

**Roberto Tambini**  
**Chief Executive**

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19 September 2007

**PLEASE NOTE THAT THIS COUNCIL MEETING STARTS AT 7.00PM**

TO THE MEMBERS OF SPELTHORNE BOROUGH COUNCIL

**SUMMONS TO A SPECIAL COUNCIL MEETING**

You are hereby summoned to attend a **Special Meeting of the Spelthorne Borough Council to be held in the Council Chamber, Council Offices, Knowle Green, Staines on THURSDAY 27 SEPTEMBER 2007 beginning at 7.00pm**, for the purpose of transacting the business specified in the Agenda **set out on the next page**.

ROBERTO TAMBINI  
*Chief Executive*

**EMERGENCY PROCEDURE:**

In the event of an emergency the building must be evacuated. All Members and Officers should assemble on the Green adjacent to Broome Lodge, Staines. Members of the Public present should accompany the Officers to this point and remain there until the Senior Officer present has accounted for all persons known to be on the premises.

**[THE LIFT MUST NOT BE USED]**

**[PLEASE NOTE THAT THIS AGENDA IS AVAILABLE IN LARGE PRINT ON REQUEST TO RICHARD POWELL ON TEL: 01784 446240]**

**PUBLIC SPEAKING IN PERSON AT COUNCIL MEETINGS**

[Please Telephone: Richard Powell (01784) 446240 or e-mail: [r.powell@spelthorne.gov.uk](mailto:r.powell@spelthorne.gov.uk)]

**(1) Representations on Recommendations**

When the Council is considering a recommendation from the Executive, any resident can put forward views on the issues involved by making verbal representations to the Council for a maximum of three minutes before the Council discusses the recommendation and makes a decision.

**Anyone wishing (1) to make verbal representations on a recommendation, must notify the Chief Executive's office by 12noon three working days prior to the day of the Council meeting [i.e. 12noon on the preceding Monday for a Council meeting on a Thursday].**

## A G E N D A

1. APOLOGIES FOR ABSENCE

To report that apologies for absence have been received from Councillors H.R. Jaffer and Mrs. M. Rough and to receive any other apologies for non-attendance.

2. RECOMMENDATIONS OF THE EXECUTIVE  
**[Pages 2 to 5]**

To consider the recommendations of the Executive on **Review of Investment Limits (Attached.)**

Note: Members of the public may make representations in person not exceeding 3 minutes on individual recommendations before they are discussed *[providing notice has been given in accordance with the procedures laid down in the Council's Constitution]*.

## RECOMMENDATIONS OF THE EXECUTIVE

### 1. REVIEW OF INVESTMENT LIMITS

- 1.1 The Executive have considered an urgent report seeking approval of the full Council for changes to the investment limits currently set out in the Council's Treasury Policy, in order to facilitate the Council taking advantage of current market conditions.
- 1.2 As this report has been dealt with by the Executive as urgent business, a copy of the report tabled at the Executive meeting on 11 September 2007 is attached, to assist Members in their consideration of this matter.

**[A copy of the report to the Executive meeting held on 11 September 2007 is attached at Appendix A to these recommendations on pages 3 to 5 of this Special Council Agenda].**

- 1.3 **The Executive recommend that the Council, at a Special Meeting to be held on 27 September 2007, approve a change in the percentage limits set, in the Council's Treasury Policy, for specified and non-specified investments from 50:50 to 20:80.**

Councillor John Packman  
*Leader of the Council*

**27 September 2007**

**[Copy of the report tabled at the Executive on 11 September 2007.]**

**URGENT BUSINESS - REVIEW OF INVESTMENT LIMITS**

**Recommendation required**

**Report of the Strategic Director (Support)**

**EXECUTIVE SUMMARY**

**How does the content of this report improve the quality of life of Borough Residents**

The ability of the Council to generate maximum net investment returns with minimal risk provides significant resources for the General Fund revenue budget and the subsequent financing of the Council's services to local residents.

**Purpose of Report**

The report is to seek approval for changes to the investment limits currently set out in the Council's treasury policy.

