

**ITEM REFERRED FROM OTHER COMMITTEES
FINANCE AND ADMINISTRATION COMMITTEE
- 27 NOVEMBER 2008**

FA27 TREASURY MANAGEMENT UPDATE

The Committee considered the report of the Interim Head of Finance, who was not able to attend. The Chief Finance Officer introduced the report by giving a brief summary of the background to the Council's duty to invest in light of the press coverage of Uttlesford's Landsbanki investment. He went on to give a summary of the Council's current investment position. A sum of £14.1m was available to invest. Whilst it was expected that returns would be better than budgeted for this year, the outlook for next year was more challenging, and Officers expected a significant drop in investment income.

The Chief Finance Officer tabled revised recommendations, which he explained would limit the Council's exposure to risk. Members approved of the recommendations, but questioned whether independent specialist treasury advice should be taken. There was discussion of the benefits and disadvantages of local authorities investing in Irish or UK banks. It was noted that in contrast to the situation for Irish banks, local authorities were not included in government guarantees of UK banks. Some Members nevertheless had reservations about investing in Irish banks. The Chief Finance Officer offered to investigate the cost of obtaining specialist treasury advice. Following further debate, it was

RESOLVED

1. To recommend that Council authorises an increase in the "Prudential Indicator – Upper Limit for fixed interest rate exposure" from £11m to £20m.
2. To recommend that Council authorises an amendment to the Treasury Management Strategy to include the following interim policy on the use of counterparties for temporary investment.
 - (i) The minimum credit ratings required to be as set out in the revised recommendations before the Committee.
 - (ii) Additional conditions to be as follows:
 - Exclude all non-UK institutions except Irish banks subject to Irish Government guarantee.
 - Exclude financial institutions while there is a short term rating on Negative Rating Watch.
 - Deposits in banks and building societies to be limited to 3 months or less.
 - Amounts placed with each institution to be restricted to £2m (while there is a Fitch Short Term Rating of F1+) or £1m (while there is a Fitch Short Term Rating of F1).

3. To revise the interim policy in February 2009 when the 2009/10 Treasury Management Strategy is approved.
4. To note the 2008/09 treasury transactions to the end of October 2008, as set out in this report.
5. To note that officers will be market testing the treasury advisory service, and will invite the three companies listed in paragraph D (iii) to submit bids.
6. To delegate authority to the Chief Financial Officer in consultation with the Chairman to explore costs of further treasury management advice other than the treasury advice service.