

Financial Resilience Sub-Committee

Minutes of a meeting of the **Financial Resilience Sub-Committee** held on **Monday 12 July 2021** at **10.30 am** facilitated by Microsoft Teams.

Present

Councillors

Chair Ian Houlder

Victor Lukaniuk

Elaine McManus

In attendance

Robert Nobbs, in attendance as an observer.

This being the first meeting of the Financial Resilience Sub-Committee since the Council's Annual General Meeting on 19 May 2021, the Democratic Services Officers (Scrutiny) opened the meeting.

33. **Substitutes**

No substitutions were declared.

34. **Appointment of Chair: 2021-2022**

Councillor Elaine McManus nominated Councillor Ian Houlder as Chair. This was duly seconded by Councillor Victor Lukaniuk, and with the vote being unanimous, it was

RESOLVED:

That Councillor Ian Houlder be elected Chair of the Financial Resilience Sub-Committee for 2021-2022.

Councillor Ian Houlder then took the Chair for the remainder of the meeting.

35. **Apologies for absence**

No apologies for absence were received.

36. **Minutes**

The minutes of the meeting held on 18 January 2021 were confirmed as a correct record by the Chair.

37. **Declarations of interest**

Members' declarations of interest are recorded under the item to which the declaration relates.

38. **Annual Treasury Management and Financial Resilience Report 2020 to 2021**

The Sub-Committee received Report No: FRS/WS/21/003, which reported on the investment activities of West Suffolk Council from 1 April 2020 to 31 March 2021.

The 2020 to 2021 Annual Treasury Management and Investment Strategy Statements, approved on 25 February 2020, set out the Council's projections for the current financial year. The budget for investment income in 2020 to 2021 was £131,000, which was based on a 0.65% target average rate of return on investments. At the end of March 2021, interest actually earned during the financial year totalled £96,767 (average rate of return of 0.354%), against a budget for the year of £131,000; a budgetary deficit of £34,233.

The Annual Treasury Management and Financial Resilience Report (2020 to 2021) included tables summarising the interest earned and the average rate of return achieved; treasury management investment activity during the year; investments held as at 31 March 2021; capital borrowing budget 2020 to 2021; borrowings and temporary loans.

The report included assumptions on borrowing costs for the capital projects included within it and was based around four main projects:

- West Suffolk Operational Hub;
- Mildenhall Hub;
- West Suffolk Operational Hub; and
- Investing in our Growth Fund.

During the financial year there had been no requirement to borrow externally, due to the Authority's cash balances, over and above the long-standing £4m loan relating to the Newmarket Leisure Centre. Therefore, the only interest payable for the year was £169,600 relating to this loan. The total borrowing (expressed as the Authority's capital financing requirements) between both internal and external (£4m) total £49.4m at 31 March 2021.

The report also included at Appendix A the CIPFA Financial Resilience Index 2021. The index showed a Council's position on a range of measures associated with financial risk. The graphs showed West Suffolk Council within the context of neighbouring Councils within Suffolk.

The Sub-Committee scrutinised the Annual Treasury Management and Financial Resilience Report 2020 to 2021, and asked questions to which responses were provided. Discussions were held on the Council's asset base and rental income; and the merits of currently borrowing internally versus externally to fund capital projects.

In response to a question raised relating to the Mildenhall Hub project, the Sub-Committee was advised that the Council had made an assumption in the business case that it would be funded by external borrowing. However, the Council was able to fund the project internally (from cash balances) so there was no interest payable at present. The only physical cost to the Council through borrowing internally was the loss of interest receivable.

In response to a question raised on how comparable the Council was with its Band D council tax compared to other Suffolk authorities, the Sub-Committee was advised that the Council was working through its harmonisation plan between the former Councils (Forest Heath District Council and St Edmundsbury Borough Council). The national average Band D, without Parish/Town Council precepts was £195.

It was then proposed by Councillor Elaine McManus, seconded by Councillor Ian Houlder, and with the vote being unanimous it was:

RECOMMENDED:

That subject to the approval of Cabinet and Council, the Annual Treasury Management and Financial Resilience Report (2020 to 2021), being Report number FRS/WS/21/003, be approved.

39. Financial Resilience Report - June 2021

The Sub-Committee received Report number FRS/WS/21/004, which reported on the investment activities of West Suffolk Council from 1 April 2021 to 30 June 2021.

The Council held investments of £39,300,000 as of 30 June 2021. Interest achieved in the first quarter of the financial year amounted to £16,517 against a budget for the period of £11,250, a budgetary surplus of £5,267. Although interest rates continued to be low as a result of the Covid-19 pandemic, which started in mid-March 2020, the council had more cash invested during the period, leading to higher overall interest achieved despite the lower rates.

External borrowing as of 30 June 2021 remained at £4,000,000 with the Council's level of internal borrowing increasing slightly to £46,712,000 as at 30 June 2021. Overall borrowing, both external and internal was expected to increase over the full financial year, but not by as much as was originally budgeted for. Borrowing costs (interest payable and MRP) for the year were forecast to be £965,793 against an approved budget of £3,135,850, although this could change if more external borrowing was undertaken than was currently forecast.

The 2021 to 2022 Annual Treasury Management and Investment Strategy sets out the Council's projections for the current financial year. The budget for investment income in 2021 to 2022 was £45,000, which is based on a 0.25% target average interest rate of return on investments.

The report also included a summary of the borrowing activity during the period; borrowing strategy and sources of borrowing; borrowing and capital costs – affordability; borrowing and income – proportionality; borrowing and asset yields and CIPFA consultation on prudential code.

Attached at Appendix 1 to the report was Arlingclose economic and interest rate forecast.

Officers explained that whilst interest rates remained low in the short to medium term, and the Council held significant cash balances, Arlingclose's advice was to continue to use cash reserves and short-term borrowing where necessary. This approach avoided the cost of borrowing, for example a 40-year loan rate from Public Works Loan Board verses investment return. However, the Council was exposed to interest rate risk on both the market rate and the margin payable above/below market rates. Arlingclose therefore recommended that no more than £70m was taken in the short-term with the remainder fixed for the long-term, for example up to 20 years.

The Sub-Committee scrutinised the investment activity for 1 April 2021 to 30 June 2021 in detail and did not raise any issues to be brought to the attention of the Performance and Audit Scrutiny Committee.

It was then proposed by Councillor Elaine McManus, seconded by Councillor Ian Houlder, and with the vote being unanimous it was:

RECOMMENDED:

That subject to the approval of Cabinet and Council, the Financial Resilience Report (June 2021), being Report number FRS/WS/21/004, be approved.

40. **Dates of future meetings**

The Sub-Committee noted the dates for future meetings, as listed below. All dates were Mondays starting at 10.30am and would be held in the venues, as indicated:

- 8 November 2021 (MS Teams Virtual Meeting Platform)
- 17 January 2022 (MS Teams Virtual Meeting Platform)

The meeting concluded at 11.25am

Signed by:

Chair
