

MINUTE
of
AUDIT & SCRUTINY COMMITTEE

Minute of Meeting held at 2.00pm in the Council Chamber, Council Headquarters, Giffnock on 19 February 2018.

Present:

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

Councillor Charlie Gilbert
Councillor Annette Ireland

Councillor Miller in the Chair

Attending:

Margaret McCrossan, Head of Accountancy (Chief Financial Officer); Barbara Clark, Chief Accountant; Michelle Blair, Chief Auditor; Paul Parsons, Principal Accountant (Capital); Linda Hutchison, Clerk to the Committee; and Jennifer Graham, Committee Services Officer.

Apologies:

Councillors David Macdonald and Jim Swift.

DECLARATIONS OF INTEREST

306. There were no declarations of interest intimated.

TREASURY MANAGEMENT STRATEGY REPORT 2018/19

307. Under reference to the Minute of the meeting of 9 November 2017 (Page 194, Item 220 refers) when, having considered a report on treasury management activities for the first six months of 2017/18, 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 policies.

In accordance with that requirement, a copy of the Treasury Management Strategy Report for 2018/19 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, 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 and content of the report, the Chief Accountant referred to economic background information within it, explained that the same operational approach as in 2017/18 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 sections of the Strategy, she clarified that the Council could only borrow to fund capital expenditure, that the Prudential Indicators were established to ensure funding of capital expenditure was affordable and sustainable, and that the primary objectives of the investment strategy were security and liquidity. She also referred to the use of reserves to fund capital expenditure, historically low interest rates available at present, the gradual rise in interest rates anticipated over the next 3 years, types of investment the Council could use and their associated risk; and the importance of investing with bodies with good credit ratings. The Council's policy was to repay advances using an annuity method as in previous years.

The Chief Accountant also referred to treasury management training arranged for Members on 27 March 2018 to be provided by Link Asset Services, the Council's treasury advisors.

In response to questions, the Head of Accountancy and Chief Accountant provided clarification on various matters, including the effect of increased borrowing on revenue budgets. In response to Councillor Grant and Provost Fletcher and during discussion on the condition of roads within East Renfrewshire and related challenges and project and borrowing costs, the Chief Accountant confirmed that some information comparing the current annual cost of funding roads projects and repairs against the annual cost of borrowing the full level of capital expenditure needed to bring roads up to the required standard could be investigated to provide a sense of the challenges faced and enable comparison between the two funding methods.

In response to Councillor Ireland, other issues commented on included how the Council's treasury management advisors were appointed, how their value was assessed and reviewed regularly; and the extent to which Members could be required to attend training.

The committee agreed:-

- (a) **to recommend to the Council** that the Treasury Strategy Statement Report 2018/19 be approved, including the amendment of treasury management practices 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 6.4 of the report be approved;
- (c) that the Chief Accountant provide some further information comparing the current annual cost of funding roads projects and repairs and the annual cost of borrowing the full level of capital expenditure needed to bring roads up to the required standard for circulation to the committee by the Clerk on receipt; and
- (d) otherwise, to note the report.