

# CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

Special Meeting held on Tuesday, 15th February, 2022 at the Council Offices, Farnborough at 7.00 pm.

## **Voting Members**

Cllr Sue Carter (Chairman)  
Cllr P.J. Cullum (Vice-Chairman)

Cllr Jessica Auton  
Cllr Jib Belbase  
Cllr A.K. Chowdhury  
Cllr Christine Guinness  
Cllr A.J. Halstead  
Cllr Prabesh KC  
Cllr Sarah Spall  
Cllr Jacqui Vosper

Apologies for absence were submitted on behalf of Cllr Sophia Choudhary and Davies (Independent Member – Audit).

## **35. MINUTES**

The Minutes of the Meeting held on 24th January 2022 were agreed and signed as a correct record of the proceedings.

## **36. TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS 2021/22**

The Committee received the Executive Head of Finance Report No. FIN2211, which set out the main activities of the treasury management and non-treasury investment operations during the first half of 2021/22.

The Committee was advised that the Council's treasury team had continued to concentrate on the security of investments, taking due regard for the returns available. It was noted that, with increased levels of borrowing, the treasury team continually reviewed the borrowing strategy, weighing up interest rate levels and risk of refinancing. During the first half of the 2021/22 financial year, short-term interest rates had remained at 0.10% and had been forecast to remain low. Borrowing levels had remained the same during the year, although the increase in short-term borrowing did increase the refinancing risk.

The Report stated that total borrowing at 30th September 2021 had been £102 million, which represented no change from the 2020/21 year-end position. Year-end borrowing was forecast to be below the estimated levels due to timing capital expenditure (service loans) on Housing Matters. The lower level of borrowing and lower interest rates had resulted in the forecast interest cost of borrowing reducing

by £0.495 million. The Council was forecast to have non-treasury investments risk exposure of £137 million, of which £93.7 million would be funded via external loans.

During discussion, Members raised questions regarding the General Fund and the loan to Farnborough International Limited, which were answered by the Executive Head of Finance.

**RESOLVED:** That

- (i) the reported current pace of change in economies and markets be noted; and
- (ii) the Executive Head of Finance Report No. FIN2211 be noted.

**37. ANNUAL TREASURY MANAGEMENT STRATEGY AND ANNUAL NON-TREASURY INVESTMENT STRATEGY 2022/23**

The Committee considered the Executive Head of Finance Report No. FIN2212, which set out the proposed Treasury Management Strategy and Non-Treasury Management Strategy for 2022/23, including the borrowing and investment strategies and treasury management indicators for capital finance for 2022/23 and the Minimum Revenue Provision Statement.

It was noted that the Council was required to approve a Treasury Management Strategy and Non-Treasury Investment Strategy (Investment Strategy) for 2022/23 before 1st April 2022. The Treasury Management Strategy Statement (TMSS) for 2022/23 and Non-Treasury Investment Strategy were prepared in accordance with the Prudential Code (2017 edition) and the Treasury Management Code of Practice (2017 edition) and the Ministry of Housing, Communities and Local Government revised guidance on Local Government Investment.

The Report covered the Council's treasury management and investment activities. The funds invested consisted of short-term cash available due to timing of income and expenditure, prudential borrowing and the Council's capital receipts. Arlingclose's advice continued to indicate that the Council should diversify investment risk wherever possible.

**The Committee RECOMMENDED THE COUNCIL**

- (i) to approve the Treasury Management Strategy 2022/23, Annual Borrowing Strategy 2022/23, as set out in the Executive Head of Finance Report No. FIN2212;
- (ii) to approve the Annual Non-Treasury Investment Strategy 2022/23;
- (iii) to approve the Minimum Revenue Provision (MRP) Statement.

**RESOLVED:** The Prudential Indicators for 2022/23 be reviewed by the Council's treasury management advisers, Arlingclose, for completeness, with any update included in the Report to the Council on 24th February 2022.

**NOTE:** The recommendations to the Council were dealt with at its meeting on 24th February 2022.

### 38. **ANNUAL CAPITAL STRATEGY 2022/23**

The Committee considered the Executive Head of Finance Report No. FIN2213, which set out the proposed Capital Strategy for 2022/23, including the prudential indicators for capital finance for 2022/23.

The Report covered the Council's capital management activities and set out a summary of treasury management and commercial investments and the Council's borrowing requirements to fund the Capital Strategy. It was noted that prudential indicators were identified to set measures for affordability, prudent and sustainable. The funds invested consisted of short-term cash available due to timing of income and expenditure, prudential borrowing and the Council's capital receipts.

The Committee was advised that the Council had incurred prudential borrowing of £102 million in relation to its capital expenditure. Further borrowing to support the financing of its approved Capital Programme in 2021/22 would also be required. The Council would therefore commence the financial year 2022/23 in a position where its investment holdings continued to remain significant, but it also carried some accumulating debt. There would be an inevitable requirement to incur some further borrowing to service capital expenditure in future years.

It was noted that, in November 2020, the Public Works and Loan Board (PWLB) had issued new lending terms that had been subject to further clarification in August 2021. This made it a condition of access to the PWLB funding that local authorities had no intention to buy investment assets primarily for yield in the current and following two financial years. No expenditure had been incurred on the acquisition of such assets since November 2020 and the Council did not plan to incur expenditure on investment assets primarily for yield within the capital programme. The Section 151 Officer was required on application to the PWLB to submit strategic capital and financial plans covering a three-year period. The Committee was advised that careful observation of the 'gross debt v capital financing requirement' indicator would need to be undertaken progressively throughout the financial year. It was noted that, where a material change occurred to the Capital Strategy 2022/23, a revised Strategy would be presented to the Council before the change was implemented.

**The Committee RECOMMENDED TO THE COUNCIL that**

- (i) approval be given to the Capital Strategy for 2022/23 to 2024/25 and Prudential Indicators for 2022/23 (subject to (ii) below); and
- (ii) the Prudential Indicators for 2022/23 be reviewed by the Council's treasury management adviser, Arlingclose, for completeness with any update included in the report to Council on 24th February 2022.

**NOTE:** The recommendations to the Council were dealt with at its meeting on 24th February 2022.

The meeting closed at 8.35 pm.

CLLR SUE CARTER (CHAIRMAN)

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