

TREASURY MANAGEMENT AND FINANCIAL INVESTMENT PERFORMANCE

Summary: to report the Board's Treasury Management Strategy for 2021/22

Recommendation: (1) that the Executive Committee notes the contents of the Treasury Management Strategy and the Financial Investment Performance and (2) that the investment policies be approved.

Report by: Ann Wyatt – Head of Finance

TREASURY MANAGEMENT

1. The Board is required to approve and maintain a strategy for managing its investments and borrowings. The current strategy was approved by the Board in February 2020.
2. Each year the Executive Committee reviews the strategy, together with the Board's Financial Investment Performance in the year.
3. The proposed strategy for 2021/22 is attached at Appendix A. It contains no changes of any consequence from that approved by the Board last year.
4. The Board's existing Treasury Management Strategy has to date provided a sound basis for controlling its investments and managing its risk.
5. Investment options are naturally restricted by the short-term nature of the Board's available funds; by the comparatively modest size of the sums available; and by the Board's inherent public sector status.
6. As a result, officers have used short fixed-term deposits with Lloyds and Clydesdale Banks, so as to achieve a degree of flexibility and competition, whilst maximising the rate of return.

FINANCIAL INVESTMENT PERFORMANCE

1. The Board invests surplus funds in accordance with its approved Treasury Management Strategy. The Strategy is reviewed by the Executive Committee each year, together with a report on the performance of the Board's financial investments.
2. The modest and short-term nature of the Board's available funds, and the current economic climate, mean that the income generated is relatively low.
3. The Board's existing Treasury Management Strategy has to date provided a sound basis for controlling its investments and managing its risk.
4. Details of the investments made in 2020 and 2021 in accordance with the Strategy, and their returns, are provided in Appendix B attached.
5. The returns generated from investments in 2020 were lower than in 2019 mainly due to moving the investments out of Clydesdale bank (26th June 2020). This was done as the

product term came to an end and the credit rating for Clydesdale no longer satisfied the requirements set out in the Investment Strategy. Funds have been held in Lloyds throughout the remainder of the year and the uncertainty of the pandemic. Returns have also been impacted by decreases in interest rates during 2020.

6. A review of alternative bank accounts and products was undertaken in December 2020 but no products available to the Board offered an improvement on the rates offered by Lloyds. Investment options will continue to be monitored through 2021.

SUPPORTING PAPERS

- Appendix A – Treasury Management Strategy
- Appendix B – Financial Investments

FEBRUARY 2021