

RESOURCES POLICY ADVISORY GROUP

Meeting - 10 December 2015

Present: Mr Hogan, Mrs Jordan and Mr Sangster

Also Present: Mr Bagge

Apologies for absence: Mr Anthony, Mr Chhokar and Mr Hollis

21. CHAIRMAN

In the absence, and with the agreement of the Portfolio Holder, Councillor Hogan Chaired the meeting.

22. MINUTES

The minutes of the meeting of the Policy Advisory Group (PAG) held on 10 September 2015 were received.

23. REPORTS FROM MEMBERS

There were no reports from members.

24. CCLA PROPERTY FUND

Following the presentation at the 10 September 2015 PAG by the Churches, Charities, Local Authorities Property Investment Fund (CCLA) on the Local Authorities' Property Fund, the PAG were asked to advise the Portfolio Holder as to whether to include the CCLA in the Council's list of approved investments, and what level of investment should initially be considered.

One of the funds CCLA provide is a managed property investment fund for local authorities. This Fund is operated by using the monies invested to acquire leasehold/freehold commercial properties in order to achieve income through rents and potential growth in the value of the assets.

The PAG noted that the value of the Fund at the end of October stood at £540m, and that there were 136 local authorities investing into it. The report detailed the unit price for entry to the Fund, dividends and exiting the fund.

Details of CCLA price and value over the last year were as follows:

	Oct 2015	Jun 2015	Mar 2015	Dec 2014	Oct 2014
Offer Price	306.45	297.51	292.20	285.56	276.44
NAV	289.79	281.33	276.31	270.03	261.41
Bid Price	285.30	276.97	272.03	265.84	257.36

Members noted that the current cash reserves that South Bucks had available for investment for periods of greater than one year totalled £17m. Any investment in the Fund would be viewed as medium to long term (i.e. up to five years), and a ceiling set and maintained to avoid overexposure within a single institution.

Members were reassured to hear that other authorities had seen a fair return on their investments. Members of the PAG discussed terms of the investment, which included the length and amount of both initial, and then overall investment as they felt the investment

should be staggered. Some members felt particularly strongly that SBDC should not be over-cautious when investing in the fund.

Following a debate, and after considering the risks and benefits as highlighted in Appendix 1 and 2 of the report, the PAG felt that the CCLA was an appropriate investment for the Council, and that such investment should be staggered and not over-cautious.

The PAG accordingly advised the Portfolio Holder to **RECOMMEND** to Cabinet that the Council should invest in the CCLA, up to a maximum of 25% of the total investment cash available, in stages, as a medium-term investment.

25. ANNUAL TREASURY MANAGEMENT STRATEGY 2016/17

The PAG considered a report on the Treasury Management Strategy and related policies that should be adopted by the Council for 2016/2017.

The following appendices were attached to the report:

- Appendix 1 - Treasury Management Strategy Document 2016/17;
- Appendix 1A - Annual Investment Strategy 2016/17;
- Appendix 1B - Prudential Code and Indicators Statement;
- Appendix 1C - Minimum Reserve Provision.

The PAG noted that some of the Appendices were more relevant to borrowing authorities, as opposed to a debt-free authority such as SBDC.

The report explained how the treasury management policy underpins the strategy for the year in question, which seeks to achieve a level of investment return. For 2016/17 the Strategy sets out some longer duration investment options as a means to increase returns without compromising risk or liquidity.

The PAG noted that the Strategy followed and made appropriate recognition of the Government's advice to prioritise security and liquidity over returns.

- Basic cash flow requirement of up to £7m which will not be invested for more than one year, expected return averaging 0.75%;
- Core investment cash of £17m, of which £10m can be invested for durations longer than two years;
- The long-term investments can include property and bond funds and based on investigations to date could be expected to deliver returns of at least 3.5%.

The budget set for investment interest 2015/16 of £400,000 was likely to be under-achieved by at least £100,000 by the end of the year, the main reason being that interest rates were continuing at the historically low level and were not expected to increase in the near future. The PAG noted that whilst rates may rise incrementally, short to medium term cash investments would not yield significant returns over the next few years.

