

Recommendations of the Performance and Audit Scrutiny Committee: 18 November 2021: Treasury Management Report (September 2021)

Report number:	CAB/WS/21/057	
Report to and date(s):	Cabinet	7 December 2021
	Council	14 December 2021
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Decisions Plan: **The decision made as a result of this report will usually be published within 48 hours. This item will be referred to Council for a final decision and is, therefore, not subject to call-in. This item is included on the Decisions Plan.**

Wards impacted: **All wards**

Recommendations: It is recommended that:

- 1. subject to the approval of Council, the Treasury Management Report (September 2021), as contained in Report number: FRS/WS/21/005, be approved.**
- 2. The externalisation of our underlying need to borrow in order to manage the Council's interest rate risk exposure, be agreed.**

1. Context to this report

1.1 Investment Activity 1 April 2021 to 30 September 2021

Following the Financial Resilience Sub-Committee's consideration of Report number: [FRS/WS/21/005](#) on 8 November 2021, the Service Manager (Finance and Performance) verbally reported on the Sub-Committee's consideration of the report.

- 1.2 The Council held investments of £52,000,000 as of 30 September 2021. Interest achieved in the first half of the financial year amounted to £34,122 against a budget for the period of £22,500.
- 1.3 External borrowing as of 30 September 2021 remained at £4 million with the Council's level of internal borrowing increasing slightly to £48,039,000 as at 30 September 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 Minimum Revenue Provision (MRP)) for the year were forecast to be £965,804 against an approved budget of £3,135,850, although this could change if more external borrowing was undertaken than was currently forecast.
- 1.4 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 percent target average interest rate of return on investments.
- 1.5 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; Chartered Institute of Public Finance and Accountancy (CIPFA) consultation on prudential code and market information.
- 1.6 The Sub-Committee scrutinised the investment activity for 1 April 2021 to 30 September 2021, and asked questions to which responses were provided. In particular, detailed discussions were held on the Council preparing itself for external borrowing by the end of the financial year, whilst interest rates were at an historic low; and lending monies to other local authorities as set out in the report.
- 1.7 The Performance and Audit Scrutiny Committee on 18 November 2021 scrutinised the report. In particular detailed discussions were held on external borrowing and what was the Council's trigger point in borrowing externally, as inflation was on the rise and interest rates remained historically low.

1.8 The Committee suggested the Council needed to achieve interest rate certainty as soon as practicable and should be looking to lock in the low borrowing rates, externalising the Council’s underlying need to borrow.

1.9 The Performance and Audit Scrutiny Committee has put forward recommendations as set out on page one and two of this report.

2. Alternative options that have been considered

2.1 Not applicable.

3. Consultation and engagement undertaken

3.1 Not applicable.

4. Risks associated with the proposals

4.1 Not applicable.

5. Implications arising from the proposals

5.1 Financial: See Report number: [FRS/WS/21/005](#)

6. Appendices referenced in this report

6.1 [Appendix 1](#) - Arlingclose Economic and Interest Rate Forecast

7. Background documents associated with this report

7.1 Report number: [FRS/WS/21/005](#)