



# NORWICH City Council

**Committee Name: Audit**

**Committee Date: 12/07/2022**

**Report Title: Consideration of Treasury Management**

**Portfolio:** Councillor Kendrick, cabinet member for resources

**Report from:** Head of legal and procurement

**Wards:** All Wards

## **Purpose**

In undertaking its self-assessment, the audit committee raised the subject of whether it should have a role in considering treasury management.

This report updates the committee on potential options for reviewing treasury management and seeks to make recommendations on how to progress.

## **Recommendation:**

It is recommended that the audit committee asks the constitution working party develop proposals for a treasury management committee as outlined in paragraphs 12 and 13 of the report.

## **Policy Framework**

The Council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report meets the corporate priority to ensure Norwich City Council is in good shape to serve the city.

## Background

1. In undertaking its self-assessment, the committee recognised that treasury management can fall within the domain of audit committees and requested “that CLT and the constitution working party considers whether the treasury management framework should be reviewed by the audit committee.”
2. This was subject to provisional discussion with the constitution working party, which indicated it would be keen to understand the views of the audit committee what form such review would take and would consider proposals the committee made.
3. CIPFA’s position statement: Audit Committee in Local Government and Police Authorities highlights that:

“An audit committee can also support its authority by undertaking a wider role in other areas including:

  - considering governance, risk or control matters at the request of other committees or statutory officers;
  - working with local standards and ethics committees to support ethical values;
  - reviewing and monitoring treasury management arrangements in accordance with Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (CIPFA, 2017);
  - providing oversight of other public reports.
4. CIPFA also advocates that members undertaking treasury management review should receive specific training.
5. At present, the council’s treasury management strategy is approved by council alongside the budget (and therefore subject to review by scrutiny committee and cabinet as it is developed). Treasury management reports are provided to council twice a year.
6. In reviewing treasury management, councillors will fundamentally be looking at:
  - (a) The council’s policies, and how they are being complied with, in regard to investments and cash-flows;
  - (b) The council’s banking and money market transactions;
  - (c) The effectiveness of the control environment in relation to these transactions;
  - (d) Ensuring the council is delivering optimum performance over its treasury management.
7. A review was undertaken of 5 similar authorities by type to Norwich, and also of 3 other local district councils. Of those 8 councils, 4 had delegated review of treasury management to their audit committees, and 4 had not. There were also variances in the extent of their delegation; for example, one council had delegated their audit committee to approve the treasury management strategy, whilst other councils asked the audit committee to make recommendations to cabinet or council.

8. In addition, officers are aware of other models that have been adopted. This includes a council where treasury management was considered by an audit committee sub-committee, and a council where it was undertaken by a sub-committee that reported to cabinet.

## **Proposal**

9. Treasury management is one of the more challenging areas of examination within local government and can require careful and detailed consideration.
10. Whilst this work can be undertaken at committee level, in practice the agendas for the audit committee are becoming increasingly substantial and treasury management could only be incorporated with additional meetings.
11. Recognising the increasing complexity of treasury management, last year, CIPFA consulted on proposals to require councils to have separate treasury management committees consisting of senior and cross-party councillors. This allows a group of members to focus specifically on treasury activity, with dedicated support and training. These proposals have not yet been taken forward.
12. In this regard, it is suggested that the council looks to establish a dedicated treasury management committee in line with the proposals CIPFA has suggested. This would meet at least 3 times a year to consider the strategy, mid-year and annual treasury management reports in detail prior to their adoption by council.
13. Such a committee would clearly benefit from representation from the audit committee and scrutiny committee; but could also incorporate the leader and cabinet member with the portfolio holder for resources, linking together the accountability of the executive and the challenge from scrutiny.
14. Whilst this would be the recommended approach of officers, as set out above other alternatives include consideration by the audit committee directly, or by a sub-committee of audit committee members. The drawback of this latter approach is that it can lead to a lengthy review process, with items being reviewed by the sub-committee, the audit committee and then by the relevant decision maker.
15. The audit committee is asked to recommend a preferred approach. It is intended that officers will then use this to amend existing terms of reference or develop new terms of reference for consideration by the constitution working party, who will then recommend final proposals to council.

## Implications

### Financial and Resources

Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan and Budget.

16. The creation of a new committee or sub-committee or increasing the number of meetings of an existing committee, will inevitably require additional staffing resources and member time in order to support it. Any training requirements for members will need to be met from the council's member training budgets.

### Legal

17. The council's powers in relation to treasury investment lie in the Local Government Act 2003, which requires the Council to comply with any statutory guidance issued by the Secretary of State, which has in turn mandated the requirement to comply with relevant CIPFA codes of practice.
18. At this stage, neither CIPFA nor the Government have placed a formal requirement on local authorities for a dedicated committee or sub-committee to consider treasury management prior to council adoption.

### Statutory Considerations

| Consideration                      | Details of any implications and proposed measures to address: |
|------------------------------------|---|
| Equality and Diversity             | None  |
| Health, Social and Economic Impact | None  |
| Crime and Disorder                 | None  |
| Children and Adults Safeguarding   | None  |
| Environmental Impact               | None  |

### Risk Management

| Risk  | Consequence   | Controls Required   |
|---|---|---|
| The Council does not monitor its treasury investments effectively | Potential loss incurred through devaluation of council treasury investments and failure to take opportunities | The strengthening of member insight into the development of treasury management strategy and review of treasury management performance will enhance the control environment in support of effective management performance. |

## **Other Options Considered**

19. As set out in the report, there are several options as to how treasury management could be subject to additional monitoring at a member level with the committee asked to recommend a favoured proposal.

## **Reasons for the decision/recommendation**

20. As set out above, the audit committee has asked officers to evaluate proposals for review of treasury management. This report seeks to recommend proposals to members which will then be developed by the constitution working party for consideration by council.

**Background papers: None**

**Appendices: None**

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