

Recommendation of the Performance and Audit Scrutiny Committee: 27 January 2022: Treasury Management Report (December 2021)

Report number:	CAB/WS/22/007	
Report to and date(s):	Cabinet	8 February 2022
	Council	22 February 2022
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Lead officer:	Rachael Mann Director (Resources and Property) Telephone: 01638 719245 Email: rachael.mann@westsuffolk.gov.uk	

Decisions Plan: This item is included on the Decisions Plan.

Wards impacted: All wards

Recommendation: That subject to the approval of Council, the Treasury Management Report (December 2021), as contained in Report number: FRS/WS/22/001, be approved.

1. Context to this report

1.1 Investment Activity 1 April 2021 to 31 December 2021

Following the Financial Resilience Sub-Committee's consideration of Report number: [FRS/WS/22/001](#) on 17 January 2022, the Service Manager (Finance and Performance) verbally reported on the Sub-Committee's consideration of the report.

- 1.2 The Council held investments of £76,500,000 as of 31 December 2021. Interest achieved in the first nine months of the financial year amounted to £53,087 against a budget for the period of £33,750.
- 1.3 External borrowing as of 31 December 2021 increased to £14,000,000 from £4 million at 30 September 2021. Correspondingly, the Council's level of internal borrowing reduced to £37,675,406 as at 31 December 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 £1,026,452 against an approved budget of £3,135,850, although this could change if more external borrowing was undertaken than was currently forecast. The difference would be placed in the capital financing reserve to use towards future interest rate fluctuation.
- 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; Prudential Code, Treasury Management Code and Minimum Revenue Provision (MRP) consultation and market information.
- 1.6 The Sub-Committee scrutinised the investment activity for 1 April 2021 to 31 December 2021, and asked questions to which responses were provided. In particular, detailed discussions were held on the recent £10 million loan secured by the council in December 2021; what happens to any interest payable "underspend"; sort clarification on the meaning of the "certainty rate", and whether the council regularly reviewed looking at paying off the long standing £4 million loan.
- 1.7 The Performance and Audit Scrutiny Committee on 27 January 2022 scrutinised the report. In particular, discussions were held on borrowing activity, asset yields and held investments. The proposed Government

changes to capital finance regulations were also discussed, in respect of Minimum Revenue Provision (MRP), which was due to take effect from the 2023/2024 financial year. The Director (Resources and Property) further explained that these proposed changes were currently out to consultation and the closing date for responses was 8 February 2022, to which the Council would be submitting a response. Further detail around these potential changes would also be provided to Members as part of the forthcoming finance briefings.

- 1.8 The Performance and Audit Scrutiny Committee has put forward recommendations as set out on page one 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/22/001](#)

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/22/001](#)