

Urgent Update – Treasury Management

Agenda item 14 on today's agenda concerns the Treasury Management, Investment and Capital Strategies for 2021/22.

As part of this report, an increase is proposed to some of the counterparty limits within our current strategy. The rationale behind this is that over the past financial year the Council's cash balances have, at certain intervals, been significantly higher than anticipated prior to the onset of the Covid 19 pandemic and associated government interventions. The key reasons for this are the up-front payments received for section 31 grants (to compensate for reductions in business rates income payable by ratepayers) and Covid 19 Business Grants which, although only held by the Council for a short time before being paid out to businesses, are significant in terms of value.

If agreed by AGS committee and full Council on 24th February, the increased limits will come into effect from 1 April 2021.

This update explains that, in advance of the proposed increases in counterparty limits, the Council has unavoidably breached some of the limits within the existing strategy. The breach arises from receipt of the latest tranche of Covid-19 business grants funding, for which £12.4m was received from the government on Friday 15th January. This will shortly be paid over to businesses, but in the meantime the surplus cash has been allocated to counterparties in accordance with the limits proposed within the new strategy, and with reference to existing principles on managing credit and counterparty risk. All investments are held with highly rated institutions and money market funds, with the majority of cash being held in instant access accounts. Details are set out within the table below:

Accounts	Total Invested	Limit	Breach
Lloyds Bank Plc - Call Account	£5,000,000	£3,000,000	£2,000,000
Santander UK Plc - 35 Day Notice Account	£5,000,000	£3,000,000	£2,000,000
Handelsbanken AB - Instant Access Account	£5,000,000	£3,000,000	£2,000,000
Goldman Sachs MMF	£8,720,000	£8,000,000	£720,000
Standard Life MMF	£10,000,000	£8,000,000	£2,000,000
Federated MMF	£10,000,000	£8,000,000	£2,000,000
Totals	£43,720,000	£33,000,000	£10,720,000

Officers were made aware on 14th January that payment of this funding would arrive in the Council's bank account on 15th January. As local authorities around

the country will have received similar allocations, the scope for short term lending to other councils was extremely limited. Alternative options were to either retain the cash in our current account with Lloyds, or to allocate it to lower rated counterparties. These options were rejected to avoid the over concentration of risk in one area or compromising on the security of our cash deposits.

It is anticipated that cash balances will reduce at the beginning of week commencing 18th January after payments relating to Covid-19 business grants (£3.7m), housing benefit (£2.1m) and the Kent Business Rates Pool (£5.8m) leave the Council's bank account on Monday and Tuesday. Balances held with the above counterparties will therefore return to within the current limits on Tuesday 19th January, other than the balance with Santander, which is subject to 35 days notice.

There is a possibility that limits may be breached again between 15th and 22nd February, following receipt of housing benefit subsidy and further section 31 grant payments.

A verbal update on this matter will be provided at the meeting and officers will be happy to respond to any questions from members regarding this matter.