

**Chairman's Questions on Treasury Management for the Accountancy Services
Manager
Budget and Performance Panel
29 November 2011**

- I understand that LCC is still engaging the same financial advisers who advised the Council to invest in Icelandic Banks? If so, why?
- Doesn't this risk damaging the reputation and credibility of the financial services office of the Council?
- Given that LCC got its fingers so badly burnt investing in Icelandic banks, why is the Council still investing in foreign banks, namely Abbey National which is owned by Spain's Santander?

Yorkshire Bank is Australian owned, but given the lower levels of Australian government debt, this hopefully presents far less of a risk than Santander.

- Again, doesn't investing in foreign banks risk damaging the reputation and credibility of the financial services office of the Council?
- Given the well-publicised concern about the financial well-being of Spain and concern whether the Spanish government could indeed capitalise its banks, in a crisis, why does the Council have up to £4m deposited in The Abbey National and only up to £2m in The Royal Bank of Scotland which is almost entirely owned by the British tax-payer. If prudence has been the hard-earned lesson learned from the Icelandic ordeal, why has the Council not got more, or indeed all, its reserves deposited in the safer haven of a British bank which is largely government owned?

If not RBS, then the Council could also deposit with Nat West, Lloyds and Northern Rock, with the same degree of safeguard.

- Was it the advice of the Council's financial advisers for the Council to invest in Abbey National?
- How does LCC negotiate the rates of interest it receives on its bank deposits? Do officers in financial services negotiate with banks in Lancaster or through others and meeting at a higher level?
- The table of interest rcd from bank deposits earned up to 31 March, 2011 as printed in Annex B of LCC's annual treasury management report 2010/11 showed an opening and closing balance of £15m max and £7.8m min and a cumulative interest rcd on these deposits of £99,196. Whilst I do not know, from these figures, the pattern of the Council's deposits and withdrawals, if I take an average balance midway between both figures of say £11.5m, then £99,196 is just 0.87%. (Andrew please check my maths!) Why is the Council receiving a far lower rate of interest on its deposits than someone walking in off the street can achieve?
- I understand that, for reasons of prudence, all LCC's reserves are now placed in instant access accounts. Do you not think that risk is determined by where/in which banks the Council's money is placed rather than by the terms of the deposit? Certainly if the Council's reserves were in the safer haven of largely-government

owned banks then higher rates of interest could be achieved by placing the deposit with the bank on a longer term deposit.