



**MINUTES of
FINANCE AND CORPORATE SERVICES COMMITTEE
14 JUNE 2016**

PRESENT

Chairman	Councillor Cllr D M Sismey
Vice-Chairman	Councillor Cllr I E Dobson
Councillors	Mrs B F Acevedo, J P F Archer, Mrs H E Elliott, A S Fluker, B E Harker, M F L Durham, CC and Miss M R Lewis
Substitute Members	Councillors M F L Durham
Ex-Officio Non-Voting Member	Councillor Miss M R Lewis

175. CHAIRMAN'S NOTICES

The Chairman drew attention to the list of notices published on the back of the agenda.

176. APOLOGIES FOR ABSENCE AND SUBSTITUTION NOTICES

Apologies for absence were received from Councillors B S Beale MBE, M R Pearlman and Rev. A E J Shrimpton. In accordance with notice duly given Councillor M F L Durham was attending as a substitute for Councillor Pearlman.

177. MINUTES OF THE LAST MEETING

RESOLVED that the Minutes of the meeting of the Committee held on 19 April 2016 be approved and confirmed.

178. DISCLOSURE OF INTEREST

Councillor D M Sismey declared a pecuniary interest in relation to Agenda Item 18 – Annual Treasury Outturn Report 2015 / 16 as he was an employee of Goldman Sachs with whom the Council had previously had investments.

Councillor A S Fluker disclosed an interest in Agenda Item 23 – Options for the Future of Building Control Service as he was currently engaged with Maldon District Council Building Control Services.

179. PUBLIC PARTICIPATION

There was none.

180. COMMITTEE CHAIRMAN'S GOOD NEWS ANNOUNCEMENTS

The Chairman highlighted a number of good news items which included:

- Two factor authentication – The Council’s IT Manager had recently presented a case study on this innovative initiative at an event in Stockholm, Sweden.
- Housing Benefit and Council Tax Support – The Council was on track to meet performance dealing with Housing Benefit and Council Tax support claims.
- Collection of Council Tax and Business Rates - The Council was on track to meet annual performance targets for collection of both Council Tax and Business Rates.

181. SAFEGUARDING

The Committee received a presentation from Catch 22 and the Director of Customers and Community on Safeguarding.

The Director of Customers and Community introduced Marina Bailey from Catch 22 who proceeded to provide the Committee with an informative presentation regarding safeguarding highlighting the following areas:

- Definition in Care Act 2014.
- Safeguarding Adults.
- Safeguarding Children – including the definition of a child.
- Key legislation and guidance documents (available from the Safeguarding website).
- Categories of abuse.
- Community resources than could be accessed directly by Members of the Public.
- Whistleblowing – it was noted that everyone had a responsibility to raise concerns about poor and / or inappropriate practice and behaviour.

The Director of Customers and Community highlighted the safeguarding operation at the Council and Members’ responsibility in terms of safeguarding. Members were advised that the Director of Customers and Community was the designated Lead Officer and it was noted that there were a number of staff fully trained who acted as nominated deputies. Members were provided with examples of safeguarding that took place within the District and advised how the safeguarding work also fed down to contractors, ensuring that safeguarding policies were in place when carrying out work for the Council.

In response to a number of questions, Members were provided with the following information:

- The Council's waste contractor had its own safeguarding policy and Officers were working with them in respect of safeguarding.
- Ms Bailey explained that the risk to an individual was assessed when determining safeguarding and considering basic human rights. The difficulties regarding identifying some categories, such as self-neglect.

The Chairman thanked Ms Bailey and the Director of Customers and Community for their presentation.

182. RESOURCES DIRECTORATE

The Committee received a presentation from the Director of Resources which highlighted the role of the Finance and Corporate Services Committee including:

- the scope, function and duties of the Committee;
- 2016 / 17 work programme.

The Chairman thanked the Director of Resources for her presentation.

183. PROMENADE PARK, MALDON - ARRANGEMENTS FOR MALDON MUD RACE 2016

The Committee considered the report of the Director of Customers and Community outlining the options for the control of parking and the income share for parking charges for the Promenade Park, Maldon during the Maldon Mud Race 2016.

The report detailed that the Maldon Mud Race 2016 in Promenade Park on 1 May 2016. In 2014 and 2015 Members had agreed to limit the donation from the car parking income to coincide with the times of the event and that income be shared on a 50:50 split of the car park fees taken.

