



Finance and Performance Sub Committee

Minutes of a Virtual Meeting held on Wednesday 6 May 2020 at 7pm

Present:	Councillors:	Steven North (Chairman)	
		David Brackenbury	
		Glenvil Greenwood-Smith	
		David Jenney	
		Richard Lewis	
	Officers:	David Oliver	Chief Executive
		Glenn Hammons	Executive Director
		Kelvin Turner	Interim Head of Resources
		Katherine Hayward	Finance Manager
		Lewis Gabb	Business Transformation Manager

1.0 APOLOGIES FOR ABSENCE

1.1 Apologies for absence were received from Councillor Roger Glithero.

2.0 MINUTES

2.1 The minutes of the meeting held on 24 March 2020 were approved as a correct record.

3.0 DECLARATIONS OF INTEREST

3.1 No declarations of interest were made.

4.0 QUESTIONS FROM MEMBERS

4.1 There were no questions received from members.

5.0 TREASURY MANAGEMENT STRATEGY STATEMENT 2020/21 UPDATE

5.1 The Executive Director (Resources and Commercial) presented a report which proposed a recommendation to the Council's Treasury Management Strategy Investment Strategy to enable it to manage its cash resources effectively during the unprecedented situation arising from the Covid-19 coronavirus emergency.

5.2 The Council had approved its Treasury Management Strategy Statement at the Council

meeting on 2 March 2020. A core element of the Strategy Statement was the Investment Strategy which set out how the Council's surplus cash resources were managed.

- 5.3 The Council primarily invested its surplus monies with counterparties, which included a range of financial institutions, other local authorities, money market funds and government. The Council maintained a counterparty list which included limits on the amount of cash that could be invested with any given organisation. The limit was based on the creditworthiness of that organisation, for example, our limit for a "high" credit rated financial institution or fund was £3m and for government was £10m.
- 5.4 In response to the Covid-19 situation, the government had announced unprecedented levels of support for businesses and individuals and councils had been the conduit through which the government had allocated this support. The impact of the payment of these monies was a change in the level of cash balances being held by the Council on a temporary basis before they were paid out to businesses and individuals, for example, the level of cash investments in late March and early April had been up to £50m. The current counterparty limits cannot support these elevated cash balances and the Council had breached its counterparty limits from 27 March. To mitigate this breach, excess monies were placed with the highest credit rated counterparty the Council was able to invest with, the Debt Management Office.
- 5.5 The current elevated levels of cash balances were anticipated to continue until the Council had paid out the grants to businesses and individuals. However, there is the potential that further government support in response to the Covid-19 emergency response may be needed for businesses and individuals and to manage such situations the Council needed to ensure its Investment Strategy was flexible enough to cope.
- 5.6 A number of options had been considered and it was proposed to provide a delegation to the Chief Finance Officer, or their nominee, following consultation with the Chairmen of the Finance and Performance Sub-Committee and Governance and Audit Committee, to temporarily increase the Debt Management Office counterparty limit from £10m to unlimited if required due to exceptional circumstances. This would:
- Provide the ability for the Council to keep its cash secure in the highest level of creditworthiness available in the UK;
 - Follow the principle that security of monies was the highest priority in the Investment Strategy;
 - Provide a pragmatic solution.

RESOLVED TO RECOMMEND TO FULL COUNCIL that it:

- (i) Delegates to the Chief Finance Officer (or their nominee), following consultation with the Chairmen of Finance and Performance Sub-Committee and the Governance and Audit Committee, to temporarily increase the Debt Management Office counterparty limit from £10m to unlimited for a specified period of time due to exceptional circumstances.
- (ii) Approves the amended wording to Appendix E of the Treasury Strategy Statement 2020/21 as set out in Annex 1 to these minutes.

(Reason: To ensure that the Council is able to operate within its Investment Strategy at a time of extraordinary circumstances in response to the coronavirus (Covid-19) emergency.)

6.0 FINANCE IMPACT OF CORONAVIRUS (COVID-19) ON THE COUNCIL

- 6.1 The Executive Director (Resources and Commercial) provided a verbal update on the financial impact of Covid-19 on the Council. Covid-19 had had an unprecedented effect on the finances and resources of the Council which would need to be monitored for the remainder of the year.
- 6.2 The Council had been a key conduit in providing support for businesses and individuals by issuing relief and grants, including:
- Additional Business Rate Relief – 332 reliefs totalling £11.8m
 - Business Support Grants of £10k or £25k – 1052 grants totalling £12.9m
 - All businesses who had either applied or been contacted had been paid grants and the remaining businesses would be contacted.
 - There had been a balance in making quick payments and being diligent in not paying any fraudulent claims.
 - Hardship Grants for individuals - £440k had been allocated with £150 awarded to people in receipt of Council Tax Support. Pre Covid-19, 2050 people were receiving Council Tax Support but there had now been a further 770 Universal Credit claims which may lead to more claims for support.
- 6.3 There would be an impact on the budget during the year, particularly in areas such as homelessness, waste, PPE costs, public health funerals, enabling staff to work from home and holding virtual meetings. However, the biggest impact would be on the income budget, including planning/building control fees and licensing fees. There was an immediate pressure on the leisure centres and the Council was currently considering possible financial support with the operator. Almost £1m had been received from the government but it was too early to say if this would cover the pressures. There would also be an impact on future years and any deficits would be incorporated into the 2021/22 budget, which could be a risk to the start up resources available to the new unitary authority.
- 6.4 In conclusion, there would be an impact on the budget but it was not year clear what the full impact would be, there would also be an impact on income streams and whilst additional funding had been welcomed if this was not sufficient there would be an impact in year.
- 6.5 Members welcomed the efforts of all staff in adapting to new ways of working. Particular thanks were given to Revenues and Benefits staff who had worked hard to process the various grants which had been introduced.

