NORWICH City Council

MINUTES

Treasury Management Committee

15:30 to 16:55 **20 November 2023**

Present:	Councillors Kendrick (in the chair), Ackroyd, Kidman (substitute for Councillor Jones), Price and Stonard
Apologies:	Councillors Jones
In attendance:	Gareth Robinson, Interim Head of Finance Robert Mayes, Corporate Finance Business Partner Caroline Knott, Senior Technical Accountant

(The committee meeting scheduled for 7 November 2023 was inquorate and therefore was reconvened. A revised version of the report at item 3 (below) Treasury Management Mid-Year Review Report 2023/24 was circulated as a supplementary agenda.)

1. Declarations of interest

There were none.

2. Minutes

RESOLVED to approve the minutes of the meeting held on 4 July 2023.

3. Treasury Management Mid-Year Review Report 2023/24

The Corporate Business Partner presented the revised report which had been updated to include the quarter 1 data in Appendix A and revised paragraph 36.

During the presentation the Corporate Finance Business Partner explained the movements in investments for the first six months of the year (Table 1 of the report) and said that during this period the council had made a prepayment of Employer secondary pension contribution of £15m and received a £1m discount for the early pay over. The council's employer pension contributions follow the 3-year triennial valuation on 31 March 2022. The financial risks and benefits had been assessed and the discount amount was advised by the Pension Fund Actuary in September/ October, and this had fed into the council's Medium Term Financial Strategy. In reply to a question on the reasons that the council did not retain the cash and invest the £15m as part of Treasury Management operations at the prevailing interest rates at the time, the Interim Head of Finance said that the council took the prudent decision that the returns from pre-paying the pension deficit at a discount would be guaranteed over a three-year period.

The Corporate Business Partner referred to paragraph 10 of the report and pointed out that actual interest received would exceed the budget and was forecast to be £4.500m. Link Asset Services, the councillor's treasury advisors, forecast that interest rates would remain high this calendar year and into the spring of next year, with interest rates falling by September and reduced rates into 2025. The chair said that the Bank of England target of 2 per cent had some way to go. The Corporate Business Partner said that whilst rates were high the council was looking to put off borrowing for as long as possible until rates lowered. During discussion the Corporate Finance Business Partner referred to the report that set out the options relating to the management of the council's maturing debt (item 7 (below).)

The committee noted that Table 4 set out the current capital programme budget. The capital programme was being financed by receipts and grants with very little net borrowing, in part due to the reprofiling of the loan to Lion Homes (Norwich) Limited (formerly Norwich Regeneration Limited). It was also noted that Table 5 showed that the council's capital financing requirement (CFR) or underlying need to borrow for capital purposes was in £320m and in a good place.

Discussion ensued on the prudential indicators relating to borrowing activity. A member asked whether a breach of the authorised limit would trigger a Section 114 notice. The Corporate Finance Business Partner referred to paragraph 28 and said that the operational boundary was set lower than the authorised limit and acted as a warning should borrowing approach the level of the authorised limit. The suggestion that officers could borrow up to £100m for capital projects was contradicted by other members as a hypothetical situation. Such a loan would require the S151 officer to be aware of it and also cabinet approval. The Corporate Finance Business Partner said that this committee considered the Treasury Management Strategy which sets out the council's borrowing plan for the year. Any change to this strategy would require going back to cabinet for approval.

In reply to a member's question, the Corporate Finance Business Partner explained that the refinancing of the maturing loans would be included in the Treasury Management Strategy. This was set a year in advance and updated quarterly. Officers were continuing to work on the best ways to prepare to meet the maturing loans. Members were referred to the charts 1 and 2 which set out the council's liability benchmark with and without additional borrowing being taken out over the maturity of all loans.

It was noted that Link Asset Services had reviewed the council's Minimum Revenue Policy (MRP) with regard to the new regulations. Further details were set out in the exempt report at item 6 (below).

A member said that it was important that the committee had input into the preparation of next year's Treasury Management Strategy and considered that January was too late. The Corporate Finance Business Partner said that there was plenty of time to review the strategy in January as in the previous year.

In reply to a member's question, the Corporate Finance Business Partner referred to the change to the Prudential Code that required councils to review assets held for investment purposes against ongoing borrowing requirements, and explained that the code did not require councils to enter into a fire sales of property, rather the properties should be reviewed and that return, service function, or economic regeneration should form part of the review. Officers were working with the Head of Property Services to review these assets. Members were advised that this was an annual review as set out in the Treasury Management Strategy.

The Interim Head of Finance said that this review was also part of a five-year process to identify assets for disposal and invest in new properties, with further details coming through as part of the budget process in February 2024. The Chartered Institute of Public Finance and Accountancy (CIPFA) was trying to ensure that councils made safer investments to generate local regeneration and benefit from business rates, whilst not investing in properties where they had no local knowledge. A member pointed out that the city council had made investments purely for yield and in other areas. The chair said that the city council was well regarded by other local authorities. The Interim Head of Finance said that the changes to the rules applied to new investments rather than existing ones that were continued to make good returns. The committee noted that the City of Edinburgh Council had invested in St Stephens Street in Norwich.

A member commented on the £99.223m held as investment property (paragraph 51 of the report) and said that the work of the Treasury Management Team was extremely important for the work of the council to provide services.

(The chair agreed to defer consideration of the recommendations until the additional reports at items 6 and 7 (below) had been considered.)

4. Draft Treasury Management Annual Workplan

The Corporate Finance Business Partner presented the report. The schedule was based on the previous year's around quarterly performance reporting and the annual review of the strategy in January of each year. It was proposed to bring forward initial changes to the Treasury Management Strategy in November 2024 because of the need to determine the approach regarding the maturing loans and incorporate it into the strategy at the January 2025 meeting.

RESOLVED to agree the work plan.

5. Exclusion of the Public

RESOLVED to exclude the public from the meeting during consideration of items 6* and 7* (below) on the grounds contained in the relevant paragraphs of Schedule 12A of the Local Government Act 1972 (as amended).

6. Minimum Revenue Provision (MRP) Policy Change 2023/24 (paragraph 3)

The Interim Head of Finance presented the report that provided advice from the council's treasury management advisors and further information to the item 3 (above). He explained that the Minimum Revenue Provision (MRP) is the minimum amount which a council must charge to its revenue budget each year, to set aside a provision for repaying external borrowing (loans), and likened it to a mortgage and its repayments.

RESOLVED to note the contents of the report.

7. Maturing Debt - Briefing Paper (paragraph 3)

The Corporate Finance Business Partner presented the report which sets out the options for addressing maturing debt, and together with the Interim Head of Finance, referred to the report and answered a member's questions.

(The committee then moved back into public session).

8. Treasury Management Mid-Year Review Report 2023/24 – Resolution

Having considered items 6 and 7 (above), the chair then moved the committee to the vote on the recommendations as set out in the report, and it was:

RESOLVED, with 4 members voting in favour, and 1 member abstaining from voting (Councillor Price) to:

(1) note the contents of the report and in particular the treasury management activity undertaken in the first six months of the 2023/24 financial year;

(2) agree the updated Minimum Revenue Provision (MRP) Policy as set out in appendix B;

(3) note the Voluntary Minimum Revenue Provision of £1.300m provided to date in relation to Lion Homes (Norwich) Ltd.

(4) propose that this report be considered and agreed by cabinet.

CHAIR