

Referrals report of recommendations from Cabinet

Report number:	COU/WS/23/014	
Report to and date:	Council	26 September 2023
Documents attached:	Report number: CAB/WS/23/040 'De-carbonisation Fund'	
	Report number: CAB/WS/23/041 'Western Way Project'	
	Addendum to Report number: CAB/WS/23/041 'Western Way Project'	

A. Referrals from Cabinet: 13 June 2023 and 18 July 2023

There are no referrals emanating from the last meetings of Cabinet held on 13 June 2023 (verbally reported at Council on 20 June 2023) and 18 July 2023.

B. Referrals from Cabinet: 19 September 2023

The following referrals have been compiled before the decisions have been taken by the Cabinet and are based on the recommendations contained within each of the reports listed below. Any amendments made by the Cabinet 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 2022 to 2023

Portfolio holder: Councillor Diane Hind

Cabinet Report number: [CAB/WS/23/037](#)

Financial Resilience Sub-Committee Report number: [FRS/WS/23/003](#)

Recommended:

That the Annual Treasury Management and Financial Resilience Report 2022 to 2023, as contained in Report number: FRS/WS/23/003, be approved.

- 1.1 Following the Financial Resilience Sub-Committee's consideration of report number: [FRS/WS/23/03](#) on 17 July 2023, the Performance and Audit Scrutiny Committee received a verbal report on the Sub-Committee's consideration of the report.
- 1.2 The Annual Treasury Management and Financial Resilience Report (2022 to 2023) included tables summarising the interest earned and average rate of return achieved; treasury management investment activity during the year; investments held as at 31 March 2023; external borrowings and temporary loans; capital financing requirement and internal borrowing.
- 1.3 The report also contained information on the council's borrowing strategy and sources of borrowing; borrowing and capital costs (affordability); liability benchmark; borrowing and income (proportionality) and borrowing and asset yields.
- 1.4 The Performance and Audit Scrutiny Committee considered the report and did not raise any specific issues.
- 1.5 On 19 September 2023, the Cabinet will consider the recommendation of the Performance and Audit Scrutiny Committee, as reproduced above. Pending any comments made by the Cabinet, this recommendation is referred to Council for final approval.

2. Treasury Management Report (June 2023)

Portfolio holder: Councillor Diane Hind

Cabinet Report number: [CAB/WS/23/038](#)

Financial Resilience Sub-Committee Report number: [FRS/WS/23/004](#)

Recommended:

That the Treasury Management Report (June 2023), as contained in Report number FRS/WS/23/004, be approved.

- 2.1 Following the Financial Resilience Sub-Committee's consideration of report number [FRS/WS/23/004](#) on 17 July 2023, the Committee received a verbal report on the Sub-Committee's consideration of the report.

- 2.2 The report showed the position as at 30 June 2023. At this point, the Council held £49.5 million of investments and borrowing of £9.6 million. Interest receivable in the first quarter was driving a budget surplus of £315,930 due to rising interest rates and high levels of cash invested. The surplus was being held in the capital projects financing reserve in order to mitigate the risk of future borrowing in the current interest environment. The Council's liability benchmark and cashflow forecast showed that the Council would not need to borrow externally within the short to medium-term this financial year.
- 2.3 Following the latest inflation report the Council has seen that the market was expecting a slightly lower projection in the Bank of England's interest rate increase at their next meeting. The Council continues to seek external advice regarding the timing of external borrowing requirements and that was not predicted for cash flow reasons for the next 12 to 24 months. Officers were also in discussions with the Council's advisors, Arlingclose to attend a future meeting of the Committee to provide some Treasury Management and oversight training.
- 2.4 The Sub-Committee scrutinised the investment activity for 1 April 2023 to 30 June 2023, and asked questions to which responses were provided.
- 2.5 The Performance and Audit Scrutiny Committee on 27 July 2023 scrutinised the report. In particular, discussions were held on Arlingclose, the Council's treasury advisors around general advice provided, quarterly reports produced and training they provided.
- 2.6 On 19 September 2023, the Cabinet will consider the recommendation of the Performance and Audit Scrutiny Committee, as reproduced above. Pending any comments made by the Cabinet, this recommendation is referred to Council for final approval.

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3. De-carbonisation Initiatives Fund

Portfolio holders: Councillors Gerald Kelly and David Taylor

Cabinet Report number: [CAB/WS/23/040](#). Also attached in full to this Council report

Recommended, that:

- 1. A Decarbonisation Initiatives Fund of £1 million be created, funded by the Strategic Priorities and Medium-Term Financial Strategy Reserve.**
- 2. The first call on that fund be a grant scheme for the upgrade of streetlights owned by town and parish councils to light-emitting diode (LED) lanterns on the basis outlined in Report number CAB/WS/23/040.**
- 3. Cabinet be authorised, if applicable, to agree the use of any remaining balance in the Fund for additional decarbonisation initiatives.**
- 4. The Council's Section 151 Officer be authorised to make the necessary changes to the Council's prudential indicators.**

- 3.1 At their meeting on 19 September 2023, the Cabinet will be receiving the report of the Environment and Sustainability Working Group which confirms the Council's commitment to addressing the Climate and Environment Emergency and to reaching net zero by 2030 in respect of Council operations. In June 2023, the Leader of the Council also expressed the new Cabinet's wish to consider additional actions the Council could take to support and encourage West Suffolk residents, businesses and partners to address climate change.
- 3.2 Report number CAB/WS/23/040 is seeking to create a £1 million fund to support third parties in pursuing de-carbonisation initiatives. It also identifies an initial priority area for that spending which could result in a large environmental improvement for the district in keeping with the Council's adopted priorities. Namely, the upgrade of streetlighting owned by town and parish councils.
- 3.3 Therefore, members are requested to refer to Report number CAB/WS/23/040, as attached to this report, which sets out the proposals in full.
- 3.4 Pending any comments made by the Cabinet, these recommendations are referred to Council for final approval.

