



South Downs
National Park Authority

Agenda Item 12
Report NPA21/22-16

Report to	South Downs National Park Authority
Date	16 December 2021
By	Chief Finance Officer
Title of Report	Annual Investment Strategy 2021/22: Amendment
Decision	

Recommendation: The Authority is recommended to

- 1. Note the current investment position of the Authority.**
- 2. Agree the addition of Goldman Sachs International Bank Limited and Standard Chartered Bank Limited as approved counterparties within the Authority's Annual Investment Strategy and delegate Authority to the Chief Finance Officer to amend table 7 of the Authority's Treasury Management Strategy 2021/22 accordingly, include the lending and duration limits identified in para 3.8 of the report.**

1. Introduction

- 1.1** The Authority approved the Treasury Management Strategy for 2021/22 on 25 March 2021, which incorporated the annual investment strategy for the year. This strategy outlines the Authority's permitted investment instruments, credit quality requirements, investment parameters and approved list of counterparties that the Authority can lend to.
- 1.2** In accordance with the Code of Practice for Treasury Management in Public Services and the Authority's Investment Strategy requirements, any changes to the annual investment strategy should be agreed by the Authority.

2. Policy Context

- 2.1** The Annual Investment Strategy is developed in accordance with the Code of Practice for Treasury Management in Public Services, issued by the Chartered Institute of Public Finance & Accountancy (CIFPA), and the Investment Guidance issued by the Secretary of State for the Ministry of Housing, Communities and Local Government.

3. Issues for consideration

Current Investment Position

- 3.1** The Treasury Management position as at Month 6 was reported to the Policy & Resources Committee on 25 November 2021. The Authority's investments as at 30 September 2021 were made up of the following:
 - £2m fixed deposit held with Santander (UK) plc.
 - The remaining cash balance is invested in Brighton & Hove City Council (£13.923m at 30 September 2021).

- 3.2 Over the last 18 months (following the reduction in the official Bank of England base rate in March 2020), the balance invested in Brighton & Hove City Council has increased significantly. This decision has been made as a result of the BHCC pooled investment rate earning more than the Authority could achieve by investing funds with external counterparties that meet the Authority's investment criteria. This strategy has served the Authority well as this has enabled investment income to be optimised during a period where very low interest rates have been prevalent in the financial markets, whilst also retaining strong security and liquidity in the investment portfolio.
- 3.3 Recent minutes from the Bank of England's Monetary Policy Committees have indicated that there may be pressure to increase the official Bank Rate sooner than the market previously expected. Markets had been pricing in rate increases as soon as December 2021, but this expectation has eased off, with February 2022 currently thought to be the earliest meeting where the Bank may change the official rate. The expectation of a rate change early next year has resulted in an increase in the investment rates now being offered by some counterparties. Officers have been monitoring this situation and there is now an opportunity to explore allocating some of the Authority's balances held with BHCC to external counterparties.

Investment Options

- 3.4 In the last few years, the Authority's external investments have been held with a combination of Santander Bank plc, Lloyds Bank plc and other Local Authorities. Whilst the Authority continues to invest with Santander Bank plc, unfortunately, the rates offered by other Local Authorities and by Lloyds Bank plc are not sufficiently attractive to warrant moving funds out of the BHCC pool.
- 3.5 Officers have reviewed the investment rates available for all counterparties that generally accept deposits from local authorities, both those that are already on the authority's approved lending list, and those that are not, but which, importantly, meet the Authority's minimum credit criteria.
- 3.6 The table below demonstrates the current fixed term investment rates available for counterparties, both on the Authority's approved list and those not on the list, that meet the authority's credit criteria. For comparison, the current BHCC pool rate is 0.30%, held on a liquid basis:

Counterparty	Credit Rating	On SDNPA Approved List?	6 month Rate	12 month rate
Santander UK plc	A	Yes	0.20%	0.35%
Lloyds Bank	A+	Yes	0.02%	0.05%
HSBC UK Bank plc	A+	Yes	n/a	n/a
Barclays Bank	A+	Yes	0.16%	0.26%
National Westminster Bank plc	A	Yes	0.28%	0.58%
Nationwide Building Society	A	Yes	0.15%	0.35%
Goldman Sachs International Bank	A+	No	0.33%	0.74%
Standard Chartered Bank	A	No	0.26%	0.63%
Other Local Authorities	N/A*	Yes	0.08%	0.15-20%

* Assumed as AA- which is in line with the UK's sovereign rating.

