

Recommendations from the Executive –15 December 2022

**Executive
Minute
reference
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Treasury Management Strategy Mid-Year Report 2022/23

The Deputy Leader and Executive Member for Finance and Governance, Councillor Schofield, introduced the Treasury Management Strategy Mid-Year Report which provided an update on the performance of the Council's treasury management activities for the first half of this financial year.

The report forms part of formal reporting requirements under the CIPFA Code of Practice on Treasury Management. Councillor Schofield reported that treasury management performance for 2022/23 to date including performance against the Council's Prudential and Treasury Management Indicators was on track and complied with the borrowing and investment position and limits that Members had agreed previously as part of the Strategy for 2022/23. One minor non-compliance matter was highlighted in the report (funds held in an investment account for one day more than the timescale specified) and investment procedures had been reviewed as a result to improve controls. The report had been considered by the Audit Committee at its meeting on 7 December 2022. An Addendum to the agenda had been published which set out the observations from Members in the draft Audit Committee minute on this item.

A Visiting Member from the Audit Committee commented that the Committee had expressed strong reservations about the information presented at Table 5: Investment Portfolio – Non-Treasury Investments (p105) in the report to the Committee. As the Chairman of the Audit Committee, Councillor J. King, could not attend this Executive meeting, a statement from him on behalf of the Committee had been circulated to Executive Members. The Committee's concerns were specifically about the limitations of the information provided in the report on the current and forecast value of the Council's investments in Horley Business Park LLP, Greensand Holdings Limited and Pathway for Care Limited. Deputy Leader and Portfolio Holder for Finance and Governance, Councillor Schofield, noted that the purpose of the Treasury Management report was not an appraisal of the Council's companies.

It was a brief snapshot of funds invested at a point of time and showed the cumulative value of loans and interest accrued to date. Information on the Council's companies was provided in regular performance reports, which were reviewed by Overview and Scrutiny Committee, as well as in

the annual Statement of Accounts to the Audit Committee. Councillor Schofield and Portfolio Holder for Investment and Companies, Councillor Archer, invited Audit Committee Chairman, Councillor J. King, to attend future meetings of the Executive's Partnership, Shareholder and Trustee Sub-Committee (formerly named the Commercial Ventures Executive Sub-Committee). This gave more detail about ongoing work in this area and the Chairman could thereby be aware of commercial confidential discussions and raise questions on behalf of the Audit Committee.

Visiting Members raised concerns that the information in Table 5 on third party loans was set out in a way that was inaccessible to a member of the public or to a lay person without a finance background. Without further background information attached to the table, it did not provide the information they were seeking on company assets and income. They asked for further clarity on the information provided and assurance that there were plans in place to mitigate any future risks.

Councillor Brunt, Leader of the Council, responded that the detail and background information on companies' performance was contained in the twice-yearly Companies Performance Update report to the Overview & Scrutiny and Partnership, Shareholder and Trustee Committees which is available to all Members. The Treasury Management Strategy Mid-Year report was not designed to be a detailed report on investments as this information was provided in other reports to Committee which covered many of these points. Any investment carries a degree of risk which is examined through detailed business cases and considered by the Executive's Commercial Ventures Executive Sub-Committee (CVESC) – now the Partnership, Shareholder and Trustee Sub-Committee.

Chief Finance Officer, Pat Main, confirmed that this report was not intended to be an investment appraisal or detailed performance report. It was a factual statement of Executive, Thursday, 15th December, 2022 sums advanced and of interest accrued. As noted by Members, a comprehensive companies update report is submitted to Overview and Scrutiny Committee and their observations are provided to the Executive's Partnership, Shareholder and Trustee Sub-Committee. The accounting value of company investments is reported in the Statement of Accounts which is reported to the Audit Committee each year. Portfolio Holder for Investment and Companies, Councillor Archer, in response to the concerns raised, clarified that Greensand Holdings Ltd has an income stream – the rental income on the Crown

House offices – and that interest on the loan for the land in Horley was capitalised. This was a legitimate and acceptable accounting treatment for development land. He emphasised the oversight of the companies' performance is set out in regular reports to the Partnerships, Shareholder and Trustee Sub-Committee (formerly CVESC) that all Members could attend.

Managing Director, Mari Roberts-Wood, added that treasury management reporting was laid out in statutory guidance to all local authorities, with set criteria, which all local authorities and Section 151 Officers are required to follow when producing their reports to Committee. It was noted that the discussions at Audit Committee had referred to the challenges in interpreting technical treasury management information. The Leader supported the proposed additional training from the Council's treasury advisers to assist Members on the Committee with their important work.

Following this discussion, Visiting Members asked a further question about ethical and sustainable investments, such as using banks that have significant investments in fossil fuels, and if this is taken into account. Chief Finance Officer, Pat Main, confirmed that regard to environmental, sustainability and governance (ESG) factors was an increasingly relevant factor for consideration when investing, however this must always be secondary to ensuring security, liquidity and income from the Council's investments. Further information will be provided in the Treasury Management Strategy 2023/24.

RESOLVED – that the Executive:

- 1. Note the Treasury Management Performance for the year to date and the updated prudential indicators, note the observations from the Audit Committee, and RECOMMEND the Treasury Management Mid-Year Report to Council.**