

TREASURY MANAGEMENT

Portfolio Area: Efficiency and Resources
Report Presented by: Trevor Wilson, Head of Finance

Background Papers: Minutes of Overview & Scrutiny Committee 22nd July 2009
Corporate Implications: Please refer to table at end of report
Options: Committee concludes whether or not the actions taken to improve both the security of the Council's investments and the monitoring of the investments are appropriate and adequate.
Risks: The Investment Policy prioritises the security and liquidity of the Council's investments above the rate of return achieved. Need to ensure that a variety of information is used to determine the adequacy of security of the counterparties

Executive Summary

The Overview and Scrutiny Committee at its meeting held on 22nd July 2009 agreed that 'a report updating the position on Treasury Management should be submitted to the Committee in a year's time'.

This report provides details of the Treasury Management activity in 2009/10 with a copy of the Annual Treasury Management Report for 2009/10 considered and accepted by the Audit Committee on 30th June 2010.

Details of Treasury Management activity for the year to and the investment portfolio as at 30th June 2010 are provided.

A summary of the current position regarding the investments at risk with the three Icelandic Banks is provided, together with a statement of the costs, both incurred to-date and committed, for professional services associated with the recovery of the investments.

Decision

Members are asked to note the report.

Purpose of Report

Overview and Scrutiny Committee at its meeting on 22nd July 2009 received a report on the Council's Treasury Management function from Councillor Lager, Cabinet member for Efficiency and Resources and Trevor Wilson, Head of Finance. The report contained details of the:

- Background details to the investments with three Icelandic Banks;
- Detail of new Treasury Management Advisors, Arlingclose, engaged from 10th November 2008;
- Details of changes to the Council's Investment Policy;
- Details of the Council's investment portfolio as at 3rd July 2009;
- An update on the investments at risk with the three Icelandic Banks;
- Monitoring arrangements and consideration of external reviews into Local Authority investments undertaken by the Council's Audit Committee; and
- Monitoring arrangements undertaken by the Cabinet Member for Efficiency and Resources.

The Committee agreed that a report updating the position on Treasury Management should be submitted to the Committee in a year's time.

Treasury Management Function Update

Since the last report in July 2009 the Treasury Management function has been delivered in accordance with the agreed Treasury Management Strategy and investment strategy and on advice on investment counterparties received from our Treasury Advisors, Arlingclose. Performance of the function has been monitored regularly by the Cabinet member for Efficiency and Resources, receiving monthly activity reports (a copy of the latest report as at 30th June 2010 is attached as Appendix A), and the Audit Committee, receiving an activity report at each of its meetings.

The annual report on the Treasury Management function and the Prudential Indicators for 2009/10 was scrutinised and accepted for submission to Full Council by the Audit Committee at its meeting held on 30th June 2010. A copy of the report is attached at Appendix B.

In January 2010 the Audit Committee commenced the first of what is to be an annual review of the draft Treasury Management Strategy including the annual Investment Strategy prior to it being considered by Cabinet and agreed by Full Council in February 2010. This is in accordance with a recommendation to Local Authorities by the Audit Commission, as part of its findings from the review into Treasury arrangements following the collapse of the Icelandic and other banks in 2008.

