

RECOMMENDATIONS TO CABINET ON 1 MARCH 2016 FROM THE AUDIT AND RISK COMMITTEE AT ITS MEETING ON 23 FEBRUARY 2016

AR87: CABINET REPORT: TREASURY MANAGEMENT STRATEGY 2016/2017

The Group Accountant presented the report and reminded the Committee that the Council was required to receive and approve a Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy which covered:

- Capital Plans, including prudential indicators.
- A Minimum Revenue Provision (MRP) Policy.
- The Treasury Management Strategy.
- An Investment Strategy.

Members were advised that the report covered the requirements of the Local Government Act 2003, the Chartered Institute of Public Finance Accountants (CIPFA) Prudential Code, the Department of Communities and Local Government (CLG) MRP Guidance, the CIPFA Treasury Management Code and the CLG Investment Guidance.

It was explained that the report looked at the period 2016/2020 which fitted with the Council's Financial Plan and Capital Programme. The report was based upon the Treasury Officers' views on interest rates, supplemented with leading market forecasts provided by the Council's Treasury Advisor, Capita Asset Services, Treasury Solutions.

In response to questions from the Chairman, Councillor Humphrey regarding the maturity structure for loans of 10 years and above, the Group Accountant explained that the Council currently had two lender option/borrowing option loans which were taken out in 2007, each of £5m for a 70 year period. It was explained that if the Council wished to pay off the loans at an earlier date a penalty fee would be incurred. The Assistant Director added that with these two loans there was a lender option to increase the rate, however, the Borough Council could respond that the increase was not acceptable.

The Group Accountant advised that with regard to the two 70 year loans taken out in 2007 were at a competitive rate and still remained at a competitive rate.

Councillor Hipperson commented that the Council had a high level of investments, why was it necessary to borrow rather than draw down some of its investment. In response, the Group Accountant explained that the Borough Council did lend itself money internally and would in turn use an element of its investments to fund the Capital Programme in future years. The Chairman, Councillor Humphrey referred Councillor Hipperson to page 67 of the report which set out an explanation to his questions raised.

The Chairman, Councillor Humphrey enquired if the debt rescheduling would be reported to the Audit and Risk Committee in addition to Cabinet. In response, the

Group Accountant confirmed that any debt rescheduled would be reported to both the Audit and Risk Committee and Cabinet at the earliest meeting following its action.

RESOLVED: The Committee support the recommendations to Cabinet as set out below, with an additional recommendation (5).

Cabinet is asked to recommend to Council:

- 1) The Treasury Management Strategy Statement 2016/2017, including treasury indicators for 2016/2020.
- 2) The Investment Strategy 2016/2017.
- 3) The Minimum Revenue Provision Policy 2016/2017.
- 4) Adopt the revised Treasury Management Practices (TMPs).
- 5) That any debt rescheduling will be reported to both Cabinet and the Audit and Risk Committee at the earliest meeting following its action.

AR88

CABINET REPORT: RISK MANAGEMENT POLICY AND STRATEGY REVIEW

The Audit Manager presented the report and explained that the Council's Risk Management Strategy was last reviewed and approved by Council on 28 January 2010. It was explained that the latest review had split the existing document into two documents, Policy and Strategy, and linked risk management more closely to the achievement of the Council's objectives. The risk appetite was formally recognised within the Policy, and the Strategy provided a means of escalating risks from service and project level to the Corporate Risk Register if necessary.

The Committee's action was drawn to the following sections of the report:

- The Risk Management Policy was attached at Appendix A.
- The Risk Management Strategy was attached at Appendix B.
- Page 94: Section 1: the next review date for both the policy and strategy was March 2019 to ensure that both documents were still fit for purpose.
- Page 95: Section 2: Definitions, Section 3: Benefits of Risk Management which could be linked with the Borough Council's Corporate Strategy.
- Page 96: Section 5: Risk Management Approach.
- Page 87: Risk Appetite
- Page 99: Strategy which provided more detailed information on how risks were identified, etc.
- Pages 102 and 103: Minimising, controlling and responding to risk, monitoring and reporting.

In response to comments from Councillor Morrison regarding the impact table on page 101, the Audit Manager undertook to look at wording and amend where appropriate.

Following comments from the Chairman, Councillor Humphrey on the acceptance of risk and that it had to be recognised that some risks could not be anticipated and the Council having liability insurance. The Audit Manager explained that at

an operational level, for example, risk assessments were undertaken in the grounds maintenance service area, however, it had to be accepted that there could be some risks which the Council could not prevent. The Audit Manager provided clarification between inherent and residual risk.

The Chairman, Councillor Humphrey commented that it was a well written report.

RESOLVED: The Committee support the recommendation as set out below:

That Cabinet recommend that Council approve the Risk Management Policy and Strategy.