

REPORT OF THE GENERAL PURPOSES COMMITTEE No. 01/2009-10 COUNCIL 20 JULY 2009

Chair:
Councillor George Meehan

Deputy Chair:
Councillor Eddie Griffith

INTRODUCTION

- 1.1 This report to full Council arises from the Treasury Management – 1st Quarterly Review Report considered by the General Purposes Committee at a special meeting held on 7th July 2009. There is a new requirement within the Treasury Management Strategy Statement for Treasury Management activities to be reported to the General Purposes Committee on a quarterly basis.

SUMMARY

- 2.1 This report provided a review to the Committee on the Council's treasury management activities for the first quarter of 2009/10 and proposed some changes to the approach going forward.
- 2.2 Arlingclose Ltd, the Council's newly appointed Treasury Management advisers were in attendance.
- 2.3 The Committee was provided with an update on the Council's current investment position and that in line with the revised strategy that all current deposits were now in UK banks and building societies.
- 2.4 It was noted that the approved revised counterparty list was more restrictive in order to ensure security of capital and that the Council only invests in UK banks and building societies with a minimum credit rating of AA- long term and F1+ short term and are part of Government's Credit Guarantee Scheme. It was also noted that this was reducing the places surplus deposits could be invested and a significant amount of money was being held in the government's debt management office at very low rates. The approach to expanding investment opportunities with a better return, but maintaining very low risk was discussed with Members.
- 2.5 The only UK institution currently meeting the above criteria that is not presently on the Council's approved list is Clydesdale Bank. It was recommended therefore that Clydesdale Bank be added to the eligible banks on the same terms as the other approved institutions (Abbey National, Barclays, HSBC, Lloyds, RBS and Nationwide Building Society) i.e. a maximum exposure of £20m and duration of up to 12 months. This requires a change in the approved Treasury Management Strategy for Full Council to agree.

- 2.6 Only two investments remain in place, that were made before October 2008 and totalling £7m, that do not meet the Council's minimum current credit rating criteria. These are with two smaller UK building societies and are due for return to the Council in July and August 2009. It is considered that the risk of default is low.
- 2.8 Other options for investment were discussed with Members in terms of relative return and risk including the use of certificates of deposit, money market funds, investing in bonds issued by multi-lateral banks, repaying long term debt and providing short/medium term finance for capital projects. These are all within the existing treasury management strategy and do not need approval from Full Council to implement. Members agreed the recommended approach to use these other instruments on a small stepped basis.
- 2.10 Consideration was also given to an increase in the current maximum counterparty limit (of £20m), but this was not proposed as a recommended way forward at this time.

WE RECOMMEND:

1. That Full Council agree revise the Treasury Management Strategy Statement (TMSS) to include the Clydesdale Bank as a permitted institution for investment purposes on the same terms as the other institutions already on the approved list, i.e. a maximum exposure of £20m and a duration of up to 12 months.
2. That the proposed use of the following treasury management actions which are already approved or contained within the TMSS be noted:
 - 2.1 The Council's Treasury Management advisors will be asked to identify a minimum of two and a maximum of four AAAM Money Market Funds allowing total investments of up to £10m in accordance with the current TMSS.
 - 2.2 Investments will be made of up to £10m in bonds issued by the European Investment Bank with redemptions due in December 2010 and March 2011.
 - 2.3 The premature repayment of Public Works Loan Board (PWLB) loans of up to £25m will be made on favourable terms as approved by the Chief Financial Officer.
 - 2.4 The use of available cash balances to fund, in the short or medium term, a number of approved capital schemes in 2009/10.