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## ANNUAL INVESTMENT STRATEGY 2012-13 REVISION

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### 1 SUMMARY

- 1.1 This reports sets out the consequential changes to the Councils investment strategy arising from the Council's decision on 23 August 2012 to allocate funding towards investment in housing.

### 2 RECOMMENDATIONS

- 2.1 To agree the changes to the investment strategy that are necessary in order to permit the investment in housing agreed by the Council on 23 August 2012 to take effect.

### 3 DETAIL

- 3.1 On 23 August 2012 Council agreed a package of measures to stimulate investment in housing. These require a revision to the investment strategy to be approved. The changes to the investment strategy that are set out below:

#### **Appendix 3 Treasury Management Practice (TMP1) - Permitted Investments**

The current investment strategy refers to Local Authority Mortgage Guarantee Scheme (LAMGS). The revision noted below specifies the nature of the agreed investment.

To deposit a maximum of £3m for a period of 5 years with the mortgage provider in pursuance of the Council's policy of supporting first time buyers as agreed by the Council on 23 August 2012.

#### **Appendix 4 Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management**

To permit the following investments:

Lending to Registered Social Landlords for the purpose of front funding pending receipt of Scottish Government grant as agreed by the Council on 23 August 2012.

Lending to Registered Social Landlords of long term loans to support financing of housing developments as agreed by the Council on 23 August 2012.

Lending to third parties in support of the Councils empty homes initiative as agreed by the Council on 23 August 2012.

3.2 Attached is a revised paragraph 6 b of Appendix 3 of the investment strategy with additional rows dd, ee, and ff for Appendix 4 of the investment strategy.

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## APPENDIX 3 - Treasury Management Practice (TMP1)

### PERMITTED INVESTMENTS

- b. **Local Authority Mortgage Guarantee Scheme.** Authorities who are participating in the Local Authority Mortgage Guarantee Scheme (LAMGS) may be required to place a deposit with the mortgage provider(s) up to the full value of the guarantee. The deposit will be in place for the term of the guarantee i.e. 5 years (with the possibility of a further 2 year extension if the account is 90+ days in arrears at the end of the initial 5 years) - and may have conditions / structures attached. The mortgage provider will not hold a legal charge over the deposit. The Council limits are to deposit a maximum of £3m for a period of 5 years with the mortgage provider in pursuance of the Council's policy of supporting first time buyers as agreed by the Council on 23 August 2012.

## Appendix 4 - Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
dd. Loans to third parties as part of the Council's Empty Homes Strategy	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Head of Strategic Finance approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£1.5m and a maximum of 10 years.	
ee. Loans to third parties as part of the Council's SHF Front Funding Facility	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Head of Strategic Finance approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£5m and a maximum of 3 years.	
ff. Loans to third parties as part of the Council's Long Term Loan Funding to RSL's	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Head of Strategic Finance approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£5m and a maximum of 25 years.	