# MINUTES OF THE

# TREASURY MANAGEMENT AND INVESTMENT SUB COMMITTEE

## held on 13 December 2021 at 6pm

Present:

Councillor C.K. Davidson (Chair)

Councillors M.W. Bracken, D.J.R. Clark, J. Galley, G.B.R. Knight, A.B. Sosin and R.T Whitehead

### 1. Apologies for Absence and Substitutions

No apologies for absence were received.

### 2. Minutes

The minutes of the meeting held on 18 October 2021 were agreed as a correct record and signed by the Chair. Some minor typographical changes were also agreed.

### 3. Declaration of Interests

All Members were reminded to declare any Disclosable Pecuniary interests or other registerable interests where appropriate in any items of business on the meeting's agenda. None were made.

### 4. Public Question Time

No questions were asked or statements made.

### 5. Update on Regulation Changes

The Sub-Committee received an update on changes being made to the PWLB and CIPFA regulations governing Local Authority investment and borrowing. It was noted that many changes had been made over the last few years, mainly aimed at preventing Councils from buying property assets for the primary purpose of income generation. The Sub-Committee heard that some authorities had continued to do this, hence the more robust measures detailed in the report. It was noted that to allow only appropriate use of PWLB borrowing facilities in future new rules have been put in place. It was noted that the PWLB changes required the S151 officer to annually identify assets being purchased for investment purchases and for them to ensure that rules are followed. The rules also required that projects undertaken which generate surplus income can only be funded by PWLB borrowing if that surplus is directed to funding similar projects and not general expenditure. The Sub-Committee heard that these changes didn't have a high impact on the Council. The tightening of the rules was believed to be aimed at a number of Councils who have not behaved prudently in the past and it is expected that PWLB will adopt a practical view.

The Sub-Committee heard that the CIPFA changes were slightly more difficult for the Council, but were still in draft form. It was noted that the guidance appeared to indicate, that any income generating assets should be sold before undertaking any new borrowing. The Sub-Committee heard that this was not a logical approach and would not result in good investment management. It was noted that the approach would not take any value for money aspects into consideration or long-term planning and would not be the most effective form of financial management. It was noted that the proposals had been heavily criticised nationally and a final code was due to be published in late December 2021. The Sub-Committee heard that a report to Council may be required in 2022, updating on any changes, although they would not need to be implemented until 2023/24.

In response to questions from the Sub-Committee it was noted that;

- The Section 151 officer is statutorily bound to follow any rules and regulations and that there was the double lock, of the administration's determination to act appropriately, alongside the officer requirement to highlight wrongdoing.
- The PWLB have stated that projects primarily undertaken for yield commenced before November 2020 are not covered by the new rules.
- It was unclear how PWLB would be able to keep track of what historic borrowing was linked to what schemes, so ongoing regulation would be difficult.
- The Council responded critically to the CIPFA proposals stating that elements were not the correct form of financial management and more local discretion was required for prudent financial management.
- The guidance from the PWLB highlighted 11 examples of borrowing to demonstrate what was and was not permissible. It was also noted that their main concern was whether the main objective of a purchase was to create a surplus to fund general services.
- There appeared to be an effort from both the Government and CIPFA to prevent borrowing for income generation. There had been large pushback from Councils against the proposals as in their current form they created adverse unintended consequences.
- The final CIPFA proposals had not yet been confirmed, but it was hoped some moderation would occur due to the general views of local authorities.

RESOLVED that the report be noted.

*(6.02pm to 6.16pm)*

## 6. Treasury Management & Investment Strategies 2022/23

The Sub-Committee considered a draft report to the Cabinet on 25th January 2022 regarding the proposed Treasury Management and Investment Strategies for 2022/23. Members were asked to review the draft report and recommend the 2022/23 strategies to Cabinet on 25th January 2022 and then Full Council on 23rd February 2022.

The Sub-Committee were provided with an overview of the documents and informed that they would essentially govern how the Council could invest its financial resources.

It was noted that the strategies did not currently reflect the draft CIPFA proposals and would be revisited if required. The Sub-Committee also heard that the Treasury Management strategy had not changed much from the previous year. It was noted that the length of long-term investments was changing to 365 days rather than 364 to open up more investment options. It was also noted that clarification was provided in the strategy for how some decisions differ from the advice from the Council's Treasury advisors. The Sub-Committee heard that it was the role of officers to assess the advice provided and in some instances, different decisions had been and would continue to be made. It was also noted that the forecast until 2026 highlighted no need for the Council to undertake any long-term borrowing.

The Sub-Committee noted that the Investment Strategy, as highlighted in various tables, identified how the Council invests in properties and other assets. It was also noted that the Capital Strategy would be reported separately to Cabinet.

In response to a question from the Sub-Committee, it was noted that the Council were slightly more lenient than the Treasury advisors on non-UK based investments. However, it was more cautious for example, on investing within building societies than the advisors who retain the option to use non-credit rating data to increase the number of eligible building societies to hold deposits..

The Sub-Committee were happy with the proposed strategies and agreed that they should be recommended to the Cabinet.

RESOLVED that the Treasury Management and Investment Strategies be recommended to the Cabinet.

*(6.17pm to 6.27pm)*

## 7. Urgent Business

There were no matters of urgent business to discuss.

The meeting closed at 6.28pm.

Chair