

**MINUTE**  
**of**  
**AUDIT & SCRUTINY COMMITTEE**

**Minute of virtual meeting held at 2.00pm on 11 March 2021.**

**Present:**

Councillor Stewart Miller (Chair)	Councillor Charlie Gilbert
Councillor Barbara Grant (Vice Chair)	Councillor Annette Ireland
Councillor Angela Convery	

Councillor Miller in the Chair

**Attending:**

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

**Also Attending:**

Louisa Yule and Morven Fraser, Audit Scotland.

**Apology:**

Councillor Jim McLean.

**DECLARATIONS OF INTEREST**

**1573.** There were no declarations of interest intimated.

**TREASURY MANAGEMENT STRATEGY REPORT FOR 2020/21**

**1574.** Under reference to the Minute of the meeting 26 November 2020 (Page 1334, Item 1441 refers) when, having considered a report on treasury management activities for the first six months of 2020/21, 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 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 2021/22 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.

The Chief Accountant confirmed that the report was similar to previous years subject to two amendments. Regarding the Council's current policy on loan fund advances as referred to in Section 3.4 of the report, she explained that the current policy was to repay advances using an annuity method over the life of an asset. However, with effect from 1 April 2021, it was proposed instead to use a straight line method for any new debt, this being a cheaper option over the lifetime of assets. Regarding the second amendment, she referred to some high level guidance provided on fiscal flexibilities the Scottish Government had allowed to address COVID-19 pressures, including the use of capital receipts and a loans fund repayment holiday, both of which would impact on the loans fund repayments charged in 2020/21 and beyond.

The Chief Accountant confirmed that, from a borrowing or investment perspective, the approach remained as before, with the remainder of the report concentrating on the Council's borrowing and investment strategies, and setting out parameters that helped monitor both. To allow borrowing to be controlled, Prudential Indicators (PIs) had been set up which monitored permissible borrowing and allowed this to be compared against actual gross debt. She highlighted plans to use the Council's reserve balances temporarily rather than fully funding capital expenditure by external borrowing, this being considered prudent and cost effective taking account of not only the cost of borrowing until it was used but also the possibility of Capital Programme slippage. However, the Chief Accountant also highlighted the need for care to be taken by the Council to take advantage of historically low interest rates. Having explained that the PIs had been set using the Council's 2021/22 Capital Programme, she confirmed that any movement in this would affect how well the limits set could be adhered to, and that mid-year and year-end reports would be provided on this.

Having clarified that it remained the case that the primary objectives of the investment strategy were security and liquidity, the Chief Accountant referred to the types of investments that could be made and associated risks set out in Annexes D and E to the report respectively; the proposed list of investors itemised in Annex F; the importance of investing with bodies with good credit quality; and related monitoring arrangements. Reference was also made to a range of economic background information provided within the report.

The Chief Accountant confirmed that she would be happy to arrange further treasury management training for Elected Members if that would be useful, requests for which could be made through the Clerk. She confirmed that she would also be happy to be contacted at any time if that was considered helpful to gain a better understanding of any specific issue referred to within the report.

In response to Councillor Ireland, the Chief Accountant confirmed that it was an option to arrange a training session for all Elected Members if there was sufficient demand. The Clerk confirmed that, irrespective of what was arranged in the months ahead, discussions would take place on offering treasury management training to Elected Members as part of their induction programme following the local government elections in 2022.

The Head of Accountancy (Chief Financial Officer) confirmed that the figures within the report were up to date in terms of the latest changes to the phasing and cost of projects within the Capital Programme; that further updates on the repayment of loans using the new straight line method and on fiscal flexibility would be provided; and that the position on COVID-19 related grants and related implications would become clearer with time.

The committee agreed:-

- (a) **to recommend to the Council** that the Treasury Management Strategy for 2021/22 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 if requested; and
- (d) otherwise, to note the report and related comments made.

CHAIR

