

TREASURY MANAGEMENT STRATEGY

Summary: To provide the annual review of Treasury matters

Recommendations: To (1) approve the Treasury Management Strategy and (2) approve the closure of the Virgin Money Account

Report by: Michèle Holden

Background

1. The Treasury Management Strategy is reviewed annually. The last review was in August 2022. Recent developments call for a more comprehensive document to include longer term investment due to potential funding opportunities which may require funds management over many years.
2. If successful, keeping these funds separate from the annual business-as-usual funds may provide greater transparency and efficiency, without eliminating that option in the event that longer term projects are initiated, or that day to day funds exceed the one bank threshold.
3. The Finance and Governance Committee is currently reviewing a variety of options for fund management that provides a robust track record of compliance and performance to charities and public sector entities.

Current performance

4. Interest income has been historically low in recent years, until the Bank of England started increasing base rates substantially from December 2022. Returns in 2022/23 were £1027 (£664 for the 32-day notice and £363 for on call). Only bank deposits and a commercial call account at Lloyds have been utilised (March rates were 1.7% for a 32-day call and 0.7% for on call). A Virgin Money Account with 90-day notice remains in place with a zero balance.
5. At March 2023, the UK banks that meet or exceed the Strategy's minimum credit rating were Lloyds, Natwest, Santander and HSBC. Historically the organisation has invested primarily with Lloyds and Clydesdale Banks (including Virgin Money).
6. Due to the credit rating of Virgin Money (Moody's rating P-2 and Baa1, other rating agencies similar) being below the strategy's standard, the Finance and Governance Committee recommends that this account be closed with immediate effect.
7. A maximum investment threshold of £1 million per bank has been added to the strategy.
8. At year-end a short-term detailed cash flow forecast was prepared, and compared to Budget, then £150k added to the commercial on call account while the strategy review was undertaken.

Long Term investment options

9. Local Authority guidelines disallow direct investing in equities, but a pooled approach is allowed. The same applies for UK vs. overseas investments. The strategy has been updated to incorporate these options.
10. A suite of fund management options are being reviewed and recommendations will be brought to the Board in the autumn.

JUNE 2023