

Extract of draft Audit Committee Minutes – Item 13 Medium Term Financial Strategy and Budget 2022/23

27 January 2022

The Deputy Chief Executive introduced the report to the Committee, explaining the role of the Committee as a consultee with feedback reported to the Cabinet and Council for consideration. The Committee fulfils the role of being the Council's Treasury Management Advisory Panel. Therefore the Committee was asked to focus upon the Capital, Investment and Treasury Management Strategies.

The Deputy Chief Executive referred to an amendment to recommendation e) as a delegation would be sought from Council for the Deputy Chief Executive to finalise the terms of the Community Municipal Investment (renamed from Local Climate Bond) in consultation with the Deputy Leader and Cabinet Member with responsibility for Finance.

This change would provide flexibility for the £1 million investment to be offered to the market in phases and for the interest percentage to be set in line with market conditions at the time. The revised recommendation read as follows: That the Committee considers the opportunity to issue £1 million of Community Municipal Investments with the approval of the final terms being delegated to the Deputy Chief Executive in consultation with the Deputy Leader and Cabinet Member for Finance.

The Deputy Chief Executive highlighted the changes that have taken place since the draft budget was considered by the Cabinet on 4th October 2021 and the consultation which took place in October and November 2021. These included changes in respect of the Provisional Local Government Settlement and the calculation of the Council Taxbase.

It was highlighted that the Provisional Local Government Settlement was £54,000 higher than the level of Government funding anticipated in October 2021.

Following the agreement to take questions in turn as the report is presented, the Chair imposed a time-limit to close the meeting at 18:25 due to the meeting approaching the end of the session.

The Committee queried the cautious approach to Government funding within the Medium Term Financial Strategy. The Deputy Chief Executive explained that the Government had not implemented 'negative Revenue Support Grant', which would have reduced the Council's core Government funding. However, the Deputy Chief Executive explained that going forward the future of key grants like the New Homes Bonus and the Rural Services Delivery Grant remained uncertain.

The Deputy Chief Executive continued presenting the report and highlighted to the Committee the updated Council Taxbase. A slight reduction in Council Tax income is now expected due to an increase in demand for the Local Council Tax Support scheme and Single Person Discount as well as a slower build of new properties than previously forecast.

In summary, the Deputy Chief Executive highlighted that the budget surplus of £180,000 from October 21 had reduced to £31,000 due to the various changes.

The Committee raised concerns over the impact of inflation and the availability of Government funding due to higher Government spending in the Covid-19 pandemic.

The Deputy Chief Executive highlighted how the inflation provision of 2.5% is kept under review within the Council's budget setting cycle.

The Committee raised queries around the issuing and future management of Community Municipal Investments. This included queries around the repayment of any capital invested into the scheme.

The Deputy Chief Executive highlighted the work with Abundance, an experienced partner, who will be working with the Council on the issuing of the Investments to market. Delegation of decision making to the Deputy Chief Executive will be sought to finalise the terms of the investments, including setting the interest rate and the phasing of the release of investment to the market. These Investments are in line with the Council's priority of tackling climate change, by investing in initiatives such as installing solar panels for the Council offices in Trinity Road and electric vehicle charging points across the District.

The Committee wished to clarify the current Treasury Management investment strategy of the Council and its approach to using its short-term cash surpluses.

Andrew Sherbourne highlighted the Treasury Management Strategy and explained that diversification was a central part of the Strategy to maintain a balanced portfolio of investments. Whilst an interest rate rise may assist with increasing investment income, this would also affect the cost of borrowing.

The Committee recommended a change to wording at 10.7 to clarify that Officers make recommendations to Members rather than making investment decisions.

The Deputy Chief Executive committed to updating the text before Cabinet considered the Strategy. The Deputy Chief Executive clarified that Officers do make daily treasury management decisions, but investment decisions lay with Members with recommendations from Officers.

The Committee discussed the Council's ability to adjust treasury investments as conditions changed.

Andrew Sherbourne highlighted that the Council was holding a larger amount of cash than in previous years, due to the additional support provided by the Government to businesses and communities due to the response to the Covid-19 pandemic. This additional cash would decrease over time. Any additional, or alternative investment opportunities would be presented to the Committee if suitable.

The Committee raised a concern that the take up of the Community Municipal Investment offer being lower than expected.

The Deputy Chief Executive stated that the investment opportunities would be offered in stages and that Community Municipal Investments are only one option to raise finance for capital expenditure. Interest rates would be set closer to the date of issue as outlined in the recommendations.

RESOLVED: That the Committee has considered

- a) the Medium Term Financial Strategy,
- b) the Capital Strategy,
- c) the Investment Strategy,
- d) the draft Treasury Management Strategy,
- e) That the Committee has considered the opportunity to issue £1 million in Community Municipal Investments with the approval of the final terms being delegated to the Deputy Chief Executive in consultation with the Deputy Leader and Cabinet Member for Finance; and
- f) provided feedback for the Cabinet and Council to consider as part of the 2022/23 budget setting process.