

Treasury Management Sub Committee



St Edmundsbury
BOROUGH COUNCIL

Title:	Agenda
Date:	Monday 19 November 2018
Time:	10.30 am
Venue:	Mayor's Parlour West Suffolk House Western Way Bury St Edmunds
Full Members:	Chairman Sarah Broughton <i>Conservative Members (3)</i> Sarah Broughton Patricia Warby David Roach
Substitutes:	<i>Conservative Members (1)</i> Andrew Smith
By invitation:	Ian Houlder, Portfolio Holder for Resources and Performance
Interests – Declaration and Restriction on Participation:	Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest.
Quorum:	Three Members
Committee administrator:	Christine Brain Democratic Services Officer (Scrutiny) Tel: 01638 719729 Email: christine.brain@westsuffolk.gov.uk

Public Information



St Edmundsbury
BOROUGH COUNCIL

Venue:	West Suffolk House Western Way Bury St Edmunds Suffolk IP33 3YU	Tel: 01284 757120 Email: democratic.services@westsuffolk.gov.uk Web: www.stedmundsbury.gov.uk
Access to agenda and reports before the meeting:	Copies of the agenda and reports are open for public inspection at the above address at least five clear days before the meeting. They are also available to view on our website.	
Attendance at meetings:	The Borough Council actively welcomes members of the public and the press to attend its meetings and holds as many of its meetings as possible in public.	
Public participation:	Members of the public who live or work in the Borough are invited to put one question or statement of not more than three minutes duration relating to items to be discussed in Part 1 of the agenda only. If a question is asked and answered within three minutes, the person who asked the question may ask a supplementary question that arises from the reply. A person who wishes to speak must register at least 15 minutes before the time the meeting is scheduled to start. There is an overall time limit of 15 minutes for public speaking, which may be extended at the Chairman's discretion.	
Disabled access:	West Suffolk House has facilities for people with mobility impairments including a lift and wheelchair accessible WCs. However in the event of an emergency use of the lift is restricted for health and safety reasons. Visitor parking is at the car park at the front of the building and there are a number of accessible spaces.	
Induction loop:	An Induction loop is available for meetings held in the Conference Chamber.	
Recording of meetings:	The Council may record this meeting and permits members of the public and media to record or broadcast it as well (when the media and public are not lawfully excluded). Any member of the public who attends a meeting and objects to being filmed should advise the Committee Administrator who will instruct that they are not included in the filming.	
Personal Information:	Any personal information processed by Forest Heath District Council or St Edmundsbury Borough Council arising from a request to speak at a public meeting under the Localism Act 2011, will be protected in accordance with the Data Protection Act 2018. For more information on how we do this and your rights in regards to your personal information and how to access it, visit our website: https://www.westsuffolk.gov.uk/Council/Data_and_information/howweuseinformation.cfm or call Customer Services: 01284 763233 and ask to speak to the Data Protection Officer.	

Agenda

Procedural Matters

Part 1 - Public

1. Substitutes

Any Member who is substituting for another Member should so indicate, together with the name of the relevant absent Member.

2. Apologies for Absence

3. Minutes

1 - 4

To confirm the minutes of the meeting held on 16 July 2018 (copy attached).

4. Public Participation

Members of the public who live or work in the Borough are invited to put one question / statement of not more than 3 minutes duration relating to items to be discussed in Part 1 of the agenda only. If a question is asked and answered within 3 minutes, the person who asked the question may ask a supplementary question that arises from the reply.

A person who wishes to speak must register at least 15 minutes before the time of the meeting is scheduled to start. There is an overall limit of 15 minutes for public speaking, which may be extended at the Chairman's discretion.

5. Mid-Year Treasury Management Report 2018-2019 and Investment Activity (1 April to 30 September 2018)

5 - 12

Report No: **TMS/SE/18/004**

6. Date of Next Meeting

The next meeting of the Sub-Committee has been set for Monday 21 January 2019, to commence at 10.30am.

Part 2 – Exempt

NONE

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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

Treasury Management Sub-Committee



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Mid-Year Treasury Management Report 2018/2019 and Investment Activity 1 April to 30 September 2018	
Report No:	TMS/SE/18/004	
Report to and dates:	Treasury Management Sub-Committee	19 November 2018
	Performance and Audit Scrutiny Committee	28 November 2018
	Joint Executive (Cabinet) Committee	11 December 2018
	Council	18 December 2018
Portfolio holder:	Councillor Ian Houlder Portfolio Holder for Resources and Performance Tel: 01284 810074 Email: ian.houlder@stedsbc.gov.uk	
Lead officer:	Gregory Stevenson Service Manager (Finance and Performance) Tel: 01284 757264 Email: gregory.stevenson@westsuffolk.gov.uk	
Purpose of report:	To present the Council's Mid-Year Treasury Management Report summarising the investment activities for the period to 30 September 2018.	
Recommendation:	<p>It is <u>RECOMMENDED</u> that, the Treasury Management Sub-Committee:</p> <p>Makes recommendations as appropriate, via the Performance and Audit Scrutiny Committee to Cabinet and Council regarding the approval of the Mid-Year Treasury Management Report for 2018-2019.</p>	

