

Audit Committee



Date	Wednesday, 8 December 2010
Venue	Town Hall, St. Annes
Committee members	Councillor John Singleton (Chairman) Councillor Linda Nulty (Vice-Chairman) Councillors Ben Aitken, Christine Akeroyd, Keith Hyde, Louis Rigby, Paul Rigby,
Other Councillors	None
Officers	Joanna Scott, Nicol McLellan, Lyndsey Lacey
Other Attendees	Iain Leviston (KPMG)

1. Declarations of interest

Members were reminded that any personal/prejudicial interests should be declared as required by the Council's Code of Conduct adopted in accordance with the Local Government Act 2000. No members declared any interests.

2. Confirmation of Minutes

RESOLVED: To approve the minutes of the Audit Committee meeting held on 23 September 2010 as a correct record for signature by the chairman.

3. Substitute members

There were no substitutions

4. Mid Year Prudential Indicators and Treasury Management Monitoring Report 2010/11

In accordance with the recommendations of the revised CIPFA Code of Practice on Treasury Management, Joanna Scott (Section 151 Officer) and Nicol McLellan (Senior Accountant) presented the mid year review of the Treasury Strategy and Prudential indicators for scrutiny by the committee.

To assist members with the terminology and explanations, an appendix setting out a number of Treasury Management & Prudential Indicators Frequently Asked Questions was circulated with the report.

Members were advised that the current position for figures in the report reflected the treasury activity up to 30th September 2010 and that a similar report would be presented to Council on 24 January.

In brief, the report highlighted key prudential indicators including: the forecast capital expenditure on new projects, the capital financing requirement, net borrowing, operational boundary and authorised limit for external debt and the medium-term rate estimates. In addition, the report provided an overview of the Treasury Strategy 2010/11 including details of the debt activity during 2010/11 (and the recent increase in the Public Works Loan Board rates) the investment strategy together with the associated treasury indicators. A copy of the Borough Council's long term debt maturity profile was also circulated with the agenda.

In summary, members were advised that the underlying economic environment remained difficult for the Council in particular, the challenging concerns over investment counterparty risk. Such challenges encouraged the Council to continue maintaining investments short term and with high quality counterparties. The downside of such a policy is that investment returns remained low.

Mrs Scott assured the Committee that the revised Code of Practice was prescriptive and considered it important to highlight that none of the Council's investments were tied up in Icelandic or Irish funds.

Councillor Ben Aitken sought clarification on the authorised limit for external debt and made particular reference to the revised indicator of £11.5M. Councillor Linda Nulty and Mrs Scott addressed this matter. The analysis of the £11.5m is detailed in Table 4 of the report.

Councillor Christine Akeroyd asked about the short and long term borrowing arrangements. Mrs Scott provided a brief overview of borrowing levels and life of assets and cash flow arrangements.

Councillor Nulty enquired about the approved capital schemes and why the net borrowing had increased by £700k. Mrs Scott confirmed that this essentially related to the upgrading of the cremators, that was already an approved capital scheme and added that it was currently cheaper to borrow rather than lease. She added that, based on advice from Sector, unless the rates change, it was currently more prudent to borrow in the short term rather than the long term.

Following detailed consideration the committee RESOLVED to note the Mid Year Prudential Indicators and Treasury Management Monitoring Report and recommend the following changes to Council:

- (i) Approve the revised Prudential Indicators and Limits as detailed on the report
- (ii) Approve the revised investment criteria (section 4.4) as detailed below:

The investment criteria will allow institutions originally deemed Eligible Institutions, included under the terms of the HM Treasury Credit Guarantee Scheme (initially announced on 13 October 2008), even though the ability of Eligible Institutions to issue new guaranteed debt has ceased. Counterparty quality will be monitored through the application of the Council's minimum Short, Long and Support credit ratings based on the Lowest Common Denominator approach. The duration of investments will be limited in line with the operational treasury instructions and the Council approved

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by show of hands rather than taking a recorded vote on it)
