

---

**TREASURY MANAGEMENT BENCHMARKING -  
SECURITY, LIQUIDITY AND YIELD**


---

**Purpose of the Report**

1. To provide the Audit Committee with details of outturn relating to the benchmarking of investments up to the end of August 2010 against the benchmarks set for 2010/11 for the Security, Liquidity and Yield of Investments.

**Background**

2. At the meeting of Audit Committee on 22 January 2010 it was requested that Audit Committee be made aware of the results of benchmarking for the Security, Liquidity and Yield of Investment held by the Council at future meetings.

**Information and Analysis****Security**

3. This indicator relates to the security of the Councils investments and is measured as a percentage of the investment that could be at risk should the counterparty default, the measure used relates to historic defaults.

<b>Maximum</b>	<b>Benchmark 2010/11</b>	<b>Actual APRIL/MAY</b>	<b>Actual APRIL/AUGUST</b>
<b>Year 1</b>	<b>0.03%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Year2</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Year 3</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>

4. The counterparties that we use are all high rated therefore our actual risk of default based on the ratings attached to the counterparties is virtually nil.

**Liquidity**

5. It is important that the Council has access to cash when it is needed to make payments such as monthly payroll. Conversely, high proportions of very short-term could leave the Council vulnerable to changes in interest rates and lower income than could safely be achieved
6. This benchmark measures the weighted average life of the Councils investment.

	<b>Benchmark</b>	<b>Actual APRIL/MAY</b>	<b>Actual JUNE/AUGUST</b>
<b>Weighted Average Life</b>	<b>0.5 to 1.25Years</b>	<b>0.2 Years</b>	<b>0.3 Years</b>

7. This is a new benchmark which may need to be adjusted over time and depending on the economic financial outlook. It was set expecting that some investments would be made for

more than 1 year, but because of the current economic climate new investments are just being made up to 1 year.

8. Weighted Average Life has increased marginally since last reported due to the increased number of investments placed for up to 1 year (see paragraph 11) but is below the lower point of the benchmark.
9. The Council are at present holding some investments in Bank Call accounts, which allow withdrawal without notice, these are currently paying a better rate of interest than some medium term fixed investments so these increase our liquidity thereby reducing the weighted average life of our investments without sacrificing yield.
10. In addition to the above benchmark the Council also maintained an overdraft facility of £0.500M and liquid deposits of at least £3.000M available within one weeks notice.
11. At the end of August 2010 the Council had investments of £23.870M made up of:

<b>Period of Notice</b>	<b>May 2010 Amount £M</b>	<b>August 2010 Amount £M</b>
Call	10.885	9.870
Up to 1 year	9.000	12.000
More than 1 Year (1.28 years)	2.000	2.000
<b>Total Investments</b>	<b>21.885</b>	<b>23.870</b>

## **Yield**

12. Yield relates to the return on investments measured against a number of comparative rates

<b>Type of Investment</b>	<b>Benchmark of Comparative Rates</b>	<b>Actual Rate Achieved April/May 2010</b>	<b>Actual Rate Achieved April/August 2010</b>
<b>Short Term - cashflow</b>	<b>0.41%</b>	<b>1.41%</b>	<b>0.99%</b>
<b>Longer term - Capital</b>	<b>0.84%</b>	<b>2.23%</b>	<b>2.34%</b>

13. The actual rate achieved include a number of investment that were placed when rates were higher, as these fall out of the calculation the margin between the benchmark and the actual rate achieved will reduce.
14. Both the Security and Liquidity benchmarks are new measures and they have not been measured or monitored in this way in the past.
15. All of the actuals against the benchmarks are satisfactory.

## **Recommendations**

16. It is recommended that Audit Committee receive the results of the Security, Liquidity and yield benchmarking to date for 2010/11.

**Paul Wildsmith**  
**Director of Corporate Services**

## Background Papers

### Treasury Management Records

Elaine Hufford : Extension 2447

S17 Crime and Disorder	This report has no implications for crime and disorder
Health and Well Being	There are no issues relating to health and wellbeing which this report needs to address
Sustainability	There are no issues relating to environmental impact
Diversity	There are no specific implications for diversity
Wards Affected	The proposals affect all wards
Groups Affected	The proposals do not affect any specific
Budget and Policy Framework	The report does not change the Council's budget or Policy framework but needs to be considered by Council
Key Decision	This is not a key decision
Urgent Decision	For the purpose of 'call-in' procedure this does not represent an urgent matter
One Darlington: Perfectly Placed	The proposals in the report support delivery of the Sustainable Community Strategy through appropriate and effective deployment of the Councils Resources
Efficiency	This report outlines the results of the Security Liquidity and Yield benchmarking. Well managed investments increase the efficiency of the Treasury Management Service.