
REPORT TO:	FINANCE & MANAGEMENT	AGENDA ITEM: 8
DATE OF MEETING:	18 th April 2002	CATEGORY: DELEGATED
REPORT FROM:	CHIEF FINANCE OFFICER	OPEN PARAGRAPH NO: N/A
MEMBERS' CONTACT POINT:	PAUL CULLEN (EXT.5872)	DOC:
SUBJECT:	REVISION OF TREASURY MANAGEMENT POLICY STATEMENT 2001/2002.	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM08

1.0 Recommendations

- 1.1 That the UK Debt Management Office be added to the list of approved institutions used for the investment of Council funds (with a maximum investment limit of £5m) and that item 5.3 of the Council's Treasury Management Statement be amended accordingly.

2.0 Purpose of Report

- 2.1 To revise item 5.3 of the Council's Treasury Management Policy Statement by adding the UK Debt Management Office to the list of approved institutions that can be used for the investment of Council funds. This is required in order that the Council can participate in a Department of Transport, Local Government and the Regions (DTLR) Deposit Facility pilot scheme that will commence on 2 April 2002.

3.0 Detail

- 3.1 Under item 11.3 of the Council's Treasury Management Policy, the Annual Treasury Management Statement can be revised should any new legislation or regulations make the Policy Statement obsolete.
- 3.2 As part of the development of the new capital finance system proposed in the Green Paper *Modernising Local Government*, it is proposed that a Government-run deposit facility will be set-up (to be called the Debt Management Account Deposit Facility (DMADF)) to help authorities to share the benefits usually reserved for major investors in the money markets, whilst offering the highest possible level of security.
- 3.3 In order to test the level of demand for this service the Council has been asked to take part in a pilot scheme over the next 3 to 6 months. This Government proposed facility will allow local authorities in England, Scotland and Wales to place sterling deposits with the UK Debt Management Office (DMO), an executive agency of the Treasury. Deposits will go into the Debt Management Account and be guaranteed by the government and have the equivalent of a sovereign triple-A credit rating. The main objective is to encourage local authorities to invest money which is temporarily surplus to requirements.

- 3.4 It is therefore proposed that the UK Debt Management Office be added to the current list of approved institutions for investment shown in Annexe A.
- 3.5 As the Debt Management Account is guaranteed by the Government, a higher investment limit can be justified than that set for other financial institutions. It is therefore proposed to set a limit of £5m.
The limits applying on the amount of money that can be invested with any one of the current approved institutions for investment appears at Annex A.

4.0 Financial Implications

- 4.1 Maximisation of the rate of return on invested funds.

5.0 Conclusion

- 5.1 The addition of the UK Debt Management Office to the list of approved institutions will enable the Council to participate in the Debt Management Account Deposit Facility pilot scheme and thus influence its development. The inclusion of a Government agency will also carry with it the highest level of guarantee whilst at the same time maximising the rate of return on invested funds.