

REPORT TO THE CHIEF EXECUTIVE



DATE	25th November 2010
PORTFOLIO	Resources
REPORT AUTHOR	Lindsey Cowburn
TEL NO	(01282) 477173 or 01282 425011 x2216
EMAIL	LCowburn@burnley.gov.uk

Treasury Management – List of Investment Counterparties

PURPOSE

1. To recommend that the Chief Executive uses his powers under Part 3 of the Constitution to approve a change to the approved list of counterparties where the Council can invest surplus funds.

RECOMMENDATION

2. That the revised List of Investment Counterparties, as outlined in Appendix 1, be approved.

REASONS FOR RECOMMENDATION

3. To ensure that the Council's funds are invested prudently to generate investment income whilst maximising the security of the funds invested.

SUMMARY OF KEY POINTS

4. The Council has an approved list of counterparties as part of the Treasury Policy Statement 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 overall banking group. The list is regularly reviewed both by Finance Staff, as well as by Sector Treasury Services (the appointed consultants on behalf of the council for external treasury management activities). Full Council on the 28th of October 2010 approved the current counterparties list and limits.
5. As part of the daily operations of the treasury management dealings, in consultation with guidance from Sector and the money market brokers, decisions are taken within Finance temporarily suspending/revising operations within individual counterparties. In late October, Lancashire County Council invited us to consider establishing a Call Account with them offering 20 base points above base rate [currently at 0.50%]. Finance staff have since met with the treasury services department of LCC and signed a contract for twelve months establishing an instant access account. Under the current counterparties list this meant that we could only invest up to a maximum of £2m [under Other Local Authorities].

6. The Call Account with Lancashire County Council offers the highest interest rates available in comparison to the money market generally, and the other counterparties currently included on the Council's approved list. More importantly, under the contract agreement the counterparty for all deposits is LCC therefore the credit risk is the County Council, which in effect is the same level as UK Government credit risk. There is therefore a very high level of security attached to any deposits that the Council makes.
7. The Chief Executive is asked to approve a revised counterparties listing which incorporates the LCC Call Account as a separate counterparty in its own right. In view of the high level of security available it is recommended that a limit of £10M should apply. The Council is very shortly due to receive the balance of Housing Market Renewal funding due for the current year. This will amount to just under £7M and it would be very difficult to place this money effectively unless the Call Account is used.
8. Decisions on the Counterparties List lie with full Council on the recommendation of the Executive. Part 3 of the Constitution enables the Chief Executive to deal with urgent items of business that cannot await the next meeting of the Executive or full Council after consultation with the Leader and the Mayor. The next meeting of full Council does not take place until 16th December and for the reasons set out above this decision needs to be taken as a matter of urgency.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

9. None directly as a consequence of this report.

POLICY IMPLICATIONS

10. Amendment of Treasury Policy Statement – approved counterparties for investment purposes

DETAILS OF CONSULTATION

11. The Leader
The Mayor
The Executive Member for Resources
The Chair of the Better Services Scrutiny Committee

BACKGROUND PAPERS

12. Treasury Management Strategy Report & Prudential Indicators Report for 2010/2011. External Borrowing & Investment Files. PWLB Transactions & Interest Files.

FURTHER INFORMATION

PLEASE CONTACT:

**Lindsey Cowburn
Capital & Treasury Accountant**

ALSO:

Phil Moore - Head of Finance

[Appx](#)