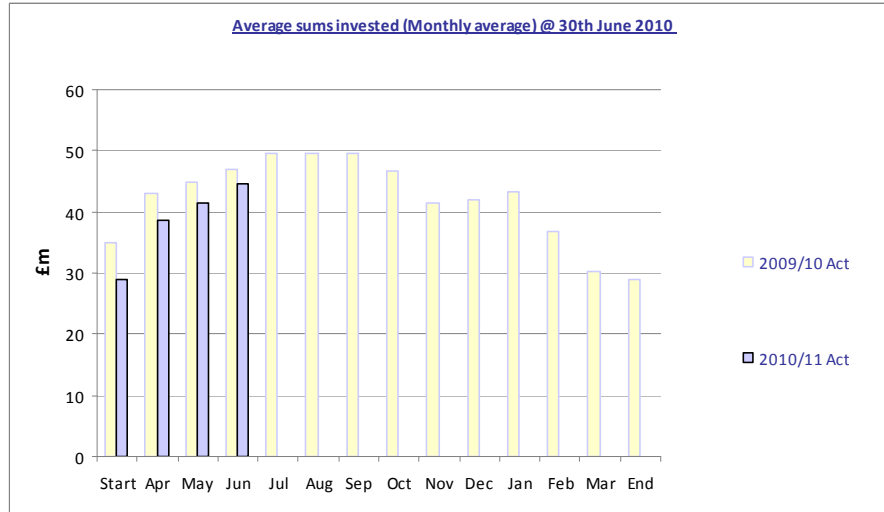
A brief summary of the current position regarding the investments with the three Icelandic Banks is included in the monthly activity report for June 2010 at Appendix A. A schedule identifying the costs, incurred to-date and committed, for professional services associated with the recovery of the investments is provided at Appendix C.

Corporate Implications

Financial:	Returns on investments are lower than those predicted at the time of setting the 2010/11 budget. The anticipated reduction in investment income for the year will be met from the Treasury Management Reserve. This has been reported to the Cabinet and will continue to be monitored throughout the year and updates will be reported to members by means of the quarterly performance reports.			
Legal:	Investments made in accordance with criteria in the Investment Policy set agreed by Full Council.			
Equalities & Diversity:	None			
Customer Impact:	None			
Environment & Climate Change:	None			
Consultation/Community Engagement:	Local Committees	N	Partners	N
	Public	N	Staff	N
Key Decision:	No			
Public/Private Report:	Public			
Officer Contact:	Trevor Wilson			
Designation:	Head of Finance			
Ext No:	2801			
Email:	Trevor.wilson@braintree.gov.uk			

Treasury Management Monthly Monitor For the period up to end of June 2010

Average Cash Balances



The average sum invested in month was **£44.650 million**, and the cumulative for the year to date was **£40.634 million**.

Return on Investments

The return on investment each month is a combination of existing contractual investments made in previous years/ periods and re-investment of maturing investments.

The **actual return achieved** from the start of the year **to the end of the reporting period was 1.44%**. A return of **0.77%** was achieved **for the month** on **new investments**.

Secured and required interest returns:

The following table shows interest earned to date on investments made up until their maturity, from which the level of return required on the remaining estimated cash balances can be determined (based on the original average sum assumed invested for the year in the Budget – see comments above regarding changes on these amounts)

<u>Interest secured:</u>	<u>Average balance</u>	<u>Return</u>	<u>Interest</u>
Investments prior to start of the year	£11,046,575	3.04%	£335,527
Investments made in-year to date	£12,308,493	0.71%	£87,104
Total Secured To Date	£23,355,068	1.81%	£422,631
Budget 2010/11	£39,810,000	1.91%	£762,000
To Achieve over remainder of the year to meet budget	£16,454,932	2.06%	£339,369

Market Interest Rates

At 1st July

<u>Period</u>	<u>Base</u>	<u>7-day</u>	<u>1mth</u>	<u>3mth</u>	<u>6mth</u>	<u>9mth</u>	<u>12mth</u>
Current Bid	0.50	0.40	0.45	0.61	0.94	1.17	1.38

LIBID rates for the year to date

Period rate	Average %	Min %	Max %
7-Day	0.38	0.30	0.50
3-Mth	0.57	0.51	0.75
12-Mth	1.31	1.00	1.38

Source: Arlingclose/ Bloomberg

Investment Activity during the Month

During the month the following investment activity took place:

Counterparty	£m	Duration	Rate	Comment
UK Debt Management Office	£3.5m	2 Weeks	0.25%	Full with other counterparties
UK Debt Management Office	£3.5m	2 Weeks+	0.25%	Full with other counterparties
UK Debt Management Office	£3.5m	3 Weeks	0.25%	Full with other counterparties
Nationwide Building Society	£1.5m	8 months	1.08%	Maturing deposit renewed to March precept date to cover cash flow position

