

AUDIT COMMITTEE

29th January, 2016

PRESENT - Councillor Baldwin (in the Chair); Councillor McEwan and Mr J Morton (3)

APOLOGIES –

ABSENT – Councillor Johnson

OFFICERS – Brian James, Head of Corporate Assurance and Elaine Hufford, Finance Manager Treasury and Insurance

ALSO IN ATTENDANCE – Nicola Wright and Stuart Kenny, Ernst Young LLP

A33. DECLARATIONS OF INTEREST – There were no declarations of interest reported at the meeting.

A34. PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT STRATEGY REPORT 2016/17 - The Director of Neighbourhood Services and Resources submitted a report (previously circulated) requesting that this Committee reviews and scrutinises the Council's Treasury Management Strategy 2016/17 and its associated policies and the Treasury Management Prudential Indicators and make any necessary amendments or comments thereon prior to consideration by Cabinet and Council.

The submitted report outlined the Council's Prudential Indicators for 2016/17 and 2018/19 and set out the expected treasury operations for this period and it was reported that the Council's capital expenditure plans, treasury management and prudential borrowing activities indicated that they were within the statutory framework and consistent with the relevant codes of practice, prudent, affordable and sustainable and were an integral part of the Council's Revenue and Capital Medium Term Financial Plans.

Changes to the Council's MRP policy were outlined in the submitted report, this included the use of overprovisions made in prior years and the change from straight line and reducing balance method of repayment to an annuity method for all categories of debt, which would allow savings to the MTFP and would apply to 2015/16 and future years.

The Council's external auditors were at the meeting and updated Members on the present situation regarding re-profiling MRP. It was reported that all external auditors, that dealt with Local Authorities had recently met at a national level and were positive about the principles that were being used by Councils, including Darlington, to make use of overprovisions and re-profile MRP payments to allow savings to the MTFP, although the calculations would be subject to audit through the normal procedures.

The report also included a Treasury Management Strategy for 2016/17, covering the Council's debt and investment projections, estimates and limits on future debt, expected movements in interest rates and the Council's borrowing and investment strategies for future years. Key objectives of the investment strategy were outlined noting that the primary objective was the safeguarding of the repayment of principal and interest due to

the Council, ensuring liquidity of those investments and finally the rate of return on the investment. No changes to the revised strategy approved in January 2016 were proposed. With the key objectives in mind a suite of benchmarks monitoring security, liquidity and the yield of investments were agreed.

It was reported that no loans to Register Social Landlords had taken place in 2015/16 and were unlikely to do so, so the estimate for loans to RSL's had been moved to 2016/17. Any loans would be outside of the Treasury Management Strategy but would form part of the Capital Programme and interest rates would be based on appropriate Public Works Loan Board rates with a further percentage added dependant on risk and State Aid considerations.

RESOLVED –That this Audit Committee is satisfied with the Prudential Indicators and Treasury Management Strategy, as presented in the submitted report, and that the report be forwarded to Cabinet for its onward referral to Council for consideration.