<p>Key Decision:</p> <p><i>(Check the appropriate box and delete all those that do not apply.)</i></p>	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>Yes, it is a Key Decision - <input type="checkbox"/></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p>
<p>Consultation:</p>	<ul style="list-style-type: none"> Treasury management activities are undertaken in consultation with Link Asset (the Council's appointed Treasury Management advisers) and also takes into account information obtained from investment brokers and other economic commentators. This committee provides for the scrutiny of treasury management strategies and performance, with changes in strategies and policies subject to approval by the Joint Executive (Cabinet) and Council.
<p>Alternative option(s):</p>	<ul style="list-style-type: none"> Options for the management of Council investments are formally considered within the annual treasury management and investment strategy. This includes key strategies in respect of the maintenance of the Council's debt free status, the continuation of in-house management of funds, and the approach to be adopted in establishing the credit worthiness of potential counterparties. The changing nature of the economic climate requires that these key areas are subject to on-going review.
<p>Implications:</p>	
<p>Are there any financial implications? <i>If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> Please refer to main report
<p>Are there any staffing implications? <i>If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none">
<p>Are there any ICT implications? <i>If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none">
<p>Are there any legal and/or policy implications? <i>If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2017/18. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

Are there any <i>equality</i> implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
	Low/Medium/ High*		Low/Medium/ High*
Fluctuations in interest rates or in projected cash flows having significant impact on budgeted investment income.	High	Spread of investments for periods of up to two years. Budget monitoring and quarterly performance reports. Use of interest equalisation reserve to smooth out year-on-year fluctuations	Medium
Bank / building society failure resulting in loss of Council funds.	High	Use of Sector advice on counterparty credit ratings (based on Fitch and Moody ratings) and the setting of lending limits. Use of non-rated building societies based on asset base and additional credit checks.	Medium
Ward(s) affected:		All Wards	
Background papers:		Annual Treasury Management and Investment Strategy – 2018/19 (COU/SE/18/002) Annual Treasury Management and Investment Strategy Statements (report COU/SE/18/002 approved 20 February 2018)	
Documents attached:		N/A	

1. Mid-Year Monitoring Report 2018/19

Investment Activity: 1 April to 30 September 2018

- 1.1.1 The total amount invested at 1 April 2018 was £36.35m and at 30 September 2018 £44.95m. The increase in balances over this period was due primarily to timing differences in respect of the collection of local taxes (Council Tax and Non Domestic Rates), the payment of precepts (i.e. to Suffolk County Council, Suffolk Police and central government) and changes in the profile of the Capital Programme.
- 1.1.2 The 2018/19 Annual Treasury Management and Investment Strategy Statements (report COU/SE/18/002 approved 20 February 2018) sets out the Council's projections for the current financial year. The budget for investment income in 2018/19 is £308,000 which is based on a 0.70% target average rate of return on investments.
- 1.1.3 As at the end of September 2018 interest actually earned during the first six months of the financial year amounted to £155,169 (average rate of return of 0.688%) against a profiled budget for the period of £154,000 (average rate of return of 0.70%); a budgetary surplus of £1,169.
- 1.1.4 The table below summaries the interest earned and the average rate of return achieved and compares with the LIBOR 3 month average at 30 September 2018.

INTEREST EARNED & AVERAGE RATE OF RETURN SUMMARY			
Investment Category	Total Average Investment	Average Rate of Return (%)	Interest Earned
Temporary Investments (Term Deposits)	1,902,439	0.679%	104,531
Bank of Scotland Current Account	1,715,819	0.411%	3,534
Barclays Reserve Account	4,485,525	0.400%	8,996
NatWest Call Account	92,521	0.010%	4
Clydesdale 30 Day Account	81	0.250%	0
Bank of Scotland Base Plus Account	324	0.250%	0
Santander 365 Day Account	8,000,000	0.950%	38,104
Total Overall Average Return on Investments %			0.688%
Total Interest Earned - 1 April 2018 to 30 September 2018			£155,169
LIBOR 3 month Average			0.686%

1.1.5 The table below summarises the investment activities during the period:

TREASURY MANAGEMENT – INVESTMENT ACTIVITY SUMMARY	
	2018/19
Opening Balance 01 April 2018	36,350,000
Investments made during the year (including transfers to business reserve accounts)	61,700,000
Sub Total	98,050,000
Investments realised during the year (including withdrawals from business reserve accounts)	53,100,000
Closing Balance 30 June 2018	44,950,000