It was reported that the Community Services Committee had considered this report at its meeting on 24 May 2016, amended the proposed recommendations and recommended to this Committee that:

- (i) the Finance and Corporate Services Committee be recommended to agree that that car parking income received on the day of the Maldon Mud Race 2016 between the times of 10:00am and 2:00pm be shared on a 50:50 basis with the Maldon Mud Race Ltd ;
- (ii) the Finance and Corporate Services Committee be recommended to agree that the car parking income received two hours before and after the start of the Maldon Mud Race in 2017, is shared on a 50:50 basis with the Maldon Mud Race Ltd.

In response to a question, the Director of Customers and Community confirmed that the monies detailed related to all monies collected through the car parking machines.

The Committee considered and agreed the recommendations from the Community Services Committee and further requested that it be emphasised that a review would take place on an annual basis.

RESOLVED

- (i) that that car parking income received on the day of the Maldon Mud Race 2016 between the times of 10:00am and 2:00pm be shared on a 50:50 basis with the Maldon Mud Race Ltd;
- (ii) that the car parking income received two hours before and after the start of the Maldon Mud Race in 2017, is shared on a 50:50 basis with the Maldon Mud Race Ltd and reviewed on an annual basis.

184. PROJECT 180 - ST. CEDDS HOUSE UPDATE

At the request of the Chairman, the Committee agreed to consider this item of business next on its agenda.

The Committee received the report of the Director of Resources providing Members with an update on the progress of Project 180 – St Cedds House.

Members were reminded of the scope of this project and the report set out the work completed to date, noting that the final phase was due to finish early Autumn.

RESOLVED that the progress of Project 180 - St. Cedds House Project, be noted.

185. REPLACEMENT VAN FOR THE WASTE AND STREET SCENE TEAM

The Committee considered the report of the Director of Customers and Community requesting that the capital programme scheduled for 2017 / 18 be brought forward to purchase a replacement van for the Waste and Street Scene Team.

The report detailed that on 1 April 2016 the Waste Away panel van had broken down and following examination by a commercial garage it was confirmed that the van had a mechanical fault and the engine being damaged beyond repair.

The van was 14 years old and a replacement van was due to be considered by Members as part of the 2017 / 18 capital programme (£12,000). However, given the current circumstances, Officers reported it would be more cost effective to bring forward the capital programme rather than incurring further costs from hiring a van.

It was noted that the Community Services Committee had considered this recommendation at its meeting on 24 May 2016 and agreed the recommendations as set out in the report.

RESOLVED

- (i) that Members agree to bring forward the capital programme to 2016 / 17 to replace the panel van currently used by the Waste and Street Scene team.

RECOMMENDED

- (ii) that a capital programme of £12,000 be established for 2016 / 17 funded by the underspend in the capital programme established for the waste contract.

186. APPOINTMENT OF REPRESENTATIVES ON LIAISON COMMITTEES / PANELS

The Committee considered the report of the Director of Resources reminding Members of the existing representatives on Liaison Committees / Panels and seeking nominations for new appointments for the current municipal year.

RESOLVED that the following appointments be made:

Body	2016 / 17 Representative(s)
Building Control Task and Finish Working Group	Chairman and Vice Chairman of the Finance and Corporate Services Committee <i>(plus representatives from the Planning & Licensing Committee)</i>
Council Chamber Member Task and Finish Working Group	Leader and Deputy Leader of the Council, Chairman of the Council (Vice-Chairman as Substitute), Chairmen of the Community Services and Planning and Licensing Committees (Vice-Chairmen as substitutes) <u>From the Finance and Corporate Services Committee:</u> Councillors Mrs B F Acevedo, B S Beale MBE and A S Fluker (Councillor Mrs H E Elliott as Substitute)
Economic Prosperity and Tourism Working Group (Minute 1002 – 15/04/14)	Councillors Mrs H E Elliott and Rev. A E J Shrimpton <i>(plus representatives from the Finance & Corporate Services and Planning & Licensing Committees)</i>

Body	2016 / 17 Representative(s)
Leisure Contract Task and Finish Working Group	Councillors A S Fluker and D M Sismey
Strengthening Community Member Task and Finish Working Group (Minute 710 -17/12/15)	Councillors Mrs B F Acevedo and A S Fluker <i>(plus representatives from the Community Services and Planning & Licensing Committees)</i>
Waste Contract Member Task and Finish Working Group	Chairman and Vice-Chairman of the Finance and Corporate Services Committee Councillors A S Fluker and M R Pearlman <i>(plus representatives from the Community Services Committee)</i>

