

# Referrals report of recommendations from Cabinet

Report number:	<b>COU/WS/22/002</b>	
Report to and date:	Council	22 February 2022
Documents attached:	None	

## A. Referrals from Cabinet: 8 February 2022

### 1. Financial Resilience - Strategy Statement 2022 to 2023 and Treasury Management Code of Practice

**Portfolio holder:** Councillor Sarah Broughton

**Cabinet Report number:** [CAB/WS/22/006](#)

**Financial Resilience Sub-Committee Report number:** [FRS/WS/22/002](#)

**Appendix 1 to Report number:** [FRS/WS/22/002](#)

**Appendix 2 to Report number:** [FRS/WS/22/002](#)

#### Recommended, that:

- 1. The Treasury Management Strategy Statement 2022 to 2023 as set out in Appendix 1 to Report number: FRS/WS/22/002, be approved.**
- 2. The Treasury Management Code of Practice, as set out in Appendix 2 to Report number: FRS/WS/22/002, be approved, subject to an amendment within the section of the Code of Practice entitled 'Use of External Brokers / Advisors / Fund Managers', with the removal of the word 'will', to be replaced with the word 'may', to ensure that the Council has the flexibility on the use of services of other organisations.**

- 1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice requires that, prior to the start of the financial year that Council formally approves a Treasury Management Policy Statement and Investment Strategy, setting out the Council's treasury management policy and strategy for the forthcoming year.**

- 1.2 The Treasury Management Strategy Statement 2022 to 2023 was attached as Appendix 1 to Report number: FRS/WS/22/002 and the Treasury Management Code of Practice attached as Appendix 2. The Sub-Committee was advised that no significant changes had been made to the Treasury Management Code of Practice from that presented last year.
- 1.3 The report also included additional supporting information on treasury advisors; borrowing strategy; investment strategy counterparty ratings and interest rate projections.
- 1.4 The Financial Resilience Sub-Committee scrutinised the report on 17 January 2022 and asked questions to which responses were provided. In particular, discussions were held on the borrowing strategy and authorised limits, and the value of the Mildenhall Hub.
- 1.5 On 27 January 2022, the Performance and Audit Scrutiny Committee considered the report and asked various questions relating to the setting of net costs, capital and revenue limits and the borrowing strategy, to which responses were provided. In particular, the Committee discussed the Treasury Management Code of Practice (Appendix 2) and referred to page 24 of the Code and the section which related to **'Use of External Brokers/Advisors/Fund Managers'**. The Committee expressed some reservations around the wording used within that section, in that the Council *'will'* employ the services of other organisations to assist it in the field of treasury management. The Committee recommended that this word be replaced with *'may'*, so that the Council had the flexibility around the use of services of other organisations.
- 1.6 Cabinet endorsed the recommendations of the Performance and Audit Scrutiny Committee, as set out above.

## 2. Treasury Management Report (December 2021)

**Portfolio holder:** Councillor Sarah Broughton

**Cabinet Report number:** [CAB/WS/22/007](#)

**Financial Resilience Sub-Committee Report number:** [FRS/WS/22/001](#)

**Appendix 1 to Report number:** [FRS/WS/22/001](#)

**Recommended:**

**That, the Treasury Management Report (December 2021), as contained in Report number: FRS/WS/22/001, be approved.**

### 2.1 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.

- 2.2 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.
- 2.3 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.
- 2.4 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.
- 2.5 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.
- 2.6 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.
- 2.7 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.

- 2.8 The Performance and Audit Scrutiny Committee supported its Sub-Committee's recommendation and this was subsequently put forward and endorsed by Cabinet.

### 3. **Budget and Council Tax Setting: 2022 to 2023 and Medium Term Financial Strategy 2022 to 2026**

**Portfolio holder:** Councillor Sarah Broughton

**Cabinet Report number:** [CAB/WS/22/008](#)

(Note that due to extensive number of appendices attached to Report number CAB/WS/22/008, the above link applies to the Cabinet agenda papers page on the Council's website)

- 3.1 The recommendations emanating from the Cabinet's consideration of this report, together with its approval of the recommendation contained in Report number: [CAB/WS/22/005](#) 'Recommendation of the Performance and Audit Scrutiny Committee: 27 January 2022 - Delivering a Sustainable Medium-Term Budget' are contained within Report number: COU/WS/22/003 'Budget and Council Tax Setting: 2022 to 2026 and Medium Term Financial Strategy 2022 to 2026', for consideration as Agenda Item 8 on this Council agenda.
- 3.2 Members are therefore requested to **note** that no decision is required at this stage.