

**REPORT TO THE EXECUTIVE**

<b>DATE</b>	<b>24<sup>th</sup> April 2012</b>
<b>PORTFOLIO</b>	<b>Resources</b>
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**Treasury Management – Policy for placing Deposits with Counterparties****PURPOSE**

1. To revise the Policy on placing deposits with approved counterparties.

**RECOMMENDATION**

2. That the Executive endorse the new practices regarding counterparty exposure and recommend to Full Council approval of a revised policy for placing deposits with Counterparties as set out in Appendix 2.

**REASONS FOR RECOMMENDATION**

3. To ensure that the Council's funds are deposited prudently to generate interest whilst maximising the security of the funds invested.
4. To remove the need to review the Counterparties list as frequently as has been the case in the past.

**SUMMARY OF KEY POINTS**

5. **Current Practices:**

The Council has an approved list of counterparties as part of the Treasury Management Strategy which governs treasury management activity. This list is a restricted list taking into consideration the credit rating of the institution concerned and there are also limits on the amount which can be invested with any particular institution from a particular sector e.g. building society, bank etc. and also any group of institutions within an overall banking group. The list is regularly reviewed based upon advice from Sector Treasury Services [the appointed consultants on behalf of the Council on external treasury management activities]. Full Council on the 23<sup>rd</sup> February 2012 approved the current counterparties list and limits as shown in **appendix 1** to this report.

## **Proposed Practices:**

### 6. **Banking Institutions**

It is proposed that we would no longer name specific banking institutions and instead, make deposit decisions with counterparties based on the grouping of that institution within the colour bands, with each band relating to a maximum duration, as detailed in **appendix 2** to this report.

### 7. **Money Market Funds**

In addition, it is also proposed that Money Market Funds [MMF's] are added to the Council's counterparty list. MMF's specialise short term deposits which include Treasury bills, certificates of deposit, and commercial paper. The main goal is the preservation of deposits accompanied by modest dividends. MMF's are very liquid investments and the Council can withdraw deposits without notice. MMF's only invest with AAA rated institutions (the highest rating) in countries all over the world.

### 8. **CCLA Money Market Fund**

This fund was established by the Local Government Association set up as a Public Sector Deposit fund so that public sector deposits can be pooled and the costs of professional management can be shared. As stated above, the CCLA MMF only invests with AAA rated institutions (the highest rating) in countries all over the world.

9. **Appendix 2** summarises the proposed policy for assessing placing deposits with counterparties, enabling treasury management decisions to be made in line with the constant changes being experienced in the global economy. The Council's counterparties policy still incorporates the other public sector institutions identified within the current practices.

## **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

10. None arising as a consequence of this report.

## **POLICY IMPLICATIONS**

11. Amendment of Treasury Policy Statement – approved counterparties for deposit purposes.

## **DETAILS OF CONSULTATION**

12. Sector Treasury Services

**BACKGROUND PAPERS**

13. Treasury Management Strategy Report & Prudential Indicators Report for 2012/2013.

**FURTHER INFORMATION  
PLEASE CONTACT:**

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**ALSO:**