

10 September 2018

Dear Members

Council Meeting

I hereby give notice that a meeting of the Council will be held in the Council Chamber, County Buildings, Martin Street, Stafford on **Tuesday 18 September 2018 at 7.00pm** to deal with the business as set out on the agenda.



Tim Clegg
Chief Executive

COUNCIL MEETING - 18 SEPTEMBER 2018

MAYOR, COUNCILLOR RAY BARRON

AGENDA

- | | | | |
|----|---|----|-----------------|
| 1 | Approval of the Minutes of the last Meeting of the Council held on 24 July 2018 as published in Digest No 245 on Friday 3 August 2018 | | |
| 2 | Apologies for Absence | | |
| 3 | Declarations of Interest | | |
| 4 | Announcements (paragraph 3.2(iii) of the Council Procedure rules) | | |
| 5 | Public Question Time - Nil | | |
| 6 | Councillor Session - Nil | | |
| 7 | Notice of Motion - Nil | | |
| | | | Page Nos |
| 8 | Annual Treasury Management Report 2017/18 | 3 | - 10 |
| 9 | Appointment of Committee | 11 | - 12 |
| 10 | Any Items Referred from Scrutiny Committee | | |

Chief Executive

Civic Centre
Riverside
Stafford
ST16 3AQ

ITEM NO 8**ITEM NO 8**

Report of:	Head of Finance
Contact Officer:	Bob Kean
Telephone No:	01785 619241
Ward Interest:	Nil
Report Track:	Audit and Accounts 30/07/2018 Council 18/9/2018

COUNCIL
18 SEPTEMBER 2018
Annual Treasury Management Report 2017/18

The following report was approved by the Audit and Accounts Committee at its meeting on 30 July 2018 (Minute No AAC16/18).

1 Purpose of Report

- 1.1 To update members on treasury management activity and performance during the 2017/18 financial year.

2 Recommendation

- 2.1 To note the annual treasury management report for 2017/18;
- 2.2 To approve the actual 2017/18 prudential and treasury indicators set out in the **APPENDIX**.

3 Key Issues and Reasons for Recommendations

- 3.1 Treasury management activity and performance during the 2017/18 financial year.

4 Relationship to Corporate Priorities

- 4.1 Treasury management and investment activity link in with all of the Council's priorities and their spending plans.

5 Report Detail**Background**

- 5.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and

the actual prudential and treasury indicators for 2017/18. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

- 5.2 During 2017/18 the minimum reporting requirements were that the full Council should receive the following reports:
- an annual treasury strategy in advance of the year (Council 31/01/2017)
 - a mid-year (minimum) treasury update report (Council 30/01/2018)
 - an annual review following the end of the year describing the activity compared to the strategy (this report)
- 5.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
- 5.4 This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit and Accounts Committee before they were reported to the full Council. Training has been undertaken by members of the Audit and Accounts Committee and further training will be arranged as required.

The Economy and Interest Rates

- 5.5 During the calendar year of 2017, there was a major shift in expectations in financial markets in terms of how soon Bank Rate would start on a rising trend. After the UK economy surprised on the upside with strong growth in the second half of 2016, growth in 2017 was disappointingly weak in the first half of the year which meant that growth was the slowest for the first half of any year since 2012. The main reason for this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports into the economy. This caused a reduction in consumer disposable income and spending power as inflation exceeded average wage increases. Consequently, the services sector of the economy, accounting for around 75% of GDP, saw weak growth as consumers responded by cutting back on their expenditure. However, growth did pick up modestly in the second half of 2017. Consequently, market expectations during the autumn, rose significantly that the MPC would be heading in the direction of imminently raising Bank Rate. The minutes of the MPC meeting of 14 September indicated that the MPC was likely to raise Bank Rate very soon. The 2 November MPC quarterly Inflation Report meeting duly delivered by raising Bank Rate from 0.25% to 0.50%. The 8 February MPC meeting minutes then revealed another sharp hardening in MPC warnings on a more imminent and faster pace of increases in Bank Rate than had previously been expected. Market expectations for increases in Bank Rate, therefore, shifted considerably during the second half of 2017-18 and resulted in investment rates from 3 – 12 months increasing sharply during the spring quarter. The major UK landmark event of the year was the

inconclusive result of the general election on 8 June. However, this had relatively little impact on financial markets.

