

AMENDMENT TO TREASURY MANAGEMENT STRATEGY

1. INTRODUCTION

- 1.1 The Council has significant cash balances which are invested in accordance with its Annual Treasury Management Strategy. This report is asking for two amendments to this strategy to allow for a greater flexibility when making investment decisions in the current economic environment.

2. RECOMMENDATIONS

- 2.1 It is recommended that Council agree to:

- a) Amend the investment limit for term deposits with UK Banks from £10m to £15m.
- b) Amend the maximum duration that a deposit can be made with other local authorities or public bodies from 1 year to 2 years.

3. DETAIL

- 3.1 The council is currently holding cash balances in excess of what it requires for normal operating purposes. The current economic environment is making investing these monies challenging, particularly finding high quality counterparties offering a reasonable level of return.
- 3.2 Cash held over and above normal operating balances is currently being held within instant access money market funds and normal investment practice would be to obtain a better rate of return by investing in longer term fixed deposits as set out in the Council's Investment Strategy. We currently have £30m (£10m in each) invested in Bank of Scotland, Goldman Sachs and Santander as they are offering attractive rates and are classed as high quality UK financial institutions under the creditworthiness service provided by our treasury advisors, Link Asset Services. We would like the flexibility to increase the investment with UK banks to a maximum of £15m.
- 3.3 The local authority market is available to us for both borrowing and lending and they are classed as very low risk counterparties. Improved rates can be achieved by lending out longer than the current 1 year in our Annual Investment Strategy. In a decreasing interest rate environment it would be beneficial if there was increased flexibility to invest in the local authority market for a period of up to 2 years.

4. CONCLUSION

- 4.1 Investing in the current economic environment is challenging and the

recommended two amendments to the Councils Treasury Management Strategy would provide some additional flexibility in the Council's investment decisions.

5. IMPLICATIONS

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| 5.1 | Policy – | Change to existing treasury policy as defined in the 2019-20 Treasury Management Strategy Statement. |
| 5.2 | Financial - | Provide additional flexibility to ensure the council is able to maximise the return on its investments with a minimal increase in counterparty risk. |
| 5.3 | Legal - | None. |
| 5.4 | HR - | None. |
| 5.5 | Fairer Scotland Duty - | None. |
| 5.6 | Risk - | Increase in counterparty risk is minimal as UK banks have passed the required financial regulatory stress tests. |
| 5.7 | Customer Service - | None. |

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