

REPORT OF **Finance Manager & Section 151 Officer**
To: **Full Council**
Subject: **Updates to the 2022/23 Treasury Management Policy**
Date: **5th September 2022**

PURPOSE OF REPORT:

To update the treasury management policy for the recommendations from the member working group

1. INTRODUCTION

The Member Budget Working Group has made two recommendations to assist in reducing the budget gap, which require changes to the treasury management policy.

2. REPORT

Treasury Investments

The working group looked at our current treasury investment policy, with a view to generate additional yield without compromising security.

Our current policy includes the following key points:

- Security is prioritised, then Liquidity, then Yield
- Authorised counterparties are F1 rated UK Banks and Building Societies
- Maximum of £5m with a single institution and maximum £3m single deal size

Several options looked at including:

- Maintaining the current approach
- Increasing counterparty limits
- Internally borrowing (instead of borrowing from the PWLB)
- Investing in property funds
- Investing in Peer to Peer lending

Recommendations

1. Counterparty Limits – Increase the maximum to £10m with a single institution and £5m per single deal. This will help the council benefit from the best rates in the market, and at current rates would add 1% to the returns (for 1 year this would equal an extra £150K on an average £15m of deposits)

Risks to note: The councils' investments will become spread over fewer counterparties, however these counterparties will still be F1 rated UK Banks and Building Societies.

2. Peer to Peer Lending – Authorise the use of Peer to Peer lending to a maximum of £1m in total, and a maximum of £250K for any single investment. This type of lending is secured on land and property, the underlying loans being capped at 60% of the assets against which they are secured. At current rates £1m would generate an additional £40K per year.

Risks to note: Higher risk than lending to Banks and Building Societies, loan lengths will typically be for longer terms i.e. 1 – 5 years. Has the potential to impact the Councils ability to borrow from the PWLB, as the PWLB's policy has recently changed so that they will not lend to councils if they have investments "primarily for yield".

3. Implications

Legal Implications

There are no specific legal implications

Financial Implications

The recommendations in the report above come with a level of increased risk as detailed above.

Human Resource Implications

There are no specific substantiality implications

Equality / Diversity

There are no specific equality / Diversity issues

Risk Management

The risk that borrowers may default is minimised by adherence to the Treasury Management Strategy, the credit rating of counter parties being checked prior to making the investments, all financial institutions with which the Council contracts are UK registered and have a Fitch F1 rating.

Compliance with Policies and Strategies

The report fits in within the Council's Treasury Management framework.

Lead Member View

Date of Consultation 25th August 2022 - Councillor Hodson

With the scale of the financial challenge faced by Torridge District Council it is vitally important that the Council's Finance team is given the flexibility to maximise its income from its short term treasury deposits whilst maintain security of its deposits.

4. CONCLUSIONS

The recommendations in the report will help generate extra income for the council while minimising additional risks.

5. RECOMMENDATIONS

Members are asked:

- To update the Treasury Management Policy for 2022/23 to increase counterparty limits to £10m per institutions and £5m per deal.
- To update the Treasury Management Policy for 2022/23 to authorise the use of Peer to Peer lending up to a total of £1m, with a maximum deal size of £250K.

SUPPORTING INFORMATION

Consultations:	Date of Consultation – 25th August 2022
	Officers Consulted – Chief Executive Finance Manager and S151 Officer Head of Legal and Governance (& Monitoring Officer)
Contact Officer:	Peter Hudson – Senior Capital Accountant & Deputy S151 Officer
Background Papers:	Prudential Indicator calculations