

**COUNCIL ASSEMBLY**

**(ORDINARY)**

**WEDNESDAY JULY 8 2009**

**QUESTIONS ON REPORT**

**ITEM 6.4 TREASURY MANAGEMENT PERFORMANCE – 2008-09 ANNUAL REPORT AND PRUDENTIAL INDICATORS FOR CAPITAL FINANCE AND TREASURY MANAGEMENT (see main agenda, pages 48 - 57)**

**QUESTION FROM COUNCILLOR RICHARD LIVINGSTONE**

Could you outline what ethical screening procedures are used by the authority as part of its investment management strategy?

**RESPONSE**

The council's policy in relation to investments the subject of this report is set out in its annual investment strategy, which is approved by council assembly each year. The current strategy was approved by council on February 23 2009.

The strategy is drawn up in accordance with guidelines issued by the Department of Communities and Local Government and codes of practice issued by the Chartered Institute of Public Finance and Accounting. The investment objectives are to preserve principal, provide liquidity and secure a reasonable return.

The investments consist of bank or building society deposits and bonds issued or guaranteed by the government or multilateral development banks such as the International Bank for Reconstruction and Development (the World Bank) and the European Investment Bank.

The principal consideration in lending to banks and building societies is the financial standing of the entity. The entity must have a high capacity for timely repayment of its obligation and there must be a high likelihood of it securing external (sovereign or owner) support in the event it were needed. The council draws on published ratings to assess the entities standing.

There is no explicit reference to ethical filters in the strategy as the primary consideration is timely repayment capacity. The investment criteria in the annual investment strategy effectively reduces the number of bodies the council invests in to a relatively small number of the highest quality and highest profile banking institutions. It would therefore be expected that these banks and building societies pursue ethical policies in improving financial performance, because of their position and profile in the market.

The council has investments with multilateral development banks, which at March 31 2009 stood at £19.6m. These banks are supported by sovereigns from several nations and have strong repayment capacity.

## **SUPPLEMENTAL QUESTION FROM COUNCILLOR RICHARD LIVINGSTONE**

Thank you for the comprehensive answer, although in short it seems to say no as the response in terms of do we have any ethical screening procedures when looking at our investment management strategy. When it comes to the motion itself we are not intending to oppose or amend the main motion. Is it something that the executive member would like to look at over the next year so that the next time that we have one of these reports we can look at it in more detail? I note the comment that says in the penultimate paragraph, it would therefore be expected that these banks and building societies pursue ethical policies in improving financial performance because of their position and profile in the market. It seems a little weak in terms of us as a local authority looking at the ethical standards of those organisations that we invest with.

## **RESPONSE**

I would like to thank Councillor Livingstone for his supplemental. If he has any direct concerns about any particular organisation with whom we invest I am very than happy to look into that. On a more general issue of our approach to ethical investment I can confirm that an expert is coming to our pensions panel to provide advice on ethical investment and where it fits into the council's pension strategy.