187. SETTING FEES FOR THE MALDON DISTRICT DESIGN REVIEW PANEL

The Committee considered the report of the Director of Planning and Regulatory Services seeking agreement for an appropriate fee to be charged to developers / applicants for a design review of development proposals to be undertaken by the Maldon District Design Review Panel. Members were also requested to consider granting delegated powers to the Director of Planning and Regulatory Services and Director of Resources to authorise an appropriate fee for additional specific requests for advice from the Maldon District Design Review Panel on development proposals.

The report provided background information regarding the setting up of the Maldon District Design Review Panel. Following a recent tender process Design South East had been appointed to manage the Maldon District Design Review Panel (the Panel). The Design Review Panel would provide a design review service to assess proposals for development across the District. Details of the purpose of the Panel were set out in the report.

Members' attention was drawn to the addendum attached and this proposed a number of changes to the recommendations as set out in the report. Officers advised that these changes were to allow additional flexibility to the fees set depending on the scheme.

It was noted that the Planning and Licensing Committee had considered this report at its meeting on 2 June 2016. That Committee had resolved that the Council creates a suite of documents to be made available to applicants, and that applicants be signposted to the Design Review Panel should the Council wish to recommend advice to a developer, with it clearly stated that the Panels advice was not binding.

The Committee considered and subsequently agreed the recommendation from the Planning and Licensing Committee.

RECOMMENDED that the Council creates a suite of documents to be made available to applicants, and that applicants be signposted to the Design Review Panel should the Council wish to recommend advice to a developer, without the Panels advice being binding.

188. 2015 / 16 REVIEW OF PERFORMANCE

The Committee received the report of the Chief Executive giving details of performance for 2015 / 16 and the progress being made towards the corporate goals and outcomes detailed in the Corporate Plan. Appendix 1 to the report set out the end of year position on the Service Pledges (agreed actions to contribute to the achievement of desired high level outcomes) and performance on the key indicators and measures relevant to the corporate goals.

Details of complaints and compliments received during 2015 / 16 were set out in the report.

RESOLVED that the 2015 / 16 performance information be noted.

189. HUMAN RESOURCES STATISTICS (1 JANUARY - 31 MARCH 2016)

The Director of Resources introduced Ms Helena Beattie, HR Business Partner to the Committee.

The Committee received and noted the report of the Director of Resources presenting Human Resources statistics for the period 1 January to 31 March 2016.

Statistics and updates relating to the following areas were detailed in the report:

- Staff Turnover;
- Job Vacancies;
- Staff Sickness Levels
- Staff Numbers – attached as Appendix 1 to the report.

Members noted that staff sickness levels in relation to long term absences continued to show a steady decline from each quarter and work was in progress to improve sickness absence rates.

In response to comments raised, the Committee requested that the following information be provided:

- a summary of exit interviews undertaken;
- benchmarking data in respect of staff sickness across other Local Authorities and the private sector;
- a report on the use of market supplements and agency staff.

The Director of Resources reported that there was a national shortage of planning Officers and outlined the work being done by the Council to mitigate this. Members

were informed of current delegation arrangements in place for applying market supplements.

RESOLVED that the contents of the report be noted, and the requested information (as detailed above) provided to the Committee.

190. USE OF SOUND RECORDING EQUIPMENT AT MEETINGS PROTOCOL

The Committee considered the report of the Director of Resources seeking Members' agreement of a protocol for the use of sound recording equipment at Council and Committee meetings. The revised draft sound recording protocol was attached as Appendix 1 to the report.

It was noted that that protocol had been updated in light of comments received and following consideration of the matter by the Overview and Scrutiny Committee at its meeting on 13 April 2016. The Overview and Scrutiny Committee had requested a report from the Monitoring Officer on the recording of private and confidential sessions of meetings and any outcome from consideration of this report would be reported to this Committee.

RECOMMENDED that the revised Draft Protocol for the Use of Sound Recording Equipment at Council Meetings (**APPENDIX 1** to these Minutes), be agreed.

191. STAFF PAY AWARDS 2016 / 17 AND 2017 / 18

The Committee considered the report of the Director of Resources informing Members of the final outcome of the national pay award.