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4. Western Way Project

Portfolio holders: Councillors Cliff Waterman, Victor Lukaniuk, Ian Shipp and Diane Hind

Cabinet Report number: [CAB/WS/23/041](#). Also attached in full to this report
Addendum to Cabinet Report number: CAB/WS/23/041. Also attached in full

Recommended, that:

- 1. The delivery of the Western Way project in Bury St Edmunds be revised as set out in this report and in accordance with the following resolutions.**
- 2. Officers be authorised, in consultation with the Portfolio Holders for Leisure and Resources, to deliver a refurbishment of the existing Bury St Edmunds Leisure Centre provided that the total cost of these works is fully met by the Council's already available budgets for the centre and any new third-party funding that can be obtained, as set out in section 3 of this report.**
- 3. A budget of £75,000, funded from the Strategic Priorities and Medium-Term Financial Strategy Reserve, be approved to develop an initial business case for alternative options for the Olding Road site.**
- 4. The existing allocation of up to £1 million from the original West Suffolk Operational Hub project towards remediation of the former council depot be retained on an invest-to-save basis in the Council's Capital Programme to cover the cost of any immediate works to the existing Olding Road site which will add value to this asset and/or reduce holding costs irrespective of which future option for its use is adopted; any expenditure from this allocation to be approved by the Council's section 151 Officer in consultation with the Portfolio Holder for Resources.**
- 5. A provision of up to £2.4 million from the Strategic Priorities and Medium-Term Financial Strategy Reserve is approved to fund any abortive costs arising from the new approach to the Western Way project.**
- 6. The current Section 73 planning application to allow phasing of the original planning consent for Western Way remain on hold until a new decision is reached by Council on the future of the Olding Road site.**
- 7. Officers be authorised to appoint a new external project team and contractor(s) to progress the new approach, within the new spending authorities set out above and in accordance with the Council's contract procedure rules.**
- 8. The Council's Section 151 Officer be authorised to make the necessary changes to the Council's prudential indicators.**

- 4.1 Phase 1 of the current Western Way (WW) project in Bury St Edmunds was approved in principle by Council in December 2022, and its final target budget was approved by Cabinet in March 2023 (approximately £61 million including land acquisition costs). However, approval to sign a contract and deliver the first stage of the project was subject to financial tests being met after the final stage of tendering with the preferred contractor, Morgan Sindall, in summer 2023. A business case for phase 2 of the project had not yet been considered by councillors, but a further budget of up to £10 million was approved to address the remainder of the site in the meantime.
- 4.2 When the new Cabinet was appointed in May 2023, it announced its intention to review the future of the WW project in the light of changed economic circumstances. This report is the outcome of those deliberations by the Cabinet.
- 4.3 As things stand, second stage tenders from sub-contractors have been received for the phase 1 scheme and are still being evaluated and value-engineered by the contractor and project team to reduce their cost to a viable level. There is also considerable pressure on the revenue side of the project, for example increased interest rates, which would have needed to be explored and mitigated if the project had gone ahead.
- 4.4 Work to further adapt the scheme to meet the viability tests would delay not only certainty on the future of leisure services but also improvements to the current leisure facilities themselves (either as a newbuild or refurbishment). Certainty over the other elements of the project (a pre-school, archive and health facility) would also be affected.
- 4.5 Ultimately though, even if the viability test can be met, this will still be a very large capital investment in excess of £50 million for West Suffolk Council (WSC). The project also relies on achieving significant new income streams at a time of great economic uncertainty.
- 4.6 A project at this scale (with further project costs and time required to both confirm and then maintain its possible viability), carries significant risk to the authority and taxpayers at a time of major financial pressure on local authorities and household budgets. Pressure which has worsened since December 2022. The risk of this financial investment is felt by Cabinet to currently outweigh the potential outcomes of the WW scheme.
- 4.7 For this reason, after careful consideration, it is proposed by Cabinet to cancel the Western Way project. This will stop all work on a new leisure centre and defers a decision on the Olding Road site until further reports are received. To ensure the ongoing security of leisure facilities for Bury St Edmunds and a large catchment, it is proposed that essential refurbishment works take place to the current Bury Leisure Centre (BLC) instead. This will guarantee its security as a facility for the medium-term.

- 4.8 This approach replaces the risks of a very large and complex capital project, and the revenue risks of it being underwritten by new savings and income, with those of a smaller and simpler capital project, which will be funded entirely within existing revenue budget commitments so as not to put further pressure on the Council's budget. While, at the same time, keeping all options for the future of the Olding Road site open.
- 4.9 More rationale for the proposal is contained in the press statement released by Cabinet on 8 September 2023 and attached to this report as Appendix 1 to Report number CAB/WS/23/041.
- 4.10 The remainder of Report number CAB/WS/23/041 sets out the practical implications and risks of this new proposal and seeks new authorities to take the project forward accordingly. This is divided into the various different elements of the project.
- 4.11 Therefore, Members are requested to refer to Report number CAB/WS/23/041, as attached to this report, which sets out the proposals in full.
- 4.12 In addition, a summary of the identified opportunities, risks and financial implications contained in an addendum to Report number CAB/WS/23/041, is attached. This analysis has been undertaken by the Council's statutory officers and was circulated to Cabinet prior to its meeting on 19 September 2023 for consideration in conjunction with the full report.
- 4.13 Pending any comments made by the Cabinet, these recommendations are referred to Council for final approval.