

MINUTES OF THE TREASURY MANAGEMENT AND INVESTMENT SUB COMMITTEE

held on 21 June 2021 at 7.00pm

Present:

Councillor C.K. Davidson (Chair)

Councillors M.W. Bracken, D.J.R. Clark, J. Galley, A.B. Sosin and R.T Whitehead

1. Apologies for Absence and Substitutions

Apologies for absence were received from Cllr B Knight.

2. Minutes

The minutes of the meeting held on 14 December 2020 were agreed as a correct record and signed by the Chair.

The Sub-Committee were informed that the Accountancy Services Manager was now also the Section 151 officer.

3. 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.

4. Public Question Time

No questions were asked or statements made.

5. Treasury Management Outturn Report 2020/21

The Sub-Committee considered a draft report to the Cabinet on 13 July 2021, regarding the Treasury Management Outturn for 2020/21. 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 2020/21.

The report contained a review of the overall Treasury Management functions including rates of return on investments in 2020/21. It was noted by the Sub-Committee that during the year, there had been no breaches of the Treasury Management Strategy. The Sub-Committee was informed that the CCLA fund had produced £278k of income during 2020/21 but there had been a slight downward fluctuation in capital value of £46k, therefore the unrealised capital gain to date was £1.4m. It was noted that more importantly the total returns from the fund continued

to far exceed what could be achieved from cash investments. The Sub-Committee also heard that the fund should be exited only to avoid long-term losses.

The Sub-Committee was informed that the Council's investment holdings on 31st March 2020 were £50.4m and £47m on 31st March 2021. It was noted that interest earnings were £0.44m, a lower yield due to the pandemic, the return on investments was 0.62% compared to the previous return of 1.25%. The Committee heard that as a summary, the Council's Treasury Management had operated within approved parameters, had resulted in no realised losses and delivered a £0.44m incomes to support Council services. It was noted that investment returns of the City Council were benchmarked against other authorities. This identified that the City Council was only 50th best out 143 Councils reviewed, the better performing Councils invested more funds with external managers.

It was highlighted to the sub-committee that a dis-proportionately large share of the Council's investment income comes from the CCLA property fund which represents only a small share of total Council investments.

The statutory indicators in Appendix C to the report were highlighted to the Sub-Committee and officers informed them a review of these was intended for a future meeting.

In response to questions from members, the Sub-Committee was informed that;

- Future negative interest rates did not look as likely as they had at times during the previous financial year.
- Officers would circulate information on the low interest rates with counterparties after the meeting.
- The Council's Treasury advisors had identified negative interest rates as a risk, and their solution would be to lock into longer term fixed rates in advance. This would not however always be possible and it was likely that the Council would have to pay financial institutions to hold Council funds in the event of negative interest rates.

Members of the Sub-Committee noted that despite the financial disruption caused by the pandemic, the CCLA property fund had continued to perform well and had produced a very positive return compared to other investments available.

RESOLVED that the Treasury Management Outturn Report for 2020/21 before the Sub-Committee be endorsed and recommended to Cabinet for approval.

(7.02pm to 7.12pm)

6. [Expected Treasury Management Activity 2021/22](#)

The Sub-Committee received a report providing them with an outlook for Treasury management activity in 2021/22. It was noted that the Accountancy Services Manager was responsible under delegation to operate treasury management activity within the parameters set in the strategy. The Sub-Committee heard that in June 2019, advice was provided from the Council's Treasury advisors to invest higher

amounts with fund managers but due to the pandemic this had not taken place. The Sub-Committee was informed that this had now been revisited by officers and a £10m investment would be taking place, to enable the Council to preserve capital and increase yield. It was noted that the plans were slightly different to June 2019 and that the allocation would all be multi assets funds. There would no longer be any allocation to a bond fund. This change reflected the poorer outlook for bond funds in the current low interest rate environment. The Sub-Committee heard that the £10m of investments would not deliver a large return, the target being around 3%, but would be better than the less than 0.1% available elsewhere.

The Sub-Committee noted the approach that had been set out by the Accountancy Services Manager and that it was within their agreed strategy.

RESOLVED that the report be noted.

(7.13pm to 7.20pm)

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 7 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.

7. Non- Treasury Investments – Monitoring and Strategy Development

The Sub-Committee received a report providing them with an update in respect of the Council's non-cash investments, it also provided them with the agreed monitoring information on non-cash investments with a commentary on each asset.

The Sub-Committee thanked officers for the comprehensive detail provided and agreed that it was useful information in line with what they had requested at previous meetings.

RESOLVED that the report be noted.

(7.21pm to 7.35pm)

8. Urgent Business

There were no matters of urgent business to discuss.

The meeting closed at 7.36pm.

Chair