

# Referrals report of recommendations from Cabinet and the Portfolio Holder for Resources and Property

<b>Report number:</b>	<b>COU/WS/22/017</b>	
<b>Report to and date:</b>	<b>Council</b>	27 September 2022
<b>Documents attached:</b>	<b>EXEMPT Appendix A: EXEMPT portfolio holder decision Report number: CAB/WS/22/045</b>	

## A. Referrals from Cabinet: 21 June 2022

### 1. Procurement Policy and Contract Procedure Rules

<p><b>Portfolio holder:</b> Councillor Sarah Broughton</p> <p><b>Cabinet Report number:</b> <a href="#">CAB/WS/22/028</a></p> <p><b>Appendix B:</b> <a href="#">West Suffolk Contract Procedure Rules.pdf</a></p>
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(Note: The new West Suffolk Council Procurement Policy ([Appendix A](#) to Report number CAB/WS/22/028) was approved by Cabinet on 21 June 2022. The approval of the West Suffolk Council Contract Procedure Rules has been recommended to Council, as it requires changes to be made to the Council’s Constitution)

<p><b>Recommended:</b></p> <p><b>That the constitutional changes, as set out in the revised West Suffolk Council Contract Procedure Rules at Appendix B to Report number CAB/WS/22/028, be approved.</b></p>
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- 1.1 The current Procurement Policy has not been changed since the establishment of West Suffolk Council on 1 April 2019. Since that time there have been changes in the wider economic environment and strategic priorities of the Council that will now be reflected appropriately in both the Procurement Policy and the Contract Procedure Rules.

1.2 As an 'anchor institution' and significant purchaser, commissioner and buyer, West Suffolk Council recognises that its procurement processes and spending decisions will have an impact on a range of stakeholders, including local businesses, communities, council tax payers and community groups. As such, the Council wants to achieve value for money, environmental sustainability, delivery of social value and security against modern slavery within its supply chains. Procurement is a key tool in ensuring that West Suffolk Council achieves its strategic priorities and adheres to wider regulation on transactions and transparency.

1.3 The key aims for these revised documents are to:

- Deliver value for money for West Suffolk Council
  - Drive efficiency and transparency of process to show the achievement of value.
- Ensure Sustainable Procurement
  - Provide a clear framework and set of requirements for major projects and critical service provision to demonstrate progress towards Carbon Net Zero.
  - Build understanding and consideration of sustainable procurement into all contract decisions.
- Adhere to Modern Slavery Statement
  - Ensure that there is no slavery or human trafficking in any elements of the West Suffolk Council supply chain.
- Deliver Social Value
  - Demonstrate delivery of support for local communities in well-being, education and mental health.

1.4 The proposed revised thresholds for internal process and supplier engagement have been increased upwards to recognise inflation, increase access for local business and reduce onerous process at lower procurement levels. Understanding of the environmental impact that contract decisions can have needs to be a key priority through the procurement process. In order to address this specific requirement for consideration of, commitment from suppliers and target setting for reduction of environmental impact have been introduced into the Contract Procedure Rules and revised thresholds.

1.5 Delivery of Carbon Net Zero by 2030 will be dependent on driving down CO2 production in the areas that currently produce the highest volumes. These procurements (including commissioning) include:

- Construction projects
- Fleet
- Facilities
- Utilities

These areas will therefore have a greater requirement (at a lower threshold) to ensure CO2 reduction targets and tracking mechanisms are included in contract procurements and negotiations.

1.6 The revised contract value thresholds and associated award procedures and sustainable procurement requirements (split between the service areas named in within this report) are laid out in the table below:

Value of Contract	Award Procedure	Sustainable Procurement Requirements (non critical service areas)	Sustainable Procurement Requirements (critical service areas)
£0 - £20,000	Procure as required	Reference Sustainable Procurement Ask and consideration	Reference Sustainable Procurement Ask and consideration
£20,001 - £100,000	Formal quotation procedure	Reference Sustainable Procurement Ask and consideration	Reference Sustainable Procurement Ask and consideration
£100,001 – International Advertisement Threshold (~£190k Revenue, £4.3m Capital)	National tender procedure	Reference Sustainable Procurement Ask and consideration. Include Sustainable Procurement question within tender (min 10% weighting).	Include Sustainable Procurement question within tender (min 10% weighting). Provide evidence of: - <i>use of an environmental policy statement</i> - <i>Specific targets for, and evidence, of working towards net zero carbon emissions.</i>
Above IA Threshold	National tender procedure	Include Sustainable Procurement question within tender (min 10% weighting). Provide evidence of: - <i>use of an environmental policy statement</i> - <i>Specific targets for, and evidence, of working towards net zero carbon emissions.</i>	Include Sustainable Procurement question within tender (min 10% weighting). Provide evidence of: - <i>use of an environmental policy statement</i> - <i>Specific targets for, and evidence, of working towards net zero carbon emissions.</i>

1.7 These thresholds have increased from £0 to £10,000 for the first level and from £10,000 to £50,000 for the second. This has been done to reflect the accumulated inflation in value since the previous thresholds were set in 2014, but also to let local small and medium sized enterprises into the more straightforward procurement processes. This brings an additional 161 suppliers into the lowest threshold bracket. Supplier spend in this bracket increases from £2.9 million to £5.2 million (of a total of £49.1 million yearly supplier spend).

## B. Referrals from Cabinet: 19 July 2022

An extraordinary meeting of Council was held on 26 July 2022 which considered a referral from Cabinet on 19 July 2022. There are no other referrals emanating from that meeting.