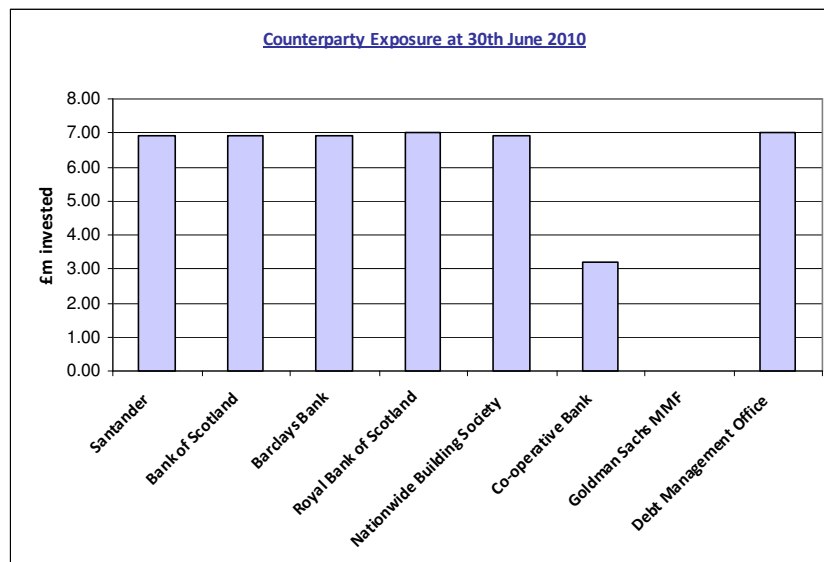
Investment criteria currently applied:

Banks and building societies with minimum short-term rating of F1+ (highest) and long-term rating of AA- (strong) with preference given to banks named in the UK Government Credit Guarantee Scheme
 Cash held with own bank restricted to maximum £5 million placed overnight or to next working day
 AAA rated money market funds/ Debt Management Office Account (UK Government)
 New investments up to a maximum duration of one year, subject to counterparty (see below)
 New investments with Santander UK plc currently restricted to maximum duration of one month

Counterparty Exposure and Maturity Profile

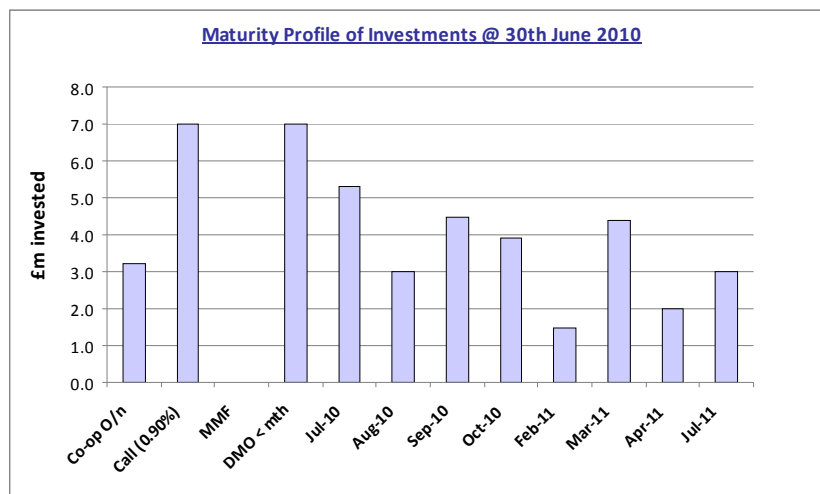
Investments at the period end total £44.81 million (excl. investments at risk).

Exposure to counterparties at the end of the reporting period was as follows:



The Council is full with all the main bank counterparties that are active within the counterparty list. Due to the cessation in using the Goldman Sachs MMF, new facilities are currently in the process of being opened with Henderson Global Investors, Ignis Asset Management, and the Royal Bank of Scotland.

