

Financial Resilience Sub-Committee

Minutes of a meeting of the **Financial Resilience Sub-Committee** held on **Monday 18 November 2019** at **10.30 am** in the **Mayor's Parlour (FR1-12), West Suffolk House**, Western Way, Bury St Edmunds IP33 3YU

Present: **Councillors**

Chair Ian Houlder

Richard Alecock

Victor Lukaniuk

In attendance:

Sarah Broughton, Cabinet Member for Resources and Performance

8. **Substitutes**

No substitutions were declared.

9. **Apologies for Absence**

No apologies for absence were received.

10. **Minutes**

The minutes of the meeting held on 15 July 2019 were confirmed as a correct record and signed by the Chair.

11. **Treasury Management - September 2019**

Prior to presenting the report, the Service Manager (Resources and Performance) introduced Ben Fiske (Projects and Capital Manager) who managed the Council's Treasury Team and would be attending future meetings.

The Sub-Committee received Report No: **FRS/WS/19/004**, which reported on the treasury management activities for the period 1 April 2019 to 30 September 2019.

The total amount invested at 1 April 2019 was £42,750,000 and at 30 September 2019 it was £46,900,000.

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

At the end of September 2019, interest earned during the first six months of the financial year amounted to £194,249 (average rate of return 0.793%) against a profiled budget for the period of £71,070 (average rate of return 0.90%) creating a budgetary surplus of £123,179. The surplus related to higher than expected cash balances due to slippages in the Capital programme and favourable interest rates secured on investments carried over from the previous councils.

As at the end of September 2019, a total of £14.5m had been borrowed internally from available cash balances. This had meant the Council had not had any additional borrowing over the long-term £4m Barclays loan.

The report also included assumptions on borrowing for the capital projects included within it, alongside the current £4m external borrowing in respect of the previous Newmarket Leisure Centre building. 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 two; borrowing and income – proportionality; current borrowing and other market considerations (central government's announcement on 9 October 2019 to raise the margin applied to Public Works Loans Board (PWLB) loans by 1%).

At the beginning of the year it was assumed that the council would need to borrow £63.4m for investments. However, the forecasted borrowing assumption had decreased to £39m for the financial year 2019-2020.

The Sub-Committee scrutinised the report in detail and asked a number of questions to which comprehensive responses were provided.

Councillor Victor Lukaniuk referred to the summary of capital borrowing table and suggested the word "investments" be replaced with "borrowing", so the row at the bottom of the tables reads "total value of *borrowing*", as he felt how it was currently worded was misleading.

In response to a question raised regarding the PWLB loan increase, members were informed that even with the 1%, the councils business cases were still valid as contingencies had been built-in, just in case there was a change in interest rates.

Officers explained that the reason for Central Government increasing the margin applied to PWLB was to curtail councils from borrowing. The council was lobbying the Treasury for the creation of a separated source of funding with a reduced rate for projects that would deliver a bended return of regeneration and social and economic factors, such as the councils development plans for Western Way.

Councillor Victor Lukaniuk felt the council needed to be careful with borrowing as the income margins were small.

Officers explained that the council's strategy was to invest in its communities but also needed to understand the financial considerations/risk. Therefore, each business case developed for a project was considered on a case by case basis and was done so on a prudent basis with risks articulated within those business cases.

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

RECOMMENDED:

That the Treasury Management Report (September 2019), being Report No: FRS/WS/19/004, be approved.

12. Dates of Future Meetings

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

- 20 January 2020 at Mildenhall

The meeting concluded at 11.30 am

Signed by:

Chair