## **C. Referrals from Portfolio Holder for Resources and Property: 23 September 2022**

Following the sad death of Her Majesty Queen Elizabeth II and observing the period of national mourning, the Cabinet meeting arranged for 20 September 2022, was cancelled as a mark of respect.

As three of the items were due to be referred by Cabinet to Council for a final decision, the Portfolio Holder for Resources and Property has been asked to make these decisions on behalf of Cabinet. These were to recommend to Council, approval of the recommendations set out in the relevant reports.

These referrals have however, been compiled before the decisions have been taken by the portfolio holder and are based on the recommendations contained within each of the reports listed below. Any amendments made by the portfolio holder to the recommendations within these reports will be notified to members in advance of the meeting accordingly.

### **1. Annual Treasury Management and Financial Resilience Report (2021 to 2022)**

**Portfolio holder:** Councillor Sarah Broughton

**Portfolio holder decision Report number:** [CAB/WS/22/043](#)

**Financial Resilience Sub-Committee Report number:** [FRS/WS/22/003](#)

#### **Recommended:**

**That the Annual Treasury Management and Financial Resilience Report (2021 to 2022), as contained in Report number: FRS/WS/22/003, be approved.**

- 1.1 Following its consideration by the Financial Resilience Sub-Committee on 11 July 2022, the Service Manager (Resources and Performance) verbally reported the Sub-Committee's discussions on the report to the Performance and Audit Scrutiny Committee on 28 July 2022.
- 1.2 The West Suffolk Council's Annual Treasury Management and Financial Resilience Report for 2021 to 2022 included tables summarising the interest earned and the average rate of return achieved during 2021 to 2022; investment activity during the year; investments held as at 31 March 2022; borrowing and temporary loans and capital borrowing budget 2021 to 2022.
- 1.3 The budget for investment income in 2021 to 2022 was £45,000 which was based on a 0.25 percent target average rate of return on investments. Interest actually earned during the financial year totalled £94,451.98 (average rate of return of 0.395 percent), against a budget for the year of £45,000; a budgetary surplus of £49,451.98.

- 1.4 The report included assumptions on borrowing 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
  - Investing in our Growth Fund.
- 1.5 The report also included a summary of the capital borrowing budget for 2021 to 2022; borrowing and income – proportionality; borrowing and asset yields.
- 1.6 During the financial year 2021 to 2022 the Council’s underlying need to borrow in investing in its communities increased by just over £6 million. With £10 million of external borrowing taken out in the year, the level of internal borrowing has reduced by £3.9 million. This would help to reduce the level of interest rate risk the Council was currently exposed to.
- 1.7 The Sub-Committee had scrutinised the Annual Treasury Management and Financial Resilience Report 2021 to 2022 in detail and asked questions of officers to which responses were provided. Discussions were held on the £10 million external loan and how would the Council rebuild its cash balances over the longer term.
- 1.8 The Performance and Audit Scrutiny Committee had considered the report and asked questions to which responses were provided. In particular, discussions were held on who decided on which bank(s) the Council placed its money for investment; the asset value of the solar farm; and at what point would the Council look at selling the solar farm if income decreased significantly.
- 1.9 The Performance and Audit Scrutiny Committee did not raise any issues at this time to be brought to the attention of Cabinet and put forward a recommendation to the Portfolio Holder for Resources and Property to consider on behalf of Cabinet, as set out above.

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## 2. Treasury Management Report (June 2022)

**Portfolio holder:** Councillor Sarah Broughton

**Portfolio holder decision Report number:** [CAB/WS/22/044](#)

**Financial Resilience Sub-Committee Report number:** [FRS/WS/22/004](#)

**Recommended:**

**That the Treasury Management Report (June 2022), as contained in Report number: FRS/WS/22/004, be approved.**

### 2.1 Investment Activity 1 April 2021 to 30 June 2022

Following its consideration by the Financial Resilience Sub-Committee on 11 July 2022, the Service Manager (Resources and Performance) verbally reported the Sub-Committee's discussions on the report to the Performance and Audit Scrutiny Committee on 28 July 2022.

- 2.2 At the end of June 2022, interest earned during the first quarter of the financial year amounted to £90,077.11 against a profiled budget for the period of £11,250, a budget surplus of £78,827.11.
- 2.3 External borrowing as at 30 June 2022 was £13,875,000, a reduction of £125,000 from 1 April 2022, which relates to the repayment plan for the recent Public Works Loan Board (PWLB) £10 million 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.
- 2.4 The 2022 to 2023 Annual Treasury Management and Investment Strategy 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 percent target 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; PWLB rule changes and market information.
- 2.6 Members were informed that future reports would include a section on "liability benchmark". At the end of 2021, a Chartered Institute of Public Finance and Accountancy (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.

- 2.7 The Sub-Committee had scrutinised the investment activity for 1 April 2021 to 30 June 2022, and asked questions to which responses were provided
- 2.8 The Performance and Audit Scrutiny Committee on 28 July 2022 had scrutinised the report. In particular, discussions were held on forecast rates; interest rates, external borrowing and the Western Way Development.
- 2.9 The Performance and Audit Scrutiny Committee put forward a recommendation to the Portfolio Holder for Resources and Property to consider on behalf of Cabinet, as set out above.

### **3. Exempt item: Investing in our commercial portfolio**

**Portfolio holder:** Councillor Sarah Broughton

**EXEMPT portfolio holder decision Report number:** CAB/WS/22/045

**Recommended, that**

**As detailed in Exempt Report number: CAB/WS/22/045**

- 3.1 The full exempt report that has been considered by the Portfolio Holder for Resources and Property on behalf of Cabinet is attached as Exempt Appendix A to this report and will be considered in private session under agenda item 13.