OVERVIEW AND SCRUTINY COMMITTEE MEETING 21 JANUARY 2020
TREASURY MANAGEMENT HALF YEARLY REPORT 2019/20
QUESTIONS AND RESPONSES

Para 1.20	Figures in Table 2 reflect "increases in income generation". What has caused the increase in long-term borrowing and decreases in long and short-term investments?
	Not quite sure what increase in long term borrowing you are referring to with respect to Table 2 , suspect you are actually referring to Table 3 where you can see that there is an increase of £11m in long term borrowing over the period. This relates to funding of the Council's housing delivery programme, specifically with respect to the acquisition of Oast House site. With respect to movement in long term and short term investments, this reflects combination of some short term loans maturing and as some previously long term loans approach maturity becoming classified as short term and some loans being repaid.
Para 2.4	What borrowing has taken place ahead of need and why?
	The Council incurred borrowing because of property acquisitions and its housing delivery programme. Borrowing has been obtained to fund acquisitions, so funding has had to be in place before the acquisition. However, this is not ahead of need, in a practical sense, and as a matter of policy. At all times the Council liaises with and acts on the advice of its professional Treasury Management advisers Arlingclose. Circumstances and the timing on acquisitions processes has meant that, on occasion, borrowing has been taken out and has not been applied as expected. It should also be remembered that the Council has a significant housing delivery programme underway which requires financing. Short-term borrowing – in anticipation of a regeneration acquisition within Staines (previously reported to Cabinet) £20m was borrowed for less than a year. The acquisition process has since been delayed. If the acquisition were not to complete the funding would be applied to support the housing delivery programme underway.
Para 2.14	Is the KGE investment included and under what description (Table 1)?
	The management of delivery of housing developments is undertaken by Spelthorne Borough Council. Once schemes are completed, on the basis of an independent valuation, they are transferred from the Council to KGE with the KGE acquisition funded by a loan from the Council. As no schemes completed during the period, there have been no transfers in the year to date, so no new loans advanced to KGE.
Appendix A	Is the yield the anticipated annual yield (19/20) for the investment?
	The yield is averaged based on the estimated annual yield for each investment.

Appendix B	If the yield if "based on the initial investment", why are the yields of the various tranches of Schroder Income Maximiser fund all the same? Given the significant variation over the years since initial purchase this is incredibly unlikely to be the case. It appears to be the case that the Total Return column is calculated as: (Capital gain + Dividends received) / Initial investment Total return should be all income received for the lifetime of the asset + capital gain divided by the initial investment. This would then be divided by the time the asset had been held to give an annual return. The figure as quoted is meaningless. This is why see returns on the same asset varying between 22.31% and -9.82%. What is the Total return figure mean to represent?
	Point 1 re Schroder maximiser: In Appendix B, the yield is calculated based on rates available from quarterly 'Fund Suite' reports from Arlingclose. For this report, rates as at September 2019 were used. The dividend is calculated based on this rate, which is the same for each of the 'Maximiser' items, applied to the original purchase cost. **Point 2 re total return:** Good point re income/ dividends. Understand the point re fuller picture provided by showing total return on the fund since the start. See comments below. However, the Capital gain/loss column does reflect movement since purchase of the fund. Some of the minuses are to do with capital losses (although overall there is a net gain of £1.4m and it is important to remember that the Council holds these assets on a medium to long term basis). That is the change since purchase. If we were to crystallise by seeking to dispose of a fund, this figure becomes particularly relevant to our accounts, hence why included. Whereas with respect to the in-year position previous years' revenue returns are not relevant to the current year's budget position hence why not currently shown. So the current format is mixing in year movement and cumulative movement, which does have an underlying rationale. However we agree we could provide a fuller picture. We will liaise with Arlingclose and revise the format for future reporting to show both the cumulative revenue returns and capital gain/loss, as well as in year revenue return.