

SCOTTISH BORDERS COUNCIL AUDIT AND SCRUTINY COMMITTEE

MINUTES of the Special Meeting of the
AUDIT AND SCRUTINY COMMITTEE held
in Council Chambers. Council Headquarters,
Newtown St Boswells on Tuesday, 26
February 2019 at 2.00 pm

- Present:- Councillors S. Bell (Chairman), H. Anderson, K. Chapman, N. Richards,
H. Scott, E. Thornton-Nicol and S. Scott.
- Apologies:- Councillors J. A. Fullarton, S. Hamilton; M. Middlemiss and H. Barnett.
- In Attendance:- Chief Executive, Chief Financial Officer, Pensions & Investments Manager,
Senior Internal Auditor, Clerk to the Council.

1. **TREASURY MANAGEMENT STRATEGY 2019/20**

With reference to paragraph 5 of the Minute of Meeting of 14 February 2019, there had been circulated copies of a Report and Appendix on the Treasury Management Strategy 2019/20, along with a briefing note by the Chief Financial Officer, explaining the changes to the report. The Chief Financial Officer, Mr Robertson, explained that the report which had been circulated at the previous meeting had not been the final version and the correct version had been issued via email to members of the Committee after the meeting. Subsequent to the circulation of the revised Treasury Management report, a later amendment to the Administration's draft budget for 2019/20 - 2023/24 was also published. This amendment would raise Council Tax by 1% which would be applied in future years to provide a matched contribution to the capital costs of replacing Hawick High School. A corresponding amendment was therefore required to the Administration's draft capital budget and corresponding amendments were therefore also required to the Treasury Management Strategy, including amendment of the prudential indicators, to reflect the material change proposed. Mr Robertson highlighted the main changes to both the covering report and the actual Strategy. In response to Members' wider questions, Mr Robertson advised that while the Council had purchased the Lowwood Estate and that was reflected in the capital expenditure figures within the Treasury Management Strategy figures and included in the Council's future capital financing requirement, no borrowing had as yet taken place for this, the site purchase being financed temporarily from cash flow. Assumptions had been made in the Strategy that parts of the site would be developed and sold off over the coming years. The Pensions & Investments Manager, Kirsty Robb, further advised that any borrowing by the Council was made on a total needs basis and not per project, with cash flow monitored daily and short term loan opportunities taken up to minimise Council debt on an ongoing basis. With regard to the changes in capital financing requirement and the operational boundary for external debt, Mr Robertson explained that while the level of external debt was projected to increase closer to the operational boundary, this was an inevitable consequence of the accelerated build programme proposed for the new High Schools. Consideration also needed to be given to the impact of greater borrowing for capital projects on the revenue budget which would result in an increased percentage of the revenue budget being used for repayment of loan charges. With regard to any impact from current political uncertainties, although Brexit was a major consideration, with regular updates received from the Council's Treasury advisers, it was anticipated that while there was the potential for a short term rise in interest rates, this was not likely to impact on the medium to long term. The Council was closely monitoring the potential impact of Brexit and the associated risks, including a short term impact on inflation. Any borrowing to provide an additional cash cushion over the

Brexit period would be undertaken only on a short term basis. Members enquired about emergency arrangements and the Chief Financial Officer confirmed there were a range of measures in place should the Council be faced with an emergency event e.g. flooding or other disaster. These included insurance, the Bellwin Scheme, reserves, etc. The final protection for Council was an emergency budget raising the Council tax. Mr Robertson also confirmed that he had contacted Link Asset Services, the Council's Treasury Advisor, regarding the provision of a further training session on treasury management to members of the Committee and details would be sent to members in due course.

DECISION

AGREED:

- (a) to approve the Treasury Management Strategy 2019/20 as set out in Appendix 1 to the report for consideration by Council;**
- (b) to note that this Treasury Management Strategy replaced the one considered at the Audit and Scrutiny Committee on 14 February and the corrected version distributed via email on 15 February 2019;**
- (c) that the Council should review its capital expenditure plans going forward to ensure that they remained realistic, affordable and sustainable; and**
- (d) that the Council should ensure that the revenue consequences of all capital projects be fully reviewed in all investment decisions.**

The meeting concluded at 2.30 pm