

**BRIDGEND COUNTY BOROUGH COUNCIL**

**REPORT TO CABINET**

**5 SEPTEMBER 2017**

**REPORT OF THE HEAD OF FINANCE & SECTION 151 OFFICER**

**TREASURY MANAGEMENT CUSTODIAN ACCOUNTS**

**1. Purpose of the Report**

- 1.1 The purpose of the report is to seek Cabinet approval to open a custody account for treasury management purposes.

**2. Connection to Corporate Improvement Objectives/Other Corporate Priorities**

- 2.1 The Treasury Management Report is integral to the delivery of the Corporate Improvement Objectives as the allocation of resources determines the extent to which the Corporate Objectives can be delivered.

**3. Background**

- 3.1 Council approved the Treasury Management Strategy (TMS) 2017-18 on 1 March 2017. The Investment Strategy in the TMS advised that the Council will need to use a nominee account(s) with a third party for safe custody of certain types of investments.
- 3.2 The Council's investments have historically been placed in bank and building society unsecured deposits and local and central government, however, investments may be made with any public or private sector organisations that meet the minimum credit criteria specified in the Investment Strategy. The Council is looking to diversify into more secure and/or higher yielding asset classes but any new instruments used will be in full consultation with the Council's Treasury Management advisors Arlingclose as detailed in the TMS.
- 3.3 In order to be able to use negotiable instruments it is essential for the Council to hold at least one custody account with a third party as we are unable to deal direct. Once this account is open and available to us, the Council will have more investment opportunities and, importantly, more secured investment opportunities such as bonds and other collateralised arrangements with banks and building societies which are secured on the bank's assets.

**4. Current Situation**

- 4.1 Whilst there are different providers of custodian accounts the Council is proposing to open an account with King & Shaxson. The Council already has a broker relationship established for Treasury Management and King & Shaxson have

experience in this area as they were the first company to provide this service to Local Authorities, with currently in excess of 250 Local Authorities signed up to their custody account product. All assets are segregated in accordance with the rules of the Financial Conduct Authority and separately identifiable with all assets held by HSBC as King & Shaxson's custodian.

- 4.2 There is no cost to open the King & Shaxson custody account and the dealing charges are confirmed in advance of an investment being made. Fees from placing investments in such accounts across the three providers approved by Arlingclose are broadly comparable in the region of 0.02% to 0.03% annual equivalent, meaning that a £1 million deal will incur transaction fees of £300. Investment in the account will only be made where net returns are favourable to other investment options available.
- 4.3 Arlingclose has been consulted regarding this account and also advice on the contract has been received from Legal officers from Counsel. If the Council decides to open additional custody accounts following approval from the Section 151 Officer both our Treasury Advisors and the Monitoring Officer will be consulted.

## **5. Effect upon Policy Framework & Procedure rules**

- 5.1 As required by Financial Procedure Rule 17.3 within the Council's Constitution, all investments and borrowing transactions have been undertaken in accordance with the Treasury Management Strategy 2017-18 as approved by Council.

## **6. Equality Impact Assessment**

- 6.1 There are no equality implications.

## **7. Financial Implications**

- 7.1 The financial implications are reflected within the report.

## **8. Recommendation**

- 8.1 It is recommended that Cabinet:
- Approve the opening of a King & Shaxson custody account for Treasury Management purposes
  - Delegate authority to the Section 151 Officer, in consultation with the Monitoring Officer, to open additional custody accounts to support delivery of Treasury Management responsibilities.

**Randal Hemingway**  
**Head of Finance & Section 151 Officer**

**5 September 2017**

**Contact Officer:** Karin Thomas  
Loans & Investment Officer

**Telephone:** 01656 643198

**E-mail:** Karin.Thomas@bridgend.gov.uk

**Postal Address:** Raven's Court, Brewery Lane, Bridgend, CF31 4AP

**Background documents:**

Treasury Management Strategy 2017-18