The report set out the National Joint Council pay agreement for 2016 and 2017 announced on 16 May 2016. The details of this were attached as Appendix 1 to the report. The Council's pay line was attached as Appendix 2 to the report.

RESOLVED that the increase to pay in line with the National Joint Council pay agreement, be noted.

192. ANNUAL REPORT ON THE WHISTLEBLOWING POLICY

The Committee considered the report of the Director of Resources reporting on any complaints made under the Whistleblowing Policy for 2015 / 16.

The Director of Resources advised that no reports had been made under the Whistleblowing for the year 2015 / 16.

RESOLVED that the content of the report be noted

193. ANNUAL TREASURY OUTTURN REPORT 2015 / 16

Following his earlier declaration Councillor D M Sismey left the meeting at this point.

IN THE CHAIR : COUNCILLOR I E DOBSON

The Committee considered the report of the Director of Resources seeking Members' approval of the annual report (attached as Appendix A to the report), in accordance with the code of practice on Treasury Management.

RECOMMENDED that annual Treasury Management Report for 2015 / 16 attached at **APPENDIX 2** to these Minutes is approved.

Councillor Sismey returned to the chamber.

IN THE CHAIR : COUNCILLOR D M SISMEY

194. FINANCIAL REGULATIONS

The Committee considered the report of the Director of Resources seeking Members' approval of revisions to the Financial Regulations in order to allow Officers to act in a swift manner to ensure good value for money could be achieved for the Council.

The report advised of a proposed change to the Financial Regulations to allow for occasions when Officers were required to act swiftly in non-emergency scenarios in order to balance the need of a service. The changes also proposed to bring the limit for supplementary estimates in line with those set for the approval of virements.

RECOMMENDED that section 1.3 (The financial limits for approval of revenue virements and revenue supplementary estimates) of the Financial Regulations be amended as set out below:

- (c) Supplementary Estimates (including expenditure on new projects and initiatives)
 - (i) Up to **£50,000** –Director of Resources in consultation with the Chairman of the Finance and Corporate Services Committee and reported to the next Finance and Corporate Services Committee;
 - (ii) Over **£50,000** – the Finance and Corporate Services Committee.

NB One of the Council's budget policies is to only agree supplementary estimates in exceptional circumstances.

195. EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED that under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in

Paragraph 3 of Part 1 of Schedule 12A to the Act, and that this satisfies the public interest test.

196. OPTIONS FOR THE FUTURE OF BUILDING CONTROL SERVICE

The Committee considered the report of the Director of Planning and Regulatory Services updating Members on progress of the work to consider Maldon District Council being part of the Essex wide Building Control shared service partnership.

A Member seminar had recently taken place, focussing on the financial position, HR and ICT matters and future governance arrangements. Notes of the questions raised by Members were attached as Appendix 1 to the report.

It was noted that the Planning and Licensing Committee had considered this report at its meeting on 2 June 2016 and had agreed the recommendations as set out in the report.

RESOLVED

- (i) that the update on options for the future of building control service as set out in the report, be noted;
- (ii) that a further meeting of the Building Control Working Group be arranged to take place prior to the Council meeting on 14 July 2016 and Councillors Mrs M E Thompson and Mrs H E Elliott be invited to attend this as previous Members and attendees of the Working Group.

197. INSURANCE TENDER UPDATE

The Committee considered the report of the Director of Resources updating Members on progress on the re-tendering process for the Council's insurance contract due to be in place from 1 October 2016.

The report set out the current tender process, lots for tender and key tasks put in place to ensure the most advantageous premium rates could be obtained and cover in place by 1 October. Appendix 1 to the report set out the award criteria against which tenders would be evaluated.

Members agreed that they did not feel the need for a special meeting of the Finance and Corporate Services Committee in August 2016 and that this matter could be reported directly to the Council.

RESOLVED

- (i) that the approach and the progress to date for the tendering of the insurance contract, be noted;

- (ii) that the reporting process of the contract award stage as highlighted in paragraph 3.6 of the report be noted.

Councillor J P F Archer left the meeting during this item of business and did not return.

There being no further items of business the Chairman closed the meeting at 8.50 pm

D M SISMEY
CHAIRMAN

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Draft Protocol for the use of sound recording equipment at Council meetings

The Council will decide which of its meeting and those of its Committees will be recorded by sound only.

This protocol has been produced to assist the conduct of the recording of meetings and to ensure that the Council is compliant with its legal obligations.

