

SCOTTISH BORDERS COUNCIL 25 FEBRUARY 2016

STARRED ITEMS FROM COMMITTEE MINUTES

AUDIT & RISK COMMITTEE 23 NOVEMBER 2015

4. TREASURY MANAGEMENT MID-YEAR REPORT 2015/16

There had been circulated copies of a report by the Chief Financial Officer which detailed the mid-year treasury management activities for 2015/16, in line with the requirements of the CIPFA Code of Practice and which included Prudential and Treasury Management Indicators. Following consideration by the Audit and Risk Committee, the report would then be presented to Council for approval. Appendix 1 to the report contained an analysis of the performance against the targets set in relation to Prudential and Treasury Management Indicators and proposed revised estimates of these indicators in light of the 2014/15 outturn and experience in 2015/16 to date for discussion by the Committee prior to presentation to Council for approval.

4.2 Ms Mirley, Corporate Finance Manager, made reference to her presentation during the Informal Briefing Seminar for all Elected Members on Borrowing and Treasury Management in Councils preceding this Committee meeting and referred to section 2.3 of Appendix 1 to the report, advising Members that this was a summary of the interest rates forecast by Capita Asset Services, the Council's treasury adviser. The report explained that the current approved budget for 2015/16 was £50.7m, a reduction of £7.7m from the originally agreed figure. This had been due to adverse timing movements in some areas of the Capital Plan and the report detailed the key drivers of the changes. An increase of £10.1m within Place department was linked to movements to the re-profiling post-contract award for the Selkirk Flood Protection Project and the acceleration of £1m for Roads investment; a reduction in estimated expenditure of £13.3m within People department as a result of the adjustment to remove Kelso High School project which would now be fully funded via a revenue grant from the Scottish Government; a reduction of £4.2m from the Chief Executive department in relation to the Next Generation Broadband (BDUK) project which was being funded from the General Capital Grant retained by the Scottish Government; and the removal of £0.3m for emergency and unplanned schemes. In addition, there had been a reduction in the approved budget for Funding for Other Relevant Expenditure by £16m which was largely related to the lack of uptake of borrowing by Registered Social Landlords (RSLs) and the National Housing Trust project via Bridge Homes LLP. Ms Mirley explained that the Scottish Government's guidance criteria for lending identified the Local Authority as the "lender of last resort", making it more difficult to lend to RSLs and had resulted in a lack of uptake.

4.3 With regard to the Capital Financing Requirement (CFR), the report explained that this had been recalculated in light of the changes to the Capital Plan and noted a reduction in the amount required from £276.1m to £266.6m. Ms Mirley referred to the funding section within the Capital Investment Plan and explained that any need to fund a notional amount would not necessarily require borrowing and might, for example, be funded using the Council's cash flow. The report explained the management of under / over borrowing against the CFR and noted that historically long term borrowing had been by fixed rate maturity loans. Ms Mirley advised that this was not necessarily how the Council would proceed in the future and it was noted that variable rate loans might be considered if there was a prolonged period of low interest rates. In terms of risk, Ms Mirley confirmed that the Council could access cash reserves but there was a risk if those reserves were insufficient to cover requirements.

DECISION

- (a) **NOTED that treasury management activity in the six months to 30 September 2015 had been carried out in compliance with the approved Treasury Management Strategy and Policy; and**

- * (b) **AGREED TO RECOMMEND that the Treasury Management Mid-Year report 2015/16, as contained in Appendix 1 to the report, be presented to Council for approval of the revised indicators.**

(This report was approved by Council at their meeting on 17 December 2015)

10 **CORPORATE RISK MANAGEMENT STRATEGY**

There had been circulated copies of a report by the Chief Officer Audit and Risk seeking agreement to present the revised Corporate Risk Management Strategy to Council for approval. Members were in agreement that the content of the document was appropriate but were concerned that the text did not flow in an easy-to-follow way and that the language was, on occasion, over-complicated. It was agreed that the Chief Officer Audit and Risk, in consultation with the Chairman, would revise the wording and language within the document and would circulate the amended Strategy to Members for information prior to its presentation to Council for approval.

DECISION

- (a) **NOTED the report;**
- (b) **AGREED that the Chief Officer Audit and Risk, in consultation with the Chairman, would revise the wording and language within the document and that the amended Strategy would be circulated to Members for information; and**
- * (c) **AGREED TO RECOMMEND that the revised Corporate Risk Management Strategy be presented to Council for approval.**

(Copy of Corporate Risk Management Strategy attached at Appendix 1.)