The objective is to maintain a reasonable spread of maturities to manage both liquidity requirements and interest rate exposure. The following chart shows the **profile of investment maturities at the period end**:



Further details of the investment portfolio at the end of the reporting period are provided on the attached schedule.

Investment at Risk – Summary Update

Bank	Principal	Comment
Kaupthing, Singer, & Friedlander	£1m	The Administrator has announced that a further dividend of not less than 5p in the £ will be paid in late July. The recovery range has also been increased to between 65p and 78p in the £ (previously 60p – 70p). Total amount recovered to date £350k + interest.
Landsbanki	£3m	Current est. recovery 94.85p in the £ if priority status upheld, 38.21p in the £ if unsecured (as per the latest CIPFA Guidance for calculating impairments). The Council has signed up to the joint litigation being pursued on behalf local authority creditors – this includes bearing a proportion of cost, including the risk of any adverse cost order should local authority claims not be upheld.
GLITNIR	£1m	Current est. recovery is for the full sum if priority status is obtained, and 29p in the £ if unsecured (as per latest CIPFA Guidance for calculating impairments). The Council has signed up to the joint litigation being pursued on behalf local authority creditors – this includes bearing a proportion of cost, including the risk of any adverse cost order should local authority claims not be upheld.

Costs incurred to date £8,552.25 (via Joint local authority cost sharing arrangement)
Latest estimated share of Icelandic litigation costs £13,019

Borrowings

The Council's debt remains at £6m – made up of two market loans of £3m each, which contain options for the lender (and Council if lender exercises their option). The next call option date is due September 2010.

Budgetary Position

The Budget position for 2010/11 will be reviewed as part of the first quarter financial review, however, based on the interest rate environment and restricted counterparty list, early indications are that there will be a shortfall against budget for the year. The table above indicates the required level of return necessary to achieve the budget being 1.91% for the remainder of the year, whereas to date a return of 0.71% has been achieved on new investments in the year. On the assumption that 0.75% is achieved for the remainder of the year on new investments, and cash balances remain as originally budgeted, a shortfall in gross interest of circa £218k is anticipated.

Around two thirds of any interest shortfall will fall on the General Fund, which would amount to around £150k - this could be met from the final balance of the treasury management reserve brought forward of £159,527.

A further risk to this forecast is the level of cash balances available for investment which are dependent upon various assumptions around assets disposals/ receipts and large capital projects approved since the budget projections were determined.

INVESTMENT PORTFOLIO AS AT 30th JUNE 2010																			
							Maturity Profile £m												
Ref	£m	% rate	Type	Placed	Maturity	Liquid	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	Jul-11		
UK Banks		30.91																	
Santander Group																			
Santander UK PLC	1127	0.00	Variable	Instant	Variable	Instant	0.00												
Santander UK PLC	2463	2.00	1.61%	Fixed	19-Mar-10	18-Mar-11									2.00				
Santander UK PLC	2739	3.00	1.17%	Fixed	19-Mar-10	20-Sep-10			3.00										
Santander UK PLC	2748	1.90	0.94%	Fixed	1-Apr-10	1-Jul-10	1.90												
Lloyds TSB Group																			
Bank of Scotland PLC	2310	1.50	1.80%	Fixed	28-Sep-09	28-Sep-10			1.50										
Bank of Scotland PLC	2400	0.00	Variable	Instant	Variable	Instant	0.00												
Bank of Scotland PLC	2585	3.00	1.75%	Fixed	19-Aug-09	19-Aug-10		3.00											
Bank of Scotland PLC	2712	1.50	1.82%	Fixed	11-Feb-10	11-Feb-11								1.50					
Bank of Scotland PLC	2736	0.90	1.85%	Fixed	17-Mar-10	17-Mar-11									0.90				
Barclays Bank PLC																			
Barclays Bank PLC	2234	3.00	6.85%	Fixed	2-Jul-08	4-Jul-11												3.00	
Barclays Bank PLC	2750	2.00	1.55%	Fixed	6-Apr-10	6-Apr-11										2.00			
Barclays Bank PLC	2774	1.90	0.83%	Fixed	30-Apr-10	18-Oct-10				1.90									
RBS Group																			
Royal Bank of Scotland PLC	2355	7.00	0.90%	Instant	Variable	Instant	7.00												
Co-operative Bank PLC		3.21	0.40%	Fixed	30-Apr-10	4-May-10	3.21												
UK Building Societies		6.90																	
Nationwide Building Society																			
Nationwide Building Society	2461	2.00	1.44%	Fixed	30-Jul-09	30-Jul-10	2.00												
Nationwide Building Society	2754	2.00	0.78%	Fixed	26-May-10	18-Oct-10				2.00									
Nationwide Building Society	2770	1.50	1.08%	Fixed	28-Jun-10	1-Mar-11									1.50				
Nationwide Building Society	2771	1.40	0.56%	Fixed	28-Apr-10	30-Jul-10	1.40												
UK Debt Management Office		7.00																	
UK Debt Management Office	2811	3.50	0.25%	Fixed	15-Jun-10	1-Jul-10	3.50												
UK Debt Management Office	2812	3.50	0.25%	Fixed	15-Jun-10	7-Jul-10	3.50												
Goldman Sachs MMF		0.00	Variable	Instant	16-Nov-09	Instant	0.00												
		44.81					10.21	12.30	3.00	4.50	3.90	0.00	0.00	0.00	1.50	4.40	2.00	3.00	

