

ABERDEEN CITY COUNCIL

COMMITTEE	Finance, Policy and Resources
DATE	15 September 2015
INTERIM DIRECTOR	Angela Scott
TITLE OF REPORT	Treasury Management Policy and Strategy
REPORT NUMBER	CG/15/107
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

To seek Committee approval for a proposed revision to the Council's Counterparty list - the list of financial institutions with which it can undertake short-term investments.

2. RECOMMENDATION(S)

The Committee is asked to consider the report and make recommendations to Council for approval as follows:-

- a) Approves the revised Counterparty list as detailed at Appendix 1.

3. FINANCIAL IMPLICATIONS

Treasury Management activities influence the loans pool interest rates and aims to minimise the cost of borrowing. This directly impacts on costs chargeable to the Council's revenue budgets through the interest rates that are applied to capital financing costs. Whilst the level of borrowing a Council can undertake is now devolved from the Scottish Government to individual Councils, it will still be constrained by the requirement for capital investment to be affordable, sustainable and prudent. The main test of affordability will be whether the capital financing costs can be contained within the revenue budgets.

4. OTHER IMPLICATIONS

None

5. BACKGROUND/MAIN ISSUES

The Council, as part of its Treasury Policy, has an approved listing of banks and other financial institutions (the Counterparty list) with which it can undertake short-term money investments.

The Council's Counterparty list is compiled using credit rating information supplied by the major credit rating agencies to Capita Asset Services, the Council's appointed Treasury Management advisors.

There have been a number of recent changes of significance that warrant seeking approval to revise the Council's Counterparty list. These proposed changes to the Counterparty list in Appendix 1 are all in line with current guidance from Capita Asset Services.

6. IMPACT

Corporate - If an active Treasury Management policy is not undertaken and implemented there may be future budgetary implications for the Council through greater than budgeted capital financing costs.

7. MANAGEMENT OF RISK

The CIPFA Code of Practice states that in the use of financial instruments for the prudent management of risk, priority must be given to security and liquidity, when investing funds.

8. BACKGROUND PAPERS

CIPFA "Code of Practice for Treasury Management in the Public Services",
Capita Asset Services "Treasury Management Annual Investment Strategy",
Scottish Government "The Investment of Money by Scottish Local Authorities".

9. REPORT AUTHOR DETAILS

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**ABERDEEN CITY COUNCIL
COUNTERPARTY LIST**

Changes are required to the current counterparty list as follows:

1. Remove Lloyds Banking Group from the 'UK Part Nationalised Banks' category and add to 'UK Banks - £30m limit' with a reduced maximum lending period of 'up to 6 months'
2. Close Brothers, Coventry Building Society and Leeds Building Society – Increase maximum lending period from 'up to 3 months' to 'up to 6 months'
3. Add Yorkshire Building Society with a £10m limit and a maximum lending period of 'up to 3 months'
4. 'Money Market Funds' - Amend name of Ignis Liquidity Fund to Standard Life Investments (Ignis)

Deposits up to 12 months

UK Part Nationalised Banks - £30m limit

The Royal Bank of Scotland Group plc
(includes Royal Bank of Scotland plc, National Westminster Bank plc)

UK Banks - £20m limit

HSBC Bank plc

Other Banks - £10m limit

Handelsbanken

UK Local Authorities, including Police Authorities - £10m limit

Deposits up to 6 months

UK Banks - £30m limit

Lloyds Banking Group (includes Lloyds TSB Bank plc, Bank of Scotland)

UK Banks - £10m limit

Barclays Bank plc

Close Brothers

Deposits up to 6 months

UK Banks - £10m limit (continued)

Santander UK plc (includes Cater Allen)

Standard Chartered Bank

UK Building Societies - £10m limit

Coventry Building Society

Leeds Building Society

Nationwide Building Society

Deposits up to 3 months

Council's Bankers - £20m limit

Clydesdale Bank plc

UK Building Societies - £10m limit

Yorkshire Building Society

Collective Investment Schemes - £70m total limit

Money Market Funds - £10m limit

Aberdeen Liquidity Fund - Sterling

Deutsche Managed Sterling Fund

Federated Short Term Sterling Prime Fund

Goldman Sachs Sterling Liquid Reserve Fund

Morgan Stanley Sterling Liquidity Fund

Standard Life Investments (Ignis)

State Street Global Advisors GBP Liquidity Fund