

DARTFORD BOROUGH COUNCIL

TREASURY MANAGEMENT PANEL

MINUTES of the meeting of the Treasury Management Panel held on Friday 8th July 2022.

PRESENT: Councillor David A Hammock (Chairman)
Councillor Kelly Grehan

Sarah Martin – Director of Corporate Services
Tim Sams – Head of Finance & Section 151
Officer
Catherine Bailey – Principal Accountant

In attendance remotely via Teams:

Mrs P Katrak – Arlingclose Ltd.(External Treasury
Advisor)

1. APOLOGIES FOR ABSENCE

The Chairman welcomed Panel Members to the meeting and Mrs Phiroza Katrak (External Treasury Advisor) who was in attendance remotely via zoom.

Apologies of absence were received from;
Councillor J Burrell,
Councillor A Oakley-Dow,
Councillor G Holt,
Councillor K Stealey
Councillor A Lloyd (Observer).

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. CONFIRMATION OF THE CHAIRMAN'S BRIEFING NOTE OF THE PANEL MEETING HELD ON 11 FEBRUARY 2022

RESOLVED:

1. That Members confirm as accurate, the Chairman's briefing note of the Panel meeting held on 11 February 2022.

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4. TREASURY MANAGEMENT REVIEW PART 1

Principal Accountant Catherine Bailey presented the treasury outturn report for 2021/22, explaining for the benefit of new panel members the process for setting the strategy at the start of the year and the requirement to then report on performance against that strategy at the end of the year. Catherine proceeded to hi-light elements of the report, in particular the borrowing position, investment position, treasury indicators and investment income achieved.

Catherine Bailey discussed the investment position as at the end of June and investment activity since the start of the financial year and how returns on money market funds had been rising in line with the Bank of England bank rate rises.

Councillor Hammock asked for an explanation, for benefit of the new members, of why the Council invests in the funds it does. Catherine explained about the difference between short-term cash required for liquidity purposes and the types of investment appropriate for that and how those cash balances fluctuate up and down throughout the month. She then explained about the longer-term money held, what that money is, and how it is invested across a range of externally managed pooled funds, including bond, equity, multi-asset and property funds.

Catherine explained how the Council currently benefits from a statutory override, which allows the Council to take movements in the valuations of the pooled fund investments out of the comprehensive income and expenditure statement and into a pooled investment fund adjustment account (PIFAA). This statutory override currently expires 31st March 2023 and a decision is awaited on whether this is to be removed/extended or made permanent. If it is not extended, or made permanent, then the Council may need to review its longer-term investment strategy.

Catherine advised the panel that the Council's treasury management practices (TMP's) had been updated to include a section on ESG (environmental, social and governance) considerations. The Council will now consider ESG when making an investment with a new counterparty, this will also include investment in new funds with management companies which already feature in the Council's portfolio. The existing counterparties/investment vehicles in the Council's portfolio have not been subject to ESG considerations and the Council will continue making further investments with them. The Council's newly formed climate change team will be formulating a Council wide policy to address these issues and the treasury/finance team will work with them in its formulation.

5. EXCLUSION OF THE PRESS AND PUBLIC

In accordance with Section 100A (4) of the Local Government Act 1972 (as amended), the Panel went into closed session to consider EXEMPT agenda Item A.

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6. FINANCIAL MARKETS & INVESTMENTS UPDATE FROM ARLINGCLOSE LTD

Phiroza Katrak from Arlingclose gave an update on the economy including the Arlingclose forecast for GDP, unemployment and CPI. She explained how the economic backdrop influences the decisions the Council makes and the strategy that is set. It is often impossible to compare one local authority to another, as each authority will have its own unique set of circumstances that drives their strategy. She reiterated that whilst the Council may take advice from Arlingclose, the final decision lies with the Council on the investments it makes and any borrowing decisions.

On slide 4 of her presentation, Phiroza explained how important it is for all staff involved in the treasury management function (including Councillors on the treasury management panel) to have an appropriate level of expertise, knowledge and skill and to ensure this is kept up to date.

Phiroza Katrak gave an update on the global bond and equity market sentiment and explained the inverse relationship between bond price and yields.

The high level of CPI was discussed and the likelihood of this continuing to rise with the increase in energy costs forecast for the autumn. The impact of this on real average earnings growth and consumer confidence was noted and is why the Bank of England have been raising the Bank Rate, to try to control inflation and increase confidence.

The panel looked at the forecasts by the Bank of England on GDP, UK unemployment and CPI inflation and discussed how this compared to Arlingclose's view.

The ability for the Council to borrow, should it require, was discussed and Councillor Hammock asked the Head of Finance and Principal Accountant to explain the Council's current borrowing that was taken on as a result of self-financing the HRA in 2012. It was explained that two loans have now been completely repaid and that all remaining loans are scheduled to be repaid by 2039.

Phiroza Katrak presented the externally managed pooled fund investment position as at the end of June 2022 and the return achieved both in capital growth and income return. This was presented in both a one year and three year view.

The meeting closed at 11.10am
Councillor D A Hammock
Chairman