Annual Report on the Treasury Management and Actual Prudential Indicators

Purpose

The Annual Report is a requirement of the Council's reporting procedures and covers the treasury activities for 2009/10. The report also includes comments on actual prudential indicators for the year.

Introduction and Background

The Council's treasury management activities are regulated by a variety of professional codes, statutes, and related guidance. This Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates its treasury management service in compliance with this Code.

This report sets out:

- a summary of the strategy agreed for 2009/10;
- the Council's treasury position at 31 March 2010;
- Prudential Indicators and compliance with limits;
- a summary of the economic factors effecting activity over 2009/10;
- the treasury decisions and actions taken during the year;
- risk management, including use of external advisors;
- reporting on treasury management activities; and
- treasury management training

The Strategy Agreed for 2009/10

The strategy for 2009/10, including the Annual Investment Strategy, was reported and adopted by full Council in February 2009 as part of the overall budget report.

In terms of borrowing the Council has sought to reduce its external debt wherever possible in line with its Capital Financing Requirement (or CFR), which is determined by comparing past capital expenditure (reflected on the Balance Sheet in fixed and intangible assets) against the resources set aside as funding – mainly in capital reserves such as the Capital Adjustment Account.

Otherwise the main treasury management activity has been around managing cash investments within the parameters set out in the 2009/10 Annual Investment Strategy and related prudential indicators.

Treasury Position at 31 March 2010

The treasury position at the 31 March 2010 compared with the previous year was:

	31 March 2010		31 March 2009	
	Principal £'000	Average Rate	Principal £'000	Average Rate
Variable Interest Rate Debt (LOBO)	£6,000	4.70%	£6,000	4.70%
Total Debt	£6,000	4.70%	£6,000	4.70%
Investments (Short and long)	£25,900	-	£32,500	-
Cash held overnight with own bank	£3,150	-	£2,410	-
Investments at risk	£3,403	-	£3,886	-
Investment Exposure	£32,453	2.26%	£38,796	5.31%

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The average rate on investments is that achieved during the financial year rather than as at the year-end.

Lender Option, Borrower Option (LOBO) debt are market loans which have the option for the lender to vary the interest rate at 6-monthly intervals subject to the Council then having the option to repay the loan without incurring a penalty.

The average balance of cash invested over the year was £43.7m, a reduction of £6.3m on the previous year.

Investment at risk relate to the amounts deposited with Icelandic Banks that are now in administration. The value stated is the estimated principal sum recoverable in the future, discounted back to today's values.

