

TO: Policy and Resources Committee

FROM: Deputy Chief Executive Officer - Matthew Warren

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TREASURY MANAGEMENT POLICY AMENDMENT - INVESTMENTS

1. Purpose

- 1.1 The purpose of this report is to seek approval from the Policy and Resources Committee to amend the current Treasury Management Policy.

2. Recommendation

- 2.1 The Policy and Resources Committee is asked to approve the amended policy attached at Appendix 1.

3. Risk Assessment

- 3.1 **Economic** – the current economic climate continues to provide the Authority with a challenging investment environment for the reserves that it holds. There is a continued need to diversify the investment portfolio to ensure funds are secure and can earn the optimum return. The rating and limits also need to be revised to ensure a secure spread of investments that will work on a day-to-day basis.

4. Background

- 4.1 The Authority operates a balanced budget which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially, before considering optimising investment return.
- 4.2 The Authority has a robust reserve strategy that clearly plans how and when reserves are expected to be drawn upon. The revised policy will ensure funds can continue to be invested in appropriate institutions whilst securing a competitive rate of return.

5. Current Position of Investments and Reserves

Investments As at 31/08/2018	Principal	Interest rate	Start date	Maturity date	Lowest long term rating	Historic risk of default
Barclays Bank Plc	2,912,610	0.20%		Call	A	0.000%
Bank of Scotland Plc	36,224	0.40%		Call	A+	0.000%
Santander UK Plc	2,375,987	0.50%		Call	A	0.000%
Lloyds Bank Plc	2,000,000	0.65%	09/04/2018	09/10/2018	A+	0.006%
Nationwide Building Society	1,000,000	0.65%	10/05/2018	12/11/2018	A	0.011%
Lloyds Bank Plc	1,000,000	0.70%	11/06/2018	11/12/2018	A+	0.015%
Nationwide Building Society	2,000,000	0.68%	10/07/2018	10/01/2019	A	0.019%
National Westminster Bank Plc	1,000,000	0.65%	16/07/2018	16/01/2019	A-	0.020%
National Westminster Bank Plc	2,000,000	0.69%	30/07/2018	20/02/2019	A-	0.026%
Lloyds Bank Plc	2,000,000	0.85%	31/08/2018	28/02/2019	A+	0.027%
National Westminster Bank Plc	1,230,000	0.42%	03/08/2018	02/08/2019	A-	0.050%
Total Investments	£17,554,820	0.57%				0.015%

6. Amendment to the Treasury Management Policy

6.1 The current policy is as follows:

Organisation	Criteria	Previous Maximum Amount	Proposed Maximum Amount	Maximum Period
UK Clearing Bank and UK Building Society	A1 or P1 short term backed up by AAA or AA long term credit rating Assets over £15,000m if not rated	£8m	25% of available funds up to £10m per institution	1 year
UK Clearing Bank and UK Building Society	A1 or P1 short term backed up by an A long term credit rating Assets over £5,000m if not rated	£6m	25% of available funds up to £10m per institution	1 year
UK Clearing Bank and UK Building Society	Non rated clearers Assets over £1,000m	£2m	£2m	6 months
Government backed Institutions	Government supported	£8m	25% of available funds up to £10m per institution	1 year

Local Authorities	N/A	£2m	£2m	1 year
Non-UK bank and Institution	A1 or P1 short term backed up by AAA or AA long term credit rating Assets over £15,000m if not rated	£2m	£2m	1 year
Money Market Funds CNAV/LVNAV/VNAV	AAA	NA	100% of available funds	Liquid

7. Summary

- 7.1 The significant changes to the policy are focussed on increasing investment limits with approved institutions and the introduction of using AAA rated money market funds. The suggested changes ensure we continue to operate a prudent investment strategy whilst further diversifying our investment portfolio. The introduction of the money market fund will result in money being invested for a period greater than 12 months. This route will only be utilised when there is certainty over reserve usage and external factors such as the outcome of the next comprehensive spending review are known.

BIBLIOGRAPHY

Source Document	Location	Contact Officer
Treasury Management Strategy Statement (TMSS)	Hinchingsbrooke Cottage Brampton Road Huntingdon	Matthew Warren 01480 444619 matthew.warren@cambsfire.gov.uk