- 5.6 **PWLB borrowing rates** increased correspondingly to the above developments with the shorter term rates increasing more sharply than longer term rates. In addition, UK gilts have moved in a relatively narrow band this year, (within 25 bps for much of the year), compared to US treasuries. During the second half of the year, there was a noticeable trend in treasury yields being on a rising trend with the Fed raising rates by 0.25% in June, December and March, making six increases in all from the floor. The effect of these three increases was greater in shorter terms around 5 year, rather than longer term yields.

Overall Treasury Position as at 31 March 2018

- 5.7 At the beginning and the end of 2017/18 the Council's treasury, (excluding borrowing by PFI and finance leases), position was as follows:

TABLE 1	31 March 2017 Principal	Rate/Return	Average Life (yrs.)	31 March 2018 Principal	Rate/Return	Average Life (yrs.)
Total debt (PWLB)	£0m			£0m		
CFR	£4.1m			£4.0m		
Over / (under) borrowing	(£4.1m)			(£4.0m)		
Total investments	£24.0m	0.56%	0.49	£28.90m	0.42%	0.39
Short term borrowing	£0.0m			£0m		
Net investments	£24.0m			£28.90m		

Strategy for 2017/18

- 5.8 The expectation for interest rates within the treasury management strategy for 2017/18 anticipated low but rising Bank Rate, and gradual rises in medium and longer term fixed borrowing rates during 2017/18. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.
- 5.9 In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.
- 5.10 During 2017/18, longer term PWLB rates were volatile but with little overall direction, whereas shorter term PWLB rates were on a rising trend during the second half of the year.

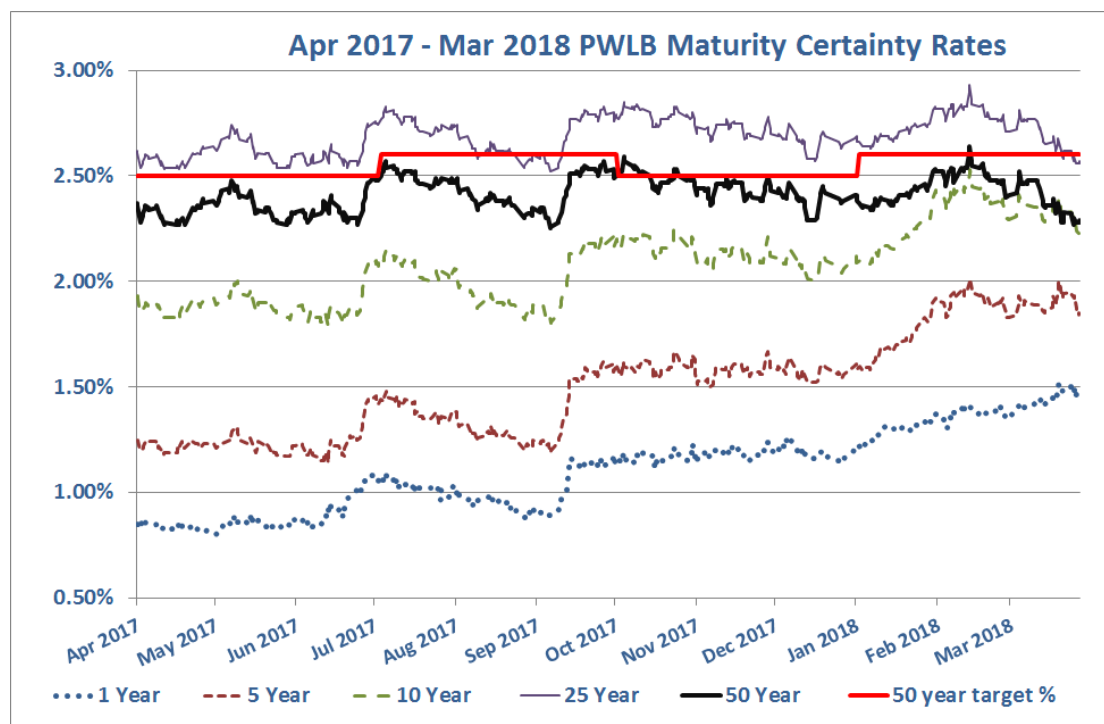
Borrowing Requirement

5.11 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

TABLE 2	31-Mar-17 Actual	31-Mar-18 Budget	31-Mar-18 Actual
CFR (General Fund)	£4.095m	£3.977m	£3.982m

