

Cabinet



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Recommendations of the Performance and Audit Scrutiny Committee: 24 November 2016 – Mid-Year Treasury Management Performance Report and Investment Activity (April – September 2016)	
Report No:	CAB/SE/16/062	
Report to and dates:	Cabinet	8 December 2016
	Council	20 December 2016
Portfolio Holder:	Ian Houlder Portfolio Holder for Resources and Performance Tel: 01284 810074 Email: ian.houlder@stedsbc.gov.uk	
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Purpose of report:	On 24 November 2016, the Performance and Audit Scrutiny Committee received Report No: TMS/SE/16/004 , which had been scrutinised by the Treasury Management Sub-Committee on 21 November 2016. The report provided information on: (a) the Council's Mid-Year Treasury Management Report summarising the investment activities for the period to 30 September 2016;	

	(b) the use of Chief Executive's Urgency Powers to increase counterparty investment limits from October 2016; and		
	(c) that the use of Enhanced Cash Funds be included in the list of authorised investments that can be used.		
Recommendations:	<p>It is <u>RECOMMENDED</u> that, subject to the approval of full Council:</p> <p>(1) the Mid-Year Treasury Management Report 2016-2017, attached at Appendix 1 to Report No: TMS/SE/SE/004, be approved; and</p> <p>(2) the addition of Enhanced Cash Funds to the authorised investments list in the St Edmundsbury Borough Council Treasury Management and Investment Strategy and Code of Practice, attached as Appendices 2 and 3 to Report No: TMS/SE/16/004, be approved.</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>As it is a full Council decision</p>		
Consultation:	<ul style="list-style-type: none"> See Report No: TMS/SE/16/004 		
Alternative option(s):	<ul style="list-style-type: none"> See Report No: TMS/SE/16/004 		
Implications:			
Are there any financial implications? <i>If yes, please give details</i>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> See Report No: TMS/SE/16/004 		
Are there any staffing implications? <i>If yes, please give details</i>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> See Report No: TMS/SE/16/004 		
Are there any ICT implications? <i>If yes, please give details</i>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> See Report No: TMS/SE/16/004 		
Are there any legal and/or policy implications? <i>If yes, please give details</i>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> See Report No: TMS/SE/16/004 		
Are there any equality implications? <i>If yes, please give details</i>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> See Report No: TMS/SE/16/004 		
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)
See Report No: TMS/SE/16/004			

Wards affected:	All Wards
Background papers: <i>(all background papers are to be published on the website and a link included)</i>	Annual Treasury Management and Investment Strategy 2016-2017 (Report No: TMS/SE/16/002 refers)
Documents attached:	None

1. Key issues and reasons for recommendation

1.1 Mid-Year Monitoring Report 2016-2017 and Investment Activity (April to September 2016)

- 1.1.1 Following the Treasury Management Sub-Committee's consideration of Report No: TMS/SE/16/004 on 21 November 2016, the Head of Resources and Performance verbally reported on the Sub-Committee's consideration of the report, which:
- (a) provided a summary of investment activities for the first six months of 2016-2017;
 - (b) updated the Sub-Committee on the use of the Chief Executive's Urgency Powers to increase counterparty investment limits from October 2016; and
 - (c) requested the use of Enhanced Cash Funds be included in the list of authorised investments that could be used.
- 1.1.2 The Treasury Management Sub-Committee had scrutinised the investment activity from 1 April to 30 September 2016, asking questions of officers to which responses were provided.

1.2 Increases in Investment Counterparty Limits

- 1.2.1 With the recent reduction in the Bank of England base rate, it has become increasingly difficult to find suitable investment counterparties, with many withdrawing from the market and others offering less than base rate in return. To achieve reasonable rates of return on investments the Treasury team sort approval to increase our counterparty limits in order to be able to secure more favourable rates with the banks and investments houses still in the market place.
- 1.2.2 Following consultation between the Chief Executive, Head of Resources and Performance (Section 151 officer), Members of the Treasury Management Sub-Committee, Vice Chairman of the Overview and Scrutiny Committee and Capita, the council's treasury advisors, the Chief Executive exercised his "Use of Chief Executive's Urgency Powers" to approve the increase in counterparty limits.
- 1.2.3 The Treasury Management Sub-Committee **noted** the amendments which had been made to the Treasury Management Code of Practice 2016/17 (Appendix 3); and the amendments made to sections 22, 23, and 26 of the Annual Treasury Management and Investment Strategy Statements 2016/17 (Appendix 2).

1.3 Enhanced Cash Funds

- 1.3.1 With the Bank of England base rate at a record low of 0.25% and the introduction of a further £100bn of funds into the market, it is becoming increasing difficult to achieve a good rate of return on investments.

1.3.2 In an attempt to mitigate some of this lost return the Treasury Management Sub-Committee via the Performance and Audit Scrutiny Committee was asked to approve the use of Enhanced Cash Funds as an alternative investment vehicle to the more traditional fixed term deposits with banks and building societies.

1.3.3 The Sub-Committee discussed in detail enhanced cash funds and asked questions of officers, to which responses were provided. In particular, Members were advised that the Council's treasury advisers (Sector) had recommended that in order to manage any potential market volatility, such funds should have a minimum investment period of three to six months, although funds could be withdrawn with notice varying from one to five days depending on the funds.

1.4 **Performance and Audit Scrutiny Committee**

1.4.1 The Performance and Audit Scrutiny Committee considered the report and asked questions to which officers duly responded.

1.4.2 The Performance and Audit Scrutiny Committee **noted** the increased investment counterparty limits, which had previously been agreed by the Chief Executive under his Urgency Powers.

1.4.3 The Performance and Audit Scrutiny Committee has put forward recommendations as set out on page two of this report.