Prudential Indicators and Compliance Issues

The Council is required by the Prudential Code to report the actual prudential indicators after the year-end. Certain of these indicators provide either an overview or a limit on treasury activity.

Capital Expenditure and Financing 2009/10

The Table below summarises the capital expenditure and financing for the year.

	2009/10 Actual £'000s
Total Capital expenditure	4,877
Resourced by:	
Major repairs allowance for housing	(11)
Asset sales and other receipts	(2,627)
Capital grants and contributions	(1,513)
Sums set aside from revenue	(51)
Balance met from change in underlying need to borrow	675

The Council's Overall Borrowing Need

The Capital Financing Requirement (CFR) shows the Council's underlying need to borrow for a capital purpose, and this is a gauge for the Council's debt position.

	31 March 2010 Actual
Capital Financing Requirement	-£1.882m
Net investment position	£26.5m

The Council's current CFR is negative indicating that there is no underlying reason to borrow, which is confirmed by the net investment position and supports the strategy of reducing all external borrowings. The Council did not borrow to meet the cost of capital expenditure but instead utilised its cash balances instead thereby reducing treasury risk. The CFR increased during the year as the Council purchased refuse freighters that were originally planned for lease. This decision was taken by the Corporate

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Director based on an assessment of the cost of funds verses the investment risks on the cash that would have been retained, as well as the operational and financial risks associated with leasing these particular vehicles.

In order to ensure that over the medium term borrowing net of investments will only be for a capital purpose, net borrowing should not, except in the short term, exceed the CFR for 2009/10 plus the expected changes over the following two years. Based on the Council's current position and future plans this requirement is being met.

	2009/10
Original Indicator - Authorised Limit	£17.0m
Original Indicator - Operational Boundary	£8.0m
Maximum gross borrowing position during the year	£6.0m
Average gross borrowing position during the year	£6.0m
Minimum gross borrowing position during the year	£6.0m

The Authorised Limit is the "Affordable Borrowing Limit" required by s3 of the Local Government Act 2003. The table demonstrates that during 2009/10 the Council has maintained gross borrowing within its Authorised Limit.

The Operational Boundary is the expected borrowing position of the Council during the year, and periods where the actual position is either below or over the Boundary is acceptable subject to the Authorised Limit not being breached. During the year borrowing was maintained within the operational limit.

Economy and events in 2009/10

At the time of determining the Treasury Strategy Statement for 2009/10 major economies, including that of the UK, were contracting and faced recession or periods of weakness following the financial market meltdown in late 2008. The UK Bank Rate had been cut to 0.5%, and later a programme of Quantitative Easing (QE) was announced.

During the year the Bank of England maintained its official base rate at 0.5% and increased its QE programme from its initial £75 billion extending it to £200 billion. However, whilst this action appears to have staved off the very real risk of deflation, the increased supply of money did not translate into increased credit supply as banks focused on repairing balance sheets. The housing market showed some signs of recovery with year-on-year growth registered in surveys. Consumer Price Inflation (CPI) initially fell to a low of 1.1% in September 2009, before pushing higher as oil and transport costs rose and VAT reverted back to 17.5%. By the end of the year CPI was running at 3.0%.

The November 2009 Budget was primarily about public debt, with concerns being expressed by major rating agencies and Standard & Poor's response by changing the UK's rating outlook from stable to negative.

The outlook for 2010 was therefore for a period of slow and patchy growth in the economy. The UK fiscal deficit remained acute and has become the main priority for the new Coalition Government.

LIBOR and LIBID rates (the rates at which banks are willing to borrow from and lend to other banks) which had been high in 2009 slowly moved towards the Bank Rate of 0.5%. UK Government Gilts were

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in high demand, as well as being a significant bulk of the QE purchases, pushing yields and consequently the cost of borrowing lower.

Activities during 2009/10

Borrowing – The Council funded the capital expenditure for the year from resources other than borrowing, including drawing down on capital receipts that under statute were previously set aside (£675,000)

Interest paid on borrowing was £282,000 which was in line with budget – this reflects the fact that all debt was effectively fixed being subject to only lender options which were not exercised.

