

## **Item 5(b) – Investment Strategy Update**

### **Policy and Governance Committee’s Recommendations to Cabinet**

At its meeting on 7 September 2010 the Policy and Governance Committee considered the matter as follows:

The Head of Finance and Human Resources informed Members that the report had been considered by the Finance Advisory Group, which had made a number of recommendations. She stated that the Council was, on occasion, having to place significant sums of money in its call account as it was not able to place deposits in other institutions and this did present some risk. She stated that the Finance Advisory Group had recommended that the Council increase its individual institution limit to a maximum of £5m.

A Member queried why there seemed to be such concern regarding Santander, which he had understood to be one of the strongest banks in Europe. The Head of Finance and Human Resources replied that this was largely due to Spain’s sovereign rating and some people were concerned that the foreign parent company could withdraw funds from its UK company. Another Member raised concerns that Santander was acquiring a number of other banks, which might lead to it overstretching.

In response to a question, the Head of Finance and Human Resources informed Members that it was currently very difficult to place money given the current restrictions and that this meant that large sums of money could be left in the call account.

The Chairman stated that this was risky because even though money could be pulled out of a call account in 24 hours, problems tended to occur in much shorter time periods and often overnight or over the weekend. He informed Members that officers had opened a second call-account to limit the amount of money which was in any single account and encouraged them to open more.

Members felt that the strategy should explicitly state that the current Group limits did not apply to call accounts. Members agreed with the Finance Advisory Groups’ recommendations but felt that Cabinet should consider placing limits on call accounts.

Resolved: That Cabinet be recommended to:

- (a) increase the limit on amounts held with individual institutions from £3m to £5m, with the limit for any group of institutions also being £5m
- (b) consider placing limits on the amount to be placed in call-accounts.

## **Cabinet's Recommendations to Council**

At its meeting on 30 September 2010 the Cabinet considered the matter as follows:

The Portfolio Holder for Finance and Value for Money stated that the Council's lending restrictions were making it increasingly difficult for the Council to invest its money, which had resulted in the Council having to place significant amounts of money in its call accounts on some days. This did have risks associated with it, as there was a significant amount of money being placed with one institution. There could be instances where banking collapses occurred overnight or at weekends, in which case it would not be possible to remove money from the call account.

Members noted the views of the Performance and Governance Committee.

Resolved:

- (a) the update on treasury activity in the first quarter of 2010/11 be noted;
- (b) it be recommended to Council that the lending limit for individual institutions meeting the Council's lending criteria be increased to £5m excluding call accounts and £6m including call accounts across all institutions within a group of companies.**
- (c) the maximum length of an investment be confirmed at one year, where permitted by the Council's lending criteria; and
- (d) it be recommended to Council that the existing restriction of not lending more than 15% of the total fund to any one counterparty or counterparties within a group of companies be changed to 25% (at the time of placing the investment).**

*The recommendations highlighted in bold are for consideration by the Council.*