Borrowing Rates in 2017/18

5.12 **PWLB certainty maturity borrowing rates** - As depicted in the graph below, PWLB 25 and 50 year rates have been volatile during the year with little consistent trend. However, shorter rates were on a rising trend during the second half of the year and reached peaks in February / March. During the year, the 50 year PWLB target (certainty) rate for new long term borrowing was 2.50% in quarters 1 and 3 and 2.60% in quarters 2 and 4.

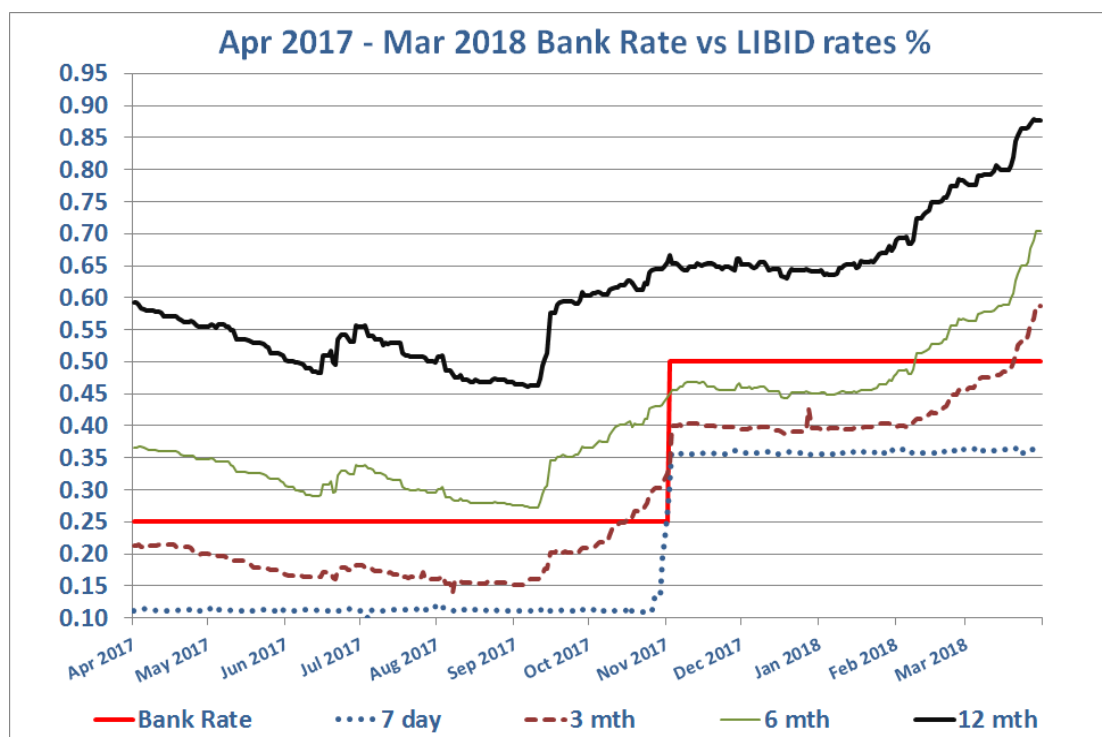


Borrowing Outturn for 2017/18

- 5.13 **Borrowing** - Due to investment concerns, both counterparty risk and low investment returns, no borrowing was undertaken during the year.

Investment Rates in 2017/18

- 5.14 Investments rates for 3 months and longer have been on a rising trend during the second half of the year in the expectation of Bank Rate increasing from its floor of 0.25%, and reached a peak at the end of March. Bank Rate was duly raised from 0.25% to 0.50% on 2.11.17 and remained at that level for the rest of the year. However, further increases are expected over the next few years. Deposit rates continued into the start of 2017/18 at previous depressed levels due, in part, to a large tranche of cheap financing being made available under the Term Funding Scheme to the banking sector by the Bank of England; this facility ended on 28.2.18.



