
Report To:	Policy & Resources Committee	Date:	8 February 2011
Report By:	Chief Financial Officer	Report No:	FIN/10/11/AP/CM
Contact Officer:	Alan Puckrin	Contact No:	01475 712223
Subject:	TREASURY MANAGEMENT – COUNTERPARTY INVESTMENT LIMITS		

1.0 PURPOSE

- 1.1 The purpose of this report is to request a temporary increase in the Council's Counterparty Limit for investments with the Bank of Scotland and to seek homologation for exceeding the current limit during December 2010 and January 2011.

2.0 SUMMARY

- 2.1 The Council have adopted the CIPFA "Treasury Management in the Public Services Code of Practice" and have, as required by the Code, established Treasury Management Practices which include limits on the maximum level of investments to be held with individual Counterparties.
- 2.2 The Council's current Treasury Management Practices Counterparty limit for the Bank of Scotland is £50 million but, given the Council's Treasury Management position, approval is being sought to increase this limit to £60 million until the end of April 2011.
- 2.3 The Council was above its Treasury Management Practices Counterparty limit for the Bank of Scotland for 3 days in December 2010 and for 4 days in January (up to 14th January) with the possibility of being above on further days prior to the Committee date.
- 2.4 The Council is not exposed to any materially increased risk in exceeding the Counterparty Investment Limit and Committee are reminded that the Bank of Scotland is backed by the Westminster Government.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee approves an increase in the Treasury Management Practices Counterparty limit with the Bank of Scotland from £50 million to £60 million until the end of April 2011.
- 3.2 It is also recommended that the Committee homologates the exceeding of the Treasury Management Practices limit with the Bank of Scotland in December 2010 and during January 2011.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 Inverclyde Council has adopted the CIPFA “Treasury Management in the Public Services – Code of Practice” which sets out good practice for treasury management governance.
- 4.2 The Council produces and updates a Treasury Management Practices document as required by the Code of Practice (with Committee approval for any amendments to the document). The document includes the current Counterparty limit for the Bank of Scotland of £50 million.
- 4.3 In line with the Council’s Treasury Strategy, good treasury management practice, and given the funding requirements for the Council’s Capital Programme for 2011/12 and 2012/13, the Council has undertaken borrowing when interest rates for borrowing were low. This, together with slippage in the Capital Programme and delayed spending from Earmarked Reserves, has meant that the Council has a high level of investments but investments that are needed to fund forthcoming expenditure.
- 4.4 The Council have undertaken investments with appropriate Counterparties as reported to Committee. These investments take account of security over funds and liquidity requirements (as required by the Code of Practice) and only then consider the level of return from those investments.

Current investment rates available from Counterparties in the market with whom the Council currently does not deal are not as attractive as those from current Counterparties.

- 4.5 The Council exceeded its Treasury Management Practices Counterparty limit for the Bank of Scotland for 3 days in December 2010 and for 4 days in January (up to 14th January) with the possibility of being above on further days prior to the Committee date.

5.0 PROPOSAL

- 5.1 To ensure that the Council continues to optimise its return on investments whilst complying with the Code of Practice, the Committee is requested to approve an increase in the Counterparty limit with the Bank of Scotland from £50 million to £60 million until the end of April 2011 by which time the Council’s investment balances should fall.

6.0 IMPLICATIONS

- 6.1 Legal: None.

Financial Implications: The proposed temporary increase in the Bank of Scotland Counterparty limit will allow the Council to continue to achieve savings via its Treasury Management Strategy whilst complying with the CIPFA Code of Practice.

Human Resources: None.

Equalities: None.

7.0 CONSULTATIONS

- 7.1 None.

8.0 LIST OF BACKGROUND PAPERS

- 8.1 CIPFA - Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes – Second Edition 2009.