

MINUTES OF THE TREASURY MANAGEMENT AND INVESTMENT SUB COMMITTEE

held on 14 October 2024

Present:

Councillor C. Davidson (Chair)

Councillors P. Clark, K. Franks, S. Hall, and A. Sosin

Also in attendance –

Councillor B. Knight

1. Apologies for Absence and Substitutions

Apologies for absence had been submitted by Cllr Sismey.

2. Minutes

The minutes of the meeting held on 16 July 2024 were agreed 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

No public questions or statements were received for the meeting.

5. Treasury Management Mid-Year Review 2024/25

In accordance with the CIPFA Code of Practice, the mid-year review of the Council's treasury management function and activities in 2024/25 was presented to the Sub-Committee. The review examined the position with the Council's investments on 31 August 2024 and compared treasury activity to the approved Treasury Management Strategy. The Sub-Committee was asked to consider whether any amendments to the Strategy were necessary and, if so, to recommend them to Cabinet and then Full Council.

The Sub-Committee was advised that a significant proportion of the Council's portfolio was available for instant access, however investment balances were expected to fall for next few months. Estimates identify that there would be a need for external borrowing later in the financial year. To manage liquidity, members were advised that at least £5 million of all investments were to be invested for the period

of 35 days or less. It was also advised that due to declining investment balances, no fixed duration investments over 365 days were proposed for 2024/25. There were also no breaches of counter-party limits that had occurred. It was advised that a £9 million investment was due to be back by 18th November 2024 and the majority would be paid over to Essex County Council as contribution from developers for the s106 funding of the Beaulieu Station.

Officers also advised members on the rate of return on investments. Members were informed that further rate cuts to Bank of England rate were expected. The Council's income yield and income for 2024/25 was expected to be lower than last year due to the return rates on the Council's investments expecting to fall as interest rates decline. The Council had an average yield on all its investments of 5.26% as at 31st August. It was advised that the budgeted income for 2024/25 from investment returns was £1 million and this was expected to be exceeded for the year by £0.45 million, due to higher than forecasted cash balances.

The Sub-Committee was advised that the Council currently invested in three Multi Asset Diversified Income Funds. It was advised that the capital values would fluctuate throughout the period of investment and that interest rates were expected to fall. Members were advised that the annualised income yield on all three funds was 5.32% on the April valuation. The CCLA Multi Asset Diversified Income Fund (CCLA DIF) was advised not to be performing well and continued to be under the scrutiny of officers. Members were also advised on the bail-in risk, which the diversified income funds would be partially exposed to.

Members were advised on the Council's previous external borrowing which was short term and used for liquidity purposes. Officers informed that this short-term borrowing had been repaid in April 2024.

In response to the Sub-Committee's questions and concerns, it was advised that;

- The funds had been showing an upward trend in capital values, but recent movements had been slightly down and the yields were not likely to improve. Officers would continue to scrutinise the funds and considered CCLA the most likely to be disposed given its weaker performance.
- Regarding the authorised borrowing limit of £55 million, members were advised that this figure included both external and internal borrowing and that the limit was set by the Council every year. It was also advised that the limit related to the maximum amount to borrow in order to fund a capital programme. The amount of borrowing was an internal decision by the Council based on the capital spending plans. It was also advised that the government did not impose limits on borrowing.
- In relation to the portion of the capital spends on the Waterside Development, it was advised that as most of the funds being spent were for infrastructure, the benefits had not been calculated yet as the site is due to marketed shortly.
- Regarding the decision on leaving the CCLA property fund, officers advised that being in a property fund where there was low liquidity was not ideal. Also, property funds had been adversely affected by working from home and changes in retail industry. It was felt that the property fund had delivered well for the Council but for the next few years at least, it was not the investment most suited to the Council's needs.

- There were also multiple external factors that created a volatile environment for investments, such as the recent war on the Middle East and the change of government. These had made the use of funds less successful than had been hoped.

RESOLVED that the Treasury Management Mid-Year Review for 2024/25 be endorsed and recommended to Cabinet for approval, without any amendments.

(2.02pm to 2.33pm)

8. Urgent Business

There were no matters of urgent business to discuss.

The meeting closed at 2.33pm.

Chair