

WIRRAL COUNCIL

PENSIONS COMMITTEE

18 JUNE 2009

REPORT OF THE DIRECTOR OF FINANCE

CASH MANAGEMENT

1. EXECUTIVE SUMMARY

- 1.1 This report requests the Committee to approve a revision to the cash management policy agreed on 14 January 2009.

2. BACKGROUND

- 2.1 A Treasury Management Policy report is presented to Committee each January to set out the policies, objectives, practices and investment limits to be followed during the following financial year. The Pensions Committee on 14 January 2009 agreed the arrangements for 2009-2010.
- 2.2 That report included the list of counterparties and their limits. For the custodian, State Street, the limit is £30m. Under exceptional circumstances, e.g. during transitional arrangements, these limits may be exceeded for a limited period with prior permission.
- 2.3 At the time of approving that policy, MPF was in the process of appointing five new external managers, with portfolios of some £100m each. During this transitional period, and subsequently, the £30m limit with the custodian has been exceeded.
- 2.4. As these new mandates are unconstrained, the fund managers are able to withhold funds from the market in appropriate circumstances; and in some cases up to 10% of a portfolio has been held in cash. As a result, these new asset managers are depositing short term cash funds with the custodian, State Street. Such investment decisions are made by the managers, and do not require approval from MPF. Hence it is necessary to adjust the cash management policy to reflect this.
- 2.5. It is therefore proposed that the existing £30m limit be earmarked for internal cash management, and that a further £30m limit be set for external managers.
- 2.6 Due to the nature of these mandates, monitoring of this additional limit for external managers will need to be done retrospectively. MPF will liaise with the external managers such that spare cash can be directly deposited with other financial institutions when the £30m limit is approached.

2.7 Details of the security of cash funds with the custodian were included in the report to the Investment Monitoring Working Party on 26 February 2009.

3. FINANCIAL IMPLICATIONS

3.1 There are no budget implications arising from the proposed change of policy.

4. STAFFING IMPLICATIONS

4.1 There are no staffing implications in this report.

5. EQUAL OPPORTUNITY IMPLICATIONS

5.1 There are none arising directly from this report.

6. COMMUNITY SAFETY IMPLICATIONS

6.1 There are no specific implications for any Member or Ward.

7. LOCAL MEMBER SUPPORT IMPLICATIONS

7.1 There are none arising directly from this report.

8 LOCAL AGENDA 21 IMPLICATIONS

8.1 There are none arising from this report.

9 PLANNING IMPLICATIONS

9.1 There are none arising from this report

10. BACKGROUND PAPERS

10.1 None.

11 RECOMMENDATION

11.1 That Pensions Committee approves the proposed change in Treasury Management policy.

IAN COLEMAN
DIRECTOR OF FINANCE