The report went on to set a target for investment returns for 2016/17 of £430,000 which was based upon a core level of balances of £14m for 2015/16, the latest forecasts for interest rates and the assumption that the Council wished to remain debt free.

After questions and answers, the PAG advised the Portfolio Holder to **RECOMMEND** to Cabinet and Council that the Treasury Management Strategy be approved, alongside the following appendices to the Annual Investment Strategy (Appendix 1):

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- Appendix 1A - Annual Investment Strategy Policies
- Appendix 1B - Prudential Indicators including the borrowing limits
- Appendix 1C - the MRP method to be used in 2016/17.

26. BUDGET 2016/2017

The PAG considered a report seeking approval of the draft revenue budget, and fees and charges schedule for the 2016/2017 Resources portfolio.

The report outlined the context of the overall financial position facing the Council for the coming year, and explained that the Overview and Scrutiny Committee on 11 November had recommended a number of savings options, which were yet to be worked into the draft budgets.

The PAG noted that the budgets had been prepared in accordance with the following inflation assumptions:

- Salaries inflation from April 2016 of 1%;
- Contracts inflation 1.9% (unless different rate specified within contract);
- Business rates 1.9%;
- Gas 1.8%, Electricity 9% and Water 1.9%;
- Insurance 3.5% - as Insurance Premium Tax has gone up from 6% to 9.5%;
- Other expenditure heads 0%;
- Income 0%.

The PAG were pleased to note the decrease from the current year's budget to the 2016/2017 draft budget of £52,000, for reasons set out in paragraph 4.4. The PAG also noted the risks within the budget, mainly from car parking income and housing benefits.

After questions and answers the PAG advised the Portfolio Holder to **RECOMMEND** for submission to the Cabinet:

- 1) The 2016/17 revenue budget;
- 2) The 2016/17 fees and charges.

(a) Quarterly Treasury Management Report Quarter 2 2015/16

The PAG received a report on the Treasury Management Strategy for 2015/2016.

The report explained that the treasury management activities of the Council were exclusively in relation to investment of reserves; as a debt-free authority, South Bucks District Council did not undertake borrowing.

The report explained that the base rate had remained at 0.5% since March 2009, and that the amount of outstanding loans at the end of the quarter July-September 2015 was £20,000,000, as detailed within the table in paragraph 3.3.

The PAG noted that in terms of day to day cash flow, funds are held within an instant access account, totalling £7.335 million at the end of September.

The report went on to detail the movement in the Prudential Indicators for 2015/16 to date and the move in interest rate exposure, whilst evidencing in table 4.3 that the sums invested reflect that the current level of rates do not incentivise long-term cash investments.

RESOLVED that the report be noted.

27. **EXEMPT INFORMATION**

“That under Section 100(A)(4) of the Local Government Act 1972 following item of business is not for publication to the press or public on the grounds that it involves the likely disclosure of exempt information as defined in Part 1 of Schedule 12A to the Act.”

(para 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information))

28. **CAPSWOOD OFFICES**

The PAG considered a report considering the space-planning and possible sub-leasing of space at Capswood, together with the potential costs and income.

Implementation of shared service reviews, with a net staff movement to Amersham created surplus space at Capswood, and the PAG considered a report setting out a proposal to carry out a phased movement of staff from Capswood 1 to Capswood 2, culminating in the ground floor and first floor of Capswood 1 being refurbished and sublet. Consolidating staff within Capswood would improve the working environment for staff.

The report went on to identify the cost of the refurbishment phases with paragraph 4.9 providing a breakdown of potential savings and income for the ground floor and first floor of Capswood 1.

The PAG noted that a project manager would be required to implement the project, at an estimated cost of £25,000. Paragraph 5.7 set out the total cost of the project.

The report also identified the potential risks of the project, with the table in paragraph 5.7 setting out the cost of mothballing the first floor of Capswood 1 if it were not sublet.

After indicating its support the PAG advised the Portfolio Holder to **RECOMMEND** to Cabinet that:

- the proposal be progressed in a phased manner initially committing expenditure to vacate and refurbish the top floor of Capswood 1, and that;
- authority to grant a sub-lease be delegated to the Head of Environment in consultation with the Portfolio Holder.
- To report on progress to the PAG

The meeting terminated at 7.33 pm