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**Minutes of the meeting of the Corporate Policy and Scrutiny Committee, held at 10.30am on Thursday, 8 December 2022 in Committee Room 1, County Hall, Chelmsford.**

**Present:**

*County Councillors:*  
Chris Pond (Chairman)  
Jane Fleming  
Mike Garnett  
Sam Kane  
Daniel Land  
Anthony McQuiggan  
Mike Steptoe (Vice Chairman)  
Marshall Vance

*The following joined the meeting virtually via Zoom:*  
Councillor Tom Cunningham  
Councillor Mike Mackrory,  
Councillor Ivan Henderson.

Graham Hughes, Senior Democratic Services Officer, and Emma Hunter, Democratic Services Officer, were also present.

**1            Membership, Apologies, Substitutions and Declarations of Interest**

The report on Membership, Apologies, Substitutions and Declarations was received and noted.

Apologies for absence had been received from Councillors Chris Siddall and Wendy Stamp. In addition, Councillors Tom Cunningham, Ivan Henderson and Mike Mackrory also were unable to be present but all three joined virtually by Zoom.

Councillor Garnett declared a non-pecuniary interest in relation to the Harlow Investment Fund referred to in the agenda report for Item 4 as he was a Harlow District Councillor.

**2.           Minutes**

The draft minutes of the meeting held on 24 November 2022 were approved as a true record and signed by the Chairman of the meeting.

**3.           Questions from the public**

There were no questions from the public.

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**4. Draft Capital and Treasury Management Strategy**

The Committee considered report CPSC/25/2022 comprising a draft Capital and Treasury Management Strategy (the Strategy).

The following joined the meeting to introduce the item:  
Councillor Christopher Whitbread, Cabinet Member for Finance,  
Resources and Corporate Affairs  
Stephanie Mitchener, Director of Finance  
Christine Golding, Chief Accountant  
Nicole Wood, Executive Director: Corporate Services (via Zoom).

During the opening presentation and subsequent questioning and discussion, the following was acknowledged, highlighted and/or noted:

- (i) The County Council were required to refresh and produce the Strategy every year and update accordingly to comply with latest professional guidance and statutory requirements. A significant proportion of the contents of the Strategy was mandated.
- (ii) The draft Strategy explained how decisions were made regarding council expenditure and borrowing, investments, and treasury management and governance.
- (iii) The Strategy had not been presented to the Committee for scrutiny in previous years. The Chairman welcomed the opportunity to comment on the draft Strategy this time emphasising that transparency and accountability were enhanced by pre-scrutiny. Members queried how different the draft Strategy was to the previous year.
- (iv) The Council's investment priorities were firstly security (to minimise the risk of losing the principal) and liquidity (to enable the Council to continue to meet day to day obligations). Once those priorities were met then looking for yield next became the priority. Funds would be invested according to the Secretary of State's definition of specified investments and non-specified investments would only be undertaken for investments with a term of beyond a year.
- (v) The Council's ongoing cash balance would fluctuate but would usually be circa £500m although it could peak and trough away from that figure by up to a £100m and was impacted by how the Council met its capital financing requirements.
- (vi) The Counterparty lending list was outlined which included highly rated banks and building societies, money market funds with high credit ratings, property funds, UK Government and other local authorities (which were defined as high credit standing as they cannot default on a loan) although the latter

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was not actively being used at the moment.

(vii) The Council would not knowingly invest directly in businesses whose activities and practices posed a risk of serious harm to individuals or groups, or whose activities were inconsistent with the Council's values.

(viii) There had been some change in the regulatory view of investment in property outside a Council's own geographical borders. However, the three out of area investments made by the County Council had been made prior to that change in view and the Government had not given any indication that there was an expectation to now sell those assets. In addition, the three property investments had been funded by capital receipts and not borrowing.

(ix) The Council had invested in a basket of retail, office and industrial properties and the returns on these had held up well during the pandemic. Returns would continue to be reviewed quarterly and the current long-term view was that they still represented a good income stream for the County Council.

(x) The Council was prohibited from borrowing if there was no identifiable need for it and was not able to borrow solely to seek investment return. Most of the County Council's borrowing was from the Public Works Loan Board and they would not advance on debt to yield projects.

(xi) Current borrowing was estimated to cost approximately £50m in principal and £20m in interest respectively. Some members queried whether there could be a time when the Council reached the limit of what it could borrow. It was stressed that the Prudential Codes were in place to guide and enable a council to determine that their borrowing levels remained prudent and what it could afford. The code required measuring against certain indicators and to report quarterly on them.

(xii) Whilst all borrowing was currently at fixed rates, an upper limit of 30% of borrowing at variable rate had been set in case the interest rate environment changed and entering variable rate agreements became more attractive.

(xiii) As part of the annual preparation of the budget there was a significant amount of benchmarking with other statutory bodies and other local authorities. The Council had started to look like it was moving towards a higher quadrant of comparative borrowing and this was due to be further reviewed.

(xiv) Whilst the draft strategy outlined the major risks that the Council was exposed to, many of the risks were

unpredictable and members queried the sensitivity of the risks identified and sought assurance that regular monitoring was undertaken. Scenario testing was regularly undertaken and the latest economic and financial forecasts were built into modelling.

(xv) There were always opportunities for lessons learnt from the activities undertaken by other local authorities. The publication of the Commissioners' report on financial management at Thurrock Council was due next year. The Commissioners had been supported by County Council Officers and ECC was keen to continue to work with the Commissioners on broader lessons learnt and any early warning signals for the sector.

(xvi) The County Council used Link Asset Services as treasury advisers. In addition, all borrowing and investment activity formed part of the statutory accounts and would be subject to the annual statutory audit. Treasury management was also part of the quarterly financial reporting considered by Cabinet.

### Conclusion

The Committee supported the draft Strategy. It was agreed that:

- (i) Further information would be provided on the value of loans per head of population as an indicator of indebtedness.
- (ii) A copy of the Strategy from the previous year would be circulated with an indication as to the differences compared to the current draft.
- (iii) Financial training for members from the council's advisers be considered.

## **5. Work Programme**

The Committee received and noted report CPSC/26/21 comprising the current work programme. A procurement update was highlighted as an item to be arranged in the opening months of the new year. There would be further discussions and work to progress outstanding Matters Arising.

## **6. Date of Next Meeting**

The next meeting was scheduled to be held on Thursday 26 January 2023.

There being no further business the meeting closed at 11.47am

**Chairman**