

MINUTE
of
AUDIT & SCRUTINY COMMITTEE

Minute of Meeting held at 2.00pm in the Council Chamber, Council Headquarters, Giffnock on 20 February 2020.

Present:

Councillor Stewart Miller (Chair)
Councillor Barbara Grant (Vice Chair)
Provost Jim Fletcher
Councillor Annette Ireland

Councillor Charlie Gilbert
Councillor Jim McLean
Councillor Jim Swift

Councillor Miller in the Chair

Attending:

Margaret McCrossan, Head of Accountancy (Chief Financial Officer); Barbara Clark, Chief Accountant; Michelle Blair, Chief Auditor; and Linda Hutchison, Clerk to the Committee.

DECLARATIONS OF INTEREST

1205. There were no declarations of interest intimated.

TREASURY MANAGEMENT STRATEGY REPORT FOR 2019/20

1206. Under reference to the Minute of the meeting of 21 November 2019 (Page 1022, Item 1105 refers) when, having considered a report on treasury management activities for the first six months of 2019/20, it had been agreed to recommend to the Council approval of organisations for the investment of surplus funds and to note the unexpected increase in the cost of borrowing from the Public Works Loan Board, the committee considered a report by the Head of Accountancy (Chief Financial Officer) explaining that, in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice 2017, the Audit and Scrutiny Committee were responsible for ensuring effective scrutiny of the Council's treasury management strategy and policies.

In accordance with that requirement, a copy of the Treasury Management Strategy Report for 2020/21 was attached for consideration in advance of its submission to the Council. The Strategy Report included a proposal to amend treasury management practices in accordance with Annex F accompanying the report which listed organisations approved for the investment of surplus funds, in respect of which information was provided on related issues such as credit ratings and limits. It was also proposed that a policy on the repayment of loans fund advances, as specified in Section 3.4 of the report, be approved.

Whilst commenting on the overall purpose and content of the report, the Chief Accountant referred to economic background information within it, explained that the same operational approach as before was being followed, and clarified that the report set out the parameters

within which the treasury function operated, making reference to mid-year and annual reports to be submitted to the committee. Whilst itemising key sections of the Strategy, she clarified that the Council could only borrow to fund capital expenditure, and that the Prudential Indicators had been established to ensure funding of capital expenditure was affordable and sustainable.

The Chief Accountant drew attention to Section 3.4 of the report on the Council's policy for the statutory repayment of debt which required to be approved before the start of the next financial year, the Chief Accountant highlighted that Council policy was to repay advances using an annuity method in keeping with previous years. She explained that the Scottish Government had reviewed legislation allowing greater flexibility when calculating loans fund repayments, confirming that, in agreement with the Council's External Auditor, the Council's loans fund had been revised, ensuring that the amount to be repaid each year was prudent and reasonably commensurate with the period and pattern of benefits. Citing the example of building a new school, she clarified that the related loan could be repaid over 50 years, rather than 30 years as had been the case previously.

The Chief Accountant also referred to the use of reserves to fund capital expenditure, as had been the case for a number of years, which was considered prudent to minimise risk, whilst highlighting the need for care to be taken by the Council to take advantage of the historically low interest rates available at present. She also referred to the gradual rise in the base interest rate anticipated over the next 2 years, and a list was provided of the limits set for treasury activity which were consistent with previous years. Having clarified that it remained the case that the primary objectives of the investment strategy were security and liquidity, she referred to information provided on the types of investment the Council could use and their associated risk; the proposed list of investors itemised in Annex F to the report; the importance of investing with bodies with good credit quality; and related monitoring arrangements.

The Chief Accountant confirmed that she would be happy to arrange further treasury management training for Elected Members if that would be considered useful, requests for which could be made through the Clerk, Councillor Grant expressing the view that further training on treasury management issues would be valuable.

Further in response to Councillor Grant, the Chief Accountant clarified why the Clydesdale Bank was listed amongst the organisations for the investment of surplus funds, this being the bank the Council used, and why the limits deposit and transaction level for it were recorded as zero. In response to Councillor Swift, she confirmed that 7.2% of borrowing by the Council was exposed to variable interest rates, this level falling well below the long-standing upper limit set for this of 30%. Having expressed the view that it was arguable that the upper limit of 30% was too high, Councillor Swift added that this limit was acceptable however, subject to the level of such debt being managed appropriately. The Head of Accountancy and Chief Accountant confirmed this was the case and that, historically, the level of such debt had fallen well below the upper threshold.

The committee agreed:-

- (a) **to recommend to the Council** that the Treasury Management Strategy for 2020/21 be approved, including the amended list of organisations for investment of surplus funds in accordance with Annex F to the report;
- (b) **to recommend to the Council** that the policy on the repayment of loans fund advances as specified in Section 3.4 of the report be approved;

- (c) to note that further training on treasury management issues could be arranged by the Chief Accountant who would liaise further with the Clerk regarding this; and
- (d) otherwise, to note the report and related comments made.

CHAIR