**Key Issues**

- To note the current limits for specified and non-specified investments against a background of current market interest rates.

**Financial Implications**

The need to maximise the Council's investment returns while maintaining flexibility and a high level of security with minimal risk.

**Corporate Priority**

All four priorities

**Officer Recommendations**

**The Executive is asked to recommend to the Council, as follows:**

**That a change in the percentage limits set for specified and non-specified investments from 50:50 to 20:80 be approved.**

**Contact: Sue Sturgeon, Strategic Director (Support) 01784 446221**

**Portfolio Holder: Councillor Michel Bouquet**

### MAIN REPORT

#### 1. BACKGROUND

- 1.1 Under the Local Government Act 2003 and the Department for Communities and Local Government (DCLG)'s Guidance on Investments the Council is required to set limits in relation to the aggregate of all its investments. These limits are set out in the Treasury Management Strategy Statement and approved by Members each year.
- 1.2 The current Council Strategy limits permit a maximum of 50% of the Council's overall investment portfolio to be invested in non-specified investments, which are investments with a maturity period in excess of one year.

#### 2. KEY ISSUES

- 2.1 The Council is heavily reliant on the level of interest earned on its investments to support the General Fund. In consultation with our treasury advisors, Sector Treasury Services, the Council's strategy has been to achieve an element of stability and reduce volatility by locking into fixed rates for the longer term when the opportunity arises.
- 2.2 The current market turmoil over sub-prime lending in the US has had a significant effect on the money markets and the level of returns currently available for longer-term investments has risen. Most market forecasters, including Sector, do not expect these rates to remain available for long.

#### 3. OPTIONS ANALYSIS

- 3.1 Base rate is currently 5.75%. Sector is currently forecasting base rate to rise to 6% in Q4 2007 before falling back to 5.75% in Q2 2008; 5.5% in Q4 2008 ; 5.25% in Q1 2009 and to 5% by Q2 2009.
- 3.2 The current average yield on the Council's current portfolio is approximately 5.6%. Longer term, non-specified investments are now offering yields in of excess of 6% with 2 years earning 6.14% and 3 years 6.02% (Source: Sector Friday Investment Advice 7/9/07).
- 3.3 The Council has investments maturing in October 2007 but our current limit of 50% for non-specified investments prevent taking advantage of locking into these higher rates for a longer period and enhancing the overall portfolio return.

#### 4. PROPOSALS

- 4.1 It is therefore proposed that the current portfolio limit of 50% for non-specified investments be increased to 80% to facilitate taking advantage of current market conditions and locking into these higher rates for the longer term when the opportunity arises. Any subsequent investment would be made in consultation with Sector, our treasury advisors.

#### 5. BENEFITS AND SUSTAINABILITY

- 5.1 The relevant benefits and sustainability are set out in this report.

#### 6. FINANCIAL IMPLICATIONS

- 6.1 The financial implications are set out in this report. The ability to maximise interest returns is paramount to generate sufficient funds to support the General Fund and even a small move in interest rates can significantly affect cash

## **APPENDIX A to Agenda Item: 2**

returns. Therefore it is our aim to maintain flexibility commensurate with a high level of security and liquidity and minimal risk when making investment decisions.

### **7. LEGAL IMPLICATIONS / OTHER CONSIDERATIONS**

- 7.1 The Council fully complies with best practice as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in the Public Sector and Cross Sectional Guidance Notes, the DCLG (formerly ODPM) Guidance on Investments issued in March 2004 and the CIPFA Prudential Code for Capital Finance in Local Authorities.

### **8. RISKS AND HOW THEY WILL BE MITIGATED**

- 8.1 Although economic and market risks are outside the control of the Council, risk will be managed and mitigated in accordance with the policies set out in the Treasury Management Practices Schedules.

### **9. TIMETABLE FOR IMPLEMENTATION**

- 9.1 There is no timetable for implementation as this is an ongoing activity.

**Report Author: Terry Collier, Head of Financial Services on 01784 446296**

**Background Papers:  
There Are None.**