

Review Committee – 29 November 2016

Minutes of the meeting of the **Review Committee** held on **29 November 2016** when there were present:-

Chairman: Cllr J C Burton
Vice-Chairman: Cllr B T Hazlewood

Cllr R R Dray	Cllr J R F Mason
Cllr Mrs J R Gooding	Cllr R Milne
Cllr N J Hookway	Cllr Mrs L Shaw
Cllr M Hoy	Cllr C M Stanley
Cllr M J Lucas-Gill	Cllr A L Williams
Cllr Mrs C M Mason	

APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr N L Cooper.

OFFICERS PRESENT

R Manning	-	Section 151 Officer
P Gowers	-	Overview and Scrutiny Officer
M Power	-	Democratic Services Officer

256 MINUTES

The Minutes of the meeting held on 8 November 2016 were agreed as a correct record and signed by the Chairman.

257 TREASURY MANAGEMENT 2016/17 MID YEAR REVIEW

The Committee considered the report of the Section 151 Officer with an update of the Council's Treasury Management activity for the period 1 April 2016 to 30 September 2016.

In response to questions by Members of the Committee, the following was noted:

- As well as the Treasury advice and economic forecasts it receives from Capita Treasury Services Ltd, the Council has regular discussions with the Essex County Council Chief Accountancy Team. There are scheduled monthly meeting with Capita and the Council and Capita will advise also if there are any major financial developments. The Council's risk appetite remains low and most of its investments are in short term bank deposits.
- The biggest issue the Council would face would be if negative interest rates were to come into effect. The Council's Treasury Management strategy is for low risk investments, which means that the Council's finances are heavily dependent on the level of interest rates. Unless the

strategy is changed, investment returns will not be likely to increase to any large extent.

- In response to a Member question on the impact on the borrowing cost/cash flow forecast for the coming years for three projects the Council is considering, the Section 151 Officer advised that no forecasts were currently available as the projects were in the very early planning stages. Future borrowing requirements would be dependent on Government funding, including the New Homes Bonus. In future there may be opportunity for Revenue budgets to be added to the reserves in the Medium Term Financial Strategy to offset the need for borrowing.
- It was confirmed that the statement in the report that a strategy to seek to maximise return on investment would be considered later in the year was not suggesting a higher risk portfolio of investments. Discussions would be restricted to how to maximise return on investments within the constraints of the Council's Treasury Management strategy. The Council recognises CIPFA guidance that states that investments firstly must be secure and suitably liquid before yield can be factored in. The S151 Officer confirmed that there are no proposals to change the parameters of the Council's Treasury Management Strategy at present. This would be restricted to looking for the best deposit rates with banks within the safer investment portfolio the Council has chosen.
- The S151 Officer had discussed with Capita the matter of setting up a 'dummy portfolio' of investments that could be monitored over a period of time, as requested by the Committee at its meeting on 2 February. Capita had advised that this would not be a useful exercise as the risk profile of investments in such a portfolio would be contrary to the Council's appetite for low risk investments.
- Although the Council has considered investing in property funds and other non-tradable products, these investments are not as liquid as term deposits with banks; in addition, the property market is prone to fluctuation. Although this would not be an appropriate risk at the moment bearing in mind the Council's low-risk approach to investments, it is something that could be looked at in the future.
- Another approach is for the Council to invest in its services to residents ('invest to save') in order to realise a future saving. This, however, would not be a treasury management function.
- The Government has introduced a Minimum Revenue Provision charge, whereby Councils have to recognise in their accounts an element of their borrowing and interest costs every year. This is to discourage Councils from 'over borrowing' and to encourage them to look for other ways of funding services. Rochford District Council has no borrowing currently so this does not apply at present.

- Further to the request for discussion with other District Councils of similar size, it was confirmed that although nothing formal had been established, officers have regular meetings with financial teams from other Councils. The S151 Officer would contact other Essex authorities and bring back to the Committee anything useful that arises from discussions. This approach can be extended to Councils of a comparable size to Rochford in other parts of the country.
- Many Councils are adopting a low-risk strategy for their investments.
- Ideas coming out of the Member Budget Awayday held on 1 October would be formulated into a document by the Council's Leadership Team and provided to Members for discussion in advance of the next scheduled Budget Awayday in January 2017.

Resolved

That the contents of the Treasury Management Mid Year report be noted and that the issues identified by the Committee are within the constraints of the Council's current Treasury Management strategy.

Recommended to Full Council

That the contents of the Treasury Management Mid Year report be noted.
(S151 Officer)

258 KEY DECISIONS DOCUMENT

The Committee considered the Key Decisions document and noted its contents.

It was noted that in respect of certain items on the Key Decisions document there had been 'slippage' on the date that the decision is to be made. It was requested that officers be made aware of the Committee's concerns and in future the document include both the reason for the delay and the original date that the decision was to have been made.

It was noted that the Investment Board at its meeting on 15 October had resolved that commercial decisions taken by the Investment Board would be subject to call-in by the Review Committee.

259 WORK PLAN

The Committee considered its Work Plan and noted the following:

14 March 2017 - The Citizens Advice Bureau would be attending the Review Committee meeting to provide an update.

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10 January 2017 - Building Control. This would provide the Committee with input into a proposed project plan to consider other options for delivering the service in the future.

4 April 2017 - Fusion Lifestyle. The meeting would be divided into two parts: the first part would be an update on the leisure contract by the Assistant Director, Community & Housing Services and the Portfolio Holder for Community. The Committee would then hear from the Fusion Lifestyle representative. Prior to the meeting a Member visit to the sites within the leisure contract would be organised.

The meeting closed at 8.15 pm.

Chairman

Date

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