NORWICH City Council

MINUTES

Treasury Management Committee

14:30 to 16:00 **9 January 2024**

Present:	Councillors Kendrick (in the chair), Ackroyd, Price and Stonard
Apologies:	Councillors Jones
In attendance:	Robert Mayes, Head of Finance (Deputy S151) Caroline Knott, Senior Technical Accountant

1. Declarations of interest

There were none.

2. Minutes

RESOLVED to approve the minutes of the meeting held on 20 November 2023.

3. Treasury Management 2023/24 3rd Quarter review

The Head of Finance presented the report and updated members on the actual December position on 31 December 2023. (The amended tables 1 and 3 are appended to the minutes of this meeting.) Members were advised that the position had been static throughout the year and was not anticipated to change. There had been no breaches in terms of prudential indicators to report. It was also noted that an updated version of Table 2 would be included in 2024/25 Treasury Management Strategy to ensure that the budget papers were informed by the latest forecast position on interest rates.

RESOLVED to note the contents of the report and in particular the treasury management activity undertaken in the 3rd Quarter of the 2023/24 financial year and recommends it for approval by cabinet and council.

4. Draft 2024/25 Treasury Management Strategy

The Head of Finance presented the report. During the presentation, he advised members that the figures in Table 5.1, *The council's capital expenditure and financing plans* would be subject to change when the work on the estimated projections had been completed as part of the 2024/25 budget setting process.

During consideration of the report, the committee noted that the Capital Financing Requirement Table 5.2(i) showed that £25M of capital receipts had been used to pay down the CFR. The level of CFR also sets the key Prudential Indicators for the operational boundary and Authorised limit that includes an additional £30M buffer. It was also noted that the council had no plans to invest in projects for yield that would prevent borrowing from the Public Works Loan Board (PWLB).

During discussion a member asked what the situation was regarding the use of PWLB funding to increase the market value of an asset and generate funding for the council. The Head of Finance explained that the rule changes applied to new borrowing from the PWLB, but did not apply to historic loans and was not retrospective. The changes sought to prevent borrowing for yield but was also implemented to avoid the "unintended consequences" of authorities being forced into a fire sale of assets at a loss. The requirement to sell yield assets before borrowing only apply where there was evidence that an asset was either commercially or financially viable for sale. The rules did not apply to assets held for a statutory service requirements. An authority holding assets for instance in a different city that would provide sufficient profit when sold should consider disposing of that asset before seeking a loan from the PWLB to release capital assets.

A member referred to Chart 5.2 *Forecast of CFR and borrowing limits* and said that it was reassuring that there was £1 million available as a contingency. The Head of Finance explained that up to £1 million was provided to fund emergencies. It was a prudent amount, but it was important to ensure that the council could fulfil its obligations and prevent reputational damage.

Members were advised that officers were recommending a change to increase the Counterparty Limit with the council's own bank to £15 million from £10 million for operational payment and receipt purposes, and not for use as investment limit (Table 5.9 *Specified and non-specified investment approved instruments).* The purpose of this was to provide some headroom as the council receives and makes significant payments through Barclays for items such as precepts and investment balances.

Discussion ensued on the joint procurement process for banking services which was being conducted by a consortium of all the local councils in the Norfolk and led by the county council. The committee noted that there was a limited number of banks that provided banking services to local authorities and that the council required its bank to have a credit rating of A- or above, based on the advice of the council's treasury management consultants. Members considered that further information was required to provide them with information about the environment, social and governance (ESG) considerations, the composition of the consortium and the legal constraints around the procurement process. The committee particularly wished to ensure that the council did not bank with a provider that invested in fossil fuels or countries where it was illegal to be LGBTQIA+ whilst conforming with the legal requirements of the procurement process and that its viewpoint on ESG could be taken forward. The Head of Finance confirmed that all authorities were equal partners in the joint procurement, and he would share the joint service specification and memorandum of understanding with the committee. He would also include the legal constraints as advised by the Head of Legal and Procurement in the report.

