

NOTTINGHAM CITY COUNCIL

AUDIT COMMITTEE

MINUTES of the meeting held at LB31 - Loxley House, Station Street, Nottingham, NG2 3NG on 27 June 2014 from 10.30 am - 11.30 am

Membership

Present

Councillor Michael Edwards
Councillor John Hartshorne
Councillor Thulani Molife (Vice Chair)
Councillor Sarah Piper (Chair)

Absent

Councillor Mohammad Aslam
Councillor Georgina Culley
Councillor Toby Neal
Councillor Roger Steel
Councillor Malcolm Wood

Colleagues, partners and others in attendance:

Glyn Daykin - Treasury Management Financial Analyst
Barry Dryer - Senior Finance Manager (Financial Reporting)
Cath Ziane-Pryor - Constitutional Services Officer

1 APPOINTMENT OF VICE-CHAIR

RESOLVED to appoint Councillor Thulani Molife as Vice-Chair.

2 MINUTES

Confirmation

Subject to specifying 'Nottingham' citizens in minute 49, recommendation (3), regarding the air quality within the City, the minutes of the meeting held on 25 April 2014 were confirmed and signed by the Chair.

Matters arising

Further to minute 49, recommendation 3, the Committee specified what information was required from Public Health for inclusion in the requested report, as follows:

- on outline of City Centre air pollution monitoring;
- the levels of pollution within and around the City;
- any possible impact from the introduction of environmentally friendly buses;
- the impact of Hackney Carriages operating within the City;
- the health monitoring (particularly respiratory) and comparisons of primary school children who's schools are sited near to an air quality monitoring station;
- the robustness of Nottingham City Council's Air Quality Management;
- clarity of the 'Clear Zone';
- comparisons with other 'like' cities, including what quality control measures they have in place;

if Traffic Management take air quality into consideration when making recommendations.

3 APOLOGIES FOR ABSENCE

Councillor Georgina Culley (other Council business)
Councillor Roger Steel
Councillor Malcolm Wood (other Council business)
Shail Shah

4 DECLARATIONS OF INTERESTS

None.

5 TREASURY MANAGEMENT 2013/14 ANNUAL REPORT

Glyn Daykin, Finance Analyst, presented the report and was accompanied by Barry Dryden, Senior Finance Manager.

Included within the report was one which was submitted to the Executive Board on 17 June 2014, summarising the 2013/14 performance of the City Council's external debt investments management, highlighting the following points:

- (a) the average rate of investment payable on external debt increases from 3.788% at 1 April 2013 to 3.795% at 31 March 2014;
- (b) the average rate of interest earned on short-term investments in 2013/14 was 0.652%. This is benchmarked against the 7 day London Interbank (LIBID) rate provided by the Bank of England, which averaged 0.413% for the same period;
- (c) the 2013/14 out-turn showed General Fund Treasury expenditure of £59.694m;
- (d) updating the improved investment counterparty list, proposing to include Close Brothers Ltd.

Following points were highlighted and responses given to the Committee's questions:

- (e) there is a good spread of debt across 40 years and the City Council is working well within the parameters set;
- (f) while the Co-Operative Bank has been the Authority's banker throughout 2013/14, it has not bid for the upcoming banking contract and Lloyds have recently been awarded the contract for banking services. Several other Local Authorities in the East Midlands have also awarded contracts to Lloyds Bank;
- (g) Close Brothers Ltd is considered a bank of high credit quality, it is on Arlingclose's counterparty list, it has a credit rating of 'A' and its recent share price is performing well relative to other UK banks. It is noted that the Authority requires a minimum credit rating and A-;
- (h) the Local Authority has chosen to use cash surpluses to repay maturing debt to minimise the cash amounts invested;
- (i) no new debt has been created for new capital expenditure;
- (j) opportunities to reschedule/repay debt early have remained very limited during the year, as a result of continuing low interest rates across all periods. Premiums will apply totalling the amount that would have been paid if the debt had run its time.

Councillors requested that some of the phraseology used regarding the General Fund Revenue Implications, is reconsidered and simplified.

RESOLVED

- (1) to note the 2013/14 Treasury Management Annual Report, as follows, and the above comments of the Committee:

INDICATORS	2012/13 Actual	2013/14 Estimate	2013/14 Actual	Within Limits?
1) Prudence indicators				
i) Capital Expenditure				
General Fund	£ 78.9m	£ 114.9m	£69.8m	YES
HRA	£ 44.2m	£ 68.3m	£52.4m	YES
	£123.1m	£ 183.1m	£122.2	
ii) CFR at 31 March				
General Fund	£ 553.0m	£ 599.3m	£542.9m	YES
HRA	£ 283.3m	£ 282.3m	£282.3m	YES
PFI notional 'debt'	£ 65.8m	£ 93.0m	£91.8m	N/A
	£ 902.1m	£ 974.6m	£917.0m	
iii) External Debt at 31 March				
Borrowing	£ 776.7m	£ 801.8m	£710.2m	YES
PFI & leasing notional 'debt'	£ 65.8m	£ 93.1m	£91.8m	N/A
Gross debt	£ 842.5m	£ 894.9m	£802.0m	
Less investments	£ (217.0)m	£ (220.0)m	£ (227.2)m	N/A
Net Debt	£ 625.5m	£ 674.9m	£ 574.8m	
2) Affordability indicators				
i) Financing costs ratio				
General Fund	14.61%	13.68%	16.15%	YES
HRA	13.35%	14.63%	12.23%	YES
Council Tax Band D (per annum)	+ £1.10	-	-	YES
HRA rent (per week)	+ £0.56	-	-	YES
	Max in year		Max in year	
iii) Authorised limit for external debt	£882.0m	£954.9m	£842.7m	YES
iv) Operational limit for ext. debt	£882.0m	£914.9m	£842.7m	YES
3) Treasury Management indicators	@ 31/3/13	%	@ 31/3/13	
ii) Limit on variable interest	6.99%	0-50%	7.64%	YES

rates				
iii) Limit on fixed interest rates	93.01%	50-100%	92.36%	YES
iv) Fixed Debt maturity structure that				
- Under 12 months	9.82%	0-25%	3.56%	YES
- 12 months to 2 years	1.80%	0-25%	2.13%	YES
- 2 to 5 years	5.99%	0-25%	12.46%	YES
- 5 to 10 years	19.67%	0-25%	19.23%	YES
- 10 to 25 years	35.54%	0-50%	33.10%	YES
- 25 to 40 years	16.41%	0-25%	20.50%	YES
- 40 years and above	10.77%	0-75%	9.02%	YES
	<u>Max in year</u>		<u>Max in year</u>	
v) Max sum invested for >364 days	£17.0m	£60.0m	£15.0m	YES

- (2) to endorse the amendment of the 2014/15 Treasury Management Strategy, to add Close Brothers Ltd to the approved counterparty list;
- (3) to provide Audit Committee members with the following briefing notes:
 - (i) the rationale behind the parameters set for debt maturity;
 - (ii) the recovery of the Icelandic Bank deposits;
 - (iii) how Close Brothers Ltd were selected for proposed inclusion in the counterparty list;
- (4) for the next Treasury Management report to include a contingency plan, of how a 'financial bubble' bursting would be dealt with in regard to the impact on Nottingham City Council;
- (5) for Treasury Management to consider how the late completion penalty for Phase 1 of the tram was handled and identify what, if any, improvements in process or planning are required, in preparation for receiving any further penalty payments.