RESOLVED:

That the verbal update be noted.

7.0 EXCLUSION OF PUBLIC AND PRESS

RESOLVED:

That the public and press be excluded from the meeting during consideration of the following item of business in accordance with Section 100A of the Local Government Act 1972, because exempt information may be disclosed.

8.0 OFFICE TRANSFORMATION PROGRAMME AND ASSOCIATED WORKS

- 8.1 The Business Transformation Manager presented a report which sought authorisation for the funding needed to deliver all elements of Phase 2 of the Office Transformation Programme and Associated works, the Customer Experience Enhancement Programme and Future Northants development.

RESOLVED:

That the recommendations as documented in paragraph 11.8 of the report and recommendations 1-14 in the supplementary paper be approved.

(Reason: To drive delivery of the OTP programme and associated projects and works.)

Chairman

Extract from Treasury Management Strategy Statement 2020/21

[Proposed new wording is highlighted]

Appendix E

**CRITERIA TO BE USED FOR CREATING/ MANAGING APPROVED COUNTERPARTY
LISTS/LIMITS**

1. The Chief Financial Officer will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising time, type, sector and specific counterparty limits.
2. Treasury Management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties.
3. The Council will use credit criteria in order to select creditworthy counterparties for placing investments with and will take advice as appropriate from the Council's external Treasury Advisors.
4. Credit ratings will be used as supplied from one or more of the following credit rating agencies: -
 - Fitch
 - Standard & Poor's
 - Moody's Investors Services
5. Selection criteria for approved investment counterparties.
 - Published credit ratings for financial institutions (minimum long term rating of A- or equivalent for counterparties; A+ or equivalent for non-UK sovereigns).
 - Credit Default Swaps
 - Economic fundamentals (Net Debt as a percentage of GDP)
 - Share Prices
 - Corporate Developments, news, market sentiment and momentum
 - Subjective overlay

The Councils Bank

The Council banks with Barclays Bank. If their credit rating does not meet the minimum credit criteria specified in this Investment Strategy, Barclays Bank will continue to be used for the short term liquidity requirements (overnight and weekend investments) only to ensure business continuity arrangements are maintained.

6. Investment limits for each counterparty:

Credit Rating	Banks Unsecured	Bank Secured	Government	Corporate	Registered Providers
UK Govt	n/a	n/a	£10m [unlimited in exceptional circumstances] 50 years	n/a	n/a
AAA	£3m 5 years	£3.5m 20 years	n/a	£2m 20 years	£2m 20 years
AA+	£3m 5 years	£3.5m 10 years	n/a	£2m 10 years	£2m 10 years
AA	£3m 4 years	£3.5m 5 years	n/a	£2m 5 years	£2m 10 years
AA-	£3m 3 years	£3.5m 4 years	n/a	£2m 4 years	£2m 10 Years
A+	£3m 2 years	£3.5m 3 years	n/a	£2m 3 years	£2m 5 years
A	£3m 13 months	£3.5m 2 years	n/a	£2m 2 Years	£2m 5 years
A-	£3m 6 months	£3.5m 13 months	n/a	£2m 13 months	£2m 5 years
BBB+	£1m 100 days	£1.5m 6 months	n/a	£1m 6 months	£2m 2 years
B or BBB-	Next day only	Next day only	n/a	n/a	n/a
None	£1m 6 months	n/a	n/a	£50,000 5 years	£1m 5 years
Pool funds	£3m per fund				

7. The maximum value for any one investment transaction will be as shown in the table above.
8. Sterling denominated only.
9. Sovereign rating of any non-UK counterparty will not be less than the current UK Sovereign rate.
10. When exceptional circumstances (e.g. Covid-19 emergency response) lead to elevated cash balances there is a delegation in place for the Chief Finance Officer (or their nominee), in consultation with the Chairs of Finance & Performance Sub Committee and Governance & Audit Committee, to temporarily increase the Debt Management Office counterparty limit from £10m to unlimited for a specified period of time.

Below is an explanation of the headings used:

Credit Ratings and Risk Assessment: Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the

credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn (on the next working day) will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB or BBB- are restricted to overnight deposits at the Authority's current account bank.

Banks Secured: Covered bonds, reverse repurchase agreements and other collateralized arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporate: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services; they retain a high likelihood of receiving government support if needed.

Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.