3.7 Officers are in the process of setting up an account with National Westminster Bank plc to enable the authority to take advantage of the rates offered by the bank.

3.8 Of the other counterparties reviewed, there are two counterparties that meet both the authority's credit criteria and are offering investment rates that will improve the authority's overall rate of investment return without compromising the security of the portfolio:

- **Goldman Sachs International Bank Limited**

Goldman Sachs is an A+ rated UK Bank, which, under the Authority's credit criteria, allows the counterparty to be added to the approved list with a maximum investment of £5m for 12 months.

- **Standard Chartered Bank Limited**

Standard Chartered is an A rated UK Bank, which, under the Authority's credit criteria, allows the counterparty to be added to the approved list with a maximum investment of £5m for 12 months.

3.9 It is therefore recommended that the Authority agrees to adding these two names to the Authority's approved list of counterparties. Adding these counterparties will enable better diversification of the Authority's investment portfolio by spreading the external investment portfolio over more counterparties, as well as enabling an improved return on the portfolio.

3.10 In addition, Standard Chartered are currently offering sustainable deposits for local authorities as one of their investment products. Money placed in a sustainable deposit is earmarked against the bank's investment in areas aligned with the United Nation's Sustainable Development Goals.

4. Options & Cost Implications

4.1 The recommendations within this report will result in an improved return on the Authority's investment portfolio and will therefore provide additional income to the 2021/22 forecast position. Any increase in income as a result of these proposals will be reported as part of Month 9 budget monitoring.

5. Next steps

5.1 It is proposed that if the Authority agrees these additions that delegated authority be given to the Chief Finance Officer to amend table 7 of the Authority's Treasury Management Strategy 2021/22 accordingly, include the lending and duration limits identified in para 3.8 of the report.

5.2 Officers will continue to keep the financial markets under review and take advice from our independent Treasury Advisers (LINK Asset Management) to identify further opportunities for improved investment returns while maintaining compliance with the Authority's security and liquidity requirements.

6. Other Implications

Implication	Yes*/No
Will further decisions be required by another committee/full authority?	No
Does the proposal raise any Resource implications?	No
How does the proposal represent Value for Money?	The proposal will improve the investment returns for the authority whilst maintaining a high level of security and diversification, thereby improving value for Money in treasury management.
Are there any Social Value implications arising from the	No

proposal?	
Have you taken regard of the South Downs National Park Authority's equality duty as contained within the Equality Act 2010?	There are no implications arising directly from this report.
Are there any Human Rights implications arising from the proposal?	No
Are there any Crime & Disorder implications arising from the proposal?	No
Are there any Health & Safety implications arising from the proposal?	No
Are there any Data Protection implications?	No
Are there any Sustainability implications based on the 5 principles set out in the SDNPA Sustainability Strategy.	Counterparties are increasingly developing opportunities to invest in sustainable industries and financial products. These may align with the principles set out in the Sustainability Strategy.

7. Risks Associated with the Proposed Decision

- 7.1 The two proposed counterparties meet the authority's minimum credit criteria and any new investments will be undertaken in line with the authority's Annual Investment Strategy. The risk of the authority's portfolio is measured regularly by officers using the benchmark risk factor.

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Appendices None
SDNPA Consultees Chief Executive; Head of Business Services; Monitoring Officer; SMT
External Consultees None
Background Documents Information in this report is taken from audited Financial Management Information Systems maintained by the Corporate Financial Services provider, Brighton & Hove City Council.
This report is presented in accordance with the Authority's Financial Regulations and Standard Financial Procedures.