Rescheduling – With no more PWLB debt existing opportunities for rescheduling debt are limited to the market loans where early repayment would be negotiable rather than prescribed within set rules.

Repayment – No debt repayments made during the year (see above)

Borrowing outstanding at the end of year – the total amount of borrowing at the end of the year was £6 million comprising two £3 million market loans, which were taken out with six monthly lender call options to vary the interest rate, subject to then the Council being able to repay without penalty. The next call date is in September 2010.

Investment Policy – The Council's investment policy remained tight with counterparties restricted to only a few select UK banks that have relatively high credit ratings and are named participants in the Government's Credit Guarantee Scheme. The only exception to this being funds held overnight or to next working day with the Council's own bank, the Co-operative, for practical and operational reasons. Otherwise investments were made with a triple A rated Money Market Fund (currently withdrawn from use) or with the UK Debt Management Office i.e. effectively depositing funds with the UK Government.

Investments managed by the Council - Funds managed included all core cash for medium-longer term investment, as well as those required for short-term liquidity. The Council had an average balance of £43.7m invested. Investments peaked at £54.5m, reducing to £29.05m by the end of the year.

Investments were kept to periods of no more than one year, and advantage was taken of a number of call / short notice accounts which have been paying interest at rates in excess of term deposits. In future the attractiveness of such accounts may diminish as new rules are introduced forcing financial institutions to increase their cash reserves held against money's in accounts accessible by clients up to 14 days notice.

The latest information concerning the Council's exposure to the Icelandic banks is that, assuming priority status is confirmed by the Icelandic courts for deposits held with Iceland-domiciled banks, it is estimated that the majority of principal will still be recovered along with a proportion of contractual interest. In order to protect and gain priority status the Council has signed up to the joint legal action being pursued on behalf of all local authorities with exposure. This will incur some costs, and exposes the Council to the risk to adverse costs in having to meet the other party's costs; however, this risk is being shared amongst a large number of local authorities. The Council has already received £350,000 plus interest from the UK subsidiary Kaupthing Singer & Friedlander. An increase in the impairment charge has been made in the 2009/10 accounts to reflect the latest estimates of recovery and timing of payments, although the impact of any potential losses on the Council's General Fund resources is still being deferred under Regulations until 2010/11.

The average return for the year on investments was 2.26% - which was significantly higher than market rates available during the year and is due to investments secured at higher rates in prior years. A number of these higher rate investments have matured or have being repaid under call options held with the borrower, consequently, future returns are likely to remain under pressure whilst interest rates remain low for longer.

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The total amount of investment income earned for the year was £986,561. The sum attributable to the General Fund was £694,677 which was £58,813 less than the budget and this difference has been met from the treasury management reserve.

During the year £200,000 was transferred from the treasury management reserve back to General Fund balances. The balance on the reserve at the end of the year was £159,527.

Investment portfolio at the end of the financial year – The portfolio at the end of the year was as follows:

	Sum Invested Principal
	£'000
Deposits and accounts with UK banks and building societies meeting the Council's credit criteria	23,900
Triple A rated Money Market Fund	2,000
Sub-Total	25,900
Investments at risk with Icelandic Banks (discounted recoverable values)	3,403
Total Investments	29,303
Cash held with own bank overnight or to next working day	3,150
Total Exposure	32,453

Total 31st March 2009 £'000	Maturity analysis of Investments – Principal Invested	Current & Long term investments	Investments at risk	Total 31st March 2010 £'000
	Short-Term Investments			
4,000	Call accounts/ 7-day notice	9,000	-	9,000
8,000	Less than three months	-	-	-
9,598	Three to six months	9,500	59	9,559
3,718	Six months to one year	4,400	57	4,457
25,316	Sub-Total	22,900	116	23,016
	Long-Term Investments			
3,739	One to two years	3,000	1,645	4,645
7,331	Two to five years	-	749	749
-	Five to nine years	-	893	893
11,070	Sub-Total	3,000	3,287	6,287
36,386	Total Investments	25,900	3,403	29,303
2,410	Cash held with own bank overnight or to next working day	3,150	-	3,150
38,796	Total Exposure	29,050	3,403	32,453

Risk Management

The Council has complied with all of the relevant statutory and regulatory requirements, which aims to limit the levels of risk, associated with its treasury management activities.

