

MINUTES

of the

TREASURY MANAGEMENT SUB-COMMITTEE

held on 16 December 2019 at 7pm

Present:

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

1. **Apologies for Absence and Substitutions**

Apologies for absence were received from Councillor Raven. Councillor Watson was his substitute.

2. **Minutes**

The minutes of the meeting held on 21 October 2019 were confirmed as a correct record and signed by the Chair.

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**

There were no questions from members of the public.

5. **Treasury Management Strategy 2020/21**

The Sub-Committee considered a draft report to the Cabinet on 28th January 2020 regarding the proposed Treasury Management Strategy for 2020/21. Members were asked to review the draft report and recommend a Treasury Management Strategy for 2020/21 to Cabinet on 28th January 2020 and then Full Council on 26th February 2020.

The Sub-Committee were informed that the proposed strategy did not include any major changes and followed similar limits to the current one. Members were informed that the strategy would allow the Director of Finance to manage investments and borrowing with the flexibility required. The Sub-Committee were directed to page 10 which summarised that if borrowing was undertaken there would be a smaller sum available to invest. It was noted that this was difficult to forecast at the moment and would become clearer with the new capital programme. Members were informed that the issue of internal borrowing was covered in more detail in this year's strategy.

In response to questions from the Sub-Committee, officers confirmed that;

- There was a £10m limit on investments with other local authorities but any decisions were taken on a case by case basis, using local knowledge and advice from Arlingclose.

- Initial income projections had been cautious, therefore even with less money potentially available to invest, the projected forecasts were still positive.
- Further information on the possibility of investing in multi asset funds would be provided after the meeting to Cllr Watson.
- Any funds not invested were kept short and placed in the best money market fund available.
- The rate applied to any internal borrowing was 0.9%.

Councillor P. Clark raised a concern that yield was being prioritised over security by continuing to invest in the CCLA property fund. He raised concerns that whilst the fund had been successful that might not always be the case, and that the Council should realise their profits rather than continue with the investment. Therefore, Cllr P. Clark did not agree with the conclusion detailed at paragraph 4.1 of the report. In response officers stated that it needed to be read in conjunction with paragraph 4.2 which clarified that the council's methods could not remove all risk of losses but balanced the need to make an appropriate return within reasonable risk parameters.

Councillor P. Clark put forward a proposal that the strategy be amended, to be clear that there would be no further investment in the property sector outside of Chelmsford. He felt that the Council should be looking at more diverse investments rather than property which was already well invested in. Officers clarified that direct investment in individual commercial properties (whether inside or outside of Chelmsford) was not covered within the Treasury Management Strategy but would be included in the Capital and Investment Strategy due to be considered at Cabinet on 28th January 2020 and Council on 26th February 2020. The Sub-Committee agreed that the strategy be amended to clarify that no further investments would be made in property funds. It was also noted that the £8m limit was to allow headroom in case of an increase in values rather than additional investment.

Members of the Sub-Committee also clarified that the three objectives were security of capital, liquidity and yield. It was stated that the strategy and future work would look to achieve an appropriate balance across the three, with most weight to security and then liquidity. The Sub-Committee also made it clear that their role was to set a strategy, but that decisions on individual investments were still for officers to make in line with the strategy. The majority of the Sub-Committee confirmed they were happy with the proposed strategy, but Cllr P. Clark asked for his objections to be noted.

RESOLVED that;

1. the draft Treasury Management Strategy for 2020/21, set out in the report before the Sub-Committee, be endorsed and recommended to Cabinet and Council for approval with the following amendments to be added to the draft by officers;
2. no further investments to take place in property funds and;
3. at paragraph 1.5 it be made clear that the priorities are balanced with the security of capital being first.

(7pm to 7.54pm)

6. **Urgent Business**

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

The meeting closed at 7.54pm.

Chair