1. The agenda will indicate that the meeting will be recorded (from the time it is opened to when it is closed) and the recording will be published ~~with the Minutes~~ on the Council's website.
2. Notices will be displayed advising that proceedings may be recorded, and the Chairman will include an announcement on the recording of the meeting as part of the opening of the meeting announcements.
3. Letters / emails to applicants, supporters or objectors on planning and licensing applications on when an application will be heard will state that the meeting will be recorded and the recording will be published on the Council's website.
4. A press representative, member of the public, Officer or elected Councillor (~~not part of the meeting~~) wishing to make their own audio recording of the meeting may do so.
5. Any such persons making their own full or partial recordings must respect the law including Human Rights and Data Protection legislation and intellectual property rights. They will be responsible for any allegations of breaches of the law which may result from their use of recorded material and are admitted to the meeting room on the basis that they accept this responsibility.
6. The Council takes no responsibility for any recording made by a third party of its subsequent use. Any third party making a recording of a meeting shall in doing so be taken to have indemnified the Council against all actions, proceedings, costs, demands, liabilities, losses and expenses whatsoever relating to the making of that recording.
7. The Chairman has the discretion to request that recording is paused if continuing to record would prejudice the proceedings of the meeting. An example of circumstances when this might be done is public disturbance or any other suspension of the meeting.
8. Recording will stop once a motion to exclude the press and public to deal with exempt or confidential items has been passed.
9. The Council will not provide transcripts of the recordings or any extracts from them. The minutes of the meeting are the official record of proceedings.
10. Recordings or parts thereof can be removed from the Council's website at any time by the Monitoring Officer if he/she considers that because all or part of the content is or is likely to be in breach of any statutory provision or common law doctrine, and if this did occur the Chairman of the Committee should be informed. Examples are data protection and human rights legislation or provisions relating to confidential or exempt information.
11. Recordings will be available on the website for one year but will continue to be available on request.

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ANNUAL TREASURY REPORT 2015 / 16

1. Background

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice a year (mid-year and at year end).

The Council's Treasury Management Strategy for 2015/16 was approved by full Council on 26 March 2015 (Minute 824 refers).

The Council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

2. Economic Background provided by Arlingclose

Growth, Inflation, Employment: The UK economy slowed in 2015 with GDP growth falling to 2.3% from a robust 3.0% the year before. CPI inflation hovered around 0.0% through 2015 with deflationary spells in April, September and October. The prolonged spell of low inflation was attributed to the continued collapse in the price of oil from \$67 a barrel in May 2015 to just under \$28 a barrel in January 2016, the appreciation of sterling since 2013 pushing down import prices and weaker than anticipated wage growth resulting in subdued unit labour costs. CPI picked up to 0.3% year/year in February, but this was still well below the Bank of England's 2% inflation target. The labour market continued to improve through 2015 and in Q1 2016, the latest figures (Jan 2016) showing the employment rate at 74.1% (the highest rate since comparable records began in 1971) and the unemployment rate at a 12 year low of 5.1%. Wage growth has however remained modest at around 2.2% excluding bonuses, but after a long period of negative real wage growth (i.e. after inflation) real earnings were positive and growing at their fastest rate in eight years, boosting consumers' spending power.

Global influences: The slowdown in the Chinese economy became the largest threat to the South East Asian region, particularly on economies with a large trade dependency on China and also to prospects for global growth as a whole. The effect of the Chinese authorities' intervention in their currency and equity markets was temporary and led to high market volatility as a consequence. There were falls in prices of equities and risky assets and a widening in corporate credit spreads. As the global economy entered 2016 there was high uncertainty about growth, the outcome of the US presidential election and the consequences of June's referendum on whether the UK is to remain in the EU. Between February and March 2016 sterling had depreciated by around 3%, a significant proportion of the decline reflecting the uncertainty surrounding the referendum result.

UK Monetary Policy: The Bank of England's MPC (Monetary Policy Committee) made no change to policy, maintaining the Bank Rate at 0.5% (in March it entered its eighth year at 0.5%) and asset purchases (Quantitative Easing) at £375bn. In its *Inflation Reports* and monthly monetary policy meeting minutes, the Bank was at pains to stress and reiterate that when interest rates do begin to rise they were expected to do so more gradually and to a lower level than in recent cycles.

