

Financial Resilience Sub-Committee

Minutes of a meeting of the **Financial Resilience Sub-Committee** held on **Monday 17 January 2022** at **10.30 am** facilitated by Microsoft Teams.

Present

Councillors

Chair Ian Houlder

Victor Lukaniuk

Substitutes attending for a full member

Robert Nobbs

In attendance

Sarah Broughton, Cabinet Member for Resources and Property

47. **Substitutes**

Councillor Robert Nobbs substituting for Councillor Elaine McManus.

48. **Apologies for absence**

Apologies for absence were received from Councillor Elaine McManus.

49. **Minutes**

The minutes of the meeting held on 8 November 2021 were confirmed as a correct record by the Chair.

50. **Declarations of interest**

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

51. **Treasury Management Report - December 2021**

The Sub-Committee received Report number FRS/WS/22/001, which provided a comprehensive assessment on investment activities for West Suffolk Council from 1 April 2021 to 31 December 2021.

The Council held investments of £76,500,000 as at 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.

External borrowing as at 31 December 2021 had increased to £14,000,000, from £4,000,000 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 internally and externally was expected to increase over the full financial year, but not by as much as was originally budget 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. This difference would be placed in the capital financing reserve to use towards future interest rate fluctuation.

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

The report also included a summary of 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 MRP consultation; and market information.

Attached at Appendix 1 to the report was Arlingclose economic and interest rate forecast – December 2021.

The Sub-Committee scrutinised the report in detail and asked questions to which responses were provided. In particular discussions were held on the meaning of "certainty rate"; and whether the council regularly reviewed looking at paying off the long standing £4m.

In response to a question raised relating to the recent £10m loan taken out by the council and whether it was a repayment or interest only payment loan, officers confirmed that it was a fixed repayment loan for a 40-year period at an interest rate of 1.84%.

In response to a question raised on what the £10m loan would be used for, officers explained that the council had an underlying need to borrow, and the loan would be used to fund various capital projects. Paragraph 6.4 of the report provided details of the council's borrowing requirements per project. Up until December 2021 the council had been borrowing internally to fund capital projects.

In response to a question raised on what happens to any interest payable "underspend", the Sub-Committee was advised that this was put in the council's capital financing reserve to mitigate against future interest rate fluctuations.

At the conclusion of the discussions the Service Manager (Finance and Performance) informed the Sub-Committee that officers were still looking to set a date for the council's external treasury advisors (Arlingclose) to give a presentation and provide some training to the Performance and Audit Scrutiny Committee on treasury management.

It was then proposed by Councillor Robert Nobbs, seconded by Councillor Victor Lukaniuk, and with the vote being unanimous, it was:

RECOMMENDED:

That subject to the approval of Cabinet and Council, the Treasury Management Report (December 2021), being Report number: FRS/WS/22/001, be approved.

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

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

The proposed Treasury Management Strategy Statement 2022 to 2023 was attached as Appendix 1 to Report number: FRS/WS/22/002, along with the Treasury Management Code of Practice at Appendix 2.

The Service Manager (Finance and Performance) explained that the Treasury Management Code of Practice sets out how the council will operate and advised that no significant changes had been made to the document from that presented last year.

The report also included additional supporting information on treasury advisors; borrowing strategy; investment strategy counterparty ratings and interest rate projections.

The Sub-Committee scrutinised the report in detail and asked a number of questions to which comprehensive responses were provided.

In response to a question raised relating to the borrowing strategy authorised limits, officers advised each year the borrowing strategy was presented to Council for approval.

In response to a question raised on what the total cost of the Mildenhall Hub was, officers advised the total cost was £45m, with the school element being £16m to £17m. The valuation would be presented in the 2021 to 2022 Statement of Accounts. The council had external valuers who carried out work on valuing its assets, as well as Ernst and Young who also had their own valuers.

It was then proposed by Councillor Victor Lukaniuk, seconded by Councillor Ian Houlder and with the vote being unanimous, it was

RECOMMENDED

That:

- 1) Subject to the approval of Cabinet and Council the Treasury Management Strategy Statement 2022 to 2023, attached as**

Appendix 1 to Report number: FRS/WS/22/002, be approved.

- 2) Subject to the approval of Cabinet and Council, the Treasury Management Code of Practice, attached as Appendix 2 to Report number: FRS/WS/22/002, be approved.**

53. Dates of future meetings

The Sub-Committee **noted** that the next meetings of the Sub-Committee would be set to meet approximately one week prior to the July 2022, November 2022 and the January 2023 meetings of the Performance and Audit Scrutiny Committee.

The meeting concluded at 12.01 pm

Signed by:

Chair
