

Item: 14

Investments Sub-committee: 23 November 2017.

1. Recommendations

It is recommended:

That the Committee approves the attached minute as a true record.

2. Appendix

Draft Minute of the Meeting of the Investments Sub-committee held on 23 November 2017.

Minute

Investments Sub-committee

Thursday, 23 November 2017, 11:00.

Council Chamber, Council Offices, School Place, Kirkwall.



Present

Councillors W Leslie Manson, Steven B Heddle, Rachael A King, Stephen Sankey, John A R Scott, Graham L Sinclair and James W Stockan.

Clerk

- Sandra Craigie, Committees Officer.

In Attendance

- Gareth Waterson, Head of Finance.
- Colin Kemp, Corporate Finance Senior Manager.
- Shonagh Merriman, Accounting Manager (Corporate Finance).
- Michael Scott, Solicitor.

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 5 and 6, 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 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:

2.1. The revenue financial summary statement in respect of Strategic Reserve Fund services for the period 1 April to 30 September 2017, attached as Annex 1 to the report by the Head of Finance, indicating a budget surplus position of £156,600.

2.2. The revenue financial detail by Service Area statement in respect of Strategic Reserve Fund services for the period 1 April to 30 September 2017, attached as Annex 2 to the report by the Head of Finance.

2.3. 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.

3. Temporary Loan Portfolio

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

Noted:

3.1. The status of the temporary loan portfolio as at 30 September 2017, as detailed in section 4 of the report by the Head of Finance.

3.2. That, for the period 1 April to 30 September 2017, the temporary loan portfolio made a return of £96,003.99 at an average interest rate of 0.53%.

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

4. Exclusion of the Public

On the motion of Councillor W Leslie Manson, seconded by Councillor Rachael A King, 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 Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

5. 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 a report from the Corporate Finance Senior Manager, the Sub-committee:

Noted:

5.1. The review of investment performance by Hymans Robertson, the Council's appointed investment advisors, for the quarter to 30 September 2017, attached as Appendix 1 to the report by the Head of Finance.

5.2. That the Strategic Reserve Fund investments had performed broadly in line with the aggregate benchmark over the quarter to 30 September 2017, increasing in value by 0.9%.

5.3. That the performance of the Strategic Reserve Fund had been good over the 12 month period to 30 September 2017, with the value of the Fund increasing by 7.1%, being 1.8% ahead of the benchmark.

5.4. That establishment of a Multi Asset Credit portfolio, approved in October 2016 as part of an agreed strategy to diversify away from UK Gilts and Corporate Bonds by the introduction of debt focussed investments, was completed on 2 August 2017 with the transfer of £20,000,000 to Barings.

5.5. The Sustainable Investment Report as at 30 September 2017, produced by Schroders, attached as Appendix 2 to the report by the Head of Finance.

5.6. The Corporate Governance and Responsible Investment Report as at 30 September 2017, produced by Blackrock, attached as Appendix 3 to the report by the Head of Finance.

6. Protocol for Provision of Underwriting Finance

Third Party Wind Farm Projects

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, with reference to the Minute of the Meeting of the Policy and Resources Committee held on 21 June 2016, paragraph 17.12, the Sub-committee:

Noted:

6.1. That a critical mass of new electricity generation was required in order to secure an additional subsea cable or cables to Orkney.

6.2. That a consortia grid application process had been carried out by Scottish and Southern Energy Distribution, with the deadline for acceptance of the consortia grid connection offers extended to 24 December 2017.

6.3. That there were strong links between the future development of onshore wind in Orkney and the availability of a Contract for Difference at a strike price that was high enough to deliver a sustainable project.

6.4. That the level of underwriting required for a consented project was calculated at 26% of the total security liability, whereas for a non-consented project the security was calculated at 45% of the security liability.

6.5. That an announcement was still awaited from the Government Department for Business Energy and Industrial Strategy on the subsidy regime proposed for "remote island wind".

On the motion of Councillor Graham L Sinclair, seconded by Councillor John A R Scott, the Sub-committee resolved, in terms of delegated powers:

6.6. That, in principle, the Council should consider applications for underwriting finance for third party wind farm projects.

6.7. That powers be delegated to the Head of Finance to commission a specific due diligence exercise in respect of any application made to the Council for the provision of underwriting finance for third party wind farm projects.

7. Conclusion of Meeting

At 12:55 the Chair declared the meeting concluded.

Signed: L Manson.