Improvement in household spending, business fixed investment, a strong housing sector and solid employment gains in the US allowed the Federal Reserve to raise rates in December 2015 for the first time in nine years to take the new Federal funds range to 0.25%-0.50%. Despite signalling

Annual Treasury Outturn Report 2015/16

four further rate hikes in 2016, the Fed chose not to increase rates further in Q1 and markets pared back expectations to no more than two further hikes this year.

However central bankers in the Eurozone, Switzerland, Sweden and Japan were forced to take policy rates into negative territory. The European Central Bank also announced a range of measures to inject sustained economic recovery and boost domestic inflation which included an increase in asset purchases (Quantitative Easing).

Market reaction: From June 2015 gilt yields were driven lower by the weakening in Chinese growth, the knock-on effects of the fall in its stock market, the continuing fall in the price of oil and commodities and acceptance of diminishing effectiveness of central bankers' unconventional policy actions. Added to this was the heightened uncertainty surrounding the outcome of the UK referendum on its continued membership of the EU as well as the US presidential elections which culminated in significant volatility in equities and corporate bond yields.

10-year gilt yields moved from 1.58% on 31/03/2015 to a high of 2.19% in June before falling back and ending the financial year at 1.42%. The pattern for 20-year gilts was similar, the yield rose from 2.15% in March 2015 to a high of 2.71% in June before falling back to 2.14% in March 2016. The FTSE All Share Index fell 7.3% from 3664 to 3395 and the MSCI World Index fell 5.3% from 1741 to 1648 over the 12 months to 31 March 2016.

Local Context

At 31/03/2016 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was zero, while usable reserves and working capital which are the underlying resources available for investment were £11m.

At 31/03/2016, the Council had no borrowing and £11m of investments. The Council may however have to borrow to pre fund future years requirements or unexpected capital expenditure that occurs in the year providing this does not exceed the authorised limit for borrowing of £10m.

The Council is currently debt free and its capital expenditure plans do not currently imply any need to borrow over the forecast period. Investments are forecast to fall to £7.5m as capital receipts are used to finance capital expenditure and reserves are used to finance the revenue budget over the next three years.

Investment Activity

The Council has held significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2015/16 the Council's investment balances have ranged between £12.5 and £21.5 million.

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

Annual Treasury Outturn Report 2015/16Investment Activity in 2015/16

Investments	Balance on 01/04/2015 £'000	Investments Made £'000	Maturities/ Investments Sold £'000	Balance on 31/03/2016 £'000
Short term fixed Investments **	4,500	4,000	5,500	3,000
Cash Accounts	5,005	2,000	6,000	1,005
Money Market Funds	0	54,950	54,950	0
Certificates of Deposit	3,000	9,000	8,000	4,000
LAMIT Property Fund	0	3,000	0	3,000
TOTAL INVESTMENTS	12,505	72,950	74,450	11,005
Increase/ (Decrease) in Investments £m				(1,500)

** The Short Term fixed Investments outstanding at 31 March 2016 were as follows

Borrower	Amount £'000	Maturity Date
Barclays	1,000	7 April 2016
Lloyds	2,000	10 August 2016
Total	3,000	

Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2015/16.

Counterparty Update

The transposition of two European Union directives into UK legislation placed the burden of rescuing failing EU banks disproportionately onto unsecured institutional investors which include local authorities and pension funds. During the year, all three credit ratings agencies reviewed their ratings to reflect the loss of government support for most financial institutions and the potential for loss given default as a result of new bail-in regimes in many countries. Despite reductions in government support many institutions saw upgrades due to an improvement in their underlying strength and an assessment that that the level of loss given default is low.

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Fitch reviewed the credit ratings of multiple institutions in May. Most UK banks had their support rating revised from 1 (denoting an extremely high probability of support) to 5 (denoting external support cannot be relied upon). This resulted in the downgrade of the long-term ratings of Royal Bank of Scotland (RBS), Deutsche Bank, Bank Nederlandse Gemeeten and ING. JP Morgan Chase and the Lloyds Banking Group however both received one notch upgrades.

Moody's concluded its review in June and upgraded the long-term ratings of Close Brothers, Standard Chartered Bank, ING Bank, Goldman Sachs International, HSBC, RBS, Coventry Building Society, Leeds Building Society, Nationwide Building Society, Svenska Handelsbanken and Landesbank Hessen-Thuringen.

