

Treasury Management Sub-Committee



St Edmundsbury
BOROUGH COUNCIL

Minutes of a meeting of the **Treasury Management Sub-Committee** held on **Monday 16 July 2018** at **10.30 am** in the **Mayors Parlour, West Suffolk House**, Western Way, Bury St Edmunds IP33 3YU

Present: **Councillors**

Chairman Sarah Broughton

David Roach

Patricia Warby

By Invitation:

Ian Houlder, Cabinet Member for Resources and Performance

This being the first meeting of the Treasury Management Sub-Committee since the Council's Annual General Meeting on 17 May 2018, the Democratic Services Officer (Scrutiny) opened the meeting.

74. **Substitutes**

There were no substitutes declared.

75. **Apologies for Absence**

There were no apologies for absence received.

76. **Election of Chairman - 2018-2019**

Councillor Patricia Warby nominated Councillor Sarah Broughton as Chairman. This was duly seconded by Councillor David Roach, and with the vote being unanimous, it was

RESOLVED:

That Councillor Sarah Broughton be elected Chairman of the Sub-Committee for 2018-2019.

Councillor Sarah Broughton then took the Chair for the remainder of the meeting.

77. **Minutes**

The minutes of the meeting held on 22 January 2018, were confirmed as an accurate record and signed by the Chairman.

78. **Public Participation**

There were no questions/statements from members of the public.

79. **Annual Treasury Management Report (2017-2018) and Investment Activity (1 April to 30 June 2018)**

The Sub-Committee received Report No: TMS/SE/18/003 which:

- (a) Presented the Council's Annual Treasury Management Report, summarising the investment activities for the year 2017-2018; and
- (b) Provided a summary of the investment activities for the first three months of the 2018-2019 financial year.

(a) Annual Treasury Management Report 2017-2018

The Council's Annual Treasury Management Report for 2017-2018 was attached as Appendix 1 to Report No: TMS/SE/18/003. The report included tables which summarised the interest earned during 2017-2018 on the various treasury investments held by the Council; investment activity during the year and investments held as at 31 March 2018.

The budget income from investments in 2017-2018 was £253,000 (average rate of return 0.55%). Interest actually earned during the year totalled £292,825 (average rate of return of 0.571%); an over-achievement in interest of £39,825, and an over-achievement of 0.021% on average rate of return. The over-achievement of interest earned was primarily due to higher cash balances being held during the year than originally budgeted for.

The Sub-Committee scrutinised the Annual Treasury Management Report 2017-2018, and asked questions to which responses were provided.

In response to a question raised regarding the over-achievement in interest earned, member were informed that a key contributor was on money held to support the Councils capital programme. To try and overcome timing issues, officers were carrying out profiling work to phase out capital spend across a projects life rather than to place it all into the first year of the project.

It was proposed by Councillor David Roach, seconded by Councillor Patricia Warby and with the vote being unanimous, it was

RECOMMENDED:

That the Annual Treasury Management Report 2017-2018, attached as Appendix 1 to Report No: TMS/SE/18/003, be approved.

(b) Investment Activity 1 April to 30 June 2018

The total amount invested at 1 April 2018 was £36.35m and at 30 June 2018 it was £40.15m. The increase in balances over the period was due primarily to timing differences in respect of collection of local taxes; Council Tax and Non-Domestic Rates and payments of precepts i.e. to Suffolk County Council, Suffolk Police and central government.

The 2018-2019 Annual Treasury Management and Investment Strategy Statements sets out the Council's projections for the current financial year. The budget for investment income in 2018-2019 was £308,000 which was based on a 0.70% target average rate of return on investments.

At the end of June 2018, interest earned during the first quarter amounted to £68,693 (average rate of return 0.636%) against a profiled budget of £77,000 (average rate of return 0.70%), creating a budgetary deficit of £8,306. The deficit related to lower than anticipated interest rates offered by lenders.

The Service Manager (Finance and Performance) explained that the Council's Treasury Advisors had advised on increasing the interest rate to 0.70%. However, the Council was currently not meeting that rate, but officers were working towards achieving this.

The report also included for the first time, assumptions on borrowing for capital projects included within it. The borrowing was based around four specific projects as per their agreed business cases:

- West Suffolk Operational Hub
- Suffolk Business Park Loan
- Investing in our Growth Fund; and
- Olding Road (DHL Depot)

The report included a summary of the capital borrowing budget for 2018-2019, and a summary of capital borrowing for quarter one – all of which is currently internally borrowed from the Councils overall cash balances. As at the end of quarter one, there had been no requirement to borrow externally, therefore there was no interest payable in quarter one.

The Sub-Committee scrutinised the Investment Activity for 1 April 2018 to 30 June 2018, and asked a number of questions to which responses were provided. In particular discussions were held on the new section in the report on borrowing and capital financing costs. The Sub-Committee suggested including in future quarter reporting:

- Reference to total project costs.
- The percentage rate of interest returned over the period of investment after borrowing to provide context to the investment decisions made.
- The Investing in our Growth Fund be split to show the various projects being funded from therein.

The Chairman on behalf of the Sub-Committee stated that the borrowing information was really useful, and this would evolve further in future quarter reporting.

There being no decision required, the Sub-Committee **noted** the quarter one investment activity.

80. **Date of Next Meetings**

The Sub-Committee **noted** that the next meetings of the Sub-Committee would be held on Monday 19 November 2018 and Monday 21 January 2019. Both meetings to commence at 10.30am.

The Meeting concluded at 11.10 am

Signed by:

Chairman
