

Financial Resilience Sub-Committee

Minutes of a meeting of the **Financial Resilience Sub-Committee** held on **Monday 15 July 2019** at **10.30 am** in the **Training Room, College Heath Road, Mildenhall, Bury St Edmunds IP28 7EY**

Present: **Councillors**

Richard Alecock
Ian Houlder

Victor Lukaniuk

In attendance:

Sarah Broughton, Cabinet Member for Resources and Performance

This being the first meeting of the Financial Resilience Sub-Committee since the Council's Annual General Meeting on 22 May 2019, the Democratic Services Officers (Scrutiny) opened the meeting.

1. **Substitutes**

No substitutions were declared.

2. **Appointment of Chair: 2019/2020**

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

RESOLVED:

That Councillor Ian Houlder be elected Chair of the Financial Resilience Sub-Committee for 2019-2020.

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

3. **Apologies for Absence**

No apologies for absence were received.

4. **Annual Treasury Management Report 2018-2019 (FHDC)**

The Sub-Committee received Report No: **FRS/WS/19/001**, which presented the investment activities for the former Forest Heath District Council from 1 April 2018 to 31 March 2019.

The report included tables which summarised the interest earned and the average rate of return achieved during 2018-2019; investment activity during

the year; investments held as at 31 March 2019; capital borrowing budget 2018-2019 and borrowing and temporary loans.

The budget income from investments income in 2018-2019 was £224,000 (target average rate of return 0.75%). Interest actually earned during the financial year totalled £145,597 (average rate of return of 0.724%), against a budget for the year of £224,000; a budgetary deficit of £78,404.

The budgetary deficit was due to lower cash balances as a result of re-phasing of some income generating projects. These projects were budgeted to be funded through external borrowing, which would have boosted the cash balances and resultant interest. However, given the high cash balances of the council use of those cash balances was utilised resulting in a saving of the external borrowing costs over the short term. In addition, investments were made on a shorter term basis for liquidity resulting in lower yields.

The Sub-Committee scrutinised the Annual Treasury Management Report 2018-2019, and asked a number of questions to which comprehensive responses were provided.

In particular, discussions were held on treasury management risks; the number of building society accounts held by the council; the council's treasury management team; how investments were made and the number of quotes required; the council's external treasury advisors; and how external and internal borrowing worked.

Detailed discussions were held on the loan relating to Newmarket Leisure; the reasons at the time as to why it had been taken out for 70 years; and the financial penalties involved if the loan was paid off early.

Detailed discussions were also held on the Toggam Solar Farm; the projection on income; how energy prices were guaranteed; and the need to ensure the council received the best rate of return on its investments.

It was then proposed by Councillor Victor Lukaniuk, seconded by Councillor Richard Alecock and with the vote being unanimous, it was:

RECOMMENDED:

That the Annual Treasury Management Report 2018-2019, for the former Forest Heath District Council, being Report No: FRS/WS/19/001, be approved.

5. Annual Treasury Management Report 2018-2019 (SEBC)

The Sub-Committee received Report No: **FRS/WS/19/002**, which presented the investment activities for the former St Edmundsbury Borough Council from 1 April 2018 to 31 March 2019.

The report included tables which summarised the interest earned and the average rate of return achieved during 2018-2019; investment activity during the year; investments held as at 31 March 2019 and capital borrowing budget 2018-2019.

The budget income from investments income in 2018-2019 was £308,000 (target average rate of return 0.70%). Interest actually earned during the financial year totalled £344,766 (average rate of return of 0.751%), against a budget for the year of £308,000; a budgetary surplus of £36,766.

The Sub-Committee scrutinised the Annual Treasury Management Report 2018-2019, and asked questions to which responses were provided.

It was then proposed by Councillor Victor Lukaniuk, seconded by Councillor Richard Alecock and with the vote being unanimous, it was:

RECOMMENDED:

That the Annual Treasury Management Report 2018-2019, for the former St Edmundsbury Borough Council, being Report No: FRS/WS/19/002, be approved.

6. Treasury Management (June 2019)

The Sub-Committee received Report No: **FRS/WS/19/003**, which reported on the investment activities of the new West Suffolk Council for the period 1 April 2019 to 30 June 2019.

The total amount invested at 1 April 2019 was £47,750,000 and at 30 June 2019 it was £46,250,000.

Various deposit accounts were closed in the lead up to the year end 2018-2019 in order to wind up both Forest Heath District Council and St Edmundsbury Borough Council. These balances were held in the current account until the first trading day of the new West Suffolk Council when new deposit accounts could be opened.

The 2019-2020 Annual Treasury Management and Investment Strategy Statements, which were approved on 19 February 2019 sets out the Council's projections for the current financial year. The budget for investment income in 2019-2020 was £142,141, which was based on a 0.90% target average rate of return on investments.

At the end of June 2019, interest earned during the first quarter amounted to £96,725 (average rate of return 0.812%) against a profiled budget of £35,535 (average rate of return 0.90%), creating a budgetary surplus of £61,190. The surplus related to higher than expected cash balances due to slippages in the capital programmes for both the former Forest Heath District Council and St Edmundsbury Borough Council during 2018-2019 (West Suffolk Capital Programme had been re-profiled) and also the favourable interest rates secured on the investments carried over from the previous councils.

The report also included assumptions on borrowing for the capital projects included within it, alongside the current external borrowing in respect of the previous Newmarket Leisure Centre build. This new borrowing requirement was based around three specific projects as per their agreed business cases:

- West Suffolk Operational Hub, Bury St Edmunds
- Mildenhall Hub
- Investing in our Growth Fund.

The report also included a summary of the capital borrowing budget for 2019-2020; a summary of capital borrowing for quarter one; borrowing and income – proportionality; borrowing and temporary loans as at 30 June 2019 and other market considerations.

The Sub-Committee scrutinised the investment activity for 1 April 2019 to 30 June 2019, and asked detailed questions to which responses were provided. In particular discussions were held on the Investing in our Growth Fund and what it could be used for, and the tax implications on commercial investments.

Following the consideration of the report, the Sub-Committee suggested including the following additional information in future quarterly reports under borrowing and income, which officers agreed to look into:

- Oversight of investments: setting out how projects were progressing and the cost of borrowing for each project.
- Setting out whether assets were leasehold or freehold.

It was then proposed by Councillor Richard Alecock, seconded by Councillor Victor Lukaniuk and with the vote being unanimous, it was:

RECOMMENDED:

That the Treasury Management Report (June 2019), being Report No: FRS/WS/19/003, be approved.

7. Dates of Future Meetings

The Sub-Committee **noted** the dates for future meetings, as listed below. All dates were Mondays starting at 10.30 am and would be held in the venues, as indicated:

- 18 November 2019 at West Suffolk House, Bury St Edmunds
- 20 January 2020 at College Heath Road, Mildenhall

The meeting concluded at 12.05 pm

Signed by:

Chair
