

# Financial Resilience Sub-Committee

**Minutes** of a meeting of the **Financial Resilience Sub-Committee** held on **Monday 11 July 2022** at **10.30 am** facilitated by Microsoft Teams.

Present **Councillors**

**Chair** Ian Houlder

Elaine McManus

Victor Lukaniuk

**In attendance**

Sarah Broughton, Cabinet Member for Resources and Property

54. **Substitutes**

No substitutions were declared.

55. **Appointment of Chair: 2022 to 2023**

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

**RESOLVED:**

That Councillor Ian Houlder be elected Chair of the Financial Resilience Sub-Committee for 2022 to 2023.

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

56. **Apologies for absence**

No apologies for absence were received.

57. **Minutes**

The minutes of the meeting held on 17 January 2022 were confirmed as a correct record by the Chair.

58. **Declarations of interest**

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

59. **Annual Treasury Management and Financial Resilience Report 2021 to 2022**

The Sub-Committee received Report number FRS/WS/22/003, which reported on treasury activities of West Suffolk Council from 1 April 2021 to 31 March 2022.

The 2021 to 2022 Annual Treasury Management and Investment Strategy Statements, approved on 23 February 2021, sets out the Council's projections for the current financial year. The budget for investment income in 2021 to 2022 was £45,000, which was based on a 0.25% target average rate of return on investments.

At the end of March 2022, interest actually earned during the financial year totalled £94,451.98 (average rate of return of 0.395%), against a budget for the year of £45,000; a budgetary surplus of £49,451.98. The surplus was primarily due to higher than predicted cash balances as a result of holding business and Covid support grants prior to distribution.

The Annual Treasury Management and Financial Resilience Report (2021 to 2022) 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 2022; borrowings and temporary loans; capital financing requirement and internal borrowing.

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

- Western Way Development;
- Mildenhall Hub;
- West Suffolk Operational Hub;
- Toggam Solar Farm; and
- Investing in our Growth Fund.

During the financial year the Councils underlying need to borrow (Capital Financing Requirement – the amount the Council had invested in its communities) had increased by just over £6m. With the £10m of external borrowing taken out in December 2021, the level of internal borrowing the Council had reduced by £3.9m. This would help to reduce the level of interest rate risk the Council was currently exposed to. Officers took members through the current interest rate risk exposure and the advice from Arlingclose that rates are projected to return to lower levels in the medium term.

The Sub-Committee scrutinised the Annual Treasury Management and Financial Resilience Report 2021 to 2022, and asked questions to which responses were provided.

In response to a question raised relating to the £10m loan, officers explained that the loan was taken out at a fixed rate of 1.84% over a 40-year period. The loan was not allocated to any specific capital project but would be used towards the capital financing requirements of projects as set out in the report.

In response to a question raised on how would the Council rebuild its cash balance, officers advised that the intention was the Council would need to borrow externally. Over the next 12 months the Council would need to make provision from March 2023 to borrow externally.

It was then proposed by Councillor Ian Houlder, seconded by Councillor Elaine MacManus, 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 (2021 to 2022), being Report number FRS/WS/22/003, be approved.

**60. Treasury Management Report - June 2022**

The Sub-Committee received Report number FRS/WS/22/004, which provided a comprehensive assessment on investment activities for West Suffolk Council from 1 April 2022 to 30 June 2022.

The Council held investments of £66,500,000 as at 30 June 2022. Interest achieved in the first quarter of the financial year totalled £90,077.11 against a budget for the period of £11,250.

External borrowing as at 30 June 2022 was £13,875,000, a reduction of £125,000 from 1 April 2022 (this relates to the repayment plan for the recent PWLB £10m, 40-year loan), with the Council's level of internal borrowing increasing slightly to £41,536,828 as at 30 June 2022. Overall borrowing, both external and internal was expected to increase over the full financial year.

Borrowing costs (interest payable and MRP) for the year were forecast to be £1,090,606 against an approved budget of £2,268,350 although this could change if more external borrowing was undertaken than was currently forecast.

The 2022 to 2023 Annual Treasury Management and Investment Strategy Statements sets out the Council's projections for the current financial year. The budget for investment income for 2022 to 2023 was £45,000 which was based on a 0.25 per cent 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; PWLB rule changes; and market information.

Finally, officers explained that future reports would include a section on "liability benchmark". At the end of 2021 a CIPFA consultation was issued with a proposal to include a new indicator for the "liability benchmark" in the Treasury Management Code. The liability benchmark was effectively the net borrowing requirement of a local authority, plus a liquidity allowance over the long-term life of any external loans. This showed the funding position of a local authority after taking into account reserves and the working capital cash

position. It then measured current and committed external borrowing against that need and reflected the current capital programme.

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

In response to a question raised around future borrowing, officers explained that based on evidence available today, the Council was not looking to borrow externally over the next 12 months, but if interest rates significantly dropped, officers will revisit that decision.

In response to a question raised relating to covid grants, officers explained that the Council had finished paying out covid business grants. However, there was a holding balance on some schemes and once reconciled, would be paid back to the Government.

The Sub-Committee referred to table 6.4, on page 22 of the report (summary of capital borrowing budget 2022 to 2023) and suggested including a timeline setting out the projected start/completion date for each capital project, which officers agreed to look into further.

It was then proposed by Councillor Ian Houlder, seconded by Councillor Elaine McManus, 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.

**61. Dates of future meetings**

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

- 7 November 2022 (Venue: to be confirmed)
- 16 January 2023 (Venue to be confirmed)

The meeting concluded at 11.34 am

**Signed by:**

**Chair**

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