with regard to (c), (d), (e) and (h) above, Officers provide to Committee Members -
 - a copy of the revised Treasury Management Practices showing the changes
 - figures relating to performance against the agreed terms of trade with creditors
 - a written response to the delay in processing cheques received by the Lord Mayor's Parlour
 - a written response on how much interest could have been received from the Icelandic bank investments
- (2) that the report be noted and commended to Full Council in accordance with Treasury Management Practice (TMP) note 6;
- (3) the updated Treasury Management Practices as outlined at Appendix 3 to the report.

Note:

*The full report in connection with this minute is available on the website
www.plymouth.gov.uk/democracy
or by contacting Democratic Support on 01752 304867*