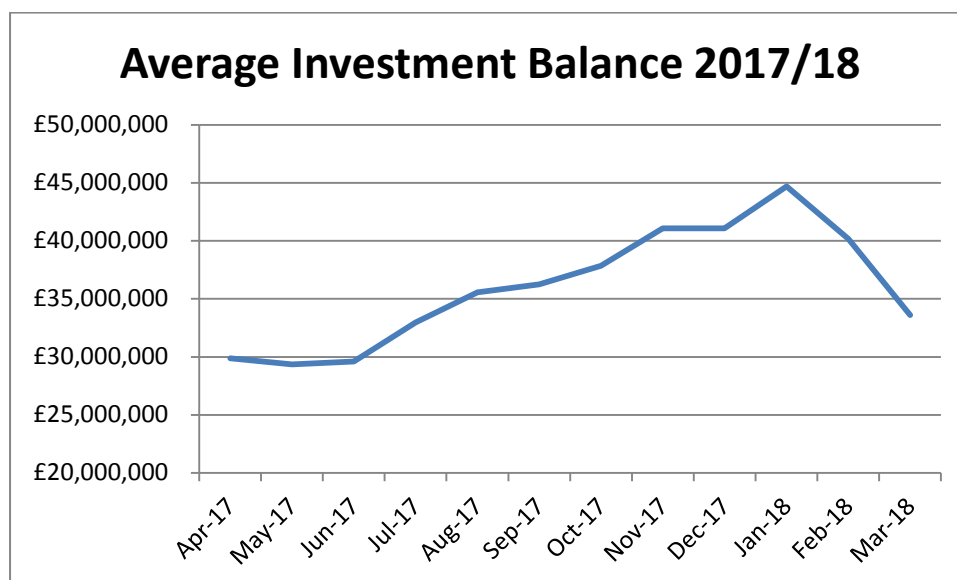
Investment Outturn for 2017/18

- 5.15 **Investment Policy** - the Council's investment policy is governed by MHCLG guidance, which has been implemented in the annual investment strategy approved by the Council on 31/01/2017. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc).
- 5.16 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

5.17 **Investments held by the Council** - the Council's investments as at 31 March 2018 are set out in the following table:-

Counterparty	Start Date	Maturity	Value (£)	Rate (%)
Standard Life		Money Market	6,000,000	0.46
Federated		Money Market	2,400,000	0.46
Credit Industriel et Commercial	12/01/2018	12/07/2018	2,500,000	0.53
The Royal Bank of Scotland	11/09/2017	10/09/2018	2,000,000	0.56
Santander		95 Day Notice	4,000,000	0.60
The Royal Bank of Scotland	07/11/2017	06/11/2018	1,500,000	0.76
Nationwide BS	15/11/2017	15/05/2018	2,000,000	0.46
Bank of Scotland	15/11/2017	16/05/2018	2,000,000	0.65
Helaba Bank	16/11/2017	15/11/2018	2,500,000	0.70
Bank of Scotland	19/03/2018	19/06/2018	2,500,000	0.50
Bank of Scotland	19/03/2018	19/06/2018	1,500,000	0.50
			28,900,000	

5.18 The Council maintained an average balance of £36m of internally managed funds. The internally managed funds earned an average rate of return of 0.42%. The comparable performance indicator is the average 7-day LIBID rate, which was 0.21%. The chart below illustrates the movement in the level of investments held by the Council at each month end during the year.



5.19 The average rate of return exceeded the benchmark with investment earnings of £176,533. This was slightly higher than the revised budget of £168,000 set in February 2018.

6	Implications
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6.1	Financial	Included in the report
	Legal	Nil
	Human Resources	Nil
	Human Rights Act	Nil
	Data Protection	Nil
	Risk Management	Included in the report

6.2	Equality and Diversity	<p>The Borough Council considers the effect of its actions on all sections of our community and has addressed all of the following Equality Strands in the production of this report, as appropriate:-</p> <p>Age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.</p>
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Previous Consideration

Audit and Accounts Committee - 30 July 2018 - Minute No AAC16/18.

