

**MINUTES**

of the

**TREASURY MANAGEMENT SUB-COMMITTEE**

held on 20 June 2019 at 7pm

Present:

Councillor C.K. Davidson (Chair), Councillors M.W. Bracken, D.J.R. Clark, P.H. Clark and J. Galley

**1. Apologies for Absence and Substitutions**

Apologies for absence were received from Councillor Raven. Councillor Galley was appointed as substitute for Councillor Raven.

**2. Minutes**

The minutes of the meeting held on 17 December 2018 were confirmed as a correct record and signed by the Chair.

**3. Public Question Time**

There were no questions from members of the public.

**4. Declaration of Interests**

All Members were reminded to declare any Disclosable Pecuniary interests or other registerable interests where appropriate in any items of business on the meeting's agenda. None were made.

**5. Treasury Management Outturn Report 2018/19**

The Sub-Committee considered a draft report to the Cabinet on 1 July 2019 regarding the Treasury Management outturn for 2018/19. It was noted that under statute and the CIPFA code on Treasury Management, members were required to receive a report on the Treasury Management activities that took place on 2018/19.

The report contained a review of the overall Treasury Management functions including rates of return on investments in 2018/19. It was noted that during the financial year, Treasury Management had operated within the Council's Policies and Prudential indicators.

The Sub-Committee was informed that paragraph 3.3 of the report detailed that the total invested sum had decreased but this was due to capital spending on projects such as the Riverside redevelopment. The Sub-Committee was also informed that the total sum invested did vary throughout the year due to changes such as Council tax collection.

**RESOLVED** that the Treasury Management Outturn Report for 2018/19 before the Sub-Committee be endorsed and recommended to Cabinet for approval.

*(7pm to 7.13pm)*

### **Exclusion of the Public**

**RESOLVED** that under Section 100A (4) of the Local Government Act 1972 the public be excluded from the meeting for Item 6 on the grounds that it involved the likely disclosure of exempt information falling within paragraph 3 of Part 1 of Schedule 12A to the Act.

#### **6. Strategic Investment Proposals**

The Sub-Committee received a report asking them to consider the risks and benefits of investing a further £10m in external funds. The Sub-Committee was informed that in February 2019, Full Council had requested that the Sub-Committee consider the issue.

The Sub-Committee were taken through the appendix to the report which was from the Council's treasury advisors and detailed a recommended portfolio of strategic funds. They were asked to consider if they were sufficiently beneficial to undertake and that they were within the risk appetite of the Council and that the risk alleviations were appropriate.

A member of the Sub-Committee expressed their considerable concerns that the Council was proposing to invest additional funds externally in addition to the large sum already invested. He stated that the risk was too high and that once invested the money was outside of the Council's control. He stated that risk levels were very high globally due to areas of uncertainty and that investing a further £10m externally was unnecessary, especially before knowing the plans of the new administration.

The Council's treasury advisors Arlingclose introduced the proposed portfolio to the Sub-Committee. The Sub-Committee was informed that Arlingclose mainly worked with local authorities and were paid an annual fee for providing advice on treasury management. Arlingclose stated that the Council had maintained a considerable investment directly managed investment portfolio for a significant period alongside not having to borrow money from other sources. However, as these funds were invested in cash based products, those funds had produced returns below the level of inflation. Members were informed that the portfolio targeted an interest rate of 4% p/a but were reminded that past performance was not a guaranteed indicator for the future.

In response to questions from members, Arlingclose and Council officers informed them that;

- It was possible to withdraw from the CCLA fund if one month's notice was provided. The other proposed funds had shorter settlement terms.
- The CCLA property fund investment contained a £1.7m unrealised capital gain.
- There would always be a risk with any investment but that the portfolio had been selected to be in line with the Council's appetite for risk. The portfolio was also designed to reduce volatility in its value by being comprised of contrasting funds.
- The portfolio offered a good return but would increase risk, however most of Arlingclose's local authority clients were undertaking this approach.
- A breakdown of the derivatives on each fund would be provided by Arlingclose after the meeting.

- The Sub-Committee were being asked to consider the risk appetite detailed in the portfolio. The monitoring of each fund would be undertaken by Arlingclose and the Director of Finance would undertake actions such as fund withdrawals should a trend of underperformance occur.
- Each fund in the portfolio was closely monitored by Arlingclose and meetings with each fund manager took place at least twice a year.
- The amount of money available to invest did vary due to use of reserves, Community Infrastructure Levy income, business rates and other factors.
- The uncertainty of Brexit was a concern for many issues moving forward, but the portfolio had been designed to be diverse and Arlingclose were confident in its composition. Events like Brexit should be seen as having temporary effects on fund values and by holding the funds long term should ensure long term preservation of investment values.
- The £10m available need not be invested immediately and the phasing of any investments would be considered.
- Corporate bonds had been selected for the portfolio over equity bonds as they were less volatile and are suited the Council's risk appetite.
- Many local authorities had both investments and borrowing, it was not uncommon.

All Members agreed that any investment was a risk, but the majority held the view that this additional £10m investment with external fund managers was an acceptable level of risk and within the Council's risk appetite. The Sub-Committee agreed that they were happy with the portfolio and strategy and that it would then be up to officers to manage the investments with the treasury advisors.

Councillor P Clark asked that his concerns be noted and that he was not in favour of the additional investment.

**RESOLVED** that the Sub-Committee;

1. had considered the risks and benefits of a further £10m investment in strategic external funds and;
2. agreed that the recommended portfolio of strategic funds identified by the Council's treasury management advisors is sufficiently beneficial to undertake, that it is within the risk appetite of the Council and that the risk alleviations are appropriate.

*(7.14pm to 8.43pm)*

## 7. **Urgent Business**

There were no matters of urgent business brought before the Sub-Committee.

The meeting closed at 8.32pm.

Chair