



Cabinet 10 December 2013

Recommendations of the Performance and Audit Scrutiny Committee: Investment Activity 1 April to 30 September 2013 and Review of the Council's Treasury Management Strategy (Dec13/08)

1. Summary and reasons for recommendations

- 1.1 On 27 November 2013 the Performance and Audit Scrutiny Committee considered two Reports **E164** and **E163**, which had been scrutinised by the Treasury Management Sub-Committee on 18 November 2013.
- 1.2 Report **E164** provided an update on treasury management activity for the period 1 April to 30 September 2013.
- 1.3 Report **E163** provided the findings of the review carried out by the Council's appointed external consultants, PS Live on the Council's current Treasury Management Investment Strategy; an outline to the external support available for treasury management activities, and a summary of the external support presentations held at the Treasury Management Sub-Committee meeting held on 23 September 2013.

2. Recommendations

- 2.1 It is **RECOMMENDED** that:

(a) Investment Activity 1 April to 30 September 2013

The content of Report **E164**, being the Investment Activity report from 1 April to 30 September 2013, be noted.

(b) Review of the Council's Treasury Management Strategy

Subject to the approval of full Council:

- (1) Option C, as detailed in Report **E163** be approved and the potential use of Fund Managers be set out within the 2014/2015 Treasury Management Strategy; and

- (2) a procurement exercise on a potential Fund Manager be carried out during 2014/2015.

Contact details

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3. Corporate priorities

3.1 The recommendation meets the following, as contained within the Corporate Plan:

- (a) Corporate priority 3: *'Working together for an efficient Council'*.

4. Key issues

Investment Activity 1 April to 30 September 2013 (Report E164)

- 4.1 Following the Treasury Management Sub-Committee's consideration of Report **E164** on 18 November 2013, the Head of Resources and Performance verbally reported on the Sub-Committee's consideration of the report, which summarised the Treasury Management activity for the first six months of the 2013/2014 financial year.
- 4.2 The Sub-Committee had been advised that interest earned during the first six months of the financial year amounted to £0.239m against the profiled budget for the period of £0.282m; a budgetary deficit of £0.043m. This is due to a lower average rate of interest than projected during the period, i.e. an average rate of return of 1.317% against a target rate for the period of 1.50%. The reduction in the average interest rate is primarily due to the continued fall in rates being offered on both call accounts. In the current economic climate it is considered likely that the current low rates will continue for the remainder of this year.
- 4.3 The Sub-Committee had scrutinised the content of the report, asking questions of officers as necessary and suggested that a future Member Development session on Treasury Management be arranged, which the Head of Resources and Performance agreed to take forward.
- 4.4 There were no issues or recommendations needed to be brought to the attention of the Performance and Audit Scrutiny Committee on this occasion.

- 4.5 The Performance and Audit Scrutiny Committee discussed the Council's interest rate of return target of 1.5% and the Equalisation Earmarked Reserve to which comprehensive responses were provided.
- 4.6 There being no decision required, the Performance and Audit Scrutiny Committee **NOTED** the contents of the report.

Review of the Council's Treasury Management Strategy (Report E163)

- 4.7 Following the Treasury Management Sub-Committee's consideration of Report **E163** on 18 November 2013, the Head of Resources and Performance verbally reported to the Performance and Audit Scrutiny Committee on the Sub-Committee's consideration of the report and recommendation.
- 4.8 The report provided the findings of the review carried out by the Council's appointed external consultants, PS Live on the Council's current Treasury Management Investment Strategy; an outline to the external support available for treasury management activities, and a summary of the external support presentations held at the Treasury Management Sub-Committee meeting held on 23 September 2013.
- 4.9 Representatives from PS Live attended the Sub-Committee meeting and provided input to the meeting, which was held in open public session.
- 4.10 Officers consider the use of either a Treasury Management Advisor and/or the use of an external Fund Manager as the options available to support the Council's treasury management activities. Brokers are unable to offer any form of treasury management advice to the Council, so have been excluded from the three options set out in Section 5 of Report E163. The three options are:
- Option A – Treasury Management Advisors only
 - Option B - External Fund Managers only
 - Option C – Combination of both Option A and B.
- 4.11 Officers, in conjunction with the S151 Officer have identified the following areas of external support that are required to assist the Council in ensuring that the Council has in place the necessary framework to ensure the effective management and control of treasury management activities:
- (a) Advice and guidance on preparation of treasury management annual investment strategy including advice on:
 - (i) The structure and timing of investment and borrowing decisions;
 - (ii) Investment parameters/limits;
 - (iii) Interests rate forecast – including short and medium term forecast of Bank of England Base Rate, Public Works Loans Board, London Inter-Bank Offer Rate, inflation and investment returns;
 - (b) economic analysis, including commentary on market movements, Monetary Policy Committee meetings and Bank of England inflation reports;
 - (c) advice on investment counter-party creditworthiness and regular alerts for changes in creditworthiness;
 - (d) appraisal of different investment products and debt instruments; and
 - (e) training for officers and Members.

4.12 The Sub-Committee had examined the three options in detail, in particular the use of external fund managers and asked a number of questions to which the Head of Resources and Performance and representatives from PS Live provided comprehensive responses.

4.13 The Performance and Audit Committee then considered the report in detail and has put forward recommendations as provided in Section 2(b).

5. Other options considered

5.1 See Reports E164 and E163 to Treasury Management Sub-Committee.

6. Community impact

6.1 See Reports E164 and E163 to Treasury Management Sub-Committee.

7. Consultation

7.1 See Reports E164 and E163 to Treasury Management Sub-Committee.

8. Financial and resource implications *(including asset management implications)*

8.1 See Reports E164 and E163 to Treasury Management Sub-Committee.

9. Risk/opportunity assessment *(potential hazards or opportunities affecting corporate, service or project objectives)*

9.1 See Reports E164 and E163 to Treasury Management Sub-Committee.

10. Legal and policy implications

10.1 See Reports E164 and E163.

11. Wards affected

11.1 All Wards.

12. Background papers

12.1 Report E164 to Treasury Management Sub-Committee: Investment Activity
1 April to 30 September 2013

Report E163 to Treasury Management Sub-Committee: Review of the Council's
Treasury Management Strategy

13. Documents attached

None.