SCRUTINY COMMITTEE 28 JANUARY 2016

4. MEMBERSHIP OF SCRUTINY COMMITTEE

- 4.1 With reference to paragraph 15 of the Scottish Borders Council meeting of 17 December 2015, the Clerk to the Council advised that Council had decided to take no further action in respect of Councillor Logan's motion until the matter had been discussed in full by Scrutiny Committee.
- 4.2 Councillor Logan, seconded by Councillor Cockburn, had moved the Motion in the following terms:

“That Scrutiny Committee agree to recommend amendment of the Council's Scheme of Administration to allow the addition of three non-voting external members on the Scrutiny Committee and that these additional members will also be eligible to be non-voting members of a Scrutiny Working Group”
- 4.3 Councillor Logan spoke to his Motion, explaining that he considered it would be beneficial to Scrutiny to receive external members' views when carrying out reviews. He considered there would be demand from those who were interested in Scrutiny and they would bring a different set of skills to the Committee. Councillor Cockburn added that while Scrutiny was a good, strong Committee, having external members would bring an alternative perspective which would help inform debate, and make the Committee stronger still.
- 4.4 Councillor Nicol advised that, whilst it was beneficial to have independent members on Committees, Scrutiny Committee dealt with many different subjects, so it would therefore be beneficial to ask specific experts to attend Scrutiny Committees and working group meetings,

when appropriate. Councillor Nicol, seconded by Councillor Gillespie, moved as an amendment that there be no additional non-voting members on Scrutiny Committee.

VOTE

On a show of hands Members voted as follows

Motion - 2 votes

Amendment - 4 votes.

The amendment was accordingly carried.

DECISION

- * **DECIDED to RECOMMEND that there be no additional non-voting members appointed to the Scrutiny Committee.**

PLANNING & BUILDING STANDARDS COMMITTEE 1 FEBRUARY 2016

PUBLIC SPEAKING AT MEETINGS PROTOCOL

4. There had been circulated copies of the Public Speaking at meetings Protocol with recommended amendments in terms of the content of the presentation which allowed speakers to make reference to a maximum of two visual aids (photomontages, photographs, maps, plans, etc) that had been lodged properly with the Council in respect of the application being considered and a minimum of 8 days in advance of the Committee.

* **DECISION**

AGREED TO RECOMMEND that the suggested amendments be incorporated into the Public Speaking at meeting Protocol as detailed in Appendix II to this Minute.

(Copy Protocol attached at Appendix II)

AUDIT & RISK COMMITTEE 18 JANUARY 2016

5. TREASURY MANAGEMENT STRATEGY 2016/17

- 5.1 There had been circulated copies of a report by the Chief Financial Officer presenting the proposed Treasury Management Strategy 2016/17 for consideration by the Audit and Risk Committee prior to Council approval. The report explained that the Treasury Management Strategy was the framework which ensured that the Council operated within prudent, affordable limits in compliance with the CIPFA (Chartered Institute of Public Finance and Accountancy) Code. The Strategy, which would be submitted to Council on 11 February 2016, was included as an Appendix to the report. It reflected the impact of the Administration's draft Financial Plans for 2016/17 onwards on the prudential and treasury indicators for the Council. As the Administration's current draft Financial Capital Plans for 2016/17 to 2025/26 would not be presented to Council for approval until 11 February 2016 the Strategy was subject to change.
- 5.2 The report contained a summary of the proposed indicators within the Strategy in Annex A to the Appendix. The Chief Financial Officer outlined the significant changes from the 2015/16 Strategy. There was an increase in the Capital Financing Requirement (CFR) for 2016/17 due to increased capital expenditure in 2016/17 resulting from new projects and from acceleration of a number of projects such as Broomlands PS, Langlee PS and 3G sports pitches. There were additional borrowing requirements associated with the re-phasing of projects from 2015-16 into 2016-17 and future years had impacted on the total CFR. There would also be an increase in the Authorised Limit in 2017/18 associated with the completion of Kelso High School and the resulting Long Term liability and the increase in external borrowing resulting from the capital plan. A table within the report, showing projected external debt over the next four years, indicated that the Council's external debt would

become closer to the prudent affordability limit as defined by the Operational Boundary. In response to a question, the Corporate Finance Manager gave an explanation of the principles of financing local authority debt over a 50 year timescale. She explained that the calculation and consequent movement of the Operational Boundary was related to the asset base and was not related to the revenue ability to service the capital spend. However in this respect Members were referred to the Prudential Indicators shown in a table within the Appendix which showed the ratio of Financing Costs to Net Revenue Stream. The Committee was in general agreement with the Chief Financial Officer that it would not be prudent to take decisions that would allow this ratio to increase beyond 10%, although it was suggested that there should be some flexibility around this value to allow the Council to respond if necessary to an unexpected event in terms of capital expenditure. It was recognised, however, that in terms of this ratio the Council would have limited ability to bring forward new capital projects over the next five years; as more capital would be needed to sustain the asset base and extend asset life.

DECISION

* **AGREED to RECOMMEND to Council that:-**

- (a) Council reviews its capital expenditure plans going forward to ensure they remain realistic, affordable and sustainable; and**
- (b) in all future capital projects, the revenue consequences of such projects be fully considered in arriving at investment decisions.**

(This was approved by Council at their meeting on 11 February 2016)