Background Papers - Available in Financial Services
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COUNCIL
18 SEPTEMBER 2018
Annual Treasury Management Report 2017/18

1. PRUDENTIAL INDICATORS	2016/17	2017/18	2017/18
	Actual	Estimate	Actual
	£'000	£'000	£'000
Capital Expenditure	3,232	4,478	2,660
Ratio of financing costs to net revenue stream	-0.70%	-1%	-0.9%
Gross borrowing requirement	1,286	1,285	1,285
Gross debt	0	0	0
Capital Financing Requirement as at 31 March	4,095	3,977	3,982
Annual change in Cap. Financing Requirement	-2118	-118	-113
2. TREASURY MANAGEMENT INDICATORS			
Authorised Limit for external debt -	7,286	7,285	7,285
Operational Boundary for external debt	4,286	7,285	7,285
Actual external debt	0	0	0

Maturity structure of fixed rate borrowing during 2017/18	upper limit	lower limit
under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

ITEM NO 9**ITEM NO 9**

Report of:	Head of Law and Administration
Contact Officer:	A Welch
Telephone No:	01785 619204
Ward Interest:	Nil
Report Track:	Council 18/9/2018 (Only)

**COUNCIL
18 SEPTEMBER 2018
Disciplinary Committee**

1 Purpose of Report

- 1.1 To appoint a Disciplinary Committee.

2 Recommendation

- 2.1 That the Council establish a Disciplinary Committee of 4 members to hold a disciplinary hearing and that nominations from the political groups (3 Conservative, 1 Labour) be submitted to the Chief Executive.
- 2.2 That when a Disciplinary or Disciplinary Appeals Committee is required in future the Chief Executive be authorised to appoint the Committee to comprise those members nominated by the political groups in proportion to their membership on the Council.

3 Key Issues and Reasons for Recommendation

- 3.1 It has become necessary to convene a disciplinary committee to hear a disciplinary matter. It is rare that such a committee needs to be convened and there is no provision in the Council's Constitution for a standing disciplinary committee. It is necessary to convene an ad hoc committee for this purpose.
- 3.2 To avoid the need for a report to Council each time such a disciplinary or disciplinary appeals committee is needed it is recommended that the convening of any such ad hoc committees is, in future, delegated to the Chief Executive with appointments being made in accordance with nominations made by the political groups.

4 Relationship to Corporate Priorities

4.1 Nil

5 Report Detail

- 5.1 The majority of disciplinary matters are delegated to officers under the Council's Scheme of Delegation and Officer Employment Procedure Rules. There are some matters which fall outside the delegations and which require the involvement of members sitting as a Disciplinary Committee to conduct a disciplinary hearing or a disciplinary appeal hearing. Such matters rarely arise and the Council's Constitution does not provide for a standing Disciplinary or Disciplinary Appeals Committee. These committees should be politically proportionate in accordance with the Local Government and Housing Act 1989.
- 5.2 A situation has arisen which calls for the convening of a Disciplinary Committee. The Council is recommended to establish an ad hoc Disciplinary Committee of 4 members (3 Conservative, 1 Labour) to deal with the current matter. Nominations can be taken by the Chief Executive who will convene the meetings as required.
- 5.3 The need for such committees in future is unpredictable and may not fall at a convenient time to bring a report to Council to establish an ad hoc committee. Given the rarity of the need for these committees it is not considered necessary to appoint a standing committee. It is recommended that the convening of such ad hoc committees be delegated to the Chief Executive with appointments made by the political groups.

6 Implications

6.1	Financial	
	Legal	The legal implications are set out in the report
	Human Resources	
	Human Rights Act	
	Data Protection	
	Risk Management	
6.2	Community Impact Assessment Recommendations	<p>The Borough Council considers the effect of its actions on all sections of our community and has addressed all of the following Equality Strands in the production of this report, as appropriate:-</p> <p>Age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.</p>

Previous Consideration - Nil