

Minute

Investments Sub-committee

Wednesday, 28 August 2019, 14:15.

Council Chamber, Council Offices, School Place, Kirkwall.



Present

Councillors W Leslie Manson, Alexander G Cowie, Rachael A King, Steven B Heddle, Stephen Sankey and James W Stockan.

Clerk

- Sandra Craigie, Committees Officer.

In Attendance

- Gareth Waterson, Head of Finance.
- Colin Kemp, Corporate Finance Senior Manager.
- Michael Scott, Solicitor.

Hymans Robertson:

- David Walker, Head of Local Government Pension Scheme Investment.

Observing

- Kirsty Groundwater, Press Officer.

Apology

- Councillor Graham L Sinclair.

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor W Leslie Manson.

1. Disclosure of Exempt Information

The Sub-committee noted the proposal that the public be excluded from the meeting for consideration of Items 6 to 9, as the business to be discussed involved the potential disclosure of exempt information of the classes described in the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

2. Revenue Expenditure Outturn

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Corporate Finance Senior Manager, the Sub-committee:

Noted:

2.1. The revenue expenditure outturn statement in respect of Strategic Reserve Fund services for financial year 2018 to 2019, attached as Annex 1 to the report by the Head of Finance, indicating a budget surplus position of £5,590,600.

2.2. The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 2 to the report by the Head of Finance.

3. Revenue Expenditure Monitoring

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Corporate Finance Senior Manager, the Sub-committee:

Noted:

3.1. The revenue financial summary statement in respect of Strategic Reserve Fund services for the period 1 April to 30 June 2019, attached as Annex 1 to the report by the Head of Finance, indicating a budget deficit position of £156,800.

3.2. The revenue financial detail by Service Area statement for the period 1 April to 30 June 2019, attached as Annex 2 to the report by the Head of Finance.

3.3. The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 3 to the report by the Head of Finance.

4. Temporary Loans

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Corporate Finance Senior Manager, the Sub-committee:

Noted:

4.1. The status of the temporary loan portfolio as at 30 June 2019, as detailed in section 3 of the report by the Head of Finance.

4.2. That, for the period 1 April to 30 June 2019, the temporary loans portfolio made a return of £76,275.47 at an average interest rate of 1.00%.

4.3. That the Treasury Policy Statement was being adhered to by the Finance Service and was producing an acceptable rate of return.

5. Exclusion of the Public

On the motion of Councillor W Leslie Manson, seconded by Councillor James W Stockan, the Sub-committee resolved that the public be excluded for the remainder of the meeting, as the business to be considered involved the disclosure of exempt information of the classes described in the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

6. Statement of Managed Funds

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraph 6 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing reports from the Corporate Finance Senior Manager and the Head of Local Government Pension Scheme Investment, Hymans Robertson, the Sub-committee:

Noted:

6.1. The review of investment performance by Hymans Robertson, the Council's appointed investment advisors, for the quarter to 30 June 2019, attached as Appendix 1 to the report by the Head of Finance.

6.2. The Sustainable Investment Report as at 30 June 2019, produced by Equities and Bonds Portfolio Manager, attached as Appendix 2 to the report by the Head of Finance.

6.3. The Investment Stewardship Report as at 30 June 2019, produced by the UK Property and Diversified Growth Portfolio Manager, attached as Appendix 3 to the report by the Head of Finance.

The above constitutes the summary of the Minute in terms of the Local Government (Scotland) Act 1973 section 50C(2) as amended by the Local Government (Access to Information) Act 1985.

Councillor James W Stockan left the meeting during discussion of this item.

7. Performance of Local Investments

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 2, 4 and 6 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Corporate Finance Senior Manager, the Sub-committee:

Noted:

7.1. That, as at 31 March 2019, 132 Investment Properties were held within the Strategic Reserve Fund, with an open market value of £19,801,300.

7.2. That rental income achieved on Investment Properties leased out during financial year 2018 to 2019 totalled £1,099,000, representing a gross return of 5.6%.

7.3. That, in addition to the rental income totalling £1,099,000, further income of £42,000 was received in respect of fees and charges, while property costs totalling £442,000 were incurred, which equated to a net return of £699,000, or 3.5%, on Investment Properties for financial year 2018 to 2019.

7.4. Details of the net return on the 90 Investment Properties currently occupied by tenants and achieving a rental income, attached as Appendix 1 to the report by the Head of Finance.

7.5. Details of the 42 vacant Investment Properties as at 31 March 2019, attached as Appendix 2 to the report by the Head of Finance.

7.6. That, as at 31 March 2019, other Local Investments held within the Strategic Reserve Fund, had a value of £9,126,600.

7.7. That, as at 31 March 2019, total loans to businesses had a net carrying value of £1,277,100, of which £909,500 and £367,600 related to interest bearing and interest-free loans respectively, as detailed in Appendix 3 to the report by the Head of Finance.

7.8. That the interest rates on the interest-bearing loans, referred to at paragraph 7.7 above, ranged from 5% to 5.5%, and were applicable for the duration of the loan term.

7.9. The investment in companies as at 31 March 2019, as detailed in Appendix 4 to the report by the Head of Finance, which held a net carrying value of £5,161,600, achieving an average annual return of 4%.

7.10. The investment held in fishing quota, as detailed in Appendix 5 to the report by the Head of Finance, which had a net carrying value of £2,687,900, as at 31 March 2019, and achieved an annual return of 6%.

The Sub-committee resolved to **recommend to the Council:**

7.11. That the Head of Finance should submit a report, to the Policy and Resources Committee, reviewing the governance arrangements for monitoring and reporting on the performance of local investments, together with associated risks and exit strategies.

8. Proposed Investment in Local Company

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 4 and 6 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Head of Finance, copies of which had been circulated, the Sub-committee:

Resolved, in terms of delegated powers, what action should be taken with regard to a proposed investment in a local company.

The above constitutes the summary of the Minute in terms of the Local Government (Scotland) Act 1973 section 50C(2) as amended by the Local Government (Access to Information) Act 1985.

Councillor Stephen Sankey left the meeting during discussion of this item.

9. Conclusion of Meeting

At 16:50 the Chair declared the meeting concluded.

Signed: L Manson.