Members were advised that the council could set the thresholds for its minimum long term credit rating criteria or equivalent but the lower it went the greater the risk. The committee noted that the council needed to be prudent in its investment and accountable, and avoid the situation where other councils lost investments for example during the Icelandic financial crisis. The council would therefore discount a bank with good environmental credentials if its rating was only BBB.

A member suggested that ESG should be given letters like the credit ratings. The Head of Finance said that the council's treasury consultants, Link Group, acknowledged that ESG was subjective and were working on a solution. The Financial Conduct Authority (FCA) was consulting on a standard accreditation of ESG ratings which would make it more transparent. The council continued to put pressure on the Link Group and its other counterparties for information on their policies on ESG, which was a way to change the emphasis from the inside.

Discussion ensued on the potential for the council to invest in sustainable Money Market Fund (MMF) products and put the balance in higher return investments in either local councils or banks, balanced with the ethical dilemma of needing to ensure that investments were prudent and could provide additional income for the General Fund to provide services to residents. Generated income had helped the council retain a 100 per cent Council Tax Reduction Scheme. The £5 million interest from investments forecasted for 2023/24 provided headroom for short term spending such as this and helped the council balance its budget.

RESOLVED to:

(1) with 3 members voting in favour, and 1 member abstaining (Councillor Price) to note the draft Treasury Management Strategy for the year to 31 March 2025 and recommend it to cabinet and council;

(2) ask the Head of Finance to report to the committee on the procurement process for the authority's banking service, to include the composition of the consortium and clarification of the legal requirements.

5. Effective Scrutiny of Treasury Management Draft Self-Assessment

The Head of Finance presented the report.

During discussion it was agreed that the Link Group should provide annual training at the start of the civic year. External training opportunities would also be circulated to members.

Councillor Price said that the course provided by the Royal London Group had been useful. The training of the chairs of the audit committee and scrutiny committee on treasury management helped them strengthen their respective committees.

The committee considered that training was a priority and that it should be delivered soon after members were appointed to the committee, and before the meeting of the first committee in the civic year.

RESOLVED to note the report and agree the draft effective scrutiny self-assessment questionnaire responses.

CHAIR

Appendix A

The actual data for Treasury Management Committee as at 31 December 2023

Table 1

Investments	**Actual**	**Actual**	**Actual**	**Estimate**	**Actual**
	31-Mar-23	**30-Sep-23**	**30-Nov-23**	**31-Dec-23**	**31-Dec-23**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Short term investments:					
Banks	25,000	35,000	36,000	45,000	45,000
Building Societies	0	6,000	6,000	6,000	6,000
Local Authorities	20,000	20,000	25,000	25,000	25,000
Cash Equivalents:					
Banks	14,600	16,343	10,576	1,471	1,398
Non- UK Banks	5,000	10,000	10,000	10,000	10,000
Building Societies	10,000	0			
Local Authorities	45,000	0	0	0	0
Money Market Funds	12,000	22,000	26,300	25,300	19,900
UK Government	0	3,000	0	0	0
Total	**131,600**	**112,343**	**113,876**	**112,771**	**107,298**

Table 3

Long Term Borrowing	Actual	Actual	Actual	Forecast	Actual (No change from Forecast)	TMSS Forecast	Revised Forecast
	31-Mar-23	**30-Sep-23**	**30-Nov-23**	**31-Dec-23**	**31-Dec-23**	**31-Mar-24**	**31-Mar-24**
	£'000	**£'000**	**£'000**	**£'000**	**£'001**	**£'000**	**£'000**
Public Works Loan Board	205,648	201,648	201,648	201,648	201,648	201,648	201,648
Money Market	5,000	5,000	5,000	5,000	5,000	5,000	5,000
3% Stock (Perpetually irredeemable)	499	467	133	133	133	467	133
Other financial intermediaries (Salix)	131	105	79	79	79	79	79
Corporate Bonds and External Mortgages	11	11	11	11	11	11	11
Total	**211,288**	**207,231**	**206,871**	**206,871**	**206,871**	**207,205**	**206,871**