

BABERGH AND MID SUFFOLK DISTRICT COUNCILS

Minutes of the meeting of the **JOINT AUDIT AND STANDARDS COMMITTEE** held in the King Edmund Chamber, Endeavour House, 8 Russell Road, Ipswich on Monday, 30 January 2023

PRESENT:

Councillors:	James Caston	Austin Davies
	Rachel Eburne	Bryn Hurren (Co-Chair)
	David Muller (Co-Chair)	Mike Norris
	John Nunn	Alison Owen

In attendance:

Officers:	Director, Corporate Resources (ME)
	Corporate Manager – Finance, Commissioning & Procurement (RH)
	Deputy Monitoring Officer (JR)
	Governance Officer (BW)

103 DECLARATION OF INTERESTS

None declared.

104 JAC/21/41 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 28 NOVEMBER 2022

It was **RESOLVED**: -

That, subject to the addition of the comment from Councillor Eburne requesting that the risk register for the Council's Companies be shared with Members as agreed by officers, the minutes of the meeting held on 28 November 2022 be confirmed and signed as a true record.

105 TO RECEIVE NOTIFICATION OF PETITIONS IN ACCORDANCE WITH THE COUNCIL'S PETITION SCHEME

None received.

106 QUESTIONS BY THE PUBLIC

None received.

107 QUESTIONS BY COUNCILLORS

None received.

108 JAC/21/42 JOINT CAPITAL, INVESTMENT AND TREASURY MANAGEMENT STRATEGIES 2023/24

108.1 The Corporate Manager – Finance, Commissioning and Procurement,

introduced the report to the committee highlighting the key points in the report and giving an overview of the contents of the appendices.

108.2 Councillor Hurren questioned whether the debt was primarily on the HRA side, and whether these were split in the report. The Corporate Manager – Finance, Commissioning and Procurement responded that the debts for each budget were split in the report. The Director – Corporate Resources confirmed that for Mid Suffolk the HRA loans were £69 million, and CIFCO loans were £22.5 million, and for Babergh the HRA loans were £83 million, and CIFCO loans were £11.25 million.

108.3 Councillor Hurren queried the pension debt and whether the figures were an indication of how far behind the Councils were on their contributions. The Director – Corporate Resources responded that these were the deficit of the pension contributions, however these figures had decreased since the last evaluation.

108.4 Councillor Caston questioned the Capital Expenditure of under £10,000K not being capitalised and charged to revenue for the year, and whether this was in line with other councils. The Director – Corporate Resources responded that this had been agreed with auditors and was an accounting policy agreed in the statement of accounts. This was also in line with the level set by West Suffolk and was a consistent level to be set.

108.5 Councillor Caston queried the tables on page 41 as the Mid Suffolk figures were duplicated. The Corporate Manager – Finance, Commissioning and Procurement responded that the top table in the report was the correct one.

108.6 Councillor Eburne asked for clarification on point 4.4 regarding the decrease in government funding with the Revenue Support Grant in the accounts. The Director – Corporate Resources responded that the Revenue Support Grant had already been factored into services grants, such as for Council Tax.

108.7 Councillor Eburne queried whether the report went to Council for approval if no changes were made. The Director – Corporate Resources responded that the report would be approved by full Council, and that if there were changes made during the year these would also get reported to Council.

108.8 Councillor Eburne highlighted that the Climate Change Task Group had been disbanded and that mention of this in the report needed to be changed. The Director – Corporate Resources responded that this would be amended.

- 108.9 Councillor Eburne asked for further information on point 4.11 in the report regarding the Council's cash flow and the impact from the timing of support payments from Central Government. The Director – Corporate Resources responded that grants for businesses now needed to be paid back, and reconciliations on other payments that had not been confirmed yet. Additionally, some payments had been made up front whereas others were made as top up payments.
- 108.10 Councillor Muller questioned the figure of £17.4 million for Mid Suffolk's Capital Expenditure in the 23/24 budget, and how this had been arrived at. The Corporate Manager – Finance, Commissioning and Procurement responded that this figure was higher than usual as £10.8 million had been set aside for Gateway 14, and £6.7 million had been set aside for Mid Suffolk Growth.
- 108.11 Councillor Davies queried the mention of EU State Aid rules in the paper and whether these still needed to be followed. Corporate Manager – Finance, Commissioning and Procurement responded that whilst the EU State Aid rules no longer needed to be followed there was an equivalent subsidy control that needed to be followed. This would be updated within the report.
- 108.12 Councillor Davies queried the repayment of loans under the Maturity Structure of Borrowing as currently 30% were repaid in less than 12 months, and what structure would be used for the £43 million borrowing from Mid Suffolk. The Corporate Manager – Finance, Commissioning and Procurement responded that much of the less than 12 months borrowing had been for Gateway 14 and growth companies as there was anticipated receipts. Going forward it was not known what maturity would be used for 23/24 as borrowing was set within limits and spread between maturities. The structure would be looked at with the consultants Arlingclose to determine what periods these would be for.
- 108.13 Councillor Davies questioned whether longer term loans would be preferred. The Director – Corporate Resources responded that due to current interest rates being high, shorter-term rates were preferred until interest rates dropped.
- 108.14 Councillor Eburne asked why the borrowing rate for Mid Suffolk for 23/24 was so high at £25.67 million given the receipts from Gateway 14, and its contrast with the loan repayment for 22/23 of £26.96 million. The Director for Corporate Resources responded that the £25.67 million had come down from short term before the Gateway 14 capital receipt which was closer to £40 million. This was higher than the capital receipt due to the new capital programme as whilst some short term debt would be able to be paid, more would need to be borrowed.