During the year the Chartered Institute for Public Finance and Accountancy (CIPFA) published revised Treasury Management and Prudential Indicator Codes, and the Department for Communities and Local Government (CLG) issued updated Guidance on Local Authority Investments. These Codes and Guidance were taken into account when updating the Council's treasury management policy and strategy for 2010/11, approved by Council in February 2010. One of the changes introduced was to give responsibility to the Audit Committee for the scrutiny of the treasury management function.

The Council continued to employ Arlingclose Limited to provide on-going treasury management advice, including investment counterparty information. This advice is separate to the services of brokers which the Council occasionally uses to transact money market investments.

Reporting on Treasury Management Activities

Reporting on treasury management activities for year took various forms:

- The Council received an annual strategy and plan in advance of the year
- Monthly performance returns to Finance Senior Management and the Cabinet Member for Efficiency and Resources and his deputies;
- The Council's quarterly performance report includes treasury management related information;
- A suite of key financial indicators have been monitored by the Audit Committee, which includes details of treasury management activities;
- The Statement of Accounts includes comprehensive disclosures of the Council's treasury position and management of inherent risks.
- Updates on the Medium Term Financial Strategy have incorporated significant updates to the treasury management strategy or activities.
- Scrutiny of the treasury management strategy and policies for 2010/11 was carried out by the Audit Committee.
- Annual report to Audit Committee and Council

Treasury Management Training

Under the CIPFA revised Code the Corporate Director should ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

In October 2009 training was provided by the Council's external treasury advisors to a range of members including Cabinet, Scrutiny, and Audit Committee members.

Senior staff with responsibility for the treasury management function have professional responsibility to ensure that they are aware of, and apply the Codes and Guidance covering the treasury

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management function. In addition, all are subject to mandatory continuing professional development requirements.

Through the services of the external treasury advisor the Council has had access to regular training events and workshops covering a variety of treasury management and related matters. These events have also provided opportunities to network with other local authorities and share best practice.

Summary of Icelandic Investment related costs

Amounts recharged from the LGA:	BDC share	Total Costs
Nov 2008 - Feb 2009	1,025.03	Shared costs of representation/ legal advice, mediations, Ernst & Young financial advice on compensation schemes, etc.
Feb 2009 - May 2009	1,225.03	
May 2009 - March 2010	1,802.19	
<i>Future recharges</i>	?	+ further recharges although should be lower as litigation costs incurred instead - see below
Total to date	4,052.25	1,097,896
Claim filing for Glitnir/ Landsbanki	4,500.00	405,750 £2k first claim, plus £1.25k each additional claim, BDC = 3 claims, 1 Glitnir, 2 Landsbanki
Estimated cost of litigation (to Supreme Court)		
Glitnir	4,839.00	1,049,180
Landsbanki	8,180.00	1,129,840
	13,019.00	2,179,020
		+ Expenses and additional costs of LOGOS (Icelandic legal advisors), and Counsel if progress to Supreme Court + Risk of "adverse cost" order if Case lost - estimated similar sum
Est. Total Committed	<u>21,571.25</u>	<u>3,682,666</u>
Percentage of total borne by BDC	0.6%	

Basis of the cost sharing arrangement:

Costs are shared amongst all relevant authorities according to their exposure to all/ specific banks, measured by the value of principal at risk.
 Costs are allocated to specific Icelandic institutions where separately identifiable, otherwise costs are shared between the relevant banks that the work relates to.
 General costs of the LGA steering committee are apportioned across all local authorities with exposure.