S&P reviewed UK and German banks in June, downgrading the long-term ratings of Barclays, RBS and Deutsche Bank. As a result of this the Council made the decision to suspend Deutsche Bank as a counterparty for new unsecured investments. S&P also revised the outlook of the UK as a whole to negative from stable, citing concerns around the referendum on EU membership and its effect on the economy.

At the end of July 2015, Arlingclose advised an extension of recommended durations for unsecured investments in certain UK and European institutions following improvements in the global economic situation and the receding threat of another Eurozone crisis. A similar extension was advised for some non-European banks in September, with the Danish Danske Bank being added as a new recommended counterparty and certain non-rated UK building societies also being extended.

In December the Bank of England released the results of its latest stress tests on the seven largest UK banks and building societies which showed that the Royal Bank of Scotland and Standard Chartered Bank were the weakest performers. However, the regulator did not require either bank to submit revised capital plans, since both firms had already improved their ratios over the year.

In January 2016, Arlingclose supplemented its existing investment advice with a counterparty list of high quality bond issuers, including recommended cash and duration limits. As part of this, Bank Nederlandse Gemeeten was moved to the list of bond issuers from the unsecured bank lending list and assigned an increased recommended duration limit of 5 years. Interest rates are likely to stay low for longer, making long-term bonds an increasingly attractive option. The Council did not make use of these long-term investment options during 2015/16.

The first quarter of 2016 was characterised by financial market volatility and a weakening outlook for global economic growth. In March 2016, following the publication of many banks' 2015 full-year results, Arlingclose advised the suspension of Deutsche Bank and Standard Chartered Bank from the counterparty list for unsecured investments. Both banks recorded large losses and despite improving capital adequacy this will call 2016 performance into question, especially if market volatility continues. Standard Chartered had seen various rating actions taken against it by the rating agencies and a rising CDS level throughout the year. Arlingclose will continue to monitor both banks.

The end of bank bail-outs, the introduction of bail-ins, and the preference being given to large numbers of depositors other than local authorities means that the risks of making unsecured deposits continues to be elevated relative to other investment options. The Council therefore increasingly favoured secured investment options or diversified alternatives such as pooled funds over unsecured bank and building society deposits.

Annual Treasury Outturn Report 2015/16

Budgeted Income and Outturn

The UK Bank Rate has been maintained at 0.5% since March 2009. Short-term money market rates have remained at relatively low levels. The average 3 month LIBID (London Interbank Bid Rate) during 2015/16 was 0.54%, the 6 month LBID averaged 0.76% and the 1 year LIBID rate averaged 0.99%. The low rates of return on the Council's short dated money market investments reflect prevailing market conditions and the Council's objective of optimising returns commensurate with the principles of security and yield.

The Council's budgeted investment income for the year was £166,000. The Council's investment outturn for the year £188,317.

The actual rate of return achieved on short dated money market investments was 0.61% compared with a benchmark of 0.45% (7 day LIBID) an out performance of 0.16%.

The actual rate of return achieved on the LAMIT property fund in which £3m was invested on 29 October 2015 was 4.52%

Compliance with Prudential Indicators

The Council confirms compliance with its Prudential Indicators for 2015/16, which were set on 10 March 2015 as part of the Council's Treasury Management Strategy Statement.

Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net interest payable, should borrowing become necessary, would be:

	2015/16	2016/17	2017/18
Upper limit on fixed interest rate exposure	100%	100%	100%
Actual	0		
Upper limit on variable interest rate exposure	100%	100%	100%
Actual	0		

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Maturity Structure of Borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing, should borrowing become necessary, would be:

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	Upper	Lower	Actual
Under 12 months	100%	0%	0%
12 months and within 24 months	100%	0%	0%
24 months and within 5 years	100%	0%	0%
5 years and within 10 years	100%	0%	0%
10 years and above	100%	0%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2015/16	2016/17	2017/18
Limit on principal invested beyond year end	£1m	£1m	£1m

2015/16 had no investments made beyond 364 days

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average [credit rating] or [credit score] of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

	Target	Actual
Portfolio average credit score	6	3.82

Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	Target	Actual
Total cash available within 3 months	£3m	£7m

Investment Training

The needs of the Council's treasury management staff for training in investment management are assessed as part of the staff appraisal process and additionally when the responsibilities of individual members of staff change.

During 2015/16 staff attended training courses, seminars and conferences provided by Arlingclose. Training was also provided to Members by Arlingclose at the Council offices in January 2016.