- 108.15 Councillor Eburne queried point 4.4 on page 25 of the report stating that the Councils do not borrow to invest for the purpose of financial return, however this had been done in the past for CIFCO. The Director Corporate Resources replied that the borrowing for CIFCO had been before the rules changed and that this would be made clearer in future.
- 108.16 Councillor Eburne asked for clarification on the difference on the gross costs of the HRA for each council. The Director – Corporate Resources replied that the loans and rated would be shared with Members outside of the meeting.
- 108.17 Councillor Eburne queried whether to meet the capital strategy for the HRA the increase in weekly rents for each Council would go up by the amounts contained in table 10. The Corporate Manager – Finance, Commissioning and Procurement replied that this was a required prudential indicator, and rents would not be increased by the amounts in the table. The figures were the amount needed to finance borrowing costs and as Babergh were funding through reserves, they would need less borrowing to fund their capital programme.
- 108.18 Councillor Hurren suggested that the HRA debt, and percentage of what had been paid back should be a separate chart in the report.
- 108.19 Councillor Caston questioned the Lender's Option Borrower's Option (LOBOs) and whether loan amounts could be paid from reserves, and whether there was a policy in place to pay these back if interest rates increase from lenders. The Corporate Manager Finance Commissioning and Procurement responded that there was not currently a policy in place regarding repayment, additionally reserves may not be sufficient to repay these so borrowing may be required.
- 108.20 Councillor Davies queried the unrealised capital losses and when these would be realised and what level would they be. The Corporate Manager Finance, Commissioning and Procurement responded that local governments had a statutory override that means the revenue budget is not affected.
- 108.21 Councillor Eburne highlighted that the profit generating investment activity should be split for both councils within the report. The Corporate Manager Finance, Commissioning and Procurement responded that this would be made clearer in the report.
- 108.22 Councillor Caston asked if there was any interest on internal borrowing. The Corporate Manager Finance, Commissioning and Procurement

responded that the only instance of internal interest was on borrowing between the HRA and General Fund.

108.23 Councillor Caston queried whether the fees paid to Arlingclose were an annual expense, or an ad hoc basis, and whether these figures should be in the report. The Corporate Manager Finance, Commissioning and Procurement responded that Arlingclose were paid an annual fee, and this was published under the contracts register.

108.24 Councillor Eburne queried how the target credit score of 7 had been calculated, and whether this was in line with other councils. The Director – Corporate Resources responded that a response would be provided outside of the meeting.

108.25 Councillor Eburne on page 70 discussion about Minimum Revenue Provision (MRP), what funds are needed for that and how it had changed, further explanation on that against (Capital Financing Requirement) CFR. The Director Corporate Resources responded that MRP funds were always built in when there was a borrowing programme in the capital programme. Additionally, as the CFR increased the element from borrowing was related to the MRP and this was the capital element of the borrowing. The Corporate Manager Finance, Commissioning and Procurement added that MRP did not apply to the HRA.

108.26 Members agreed that the following actions should be reported back to the committee:

- That a breakdown of the HRA be provided.
- That HRA interest rates be included in future Joint Capital, Investment and Treasury Management Strategy reports.
- That separate reports for each council be considered in the future.
- That for Mid Suffolk a policy is considered on LOBOs, and a breakdown of where funding for them would come from.

108.27 Councillor Hurren proposed the recommendations as set out in the report subject to amendments and comments from the committee be added to the report following the meeting.

108.28 Councillor Muller seconded the motion.

By a unanimous vote.

It was RESOLVED: -

That subject to amendments and comments that were made at the meeting being added that the following be approved:

1.1 The Joint Capital Strategy for 2023/24, including the Prudential Indicators, as set out in Appendix A.

1.2 The Joint Investment Strategy for 2023/24, as set out in Appendix B.

1.3 The Joint Treasury Management Strategy for 2023/24, including the Joint Annual Investment Strategy as set out in Appendix C.

1.4 The Joint Treasury Management Indicators as set out in Appendix D.

1.5 The Joint Treasury Management Policy Statement as set out in Appendix G.

1.6 The Joint Minimum Revenue Provision Statement as set out in Appendix H.

1.7 That the key factors and information relating to and affecting treasury management activities set out in Appendices E, F, and I be noted.

109 JAC/21/43 COMPLAINTS MONITORING REPORT

109.1 The Chair invited Jan Robinson, Deputy Monitoring Officer, to introduce report JAC/21/43. The Deputy Monitoring Officer highlighted that with the new code of conduct there was still confusion over declarations of interest and that training would be provided in the next municipal year.

109.2 Councillor Caston questioned whether there could be multiple complaints on the same issue. The Deputy Monitoring Officer responded that there could be multiple complaints made on the same issue by Councillors and members of the public present at a meeting.

109.3 The Complaints Monitoring Report was noted.

110 JAC/21/44 FORWARD PLAN

110.1 The Corporate Manager Finance, Commissioning & Procurement outlined that due to the audit being completed following the March meeting, the Statement of Accounts and Auditors Report would be moved to the July meeting.

110.2 The Forward Plan was noted.

The business of the meeting was concluded at 11.46am.

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Chair