1.1.6 The table below shows the list of investments held as at 30 September 2018:

Investments held as at 30 September 2018				
Counterparty	Principal Amount	Interest Rate	Date Loaned	Date Returned
Newcastle B/Soc	1,000,000	0.98%	19/03/18	19/03/19
Newcastle B/Soc	2,000,000	0.82%	03/04/18	03/10/18
Newcastle B/Soc	2,000,000	0.85%	05/04/18	15/10/18
Newcastle B/Soc	1,000,000	0.82%	09/05/18	12/11/18
National Counties B/Soc	1,500,000	0.80%	15/05/18	15/11/18
Nottingham B/Soc	1,500,000	0.77%	15/05/18	19/11/18
Coventry B/Soc	3,500,000	0.69%	05/06/18	19/12/18
Principality B/Soc	1,000,000	0.78%	11/07/18	22/02/19
Principality B/Soc	1,000,000	0.78%	16/07/18	18/02/19
National Counties B/Soc	2,500,000	0.88%	01/08/18	15/02/19
Coventry B/Soc	3,000,000	0.81%	15/08/18	19/03/19
Yorkshire B/Soc	4,000,000	0.71%	03/09/18	22/10/18
Yorkshire B/Soc	2,000,000	0.71%	03/09/18	19/11/18
Nottingham B/Society	3,000,000	0.86%	03/09/18	04/03/19
Leeds B/Soc	2,000,000	0.82%	26/09/18	19/02/19
Santander 365 Day	8,000,000	0.95%	365 day	notice
Bank of Scotland C/A	2,700,000	0.65%	Call	
Barclays Reserve	3,200,000	0.40%	Call	
NatWest Call Account	50,000	0.01%	Call	
TOTAL	44,950,000			

1.1.7 The table below shows a summary of the funds held as at 30 September 2018, the Budget and Council Tax 2018/19 (report COU/SE/18/004 approved 20 February 2018) report shows the planned spending profile for these reserves/balances across the medium term financial period:

SUMMARY OF FUNDS HELD*	
Fund	£
Earmarked Revenue Reserves	£22,468,664
Capital Receipts Reserves	£16,873,865
General Funds Reserve	£3,035,725
Cashflow Balances	£2,571,746
Total Value of Investments	£44,950,000

*Further details of funds held by the Council can be found in the Quarterly Budget Outturn Reports presented to Performance and Audit Scrutiny Committee.

2. Borrowing and Capital Costs

2.1.1 The 2018/19 Budget has, for the first time, assumptions on borrowing for capital projects included within it. This borrowing was based around four specific projects:

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

The detail on these Budgets is laid out below:

SUMMARY OF CAPITAL BORROWING BUDGET 2018/19			
Project	External Borrowing	Minimum Revenue Provision (MRP)	Interest Payable
West Suffolk Operational Hub	£5,550,000	£0	£0
Suffolk Business Park Loan	£3,000,000	£0	£0
Investing in our Growth Fund	£20,000,000	£600,000	£412,500
Olding Road DHL Depot	£0	£197,750	£128,250
Total Value of Investments	£28,550,000	£797,750	£540,750

The position on each of these projects for the full year of 2018/19 is forecast as below:

SUMMARY OF CAPITAL BORROWING Q2 FORECAST 2018/19				
Project	External Borrowing	Use of Available Revenue Reserves (in place of External Borrowing)	Minimum Revenue Provision (MRP)	Interest Payable
West Suffolk Operational Hub	£0	£892,900	£0	£0
Suffolk Business Park Loan	£0	£0	£0	£0
Investing in our Growth Fund	£0	£1,955,000	£48,839	£0
Olding Road DHL Depot	£0	£0	£193,672	£0
Total Value of Investments	£0	£2,847,900	£242,511	£0

2.1.2 This forecast position has moved due to the following reasons:

- Suffolk Business Park Loan facility no longer being required.
- £1.955m of the Growth Fund being invested in 20 High Street Haverhill which did not require external borrowing
- Lack of suitable investment opportunities for the investing in our growth fund
- The purchase of Olding Road DHL Depot did not require external borrowing.

The impact of these changes is a reduction in forecast Interest Payable of £540,750 in 2018/19.

2.1.3 As opportunities for growth fund investment arise the borrowing and MRP position will be reviewed as each business case is developed.

2.1.4 As at the end of Quarter 2 there has been no requirement to borrow externally. Therefore there is no interest payable.

3. Other Market Considerations

3.1.1 With uncertainty still surrounding the Brexit negotiations, the financial markets still remain volatile with low rates of return still being offered by the banks and building societies. The treasury team will continue to closely monitor the situation and provide undated information as it becomes available.

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