

AUDIT COMMITTEE
30 SEPTEMBER 2011

**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 2011 against the benchmarks set for 2011/12 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.

Maximum	Benchmark 2011/12	Actual JUNE	Actual AUGUST
Year 1	0.077%	0.006%	0.006%
Year2	0.056%	-	-
Year 3	0.077%	-	-

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. There are no investments for longer than one year.

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 investments 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.

	Benchmark	Actual JUNE	Actual AUGUST
Weighted Average Life	0.4 to 1.0Years	0.29Years	0.18Years

7. Sector, our Treasury Management advisors, have recently advised that new fixed investment deposits for the majority of banks that are on our counterparty list should be restricted to a maximum period of 3 months, which we are adhering to. This action will further reduce the weighted average life of our investments over the coming months.
8. 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 short term fixed investments so these increase our liquidity thereby reducing the weighted average life of our investments without sacrificing yield.
9. In addition to the above benchmark the Council also maintained an overdraft facility of £0.100M and liquid deposits of at least £3.000M available within one weeks notice.
10. At the end of August 2011 the Council had investments of £24.595M made up of:

Period of Notice	June 2011 Amount £M	August 2011 Amount £M
Call	10.000	10.595
Up to 1 year	14.000	14.000
Total Investments	24.000	24.595

Yield

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

Type of Investment	Benchmark of Comparative Rates	Actual Rate Achieved April-June 2011	Actual Rate Achieved April-August 2011
Short Term - cashflow	0.42%	0.86%	0.86%
Longer term - Capital	0.99%	1.61%	1.63%

12. As described earlier fixed term deposits are now only made up to a maximum of 3 months this will lead to a reduction in yield over the coming months.
13. All of the actuals against the benchmarks are satisfactory.

Recommendations

14. It is recommended that Audit Committee receive the results of the Security, Liquidity and yield benchmarking to date for 2011/12.

Paul Wildsmith
Director of Resources

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.