

**MINUTE**  
**of**  
**AUDIT AND SCRUTINY COMMITTEE**

**Minute of Meeting held at 3.00pm in the Council Chamber, Council Headquarters, Giffnock on 2 February 2017.**

**Present:**

Councillor Gordon Wallace (Chair)	Councillor Gordon McCaskill
Councillor Barbara Grant (Vice Chair)	Councillor Paul O’Kane
Councillor Charlie Gilbert	Councillor Ralph Robertson

Councillor Wallace 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.

**Apology:**

Councillor Tommy Reilly.

**DECLARATIONS OF INTEREST**

**2371.** There were no declarations of interest intimated.

**TREASURY MANAGEMENT STRATEGY REPORT 2017/18**

**2372.** Under reference to the Minute of the meeting of 10 November 2016 (Page 2104, Item 2260 refers) when, having considered a report on treasury management activities for the first six months of 2016/17, it had been agreed to recommend to the Council approval of organisations for the investment of surplus funds, the committee considered a report by the Head of Accountancy (Chief Financial Officer) explaining that, in line with the revised Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice 2011, the Audit and Scrutiny Committee were responsible for ensuring effective scrutiny of the Council’s treasury management strategy and polices.

In accordance with that requirement, a copy of the Treasury Management Strategy Report for 2017/18 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 E accompanying the report which listed organisations approved for the investment of surplus funds, required credit ratings, limits, and deposit periods. It was also proposed that a policy on the repayment of loans fund advances, as specified in Section 6.4 of the report, be approved.

Whilst commenting on the overall purpose of the report, the Head of Accountancy referred to the importance of ensuring that control of short and long term cash flows was adequate, and explained that the related prudential indicators were monitored to provide assurance that the Council's capital plans were sustainable and affordable. She clarified the purpose of the new recommendation on repayment of loans fund advances in the context of the City Deal which was supported by both Scottish and UK government funding, making reference to the funding/income profile method and related issues.

The Head of Accountancy confirmed that the majority of the strategy report was prepared in-house, making reference also to the Council's external treasury management consultants and their role in helping to prepare the report, citing examples of their expertise and input. She confirmed that, in consultation with members of the committee, it had been agreed to defer the organisation of further treasury management training for Members until after the local government elections to enable both new and returning Members to benefit from it.

In response to questions, the Head of Accountancy provided clarification on various matters, including the term 'under-borrowed position' in relation to the Council's current portfolio position regarding which reference was made to reserves; and increased long-term borrowing associated with City Deal projects and related interest rates regarding which it was commented that these rates were generally low at present but expected to increase in future.

Having heard the Chief Accountant clarify why the Clydesdale Bank was included in the list of organisations approved for the investment of surplus funds, in reply to Councillor Wallace, the Head of Accountancy confirmed that all of the prudential indicators referred to in the report were regarded to be of equal importance, although a focus was placed on some rather than others at different times of the year. She commented that the trend was upwards in terms of the Council's borrowing; that cash balances built up over time had enabled the Council to reduce external borrowing; and on why loan charges associated with local Private Finance Initiative and Public Private Partnership projects were relatively low compared to some other authorities which was linked to various local projects of this type being pursued at an early stage. She also commented on the need to continue to monitor borrowing costs linked to the Capital Plan which was substantial in scale; and to ensure that the profile of loan repayments remained appropriate through modelling. She added that in the next 4 to 5 years various loans inherited from Strathclyde Regional Council would end, referring to related interest rates and clarifying that the option to repay these early, if cost effective, as kept under review.

The Head of Accountancy confirmed that the option always existed to change approach to react to external factors, including changing economic conditions and interest rates, and what the Council's variable rate borrowing limit was. In response to Councillor Grant, she commented on the approach of developers in bidding for projects now compared to several years ago, making reference to a range of issues including the attractiveness of development projects in the south east of England compared to elsewhere and related consequences. The Chief Auditor confirmed that an audit of treasury management issues was in the 5 year Internal Audit Strategic Plan, but that the issue had not been covered in the past year.

The committee, having heard Councillor Wallace comment on the value of treasury management training for Members after the elections, agreed:-

- (a) **to recommend to the Council** that the Treasury Strategy Statement Report 2017/18 be approved, including the amendment of treasury management practices in accordance with Annex E to the report;

- (b) **to recommend to the Council** that the policy on the repayment of loans fund advances as specified in Section 6.4 of the report be approved; and
- (c) otherwise, to note the report.

CHAIR

